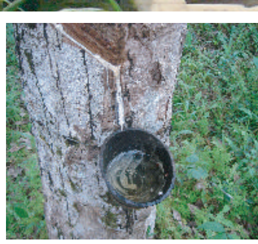
REVIEW OF DISTRICT EXPENDITURE IN PAPUA NEW GUINEA

Pilot Study of Four Districts (2013 Expenditure)

A collaborative study by
The National Economic and Fiscal Commission &
Department of Implementation and Rural Development



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Mr. Hohora Suve

Mr. Paul J Sai'i, OBE

FOREWORD

Over recent years, Papua New Guinea (PNG) has gone through major decentralization reforms aimed at improving service delivery to all Papua New Guineans. The reforms have attempted to kick-start the delivery of basic services to rural communities, who make up close to 85% of PNGs population but who have yet to enjoy effective public service delivery in their villages or wards.

The Government has commenced on rolling out its latest reform, the District Development Authorities (DDA). This followed the passing of the District Development Authority Act in November 2014 and takes effect from 1st January 2015. The DDA reform is a major overhaul of the governance system in the country at the subnational level, and requires that all agencies realign and harmonize their policies and activities to assist the Government in the successful implementation of the latest reforms.

This pilot District Expenditure Review (DER) attempts to inform this most important reform process, pulling together the resources, information, and know-how that has been gathered over the last decade by the Department of Implementation and Rural Development (DIRD) and the National Economic and Fiscal Commission (NEFC). The goal of the DER is to review recurrent, personnel emoluments and development expenditure in the districts, and to provide Government with a clear analysis of where the districts stand in terms of implementation capacity, and propose a way forward to address the gaps that have been preventing effective service delivery in PNG.

This joint agency review builds on ongoing collaboration between DIRD, NEFC and the administrations of the 22 Provinces, 89 Districts and 319 Local-level Governments (LLGs) across the country. It is also the first outcome following two years of joint agency efforts to harmonize the data gathering and data analysis resources including the expertise of both agencies.

With little public knowledge about the use of funding going down to the district levels, the idea of the DER was jointly initiated by the NEFC Chairman-CEO: Mr Hohora Suve and Acting Secretary DIRD, Mr Paul Sai'i.

Whilst effective service delivery is still an unfulfilled objective for most of the country, there is evidence that, in many districts across PNG, service delivery is actually taking place. It is also fair to say that this improvement in service delivery has been largely unnoticed primarily due to the absence of effective reporting or monitoring systems able to track how government funds are being used. Without proper documentation or measurement, and without extracting lessons learned, the evidence of service delivery outcomes remains scant. Recent visits by the NEFC to districts within the Eastern Highlands and Southern Highlands noted specific tangible evidence of recently constructed staff housing, roads, aid posts, administration buildings and even street lights that had evidently been erected from the DSIP funds. This is also consistent with DIRD field officers' observations, who have found that in spite of the odds, many districts have found ways to deliver services. These successes have been largely unacknowledged and under analysed. The DER is the latest in a number of efforts by DIRD and NEFC to progress the knowledge required to make service delivery a reality to all rural communities across PNG.

DIRD and NEFC are one of the frontline agencies tasked to ensure that service delivery is implemented effectively and efficiently in the rural areas of our country. The two agencies have also been effective partners in rolling out some of the most important decentralization reforms over the last decade, namely the Reforms on Intergovernmental Financing Arrangements (RIGFA) and Service Improvement Programs (SIP). It also needs to be acknowledged that these reforms would not have been possible without the support of our other major stakeholders including the Department of Treasury (DoT), Department of Finance (DoF), Department of Provincial and Local Government Affairs (DPLGA), and the Provincial and Local Level Service Monitoring Authority (PLLSMA).

In fulfilling their corporate mandates, DIRD and NEFC have systematically collected fiscal, project implementation and socio-economic information across the country through the District Information and Management System (DIMS) and the Cost of Services Study (CoSS).

The DER pulls together this information to facilitate the implementation of the DDAs, to make the Service Improvement Program (SIP) more accountable and effective, and to explore ways to improve the equity, transparency and scope of RIGFA. The DER is also an attempt to start to define in a more precise and quantifiable manner what the Minimum Standards promoted by DPLGA should look like with the advent of the DDA.

DIRD and NEFC have a long history dealing with the subnational administrations of Papua New Guinea. The results of this relentless search for quantifiable and standardized data on provincial performance have been captured by the Provincial Expenditure Review (PER). Most importantly, however, the implementation of RIGFA relied on the Cost of Services Study (CoSS) which the NEFC undertakes every five years. The CoSS is the backbone of RIGFA itself providing the cost that the NEFC gathers to determine how much funding each province or LLG should receive on an annual basis. The first CoSS was carried out in 2005, a follow- up study concluded in 2011 and NEFC is presently in the process of conducting the 2015 Cost of Services Study.

After almost seven (7) years of experimentation with the District Development Program (DDP), the DIRD was tasked to design, oversee and coordinate the District Service Improvement Program (DSIP) in 2007. This program was expanded in 2013 to cover all provinces, districts and LLGs in the country, in the form of the SIP. However despite stringent guidelines being developed, proper accountability requirements and the reporting of outcomes at the district level has been very poor. Government therefore needs to develop more robust accountable and reporting systems, if it is to safeguard its annual investments in the districts. With decentralisation of funding going down to the provincial, district and LLG levels, it has become more critical than ever to properly account for these Government funds and to ensure that Government's intended objectives and outcomes are achieved. It is against this background that DIRD initiated, in 2010, the design and implementation of DIMS, acting on the findings of the 2009 DSIP Review conducted by DIRD.

Since there has been little analysis over the use of the DSIP and the SIP funding effective from 2013, DIRD and NEFC decided to join efforts and their data holding in DIMS and CoSS. Due to the novelty of the effort and the need of providing usable information to GoPNG as soon as practical, the DIRD and NEFC teams decided to concentrate efforts to a handful of districts where the information required for the DER was readily available. The information required was completed for DIMS surveys, relatively comprehensive 2013 SIP Acquittals presented to DIRD in early 2014, and the availability of electronic PNG Government Accounting System (PGAS) data. Given these requirements, the Departmental Heads of DIRD and NEFC agreed to initially pilot the DER in four Districts based on data available, to enable the timely analysis of information on hand, and to develop a suitable research strategy for tackling the analysis of the remaining 85 districts.

In the face of massive amounts of funding now being directed to the subnational levels and with joint allocations just under K3 billion oversighted by DIRD and NEFC the public wants to feel the effects of service delivery at their door step. Ideally clients are supposed to be benefiting from effective service delivery. The Government also needs this information to identify bottlenecks and gaps and correct them, making a more effective and efficient use of scarce public resources. The future of the latest set of decentralising reforms and of PNG itself depends on it.

We sincerely hope that this joint initiative by the DIRD-NEFC will be useful in promoting more informed government decision making but more importantly provide government with timely information to address

[1] SIP Administrative Guideline 1A/2013 developed by Department of Implementation & Rural Development and Financial Instruction 3E issued by Department of Finance to put financial components of the guidelines under Public Finance Management Act.

Foreword continues...

weaknesses in the systems and to be able to take timely and corrective action particularly in relation to system inefficiencies or misapplication of funds.

Finally, we would like to thank staff from both NEFC & DIRD who participated in the study for undertaking this painstaking but much needed analysis. We also thank the PLGP program with the technical assistance provided.

We sincerely hope that this pilot District Expenditure Review is the beginning of an in depth analysis and reporting of development and recurrent expenditure and to include all the 89 Districts. This collaborative effort between DIRD and NEFC needs to be broadened to include other stakeholder agencies such as DPLGA, DoT and Department of Finance if we are to ensure that Government's long term goals and objectives including the aspiration of Vision 2050 are met.

HOHORA SUVE
Chairman and CEO
National Economic and Fiscal Commission

PAUL J SAI'I, OBE
Acting Secretary
Department of Implementation and Rural Development

EXECUTIVE SUMMARY

Introduction

Over the last decade DIRD and NEFC have been involved with the two major services delivery sub-national reforms implemented in Papua New Guinea; the Service Improvement Program (SIP) and the Reforms on Intergovernmental Financing Arrangements (RIGFA). The overarching objective of the reforms has been to implement PNG's second National Goals and Directive Principle, which requires that all citizens be provided with an equal opportunity to participate in, and benefit from the development of our country.

With increasing funds being channelled down from National Government to Districts and LLGs, it has become critical to provide proper coordination and a monitoring framework for the use of decentralized annual allocations which has reached K3 billion in 2015. However setting up this coordination and monitoring framework requires a thorough analysis of public funds with the aim of better informing government and the general public, and more importantly, collecting and analysing the information required to do that.

Scope

While the overall objective of the DER is to cover all 89 districts in the country, for this first scoping report, the DER 2013, the Team will only analyze four (4) districts. The selection of these districts was based on the availability of electronic PGAS data for district expenditures, on the presentation of relatively comprehensive 2013 SIP Acquittals by the districts, and the availability of full DIMS surveys (See Appendices). Furthermore, DIRD and NEFC had to rationally use their limited resources, to provide a timely response to the Government in its requirement for data to inform the rollout of the DDA.

Based on these parameters, DIRD and NEFC Departmental Heads agreed to conduct an initial review on only four districts meeting these criteria, with the aim of quickly identifying the main issues to be addressed in the DER in future iterations, and to develop a sustainable methodology that could then be extended in the analysis of the remaining 85 districts of PNG.

The four districts selected as part of the pilot review were:

(1) Henganofi (Eastern Highlands Province);
(2) Kokopo(East New Britain Province);
(3) Wapendamanda (Enga Province); and
(4) Usino Bundi (Madang Province).

Objective of the District Expenditure Review

The primary objective of this District Expenditure Review is to:

- Gather and analyse data pertaining to district development, recurrent and human resources expenditure;
- Conduct an evidence-based review of recurrent and development expenditure trends;
- Provide a comparative expenditure analysis amongst priority sectors in the districts;
- Determine the degree of misalignment between recurrent and development expenditure;
- Determine the effectiveness of district financial management systems and processes;
- Provide an arguementative feedback on impact of new reforms on districts, particularly the DDA; and
- Point out capacity issues and constraints at the district level which either contribute to improvement or deterioration of service delivery.

Methodology

The DER 2013 study is a joint collaboration between the DIRD and NEFC, and an initiative of the Department Heads of the two Agencies. A Memorandum of Understanding was entered into by both agencies in 2014, initially planning to produce a joint district expenditure review of six (6) districts. The original scope was later limited to four (4) districts due to the unavailability of the required electronic PGAS data format for these two districts.

[2] **Note :** Two Districts (1) Rai Coast (Madang) and (2) South Fly District (Western Province) that were originally selected as part of the six districts had to be excluded from the final study as both districts were unable to provide us with an electronic copy of their 2013 PGAS financial data. It would have been both time consuming and onerous to extrapolate data from the hard copies of the PGAS reports.

As part of the methodology and collaboration between the two agencies, it was agreed that NEFC would conduct an analysis of the recurrent expenditure and DIRD would conduct the review of the DSIP acquittal analysis, followed by both agencies meeting to jointly analyse the recurrent and development expenditures and other pertaining issues at the district level that impact service delivery. A joint draft DER report summarizing the findings and analysis to the Agency Heads, prior to the public release. The 2013 DER study is the first outcome of this collaboration effort between NEFC and DIRD.

As preparatory tasks, the DIRD-NEFC team conducted a review of previous studies including a review of the 2003-2007 NEFC Development Expenditure Review conducted in 2009, the District Case Study (2007), the District Survey component of NEFC's CoSS for 2009 and 2011, the 2009 DSIP review produced by the then Office of Rural Development (now DIRD) and the District Study produced by DPLGA in 2009. This desktop review was conducted to obtain a broad insight and historical perspective for the DER, and to inform of the processes in choosing the major issues and themes to be covered by the DER.

Interviews were also held with the District Administrations and Treasury Staff including participation by DoF, DoT, DPLGA and DNPM.

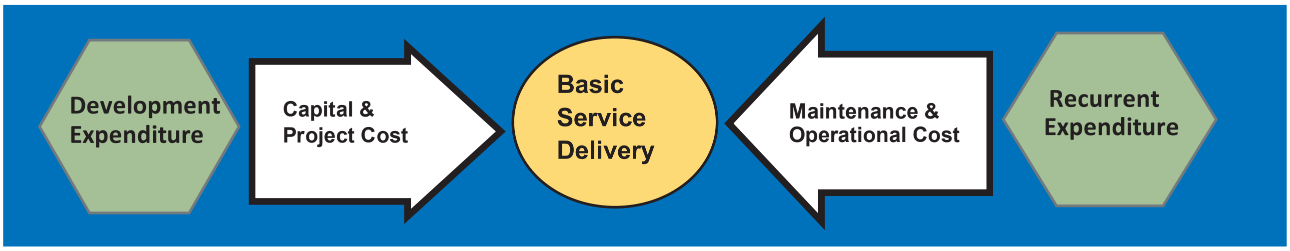
Nexus between Development and Recurrent Expenditure

At the outset, it needs to be understood that there is a close nexus between recurrent and development expenditure. The diagram below illustrates the inter-relationship between development and recurrent funding and its linkages to basic service delivery.

Spending on development expenditure alone cannot be sustained without adequate funding allocated and effectively spent on the maintenance and operations of new development projects/ infrastructure.

Little or no maintenance and operational expenditure can result in escalating costs to Government in the future, and in the progressive decay of once new infrastructure. Without a proper mix between development and recurrent funding, the consistency and delivery of services will be adversely impacted.

Diagram 1 shows the nexus between Development and Recurrent Expenditure at the cost of funding Basic Service Delivery



For example, the remote district of Telefomin in Sandaun province, can construct a new Aid post from DSIP funds. For the facility to operate efficiently, it also requires recurrent health function grants and/or provincial funding to cover for the operational costs to maintain and run the facility. This recurrent expenditure includes ensuring that facilities are adequately staffed, that drugs supplies are readily available, and that there is fuel for generators and vehicles including other essential but related costs (e.g. cleaning materials). **Therefore spending on development and infrastructure must be adequately supported by a proportionate increase in recurrent expenditure.** This is fundamental to ensuring ongoing consistency, efficiency and sustainability of service delivery.

As anticipated, the DIRD/NEFC DER team encountered major difficulties in gathering the required information required to conduct the exercise. In particular, obtaining the base District PGAS data, required to facilitate the DER was extremely difficult, and significantly delayed implementation of the DER in collecting this information. The District PGAS data was not available at the DoF. Through the joint funding of GoPNG and donor assistance, it was necessary to travel to each of the districts to physically obtain the required 2013 PGAS data. Despite travelling to all the six districts, NEFC was only able to secure the required electronic PGAS from four of the six districts in an acceptable format.

The inability to readily obtain District PGAS data from the National agency (DoF) mandated to collect and provide the PNG Government Accounting System data, remains a matter of utmost concern. This issue has also highlighted the financial management reporting weaknesses in the sub-national systems. While Districts are required to provide their District PGAS data to Department of Finance (DoF) in Waigani on a quarterly basis (i.e. in an electronic format) this critical reporting remains ineffective. The DoF formally authorised the DIRD/NEFC teams to obtain the required 2013 PNG Government Accounting System (PGAS) data directly from the District Administrations. This includes staff travelling to each District to collect the PGAS data from the Districts. If this is to be replicated in all 89 districts, the costs would be exorbitant. Therefore, present reporting systems from districts to the DoF must be strengthened as a matter of priority.

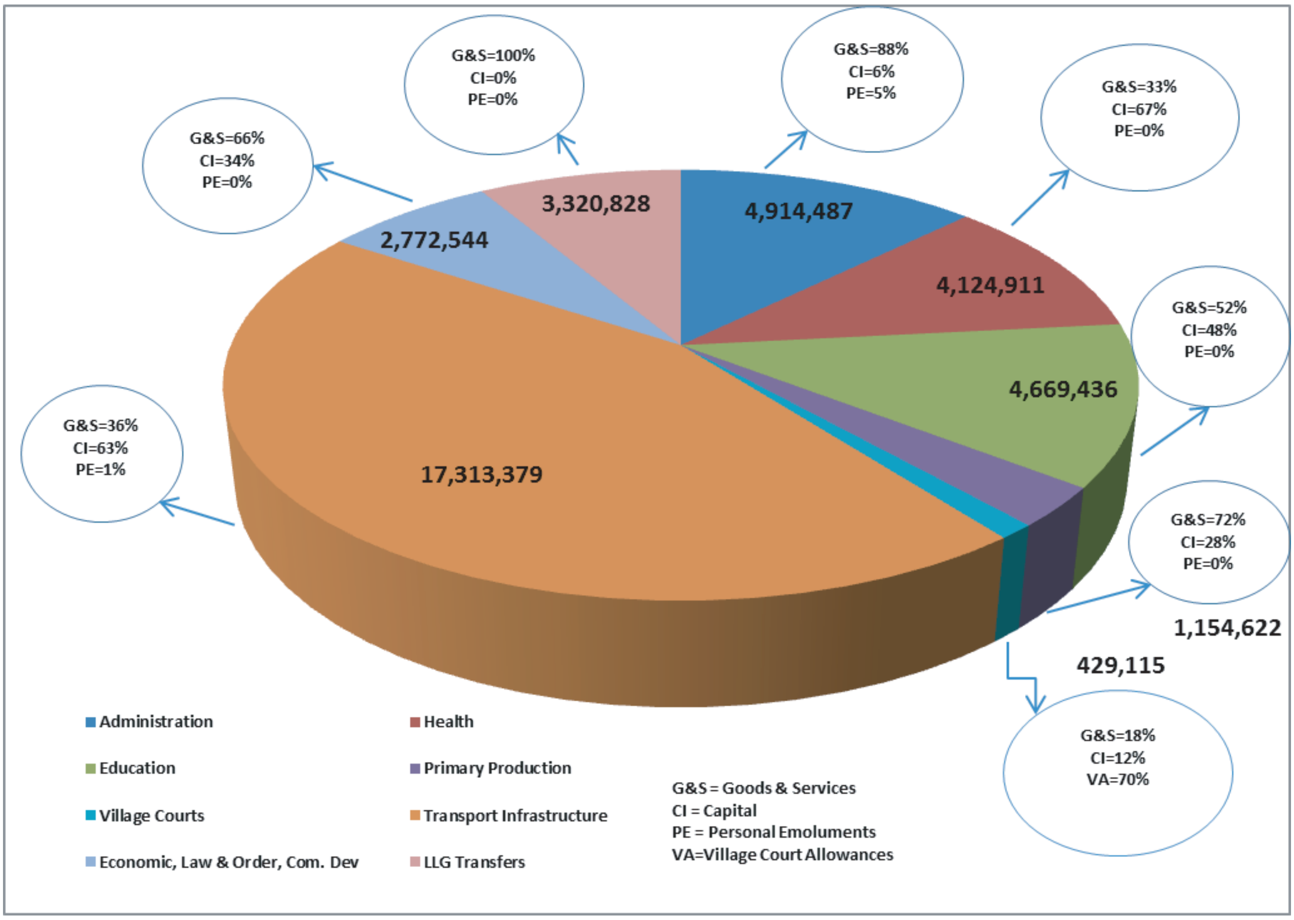
Why Conduct a District Expenditure Review?

With large amounts of funds being channelled to the districts and LLG levels, it is necessary to undertake a snap-shot review of district expenditures based on available information, with a view to better informing and assisting Government in taking timely action to address any shortcomings.

Further the findings of the review can also be used to better:

- promote better understanding of trends in expenditure including priorities;
- identify issues or weakness in financial management systems, performance reporting or collection of data;
- strengthen weaknesses identified with management processes and systems;
- provide an indication of the logistical issues that may be associated with conducting a more comprehensive study of all Districts on a periodic basis; and
- Promoting greater transparency and accountability of public funds.

Graph 1: the district expenditure trends in 2013 including a district expenditure overview for the four districts.



[3] Graph 1 above depicts the cumulative budget expenditure for the four districts. The Appendix to this report provides the data tables of actual expenditures on goods and services, personal emoluments and capital & projects.

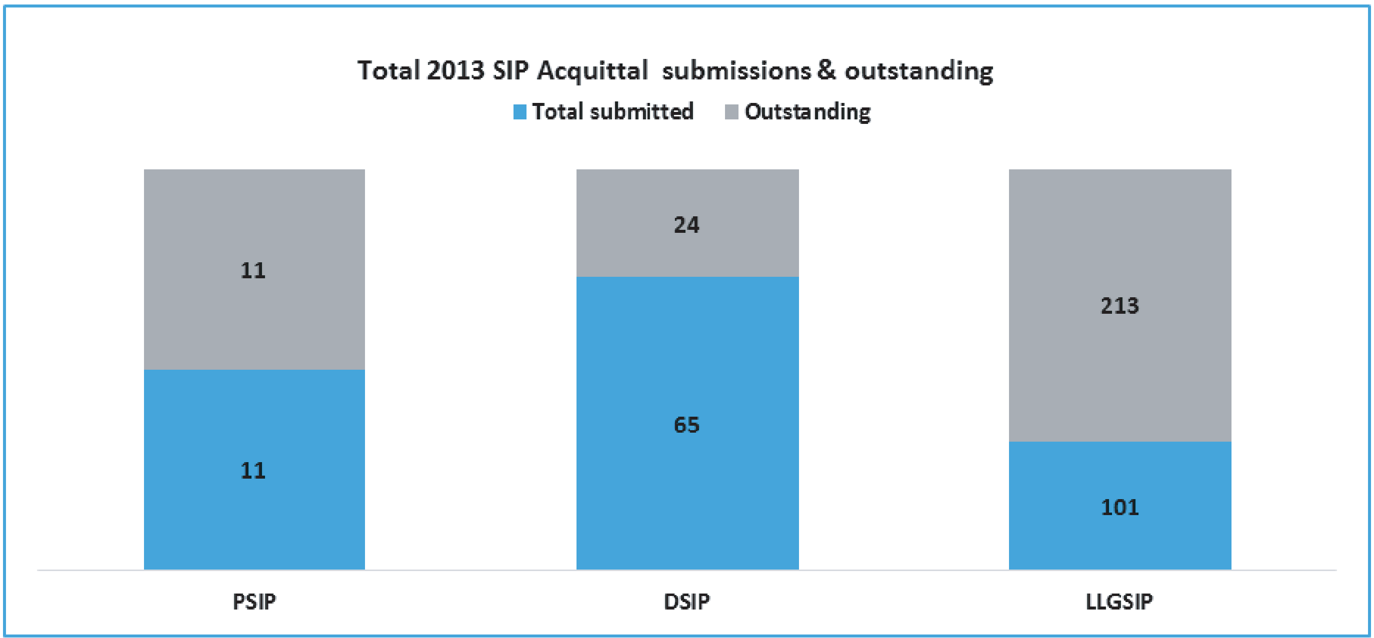
The pie graph on previous page provides a clearer picture on how grants from the national government are used by Districts. We have also included 'rolled-over' funds (i.e. carry over from 2012 into 2013) to provide total expenditure from the funding envelope.

In relation to personnel emoluments, we have only provided an analysis of the capital component of recurrent staffing cost including allowances and overtime. This excludes payments for general labour, security and staff incidental allowances.

SIP 2013 ACQUITTALS

There were delays in Districts submitting the DSIP acquittals within the approved guidelines. Whilst some districts have shown consistency in submitting timely acquittals, a majority of districts do not adhere to the designated timeframes specified under the SIP Administrative Guidelines by DIRD/DOF and Financial Instructions under PFMA by DOF. The review of the 2013 DSIP Acquittals identified that 50% of Provinces, 73% of Districts, and 32% of LLGs had submitted their SIP acquittals (i.e. as at 17th April 2015) to DIRD for review. These are further illustrated below.

Graph 2: shows the Service Improvement Program Acquittals submission status as on 17th April, 2015



It should be noted that 2013 was the first year of the SIP funds to include PSIP and LLGSIPs and the lower acquittal submission could be a reflection of this. It should also be noted that the acquittals were also compromised by the late release of funds.

OVERALL SUMMARY of OBSERVATIONS, ISSUES AND WEAKNESSES

The major observations, issues and weaknesses identified during the course of this review are summaries below:

- Overall there is evidence that recurrent expenditure which predominantly represents function grants transferred from the provinces is allocated and expended by Districts on the MDTP sectors, based on the PNG Government Account System (PGAS) expenditure classifications. This was also consistent with the findings of 2013 Provincial Expenditure Review (PER);

- Further to the delays from National Government to Provinces, there are further delays within the province (i.e. from the province to districts and facilities). There is a need to further expedite these processes at all levels if the planning and consistency of service delivery is to be sustained;

- The sheer volume of the acquittals that need to be reviewed by DIRD is onerous. The detailed requirements of the SIP administrative guidelines make it impractical for the two agencies DIRD and DoF to efficiently execute their functions efficiently. This appears to have resulted in a breakdown of processes when funding is released by the DoF prior to acquittals being received or authorised by DIRD.

- It was identified that with the large amount of funding being allocated to districts, this has given rise to a co-mingling of funds between development and recurrent funds (i.e. DSIP funds used for function grants and vice versa). This effectively means that the accountability and effectiveness of performance assessment relating to development or recurrent funds may be compromised. This may also be partly attributed to the inconsistency of funding releases from National Government;

- The large proportion of development funds are not supported by proportional increases in recurrent funding in support of development projects (i.e. maintenance). This means that the costs of servicing assets such as maintenance and operations is not included and likely to contribute to the deterioration of assets and escalating costs to maintain or even replace public assets in the future.

- The long term sustainability and consistency of service delivery remains of primary concern as the financial management and reporting systems are particularly weak. In particular, there is a breakdown of reporting systems up-line to Provinces or National Agencies. It is also of concern that there is inconsistency in the application of expenditure codes between districts which compromise effective analysis.

- Two of the four districts reviewed, identified that PGAS data did not include the DSIP expenditure. Whilst It is likely that a separate District Trust Account may be maintained we were unable to establish whether this was the case or not;

- The full extent in fragmentation of funding including disproportionate funding between provincial and districts administrations will continue to be a source of tension particularly when development funding is not supported by adequate recurrent funding. Greater collaboration and planning within the province remains the key;

- The need to factor in 'flow on' costs of capital or infrastructure development, particularly at the project proposal and decision making level needs to be reinforced as this has the potential of having a significant impact on recurrent expenditure and ultimately on service delivery;

- There was little evidence to suggest that the development priorities are consistent with District Development Plans. We were advised that where development plans are in place, this can be subject to change based on new political priorities;

- The present DSIP acquittal system is onerous and needs to be streamlined. Less than 50% of Provinces, 73% of Districts and only 32% of LLG, had submitted their acquittal.

- It appears that two districts are maintaining separate financial systems possibly in trust accounts, which maybe in contravention of Government policy;

- The acquittal processes also identified that DSIP procurement processes continue to be weak including weak monitoring and auditing systems, increasing non-compliance and potential misuse of funds. Project and contract management is also poor and there is failure to monitor the progress reports. One factor associated with monitoring weakness is the lack of HR capacity at DIRD and inconsistent and late release of SIP implementation/monitoring funds to DIRD. For example, K2.5 million was allocated at the end of September to monitor developments in 22 provinces, 89 districts and 319 LLGs.

- The acquittal process identified that large sums of payments maybe disproportionately paid upfront ahead of the contract commencement or completion of milestones. In addition, the ten (10) percent retainer deposit to be held back at the completion of projection pending certification is not always adhered to; and the non-compliance of procurement process remains the major concern in districts which continues to deny impact service delivery including realizing value for money services.

- Functional assignments and determinations between the various tiers of Government will need to be reviewed in the light of the new proposed DDA function determinations between provinces and districts. There continues to be ambiguity and overlaps that need to be addressed. This is critical if service delivery is to function effectively.

- Overall development expenditure data indicates that a large proportion of expenditure incurred is on indirect development expenditure such as salary and wages including substantial payments paid to security companies, electoral officers and compensation claims. This appears to contravene the DSIP guidelines. It remains unclear whether the cost of wages or payment to security companies had been prior-approved or part of the original development proposals approved formally by the former JDP & BPC.

CONCLUSION

This District Expenditure Review is not an audit of district expenditure but an overall analysis and observations by DIRD and NEFC based on available data, interviews and observations.

This District Expenditure Review and analysis of the four (4) pilot districts identified a number of observations, weaknesses and issues. Fundamentally, the financial management systems required to properly account for the large amount funds being transferred to sub-national levels, needs to be significantly strengthened. A number of financial management inconsistencies including between Districts is evident. The reporting back up-line provinces and national agencies has weakened considerably. It became necessary for the NEFC travel to the Districts to directly obtain the PGAS data.

It is a requirement that district quarterly reports are provided to provinces and national agencies at the end of each quarter. This includes a district PGAS data backups conducted each quarter. It would appear that this requirement is overlooked by many Districts. The policy needs to be reinforced.

This pilot DER has demonstrated a need for a more comprehensive District Expenditure Review of all Districts based on the significant weaknesses in sub-national processes and systems. There is a dire need for improved monitoring of district expenditure including timely reporting upstream and improved financial management systems.

What has also become apparent is that failing to conduct timely district expenditure reviews will contribute to poor management practices, misuse of funds, misappropriations and fraud, which may never be detected timely. Ultimately the very intentions of Government to improve services to rural communities will continue to be severely compromised.

Overall the DER has identified that it is timely for the intergovernmental financing system to be more integrated and consistent with National Government's goals and objectives. This should also pave the way for a more effective and integrated equity funding system which factors in recurrent, capital and personnel expenditure. This has been described by DPLGA as a 'one stop shop'.

There is a critical need for streamlining the SIP acquittal processes. The present timeframes and resources to effectively monitor the large amount of funds are inadequate. Poor oversight of development funding in particular will contribute to GoPNG Goals and objectives not being met and detrimental to the people of Papua New Guinea.

District Administrators including the DDAs must be held responsible for their respective entities. This should be supported by appropriate tools benchmarks and performance measures. The major national agencies and bodies responsible for service delivery including DIRD, NEFC, DPLGA and PLLSMA must work collaboratively to develop these processes and systems, to fundamentally ensure that basic public service delivery is executed effectively for the benefit of the majority of Papua New Guineans who live in rural areas and who are yet to experience effective public service delivery in their respective villages or wards.

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LIST OF TERMS AND DEFINITIONS

Term	Definition
Acquittals	Describes the book of records containing detail expenditures of District Service Improvement Program alongside with evidence such as photos to prove these expenditures. Districts normally submit these acquittals to DIRD for appraisal purposes before they are given the next payment of DSIP for current year.
Appropriations	A legislative authority to spend funds. Appropriations are set out in the annual budget papers.
Capital appropriation	Describes the amount of fund allocated to districts as per the budget books. This figure is not to be recorded as expenditure because it is not yet being spent. These funds should be spent on capital costs which then become capital expenditure when the actual money is being spent.
Capital expenditure	Describes spending to acquire or upgrade physical assets such as buildings, roads, and equipment.
Chart of Accounts	Describes the list of names of accounts that an agency identified and made available for recording transaction in its general ledger.
Cost	In the context of this report refers to what we estimate it will cost not what we necessarily actually spend.
Cost of Services Study	Describes an NEFC study that estimated how much it costs to support service delivery within a province (health, education, etc.) on a district by district basis.
District Development Program	Describes the program that was in place prior to the SIP. This program back then was the main source of capital funding to the districts until DSIP was introduced in 2007 and then SIP in 2013.
Provincial Treasury Account	Branch of the Department of Finance located at each provincial administration. Provincial Treasurers are appointed by the Secretary: Department of Finance and reports to the DoF.
Recurrent appropriation	Describes the amount of fund allocated to districts as per the budget books. This figure is not to be recorded as expenditure because it is not yet being spent. These funds should be spent on recurrent costs which then become recurrent expenditure when the actual money is being spent.
Recurrent expenditure	Describes spending that is directed to purchasing regular routine operational supplies and services, transport costs and routine maintenance of buildings. It does not include personal emoluments, capital and project costs.
Service Delivery	Describes what the various arms of government actually do for the people of PNG but more specifically it comprises a range of specific activities. Examples of service delivery activities include the following: Health service delivery activity would include conducting immunisation extension patrols, school visits, and training for village birth attendants. It would also include getting medical supplies from the area stores to the rural health clinics and aid posts.

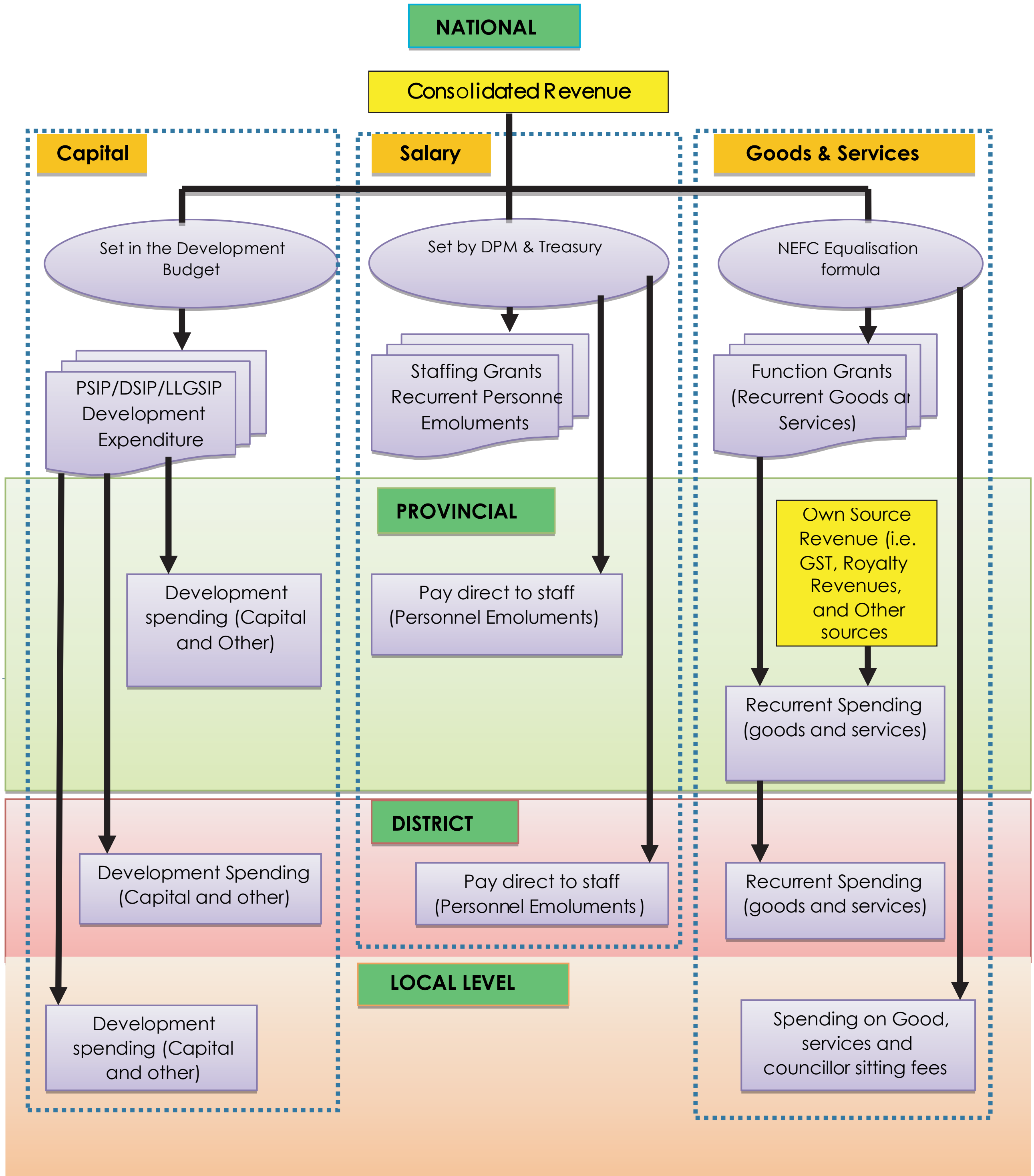
List of Terms and Definitions continues...

	Education service delivery activity would include providing basic educational materials and education subsidies to schools. It would also include school supervision.
	Primary Production service delivery activity would include extension services being carried out such as fish farming training or crop production training.
Trust Fund	Funds in the Trust fund are managed outside the normal annual appropriations cycle, and can be only be approved in accordance with financial delegation.
Virement	Process of transferring funds from one budget line to another. Usually done at a quarterly budget review and can only be reviewed and can only be approved in accordance with a financial delegation.
Vote	The lowest level of breakdown in a budget. In PNG this is the item level. Each activity is allocated a sum of money that is divided between the different heads in a standard set of economic classifications.

List of Abbreviations

Abbreviations	Meaning
200 series	Expenditure from National Government grants
700 series	Expenditure from internal revenue
CoSS	Cost of Services Study
DDA	District Development Authority
DDP	District Development Program
DHQ	District Head Quarter
DIS	District Information System
DIRD	Department of Implementation and Rural Development
DNPM	Department of National Planning and Monitoring
DoF	Department of Finance
DoT	Department of Treasury
DSIP	District Service Improvement Program
DSG	District Support Grant
DTOA	District Treasury Operating Account
FAD	Function Assignment Determination
GoPNG	Government of Papua New Guinea
LLG	Local Level Government
LLGSIP	Local Level Government Service Improvement Program
MPA	Minimum Priority Activity
MTDP	Medium Term Development Plan
NEFC	National Economic and Fiscal Commission
PER	Provincial Expenditure Review
PGAS	PNG Government Accounting System
PHQ	Provincial Head Quarter
PIP	Public Investment Program
PTOA	Provincial Treasury Operating Account
PSIP	Provincial Service Improvement Program
RIGFA	Reform of Inter-governmental Financing Arrangement
SIER	Service Improvement Equalization Regime
SIP	Service Improvement Program
SSG	Special Support Grant
CIMC	Consultative & Implementation Monitoring Committee
PPMT	Provincial Project Management Team
DPMT	District Project Management Team
IFMS	Integrated Financial Management System
JDPBPC	Joint District Planning & Budgets Priority Committee
DWU	District Works Unit
SoW	Schedule of Works
BoQ	Bill of Quantities
PFD	Project Formulation Document
CSTB	Central Supply and Tenders Board
PSTB	Provicial Supply & Tenders Board
DDP	District Development Plans
PFD	Project Formulation Document

Diagram 2: shows an overview of PNG's Intergovernmental Financing System



CHAPTER 1

INTRODUCTION – DISTRICT EXPENDITURE

One of the primary objectives of the District Expenditure Review (DER) was to gain a better understanding of the various sources of funding being channelled into rural service delivery.

Presently, limited knowledge of the total district funding envelope is known at the National level, other than the expenditure recorded in the National Budget Books. The Districts can presently receive funding either directly or through the province.
Please refer to page 22 which provides an overview of funds channelling.

1.1 Major Sources of District Expenditure

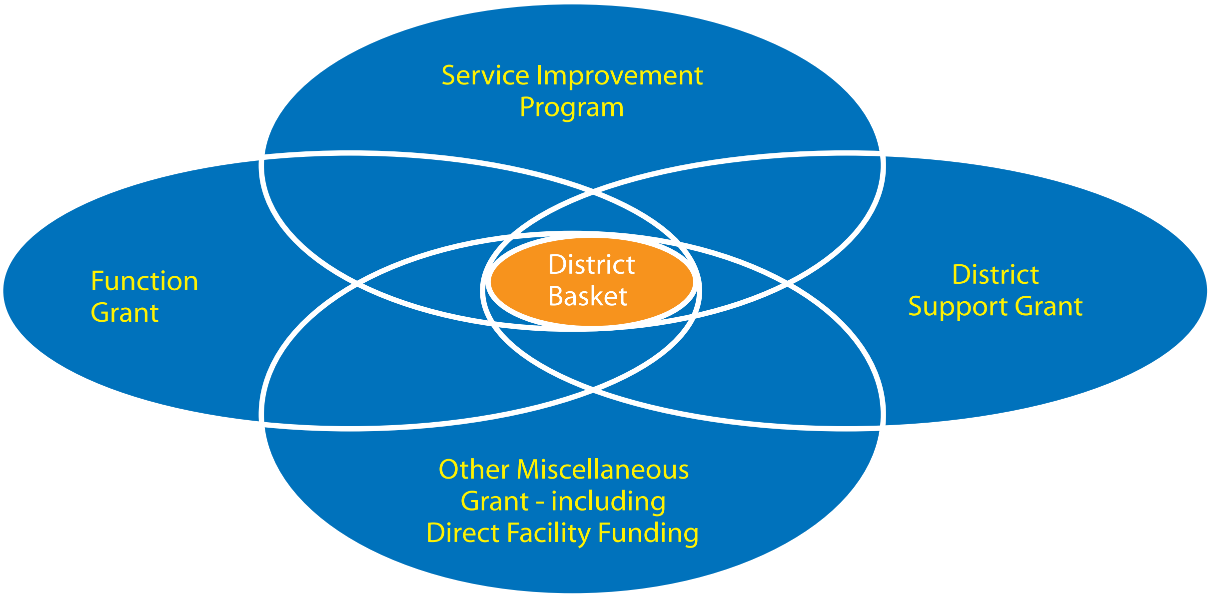
A number of sources of funds are channelled to districts. These include external sources of funding from donors and religious institutions. Some external funding such as funding from religious denominations and donors have been excluded from this pilot study even though they contribute to service delivery. This was primarily due to time constraints in obtaining all the required data. Instead we chose to focus on major sources of district funding and expenditure.

We have also flagged that at a later stage all funding to the districts should be subject to further research to determine the full District fiscal envelope. This is necessary for effectively prioritising and optimising limited resources.

This DER identified that other than personnel emolument expenditure (i.e. paid through the National Government) development and recurrent expenditure remains the major sources of expenditure which promote the provision of basic service delivery at the sub-national levels of government.

Development appropriations represent the capital and project costs of constructing new aid posts, schools, roads, and bridges, whilst the recurrent appropriation relate to operational and maintenance, costs of these facilities and infrastructures.

Diagram 3: shows the overall District funding basket in the form of capital and operational funding



1.2 The District Funding Streams

Diagram 3 above depicts the major district funding streams. These funding streams primarily comprise of grants from the national government. However, it is to be noted that salaries for public servants are excluded as comparison between relative and actual spending attributable to service delivery is required.
Each of the above funding streams described depicted above are detailed below:

1) Service Improvement Program funding;
2) District support grants;
3) Function grants; and
4) Other miscellaneous grants.

1.3 Service Improvement Program (SIP)

Service Improvement Program (SIP) covers the PSIP, DSIP and LLGSIP and represents the primary sources of development expenditure going down to the districts. In 2013, under the SIP, provinces received K5million per district and disbursed through the JPP/BPC under the custody of the respective Governors where PSIP is allocated purposely to compliment DSIP developments. Districts received K10 million each and LLGs receive K500,000 each. These expenditures are targeted at building, constructing and improving facilities at the provinces, districts and LLGs. In 2014, DSIP was increased from K10 million to K15 million while the LLGSIP decreased from K500 000 to K100 000.

1.4 District Support Grants

DSG is a fixed or block component of development expenditures which districts receive on an annual basis. This grant is further split into two components: a discretionary component and a non-discretionary component. The total DSG that each district receives is K500,000: An amount of K250,000 represents discretionary component and the other half of K250,000 represents the non-discretionary component. This expenditure source is made available during semesters within the financial budget year.

The discretionary component is for use by the member of parliament at his/her discretion within the district. The non-discretionary component expenditure **must be aligned and consistent with the five year district plan.**

1.5 Function Grants

Function grants are the major source of funding which is to be used for operational and maintenance costs of running facilities at the sub-national levels. The recurrent funding is based on a 'needs basis' and the amount can vary between Provinces based on costs and internal revenue generated within the Province.

These grants are intended to sustain service delivery including operational and maintenance costs within each of the sectors. These grants are described as health function grants, education function grants, primary production function grants, transport infrastructure function grants and village courts function grants. Apart from these grants, the NEFC also determines additional functional grants known as the Administration Function Grant and Other Service Delivery Grants.

These Function Grants are calculated by the NEFC based on equalization principles. The NEFC is presently required to calculate grants to the Provinces and LLGs. Provinces are responsible for allocating funding to the districts to enable service delivery at the district level.

1.6 Other Miscellaneous Grants

These represent grants that are targeted for development purposes at the district level. The expenditures from this source of funding may not be included in the recurrent budget but they are targeted at improving service delivery at the district level. Below are some forms of miscellaneous grants going to the districts for the provision of service delivery.

Some of these sources of expenditure may include funds for natural disasters assistance, addressing environmental issues such as epidemic outbreaks and direct facility funding to maintain infrastructure and facilities at the district level. A broad summary of Development Revenues including recipients and focus is provided below for readers' information.

Table 1: shows a summary of other miscellaneous Grants

Development Revenue	Recipient	Purpose Focus Area	National Conditions on Spending	Main Provinces that benefit	Calculation	Key national Agencies
Development: CIPs Capital Investment Program (formerly (Public Investment Program)	Provincial Headquarters	Wide range of general development and infrastructure projects proposed by Provinces, approved by DNPM	Conditional as per PFD	CIPS /PIPs have been significantly wound down and funds transferred to PSIP/ DSIP/ LLGSIP. Evidence exist of significant inequality in allocation of PIPs between provinces	PFDs, lobbying and representations by provinces to DNPM. Lacks transparency. No formula to determine provincial entitlements.	DNPM
Development: Specific purpose or limited development schemes.	Provinces	Particular sector targeted by special initiative	Conditional	Depends on operation of funding scheme	Depends on operation of funding	Sometimes DNPM, sometimes sector agencies
Development: Least Developed District Grants	Provincial Headquarters	Not clear. Related to projects to assist development in PNG's least developed districts	Unconditional but province must obtain DNPM and DOF approval for projects	Those provinces with at least developed districts	NEC decides amount of grant, if any, each year. NEFC advises on a formula for ascertaining which are PNG's least developed districts	NEFC, Treasury, DNPM

Footnote: the list below is not exhaustive. It also includes grants for District markets and District vessels for the maritime areas.

The table that follows provides a sector expenditure summary which includes LLG transfers for the four districts included in this pilot study. This pilot review highlights significant variations in expenditure. This has highlighted the need for greater analysis and oversight on how expenditure is prioritised, budgeted and expended.

refer to next page

Table 2: Summary of sector expenditure including LLG transfers for the four districts included in this pilot study

Funding Source	Administration	Health	Education	Primary Production	Village Courts	Transport Infrastructure	Economic, Law & Order and Com. Dev	LLG Transfers	TOTAL
Internal Revenue									
Goods & Services	157,765	-	-	-	-	-	-	117,600	275,365
Personal Emoluments	130,632	-	-	-	-	-	-	-	130,632
Capital & Projects	-	-	-	-	-	-	-	-	-
Total Internal Revenue	288,397	-	-	-	-	-	-	117,600	405,997
Goods & Services Grants									
Goods & Services	154,609	1,072,685	1,105,523	383,594	55,000	774,975	439,867	1,414,630	5,400,883
Personal Emoluments	-	-	-	-	51,100	-	-	-	51,100
Capital & Projects	-	40,000	30,000	-	-	-	-	-	70,000
Total Goods & Services Grants	154,609	1,112,685	1,135,523	383,594	106,100	774,975	439,867	1,414,630	5,521,983
Development Grants									
Goods & Services	3,414,701	270,760	1,318,057	439,026	23,870	5,334,049	1,391,209	1,768,598	13,960,270
Personal Emoluments	138,704	-	-	-	-	164,129	-	-	302,833
Capital & Projects	300,000	2,741,466	2,215,856	25,402	299,145	9,243,355	756,398	-	15,581,622
Total Development Grants	3,853,405	3,012,226	3,533,913	464,428	323,015	14,741,533	2,147,607	1,768,598	29,844,725
Rollover Grants									
Goods & Services	618,076	-	-	6,600	-	189,510	-	20,000	834,186
Personal Emoluments	-	-	-	-	-	-	-	-	-
Capital & Projects	-	-	-	300,000	-	1,607,361	185,070	-	2,092,431
Total Rollover Grants	618,076	-	-	306,600	-	1,796,871	185,070	20,000	2,926,617
TOTAL									
Goods & Services	4,345,151	1,343,445	2,423,580	829,220	78,870	6,298,534	1,831,076	3,320,828	20,470,704
Personal Emoluments	269,336	-	-	-	51,100	164,129	-	-	484,565
Capital & Projects	300,000	2,781,466	2,245,856	325,402	299,145	10,850,716	941,468	-	17,744,053
Total All	4,914,487	4,124,911	4,669,436	1,154,622	429,115	17,313,379	2,772,544	3,320,828	38,699,322

1.7 Auditing, Monitoring and Over sighting of District Funds

Overall, despite the mandated responsibilities of the major agencies including DIRD which is a key agency responsible for auditing, monitoring and oversighting of expenditure, the oversight coverage and frequency is presently inadequate or to provide an effective deterrent. DIRD is mandated via NEC Decisions 18/2011 and 414/2013 to monitor and coordinate SIP and Micro PIP development grants. As a result the risk exposure to misappropriation, mismanagement or fraud is significantly increased.

We have provided below a summary of the major oversight agencies and their mandated functions. It should be noted that monitoring is now being expanded to informal systems including the community and civil society.

1.7.1 The Auditor-General's Office

Section 214 of the Constitution requires the Auditor-General to report at least once every fiscal year to the Parliament on the Public Accounts of PNG and on the control of, and on transactions with or concerning, public monies and property of PNG. Further, Section 123 (8) of the Organic Law on Provincial Governments and Local-level Governments requires AGO to furnish audit reports on Provincial and Local-level Governments each year. These reporting responsibilities are fulfilled by the preparation of four compendium financial audit reports. Under Section 27 of the Audit Act, the Auditor-General is required annually to present a report on the work and operation of the Office along with the Office's audited financial statements.

The AGOs opinions expressed on financial statements can be one of the following:

(a) An Unqualified opinion;
(b) a Qualified opinion;
(c) Adverse Opinion; or
(d) a Disclaimer of opinion.

Before the AGO decides on the type of opinion expressed on the financial statements, he would generally assess which of the following circumstances exist and in the auditors judgement the effect of the matter and how material this is to the financial statements and accordingly expresses an opinion.

A Disclaimer of Opinion is expressed when the possible effect of a limitation on the scope is so material and pervasive that the auditor has not been able to obtain sufficient appropriate audit evidence and accordingly is unable to express an opinion on financial statements. It is sadly the case that most AGO opinions particularly on the Provinces and LLGs that are audited includes a 'Disclaimer of Opinion' by the AGO needs to be overall addressed by Government.

The Auditor-General's Office also conducts other audits, such as performance audits and special reviews and investigations. These reports are presented to the Parliament as appropriate. For example in 2014 the AGO released a report on the District Services Improvement Program covering the years 2012/13 and included the DSIP audits of 22 Districts. The Auditor - General's Office DSIP specific audits were previously conducted in 2007 and 2011.

The AGO's Audit reports can only be made public once they have been tabled in Parliament. Unfortunately this can be a limiting factor when there is a lag in conducting and releasing of completed audit reports.

The tabling can only occur when Parliament is sitting (i.e. not out of parliament). The AGO is only then, at its liberty to publicize all tabled reports on the AGO website and make available copies to the public.

1.7.2 Internal Auditing

The Department of Finance is responsible for the delivery of an independent, objective assurance and advisory services to management. In addition, that the internal control systems are adequate to mitigate DoF's operational risks and achieve the corporate objectives; and that controls complied with are operating satisfactorily.

Under Section 9 of Public Finances (Management) Act 1995, there is a requirement that all National Departments, Provincial Administrations and Statutory Bodies that received annual grants from National Government should establish Audit Committees and Internal Audit Units in their organisations. The same Act requires for adequate resources to be provided to Internal Audit Units for conducting and following up on internal audit recommendations.

In addition, the Provincial Internal Audit Divisions are responsible for conducting audit reviews on all provincial expenditure including DSIP expenditure usually in accordance with an approved audit plan. The findings of the audits are then provided to management and to Audit Committees for action.

The Department of Finance Internal Audit have conducted limited audits and may be called upon to conduct investigations from time to time.

1.7.3 Provincial Local Level Service Monitoring Authorities

The Provincial Local Level Services Monitoring Authority (PLLSMA) ensures that the decentralisation system is functioning. One of its responsibilities under Section 119 of the Organic Law on Provincial and Local Level Government, is to ensure that Provincial Governments shall, by 30 June of each year, furnish to the Minister responsible for Provincial Government and local- level Government matters, a report for the year ending 31 December preceding on the affairs of the Provincial Government and the Local-Level Governments in the province. The Section 119 report is a performance report that is required to be completed by all Provinces annually. However there is evidence to indicate that this does not occur across all Provinces.

The Minister is required to provide a copy of the report furnished under Section 119 Subsection (1) to be laid before the Parliament before 31 December of the year in which it is furnished to him.

A copy of the report furnished under Sub section (1) shall be furnished to the Minister responsible for financial matters, Heads of National Government Departments, National Agencies and the National Economic and Fiscal Commission.

At the time of writing this report the last Section 119 of the report, tabled in Parliament was for 2012. This primarily represented a collation of reports rather an in-depth analysis. There exists an opportunity for more meaningful and timely reports to PLLSMA and this needs to be strengthened if corrective action can be taken where weaknesses are identified.

1.7.4 Monitoring and Evaluation - Department of National Planning & Monitoring

The role of DNPM is to lead, plan, coordinate and facilitate appropriate national and international initiatives that address and promote equitable and sustainable development of Papua New Guinea, in accordance with both a long-term vision for the nation that has the support of the citizens of Papua New Guinea and the five (5) directive principles of the National Constitution. The Department of National Planning and Monitoring acts as the key central agency advising Government on matters relating to strategic development; development policy; development planning and programming; foreign aid coordination and management; and monitoring and evaluation of national development projects and programmes.

Over recent times DNPM has been improving the monitoring framework including working with agencies to develop minimum standards for infrastructure. This needs to be progressed as a matter of priority if proper analysis of District and DDA performance is assessed.

1.7.5 Consultative Implementation and Monitoring Council (CIMC)

CIMC is an independent organization that brings together civil society, private sector and government partners to develop policy and directly influence and monitor government decision making for the long term development of Papua New Guinea.

The Consultative Implementation and Monitoring Council was established by the National Executive Council after the National Economic Summit of February 1998. The private sector and civil society representatives who attended the summit called for a consultative mechanism to be put in place so that recommendations made by the community would be followed up within Government circles and implemented through law and policy.

The goal of the CIMC is to ensure that dialogue, through ongoing consultation processes, is sustained between Government, private sector and the community at large and recommendations made to Government are implemented

Over recent years the CIMC has been promoting both social accountability and expenditure tracking of public expenditure. However, the scope of these initiatives needs to be broadened for meaningful impact

1.7.6 Community Monitoring and Social Accountability

Most reporting is currently focused on desktop studies of expenditure allocations and spending through the PGAS system. However, the actual outcomes or expenditure tracking is very much lacking.

In recent years many countries have been using community scorecards and report cards to assess actual outcomes. Some methodologies of this concept also include advocacy between service deliverers and service recipients to influence better service delivery outcomes.

While CIMC has conducted some expenditure tracking exercises, there is limited use of community monitoring or social accountability. The NEFC could possibly work to address the gap in expenditure tracking at the community level.

1.8 Overall Auditing, Monitoring and Oversighting of District Expenditure

It is evident that the overall Auditing, Monitoring and oversighting of District Expenditure has been particularly poor and definitely lagging behind the reforms. This has evidently contributed to poor compliance and adherence to DSIP guidelines including PFMA requirements. Whilst the Auditor General's Office has conducted DSIP audits, this does not include annual audits of all 89 districts. The practicality of conducting the audits of 89 districts including the cost can be prohibitive. The large amount of funds being channelled to Districts merits greater oversight to avoid abuse, wastage or misappropriation. In the meantime, an effective oversight of District expenditure can take many forms including collaboration monitoring and audits by the various national agencies and the reporting of the expenditure.

Presently, the auditing, monitoring and oversight of DSIP projects has been haphazard to say the least.

Of particular concern, is that although close to K3 billion is being channelled to Districts annually, the resourcing for the major agencies mandated to carry out auditing or monitoring is less than 3% and is clearly inadequate. If we are to consider the likely misuse, misappropriation or fraud reported in the media of DSIP, it would seem that a fraction of the funding lost through misuse of funds could have been used more effectively even as a deterrent to provide an effective oversight of funds being allocated to Districts.

It is recommended that Government seriously considers resourcing auditing and monitoring of DSIP funding to further reduce the potential abuse of District funds particularly DSIP funds.

Picture Source: Provincial "YU TOK" Presentation/ NEFC Regional Workshops

Wharves & jetties are vital infrastructure that enable service delivery

CHAPTER 2

RECURRENT & DEVELOPMENT APPROPRIATION EXPENDITURE

NEFC and DIRD have been involved in coordinating the two major Government reforms; DSIP (2007-2011) and revised SIP (2012 – 2015) and RIGFA (2009 – 2013). From the years 2007 to 2013, a significant amount of funds has been channelled down to the sub-national level particularly aimed at providing basic services to the majority of the rural population.

This report is seeking to explore whether funding is achieving the intended service delivery outcomes. The chart below and Graph 2 on the next page, shows the trends in total development and recurrent appropriations from 2007 – 2013. The gap between the two sources of funding is significant. If development appropriations is to continue to rise steeply (i.e. sustained development appropriation) it is evident that this will place considerable strain on the recurrent or operational funding.

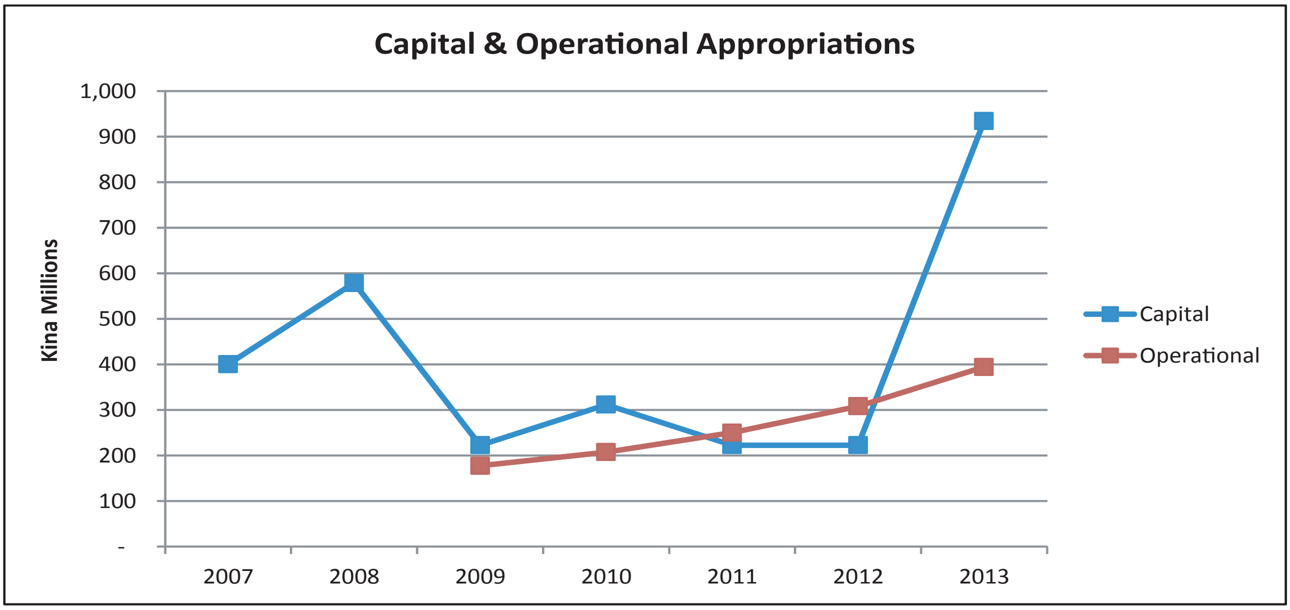
It is interesting that, in contrast, the proportion of development and recurrent funding going back to 2003 has Development 30% and Recurrent 70%. Below to almost a complete reversal of funding allocation (i.e in 2013) Graph 2 on the next page shows 25% recurrent and 75% Development as per the 2013 Development and operational funding allocations.

[4] *Development is used interchangeably with Capital while Recurrent is used interchangeably with Operational.*

Graph 3: Recurrent verses other forms of appropriation 2003 - 2007

If we view the four graphs above it becomes apparent that there is a progressive shift from recurrent funding (70% in 2003) to complete reversal in 2013 where development funds are 75% to 25% recurrent expenditure, an increase of 45%. It should not be underestimated that the large outlays on development will create a demand for recurrent funds. If there is inadequate funding to support basic maintenance of infrastructure and assets, this will result in the deterioration of assets requirements requiring even larger resources to renovate or replace assets in the future.

Graph 4 depicts the widening gap between capital and operational appropriations from the years of 2007 to 2013



It should not be underestimated that capital appropriations will increase the demand for operational appropriations and this needs to be carefully managed by the Government. As mentioned earlier there is disproportional funding gap between capital and operational appropriations. Graph 4 above shows the widening gap betweeen the two major sources of funding.

2.1 Recurrent Goods and Services Grants

Over recent years the NEFC has been focusing on the allocative efficiencies of recurrent grants to Provinces and LLGs under RIGFA. The amount of the allocation is determined by the NEFC using equalisation principles. The method of calculation of the allocation due to each province and LLGs within the Province is based on the principles of Reforms of Intergovernmental Financing Arrangements as legislated under the Intergovernmental Relations (Functions and Funding) Act 2009.

2.2 The Impact of RIGFA – Goods & Services

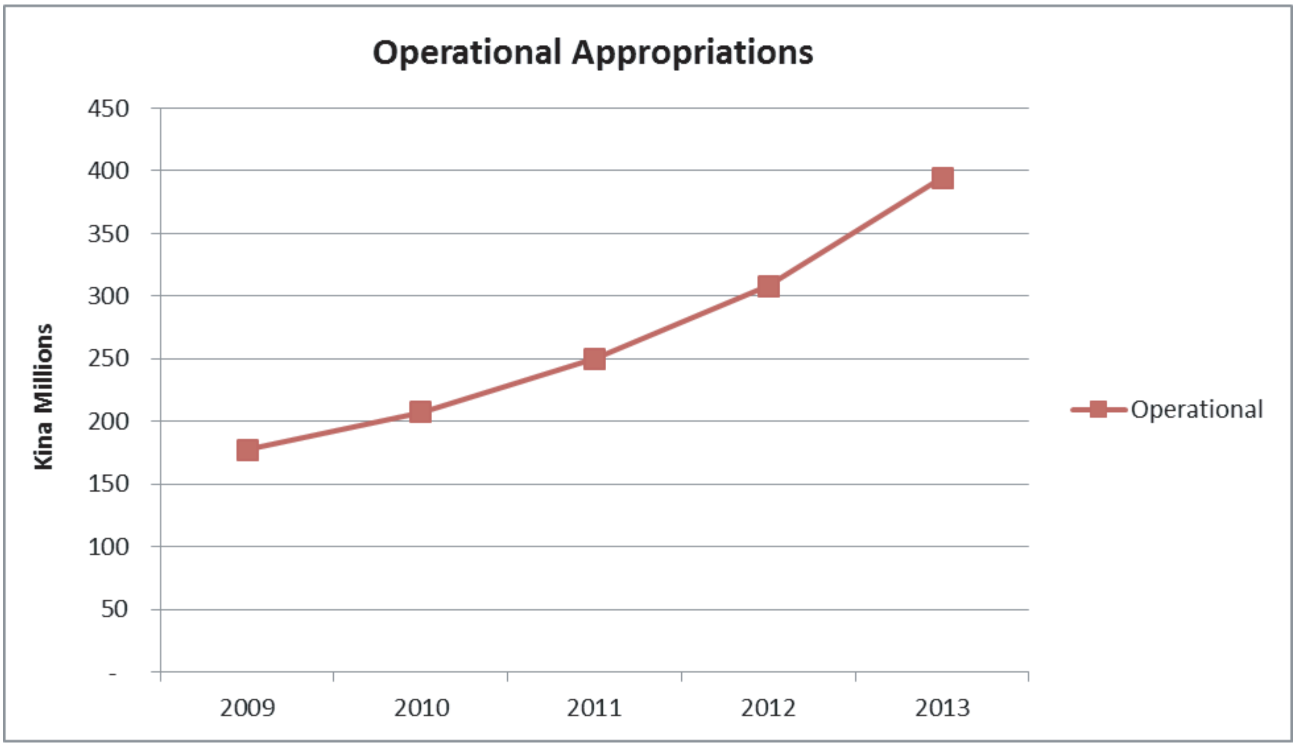
RIGFA is considered as one of the most successful implemented reforms by the Government of PNG (GoPNG) in recent years. It is a system based on affordability. This means that funding to Provinces and LLGs is not impacted by fluctuations in mining or royalties. This promotes better planning and consistency of service delivery. In addition to the allocation of grants, the NEFC monitors expenditure utilisation by Provinces by conducting an annual analytical review of provincial expenditure.

The impact of RIGFA is evidenced through Provinces prioritising their expenditures on budgeting for Minimum Priority Activities (MPAs).

Due to the concurrent decentralization reforms, the NEFC is progressing to move from the provincial expenditure review to broader analysis of both provincial and district expenditures.

The Graph[5] below shows the total amount of grants being allocated to Provinces and LLGs between 2009 – 2013.The data is based on the actual amount of Function Grants which has been allocated to Provinces and LLGs. This indicates that since RIGFA, Provinces have benefited from increasing annual funding for the delivery of basic services

Graph 5: shows the figures of the goods and services grants that the NEFC determine under the RIGFA years of 2009 - 2013



Since the introduction of RIGFA in 2009, the total of Goods & Services grants to Provinces and LLGs has progressively increased annually from K177.3 million in 2009 to K394.2 million in 2013. The allocation trend between the years is further depicted in the graph above. It should be noted that Bougainville and National Capital District are not included in the above grants as they are guided by separate legislation (i.e. outside RIGFA).

The component of recurrent funding for the districts varies between different districts depending on the level of allocation by the provincial headquarter.

2.3 Development Expenditure in PNG

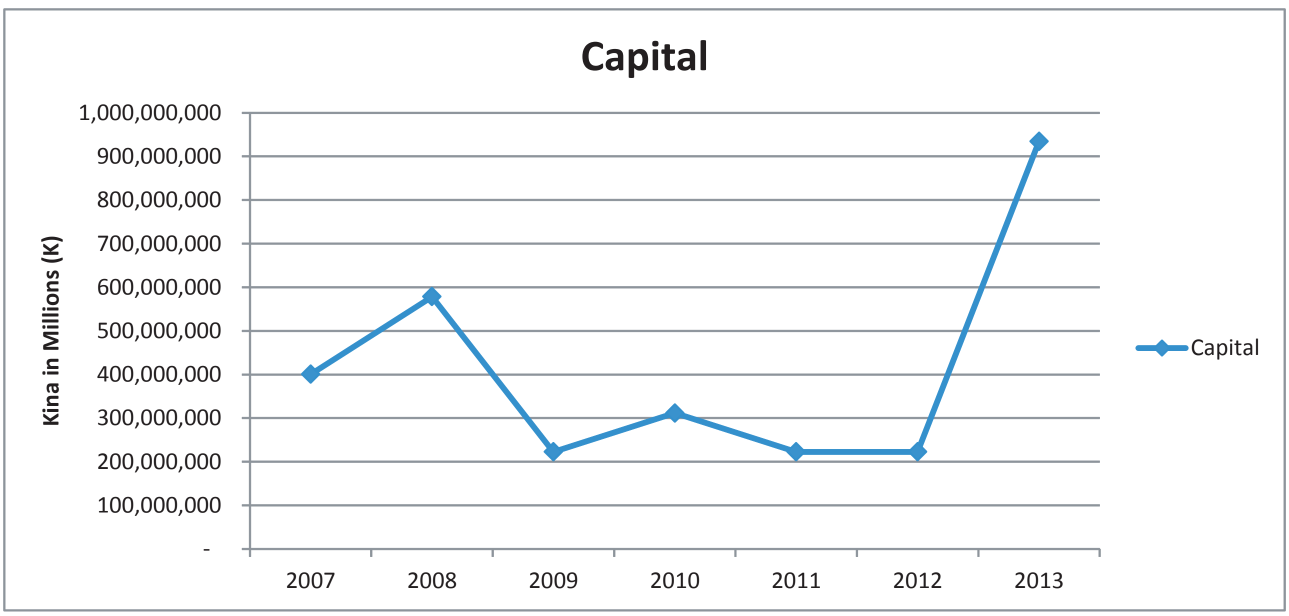
Whilst RIGFA has provided standardized information and analysis on recurrent expenditure at the provincial level, there has been limited periodic analysis of development expenditures other than 2003-2007 development expenditure which was produced in 2009. The AGO has conducted two major audits in 2008 and 2011. However, both of these audits did not cover all 89 districts. This analysis is only of SIP acquittals.

From 2007 to 2012, the capital expenditure released by Government was K4.45 billion in the form of DSIP funding. The PSIP and LLGSIP were introduced during the 2013 fiscal year. The PSIP appropriation in 2013 was K110 million and LLGSIP at K159.5 million. This increased under the SIP program in 2013 and further stretched the capital appropriation to a total of about K4.7 billion. Take note that this figure is only for the SIP funding but there are other capital appropriations such as DSG and PIP funding. Comparing this full-stretch capital appropriation to recurrent appropriation in 2013 alone, the gap was about K4.3 billion.

The graph 6 below depicts the main funding source of DSIP/SIP appropriations from 2007 – 2013. Take note that PSIP and LLGSIP were introduced in 2013 and that these figures are just estimates based on the finance instructions on how much each district should receive in terms of capital funding.

[3]Attached in the appendix section is the table that shows the figures of the grants which the NEFC determine under the RIGFA years of 2009 - 2013

Graph 6: shows the capital appropriations going down to the Sub-national level of government under DSIP/SIP period 2007-2013



Between 2007 and 2013, the total capital appropriation for DSIP and DSG was K2.8 billion. The average annual appropriation of these funding sources was K482.08 million.

The total capital appropriations for the four districts in this study was K42 million for both the DSIP and DSG in 2013. Apart from this, there were also appropriations from PSIP, PIP, LLGSIP and SSG in 2013. Therefore in this study we focus on direct funding from the national Government to the districts.

Other funding appropriations will be looked at in more detail as part of the sector analysis in later chapters of this report.

2.4 What are the Consequences of Lack of Alignment Between the Expenditures?

As a result of the significant increases in development expenditure since the DSIP was introduced in 2007, there has been little or no advice to Government on the impact of this funding on recurrent expenditure. Districts commenced receiving almost triple the amount of funding, compared to development expenditure prior to the 2007 financial years. However, the impact of this increased development expenditure passes the burden on to the operational and maintenance costs of projects with progressively less recurrent funding available which barely supports the increasing development expenditure.

As a result of the gap between development and recurrent expenditure, the following was observed;

- As a result of the large amounts of development and recurrent funding, there appears to be increased instances where there is a co-mingling of funds. Instances were noted where DSIP funds were being used as function grants and vice versa where function grants used for development expenditure. This may be partly attributed to inconsistencies of the cash release and cash flow management issues;

- It is evident that the large sums of development funds are not supported by relative increases in recurrent funding. As a result maintenance and operations funding necessary to support development infrastructure is inadequate. In the long run this may well contribute to increasing deterioration of assets and escalating or higher costs to Government in the future;

- The sustainability and inconsistency of service delivery continues to be of primary concern for a number of reasons other than compensating maintenance costs;

- The full extent of fragmentation in funding between provinces and districts including the alignment between the two entities is likely to create tensions between provincial and district administrations'. It is anticipated that with the implementation of DDAs, the coordination and understanding of matching development and flow-on costs could improve;

- Further tensions are perceived as the focus of development funds for the construction of new structures is favoured ahead of maintenance, which is less politically prominent;

- The 'flow on' costs of capital or infrastructure development at the planning phase and project proposal phase is not fully comprehended. This is likely to impact recurrent funding in the future and ultimately impact service delivery; and

- The five year development plans do not appear to be adhered to and are subject to change based on new member priorities.

2.5 Expenditure Tracking

The DER is targeted at trying to track down the district expenditure trends for the four districts. Over the last five years there has been an increase in the expenditures going to the districts. The most significant being the 'District Service Improvement Program' (DSIP). Apart from that, there are other forms of support grants and also the component of recurrent grants for maintenance and operational cost for service delivery sectors.

The issues that this Review identified may form the basis of better funding policies by the Government in the future.

On the basis of this, we therefore need to understand the two major sources of government expenditure including what their intended purposes are. We can then make a comparison on whether they are being used according to its intended purpose or whether there are issues with co-mingling of funds between each of the allocated budget envelopes.

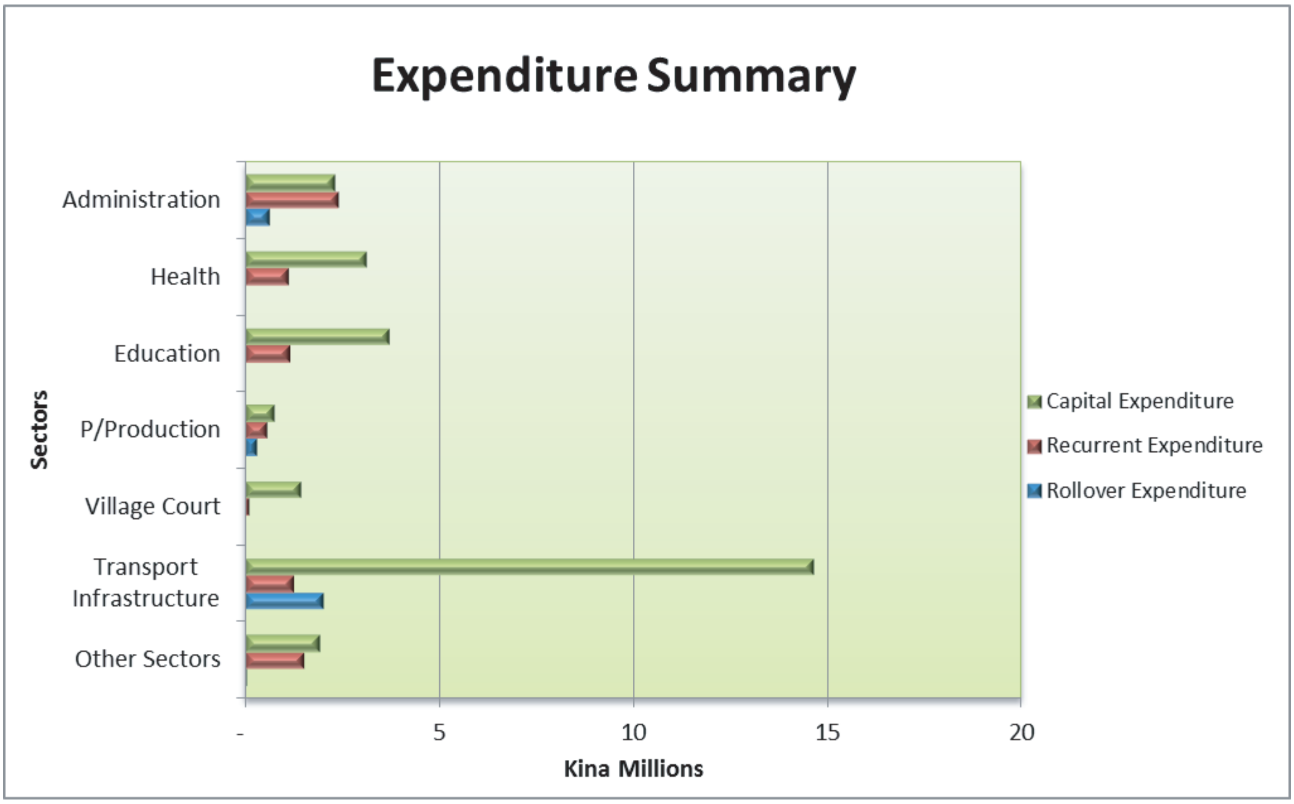
The comparison between the district development expenditure and district recurrent expenditure will provide us with sufficient information on the expenditure trends and, in general, this information will be valuable to the Government in terms of allocating funds to the districts.

The main implications of development expenditure and the recurrent expenditure is the issue of inefficiency and sustainability. The development expenditure in the country has increased at an alarming rate in the form of PSIP, DSIP, LLGSIP, DSG, PIP and other expenditure in the nature of development. With these sources of expenditure used for development purposes, the recurrent component is barely insufficient to cover all the operational and maintenance costs of these new facilities and infrastructures. The two possible outcome of these expenditure trends are:

- The Government will continue to fund new facilities and infrastructures and with no recurrent expenditure to cover operational costs, then these facilities and infrastructures will deteriorate as recurrent expenditure is insufficient to keep the facilities operational.
- To complement the above there is a need for minimum standards for service delivery and infrastructure. This will guide both recurrent and development expenditure.
- Provinces and districts will start to dig into their development budget to cover the operational and maintenance costs of these new facilities and infrastructure. There is a need for clearer guidelines on how development funds should or should not be spent.

There is a need for the Government to review its funding policies to effectively deliver to the rural population based on the principle of sustainability of services and not just development in the form infrastructure. If the current expenditure spending trends are to continue, huge amounts of public funds may be used up on developing infrastructure alone.

Graph 7: shows the expenditure summary of two source of expenditure (capital and operational) for 2013 fiscal year



We have also included rollover expenditure to capture any unspent grants from former years that are been spent on service delivery. Take note that this expenditure summary is only for the four selected districts that are used in this study.

For 2013 financial year, transport infrastructure recorded a spending of over K14 million on capital expenditure. However, recurrent expenditure in this sector was only just under K1 million.

Other MTDP sectors showed high expenditure in capital spending. This included Education Sector with almost K4 million, Health with over K2 million, Primary Production and Village Courts with just under K2 million capital spending.

2.6 Has Development Expenditure been on a ‘Needs’ Basis?

The RIGFA tries to equally distribute money based on a ‘needs basis or the fiscal capacity of Provinces. This is a question of equity. There have been a number of issues attributed to the trends in allocating funds to provinces and districts. Many of the Government reforms are aimed at solving the issues of inequity so that each province or district receives its fair share of funding. Under RIGFA, the NEFC determines funding based on province or district needs. This is determined based on the fiscal capacity and its ability to meet the costs of basic service delivery. Therefore if the Province requires funding, they should receive it. However, if they have the resources such as they are able to generate internal revenues, then they should, in theory, have the capacity to meet the costs of providing basic service delivery.

The cost of services plays an important role in determining how much it would cost to deliver key public services; this is one of the fundamental principles of RIGFA. Prior to RIGFA, there was a system of **‘Kina per head’ and Land Mass based formula.** However this system later became unaffordable when the financial crisis arose due to falling commodity prices. When RIGFA came into effect in 2009, this was a more affordable system as the system safeguarded against the vulnerability of mining and royalty revenues. It was also evident that the new system influenced provincial administrations spending behaviour in terms of prioritising and on how to spend their money to achieve service delivery.

This review of district expenditure is now aimed at providing the Government with viable information to help link up development expenditure to the issue of ‘need’ or to better correct the expenditure trends between the recurrent and development basket to improve service delivery.

There have been numerous attempts to try and resolve the issue of inefficiency between these two expenditures. In 2013, as per the NEC directive the NEFC, DNPM and DIRD pooled their resources to try redressing equity issues in the allocation of the SIP. The proposal was called the Service Improvement Equalization Regime (SIER). The proposal attempted to address the issue of burden that districts face when delivering services by allocating extra funds to them.

While the SIP distributes equal amounts or fixed amounts of funding to districts and provinces without discriminating which may be a politically convenient decision. However, it is a well-known fact that across PNG, no two districts are the same and one size does not fit all. Further there are costs disabilities associated, for example, remoteness where costs of delivering services may be higher. Therefore, K15 million in one district may not be K15 million in another district. The proposed Service Improvement Equalisation Regime (SIER) conducted by the NEFC and DIRD was intended as a ‘top-up’ equalisation allocation of funds to the districts. This would be using a district ceiling distribution formula.

Using the data collected by DIRD under DIMS, by NEFC under CoSS and population data from the National Statistics Office (NSO), the GoPNG can now quantify with acceptable certainty the remoteness and capacity constraints of all the districts in the country, documents the way in which remoteness and lack of capacity impact on project implementation at the district level.

This is one of the attempts to address the inequity of development expenditure. There is greater need of prioritising development expenditures on certain specific needs to improve service delivery on a more generic view. Creating such avenues will better inform the Government on options available to better improve the system of Government funding.

2.7 Harmonization between Development and Recurrent Expenditures in Districts?

There is a need for harmonization between the development and recurrent expenditure as there is greater disparity. The issue of disparity has been one of the issues flagged in this report. The question we need to ask now is: why is it that disparity between expenditure remains one of the impediments in service delivery?

To answer this question, one has to understand the existing reforms that are aimed at improving funding flows to the sub-national levels. Two main reforms that the NEFC and DIRD are currently undertaking are RIGFA and SIP.

Under RIGFA, the NEFC determines the Goods and Services Grants for Provinces and LLGs. These recurrent grants are tied to a needs basis formula identified through CoSS. For the district component of Goods and Services Grants, the jurisdiction remains at the the Provincial Headquarters based on their budget plans on how much each of their districts would get out of the Goods and Services Gants.

[5] Under this system provinces were supposed to receive the same kina per-head grants, regardless of how much it costs to deliver services in individual provinces. It was based on population and land mass. The bigger the population and land mass the higher the grants.

[6] NG 71 – 2012 was the NEC directive that the three agencies; NEFC, DNPM and DIRD acted upon to try equalised the SIP funding

This story is not the same for capital funding, particularly the SIP and DSG. These capital grants are fixed, meaning that regardless of the district costs, population and landmass issues; they receive a fixed amount of these grants.

This situation has given rise to the following observations:

- The recurrent funding is allocated directly to PHQ whereas the fixed amounts of capital funding in the form of DSIP and DSG goes to the DHQ for projects and infrastructure. This may contribute to an environment where the PHQ, notwithstanding the fact that there may be an annual activity plan in place, may not allocate goods and services funding to the districts because of increasing DSIP and DSG funds. It appears that the PHQ views it from the perspective of funds available and not necessarily the nature of funds available.

- The ratio of a single source of capital funding in comparison to recurrent funding identified that districts may be worse off. For instance, one district receives K10 million DSIP capital funding, this capital source may only be compensated by about K1 million goods and services funding. This increasing capital expenditure has displaced the reality of recurrent expenditure in terms of the operational and maintenance costs incurred during service delivery. Recurrent funding becomes insufficient to cover the required operational costs.

The DER examines how development funding has been allocated and distributed between districts, assesses the equity of development and recurrent appropriations and offers conclusions. The Review is the first step to understanding development and recurrent expenditures in Papua New Guinea, and to examine the appropriations for district service delivery.

2.8 What is District Capital Expenditure Primarily Used For?

The district capital expenditure is basically spent on projects and other development priorities happening at the district level. Between 2008 and 2013, there have been significant increases in development expenditure. Development expenditure was incurred to build new schools, new aid posts, new roads or cater for capital replacement like purchasing new vehicles, plants and machinery.

Currently, the primary source of development expenditure currently impacting projects and programs at the district level is SIP funding. This source of expenditure is required to be spent on district plans. The main focus of this fund is to basically start new projects, or schools, roads etc.

Apart from the SIP, there are also other development expenditures going to the districts in the form of support grants. This funding also assists in providing basic services in the district. Some of these expenditure sources are tied to a particular project or programs while others are not.

Between 2008 and 2013 the development expenditure increased significantly which results in a high phase of development in most districts. However, the issue that we need to focus on is the issue of **Sustainability.**

Therefore, we can now see that there are large amount of development appropriations channelled down to the provinces and districts for development purposes. The main question one should ask here is 'Are these development appropriations which are allocated to the districts used for their intended purposes and do they deliver or transpose into actual provision of service delivery?'

2.9 How is District Recurrent Expenditure Spent?

Districts receive their recurrent funding component via the province. These recurrent funds are function grants which are intended to target the Medium Term Development Plan (MTDP) sectors such as Health, Education, Primary Production, Infrastructure, Village Courts and Other service delivery sectors. The funding is used to fund service delivery activities as evidenced by the PGAS data.

The grants allocated to districts are calculated by the NEFC based on a needs system. This takes into account the fiscal capacity and the cost of delivering services.

The primary focus of these Goods & Services grants is for recurrent expenditure, essentially the operational and maintenance of facilities in each of the MTDP sectors at the sub-national level. The NEFC has been proactively advocating for Provinces to strictly allocate and use their function grant allocations on recurrent expenditure. NEFC has also encouraged provincial administrations to prioritize their spending on the Minimum Priority Activities (MPA) across the province to further facilitate service delivery.

Over recent years there have also been significant increases in funding allocated to districts directly. This primarily represents the Service Improvement Program (SIP) funds.

In addition other support grants are also made available to districts specifically targeting projects at the district level.

Overall the review of district recurrent expenditure identified that Districts are using their expenditure and targeting MTDP sectors. This is based on the analysis of PGAS data.

Third level airlines service many remote areas of Papua New Guinea

Picture Source: Provincial “YU TOK” Presentation/ NEFC Regional Workshops

CHAPTER 3

DISTRICT FINANCIAL MANAGEMENT SYSTEMS & SIP ACQUITTALS

District Financial Management Systems

Improving the flow of funds to district level has been critical to achieving better service delivery outcomes. However, this in itself is not sufficient and needs to be supported by more robust financial management and information systems. For example, the National Department of Health is presently unable to readily access information to determine how much funding has been expended on a program going down to the facility level.

Access to this information by National Agencies is compromised by district accounting and reporting systems. Two concurrent accounting systems are in presently in place: (1) the Integrated Financial Management System (IFMS), presently being rolled out at the national level; and (2) the PNG Government Accounting System (PGAS). It is the Government's intention to roll out of the IFMS across government agencies in PNG. However, the full roll out of the IFMS system and the implementation timeframe is likely to be impacted by available resourcing.

It appears that there are many impediments which currently impact service delivery. The expenditure classification system was found to be very weak including application inconsistencies between districts. The reporting systems by Districts back up line to Provinces and national agencies (i.e responsible for collation, analysis and reporting back on actual performance) have progressively weakened over time.

The ENB Province remains one of the few Provinces that have in place, financial tracking and reporting systems going down to the LLGs. ENB partly manages this by using Microsoft Excel to address PGAS limitations (ie. breakup of lower accounting classifications to capture all expenditures going down to lower levels of government and facilities).

In addition to a more robust financial accounting system, there needs to be proper mechanisms and arrangements in place to ensure that districts and facilities have regular, continuous, and reliable access to funds to carry out their service delivery operations whether it is through development or operational expenditure.

NEFC's District Case Study conducted in 2009 just after the introduction of RIGFA, identified a number of funding allocation principles that were necessary to facilitate efficient and effective service delivery to take place. It is appropriate that these are reiterated as part of the recently announced DDA reforms:

The principles identified in the District Case Study conducted in 2009 proposed were:

Principle (1) provides an adequate amount of funding to meet the realistic operational cost of service delivery;

Principle (2) only one level of Government should be responsible for each specific operational cost of service delivery;

Principle (3) funding for operational costs should be provided to the level of Government where it is efficient and effective to pay for those costs, and where staff responsible for implementing the activity have access to the funds;

Principle (4) when donor funds are available, GoPNG funds should be focused on first meeting the core, operational costs. Donor funds should be used for capital, investment and second order priorities.

3.1 Are District Financial Management Systems Robust?

The NEFC recently visited six districts and highlighted a number of systematic and non-compliance weaknesses associated with the overall financial management and reporting process, particularly poor accounting and record management systems and inconsistency of expenditure classifications. Overall there is a lack of effective monitoring and compliance systems.

There were also other broader issues associated with the channelling of funds down to the provinces, including lack of timeliness / consistency of funding releases. NEFC has continued to be proactive in influencing national agencies to release funds on time. However the cash flow problems at the National level have persisted over recent years.

Overall, there is a dire need for the financial management systems to be strengthened. Priority of a reliable financial management system should have been considered ahead of large sums of funding being channelled to lower levels of government. This has severely compromised governance systems and must be addressed as a matter of priority. Other issues identified are detailed below.

3.2 Late Release of Funds from the Provincial Treasury to the District Treasury

The Districts should have access to regular and reliable funds to carry out their service delivery operations.

The joint NEFC/DIRD review teams noted that although there are delays in the release of funds from National Government to Provinces, there are further internal delays in funding releases from the province to districts and facilities. This compromises service delivery activities and impacts planned district planned activities including the consistency of service delivery.

The other issue associated with fund releases is that there is no coordination between the Provincial treasury and the District treasury in terms of identifying planned activities. Districts indicated that provinces do not allocate funding according to their district plans.

3.3. Chart of Accounts and Claims Input into PGAS Training

The Chart of Accounts or classification of expenditure system promotes meaningful comparisons and analysis of expenditure. Therefore, where expenditure classification codes are not standard or not applied in a consistent manner, it is less likely to carry out meaningful analysis. Further, these inconsistencies or inaccuracies in classifying expenditure can also increase the length of time to further scrutinise and reassess expenditure. This also involves reviewing the PGAS descriptions to validate expenditure such as checking the actual paid vouchers.

Treasury officers must be competent and diligent in entering data on to PGAS to supplement the use of codes so identification of funding and expenditure for specific Government priorities are clear and efficiently and effectively reported for decision making. An example is when you want to know how much was funded and spent on primary production extension work, due to the inconsistent standard use of coding, one would need to dig further into the account description. The extracting of data has to be done carefully as the descriptions for Travel Allowance is described in many ways, TA, T/A, Travel Allowance or just Allowances.

Most staff at the district level still have little or no knowledge at all on how the Chart of Accounts (COA) works. When there is a change in the management then there is a good chance that officers will be replaced and this tendency may lead to wrong codings of COA as the new person operating the PGAS may not have full knowledge on the COA itself. High turnover impacts consistency.

Suggestions have been made by districts to institutionalise the COA training so that all district staff receive training and this will minimise the risk of inputting wrong codes within the PGAS system itself. There is a need of conducting training on COA for all district staff, especially the ones that operate the PGAS system. The main impediment to implementation is staff turnover and capacity.

3.4. Upgrade of the PGAS System

The current PGAS system used by most Provinces is obsolete. The PGAS Version 27 is a more practical application but is yet to be rolled out by the DoF. This is ahead of the implementation of the IFMS systems. The tension for DoF is the allocation of funds between the new and old systems.

The districts have suggested that DoF should collaborate with provinces and have a standard technician support base in the provinces for each region to assist with maintaining and upgrading provincial PGAS systems to PGAS version 27 .

The PGAS upgrade roll out is competing with the IFMS roll out. However IFMS roll out has up to now been very slow and it seems that it would take some years before the system is rolled out across GoPNG in provinces, districts and LLGs.

3.5 Service Improvement Program and Guidelines

In 2006, the Government reviewed the impact of the District Development Program (DDP) and noted that no tangible developments had taken place. Government then took the bold step of revising the DDP policy and increased funding for the five year period from 2007 to 2012 as follows: 2007-K4m/district; 2008-K6m/district; 2009- K2m/district, 2010- K3m/district, 2011- K2m/ district and 2012 K2m/district.

With the review and the additional rural development programs affixed to DDP in place and the increment to the level of funding for rural interventions, Government changed the program's name from DDP to DSIP.

DSIP is one of the key service delivery interventions of the current Government targeted at improving the quality of life for the majority of people living in the rural communities of the country. The primary objective of the DSIP is to provide minimum service delivery standards through the establishment or re-establishment of basic infrastructure and facilities for essential services such as health, education, law and justice, agriculture, water supply and rural electrification.

The Government started funding for the program in 2007 and the implementation commenced in July 2008, six months after when the Administrative guidelines and Associated Finance Instruction were put in place to guide its implementation.

3.6 The SIP Acquittal Process and Procedures

In the 2013 fiscal year, massive funds were disbursed for the respective rural development intervention programs allowing DIRD to tighten up its acquittal processes.

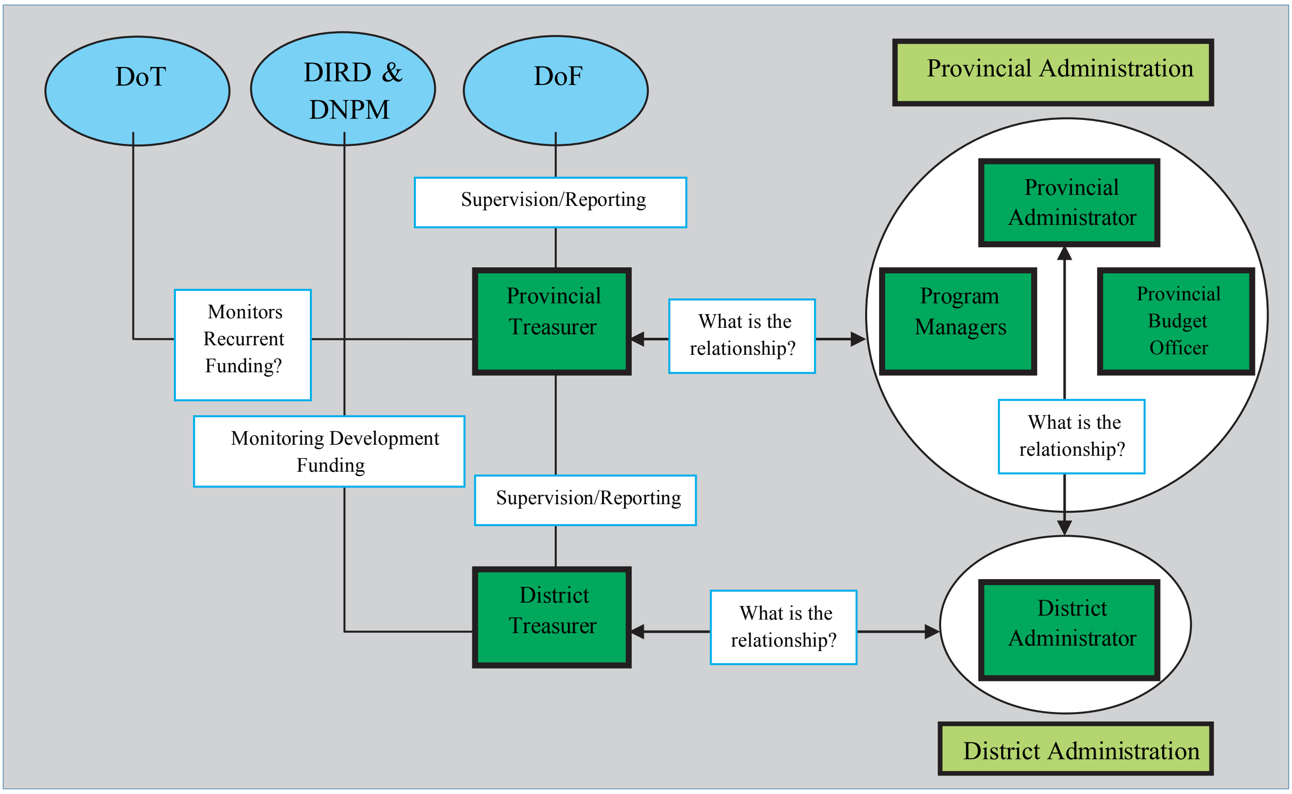
With minimum staff DIRD's Program and Implementation Division started working on processes and procedures on how best to track provinces and districts rural interventions programs standards that meet compliance points

- The SIP fund warrants released by DoF straight to the Provinces under PTOA and districts under DTOA.
- Provinces and Districts used the funds to implement their provincial, district and LLG rural intervention programs documented under the respective five year development plans.
- After the implementation of the SIP funds for that given year the acquittal reports are brought to DIRD on the first quarter of the following year. For example, 2013 SIP implementation reports (both physical and financial) and acquittals are brought and tabled to DIRD on March 2015.
- SIP shall follow all required procurement procedures and ensure they receive good value for goods and services provided.
- All provincial and district administrators and LLG council managers must provide project implementation reports on physical and financial status of the PSIP, DSIP and LLGSIP before the next batch of payments are made.

3.7 Reporting Requirements for District Treasurer and Provincial Treasurer

A larger issue that deserves consideration is the need to define working relationships between the District Administrator and the District Treasurer and the Provincial Administrator and the Provincial Treasurer.

Diagram 4: outlines the reporting and accountability mechanisms at the district level and the key entities



The issue of reporting and accountability is also one of the main driving factors that contribute to lack of service delivery at the sub-national levels. The Provincial Treasurer and District Treasurer need to refine reporting requirements to meet deadlines of submitting reports, either to the provincial administration or to the national agencies, especially the DoF.

There is a need to further strengthen the function and roles between the following;

- Provincial Treasurer and Program Managers – the imminent need of strengthening the relationship between the provincial treasurers and the program managers is a viable method of improving reporting channel at the sub-national levels.

- Provincial Administrator and District Administrator – the relationship between these two persons must be resolute at all times. They are the key driving force behind the sub-national levels. The link between the provincial administration and the district administration very much relies on these two key persons. It is evident over the years that the Provincial Administrators do not share a good relationship with the District Administrators which have very much impacted the recipients of Government services.

- District Administrator and District Treasurer – service delivery activities mostly occur at the district level and in order to effectively deliver, we must get everything right and that includes the fundamental aspect of the roles and relationship between the District Administrator and District Treasurer. These two parties must have a positive working relationship in order to serve the rural communities. One of the primary issues which contribute to the lack of service delivery appears to point to the poor relationships between the Dstrict Administrator and Provincial Administrator.

- Notwithstanding the fact that recurrent funding allocation is disproportionate to capital expenditure, the mandated role of who should monitor and report on recurrent expenditure and whether it is being spent on priority areas to achieve service delivery are yet to be defined.

3.8 Key Acquittal Observations & Findings

There were delays in Districts submitting their DSIP acquittals within the approved timeframes. Whilst some districts have shown consistency in submitting timely acquittals, a majority of districts do not adhere to the designated timeframes specified under the DSIP Guidelines issued in January 2013. Nevertheless it is pleasing to note that some districts have been diligent in adhering to one such requirements.

It should be noted that 2013 was the first year of the SIP funds to include PSIP and LLGSIPs and the low acquittal submission could be a reflection. The submission of acquittals may also be compromised by the late release of funds.

The review of the 2013 DSIP Acquittals identified that 50% of Provinces, 73% of Districts, and 32% of LLGs had submitted their SIP acquittals (i.e. as at 17th April 2015) to DIRD for review.

Whilst the four pilot Districts used in this review are to be commended for being one of the first few Districts to promptly submit their 2013 acquittals, there were varying degrees of compliance with the DSIP processes in a timely manner.

Overall, compliance by districts is poor including inadequate supporting documentation attached to supporting acquittal expenditure particularly procurement requirements.

Whilst there was also good compliance with the DSIP acquittals, it was evident that PSIP and LLGSIP acquittals were poor between regions in 2013. For example almost all DSIP had been received for the New Guinea Islands (NGI), none of the provinces and LLGs in the NGI had submitted their acquittal reports in 2013. There was a delay of over a year in these instances.

Interestingly, we note that PSIP funds when disbursed by DoF into the Provincial Treasury Operating Accounts, are transferred to the Provincial Government Grants Account or Provincial Government Operating Account. This has an impact on the acquittal submission processes as all these funds are itemised together. This in effect presents a difficulty in identifying expenditures relating to specific projects. The other area of difficulty is obtaining PGAS reports and Bank statement reports from the Provincial Treasury.

[7] The NEFC initiated PER as a desk top analysis to track spending on goods and services at the sub-national levels. The NEFC is not mandated to fully monitor the recurrent funding but because it determines the recurrent funding for provinces and LLGs, the PER was initiated to be a desk top analysis to track recurrent spending and when ever provinces are spending on the priority areas as per the Minimum Priority Activities achieve service delivery.

Another major weakness identified, was that expenditure is not always approved by the JDP-BPC prior to the expenditure being incurred. In most instances it was observed that the JDP BPC makes blanket appropriations against various sectors (i.e there generally is no itemised budget plan, project by project or under each sector).

For example, it was noted that a large proportion of expenditure was incurred on wages, payments for security and even compensation payments, however there was no evidence that the expenditure had been anticipated and prior approval was obtained by the JDPBPC particularly for adoc payments.

Overall it was evident that the most payments out of the SIP do not reflect the five year plan or the DDA/JPP&BPC budgets.

3.9 The Integrated Financial Management System

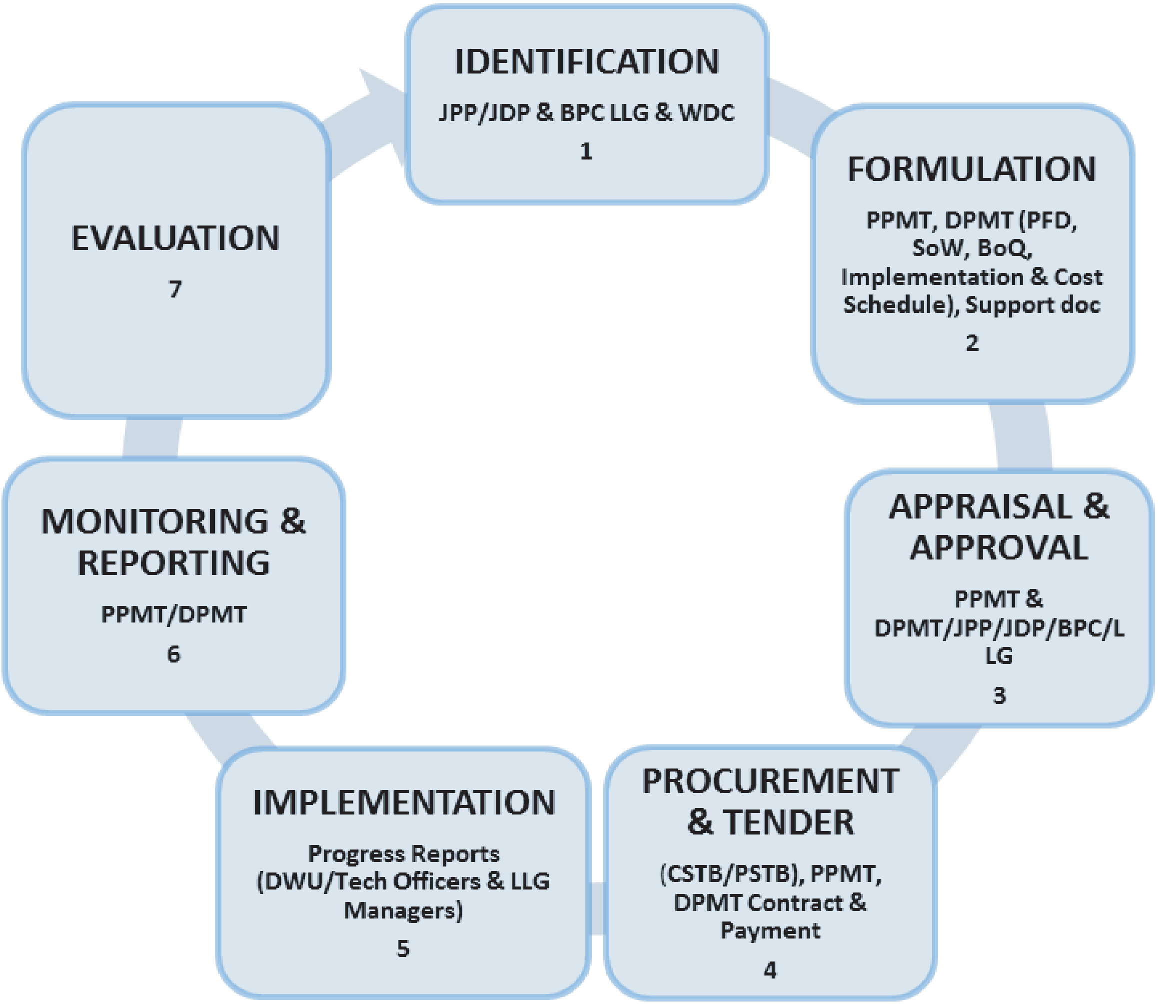
IFMS: The much awaited integrated financial management system is still a work in progress – we assume it will, as originally intended make its way to the provincial level, where it will provide a range of benefits including improved reporting and accountability.

3.10 DSIP Acquittal Processes

The DSIP acquittal review is the responsibility of DIRD working in coherence with the Department of Finance. DIRD has adopted a comprehensive acquittal review process to meet its obligations. While there is a need for the acquittal process to be comprehensive (i.e to meet the requirements of the DoF DSIP Finance Instruction), the current acquittal system has since become onerous and time consuming. Further, it does not facilitate the timely acquittal reporting cycle to the Department of Finance (DoF). As a result, the release of funding to enable the next phase of funding cannot be processed by DoF. This has caused additional pressure system tensions including pressure on the District Administrators and Politicians for the prompt release of payments prior to the formal authorisation processes being finalised by DIRD, prompting-DIRD to review the acquittal processes and determine whether the acquittal processes can be intact, streamlined.

It has been highlighted that there is a need for bottom up planning, linking the Ward Development Plans by (LLGs) to the District Development Plan by Provincial Development Plan as proposed by Planning Act. Presently, there is no proper coordination or linkages between these plans.

Diagram 5: shows the overall development project lifecycle



3.10.1 Implementation, Monitoring and Reporting Process

The project implementation is a critical phase of development. Overall it is clearly evident that the fundamentals of planning, management, accountability, reporting and monitoring systems are poor. This is also consistent with the Auditor-General's Office 2013 performance report of the District Improvement Program.

Of particular concern, the system of advance payments prior to the projects commencing and ahead of projects being completed appear to be accepted practice which compromises management controls. Further there was a lack of project management to effectively monitor contract payments and the attainment of milestones.

If payments are made ahead of the completion or even before the project has begun, misappropriation and fraud can hinder the development outcome within the development cycle, Project Identification Stage is a critical one.

The project must be linked to the Development Plans and the Development Plans must be linked to a basis such as population, minimum standards of service delivery and infrastructure or local needs required to facilitate service delivery. In the absence of this, it is evident that the prioritisation of development expenditure is haphazard and left to the discretion of political leaders which may not necessarily be in the long term interest of the District.

It is critical that government gives serious consideration to a review of the project implementation and financial arrangements with a view to ensuring that project advances and progress payments are strictly made in accordance with new government guidelines, which ensure that only reasonable payments are made in advance and progress payments are only paid upon completion of milestones.

3.11 Project Identification, Selection and Approval Process

3.11.1 Project Identification

Overall, the review of the Project Identification and Project Implementation phases within the four districts identified a need for significant strengthening by Districts. It was also evident that the 'Five Year Development Plans' are not in place or if they are in place, they are not provided to DIRD. All district development must be guided by the 5 year development plans which are approved by the JDP BPC (DDAs), these development plans must be adhered to the Provincial Development Plans which should also be aligned to the PNG Development Strategic Plan 2030. In all instances, the acquittal review identified that the five year development plans are not available or attached to the Acquittal documentation. Project identification and prioritisation appears to be influenced by political priorities rather than the development program.

3.11.2 Project Selection

During interviews it was frequently stated that development can be often influenced by political priorities ahead of district priorities or plans.

It is recommended that the DNPM plays a more diligent oversight role in ensuring that all districts plans further realign to the Provincial Plan, the Development Strategic Plan (DSP) 2030, MTDP consistent with the Vision 2050 aspirations. If there is proper alignment of the District Plans, proper monitoring and reporting against the Plan, this could well reduce political influence.

3.11.3 Approval Processes

While the JDP BPC approves projects as contained by the acquittals documentation presented by the districts. It is also evident that the management of a project life cycle needs to be better managed. There is room for considerable capacity building of key officers involved in the project management and acquittal processes. This should ensure that there are proper guidelines to enable monitoring of projects including performance and financial management. This remains the responsibility of the DPMT which comprises of the CEO, as Chairman, works manager, deputy chairman and sector managers. These key officers must be properly trained in effective project management.

3.12 Procurement, Tendering and Selection Process

The review of the four districts identified that overall procurement processes are very poor. There was little documentation in support of decisions. The roles of the PSTB including decisions were not well documented. This is an area that needs to be monitored closely, particularly as the DDAs are now a legal entity and are required to adhere to applicable laws and Government policies.

This effectively means that DDA members could be held personally liable if they do not adhere or fail to execute their fiduciary responsibilities in a proper manner or are negligent in exercising their responsibilities.

The documentation for all the District acquittals were, overall, not in compliance with basic procurement, tendering and selection processes. Weaknesses identified included missing project documentation, absence of documentation in support of tender bids or technical specifications or schedules.
Whilst Heganofi experienced some PSTB issues as a result with problems in the Eastern Highlands, this did not prevent them from procuring goods and services which were within the District thresholds. Improvements in procurement processes are necessary in Usino Bundi and Wapenamanda

3.13 Payment Process

The payment process commences with the mobilisation payment, followed by progress payments upon completion of defined milestones. A retention of 10% of the total project must be withheld until the project has been certified by the DPMT, and the completion certificate has been issued. It is only then that the final 10% retention monies can be released. It was evident from the acquittal review that overall districts were not complying with the payment process guidelines.

One of the major weaknesses of the payment process has been contractor requirements for the provision of upfront payments. In some instances a large proportion of the payments were requested upfront. In other instances, it was not always certain that projects were completed as per specifications. This was primarily due to the absence of proper monitoring. The Acquittal documentation noted instances where information was inadequate confirming, that, in fact commissioned projects had not been completed.

In all the four districts it was identified that there were weaknesses in the payment process. Part of the weaknesses in the payment process is due to historic reasons, which date back to the 90s following the financial economic crisis. Government failed to pay contractors and undermined the confidence in the Business Industry. As a result, contractors began asking larger amounts of funds upfront for projects. This has since had an impact on internal controls. Further, internal control is further weakened when project management is weak or where there is a high turnover of project management staff. Government needs to regain the initiative including reinforcing policies which limit the amount of payments that should be paid to contractors upfront. The review identified that Heganofi and Kokopo were the only districts that had few issues with the payment processes.

3.14 Project Completion, Comissioning and Handover Process

The key control in the project completion, commissioning and handover process is the effective management of the final release of the final 10% retention payment, this ensures that any defects are remedied timely. The Department of Works and DPMT should strictly only release the retention ideally, 3 months after completion of the project and only upon the receipt of the completion certificate.

In many instances, not only limited to the four district acquittal reviewed, that repairs and maintenance were still outstanding months in some instances years after the project completion. This was primary due to the fact that the retention 10% and in some instances progress payments are released ahead ofthe milestones / defects maintenance issues being addressed.

Of the four districts reviewed we noted that Henganofi in particular had no issues with commissioning and handover processes. Their monitoring was also effective and noted that the impact projects were successfully implemented and in functional use by intended beneficiaries. The other three districts could benefit from more effective monitoring and commissioning processes.

3.15 Conclusion

The review of acquittal processes including the management, funding mechanisms, implementation, monitoring and review processes are overall considered weak.

Further, the internal acquittal processes within DIRD which are intended to provide an effective oversight of the key functions have been weakened as a result of the Department of Finance releasing the acquittal payments prior to the acquittal processes being complete by the DIRD. This severely undermines the acquittal processes.

However it was also evident that the acquittal processes internally within DIRD and notification including the timeliness need to streamlined to enable a proper oversight of development funds.

The Auditor-General's Office should also be involved to review the robustness of the acquittal processes. The cash releases systems continues to hamper planning and implementation of processes, further compounding the efficiency of development processes.

Rural population must have access to health services

Photo: NEFC/ DER Trip - Rai Coast District Health Centre

CHAPTER 4

DISTRICT EXPENDITURE: SPENDING ON SECTORS

The Government's focus is to now ensure that all funding being channelled down to the sub-national levels is used for their intended purpose. The proper management, monitoring, and reporting of these funds are vital to ensure that National Government's strategic goals and objectives are met

4.1 District - Sector Spending

There is a need for appropriate benchmarks to measure performance such as the minimum standards of service delivery or infrastructure. This should be implemented before proper performance measurement, monitoring and evaluation can effectively take place and the performance of provincial and district administrations can be undertaken by the oversight agencies.

We have attempted to categorise the relevance of district expenditure based on the present benchmarks such as the spending on MDTP sectors which is used by the Provincial Expenditure Review.

Development expenditure should be incurred in accordance with the District's five year development plans and executed in compliance with relevant regulations such as the Finance Instructions, and the PFMA where as recurrent or operational expenditure is measured against priority sectors such as spending on the Minimum Priority Activities (MPAs).

A traditional approach for identifying whether funds are actually spent (i.e. as per the budget books and warrant releases) is to compare the actual expenditures against the warrant releases. The critical point here is to verify whether the districts are actually spending their funds in the provision of basic service delivery in particular, recurrent expenditure spent on minimum priority activities (MPAs)

It was envisaged that there was going to be a degree of difficulty in verifying the accuracy or to determine how much expenditure reported, was spent by Districts on MTDP Sector.

We felt that the rationale for this was to identify the spending levels for each district and then to be able to compare this to how much money was released as per the warrants

NEFC and DIRD understand that there are existing issues with the warrants and cash releases but the purpose of this following matrix is to provide the reader with an overview of expenditure patterns at the district level.

Table 3: shows the overall level of spending by the four districts, contrasted against the warrant/cash releases

	Henganofi	Wapenamanda	Usino Bundi	Kokopo
Health	High	High	High	High
Primary Production	Medium	High	High	High
Education	High	High	High	High
Village Courts	Low	High	Low	High
Transport Infrastructure	High	High	High	High
Community Development	High	Low	Low	High
Law & Justice	High	Low	Low	High
Administration	High	High	Medium	High
Economic & Commerce	Low	Low	Low	High
LLG Transfer	High	High	High	High

0% - 30%	31% - 60%	61% - 100%
Low	**Medium**	**High**

It should be taken note of that the rollover funds have been excluded as we wanted to compare the actual expenditure against warrant releases for 2013 financial year alone. The above matrix shows comparision between the actual expenditure against warrant releases for respective districts. The spending level was achieved by comparing the expenditure against the warrant releases in 2013.

It is evident from the matrix that overall all districts, spend high on the MTDP sectors.

Henganofi and Usino Bundi have low spending levels in the Village Court sector and a medium spending level by Henganofi on Primary Production. For other sectors, the overall pattern of spending level is assessed as high except for Wapenamanda and Usino Bundi who had low spending in Community Development and Law & Justice sectors.

Districts are encouraged to spend all funds available on service delivery activities. NEFC recommends that Sub-national levels must be able

Community attitude towards women's health needs, and the burden of family commitments often lead to poor access to available health services

Fundamental requirement for both Social and Economic development MTDP 2005 - 2010

All Rural Health Facilities are expected to practice an "Open Door Policy" to serve the People in Rural Communities

The health sector remains one of the most challenging areas for Government despite the difficulties and often high delivery costs of servicing rural population. There has been much talk about the Health sector and how effective service can be delivered to the rural population.

The existing mechanisms for channelling funds to the service delivery front line are untimely. Districts overspend on non-core activities, and this disrupts the implementation of frontline service delivery programs. The DER is aimed at identifying issues and pointing out trends in expenditures within this sector.

One of the more recent National Government policy initiatives is the Free Health Care Policy that was introduced in 2013. Despite attempts to get all the rural health facilities to adopt this new policy, many of them have been forced to charge primary health care fees. The explanation for this was that cash releases were unavailable to pay for consumables such as fuel for generator and transport etc. Without adequate funding to pay for consumables such as detergents, disinfectants, fuel for generators and transport etc. Health Care Facilities would be unable to provide services. This is one of the many system setbacks which Government has encountered in trying to deliver services.

Some of the issues identified within the health sector included the following:

- District administrations have tended to prioritise spending on health administration ahead of operation of facilities or patrols.
- There is a risk that donor funds in some instances replaced Government grants. The issue here is that most of the drug distributions are funded by donors. If this funding is withdrawn for some reason, then this is likely to have an adverse effect on health service delivery.
- Funding patterns appear to be moving away slowly from the Government system, as demonstrated by the high rate of late spending and under-spending of function grants which may not be the best means for channelling funds to the frontline of service delivery.

Apart from the health sector, we also have HIV issues which have been subject to Government scoping in terms of finding the best possible ways of reducing the rate of HIV epidemic in the country.

4.2.1 Minimum Priority Activities in Rural Health

The provision of rural health services across our country relies on a variety of inputs. These three MPAs nominated by the Health sector were selected as they are considered critical and are not negotiable.

MPA 1: Operation of rural health facilities

Making sure that all the rural health facilities throughout the country are open and well equipped with supplies remains one of the most challenging tasks and overall Government has so far, failed to service the welfare of rural populations, we must ensure that facilities continue to be kept and service the community.

MPA 2: Integrated rural health outreach patrols

The most critical parts of rural health service delivery are the outreach patrols. Geographical issues can hinder delivery of basic health service but to conduct integrated health patrols is fundamental step in making sure that the villages are at receiving end of services.

MPA 3: Drug distribution

Drug distribution is important and particularly in rural health facilities.

4.2.2 MPA Spending in the Health Sector

Table 4: shows the comparison between the Health Function Grant expenditure on MPAs and the NEFC costs estimates for each of the MPAs in Health Sector.

Districts	MPA1 (Operation of rural health facilities)	NEFC Cost Estimate	MPA2 (Outreach Health clinics and patrols)	NEFC Cost Estimate	MPA3 (Drugs Distribution)	NEFC Cost Estimate
Henganofi	84,966	252,003	126,757	49,630	7,996	3,869.4
Kokopo	183,500	331,598	10,000	66,621	3,000	12,675
Wapenamada	-	596,286	-	70,530	-	5,810.4
Usino Bundi	-	415,469	-	178,131	-	18,078.1

The column highlighted in red are estimated costs which the NEFC defines as being under the provincial administration as per the function assignment determination. However, districts are prioritising spending on these MPAs which is a positive sign at the district level, particularly where districts appear to be taking ownership of funding for service delivery.

MPA 3 for health is still a function performed by the Provincial Administration. However, 2 of the 4 districts spent almost K11,000 for drug distribution.

The table (3) above also shows that two districts; Wapenamanda and Usino Bundi did not use any of the Health Function Grants on Health MPAs or may have prioritised expenditure in another area.

- There is still a larger variation between the actual expenditure and NEFC Cost Estimates: the NEFC cost estimate for the MPA 1 is K1,580,563, although the actual expenditure on operation of rural health facility is only about 17 percent of the cost estimates. Cost estimate for MPA 2 is K361,529, however, the district is only spending around 38 percent of the total cost to fund outreach health patrols/visits;
- There is also a greater need for the districts to prioritise spending according to the costs of delivering services; and
- Provincial administration should allocate Health Function Grants to districts as per the NEFC cost estimates.

4.2.3 Capital expenditure outlook in health

Capital spending in rural health increased drastically after 2007 when the national Government introduced the DSIP reforms. The idea was that the Government focus was on building new health facilities in the rural community. When the DSIP concept was reviewed in 2012 and changed to SIP in order to cater for the PSIP and LLGSIP, the development expenditure on rural health increased rapidly as compared to the DDP program prior to 2007.

Take note that, these capital expenditures are for building Aid posts, Health centres, and district hospitals.

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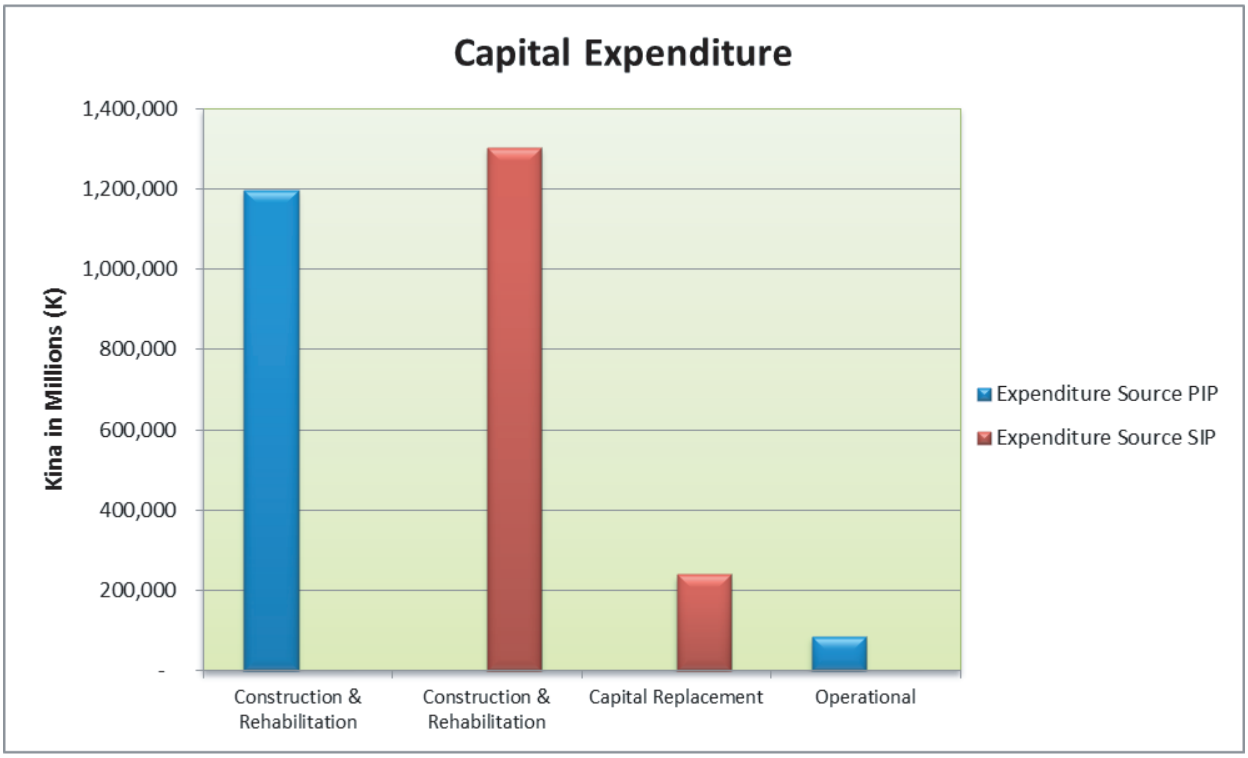
Graph 8: depicts the capital expenditure in rural health



The two primary sources of capital expenditure within the health sector were SIP and PIP expenditure. The graph above shows that the capital expenditure comprised of:

- Construction and rehabilitation under the health sector was funded out of the PIP and SIP funding totalling up to almost K2.5 million;
- Capital replacements which is inclusive of purchasing vehicles, plant and machinery has the second highest expenditure with over K200, 000 expended out of the SIP, particularly the DSIP funds;
- PIP funding also covered most of the operational expenses under rural health sector.

With these increasing amounts of capital expenditure into health sector alone, there is an imminent need for more recurrent funding to cater for the costs incurred by the capital expenditure. Otherwise, more capital resources will be used on operational purposes.

4.2.4 Expenditure Trend in 2013 by Item Code

Item #	Item description	Amount	%
225	Construction, Improvement.......	**2,541,466**	60%
135	Health other operational expenses	**666,795**	16%
128	Routine Maintenance Expenses	**309,996**	7%
222	Purchase of Vehicles	**240,000**	6%
143	Grants and Transfers	**215,500**	5%
121	Travel and Subsistence Expenses	**89,145**	2%
125	Transport and Fuel	**80,373**	2%
123	Office Materials and Supplies	**24,820**	1%
124	Operational Materials and Supplies	**22,475**	1%
136	Education and Training	**19,670**	0%
	Total spending from recurrent & capital	**4,210,240**	**100%**

Category Description	Amount	%
Capital Expenditure	**3,097,554**	74%
Recurrent Goods & Services	**1,112,685**	26%
Total spending from recurrent & capital	**4,210,240**	**100%**

Table 5: illustrates five major spending items in rural health sector

Item 225: Construction and renovation which is a capital expenditure is the highest single spending item at K2.5 million or 60% of the total health expenditure. Under capital expenditure this figure is made up of PIPs and SIPs spending alone to the districts.

Item 135 Other operational expenses which can include almost anything is the second highest spending at K666,795 or 16% of the total health expenditure. The incurred costs under this item may include District Administration HQ expenses. However, considering the variation between how districts spend their money, expenditures under these item may include capital spending on projects or programs.

Item 128: Routine maintenance– MPA 1 of health falls under this category item and it is good to see that districts are prioritising on keeping all their health facilities in check for the case of general maintenance. In this case, a total of 7% of the total health expenditure was spent on routine maintenance. However, we need to exercise caution as not all expenditures under this line item are targeted as the maintenance of the district health office and not expenditure on facilities. Routine maintenance is strictly recurrent spending, although it was noted that districts do capitalise some of their capital funding on maintenance in some instances.

Item 222: Purchase of Vehicles is one of the essential modes of delivering services to the rural communities. Districts are now prioritising on getting capital replacement such as vehicle to assist them in delivering health services, particularly the aid kits and cold chain medical supplies to remote facilities. Purchase of vehicles recorded in PGAS was at 6% of the total health spending. However, the intended purpose of these capital replacements cannot be justified until proven through project verifications at the sub-national levels.

Item 143: This vote typically records funds transferred to another level of Government, district, or local level Government or may even directly relate to a health facility. For 2013, under this item, a total of 5% or K215,500 of health sector spending.

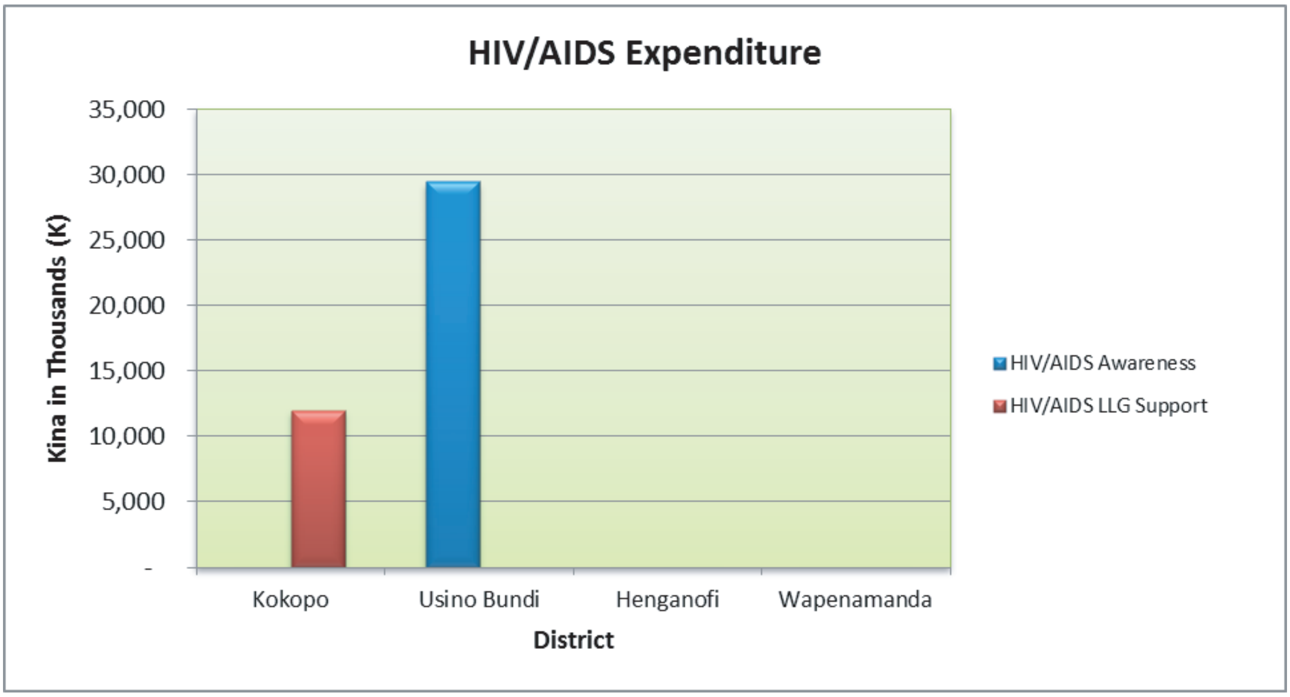
The total expenditure for health sector was K4.2 million for 2013 financial year with capital spending at 74% and recurrent spending at 26%.

4.2.5 Preview of HIV/AIDS Expenditure

The HIV/AIDS epidemic poses a very serious threat to PNG's growth and development prospects including social costs. As such, the Government will take every step possible to effectively address the epidemic, especially by supporting the multi-sectoral approach of the National Aids Council.

The graph below shows the HIV/AIDS expenditure by districts and grants to the LLGs for HIV and AIDS support programs.

Graph 9: shows the expenditure on HIV/AIDS by districts in 2013

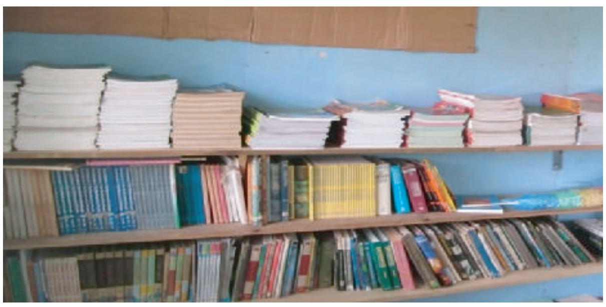


We can observe that:

- Only two districts (Kokopo and UsinoBundi) have allocated funding for HIV/AIDS. The spending source comes in the form of direct funding from the districts for HIV/AIDS awareness programs or support grants to the LLGs to carry out HIV/AIDS awareness.
- The total amount of the expenditure to HIV/AIDS and related issues is over K40, 000 in total.
- There was no evidence to indicate that Henganofi and Wapenamanda had utilised their funds on HIV/AIDS. There is a greater need for districts to allocate spending on cross-cutting issue such as HIV/AIDS. It is critical that rural populations have access to such health promotion information on HIV/AIDS to reduce the rate of the epidemic.

4.3 Education Sector

Basic education will continue to be the overnment's foremost priority over the medium term and the need to ensure that every child has the opportunity to receive quality education.



[8]This expenditure under the education sector does not include the Tuition Fee Free Policy. These expenditure are from the district treasury operating account and it excludes the direct subsidies from Department of Education (DoE)

Education Sector continues...

Literacy, basic numeracy and problem solving skills are key determinants of a person's capacity to take advantage of income-earning opportunities and progress through to economic growth.

Providing quality education to our children requires a number of enabling factors. We need schools, teachers and other resources. Schools are built and national Government pays the teachers, while other resources are provided for by the provincial administrations.

These resources include the following:

* Basic school materials
* School supervision
* Operation of district education offices and building maintenance

These are essential resources which schools need to have in order to provide quality education to our children.

4.3.1 Minimum Priority Activities in Education

Providing effective quality education is the core focus of the Government, and in order to achieve that, there are various factors that determine the impact of it. The three MPAs selected by the education sector were considered by the NDoE as a vital variable that guides the root of quality education.

MPA 1: Provision of school materials

A school needs basic materials and supplies in order for them to provide effective education. The cost incurred in this activity may include basic materials such as duster, chalk, exercise books, pens and pencils.

MPA 2: Supervision by district and provincial officers.

In order to have quality education delivered throughout the country, district and provincial staff must conduct monitoring visits to the schools to ensure that the standard of education meets the criteria set by the Government. Visiting schools throughout the country is difficult as schools are scattered across in every province and districts in the country. Therefore sustained and consistent monitoring and supervision is critical to ensure that acceptable standards of education are maintained. Costs associated with this activity include travelling allowance and accommodation, fuel and vehicle hire costs.

MPA 3: Operation of district education office

To ensure proper monitoring and supervision by district staff, the district education office is fully functional. District education staff needs to have the required amount of funding for their operational expenses. This costs covers stationery, office equipment, utilities and other related costs.

4.3.2 MDTP (MPA) Education Sector Spending

Table 6: shows the comparison between the Education Function Grant expenditure on MPAs and the NEFC cost estimates

Districts	MPA1 (Provision of school materials)	NEFC Cost Estimate	MPA2 (Supervision by provincial/district officers)	NEFC Cost Estimate	MPA3 (Operation of district education offices)	NEFC Cost Estimate
Henganofi	-	254,035.18	-	21,146.1	-	5,455
Kokopo	530,000	306,805.25	59,182	26,497	67,111	18,257
Wapenamada	-	311,122	-	27,870	-	15,607
Usino Bundi	-	318,553	-	35,490	58,883	8,165

- The rows highlighted in red above are costs that NEFC determines to be under the provincial administration as per the function assignment determination. However, districts do sometimes spend on this MPAs which is a positive sign at sub-national levels, particularly the districts taking ownership of funding for service delivery.

- Six districts did not allocate any funding for the three MPAs as per the table above. Henganofi and Wapenamanda did not spend any funds on MPA1, MPA2 and MPA3.

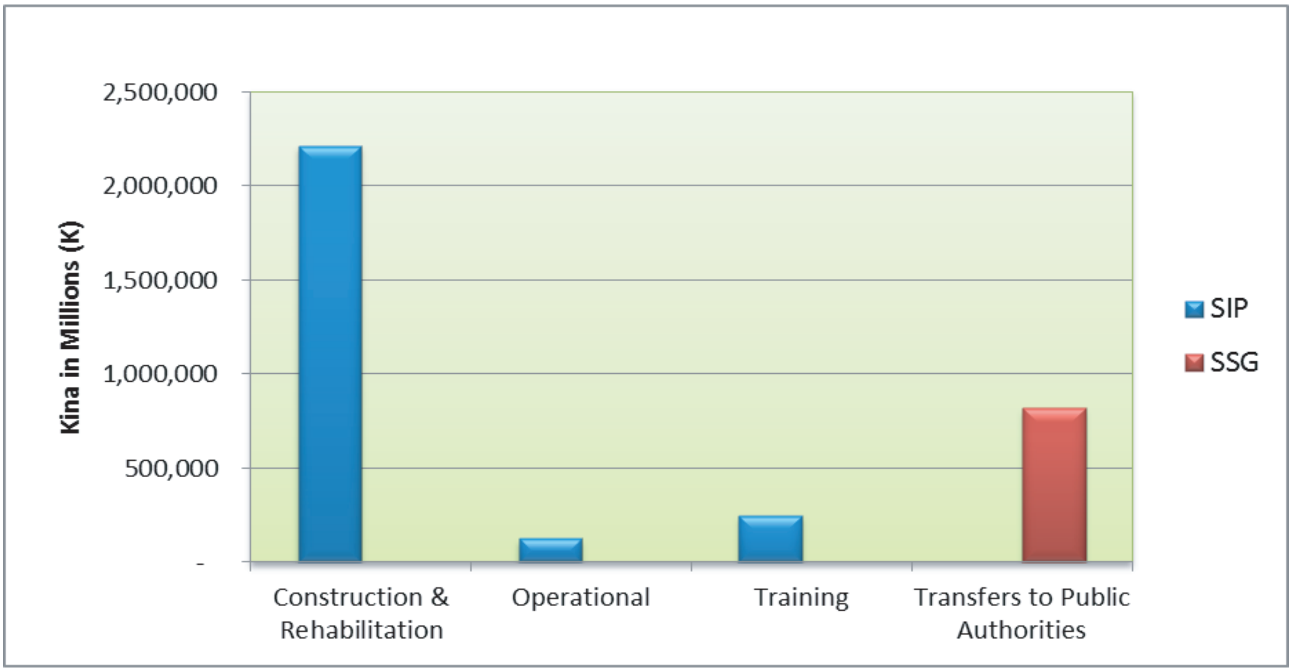
- Only one district had spent funds on MPA3. Usino Bundi allocates almost K60,000 on the operation of the District Education office.

- Kokopo district was the only district that spent on all three MPAs in education. However, as per the NEFC cost estimates, the district had spent more than necessary on MPA2 and MPA3.
- Notwithstanding MPA1 a function of the Provincial Administration, Kokopo District spent over K500,000 on provision of school materials which is reasonably a high amount.

4.3.3 Capital Expenditure in Education

Capital expenditure in Education is core fundamental source of expenditure which can be expanded on construction and rehabilitation of education infrastructure such as classrooms, teachers' houses, library and other related projects.

Graph 10: depicts the capital expenditure in education



The two main sources of capital expenditure was the SSG and SIP, particularly the DSIP. The graph illustrates the activities that the two expenditures were spent on:

- The main activity description that captures the highest expenditure was construction and renovation and the expenditure source was the SIP approximately K2million was spent on construction and renovation of education infrastructures in 2013.
- Transfers to Public Authorities were also recorded as the second highest capital expenditure and the funding source was SSG. This form of funding is basically for assisting education infrastructure services in the districts.
- The other activity that captures over K200,000 was education training itself. Education training includes costs for district education staff who attends workshops as well.
- SIP commits about K125,000 of operational costs to the districts. There are two scenarios that we can draw conclusion on this type of expenditures:

  - There was insufficient recurrent funding available to meet operational costs and could be an explanation why the capital expenditure was used to meet the shortfall in operational cost.

4.3.4 Expenditure Trends in 2013 by Item Code

Table 7: shows spending by item code for the Education in 2013

Item #	Item description	Amount	%
225	Construction, Renovation.....	2,245,856	49%
143	Grants and Transfers	1,073,123	23%
123	Office Materials and Supplies	545,698	12%
136	Training – Education	265,473	6%
135	Other operational expenses	237,650	5%
128	Routine Maintenance	103,604	2%
125	Transport and Fuel	67,804	1%
121	Travel and Subsistence expense	34,833	1%
122	Utilities	5,000	0%
124	Operational Materials and Supplies	3,079	0%
221	Furniture and Office Equipment	1,987	0%
	Total spending from recurrent & capital	4,584,108	100%

Category Description	Amount	%
Capital Expenditure	3,408,584	74%
Recurrent Goods & Services	1,175,523	26%
Total spending from recurrent & capital	4,584,108	100%

The above table illustrates five major spending items in education sector:

Item 225: Construction and renovation which is a capital expenditure is the highest single spending item at K2.2 million or 49% of the total education expenditure. Under capital expenditure this figure is made up of SIPs and SSGs spending alone at the districts

Item 143: This vote typically records funds transferred to another level of Government, district, or local level Government paid directly to education facility. This spending item was the second highest in the 2013 district financial year. Spending on this item was at 23% of the total education expenditure.

Item 123: Office materials and supplies refer to the spending on office materials and supplies for the district administration. The spending on this item is about K545,698 of the total education expenditure.

Item 136: Training – Education of district staff is very important to ensure that district education staff is well equipped with skills/knowledge to help deliver services to the rural community. This item spending was at 6% of the education expenditure in 2013.

Item 135: Other operational expenses which can include almost anything is recorded as the fifth highest spending by item in 2013. The incurred costs under this item may include district administration HQ expenses. This item spending recorded a figure of K237, 650 as expenditure in 2013 under this sector.

The total expenditure for the education sector in the 2013 financial year was K4.5 million with capital spending at 74% and recurrent spending at 26%.

4.4 Primary Production Sector

Extension activities such as farmer training is essential for improving rural livelihood.

4.4.1 Minimum Priority Activities in Agriculture

- **Extension Activities:** All agriculture activities are important, but extension activities are at the heart of providing an agriculture service at the front line. It is so critical that it deserves specific mention. Patrols are conducted at the rural areas with trained officers who are based at the district administration. However, in order to cater for these costs, funding must be made available to meet the costs.

  Costs may include; travel allowance and accommodation (for overnight visits), fuel (for both vehicle and boats), and hire costs. Airfares may also be incurred to get agriculture personal to remote locations.

4.4.2 MPA spending in primary production

Primary production is at the heart of the country's economic growth development because 85% of the PNG's population are rural based and relies heavily on agricultural, fisheries and forestry to sustain their livelihood. To ensure that the rural population benefit from the overall integral human development, there is imminent need to conduct extension training to equipped farmers with basic skills.

Table 8: shows the expenditure on MPAs for primary production in 2013 against the NEFC cost estimates

Districts	MPA1 (Extension services for agriculture, fisheries and forestry)	NEFC Cost Estimate
Henganofi	-	199,118
Kokopo	24,000	217,602
Wapenamada	-	219,557
Usino Bundi	-	497,919

The table above shows the comparison between the Primary Production Function Grant expenditure on MPAs and the NEFC cost estimates.

- Only one district spent a component of the primary production function grant on MPA1. The expenditure has for the agriculture extension activity. The total expenditure that Kokopo spent on MPA1 is K24, 000 which is about 11% of the total NEFC cost estimate for this activity in the district. The district needs another 89% funding to fully fund extension services in the district

- The other three districts that did not spend on extension services. The NEFC provides cost estimates for extension services for each district.

4.4.3 Capital expenditure outlook in primary production

Despite a boom in other sectors like mining and petroleum in the country, primary production remains the core sector which ensures the rural population benefit directly from agricultural production. To make sure these services are provided to the farmers and the rural community, there needs to be funding.

The capital expenditure caters for projects costs of activities under the primary production sector. Unlike the function grant which focuses on extension services, the capital expenditure funds the following; cost of subsidising an agricultural activity like rice production, constructing a project such as agriculture farming, aquaculture, poultry, livestock and forestry production.

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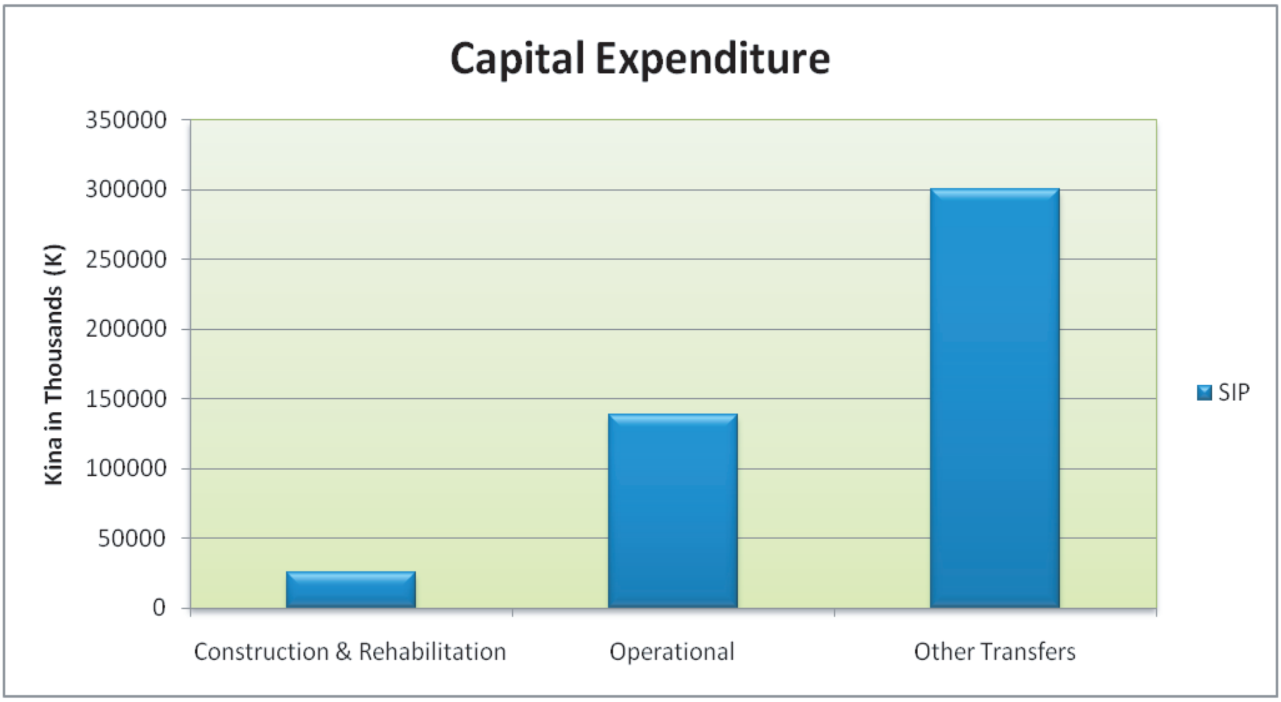
Graph 11: depicts the capital expenditure in primary production



The chart above illustrates capital expenditure in Primary Production. The main source of capital expenditure was SIP. The main types of activity that the capital expenditure was spent on are as follows;

- Other transfers as well, either to the public authorities or non-profit organisation funded out from SIP funds recorded K300, 000 as expenditure under this sector
- Construction and rehabilitation under primary production was only about K25, 000 of the SIP funding for primary production
- Some operational costs incurred in primary production were covered by capital expenditure. SIP spending on operational costs was K139, 026. Again there are two scenarios;
  - Insufficient recurrent expenditure to cover all the operational costs
  - Operational cost incurred under this activity was part of the project itself and budgeted at the planning stages of that particular project.

4.4.4 Expenditure Trend in 2013 by Item Code

Table 9: shows the spending by item code in Primary Production in 2013

Item #	Item description	Amount	%	Category Description	Amount	%
144	Grants to Indiv. & Non-profit	300,000	35%	Capital Expenditure	464,428	55%
224	Plant, equipment & machinery	282,000	33%	Recurrent Goods & Services	383,594	45%
143	Grants & Transfers to public authority	149,616	18%			
135	Other operational expenses	37,852	4%			
125	Transport and Fuel	35,031	4%			
121	Travel and Subsistence expense	25,402	3%			
225	Construction, renovation....	7,431	1%			
123	Office Materials and Supplies	4,133	0%			
124	Operational Materials and Supplies	2,557	0%			
128	Routine Maintenance	2,000	0%			
122	Utilities	2,000	0%			
	Total spending from recurrent & capital	848,022		Total spending from recurrent & capital	848,022	

Item 144: Grants to Individual and Non Government Organizations including churches, individuals in 2013. This item spending was the largest single expenditure under the primary production sector. Most expenditure under this item number was targeted at small projects like aquaculture, poultry, livestock and farming. This item spending was K300 000 or 35% of the total Primary Production expenditure.

Item 224: Plant, equipment and machinery which includes technological equipment like tractors, chainsaws and other machinery are used for service delivery activities under this sector. This item spending in 2013 recorded a total of 33% of the Primary Production expenditure.

Item 143: This vote typically records funds transferred to another level of Government, district, or local level Government or directly to the health facility. For 2013, under this item spending, 18% was recorded out of the total Primary Production expenditure.

Item 135: This item include almost anything and is the fourth highest spending at K37 852 of the total sector expenditure. The incurred costs under this item may include primary production district HQ expenses. However, considering the variation between how districts spend their money, expenditures under this item may include capital spending on projects or programs under primary production sector.

Item 125: Transport and fuel – considering the fact that districts staff carry out patrols or extension activities, this item spending is common when ensuring that patrols officers have the reliable necessities like, transport and fuel costs and may include vehicle or boat hire as well. This item spending in 2013 has an expenditure of K35, 031 of the total K383, 594 recurrent spending under primary production sector.

The total expenditure for the primary production sector in 2013 was K848, 022 with capital spending at 55% and recurrent spending at 45% for the 2013 financial year.

4.5 Transport Infrastructure Sector

Roads are the fundamental link of service delivery and by ensuring there are road network connecting the rural communities to the urban township will be vital for effective delivery of Government services

Historically, the country's sea route has been at the heart of people's livelihood for thousands of years as it proved to be the main mode of transport that linked cultures, traditions and beliefs. Strengthening this important aspect through maintenance of wharves and jetties will prove to be an efficient way of enabling services reaching the rural communities

With the country's geographical setting, delivering basic services to rural communities can prove to be a challenge. Linking these communities to the outside world remains the fundamental focus of the Government. Hindered by vast terrain and a mountainous region, services can only reached to the people through air transport route

4.5.1 Transport Infrastructure

The highest immediate economic and social returns are derived from constructing, rehabilitating, renovating and maintaining the transport infrastructure mechanism such as roads, bridges, airstrips and sea ports, in particular the wharves and jetties. Maintenance of such infrastructures is the key critical aspect of sustaining service delivery in the long run.

4.5.2 Minimum Priority Activity in transport infrastructure

The provision of an effective transport infrastructure network relies heavily on maintenance of these infrastructures. The transport infrastructure sector selected funding on maintenance of critical assets only as MPAs;

• **Roads and Bridges Maintenance**:
These infrastructures are the key critical aspects and a fundamental asset that plays a pivotal role in service delivery in PNG. The cost and time incurred in the maintenance of such infrastructures is somewhat lower than building a new road or bridge.

• **Airstrip maintenance:**
PNG has a vast geographical landscape and as such, it is difficult to deliver basic services due to environmental factors which can be unpredictable at times.

In order to enable services, the Transport Sector determined that the maintenance of rural airstrips is one of the core inputs of service delivery. Imagine a critically ill patient from the rural highlands of PNG having no access to a urban clinic. The airstrips will effectively serve that purpose particularly where there are no roads or bridges.

Costs may include; normally smaller payments to individuals or groups to carry out maintenance activities such as maintaining the roadside.

• **Wharf and jetty maintenance:**
For Maritime Provinces and other provinces that are home to major rivers, wharves and jetties to enable service delivery to take place. Sea transport has long been the main source of transport for many Papua New Guineans dating back in history and today it is still remains an important aspect of our lives. Maintaining these wharves and jetties will effectively enable and better serve our rural population.

Cost may include; contractors to carry out maintenance work.

4.5.3 MPA Spending highlights in Transport Infrastructure.

Table 10: shows the comparison between Transport Infrastructure Function Grant expenditure on MPAs and the NEFC cost estimates

Districts	MPA1 (Roads and bridges maintenance)	NEFC Cost Estimate	MPA2 (Airstrips maintenance)	NEFC Cost Estimate	MPA3 (Wharves and jetties maintenance)	NEFC Cost Estimate
Henganofi	200,000	2,012,090.9	-	7,396.25	-	No wharf/Jetties
Kokopo	158,533	2,574,786	-	No Airstrips	-	44,792
Wapenamada	-	2,235,194.8	-	26,876	-	No wharf/Jetties
Usino Bundi	-	1,974,894	-	44,793	-	No wharf/Jetties

- The columns highlighted in red are costs that NEFC determine to be under the provincial administration as per the function assignment determination. There was an indication some districts were spending against these MPAs and is a positive sign that districts are taking ownership of funding for service delivery. Two districts, Kokopo and Henganofi were incurring expenditure on Roads and Bridge maintenance despite the fact that this is a provincial HQ responsibility.

- MPA2 of transport infrastructure identified a contrast; two districts show costs estimates under the provincial HQ whereas for the other two districts, the NEFC had only costed out the estimate costs. There are two explanations for this:

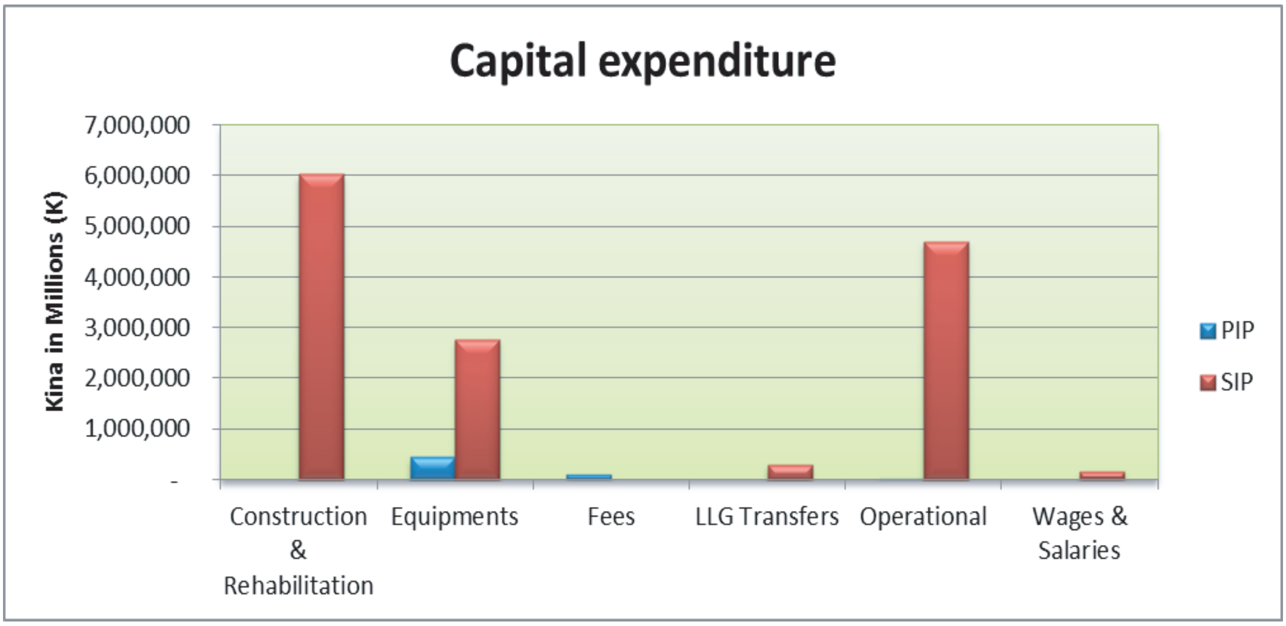
  1. The provincial HQ have delegated the task of airstrip maintenance to the district HQ, therefore when costing out the MPA2 in 2010, the NEFC uses the cost at the district HQ, although it is not a function of the district but an internal agreement between the PHQ and DHQ. For the other two districts, the function still remains under the provincial HQ.

  2. The district HQ intentionally takes ownership of maintaining the rural airstrips because there is no allocation from the Provincial Headquarter therefore when costing out the MPA2 in 2010; the NEFC identifies costs associated with airstrip maintenance under district HQ.

4.5.4 Capital Expenditure Outlook in Transport Infrastructure

Capital expenditure in transport infrastructure sector was the highest spending by the Government in 2013. The capital costs incurred under this include; construction, rehabilitation and renovation of roads and bridges, airstrips, wharves and other related capital costs.

Graph 12: depicts the Capital Expenditure in Transport Infrastructure



The two main source of capital expenditure for the Transport Sector are the SIPs and PIPs. The graph identified the main sources of activity that the capital expenditure was expended on:

1 Construction and rehabilitation under the transport sector as in other sectors, was a major source of spending. It recorded as a total expenditure of over K6 million in 2013. Most of expenditure under this activity was the construction of roads and rehabilitation of roads and bridges. The expenditure source of this activity was the SIP particularly the DSIP funds.

2 Operational expenses are the second highest capital expenditure in 2013. The expenditure alone was K4.7 million in comparison to the total SIP funding. Apart from that, PIP expenditure source has over K300,000 spent on operational expenses. There are two scenarios;

- Insufficient recurrent funding to cover the operational costs, which is why a total of K4, 730,000 capital expenditure was used for operational expenses

- The operational costs were part of the projects and programs and therefore a component of the capital expenditure allocated to these particular projects was used for the operational costs.

- Equipment inclusive of plant and machinery was part of this capital spending and the total expenditure was K2.7 million which represented SIP and K450,000 from the PIPs.

- Wages and salaries were recorded in 2013 under capital expenditure because the source of expenditure was from the SIP funding, in particular the DSIP. That component was generally payments to general labour for assistance during the construction of roads in the districts.

- LLG transfer was the component of the LLGSIP under the SIP funding to the LLGs in 2013 and the expenditure was almost K300, 000. The nature of this funding is to assist the LLG fund their projects at the wards, community and village levels.

- Fees were also estimated to be another capital expenditure with a total of K100, 000 in 2013. The source of expenditure was the PIP and the general description of fees was administrative consultation fees and member fees and contributions.

4.5.5 Expenditure Trend in 2013 by Item Code

Table 11: shows spending by item code for Transport Infrastructure in 2013

Item #	Item description	Amount	%		Category Description	Amount	%
225	Construction, renovation....	**6,028,555**	38%		Capital Expenditure	**14,538,211**	92%
128	Routine Maintenance	**3,384,975**	21%		Recurrent Goods & Services	**1,274,975**	8%
135	Other operational expenses	**2,489,549**	16%				
224	Plant, equipment and machinery	**2,312,800**	15%				
222	Purchase of vehicles	**902,000**	6%				
242	Capital & Transfer to Govt. Agencies	**296,678**	2%				
112	Wages	**164,129**	1%				
143	Grants & Transfers-Public Auth	**125,000**	1%				
126	Administrative Consultative Fees	**100,000**	1%				
125	Transport and Fuel	**6,000**	0%				
121	Travel and Subsistence Expense	**2,000**	0%				
123	Office Materials and Supplies	**1,500**	0%				
	Total spending from recurrent & capital	**15,813,185**	**100%**		**Total spending from recurrent & capital**	**15,813,185**	**100%**

The table illustrates five biggest items in the Transport Infrastructure Sector.

Item 225 Construction and renovation, which is a capital expenditure, is the highest single spending item at K6, 028,555 from the total transport expenditure (from a total of K15, 813, 185). Under capital expenditure this figure is made up by the PIPs and SIPs spending alone to the districts;

Item 128: Routine Maintenance MPA1, MPA2 and MPA3 of transport infrastructure is covered in this item spending. The total expenditure under this item is K3, 384, 975 of the total transport infrastructure expenditure. However, expenditures under this item may not cover all the maintenance for roads bridges, airstrips, and wharves and jetties;

Item 135: Other operational expense which can include almost anything except for Personal Emoluments was the third highest expenditure under the transport infrastructure sector. The incurred costs under this may include district transport infrastructure sector expenses.

item may include district Transport Infrastructure sector expenses. However, considering the variation between how the districts spend their money, expenditures under this item may include capital spending on projects;

Item 224: Plant, equipment and machinery, which include technological equipment such as heavy road machinery and other related machinery, are used for construction and rehabilitation of infrastructures under this sector. This item spending in 2013 under this item recorded a total of 15% of the Transport Infrastructure expenditure;

Item 222: Purchase of vehicles: Payments for purchase of all kinds of vehicles including trucks, buses, utility, vans, and motorcycles are classified under this item. Districts spent 6% or K902, 000 of the Transport Infrastructure expenditure against this item spending alone in 2013.

The total expenditure for Transport Infrastructure was K15.8 million with capital spending at 92% and recurrent spending at 8% for the 2013 financial year.

4.6 Village Courts

Village Courts operate throughout the country and provides an accessible and economical local level judicial system for the people of Papua New Guinea. The village courts system is enshrined in legislation and supported by national, provincial and local level governments.

This sector plays a very important role in ensuring the rule of law is being upheld at most rural villages or wards in the country. In ensuring this sector is functional, the village court has selected the following activities that form the basis of its operation within the rural communities.

4.6.1 Minimum Priority Activity in Village Courts

Operational materials: Every village court facility should be equipped with the following operational materials in order to successfully carry out these functions; provide flags, badges, uniforms, and court forms to village courts.

These operational materials are funded out of the Village Court Function Grant. Apart from this funding for operational materials, village courts officials do get allowances which is a separate funding source from the function grants itself and it is strictly used to pay allowances for the village courts officials only.

4.6.2 MPA Spending - Village Courts

Table 12: depicts MPA for Village Courts in 2013 against the NEFC cost of service estimates

Districts	MPA1 (Provision of operational materials)	NEFC Cost Estimate
Henganofi	-	12,760
Kokopo	4,000	6,598
Wapenamada	-	20,072
Usino Bundi	-	12,093

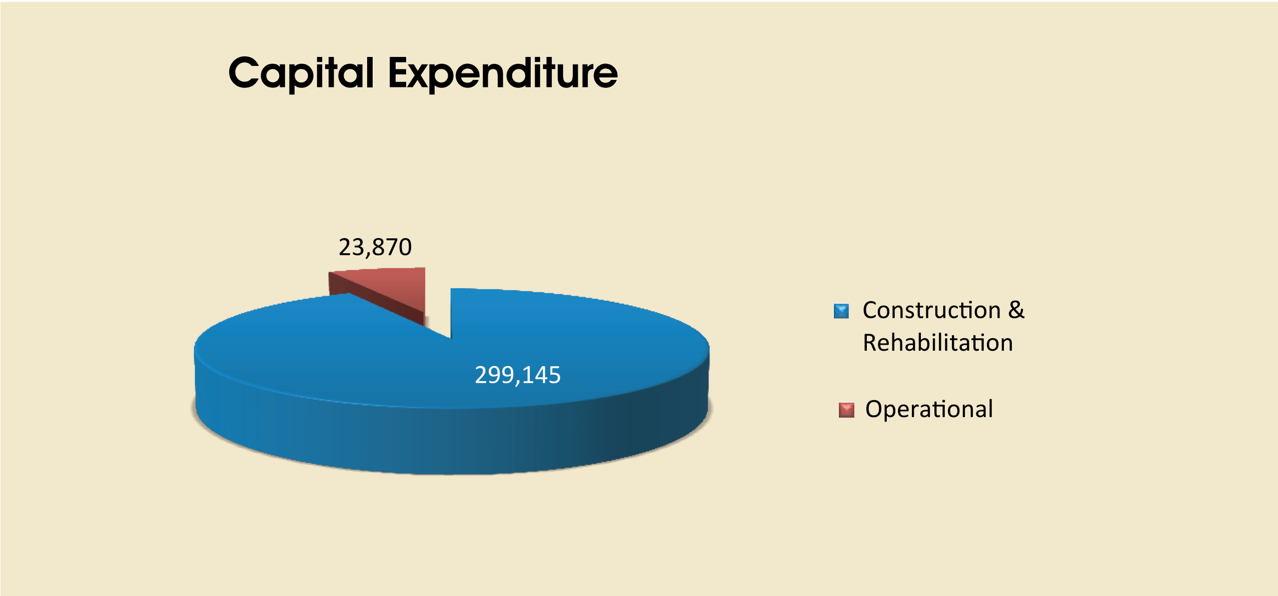
The above table shows the comparison between the Village Court Function Grant expenditure on MPA and the NEFC cost estimates.

- In 2013, only one district spent on MPA1 (operational materials expenses).
- Kokopo district spends 61% of the total NEFC cost estimate on village courts operational materials
- The other three districts not spent any of Village Courts Function Grants on MPA1. There is a need to advocate more on districts to strictly spent their grants on MPA1 of village court sector

4.6.3 Capital expenditure in Village Courts

The graph below illustrates capital expenditure in Village Courts. The main source of capital expenditure for the Village Courts sector was the SIP. The graph identifies capital expenditure was spent on.

Graph 13: depicts the capital expenditure in Village Courts



- In 2013, almost K300,000 of capital expenditure was spent on capital expense incurred under the Village Court sector. The expenditure source was the SIP, in particular the DSIP funds.
- Over K23,000 was spent on operational expenses from the same expenditure source. These operational costs may have been covered by capital spending because of insufficient recurrent expenditure or it may also be that this operational cost was part of particular project and therefore a component of capital expenditure was allocated to cater for these operational expenses.

4.6.4 Expenditure Trend in 2013 by Item Code

Item #	Item description	Amount	%
225	Construction, renovation....	**299,145**	70%
112	Wages	**51,100**	12%
135	Other operational expenses	**40,870**	10%
125	Transport and Fuel	**15,000**	3%
121	Travel & Subsistence Expenses	**7,000**	2%
122	Utilities	**5,000**	1%
136	Education & Training	**5,000**	1%
123	Office Materials and Supplies	**2,000**	0%
124	Operational Materials and Supplies	**2,000**	0%
128	Routine Maintenance Expenses	**1,500**	0%
142	Membership Fees & Contribution	**500**	0%
	Total spending from recurrent & capital	**429,115**	**100%**

Category Description	Amount	%
Capital Expenditure	**323,015**	75%
Recurrent Goods & Services	**106,100**	25%
Total spending from recurrent & capital	**429,115**	**100%**

Table 13: illustrates five biggest spending items in Village Court sector;

Item 222: Construction and Renovation represents Capital Expenditure making up 70% of the total village court expenditure. The main expenditure source of this item spending is the SIP.

Item 112: Wages description includes payments to labourers and casual employees. However, districts may differentiate the context of this item as for this case; wages paid under this sector are basically for village courts officials' allowances. The total allowances paid to the village court officials was K51,100 of total village courts expenditures.

Item 135: Other operational expenses which can include almost anything was also one of the top five biggest spending items in 2013. The expenditure under this item was K40,870 which is 10% of the total sector spending.

Item 125: Transport and fuel refers to spending associated with travel and operational costs incurred during district village court sector operation. This expenditure item has a spending total of K15, 000 out of the total K106, 100 recurrent spending under village court sector which is 14%.

Item 121: Travel and subsistence expense was the fifth highest expenditure in 2013 with K7, 000 of the total sector expenditure. This item covers the travel expenses for district staff visiting village court facilities or district staff visiting provincial HQ.

The total expenditure for Village Court sector is K429,115 with capital expenditure standing 75% and the recurrent expenditure at 25% in 2013 financial year.

4.7 Administration Expenditure

Picture Source: NEFC Regional Workshops 2014

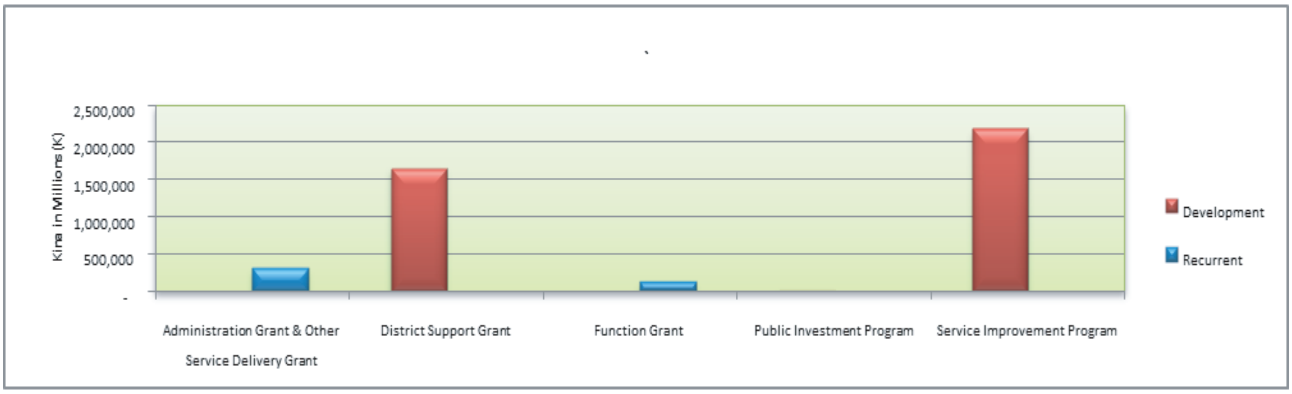
The Administrative divisions of the Provincial Government and Districts have a crucial role to play in making sure there is no hindrance of service delivery activities. The district administrations are at the heart of delivering Government services, therefore their roles, actions and activities must be both effective and efficient.

Administration spending is also the significant factor that this report has attempted to detail including identifying the spending trends of expenditure sources. Over the years as well as being stated in the NEFC's PER, administration costs are somewhat 3 to 4 times as much as estimated. There are two sides why we need to assess the administration expenditure.

- The administration expenditure is very much higher than the priority sectors itself.
- Administration costs impact the capacity of district administration staff to deliver the services.

With these two assumptions above, we will try to understand the expenditures within the district administrations

Graph 14: shows the total administration expenses in 2013



The chart above illustrates the different expenditures by the District administrations for the two main expenditure source; recurrent and development expenditure. The data set was for 2013 financial year alone.

- For the capital expenditure, K2.1 million of the SIP source, particularly DSIP was spent on administration alone in 2013;
- K1.6 million of the District Support Grant was spent on the district administration;
- The other source of capital expenditure was the Public Investment Program, which recorded almost K20,000 on administration expenditure;
- For recurrent expenditure, K130,000 of the Function Grants was spent on administration.
- More than K300,000 was spent on district administration from the Administration Grant and Other Service Delivery Grants. These grants were also part of the recurrent grants that the NEFC determines for Provinces and LLGs alongside the Function Grants.
- The total expenditure for the district administration, both capital and recurrent expenditure is K4, 296,409 million in the 2013 financial year.

Item #	Item description	Amount	%	Category Description	Amount	%
135	Other operational expenses	3,044,506	71%	Capital Expenditure	**2,360,620**	55%
222	Purchase of Vehicles	300,000	7%	Recurrent Goods & Services	**1,935,789**	45%
112	Wages	243,281	6%			
125	Transport and Fuel	147,478	3%			
144	Grants to Indiv. Non profit	124,900	3%			
121	Travel and Subsistence Expenses	114,735	3%			
128	Routine Maintenance Expenses	98,533	2%			
136	Training and Workshop	70,000	2%			
123	Office Materials and Supplies	36,566	1%			
122	Utilities	36,267	1%			
113	Overtime	26,054	1%			
221	Furniture and Office Equipment	24,000	1%			
126	Administration Consultive Fees	16,590	0%			

Table 14: illustrates five biggest spending items within the district administrations in 2013; the total administration expenditure was K4.2 million and of that, 55% was capital spending and 45% recurrent expenditure

Item 135: Other operational expense which can include almost anything except for Personal Emoluments and Capital related was the highest expenditure for the Administration spending by items in 2013 with 71% of the total expenditure on the administration.

Item 222: Purchase of vehicles was the second highest expenditure with K300, 000 or 7% of the total Administration expenditure in 2013. The costs incurred under this item may include payments for all kinds of vehicle including trucks, buses, utility vans, and motor-cycles.

Item 112: Wages against this item was 6% of the total expenditure. The most reliable justification for this payment was basically payments made to casual workers who were engaged to do work within the District Administration. Some form of this labour work can include district town up-keep and payments to officials engaged during celebration events.

Item 125: Transport and fuel take up 3% of the total expenditure which is K147, 478 of total Administration expenditure. Costs under this spending item may include fuel costs for vehicles and boats, hire costs for vehicles and boats and other relative costs.

Item 144: Grants to Individuals and Non-profit include fund transfers to individuals and non-profit organisations that are engaged by the District Administration. Expenditure under this item was K124,900 which is also 3% of the total Administration expenditure.

4.8 Enabling Environment for Effective Service Delivery

Addressing the integral human development of every individual of this country is one of the pillars of the Vision 2050. To address this, the Government must ensure that every individual must practise healthy lifestyles within their community, no matter where they live. To promote the healthy lifestyle, we must look at the cross-cutting issues which have a significant impact our rural populations.

This report will also try to spell out gaps through cross-cutting issues like water supply and sanitation, family health programs and environmental issues that have lacked funding from the Government over recent years. It is of importance to stress these issues out so that we can better improve livelihood standards of every Papua New Guineans.

In this report we will show how much of the expenditure going to districts is targeted on these cross cutting issues and some of the methods to improve quality of these health and environmental programs that will impact the integral development of every individuals. The budgetary allocations and expenditure patterns under these programs have been looked at as follows.

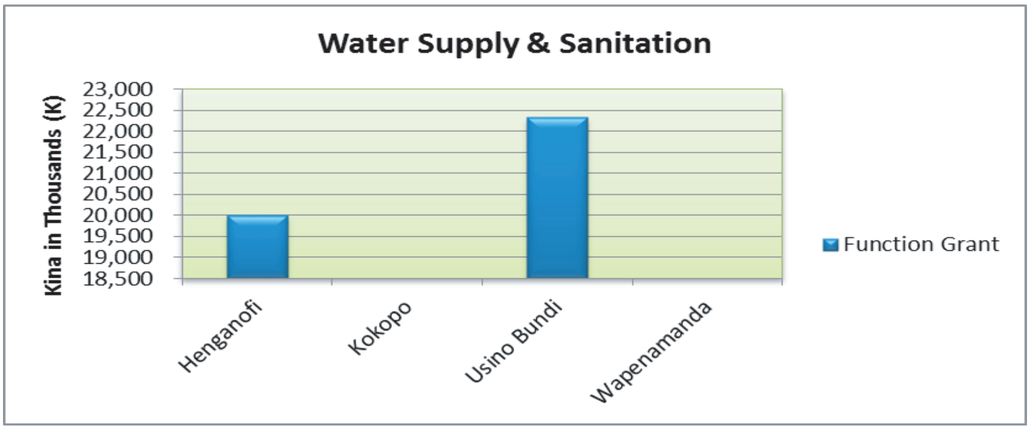
Take note that the source data used is only financial data from the District Treasury. Any water supply projects, family health programs and environmental health programs that are outside of Government funding through districts are excluded in this Review. The main reason for this is because the report is aimed at addressing gaps in priority areas of funding from the National Government to the Sub-national levels.

4.9 Water Supply and Sanitation

Water supply and sanitation has long been one of the cross-cutting issues that the NEFC have been addressing through the PER.

The chart below illustrates the expenditure by districts on water supply and sanitation projects in the districts in 2013 financial year.

Graph 15: illustrates the expenditure on water supply and sanitation by districts



The graph on previous page depicts;

- Of the total expenditure (inclusive of capital and recurrent spending) of the four districts, only two did spend on water supply and sanitation programs.
- Henganofi spent almost K20,000 on water supply from Function Grants.
- Usino Bundi spent over K22,000 from Function Grant also on water supply and sanitation.
- Kokopo and Wapenamanda did not spend anything on water supply and sanitation in 2013.

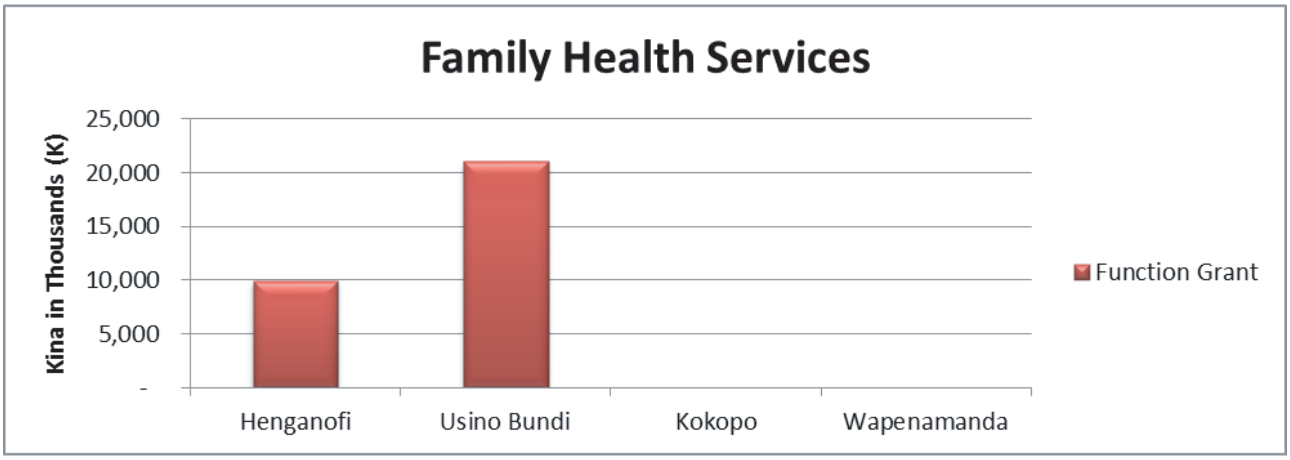
4.10 Family Health Services

Family Health Services expenditure is intended for expenditure to be spent by districts on activities and programs to effectively improve and promote healthy lifestyle of rural communities.

Family health services are made up of both preventive and curative health interventions addressing the health of mothers and children. Most childhood and maternal conditions are easily preventable and treatable.

Achieving high economic growth is directly linked to healthy lifestyles of the entire population, including mothers and children. Therefore, at all costs, the livelihood of mothers and children must be protected and promoted through healthy programs through development of strong health systems.

Graph 16: illustrates the expenditure on family health by districts



The above graph shows that:

- Only two districts did spend on family health interventions in 2013.
- Henganofi spent K9,936 of Function Grant and Usino Bundi spent K21,054 of the same expenditure source on family health services.
- Kokopo and Wapenamanda did not spend any funds on family health interventions.

Some of the programs initiated to maintain a healthy physical environment are;

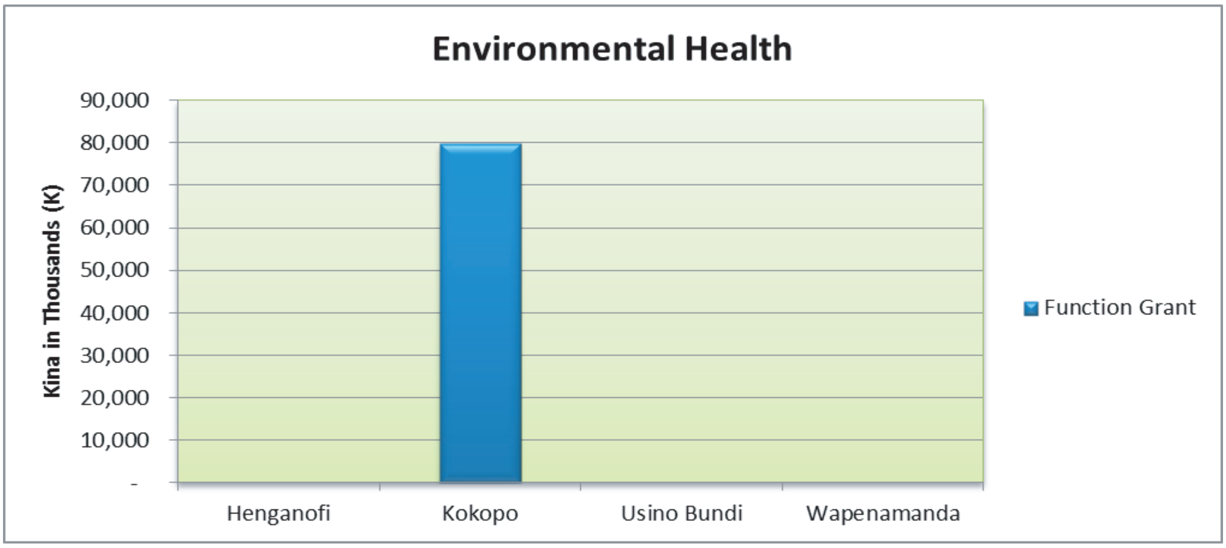
- Environmental impact assessments
- Workers health
- Management of solid and chemical wastes

As per the National Health Plan (2001 – 2010), these are some of the prevention measures that are aimed at reducing the following environmental impacts;

- Review and update legislation
- Develop standards and guidelines
- Improve skills of technical staff
- Promote and support health islands plan
- Effectively monitor environmental pollution
- Improve partnerships with public authorities and the private sector
- Increase public awareness and education

[9]The National Health Plan (2001-2010) is a publication from the ministry of health outlining the Health Vision 2010. This publication addresses the program policies and strategies that are identified to reduced health issues and improve and promote healthy lifestyle.

Graph 17: shows the spending on environmental health by Kokopo District



As per the graph above, only one district spent on environmental health. The Kokopo district allocated and spent over K79, 000 on health programs which is inclusive of environmental health services and the Healthy Islands Program.

There was no evidence of spending on environment health by the three districts on this cross cutting issue.

CAUTIONARY NOTE ABOUT THE NEFC COSTING STUDY & ESTIMATES

It may be tempting to assume that cost estimates included in this chapter (i.e comparison against the Minimum Priority Activities are realistic), however, this may not necessarily be the case.

The NEFC determines costs based on activities defined in the Function Assignment Determination (FAD). Most of these activities are performed or carried out by the Provincial Administration, therefore, determining costs for District Administration may not be accurate enough.

However, as per the NEFC costing survey, the District Administration to some extent, performs some of the roles including:

- Extension Services
- Health Extension Patrols
- Operation of Rural Health Facilities
- Operation of District Education office

The main objective of ascertaining these costs estimates for district funding on service delivery is to give a clearer view on how much, it would cost to carry out a particular activity. As such any reduction in funding below the level of these estimates would certainly results in a reduction in service levels.

When the NEFC carried out the costing survey, the following provisions were not included.

- No capital costs assets such as vehicles, boats and computer equipment – replacement costs for these assets were allocated above the assumed asset life.
- No wage costs or casual wage costs were included based on the assumption that all necessary staff would be paid as public servants at the expense of the national government.
- School operating costs – were difficult to determine because there are different sources of funding that covers the operational costs of schools.
- Curriculum materials – due to lack of information, the NEFC did not carry out this activity.
- Patient transfers – high costs associates with this function prompt NEFC to leave it out of the study because the level of cost ascertained can likely distort the whole budget of health sector on this single function alone.
- Urban services; water supply and sewerage – not all the provinces carry out this function that is why it was left out of the costing survey.
- Road rehabilitation and emergency maintenance costs – major roads rehabilitation were left out of the costing study, however, only regular routine costs of maintenance were included.

[10]FAD spells out the different activities that are targeted at making service delivery happened.

[11]*Cost estimatesfor the cost of emergency patient transfers were initially developed on the basis of statistics provided by the Department of Health as to the number of patients requiring emergency transfer from rural areas to provincial hospitals. The first cost estimate for this single expenditure item was over K120 million.*

CHAPTER 5
DISTRICT INFORMATION MANAGEMENT SYSTEM

Papua New Guinea (PNG) has a rich cultural heritage and abundant natural resources. However, the country has topographical obstacles and poor infrastructure, making transport and communication costly, difficult and time-consuming.

Collecting data in PNG is challenging. Nevertheless through the assistance of the European Union and DFAT, DIRD were able to develop and collect data using the PNG District Information Management System to record the data.

5.1 PNG District Information Management System (PNG DIMS)

In parallel to the implementation of RIGFA and the re-establishment of PLLSMA, GoPNG was experimenting with other systems for funding decentralisation, resulting in the launch of the District Services Improvement Program (DSIP). The intent of DSIP was to provide adequate funding to assist districts to develop and rehabilitate their infrastructure. The allocation of an agreed equal funding to all Districts was passed in Parliament in 2007. Over 2007-2012, DSIP distributed a total of almost K1.9 billion, or 10 per cent of all Development budget allocations.

When the Department of Implementation and Rural Development began to implement DSIP, it identified many constraints associated with devolving large amounts of funding to entities that had hitherto not managed such large resources. These constraints included financial and program management capacity. After two years of implementation, the Office of Rural Development reviewed the DSIP Program in late 2009. One outcome of the review was the development of the PNG DIMS hereafter referred to as the DIMS.

The DIMS was developed to identify infrastructure, human resources and fiscal gaps for each district so that DSIP funds can be better targeted.

With technical assistance from AusAID and the European Union, the Department of Implementation and Rural Development undertook a fact finding mission to 84 of the 89 Districts between 2011 and 2012, and collected the following information:

PNG DIMS Survey coverage:

- 84 District Administrations existed shared that at the time of observation.
- On average, 20 District Officers per district were involved.
- One thousand six hundred and sixty four (1664) standardised ordinal data entries per district, including the District Administrator, Treasurer, and Planner and between 500 and 1000 data entries covering 11 social and economic sectors.
- average of 300 data entries per LLG for over 200 LLGs.
- Training Needs Analysis survey for an average of 20 District Officers (including LLG presidents) in 51 districts. A total of about 1,000 processed TNA surveys.

a] **Human Resources Capacity:** this is the most comprehensive Training Needs Analysis (TNA) survey ever undertaken in PNG, after independence.

It collected information from members of the Joint District Planning & Budgeting Priority Committees and the District Project Management Teams. It also collected detailed information on human resources capacity for 11 social and economic sectors for over 200 LLGs.

b] **Infrastructure Capacity:** standardised survey of current infrastructure available to District Administrations and LLGs.

c] **Information Communication Technology (ICT) Capacity:** standardised survey of Districts' capacity to communicate and process district information.

d] **Project Implementation Capacity:** a comprehensive list of projects and assets in the districts, and a standardised survey on the capacity of the District Project Management Team and the Joint District Planning & Budgeting Priority Committees to implement projects.

e] **Fiscal Capacity:** standardised survey assessing the fiscal capacity of District Administrations and LLGs.

5.2 The PNG DIMS Survey Coverage

The DIRD is working with NEFC, UNICEF and World Vision to process and cross-validate the DIS data. DIRD is also working with the University of PNG Remote Sensing Centre to produce DIMS maps.

5.3 Lessons learned from DIMS

- Even though DIMS data is yet to be fully processed and cross-validated, participatory processes used to collect information and preliminary analysis of the PNG DIS data has started to inform district plans.
- DIMS has demonstrated that the lack of district information was primarily a result of limited capacity, instruments and methodology used to gather information rather than the lack of motivation on the part of the District Administrations.
- While DIMS was developed and is being implemented to address DSIP needs, the District Administrators have realised its value as a tool to inform district planning and decision making. This has provided the incentive for their further participation in surveys.
- The DIMS approach to data gathering has enhanced intergovernmental coordination at the subnational level to an unprecedented degree. The organisation for each visit to the districts required a number of protocols including: preliminary consultations, securing the approval of the Provincial Governor, Member of Parliament, the Provincial and District Administrations, and the Local-Level Governments. Interview discussions included the full District Administration, including LLG Managers. Within the PNG context, this is a major achievement.
- Availability of DIMS data is now strengthening district and LLG planning and decision making. So far 15 districts have requested DIRD assistance to access and use DIMS data to develop their 5-Year Development Plans. DIRD is planning to standardise this process by setting up an annual review and update of District and LLG 5-Year Development Plans.

5.4 Major Achievements

DIMS is influencing high level policy decisions, for instance:

- NEFC used PNG DIMS data to complete its Cost of Services Study particularly with regard to fuel prices for the 2010/2011 CoSS.
- DIRD is reviewing DSIP Guidelines focussing more on gaps and issues identified from preliminary PNGDIMS findings
- When the Government decided to rollout a K1.5 billion to the Services Improvement Program in 2013, the information was already available to design the SIP guidelines, resulting in the rapid enactment of the Administrative Guidelines and Financial Instructions 2013-1, in the first quarter 2013.

Altogether, DIMS is an innovative piece of work in PNG and a great example of both, the thinking evolving around its approach Government and to link LLG needs to the national agenda of improving services, accountability and transparency.

5.5 Sustainability of PNG DIMS

The sustainability of the DIMS program is challenge. Updating the information to capture new developments and the changing context, especially the delivery of services from increased funding to districts and LLGs, will require the implementation of annual surveys. Moreover, to maximise the value and use of DIMS, better co-operation and coordination with other national departments such as DPLGA, PLLSMA, NEFC, the DNPM, NSO, and the Department of Communication and Information (DCI) needs to occur.

Because of DIMS, DIRD is now in a respected position and is being requested to collaborate with other agencies such as the , DNPM and NSO on the design of the PIMS and the IGIS. Integration of DIMS data on infrastructure capacity with population densities generated from PIMS will inform planning and investment decisions made by the Government with relatively accurate data. Through IGIS, it is intended that this information will be available and used more broadly to inform Government policies and strategies. It is hoped that in the near future DIMS information will be used to monitor and influence planning and decision-making for improved development outcomes.

The initial DIMS database was developed as a management tool primarily to assist DIRD with executing its acquittal obligations under the finance Administrative guidelines. It has now been transposed to Devinfo data, a UNICEF international database platform.

The program is a universally adopted analytical tool for development information.

It is anticipated that this software could be used as a research tool and also to create district profiles and minimum standards to assist with informed decision-making.

5.6 Extract of PNG DIMS Survey (See also Appendix 3)

A summary of the questions and findings based on the data collected for the four pilot districts is included in the PNG District Information Management System and included in Appendix 3 of this report. A summary of relevant questions and response for the DDA implementation are provided in this Review.

Air transport link far remote places

Picture Source: NEFC File Photos

CHAPTER 6

DISTRICT DEVELOPMENT AUTHORITY

It has been described that the District Development Authority was Government's policy solution for addressing deterioration of basic services and laying down the foundation for better alignment to achieving its strategic goals including the PNG DSP 2030 and the Vision 2050.

Hence, the rationale for the District Development Authority is to:

- Make services local, accountable and accessible;
- To encourage local leadership, responsibilities, local solutions, and accountabilities to promote timely decision-making for basic services including accessibility;
- Strengthen existing partnerships and remove silos in public service to allow districts with framework embracing greater participation by communities;
- Strengthen project implementation and service delivery at the District level; and
- To apply a co-location approach to public service; removing silos and make public servants in the districts responsible to the District Administrator (who will be the CEO of the Authority) and work as a team.

At the start of 2015, the Government began the process of rolling out the implementation of the District Development Authorities across PNG. This is an evolution in the country's more forward decentralisation. And we will all see, over time, the implications and opportunities it presents. As our political and bureaucratic system of Government evolves and develops, it is helpful to remind ourselves of the principles that act as markers to guide in our development.

It has been described that the District Development Authority was Government's policy solution for addressing deterioration of basic services and laying down the foundation for better alignment to achieving its strategic goals including the PNG DSP 2030 and the Vision 2050.
Hence, the rationale for the District Development Authority is as discussed.

6.1 Key NEFC Intergovernmental Financing Principles and the DDA

Prior to the passing of the DDA Act in November 2014, the NEFC had been proactive in raising awareness of the proposed DDA Bill. The NEFC conducted a number of workshops to raise awareness of the DDAs amongst fellow stakeholders:

The NEFC's position is that the DDA implementation is a natural progression of RIGFA and supports GoPNG in the decentralisation process in successfully implementing the DDA reforms. In this light, the NEFC proposes four principles that should be adhered by DDA which also successfully ensured the implementation of RIGFA, which has lasted the test of time.

The first principle is affordability. The financial arrangements, as set out in the 1995 Organic Law on Provincial Government and Local Level Government (OPLGLLG), proved to be unaffordable. It took fourteen years of determined work, to recalibrate the Intergovernmental Financing system to match the original aspirations of the 1995 Organic Law in a way that was more affordable and sustainable to the country. These reforms were implemented in 2009.

In implementing the concept of District Development Authorities, PNG has the opportunity to learn from 1995, using the excellent information that we now have – of functions, costs, revenue and expenditures – to design an affordable intergovernmental financing system that supports the evolving shape of decentralisation.

The second principle is a clear understanding of functional responsibilities. Understanding 'who does what' is of absolute importance. Everything else in the system is premised on a clear understanding of what each participant's responsibility actually is. Where there is doubt, or ambiguity, there is a lack of accountability.

The third principle is that funding follows function. For the service delivery system to work, each level, needs to have access to an appropriate amount of revenue. This is complex. Revenues can be generated locally or received via transfers from a higher level of Government. Ensuring the funding gets to the right place is of critical importance in a highly decentralised service delivery context like Papua New Guinea. Ultimately, funding is needed at the frontline: by health centres, by schools, and by those undertaking extension work. Making sure they have access to it, is the challenge.

And the fourth principle is the need for an effective system of reporting and monitoring. Accountability is at the heart of any effective Government bureaucracy. Developing a clever sustainable system of monitoring, will 'complete the loop', and help ensure the system has the necessary level of direction and probity. The monitoring framework will need to understand the various roles played by national, provincial, district, local and community participants. We need to gather information that is timely and relevant, that will allow Government to monitor and respond.

The National Economic and Fiscal Commission is committed to fulfilling its mandate by providing advice to Government on the fiscal aspects of the evolving shape of the decentralised system.

NEFC, DIRD and DPLGA were involved in assessing the potential impact of the proposed introduction of DDA Bill in 2013 which was consistent with their supporting agency mandates.

The following were opinions raised in the workshop discussions at the time the DDA Bill was proposed. This has been included in this paper to raise awareness of issues. The summary of discussions has been reproduced below:

During discussions on the proposed Bill at the time, the following were noted:

This dynamic development environment reaffirmed the recognition that the following weaknesses in the system needed to be addressed:

- National agencies support to provinces must be made far more effective (and this recognition goes back years, if not decades). The two parallel issues which were of concern that interfere with achieving this are lack of effective capacity within national agencies who have mandated roles in the system and a persistent lack of effective intergovernmental relations, institutional alignment, collaboration and policy coherence between national agencies with mandated roles in the service delivery systems and between sub-national and national levels of Government to account for the incoherence within agencies;

- There is a critical need for effective and functional information collection, performance management, and reporting systems to ensure reliable information is available for identifying weaknesses and managing the process; this system also suffers from weak technical capacity, cultural impediments, and role ambiguities and lack of coherence across levels and between national agencies;

- The role of provincial and district treasuries in managing financial flows to service delivery points will require further targeted support if they are to continue. This support must strengthen systems, remove impediments, and install measures necessary to improve financial flows to service delivery points. Support must also ensure that financial management units can appropriately budget, allocate, procure, disburse funds, and account for funds used.

A key factor in the execution is an effective multi-agency engagement and collaboration. This, whilst challenging needs to be promoted as no one agency has all the information or the mandate to obtain all the necessary information. Further expertise in analysis is very much lacking with the NEFC probably the only agency who would be in a position to analyse pertinent data. The Whole-of-Government response must be strengthened between DPM, DoT, DoF, DNPM, DPLGA, and Provincial and District Administrations, and this collaboration must extend vertically from district to national level and horizontally between national agencies charged with supporting or enabling service delivery.

The conceptual issues raised during the DDA Bill awareness workshops, have been reproduced here to provide an insight over some of the concerns and issues raised prior to the Act being passed. The idea during the early days of DDA implementation was to inform and overcome some of the issues raised during the NEFC DDA Bill awareness workshops.

Those who supported the DDA prior to its implementation voiced the following sentiments:

- DDA was destined to be implemented including new changes coming through to adapt them.

- The community at large wants to change to the way public service delivery is conducted. If DDA can provide this improvement, the public is willing to accept it.

- Most public servants in the Province (and especially in Districts) see DDA as a solution, viewing the current arrangement as over-centralising the public service at Provincial headquarters. This system appears dysfunctional for the District-based public service to operate within. Funds seem to dry up at PHQ level and do not reach districts, and therefore service delivery does not happen at district level as it should.

- Some see DDA as a form of true decentralisation of Government and administration at district levels. It will bring funds and service delivery closer to the people. DDA is seen as an autonomous entity with greater powers and responsibilities for service delivery at the lower level of Government, and this is a good thing.

- Some see no difference between the responsibilities of the Provincial Governor governing through the Provincial Administrator, and the responsibilities allocated to the Open members who will manage DDA.

- DDA will focus service delivery and reduce political infighting from public servants who are supporters of losing candidates, who appear not to cooperate with an incumbent member, serving to stifle service delivery, etc.

- The DDA, being an Authority, will run its own show and not be subject to the PHQ.

- The proposed changes to the Organic Law indicate thinking with a view to seek home grown solutions. This includes making provisions for autonomy to provinces and Districts who are able to meet prescribed criteria.

Those who were less optimistic over the outcomes of the DDA were of the view that:

- DDA is another FAD that will come and go, just like all other reforms before it; service delivery problems and issues will not change.
- Most have not seen the details of the DDA Bill, but are waiting to see how they will adjust when DDAs come into operation.
- DDAs will give too much power to politicians (the Open Member), who is the Chairman of the DDA Board, and this is not good for public servants operating at the district and LLG level.
- Those at the senior level from PHQ appear to think that they will lose their powers and prerogatives over districts.
- Some seem to think that Senior Management at the PHQ will be made redundant if the DDA comes into existence, and they are worried about their future.
- Some political aspirants see that the DDA will entrench the power of the current member and cohorts at district level and compromise fair elections in the future.
- Some think that the Provincial Administrator's powers will be limited and eventually the role of the Provincial Administrator will be made redundant.
- Some think that DDAs will slowly move into minimising the powers and roles of the Provincial Governors, eventually abolishing the role of Provincial Governors in the provinces.

A number of other issues came to light during the joint agency DDA discussions prior to the DDA Act being passed. A number of provisions required clarification and others appeared ambiguous (e.g. abolition of the JDPBPC but who can be reinstated in an event of dissolution of the Authority. At the conclusion of discussions it was jointly agreed that the issues and clarifications necessary would be brought to the attention of the Chief Secretary and the CLRC for due consideration.

It is important to note that PNG already has decentralisation architecture that has evolved since 1975 and any formalised DDA arrangement will add another layer of complexity on a system that already fails to perform due to incoherence and a lack of institutional alignment. There are obviously very significant political and bureaucratic implications for the DDA, including:

1 The need to establish and moderate functional responsibility between the various levels of Government. This is DPLGA's mandate a function which has not been accomplished satisfactorily over recent years;

2 NEFC is well placed to provide assistance given its mandate and current work streams. NEFC conducted under the original Responsibility Specification Exercise (as well as requests for recommendations by the Chief Secretary); and

3 Funding arrangements (based on objectively determined need and independent costing) can be aligned once functional responsibilities are known and utility factors considered (i.e. what is sensible and feasible). NEFC is well placed and is able to provide the Government with informed and independent advice on this.

6.2 Operationalization and Preparation for DDA Rollout in Provinces

The NEFC has been supporting DPLGA and PLLSMA to implement the DDA roll out by providing timely advice particularly on complementary work of NEFC and strengthening of RIGFA.

It is acknowledged that in providing service delivery to 89 districts that not all districts are the same and no one size fits all.

The aspirations and willingness of local leadership both in politics and provincial/district administrations are to be fostered.

The District Development Authority now provides the opportunity for more effective local decisions and better access to resources. It then remains the responsibility of leaders in Districts, LLGs and Provinces to determine the future of the people and the provision and access to services.

At the time of writing this report, even though the DDA Act came into operation in January 2015, DPLGA together with the Office of the Prime Minister and Cabinet commenced on a program of rolling out the DDA Awareness Program across the country. This program has been completed. One of the key features of the DDA Awareness workshops has been for the Provinces and Districts to determine the functions which each will be carrying out. The final determination is then required to be formally approved by the Minister for Intergovernmental Relations.

In April 2014, East New Britain became the first province to implement the DDA by swearing in the DDA members at all levels, a few other provinces had publically expressed an intention to implement their DDA structures.

Other than this there is little collective information about the current status of DDA implementation across the country. It is understood that DPLGA is in the process of submitting a formal report to PLLSMA Special Committee for review in June 2015.

In progressing with the DDAs a number of issues remain inherent and need to be progressively addressed:

- There continues to be very little collective information and data available for all the districts. The District Information Management System appears to be the only current information on Districts. However, although this was well funded at the start the task was not fully complete and gaps remain in the system. Overall the district financial and reporting systems are currently 'off the radar' in most instances, meaning that the financial management and reporting systems do not link or report back up line to the province or ultimately to National Agencies.

- It is understood that many Districts will use the PGAS system but the classification of expenditure continues to be inconsistent. Getting these systems operating automatically would be a massive step forward and would assist with transparency, monitoring and accountability this; operates through the voluntary action at district levels. When considering 89 districts, eliciting voluntary compliance wlll be a major challenge.

- Currently, there is sporadic compliance with PFM reporting requirements between districts and other levels, but this is primarily paper-based with even more sporadic district-level electronic accounting occurring at provincial or national levels.

- The existing PFM electronic accounting system does not in all cases enable district financial data to be automatically swept upwards to the provincial and national levels. NEFC has voiced the need for district level data to be automatically swept into provincial and national levels for quite some time, with no progress so far. For example - Version 27 of the PGAS enhancement should ideally be adopted and rolled out to the Provinces. This would have facilitated accurate accounting entries and improved integrity of the public account financial reports.

- DIRD has been developing the DIMS database system which collates District and LLG data systems which may contribute in this area especially in terms of performance monitoring data.

- Monitoring and accountability is currently an issue of major concern. With every layer of Government administration created, it becomes ever more challenging to accurately paint a picture of what is happening vertically within a sector. If we take education as an example, Government will need to stitch together the various pieces of spending and performance data from the national, provincial, district and facility levels and this same issue plays out across multiple sectors.

- DDAs are accountable to a District Development Authority and then to the Minister Intergovernmental Relations. How will the Minister be able to oversee 89 DDAs? No such system exists within a national agency that is struggling to meet current mandates and authorities. Further, the DDA requires that the Minister is responsible for approving the functional assignments.

- What are the vertical accountability arrangements from DDAs back to provincial administrations and to key national line agencies? If DDAs have direct access to funding there are accountability and control issues as well as practical issues to consider, including the assorted and complex capacity issues related to budgeting (issues already evident at Provincial level where capacity is in all likelihood far more developed than it will be in newly constituted District Authorities).

- Will district treasuries be the vehicle for servicing DDA financial needs, including provision of cash or check writing authorities? If so, will District Treasurers report to the DDA or the Provincial Treasury or directly to the National Department of Finance? There are rumours that the Provincial and District Treasuries would be abolished (or will a DDA have some combination of these accountabilities as this already creates role ambiguities and severe dysfunctions at Provincial level?) What happens when a District Treasury is not operational within a district? This is particularly relevant given it is often the more remote districts that are worst serviced in accessing District Treasuries and banks.

A heightened focus on the district level does provide the opportunity for improvement in district level funding, administration, infrastructure and other aspects of the service delivery enabling environment. NEFC and DIRD have amassed a fair bit of information about conditions at sub-national levels and much of this information has been captured at the district level. NEFC already has information about functional responsibility and costs by districts, but this will likely need to be revisited and updated to make it truly applicable given the current and emerging environment.

6.3 Way forward in Progressing the DDAs

Summary Report on the Provincial, District and Local Level Government awareness and consultations

An interim summary report on the Provincial, District and Local Level Government awareness and consultations (February to April 2015) by the Technical Working Team stated that the Department of Provincial and Local Level Government and PLLSMA will be developing a framework to assist with the DDA implementation. It is proposes that the framework will include specific pillars such as:

- Whole of Government governance and performance management features;
- Private sector;
- Non-Government Organizations;
- People mobilizations and partnerships.

Specific areas of support of the framework to include :

- Knowledge and local solutions;
- Private Sector and Non-Government Organizations;
- Rural development and quality of life focus; and
- People resilience and potential.

6.4 PLLSMA proposed framework for supporting the DDA

The NEFC has been consulted and provided advice to the Technical Working Team on the PLLSMA, whole of Government, key essential initiatives in providing holistic support for the DDA implementation to include the following:

- Service Delivery function determination verification and endorsement: a critical step in ensuring who is responsible for what.
- Support for Cost of Services Study: as this will support the concept of “funding follows function” and provide provinces and districts with an evidence based budgeting methodology.
- District Profiles providing baselines: for future assessments of performance trends.
- Support for minimum standards: for enabling environments including minimum service delivery standards and infrastructure standards to enable MDTP deliverables for the assessment of application of funds and improvement trends.
- Integrated planning and budgeting: the application of more effective, longer term planning for more efficient use of resources and targeted development.
- Leadership Training and development: the need to properly equip leaders including political leaders and public servants.

CHAPTER 7

DISTRICT TRAINING NEEDS SURVEY ANALYSIS AND CAPACITY

As part of the District Information Management System (DIMS) Survey, a Training Needs Analysis(TNA) and Capacity gaps was conducted in 2010 and has been progressively updated. During the initial review some of the issues highlighted include human resource capacity issues, infrastructure capacity issues and financial management capacity issues. The latter two were addressed through the DIMS survey questionnaires and financial management processes and systems through relevant national agencies.

The TNA was a tedious yet well planned exercise which reviewed and analyzed the specific roles of the major service providers in the implementation of the DSIP. The role players were the District Administrators and Treasurers (DA and DT), the members of the now defunct Joint District Planning and Budgets Priority Committees (JDP & BPC), and the members of the District Project Management Teams (DPMT).

The Local Level Government Presidents who are the regular members of the defunct JDP & BPC are now designated members of the District Development Authority Board.

The DIMS TNA is considered as one of the most comprehensive survey of the districts. It covered 54 or about 61% of the whole districts in PNG with 617 people interviewed made up of the various key role players in the implementation of the program.

The TNA confirmed the initial findings of the DSIP implementation review workshops held in 2009/ 2010, that, in varying degrees, there were indeed significant competency gaps existing among the named groups. For specific details of the competencies, please refer to the District Information Management System Training Needs Assessment Report which has already been published and is currently being disseminated to the districts and can be requested from the DIRD Management.

Other interesting and useful information could be garnered from the report for use by other stakeholders.

Current developments tell us that the DDA will play a very significant role in the development at the sub-national levels particularly in the proper utilization of SIP funds. The result of the DIMS TNA will be of vital importance as the DDA builds capacity and competency in the delivery and the implementation of the SIP programs.

7.1 Human Resource Capacity Issues

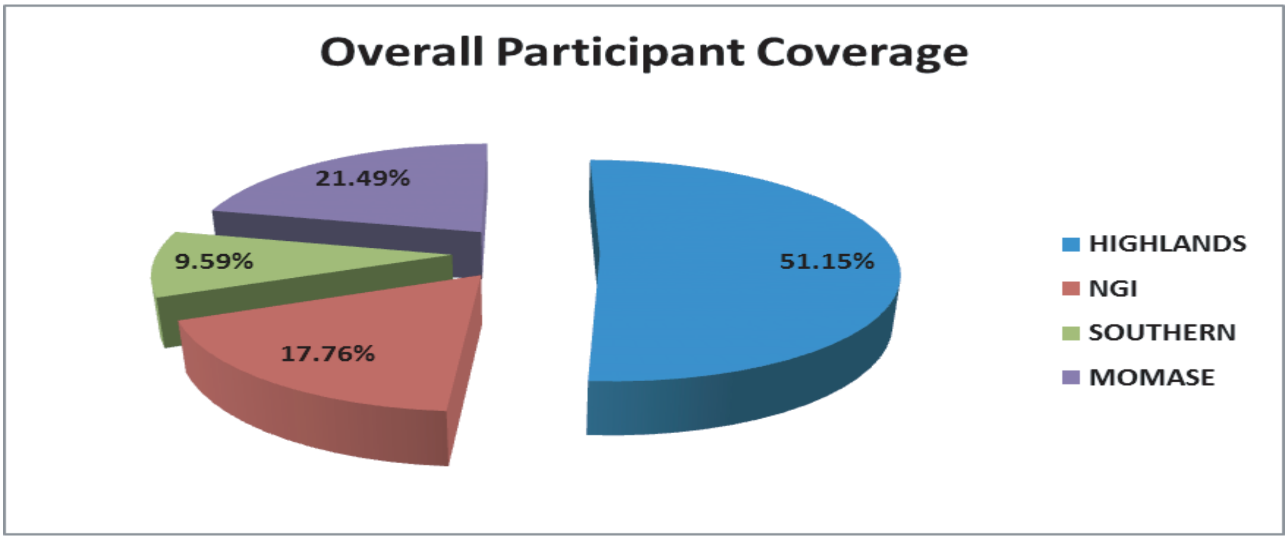
During the DSIP review, DIRD identified that almost half of the issues affecting the overall DSIP process were human resource capacity to deal with the reporting and monitoring guidelines. With those issues on hand, a fact finding mission was conducted by DIRD in 2011-2012 to assess the capacity of staff on how they deal with the DSIP funds at the district level.

The methodology of this exercise includes reviewing administrative guidelines and extracted required competencies of major role players including; DA, DT, JDP & BPC and DPMT. Questions were then developed and finalised as per the roles of these key players.

The coverage statistics of this exercise include a total of 563 people with;

- Highlands Region – 314
- New Guinea Islands Region – 109
- Southern Region – 60
- Momase Region – 134

Graph 18: shows the overall participants coverage of the four regions that took part in this exercise



This TNA exercise covered a total of 54 districts with 26 districts in Highlands region, 9 districts in NGI regions, 6 districts in Southern region and 13 districts in Momase region.

Table 15: shows the coverage of the exercise on these key players for the four regions

REGION	Districts	DAs	DTs	JDP&BPC	DPMT	TOTALS
HIGHLANDS	26	15	14	82	177	314
NGI	9	3	5	30	62	109
SOUTHERN	6	1	3	11	39	60
MOMASE	13	11	11	27	72	134
TOTALS	54	30	33	150	350	617

Table 16: highlights District Administration competency gap values

	HIGHLANDS	NGI	SOUTHERN	MOMASE
A	2.68	2.47	3.80	3.56
B	3.21	2.67	3.00	3.34
C	3.68	2.67	4.00	3.52
D	3.68	2.33	4.00	3.80
E	2.48	2.13	2.60	2.62
F	2.61	2.33	3.20	2.62
G	3.01	2.67	3.00	3.60
H	3.57	2.80	3.80	3.44
I	2.68	2.33	2.80	2.74
J	2.79	2.27	4.00	2.72
K	4.00	3.00	5.00	3.94

LEGEND

A. Critical Thinking
B. Project Management
C. Contract Management
D. Project Proposal Preparation
E. Oral Communications
F. Written Communications
G. Monitoring & Evaluation
H. Basic Accounting
I. Writing Reports
J. Implementing AG & FI
K. IT Skills in Word & Excel

7.2 Summary of the findings

The points below are some of the findings that the DIMS TNA exercise identified during the fact finding mission in 2011 – 2012:

- Gender imbalance – 62 females, or 11% of 563 players covered were females
- Major players with an average age of 45.5 years old
- Two hundred and seventy five (48.84%) of 563 players are not adequately prepared – lack of basic academic qualifications to meet the demands of public service and the DSIP
- Generally low literacy levels **(JDP & BPC members)**
- Two hundred and seventy seven or 49.2% of 563 players have not attended any training in the last 5 years
- Significantly other parties acting partly or wholly in place of JDP & BPCs and DPMTs in implementation of guidelines
- Below DA & DT, marked lack of awareness on administrative guidelines and Finance Instructions
- Non-compliance in DSIP projects implementation
- Lack of clarity on roles of players in various phases and processes of the program; and
- DAs, DTs, members of the JDP & BPC and DPMT possess various competency gaps to perform duties and responsibilities

7.3 Way Forward for the TNA Study

The TNA remains the most comprehensive study to date. While it still needs updating it can be used by all major agencies in progressing the DDAs. It is apparent that without proper capacity building Government's intended goals and objectives would be severely compromised.

While there is a push by some DDAs to attract the best talent to the districts, this will come at a cost of mass retrenchments or Government bearing the cost of an inflated workforce, which maybe a huge cost to Government in personnel emolument costs.

Picture Source: NEFC File Photo - 2012 , NGI Regional Workshop - Kimbe

CHAPTER 8

CHAPTER 8: EMERGING ISSUES AND OPPORTUNITIES

Papua New Guinea (PNG) has gone through major decentralization reforms over recent years aimed at improving service delivery to all Papua New Guineans. These reforms have all attempted to kick-start the delivery of basic services to rural communities, who make up close to 85% of PNGs population but who are yet to enjoy effective public service delivery in their villages or wards.

The latest reform is the District Development Authorities (DDA). This followed the passing of the District Development Authority Act in November 2014 and takes effect from 1st January 2015. The DDA reform is a major overhaul of the governance system of the country at the subnational level and requires that all agencies realign and harmonize their policies and activities to assist the Government in the successful implementation of the proposed reforms.

The District Expenditure Review has identified a number of issues and opportunities for GoPNG. While RIGFA has bedded down and funding efficiency has improved significantly (PER) (since the reforms were introduced in 2009), a number of issues including the inconsistency of warrants and cash releases have not only impacted the provision of basic service reliably and consistency but have also impacted the implementation of other major reforms including Tuition Free Fee (TFF) and Free Primarily Health Care (FPH) reforms.

As a result, NEFC identified a number of facilities particularly at the grass roots which were starting to charge fees in contravention of government policy. They have been left with little choice but to raise fees to be able to continue the services. This remains a serious challenge for Government and needs to be effectively addressed as it will continue to contribute to policy incoherence and poor implementation.

As part of Reforms on Intergovernmental Financing Arrangements, NEFC undertook a major responsibility specification exercise which culminated in the functional determination endorsed by the Governor General in 2009. This functional determination was used by NEFC as part of the Cost of Services Study. The Governor General's determination has not been reviewed nor revised since 2009. DPLGA have the mandate to review the functional roles and responsibilities particularly in the light of the DDA implementation.

A district case study was also conducted by NEFC in 2009 and identified that there was a further need for functional roles and responsibilities to be clarified. It was also evident during the DER that there were instances of overlaps in functional roles and responsibilities which require clarification.

The 2009 District Case Study also made recommendations including prescribing principles such as only one level of Government should be responsible for each specific operational cost of service delivery.

Another principle was that funding for operational costs should be provided to the level of Government where it is efficient and effective to pay for those costs including providing access to the level of service where the provision of service delivery takes place.

The World Bank also conducted a study 'Below the Glass Floor' 2013 and a follow up report which delved deeper into Minimum Priority Activities. This study concluded the need for further clarification of functional roles and responsibilities between the different tiers of Government involved in the provision of service delivery. This also includes the broader players involved in service delivery such as Christian Health Services. The World Bank report's recommendations also echoed the NEFC's 2009 District Case Study. Further, Section 6 of the DDA Act requires the Minister of Intergovernmental Relations to make a determination on the functional roles and responsibilities of District Authorities. This would appear to be an opportune time for a more broader review of functional roles and responsibilities between various tiers of Governments including the roles and responsibilities of other players in the provision of service delivery.

It is therefore recommended, that as a matter of priority, that a comprehensive review of functional roles and responsibilities be undertaken across the various tiers of Government from National to LLGs and facilities. This function should be conducted by the mandated agency DPLGA through PLLSMA to execute this function.

8.1 Improving the impact of Development Expenditure

The central agencies have a critical role to play in monitoring development and recurrent expenditure. There needs to an effective cycle of reporting, reviewing and providing feedback. The NEFC recommends that:

- Districts report what they achieved during the year based on the funds received
- Districts submit quarterly reports including providing PGAS backup tapes to the Department of Finance on a quarterly basis
- The Auditor General Office must resourced and provide a more effective oversight of district expenditure utilisation
- District expenditure performance must equally be subject to reviews including benchmark against other provinces
- Publicising district funding and utilisation
- Improving relationships between national agencies, provinces and districts
- Spending in accordance with district plans and areas as originally intended
- Enforcing basic financial controls including use of uniform expenditure classifications; and
- Trust accounts should not be used in accordance with government policy.

8.2 Service Improvement Equalisation Regime.

The equal fixed distribution of funds (e.g. DSIP) does not take into account costs disabilities associated with remoteness, population numbers of topography.

The large amounts of SIP funds channelled to sub-national Governments needs to take into account cost issues associated with remoteness. No two districts are alike and one size does not fit all in PNG. Therefore K15 million in Districts close to urban areas may be different to costs in the more remote parts such as Telefomin in Sandaun Province where travel costs could be much higher. Therefore, the Service Improvement Equalisation Regime was intended to factor in equalisation principles to equate cost issues associated with providing service delivery across PNG. Based on more reliable data including the latest population census, NEFC and DIRD could arrive at a more robust equalisation system for the provision of service delivery,

8.3 Improving linkages Between Development and Operations Funding

The DER identifies a widening gap between development and operational funding. What this means is that if development and infrastructure continues to be proritised, a considerable burden on the operational and maintenance cost will occur at some point in the future.

If there are inadequate funds for meeting maintenance and operational costs then it is likely construction and infrastructure will be developed but likely to face rapid deterioration if there are no funds for the upkeep of the assets.

A more serious issue is that if projects do not properly budget operational costs, aid posts or schools may be built without funding to support their operations. This was highlighted in the PEPE Study ttitled, 'The Lost Decade'.

8.4 Financial Management Systems

It is evident that Sub-National financial management systems supporting large amounts of funding streaming down to sub-national level are generally weak. Further, overall capacity, management, and reporting systems are also weak. To add to this, poor monitoring auditing and evaluation systems increase the risk of the misuse of funds, mismanagement, misappropriation and fraud. These weaknesses could well see many politicians and administrators, who well intentioned as they are, may find themselves falling victims of system weaknesses. This includes the inability to make a difference or to demonstrate their achievements, as the reporting systems are very poor.

This DER recommends that priority and funding be allocated to improving financial management systems ahead of channelling additional funding for development.

There should also be better coordination and management of the roll out of the IFMS systems including support for PGAS during the transition phase.

8.5 Consolidated Budget Operating Rules (2015)

The Department of Treasury has issued new instructions that will guide the future budgeting processes including an integrated budget planning process.

All provinces including districts will be required to adhere to these instructions and it is anticipated that their performance will be measured against the operating rules.

It is recommended that all provinces and districts adhere to Budgets and Expenditure Instructions.

8.6 District Development Plans

All developments within a district must be in accordance with the Strategic District Development Plan. This plan must also be linked to the province and national plans. Stronger controls must be enforced to ensure that these plans by ahort term political priorities. Changes or deviations from the strategic plan should only be approved by the Department of National Planning and Monitoring.

All Districts must have an approved 5 year strategic development plan. This should ideally be transparent and available on a website which the community and the public can access. The District Plans must also be made available for auditing and monitoring purposes.

8.7 Minimum Standards of Service Delivery and Infrastructure

The use of public expenditure including development expenditure must be guided by Government's strategic goals and objectives. This should also be aligned to minimum standards of service delivery and infrastructure. These benchmarks should also be guided by internationally accepted benchmarks but also take into account into local population, demographics and topography factors.

DPLGA through PLLSMA have a mandate to develop a broader framework for service delivery. This should include policies for the minimum standards of service delivery and infrastructure. However, it is evident that this major task of developing minimum standards/ profiles cannot be conducted timely by a single agency. It needs input from other sub-national agencies such as DIRD and NEFC, two of the three major players in sub-national service delivery.

In addition National and Sector agencies need to be involved to ensure that the minimum standards are appropriate. DoF, DoT, DNPM and DPM are also critical in arriving at a whole of Government response in developing minimum standards for service delivery.

Minimum standards can then be used as benchmarks which can be duly used by Auditors, Monitors and Evaluators.

8.7.1 District Profiling

During the DDA awareness workshops, DPLGA indicated that they have embarked on a district profiling exercise. District profiling aims to collect information on all districts providing an inventory of infrastructure, population number, demographic, topography etc. This can be used to better inform Government decision making including better allocation of resources.

8.7.2 Least Developed Districts

Section 61 of the Intergovernmental Relations (Funding & Finance) Act 2009 requires that the NEFC provide advice to the Minister responsible for planning matters on:

1. The allocation of least developed district grants amongst districts
2. The manner for making and timing of least developed district grants
3. The conditions to which least developed district grants should be subject
4. Such other relevant matters requested by the NEC

The Act goes on to state that in preparing such advice, the NEFC shall have regard to least developed districts in relation to financial capacity that needs to be addressed, the amount of revenue received with consideration to infrastructure and any other benefits received by the province.

The NEFC commenced on developing a grading system for least developed districts few years ago but this was not progressed for a number of reasons. The NEFC has a grading system based on a District Survey that was conducted in 2009. A snapshot of the information relevant to the current pilot study is provided in Appendix 3 of this report.

This district survey was a precursor to the District Information Management System and designed to monitor and assess the capacity issues at the districts.

It is still possible to use the district profiles and the PNG DIS survey including NEFC's Cost of Services Study to arrive at a least developed district grading system as required.

NEFC believes that special assistance may be required by some districts who experience hardships including cost disabilities that may be associated with population, demographics and topographic factors.

8.7.3 NEFC - Cost of Services Study (CoSS) 2015

The NEFC is presently conducting the 2015 Cost of Services Study. This is the third of five year periodic studies which first commenced in 2005. The CoSS informs Government of the cost of providing basic service delivery in each of the province.

The updated 2015 Cost of Services Study will inform on the cost of providing sub-national services to better assist provinces and districts in developing more realistic operational budgets. As mentioned, the development funding which should be guided by the five year development plan is determined by the DDA and approved by the PEC.

Careful planning including clarity of functional roles and responsibilities needs to be undertaken to determine who is responsible for what, including the amount of funding required for each activity.

8.8 Management and Budget Tools to assist Provinces and District

The NEFC has developed two management tools which can be used by all provinces and districts but some modifications may be necessary for use at the District level.

The objective of these two tools are to improve planning and budgeting.

8.8.1 The Provincial Budget Model (PBM)

The Provincial Budget Model (PBM) is modelled on the Cost of Services Model and is an evidenced based methodology for developing sector budgets. The Provincial Budget Model consists of two components, the first component is a high level summary sheet which can be updated with the summary data of the Provincial Budget. If this section is completed properly, a holistic summary of all sources of revenue, and how expenditure can be allocated to budgets.

The second component of the PBM is a detailed budget which must be inputted individually against all sectors and budget breakdowns. The completion of the second component of the PBM provides for an automatic update of the component (1) providing an automatic high level summary assuming that all the required data has been inputted accurately and completely. In 2015, eleven (11) provinces used the component (1) of the PBM high level summary.

8.8.2 Provincial Establishment Costing Model (PECM)

The PECM is a microsoft and excel based provincial staff establishment costing model developed by the NEFC to assist Provinces and Districts to better manage their staff and personnel costs. This model is currently being used by six provinces as part of a pilot exercise. It is now NEFC's intention to roll this model out to all provinces. The model can also be used by the DDAs to manage their staffing costs and submit more accurate annual budget submissions.

8.9 Emergence of District Development Authorities

Under the DDA, the NEFC's specific obligation under the Act is specified under Section 25 (3). This states that the ***NEFC may provide verbal or formal advice on the allocation of grants.*** This would suggest that the allocation of grants is at NEFC's discretion to determine the nature and type of grants that need to be allocated.

NEFC believes that this as a valuable opportunity for the NEFC to work with our fellow sub-national stakeholders to develop appropriate grants to assist both Provinces and Districts to implement the reforms.

The NEFC also proposes a Basic DDA Management Internal Control Assurance (MICA) Manual that would be useful to new Administrators and DDA Boards. The MICA manual would cover the basic requirements of PFMA, CSTB, PSTB, DSTB requirements etc.

Additional research and studies will need to be conducted to fully assess the impact of large funds being channelled down to districts via the DDAs.

8.10 Performance Monitoring, Auditing and Social Accountability

Over last 10 years, PNG has made significant developments in monitoring and evaluation (M&E), laying a sound base for future improvements in the practice of collection and use of evidence. PNG has developed an elaborate platform for the development and implementation of good monitoring and evaluation. Good legal and institutional frameworks are in place to oversight, implement and drive monitoring and reporting. However, making the arrangements work to deliver services remains a major challenge.

Over the years, the GoPNG has put in place strong legal and institutional arrangements for monitoring and evaluating public investments and delivery of services. The PNG Constitution enshrines the principles of equality and participation, basic rights, and basic social obligations. It states "equalisation of services in all parts of the country, and for every citizen to have equal access to legal processes and all services, Governmental and otherwise, that is required for the fulfilment of his or her real needs and aspirations" (GoPNG, 1975) . The Constitution recognises the roles of the National Government and Provincial and Local Level Governments in the financing and delivery of services (GoPNG, 1975) .

The Organic Law on Provincial Governments and Local-Level Governments (OLPGLLG) provides the overarching platform for delivering and accounting for public investments and services at the subnational level. It identifies the need for "efficient and effective Government" and "accountability in the use of public finances [and] properties".

The intent of the OLPGLLG is to improve service delivery through decentralisation. It underpins the institutional framework and processes for coordination, delivery and monitoring of services. The OLPGLLG is supported by many institutions and a hierarchical set of planning instruments meant to plan for and support delivery of services resulting to long term sustainable, social and economic development (see Gachugu et al., 2013).

8.10.1 The Challenge and Way Forward

The Government has indicated its desire to improve evidence, monitoring and evaluation. GoPNG has just released, "The PNG Strategy for Development of Statistics", the first national statistics strategy, which recognizes the major gaps in information and evidence on

[12] The Constitution of the Independent State of Papua New Guinea (Consolidated to Amendment No 22), August 1975
[13] See Sections 5, 15, 26 and 28 of the Constitution of the Independent State of Papua New Guinea (Consolidated to Amendment No 22), August 1975
[14] The Organic Law on Provincial Governments and Local-level Governments (OLPGLLG)
[15] Gachugu; Lesa; Diego, 2013. Public Sector M&E in PNG: Development and Challenges

which to base informed decisions. PNG has elaborated national plans GoPNG's (2011 – 2015, PNGDSP 2010 – 20305, PNG Vision 20506). They all recognize the need to set targets in the plans. In recognizing the importance of monitoring and evaluation of public investments, the DNPM has developed a Draft M&E Framework which is accompanied by the DNPM Monitoring and Evaluation Toolkit. The toolkit is framed around national sector agencies and major Public Investment Projects. While the tool-kit is detailed and informative, it does not cover and is not meant for sub-national level, non-PIP investments.

NEFC together with our stakeholders including DNPM plan to conduct followup national workshops on monitoring and evaluation. The overall purpose of this Workshop is to support Districts and LLGs to improve their capability to deliver services to men, women and children. The Workshop will:

- Improve the understanding of current monitoring and reporting environment (legislation, institutions and instruments) ;
- Recommend a prioritized plan of action to support monitoring at the District and Sub-district levels;
- Introduce non-formal monitoring social accountability concepts and practices; and
- Develop an implementation strategy and a proposal for funding.

The broader challenge is translating funds into the desired goods and services in order to achieve development outcomes for men, women and children at the District level.

Overall there is a need for a policy framework to guide the DDA implementation of the DDAs. The policy framework must:

- Improve communication and coordination between key stakeholders
- Develop the policy framework including clarity of policies and procedures
- Address ambiguities over functional roles and responsibilities between the different tiers of Governments and lower level Governments;
- Improve data collection analysis and reporting systems;
- Establish of minimum standards for service delivery and infrastructure;
- Integrate planning, budgeting and financial management systems;
- Funding examine according to function and;
- Establish an efficient, effective and timely monitoring, auditing and review system.

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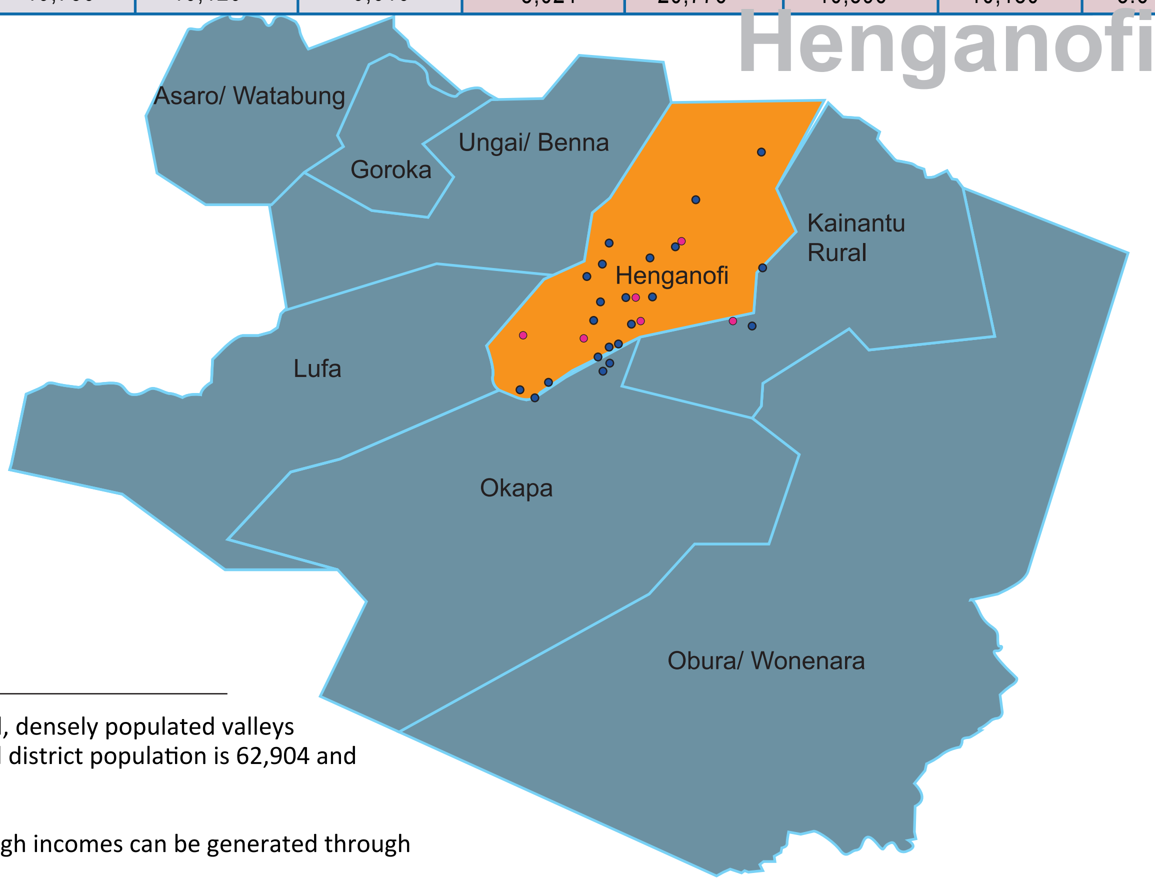
Contents of APPENDICES

Appendix 1 DISTRICT PROFILE FOR THE FOUR PILOT DER DISTRICTS

(1) Henganofi (2) Kokopo (3) Usino Bundi (4) Wapenamanda

		2000 Census				2011 Census				
		Households	Persons	Male	Female	Households	Persons	Male	Female	% of Province total
Henganofi District		13,568	55,768	28,535	27,233	15,191	62,904	32,503	30,401	10.8
Kafentina Rural		4,939	21,056	10,727	10,329	6,012	22,882	11,899	10,983	3.9
Dunatina Rural		3,744	14,976	7,688	7,288	4,158	19,246	10,008	9,238	3.3
Fayantina Rural		4,885	19,736	10,120	9,616	5,021	20,776	10,596	10,180	3.6
Provincial Population	579825									
PNG Population	7275324									
Elementary School	No data									
Community School	21									
Primary School	7									
High/Secondary/Vocational School	1									
Aid Post	4									
Health Centre	4									
Village Court	6									
Total District Population	62904									
Proportion of PNG's total Population	0.008646213									
Annual growth rate since 2000 census	0.127958686									
Area (km²)	941									



Henganofi District, west of Goroka, is mountainous. There are small, densely populated valleys running south from the mountains that have small plains. The total district population is 62,904 and the total land area is 941 square kilometres.

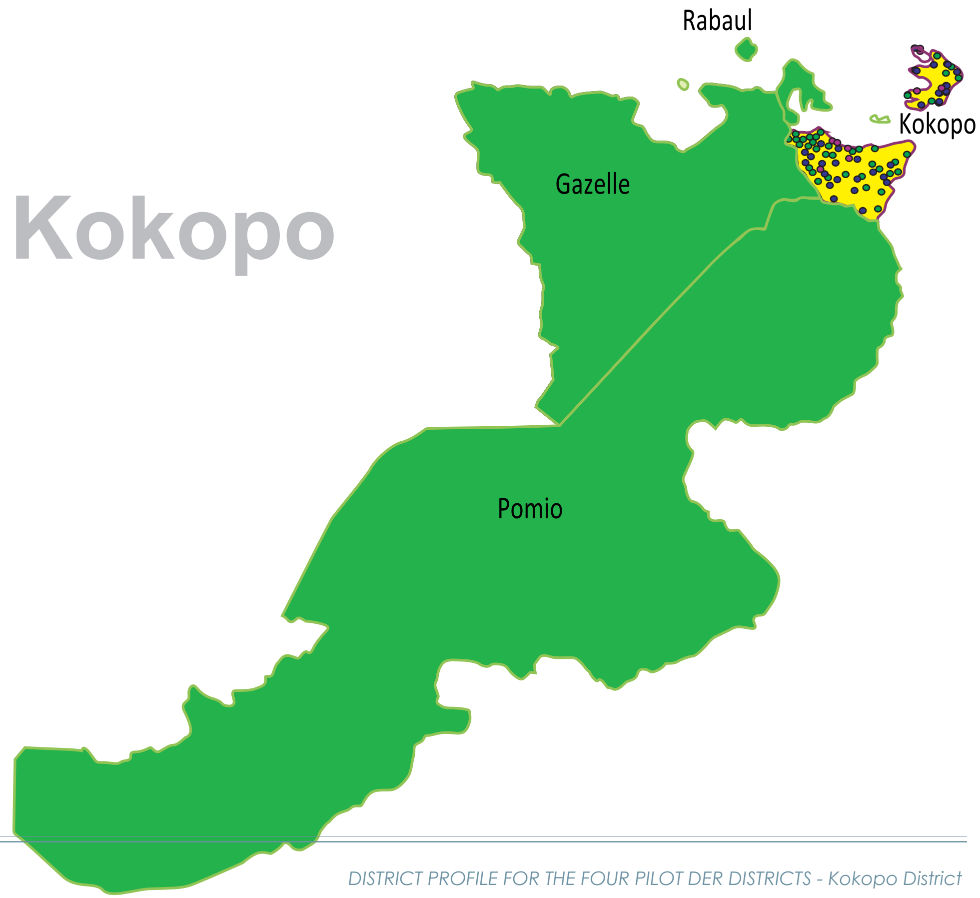
Economic activities in the district are situated in the south where high incomes can be generated through coffee, food and livestock. While in the north there is low income.

Appendix 1: continues...

(1) Henganofi (2) Kokopo (3) Usino Bundi (4) Wapenamanda

		2000 Census				2011 Census				
		Households	Persons	Male	Female	Households	Persons	Male	Female	% of Province total
Kokopo District		11,138	58,345	30,778	27,567	13,591	87,829	45,284	42,545	26.7
Bitapaka Rural		2,759	14,766	8,009	6,757	3,517	23,116	12,251	10,865	7.0
Duke of York Rural		2,111	10,292	5,320	4,972	2,317	14,009	7,071	6,938	4.3
Kokopo Vunamami Rural		3,728	19,933	10,670	9,263	4,679	31,965	16,622	15,343	9.7
Raluana Ruralral		2,540	13,354	6,779	6,575	3,078	18,739	9,340	9,399	5.7
ProvincialProvincial Population	328369									
PNG Population	7275324									
Elementary School	71									
Community School	No Data									
High/Secondary/Vocational School	34									
Aid Post	15									
Health Centre	6									
Village Court	10									
Total District Population	878722									
Proportion of PNG's total Population	0.0120722									
Annual growth rate since 2000 census	0.5053389									
Area (km²)	408									

Kokopo



Kokopo district is the capital of East New Britain Province. The District boundary runs along the Blanche Bay and also includes the Duke of York Island, as well as the plains between the Warangoi River and Kokopo town.

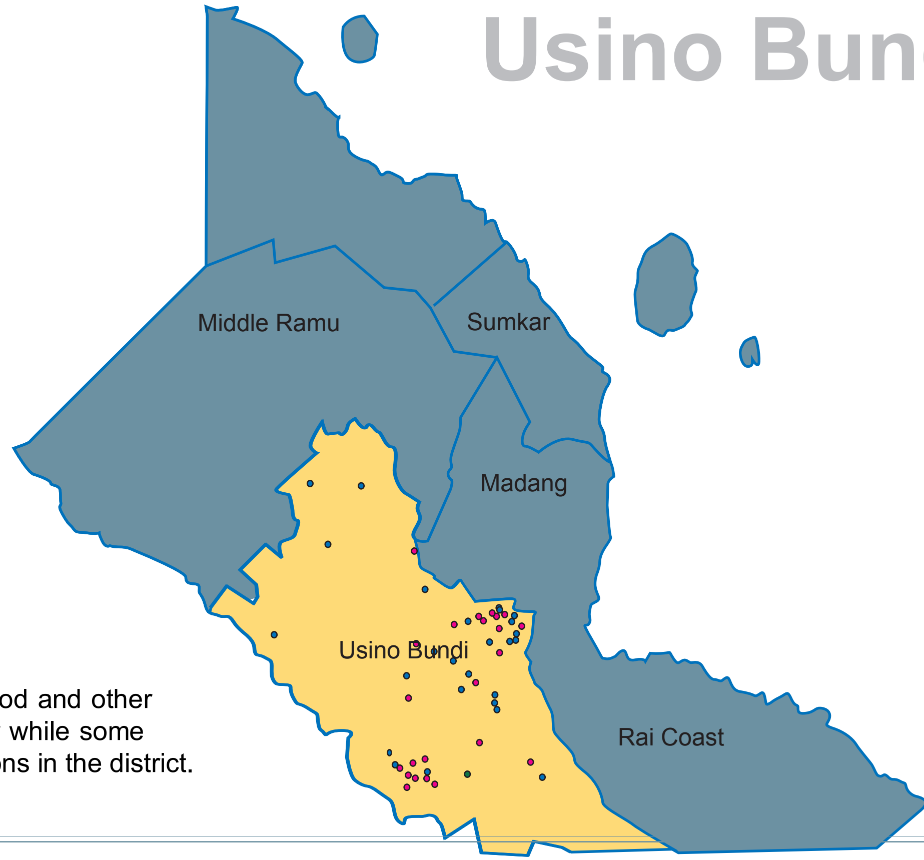
Economic activities are high across the district through the sale of cocoa, betel nut, fresh food, copra and fish. People there are also involved in formal employment with businesses and plantations in and around Kokopo town.

Appendix 1: continues...

(1) Henganofi (2) Kokopo (3) Usino Bundi (4) Wapenamanda

		2000 Census				2011 Census				
		Households	Persons	Male	Female	Households	Persons	Male	Female	% of Province total
Usino Bundi District		7,664	40,079	21,209	18,870	10,372	60,807	32,424	28,383	12.3
Bundi Rural		1,636	8,335	4,549	3,786	2,345	14,681	8,221	6,460	3.0
Usino Rural		4,783	24,907	13,135	11,772	6,130	35,286	18,349	16,937	7.1
Gama Rural		1,245	6,837	3,525	3,312	1,897	10,840	5,854	4,986	2.2
Provincial Population	493906									
PNG Population	7275324									
Elementary School	37									
Community School	7									
Primary School	20									
High/Secondary/Vocational School	1									
Aid Post	22									
Health Centre	7									
Village Court	5									
Total District Population	60807									
Proportion of PNG's total Population	0.008358									
Annual growth rate since 2000 census	0.5171786									
Area (km²)	7687									

Usino Bundi



Usino Bundi District includes the mountains of Bismark Fall, the Simbai Valley and the plains of the Ramu and Sogerum Valleys.

Economic activities are moderate with income earned through sales of food and other goods as small proportion of the population earns income at Ramu Sugar while some wages and royalties are also generated from mining and forestry operations in the district. On average, most people in the district earn a low income.

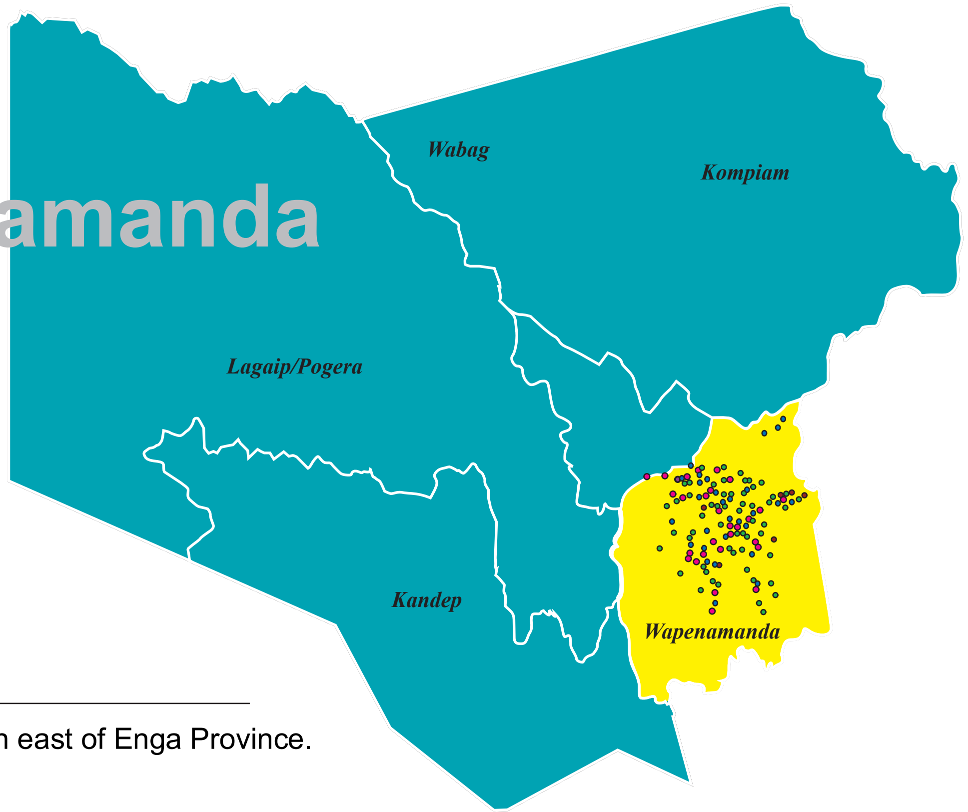
Appendix 1: continues...

(1) Henganofi (2) Kokopo (3) Usino Bundi (4) Wapenamanda

	2000 Census				2011 Census				
	Households	Persons	Male	Female	Households	Persons	Male	Female	% of Province total
Wapenamanda District	9,741	53,547	27,450	26,097	14,805	71,797	37,335	34,462	16.6
Wapenamanda Rural	6,492	37,943	19,288	18,655	10,721	50,334	26,174	24,160	11.7
Tsak Rural	3,249	15,604	8,162	7,442	4,084	21,463	11,161	10,302	5.0

Provincial Population	432045
PNG Population	7275324
Elementary School	80
Community School	13
Primary School	22
High/Secondary/Vocational School	4
Aid Post	17
Health Centre	12
Village Court	31
Total District Population	71797
Proportion of PNG's total Population	0.0098686
Annual growth rate since 2000 census	0.3408221
Area (km²)	1042

Wapenamanda



Wapenamanda lies on the border of Western Highlands, in the south east of Enga Province. The boundary of the district covers the Tsak and Lai valleys.

Appendix 2

NEFC DISTRICT SURVEY – COMPILED IN 2009

The district survey was conducted by the NEFC in 2010. A snap shot of information relevant to the current pilot study is provided below. The purpose of proving this survey is inform of studies that have been conducted which can be used to better inform the GoPNG. This tool was designed to monitor and assess the capacity issues at the districts. The DIMS data superseded this survey but provides information even though out-dated may still be useful.

(See the district survey template next page)

		Population		1 Medium	1 Medium	2 Medium	3 Medium
		Disadvantaged Index (11-25)		17	24	12	22
		Access to services (1-5)		4	5	2	4
		NEFC index score		56	80	52	50
				Henganofi	Kokopo	Usino-Bundi	Wapenamanda
Area		District centre service capacity	Target Standard	Henganofi	PHQ	Usino	Wapenamanda
District Centre		Are DHQ staff based at and working from DHQ site	Functional	Yes	Yes	Yes	Yes
		Condition of offices at DHQ	Functional	Some mtce req'd	Some mtce req'd	Major mtce req'd	Functional
		Who has computers	All sectors	Admin & key sectors	Admin & key sectors	All sectors	Core admin.
		Security at district centre	Safe	Minor issues	0	Minor issues	Minor issues
Finance		Is there a District Treasury, & form of accounting used	Yes, electronic	Yes, electronic	Yes, electronic	Yes, electronic	Yes, manual
		Can you cash cheques at DHQ	Bank or DT	Bank agency	Bank agency	Trade Store	District Treasury
		Where do people generally cash cheques	District centre	PHQ	Locally	PHQ	Locally
		Salim Moni Kwik (SMK)	Fully Operational	no	Fully Operational	no	no
Communications	Phone	Telikom landline	Landline	no	Landline	Landline	Landline
		Mobile phone availability	Mobile	no	Mobile	Mobile	Mobile
		2-way Radio at DHQ	DHQ	at Health Centre	at District Centre	at Health Centre	at District Centre
		Telikom VSAT service	VSAT	VSAT	no	no	VSAT
		Internet connectivity	Be connected	no	no	no	VSAT
	Mail	PNG Post service	PNG Post	PNG Post	PNG Post	PNG Post	no
		Courier availability	Courier available	no	Courier available	no	no
Power supply		Main power supply	PNG Power	PNG Power	PNG Power	PNG Power	PNG Power
		- *power reliability*	Working	Working mostly	Working mostly	Working mostly	Working
		- *hours available per day*	8+ hours	All day	All day	?	All day
		Number of secondary power supplies that work	Working	0	2	1	0
Water supply		Main water supply	Reticulated Supply	Reticulated Supply	Reticulated Supply	Water Pumps	Rain water
		- *water reliability*	Working	Not working mostly	Not working mostly	Working mostly	n/a
		Number of secondary water supplies; working (not wkg)		0 (3)	0 (0)	1 (0)	0 (0)
Transport	to PHQ	What mode of transport is used between District & PHQ		Land Transport	this is PHQ	Land Transport	Land Transport
		Frequency of the District to PHQ land transport service	At least daily	More than once a day	this is PHQ	Daily	Daily
		Typically how long does it take to get to PHQ?		?	?	?	?
		How readily can you move by land within the district	DHQ connected to all LLGs	DHQ connected to all LLGs	DHQ connected to all LLGs	DHQ connected to some LLGs	DHQ connected to all LLGs
	Air	Is there an airstrip near DHQ	Airstrip	no	International airport	no	Grass airstrip
		- *is the airstrip operational?*	Working	n/a	Working	n/a	Working mostly
	Water	Is there a water landing near DHQ	Landing (where apt.)	n/a	Wharf	no	n/a
		- *is the landing operational?*	Working	n/a	Working mostly	n/a	n/a
Supplies	General	Number of trade stores	2+	4+	4+	2	4+
		Where do people shop for basic supplies?	District centre	PHQ	Locally	PHQ	Other (specify)
		Is there a permanent market	Permanent	Not Permanent	No	Permanent	?
	Hardware	Number of hardware stores	1+	no	4+	no	no
		Where do people shop for hardware supplies?	District centre	PHQ	Locally	Locally	?
	Fuel	Number of petrol suppliers	2+	no	5+	no, 15 mins Asas	no, Mt. Hagen
		Number of diesel suppliers	2+	1	5+	no, 15 mins Asas	no, Mt. Hagen
Law & Order		Is there a police station at DHQ	Yes	Yes	Yes	Yes	Yes
		Number of Police staff		15 to 20	1 to 5	10 to 15	No Police
		Number of Police cells	2+	1	2	no	15
		Number of Police outposts	1+	0	3	3	0

cut out

15 *This was one of the NEFC's major tools of assessing the district capacity. District survey was forecast on identifying capacity issues based on the assumption on "what is there on the ground?", and not on what is needed to be there. This survey was carried out in 2010 across all the 89 districts. For this report we provide only the case of the four districts that are involved in this pilot study.*

Appendix 3 EXTRACT FROM PNG DISTRICT INFORMATION SYSTEM

District Administration JDPBPC	KOKOPO	WAPENAMANDA	HENGANOFI	USINO BUNDI
How many times will the JDPBPC formally meet in 2011?	4	Twice a Year	4	4
How many times should JDPBPC optimally meet to properly attend the needs of DSIP and other district interventions?	Quarterly	Quarterly	Quarterly	Quarterly
District Administrator: Has there been an improvement in the frequency of JDPBPC meetings since 2007?	No change	Very significant	No change	No change
How deeply is the JDPBPC involved in the day to day management of DSIP and other district grants?	JDPBPC is very involved in managing district grants	JDPBPC is not involved in managing district grants	JDPBPC is not involved in managing district grants	JDPBPC is not involved in managing district grants
What are the principal areas of JDPBPC involvement in project selection, design and implementation?	JDPBPC involved in project selection and design	JDPBPC involved in project selection and design	JDPBPC involved in project selection and design	JDPBPC involved in project selection and design
What are the principal areas of JDPBPC involvement in District budgeting and planning decisions?	JDPBPC is only involved in budgeting	JDPBPC is only involved in the prioritization of interventions	JDPBPC is involved in both planning and budgeting	JDPBPC is involved in both planning and budgeting
Are the LLG Presidents currently active participants in JDPBPC meetings?	Very active participation in JDPBPC	Very active participation in JDPBPC	Very active participation in JDPBPC	Passive participation in JDPBPC
How about the Church representative?	Very active participation in JDPBPC	Very active participation in JDPBPC	Very active participation in JDPBPC	Passive participation in JDPBPC
How about the Women representative?	Very active participation in JDPBPC	Very active participation in JDPBPC	Very active participation in JDPBPC	Passive participation in JDPBPC
How about the Youth representative?	Very active participation in JDPBPC	Very active participation in JDPBPC	Very active participation in JDPBPC	Passive participation in JDPBPC
District Administrator: Has there been an improvement in the quality of the participation of LLG presidents in JDPBPC meetings since 2007?	No change		Significant improvement	No change
What about improvement on Church representative's participation?	No change		Significant improvement	No change

Appendix 4 GOODS AND SERVICES GRANTS TO PROVINCES

Table 15: shows the actual figures of the grants that the NEFC determines during the RIGFA years of 2009 - 2013

	2009	2010	2011	2012	2013
Western	4,199,100	4,209,331	4,459,200	3,890,737	3,357,800
Gulf	4,665,800	7,030,595	9,889,400	12,646,621	16,528,800
Central	7,816,200	10,454,527	11,129,600	13,742,091	22,167,500
NCD	-	-	-	-	-
Milne Bay	7,651,000	10,455,436	13,788,900	19,612,399	27,244,600
Oro	5,116,600	6,467,012	8,397,000	11,378,805	15,645,000
Southern Highlands	7,382,600	7,962,025	13,057,000	14,366,797	11,617,500
Enga	7,250,300	6,917,846	10,183,100	10,924,765	17,163,600
Western Highlands	9,221,800	11,514,203	14,852,400	18,988,271	15,780,000
Simbu	7,526,300	10,398,044	12,751,500	16,543,930	23,358,000
Eastern Highlands	11,200,700	12,408,084	15,959,600	21,196,204	27,770,400
Morobe	7,717,300	7,717,300	7,718,000	7,717,200	8,447,900
Madang	9,466,800	15,578,152	17,022,600	22,334,293	29,460,400
East Sepik	12,574,600	17,542,779	22,584,000	29,804,934	34,660,700
Sandaun	7,823,200	11,052,111	14,355,800	19,065,673	27,432,000
Manus	4,130,800	5,672,964	7,507,500	10,058,067	15,577,700
New Ireland	3,697,800	3,903,575	3,608,600	2,409,478	3,221,200
East New Britain	9,021,800	7,899,422	9,049,200	13,552,158	22,450,400
West New Britain	8,333,300	6,989,400	9,464,800	13,002,101	14,629,700
Jiwaka	-	-	-	-	12,976,000
Hela	-	-	-	-	6,742,600
Bougainville	-	-	-	-	-
TOTAL	**134,796,000**	**164,172,806**	**205,778,200**	**261,234,524**	**356,231,800**

[17]The NEFC only determines the grants for provinces and LLGs. For the case of the districts, it is the provincial administrations that decide on how much recurrent funding the districts get.

Appendix 5 ACTUAL EXPENDITURE OVERVIEW

Table 17: shows the actual expenditure for the four districts in 2013

Funding Source	Administration	Health	Education	Primary Production	Village Courts	Transport Infrastructure	Economic, Law & Order and Com. Dev	LLG Transfers	TOTAL
Internal Revenue									
Goods & Services	157,765	-	-	-	-	-	-	117,600	275,365
Personal Emoluments	130,632	-	-	-	-	-	-	-	130,632
Capital & Projects	-	-	-	-	-	-	-	-	-
Total Internal Revenue	288,397	-	-	-	-	-	-	117,600	405,997
Goods & Services Grants									
Goods & Services	154,609	1,072,685	1,105,523	383,594	55,000	774,975	439,867	1,414,630	5,400,883
Personal Emoluments	-	-	-	-	51,100	-	-	-	51,100
Capital & Projects	-	40,000	30,000	-	-	-	-	-	70,000
Total Goods & Services Grants	154,609	1,112,685	1,135,523	383,594	106,100	774,975	439,867	1,414,630	5,521,983
Development Grants									
Goods & Services	3,414,701	270,760	1,318,057	439,026	23,870	5,334,049	1,391,209	1,768,598	13,960,270
Personal Emoluments	138,704	-	-	-	-	164,129	-	-	302,833
Capital & Projects	300,000	2,741,466	2,215,856	25,402	299,145	9,243,355	756,398	-	15,581,622
Total Development Grants	3,853,405	3,012,226	3,533,913	464,428	323,015	14,741,533	2,147,607	1,768,598	29,844,725
Rollover Grants									
Goods & Services	618,076	-	-	6,600	-	189,510	-	20,000	834,186
Personal Emoluments	-	-	-	-	-	-	-	-	-
Capital & Projects	-	-	-	300,000	-	1,607,361	185,070	-	2,092,431
Total Rollover Grants	618,076	-	-	306,600	-	1,796,871	185,070	20,000	2,926,617
TOTAL									
Goods & Services	4,345,151	1,343,445	2,423,580	829,220	78,870	6,298,534	1,831,076	3,320,828	20,470,704
Personal Emoluments	269,336	-	-	-	51,100	164,129	-	-	484,565
Capital & Projects	300,000	2,781,466	2,245,856	325,402	299,145	10,850,716	941,468	-	17,744,053
Total All	4,914,487	4,124,911	4,669,436	1,154,622	429,115	17,313,379	2,772,544	3,320,828	38,699,322

The expenditures are broken up into goods and services, capital & projects and personal emoluments. These figures were extracted from the PGAS financial data from the district treasury and provincial treasury.

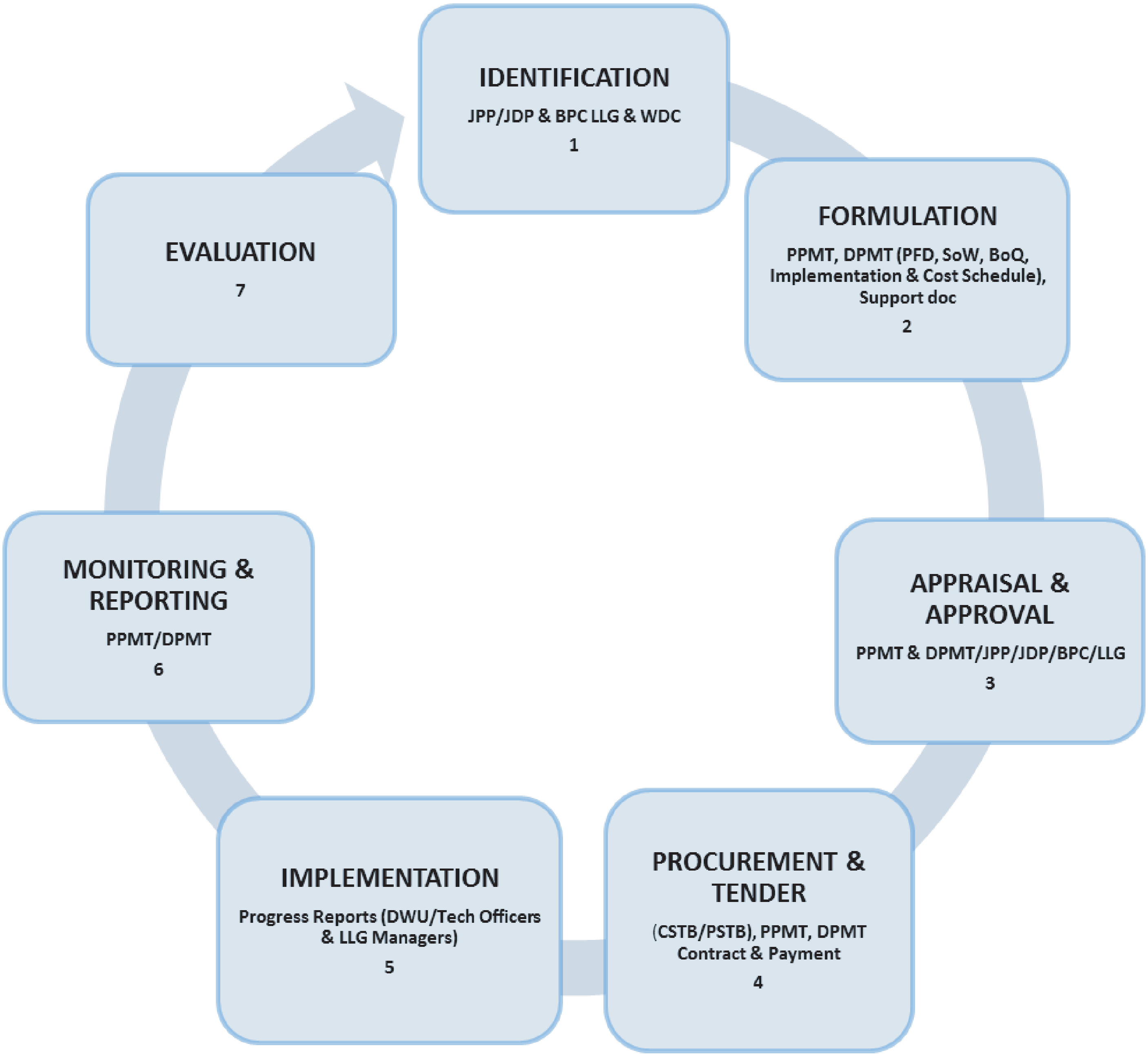
The data sources are as follows;

- 200 series
- 700 series

These data sources were collected both form the provincial treasury and district treasury.

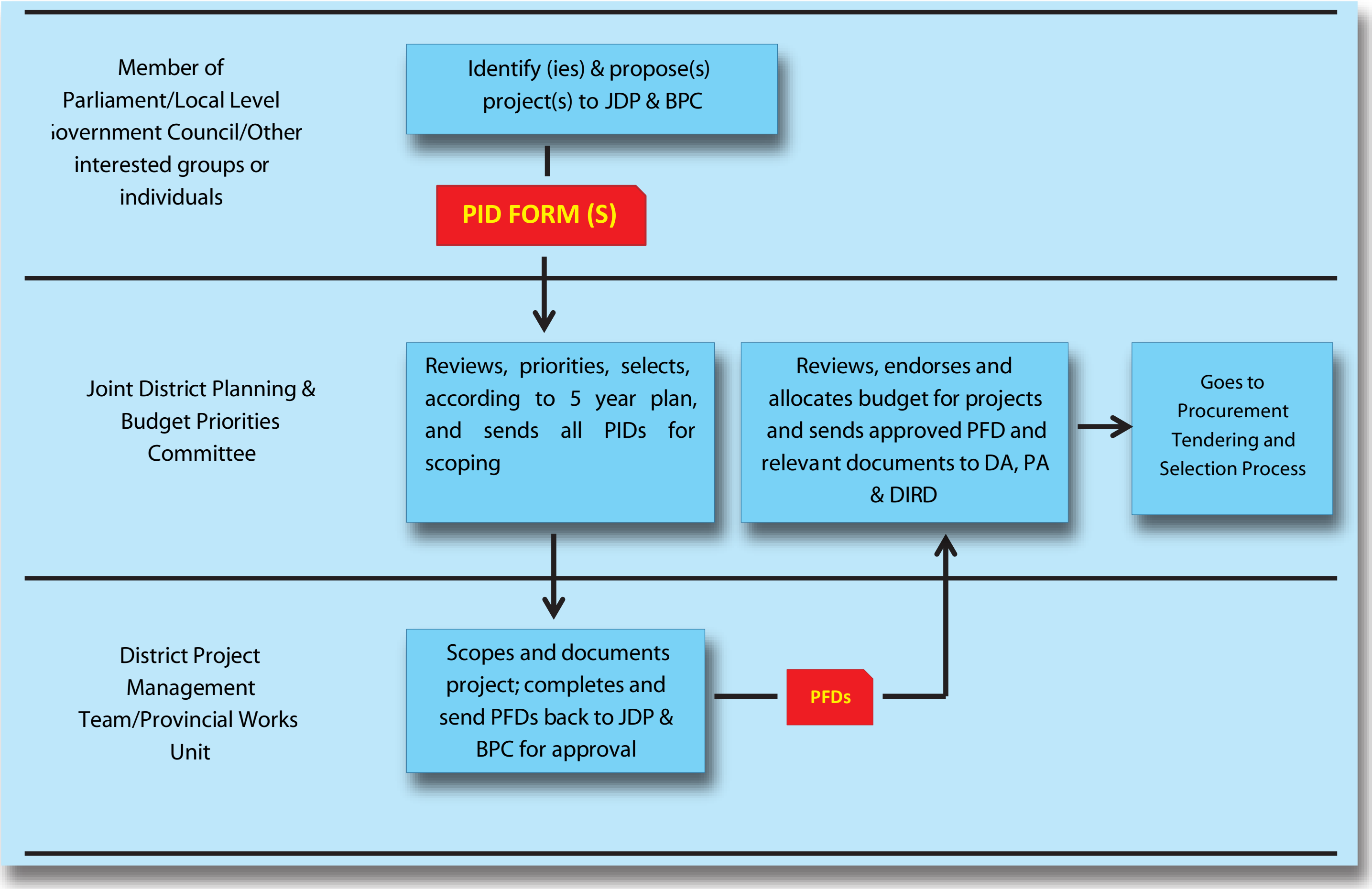
Appendix 6 FLOW CHARTS OF THE MAJOR DSIP PROCESSES

1) PROJECT IDENTIFICATION, SELECTION & APPROVAL PROCESS
2) PROCUREMENT, TENDERING & SELECTION PROCESS
3) PAYMENT PROCESS
4) IMPLEMENTATION, MONITORING AND REPORTING PROCESS
5) PROJECT COMPLETION, COMMISSIONING & HANDOVER PROCESS



Appendix 6: FLOW CHARTS OF THE MAJOR DSIP PROCESSES continues...

1. PROJECT IDENTIFICATION, SELECTION & APPROVAL PROCESS



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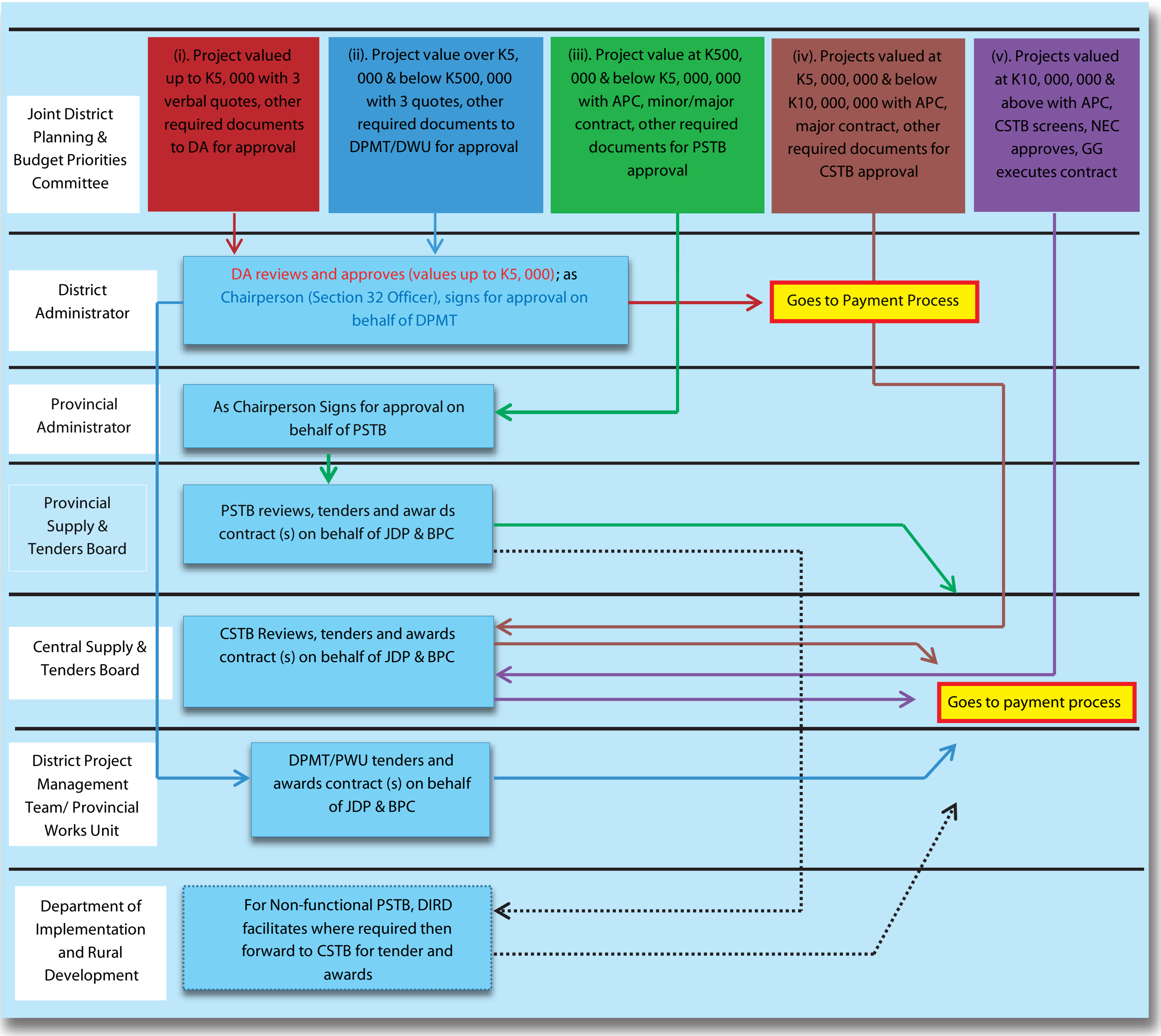
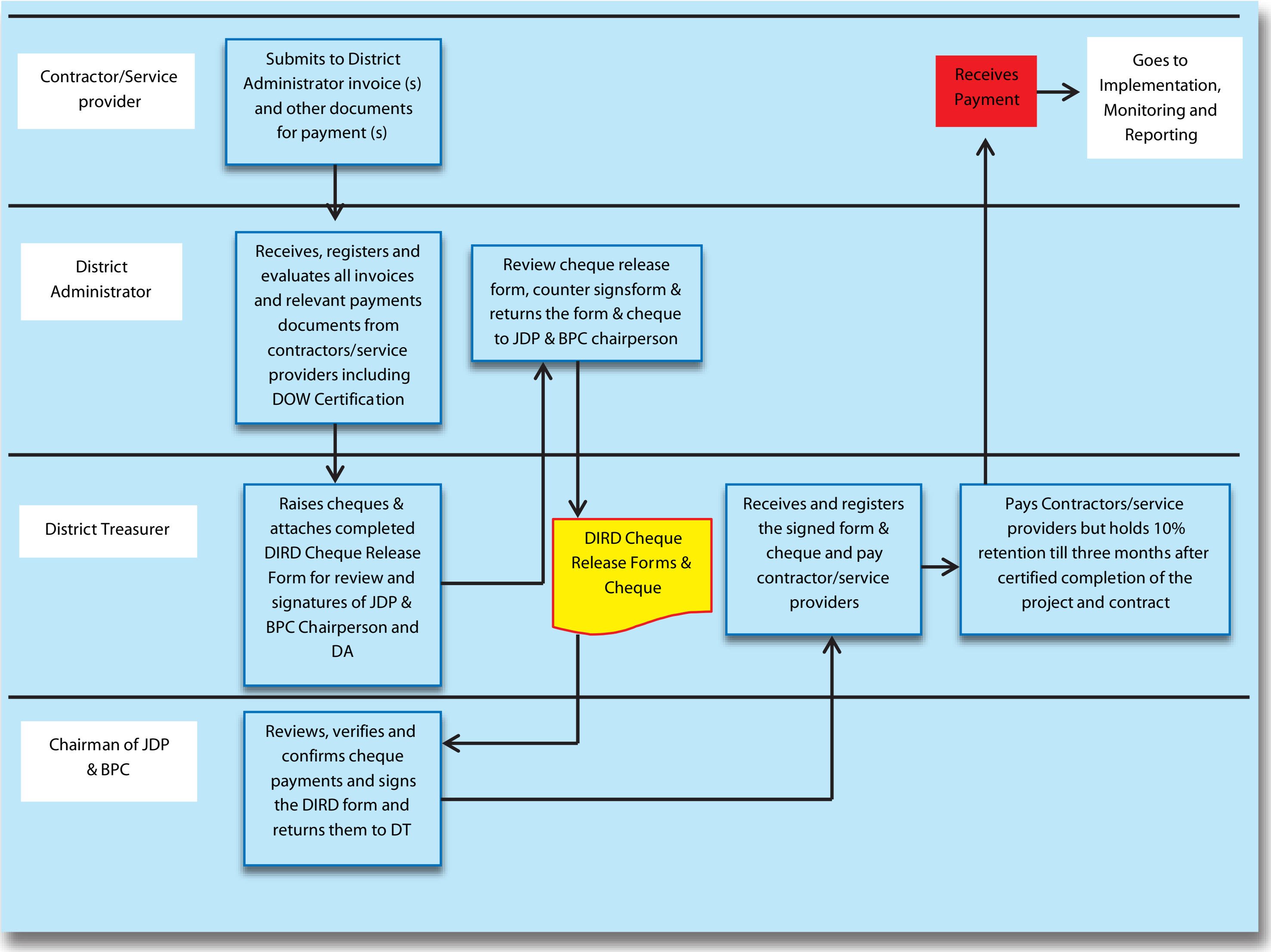
Appendix 6: FLOW CHARTS OF THE MAJOR DSIP PROCESSES continues...

[2] PROCUEMENT, TENDERING & SELECTION PROCESS



Appendix 5: FLOW CHARTS OF THE MAJOR DSIP PROCESSES continues...

[3] PAYMENT PROCESS



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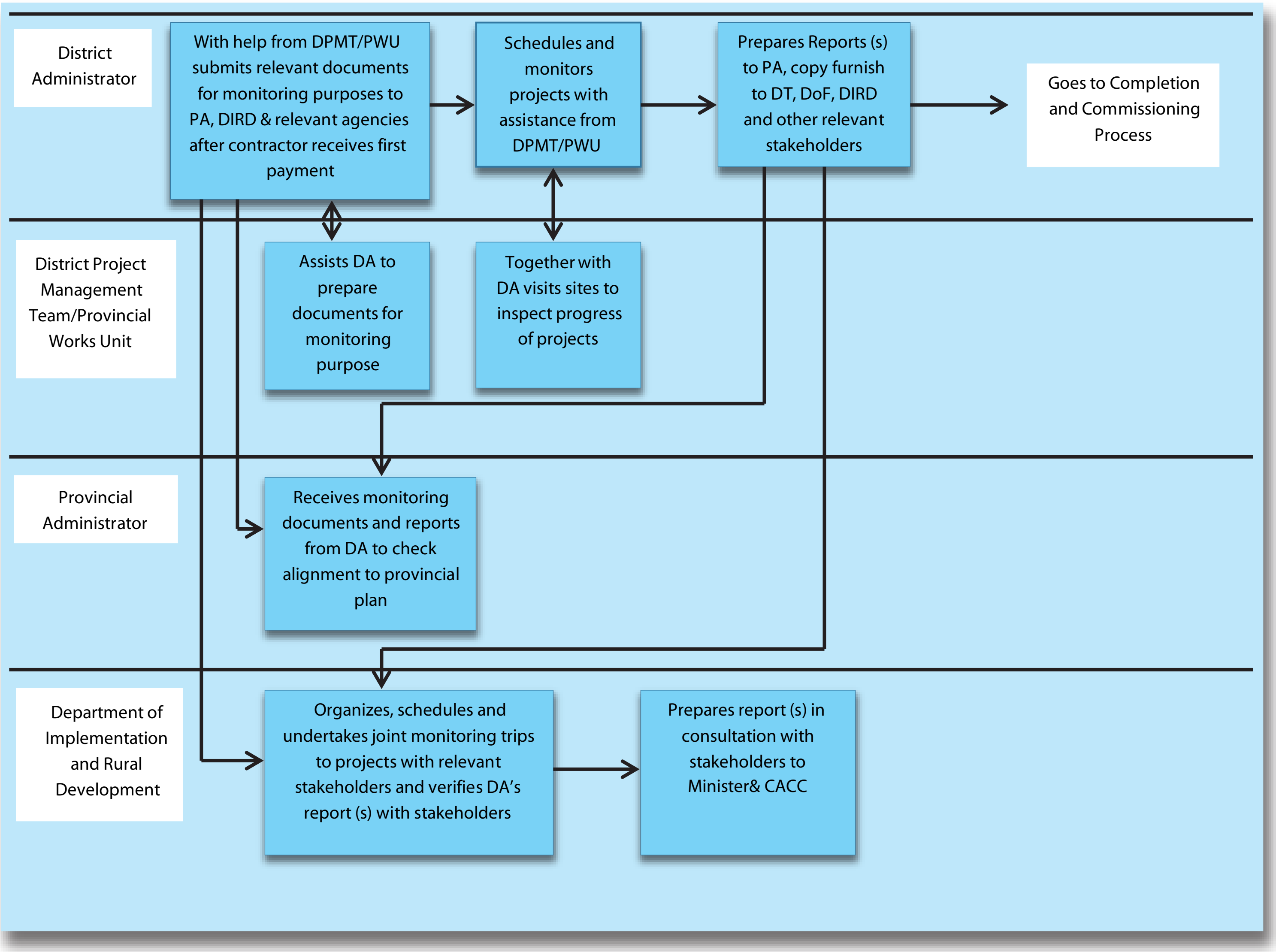
Appendix 6: FLOW CHARTS OF THE MAJOR DSIP PROCESSES continues...

[4] IMPLEMENTATION, MONITORING AND REPORTING PROCESS



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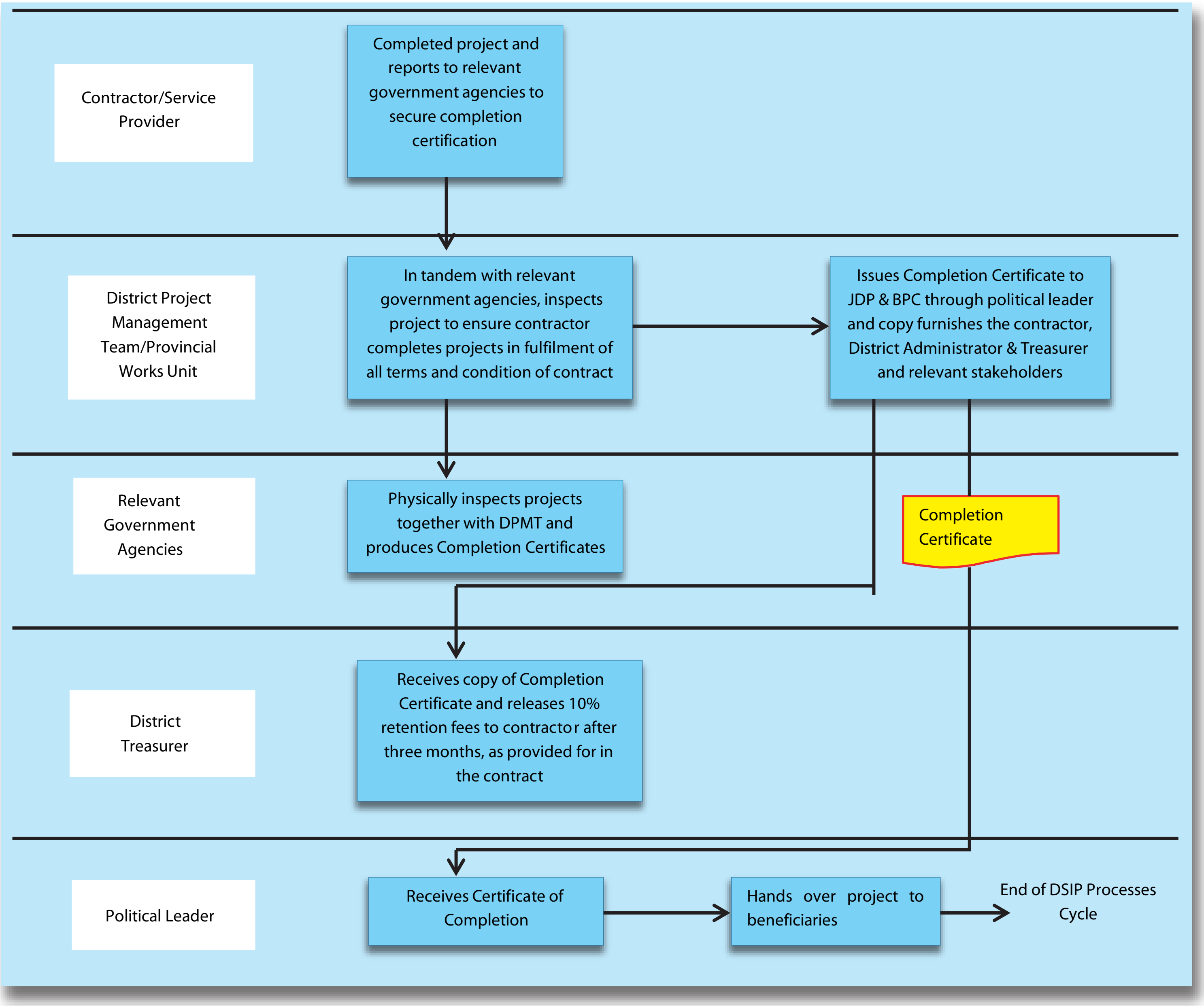
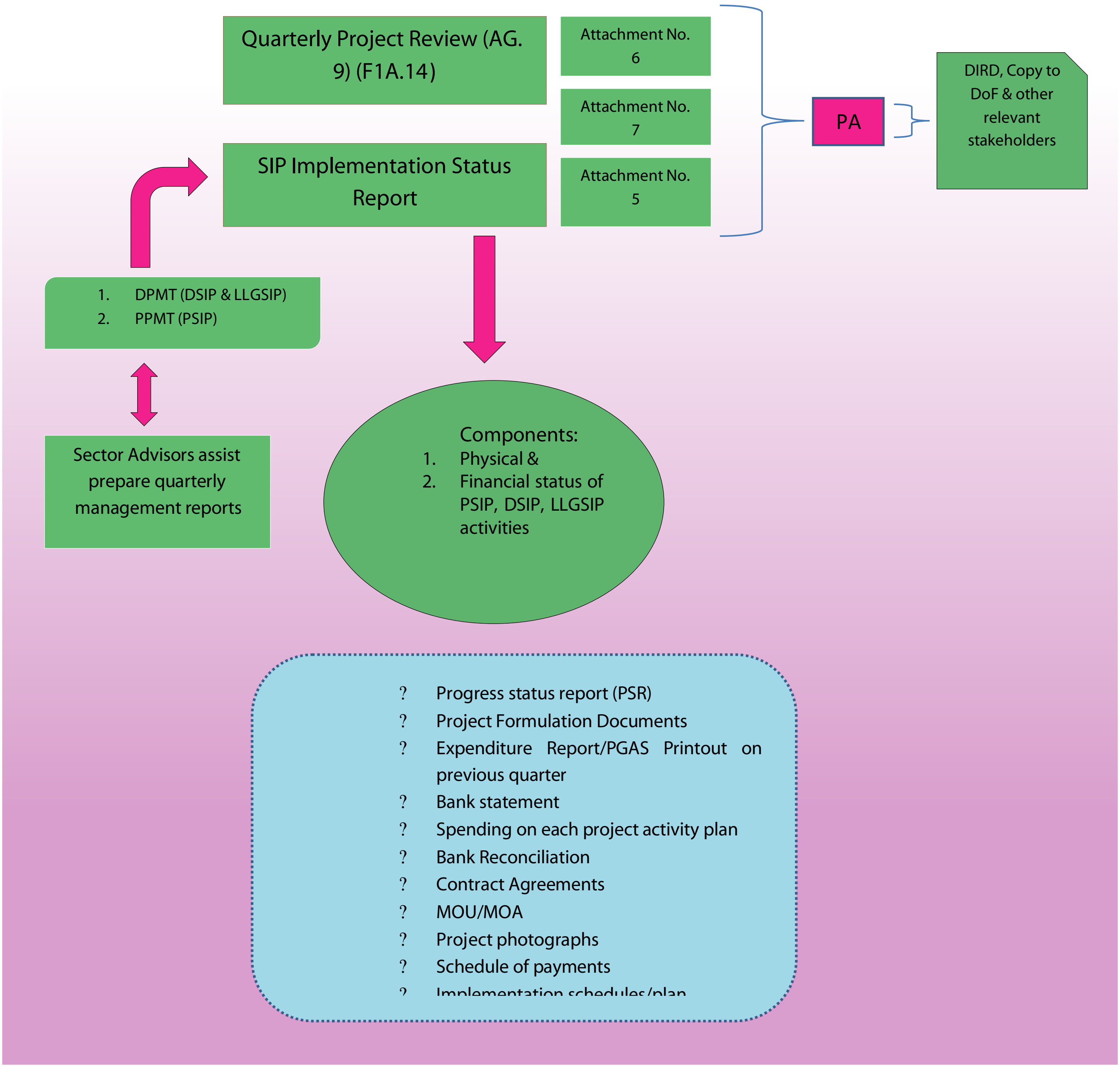
Appendix 6: FLOW CHARTS OF THE MAJOR DSIP PROCESSES continues...

[5] PROJECT COMPLETION, COMMISSIONING & HANDOVER PROCESS



Appendix 7 SIP ACQUITTAL REQUIREMENT & REPORTING PROCESS



SUMMARY STATUS OF SIP ACQUITTALS

The schedule below provides a summary status of Acquittals including progress notes for each electorate as at December 2014.

KEY:

- Discrepancy-The acquittal report is missing necessary information i.e. Meeting Resolutions, physical report, budget etc.
- Under Appraisal – Officers are currently appraising the acquittal report
- Pending Appraisal – Officers are yet to appraise and analyse for missing information/discrepancies
- Pending Clearance – Appraisal and analysis is complete. The Acquittal is awaiting deliberation by Inter-agency committee. Inter-agency committee comprises officers from DoF, DIRD, OC & others

REGIONS:

Table 2: PSIP

No	Program	Region	Province	MP	Electorate	Status	Issues
1	PSIP	M2	Morobe	Hon. Luther Wenege	Morobe Regional	Discrepancy	? JPPBPC Resolution, Physical report, contract doc, finance rept, PGAS rept, bank statements. 60% appraised
2	PSIP	H1	Jiwaka	Hon. Dr. William Tongamp	Jiwaka Regional	Discrepancy	? PSTB, PPMT functions, spending out of budget
3	PSIP	NGI	WNB	Hon. SasindraMuthuvel	West New Britain	Discrepancy	? Missing information. Advise to re-submit. Yet to be re-submitted
4	PSIP	H2	Enga	Hon. Peter Ipatas	Enga Regional	Under Appraisal	Awaiting necessary documents from Prov,Distr,LLGs
5	PSIP	Pap	NCD	Hon. PowesParkop	NCD Regional	Pending Appraisal	Yet to Appraise
6	PSIP	H2	SHP	Hon. John Powi	Southern Highlands	Pending Appraisal	Yet to Appraise
7	PSIP	Pap	Western	Hon. AtiWobiro	Western	Under Appraisal	Awaiting necessary documents from Prov,Distr,LLGs
8	PSIP	M2	Madang	Hon. AtiWobiro	Madang Regional	Pending Appraisal	Yet to Appraise
9	PSIP	H1	Simbu	Hon. Noah Kool	Simbu Regional	Pending Appraisal	Yet to Appraise
10	PSIP	NGI	Arob	Hon. Joe Lera	Bougainville Regional	Pending Clearance	Awaiting InterAgency Committee deliberation (DoF/DIRD
11	PSIP	H1	EHP	Hon. Julie AkekeSoso	EHP Regional	Pending Appraisal	Yet to Appraise

Table 2: DSIP

No	Program	Region	Province		Electorate	Status	Issues
1	DSIP	M1	ESP	Hon. SalioWaipo	Angoram	Pending Appraisal	Yet To Appraise
2	DSIP	M1	ESP	Hon. John Simon	Maprik	Pending Appraisal	Yet To Appraise
3	DSIP	M1	Sandaun	Hon. Joseph Sungi	Nuku	Pending Appraisal	Yet To Appraise
4	DSIP	M1	ESP	Hon. IsikielAinisi	AmbuntiDrekirkir	Pending Appraisal	Yet To Appraise
5	DSIP	M2	Morobe	Hon. Loujaya Tony	Lae	Pending Appraisal	Yet To Appraise
6	DSIP	M2	Morobe	Hon. Paul Isikiel	Markham	Pending Appraisal	Yet To Appraise
7	DSIP	M2	Madang	Hon. Anthon Yagama	UsinoBundi	Under Appraisal	Awaiting necessary documents from Prov,Distr,LLGs
8	DSIP	M2	Madang	Hon. James Gau	Rai Coast	Pending clearance	Awaiting Interagency Committee deliberation (DoF/DIRD
9	DSIP	M2	Madang	Hon. Tommy AsikTomscol	Middle Ramu	Under Appraisal	Awaiting necessary documents from Prov,Distr,LLGs
10	DSIP	M2	Morobe	Hon. Ross Seymour	Huon Gulf	Under Appraisal	Awaiting necessary documents from Prov,Distr,LLGs
11	DSIP	H1	Simbu	Hon. MogeremaSigo Wei	KaramuiNomane	Under Appraisal	Awaiting necessary documents from Prov,Distr,LLGs
12	DSIP	H1	Simbu	Hon. CamilusDangma	Kerowagi	Under Appraisal	Awaiting necessary documents from Prov,Distr,LLGs
13	DSIP	H1	Simbu	Hon. KerengeKua	SinasinaYongomugl	Pending Appraisal	Yet To Appraise
14	DSIP	H1	EHP	Hon. Robert Atiafa	Henganofi	Pending clearance	Awaiting Interagency Committee deliberation (DoF/DIRD
15	DSIP	H1	EHP	Hon. Benny Allan	UnggaiBena	Under Appraisal	Awaiting necessary documents from Prov,Distr,LLGs
16	DSIP	H1	EHP	Hon. Johnson Tuke	Kainantu	Pending Appraisal	Yet To Appraise
17	DSIP	H1	Jiwaka	Hon. Mai Dop	Jimi	Pending Appraisal	Yet To Appraise
18	DSIP	H1	Simbu	Hon.TobiasKulang	KundiawaGembogl	Under Appraisal	Awaiting necessary documents from Prov,Distr,LLGs
19	DSIP	H2	Enga	Hon, RimbinPato	Wapenamanda	Pending clearance	Awaiting Interagency Committee deliberation (DoF/DIRD
20	DSIP	H2	SHP	Hon Jeffery Koma	NipaKutubu	Pending clearance	Awaiting Interagency Committee deliberation (DoF/DIRD
21	DSIP	H2	WHP	Hon. Koi Trape	MulBayierLumasa	Pending Appraisal	Yet To Appraise
22	DSIP	NGI	ENB	Hon. Ereman To Baining	Kokopo	Pending clearance	Awaiting Interagency Committee deliberation (DoF/DIRD
23	DSIP	NGI	ENB	Hon. Allan Marat	Rabaul	Under Appraisal	Awaiting necessary documents from Prov,Distr,LLGs
24	DSIP	NGI	WNB	Hon. Joseph Lelang	KandrianGloucestor	Under Appraisal	Awaiting necessary documents from Prov,Distr,LLGs
25	DSIP	NGI	NIP	Hon. Ben Micah	Kavieng	Under Appraisal	Awaiting necessary documents from Prov,Distr,LLGs
26	DSIP	Pap	NCD	Hon. Michael Malabag	Moresby North West	Pending Appraisal	Yet To Appraise
27	DSIP	Pap	NCD	Hon. LabiAmaiu	Moresby North East	Pending Appraisal	Yet To Appraise

Summary Status contimues

28	DSIP	Pap	NCD	Hon. Justin Tkatchenko	Moresby South	Pending Appraisal	Yet To Appraise
29	DSIP	Pap	Miline Bay	Hon. Charles Able	Alotau	Under Appraisal	Awaiting necessary documents from Prov,Distr,LLGs
30	DSIP	Pap	Miline Bay	Hon. Gordon Wesly	SamaraiMurua	Under Appraisal	Awaiting necessary documents from Prov,Distr,LLGs
31	DSIP	M2	Morobe	Hon. Mao Zeming	TewaiSiassi	Pending Appraisal	Yet To Appraise
32	DSIP	H1	Simbu	Hon.Wera Mori	Chuave	Pending Appraisal	Yet To Appraise
33	DSIP	M1	Sandaun	Hon. PatrictPruaitch	AitapeLumi	Under Appraisal	Awaiting necessary documents from Prov,Distr,LLGs
34	DSIP	H2	WHP	Hon. William Duma	Hagen Central	Pending Appraisal	Yet To Appraise
35	DSIP	M2	Madang	Hon. Ken Fairweather	Sumkar	Under Appraisal	Awaiting necessary documents from Prov,Distr,LLGs
36	DSIP	M1	ESP	Hon. Richard Maru	YangoruSaussia	Under Appraisal	Awaiting necessary documents from Prov,Distr,LLGs
37	DSIP	H1	EHP	Hon. BireKimisopa	Goroka	Pending Appraisal	Yet To Appraise
38	DSIP	NGI	WNB	Hon. Francis Marus	Talasea	Discrepancy	Awaiting necessary documents from Prov,Distr,LLGs
39	DSIP	H1	EHP	Hon. MehrraMinneKipefa	OburaWonenara	Pending Appraisal	Yet To Appraise
40	DSIP	M2	Madang	Hon. NixionDuban	Madang	Pending Appraisal	Yet To Appraise
41	DSIP	H1	Jiwaka	Hon. Joe KumunKoim	Anglimp South Waghi	Pending Appraisal	Yet To Appraise
42	DSIP	H2	Enga	Hon Don Polye	Kandep	Pending Appraisal	Yet To Appraise
43	DSIP	H1	Jiwaka	Hon. Dr. Fabian Pok	North Waghi	Pending clearance	Awaiting Interagency Committee deliberation (DoF/DIRD
44	DSIP	M2	Morobe	Hon. Bob Dadae	Kabwum	Pending Appraisal	Yet To Appraise
45	DSIP	H2	WHP	Hon. Benjamin Poponawa	TambulNebylier	Pending Appraisal	Yet To Appraise
46	DSIP	H2	SHP	Hon. Francis Awesa	Imbongu	Pending Appraisal	Yet To Appraise
47	DSIP	M1	ESP	Hon. Jim Simitab	Wewak	Under Appraisal	Awaiting necessary documents from Prov,Distr,LLGs
48	DSIP	H2	Enga	Hon. Robert Ganim	Wabag	Pending Appraisal	Yet To Appraise
49	DSIP	Pap	Central	Hon. PukaTemu	Abau	Pending Appraisal	Yet To Appraise
50	DSIP	H2	Hela	Hon James Marape	Tari Pori	Pending Appraisal	Yet To Appraise
51	DSIP	NGI	NIP	Hon. Byron Chan	Namatanai	Pending Appraisal	Yet To Appraise
52	DSIP	NGI	ENB	Hon.MalakaiTabar	Gazelle	Pending Appraisal	Yet To Appraise
53	DSIP	NGI	Autonomous Regional	Hon. LautaAtoi	North Bougainville	Pending clearance	Awaiting Interagency Committee deliberation (DoF/DIRD
54	DSIP	NGI	Autonomous Regional	Hon. Jim Mirintoro	Central Bougainville	Pending Appraisal	Yet To Appraise
55	DSIP	Pap	Miline Bay	Hon. Davis Steven	Esala	Pending Appraisal	Yet To Appraise
56	DSIP	M2	Madang	Hon. John Hickey	Bogia	Pending Appraisal	Yet To Appraise
57	DSIP	H1	EHP	Hon, Jeffery Kauve	Lufa	Pending Appraisal	Yet To Appraise

Appendix 7: Summary Status contines (DSIP cont.. & LLGSIP)

58	DSIP	H2	Enga	Hon. Nixon Mangape	LaiagamPogera	Pending Appraisal	Yet To Appraise
59	DSIP	M2	Morobe	Hon. Theodore Zurenoc	Finschafen	Pending Appraisal	Yet To Appraise
60	DSIP	Pap	Central	Hon. Daniel Mona	Goilala	Pending Appraisal	Yet To Appraise
61	DSIP	NGI	ENB	Hon.	Pomio	Pending Appraisal	Yet To Appraise
62	DSIP	H1	EHP	Hon. Ron G Ganarafo	Daulo	Pending Appraisal	Yet To Appraise
63	DSIP	NGI	Manus	Hon. Ronny Knight	Manus open	Pending Appraisal	Yet To Appraise
64	DSIP	H1	EHP	Hon. IssacWaigavara	Okapa	Pending Appraisal	Yet To Appraise
65	DSIP	M1	ESP	Hon. Joseph Jerry Yopyyopy	WoseraGawi	Pending Appraisal	Yet To Appraise
66	DSIP	H1	Simbu	Hon. Nick Kuman	Gumine	Pending Appraisal	Yet to Appraise

Table 3: LLGSIP

No	Program	Region	Province		Electorate	Status	Issues
1	LLGSIP	H1	EHP		Lower Bena	Pending Appraisal	Yet To Appraise
2	LLGSIP	H1	EHP		Upper Bena	Pending Appraisal	Yet To Appraise
3	LLGSIP	H1	EHP		Unggai	Pending Appraisal	Yet To Appraise
4	LLGSIP	H1	EHP		Kainantu Urban	Pending Appraisal	Yet To Appraise
5	LLGSIP	H1	EHP		Yelia	Pending Clearance	Awaiting InterAgency Committee deliberation (DoF/DIRD
6	LLGSIP	H1	EHP		Agarabi	Pending Appraisal	Yet To Appraise
7	LLGSIP	H1	EHP		Kamano 1	Pending Appraisal	Yet To Appraise
8	LLGSIP	H1	EHP		Kamano 2	Pending Appraisal	Yet To Appraise
9	LLGSIP	H1	EHP		Lamari	Pending Appraisal	Yet To Appraise
10	LLGSIP	H1	EHP		GudsupTairora	Pending Appraisal	Yet To Appraise
11	LLGSIP	H1	EHP		Yagaria	Pending Appraisal	Yet To Appraise
12	LLGSIP	H1	EHP		Unavi Rural	Pending Appraisal	Yet To Appraise
13	LLGSIP	H1	EHP		Mt. Michael	Pending Appraisal	Yet To Appraise
14	LLGSIP	H1	EHP		Gahuku	Pending Appraisal	Yet To Appraise
15	LLGSIP	H1	EHP		Upper Asaro	Pending Appraisal	Yet To Appraise
16	LLGSIP	NGI	ENB		Rabaul Urban	Pending Clearance	Awaiting InterAgency Committee deliberation (DoF/DIRD
17	LLGSIP	NGI	ENB		Kombiu	Pending Clearance	Awaiting InterAgency Committee deliberation (DoF/DIRD
18	LLGSIP	NGI	ENB		Watom	Pending Clearance	Awaiting InterAgency Committee deliberation (DoF/DIRD
19	LLGSIP	NGI	ENB		Balanataman	Pending Clearance	Awaiting InterAgency Committee deliberation (DoF/DIRD
20	LLGSIP	NGI	ENB		Bitapaka	Pending Clearance	Awaiting InterAgency Committee deliberation (DoF/DIRD
21	LLGSIP	NGI	ENB		Duke of York	Pending Clearance	Awaiting InterAgency Committee deliberation (DoF/DIRD
22	LLGSIP	NGI	ENB		KokopoVunamami	Pending Clearance	Awaiting InterAgency Committee deliberation (DoF/DIRD
23	LLGSIP	NGI	ENB		Raluana	Pending Clearance	Awaiting InterAgency Committee deliberation (DoF/DIRD
24	LLGSIP	NGI	ENB		VunadirdirToma	Under Appraisal	Awaiting necessary documents from Prov,Distr,LLGs
25	LLGSIP	NGI	ENB		LivuanReimbar	Under Appraisal	Awaiting necessary documents from Prov,Distr,LLGs

Appendix 6: SUMMARY OF SIP ACQUITAL STATUS continues...

26	LLGSIP	NGI	ENB		Central Gazelle	Under Appraisal	Awaiting necessary documents from Prov,Distr,LLGs
27	LLGSIP	NGI	ENB		LassulBaining	Under Appraisal	Awaiting necessary documents from Prov,Distr,LLGs
28	LLGSIP	NGI	ENB		Inland Baining	Under Appraisal	Awaiting necessary documents from Prov,Distr,LLGs
29	LLGSIP	NGI	ENB		Sinivit	Under Appraisal	Awaiting necessary documents from Prov,Distr,LLGs
30	LLGSIP	NGI	ENB		Central Inland Pomio	Pending Appraisal	Yet To Appraise
31	LLGSIP	H2	Enga		Pilikabi	Pending Appraisal	Yet To Appraise
32	LLGSIP	H2	Enga		Pogera Rural	Pending Appraisal	Yet To Appraise
33	LLGSIP	H2	Enga		Pailya	Pending Appraisal	Yet To Appraise
34	LLGSIP	H2	Enga		Wabag	Pending Appraisal	Yet To Appraise
35	LLGSIP	H2	Enga		Kandep	Pending Appraisal	Yet To Appraise
36	LLGSIP	H2	Enga		Wage	Pending Appraisal	Yet To Appraise
37	LLGSIP	H2	Enga		Kompiam	Pending Appraisal	Yet To Appraise
38	LLGSIP	H2	Enga		Ambum	Pending Appraisal	Yet To Appraise
39	LLGSIP	M1	ESP		Dagua	Under Appraisal	Awaiting necessary documents from Prov,Distr,LLGs
40	LLGSIP	M1	ESP		Turubu	Under Appraisal	Awaiting necessary documents from Prov,Distr,LLGs
41	LLGSIP	M1	ESP		Wewai Island	Under Appraisal	Awaiting necessary documents from Prov,Distr,LLGs
42	LLGSIP	M1	ESP		Wewak Rural	Under Appraisal	Awaiting necessary documents from Prov,Distr,LLGs
43	LLGSIP	M1	ESP		Wewak Urban	Under Appraisal	Awaiting necessary documents from Prov,Distr,LLGs
44	LLGSIP	Pap	Gulf		Kotidanga	Pending Appraisal	Yet To Appraise
45	LLGSIP	H2	Hela		Komo	Pending Appraisal	Yet To Appraise
46	LLGSIP	H2	Hela		Tebi	Pending Appraisal	Yet To Appraise
47	LLGSIP	H2	Hela		Awi Pori	Pending Appraisal	Yet To Appraise
48	LLGSIP	H2	Hela		Tari Urban	Pending Appraisal	Yet To Appraise
49	LLGSIP	H2	Hela		Tagali	Pending Appraisal	Yet To Appraise
50	LLGSIP	H2	Hela		Upper Wage	Pending Appraisal	Yet To Appraise
51	LLGSIP	H2	Hela		Lower Wage	Pending Appraisal	Yet To Appraise
52	LLGSIP	H2	Hela		Lake Kopiago	Pending Appraisal	Yet To Appraise
53	LLGSIP	H2	Hela		North Koroba	Pending Appraisal	Yet To Appraise
54	LLGSIP	H2	Hela		South Koroba	Pending Appraisal	Yet To Appraise
55	LLGSIP	H2	Hela		Hulia	Pending Appraisal	Yet To Appraise
56	LLGSIP	H2	Hela		HayaPuga	Pending Appraisal	Yet To Appraise
57	LLGSIP	H1	Jiwaka		Jimi	Pending Appraisal	Yet To Appraise
58	LLGSIP	H1	Jiwaka		Kol	Pending Appraisal	Yet To Appraise
59	LLGSIP	H1	Jiwaka		Nondugl	Under Appraisal	Awaiting necessary documents from Prov,Distr,LLGs
60	LLGSIP	H1	Jiwaka		North Waghi	Pending Clearance	Awaiting InterAgency Committee deliberation (DoF/DIRD
61	LLGSIP	Pap	Miline Bay		Alotau Urban	Pending Appraisal	Yet To Appraise
62	LLGSIP	Pap	Miline Bay		Daga	Pending Appraisal	Yet To Appraise
63	LLGSIP	Pap	Miline Bay		Huhu	Pending Appraisal	Yet To Appraise
64	LLGSIP	Pap	Miline Bay		Makamaka	Pending Appraisal	Yet To Appraise
65	LLGSIP	Pap	Miline Bay		Maramatana	Pending Appraisal	Yet To Appraise
66	LLGSIP	Pap	Miline Bay		Suau	Pending Appraisal	Yet To Appraise
67	LLGSIP	Pap	Miline Bay		Weraura	Pending Appraisal	Yet To Appraise
68	LLGSIP	M2	Morobe		Wain/Erap	Under Appraisal	Awaiting necessary documents from Prov,Distr,LLGs
69	LLGSIP	M2	Morobe		Wampar	Pending Appraisal	Yet To Appraise
70	LLGSIP	M2	Morobe		Salamaua	Under Appraisal	Awaiting necessary documents from Prov,Distr,LLGs

Appendix 7: Summary Status ..LLGSIP continues

71	LLGSIP	M2	Morobe		Morobe	Pending Appraisal	Yet To Appraise
72	LLGSIP	H1	EHP		Lower Bena	Pending Appraisal	Yet To Appraise
73	LLGSIP	H1	EHP		Upper Bena	Pending Appraisal	Yet To Appraise
74	LLGSIP	H1	EHP		Unggai	Pending Appraisal	Yet To Appraise
75	LLGSIP	H1	EHP		Kainantu Urban	Pending Appraisal	Yet To Appraise
76	LLGSIP	H1	EHP		Yelia	Pending Clearance	Awaiting InterAgency Committee deliberation (DoF/DIRD
77	LLGSIP	H1	EHP		Agarabi	Pending Appraisal	Yet To Appraise
78	LLGSIP	H1	EHP		Kamano 3	Pending Appraisal	Yet To Appraise
79	LLGSIP	H1	EHP		Kamano 4	Pending Appraisal	Yet To Appraise
80	LLGSIP	H1	EHP		Lamari	Pending Appraisal	Yet To Appraise
81	LLGSIP	H1	EHP		GudsupTairora	Pending Appraisal	Yet To Appraise
82	LLGSIP	H1	EHP		Yagaria	Pending Appraisal	Yet To Appraise
72	LLGSIP	H1	EHP		Lower Bena	Pending Appraisal	Yet To Appraise
73	LLGSIP	H1	EHP		Upper Bena	Pending Appraisal	Yet To Appraise
74	LLGSIP	H1	EHP		Unggai	Pending Appraisal	Yet To Appraise
75	LLGSIP	H1	EHP		Kainantu Urban	Pending Appraisal	Yet To Appraise
76	LLGSIP	H1	EHP		Yelia	Pending Clearance	Awaiting InterAgency Committee deliberation (DoF/DIRD
77	LLGSIP	H1	EHP		Agarabi	Pending Appraisal	Yet To Appraise
78	LLGSIP	H1	EHP		Kamano 3	Pending Appraisal	Yet To Appraise
79	LLGSIP	H1	EHP		Kamano 4	Pending Appraisal	Yet To Appraise
80	LLGSIP	H1	EHP		Lamari	Pending Appraisal	Yet To Appraise
81	LLGSIP	H1	EHP		GudsupTairora	Pending Appraisal	Yet To Appraise
82	LLGSIP	H1	EHP		Yagaria	Pending Appraisal	Yet To Appraise
83	LLGSIP	H1	EHP		Unavi Rural	Pending Appraisal	Yet To Appraise
84	LLGSIP	H1	EHP		Mt. Michael	Pending Appraisal	Yet To Appraise
85	LLGSIP	H1	EHP		Gahuku	Pending Appraisal	Yet To Appraise
86	LLGSIP	H1	EHP		Upper Asaro	Pending Appraisal	Yet To Appraise
87	LLGSIP	NGI	ENB		Rabaul Urban	Pending Clearance	Awaiting InterAgency Committee deliberation (DoF/DIRD
101	LLGSIP	H1	Simbu		Kup	Pending Appraisal	Yet To Appraise

Appendix 8 PROVINCIAL FUNDING STREAMS: Development ('Capital')