



## **NRI PRESENTATION – 7<sup>th</sup> February 2013**

**The Honorable James Marape MP Minister for Finance on:-**

# **Ensuring Accountability and Transparency in the Delivery of the 2013 Development Budget.**

# O'Neill Dion Government Core Policy

- National Executive Decision No. 102/2012 on core policies of the government;
  1. Transport Infrastructure
  2. Health
  3. Education
  4. Economic Growth
  5. Law & Order

# Provincial, District and LLG Development Budget Fund of K1.5 Billion.

1. Provincial Service Improvement Fund K5.0 per District.
2. District Service Improvement Fund K10.0m per District.
3. LLG Service Improvement Fund K500,000 per Local Level Govt.



## Purpose

- ✓ Ensure development funds allocated to Provinces & Districts under PSIP/DSIP/ & LLGSIP respectively, achieve the desired results as per NEC Decision through proper administration and application of the funds by JPP&BPC and JDP&BPC.

# Background of the Development Budget

- ✓ NEC Decision NG 102/2012, PSIP/DSIP& LLGSIP comes in following 6 sectors:
- ✓ 30% Infrastructure Services Support;
- ✓ 20% Health Services Improvement;
- ✓ 20% Education Services Support;
- ✓ 10% Law and Justice Services;
- ✓ 10% Economic Sector Support; and
- ✓ 10% Administration

## Administration Fund of 10%

- ❖ Current Admin. Fees increase from 3% to 10%. This 10% is broken down to;
  - ✓ 3% General Administration Fee;
  - ✓ 3% MP Electoral Office Support Fund; and
  - ✓ 4% Project Mobilization Fee and related activities

# Services Improvement Program Process

- For PSIP Fund based on the Provincial Development Plan and NEC Decision, the Governor thru JPP&BPC will identify priority project proposals using the Project Formulation Document shall review and endorse projects with the support of Department of Implementation and Rural Development.
- For DSIP and LLGSIP Funds based on the district and LLG Development Plans and NEC Decision, the District Project Management Team shall submit project proposals using Project Formulation Document to thru JDP&BPC for review and endorsement with the support of Department of Implementation and Rural Development.
- Provinces and Districts through the Joint Provincial Planning and Budget Priorities Committee and Joint District Planning and Budget priorities Committee shall be responsible for identifying projects after consultation with the Provincial Project Management Team and District Project Management Team of Province/District.

## Services Improvement Program Process [cont]

- Provinces and Districts shall liaise with Department of Implementation and Regional Development Field Officers, Provincial Department of Works, Provincial Works Managers, and other Sector Managers to ensure project scoping, design and documentation is in accordance with Works Department standards and international business practices.
- The Joint District Planning & Budget Priorities Committee is to submit a prioritized list of all projects together with completed simplified Project Formulation Document (and full Project Formulation Document for complex and major projects) to the Secretary of Department of Implementation and Rural Development. The Secretary should then confirm, amongst other things, the project shall be consistent with priorities of the Five Year Development Plans and Medium Term Development Strategy.



## Services Improvement Program Process [cont]

- LLGSIP funds should be administered using the same processes as the DSIP, except that project priorities and formulation will be initiated by the Ward Councillors for their respective wards.
- Note the reallocation of Services Improvement Programs & Project Funds shall not be made unless authorized by the Secretary Department of Implementation & Rural Development and Planning.

# Project Management

- The Provincial and District Administrators shall manage the contract on behalf of the relevant Joint Planning & Budget priority Committees, where necessary Administrator should seek advice from the Department of Implementation and Rural Development.

# Technical Evaluation for Award of Contracts

- There will be a Technical Evaluation Committee for each province and district to evaluate quotations or tender bids and recommend to Provincial Supply and Tenders Board for awarding of contracts as follows:
  - All recommendations from the TEC for quotations or bids below K500,000 shall be forwarded to the Joint Provincial Planning & Budget Priorities Committee for PSIP and the Joint District Planning & Budget priorities Committee for DSIP and LLG Services Improvement Program for awarding of contracts.

## Technical Evaluation for Award of Contracts [cont]

- All recommendations from TEC for tender bids for projects above K500,000 shall be forwarded to the Provincial Supply and Tenders Board through the Provincial or District Administrator for selection and award of contract to the successful bidder.
- The PSTB shall refer all contracts beyond its financial delegation limit of K5.0m to the Central Supply and Tenders Board for consideration and awarding of contracts.
- A standard contract prepared by Central Supply and Tenders Board or the Provincial Supply and Tenders Board shall be signed by the Chairman of relevant Tenders Board and the contractor for contracts awarded for value above K500,000.

# Release and Accounting for Development Funds

1. Treasury will release development funds to Finance by Warrant Authorities on quarterly and monthly basis.
2. Finance will remit equivalent cash direct to Provincial and District Treasury Bank Accounts.
3. Provincial and District Administrators on receipt of development cash shall issue cash fund certificates to redistribute funds to programs, activities and items.
4. Development Funds to be maintained in PGAS System by Provincial and District Treasury Offices.
5. State PGAS Financial System shall maintain electronic ledgers and print periodic report to departmental heads.

# Procurement Processes

- Once the PSIP/DSIP/LLGSIP projects are endorsed as I have just outlined, standard procurement arrangements shall follow to implement projects. That is:
  - For procurements less than K5,000 requires three verbal quotations.
  - For procurements between K5,001 and K500,000 three written quotations are required, using pro-forma contracts (refer to Administrative Guideline).

# Procurement Processes [cont]

- For major procurement (above K500,000), an Authority to Pre-Commit expenditure is to be approved by the Department of Finance's APC Committee and approved by Secretary for Finance. This approval must be obtained before entering into any tender or contractual arrangements.
- Failure to obtain a properly approved and authorized APC shall render any contract entered into as null and void.
- The authority to execute a contract with a value of more than K500,000 is with the Chairman of the relevant Supply and Tenders Board or if the amount exceeds K10 million the National Executive Council shall approve and execute the contract.

# Procedure for Claims for Payment

- Claims should be accepted only upon certification of deliverables as per the terms and conditions and schedules of payments provided in the contract.
- All claims submitted by contractors for payment shall be examined, verified by the project manager in the Province or District and approved for payment by the relevant Provincial or District Administrator.
- The Provincial Administrator is the Section 32 Officer to approve claims up to K5 million. The District Administrator shall approve claims for payments up to K500,000. Claims more than K500,000 to K5.0m must be referred to the Provincial Administrator.



# Procedure for Claims for Payment [cont]

- The Provincial Treasurer and District Treasurer shall be the relevant Financial Delegate to the developments funds.
- The relevant Provincial or District Treasurer shall make all payments to contractors authorized by the Provincial or District Administrator who should then advise the relevant Joint Planning & Budget Priorities Committee.
- It is mandatory for all claims and cheques to be processed through the PGAS financial system – i.e. no manual cheque books are to be issued in disbursements of funds.
- Banks will be advised to dishonor all manual cheques of the development funds.

# Bank Reconciliations

- Bank reconciliation statements must be prepared monthly by Provincial and District Treasurers to show cash resources available to the development fund.
- The Provincial and District Treasurers shall certify the Bank Reconciliation Report prior for submission to Waigani.

# Bank Reconciliations [cont]

- Certified copies of the bank reconciliation statements and supporting documents must be stored in a secured place and must be made available to the Provincial and District Administrators, Auditor General's office, Department of Treasury and Department of Implementation and Rural Development.
- Provincial and District Treasurers are responsible to ensure compliance with these reporting requirements.

# Reporting & Monitoring

- Provincial and District Administrators shall provide quarterly management reports on the physical and financial status of the PSIP, DSIP and LLGSIP Projects to the relevant Joint Planning & Budget Priorities Committee and the Department of Implementation and Rural Development.
- In the event of non-compliance with procurement procedures, accounting and reporting requirements, further release of funding will be withheld until such time reporting requirements are fully met by Provincial and District Administrators.

# Reporting & Monitoring [cont]

- Department of Implementation and Rural Development, Planning and Finance shall provide quarterly reports on the physical and financial status of the respective Service Improvement Programs to;
  - The National Project Implementation Committee;
  - Department of Treasury to enable the completion of Fiscal Responsibility requirements including the Final Budget Outcomes and the Mid-Year Economic and Fiscal Outlook Report;
  - Department of National Planning and Monitoring to enable quarterly reporting on the Development Budget; and
  - Department of Provincial & Local Government Affairs for *PLLSMA* reporting.

# Reporting & Monitoring [cont]

- Provincial and District Administrators shall maintain proper accounts and records of all financial transactions and implementation records under Section 102 of the Organic Law and the Public Finances (Management) Act 1995.
- Provincial and District Administrators shall create and maintain proper asset register for PSIP, DSIP and LLGSIP acquired assets and furnished to appropriate authorities consistent with the Development Fund Administrative Guidelines.

# Audit and Inspection

1. The Department of Implementation & Rural Development will undertake monitoring including Project Audits of the respective Services Improvement Programs funding in the 89 Districts and 22 Provinces nation wide.
2. The Departments of Finance and Treasury shall conduct project audits and inspection in consultation with Provincial and District Administrations to ensure compliance with requirements of the Public Finance (Management) Act 1995 and its relevant Finance Instructions.

# Punitive Measures

- Non- Compliance to the framework outlined to this point shall be a breach of the Public Finances Management Act and appropriate punitive measures shall be imposed, consistent with Finance Instructions and Policy Guide Lines.
- Community Leaders as well as the Chief Accountable Officers shall be referred in accordance with provisions of the Leadership Code, Public Service Management Act and Public Finance (Management) Act on punitive measures.



# Punitive Measures [cont]

- Section 32 powers shall be suspended and withdrawn and administered centrally by Department of Implementation and Rural Development with Department of Finance.
- Deliberate fraudulent activities on development funds are criminal offence and those involve will be referred to appropriate authorities for prosecutions.
- Contractors engaged by State Agencies to implement various PSIP, DSIP and LLGSIP Programs must fulfill all contractual obligations. Defaulting Contractors shall have contracts terminated and blacklisted for future contracts with the State.

**THE END**

Question's Time.