

LINKS BETWEEN PUBLIC FINANCIAL MANAGEMENT REFORM PRIORITIES AND THE SECTOR DEVELOPMENT PROGRAM

Links between PEFA Assessment (2015), PEFA Road Map (2015–2018) and HSSDP Support

Reform area	Identified PFM Weaknesses	PEFA Road Map Priorities	HSSDP Support
Fiscal and budget management	<ul style="list-style-type: none"> • Composition of expenditure outturn (PEFA PI-2: D+) • Budget classification (PI-4: C) • Public access to key fiscal information (PI-9: D) • Fiscal risk management (PI-10: D) • Medium-term perspective in expenditure budgeting (PI-16: D) 	<ul style="list-style-type: none"> • Full integration of recurrent and capital budgets • Improved coverage of the budget • Incorporation into the annual budget of medium-term revenue and spending estimates with details for debt service, and the expected changes in costs of delivery for essential public services (particularly education, and health) • Development of performance-related budgeting and program budgets • Conduct a review to determine if the allocation of positions for education and other services for which salary support is provided to subnational government entities is based on transparent and horizontally equitable rules 	<p>Policy-based loans:</p> <ul style="list-style-type: none"> • Medium-term fiscal strategy prepared and updated • Budget allocations safeguarded for health • Budget classification, formats and processes improved <p>Project investment:</p> <ul style="list-style-type: none"> • Evidence-based health service costings for different facility levels • Strategic budgeting support (needs-based & sustainable resource envelope & equitable distribution)
PFM legal framework	Recommendations made by Financial Frameworks Review Project and reports from the Public Accounts Committee on changes that should be considered for the Public Finances Management Act, the Finance Manual, and Finance Instructions	<ul style="list-style-type: none"> • Revisions of the legal framework for PFM, particularly the finance manual and finance instructions in order to align business processes with the IFMS 	<p>Policy-based loans:</p> <ul style="list-style-type: none"> • PFM legal framework revisions, including the finance manual and instructions, to address identified weaknesses
Financial management system	Cross-cutting for PEFA indicators for budget management, expenditure controls, accounting, and reporting indicators (see Annex I of PEFA Road Map, 2015–2018)	<ul style="list-style-type: none"> • Completion of the roll-out of IFMS within national government agencies • Roll-out of IFMS for provinces and districts 	<p>Policy-based loans:</p> <ul style="list-style-type: none"> • IFMS implementation at national level and statutory authorities <p>Project investment:</p> <ul style="list-style-type: none"> • PHA financial management systems strengthened (with a view of integrating them into IFMS)

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Public procurement	<ul style="list-style-type: none"> • Transparency, competition and complaint mechanisms in procurement (PI-23: D) 	<p>In cooperation with Finance and Treasury develop procedures for gathering information on 2016 procurement plans, and for ensuring compliance</p> <p>Establish a compliance and Audit Office to regulate procurements</p>	<p>Policy-based loans:</p> <ul style="list-style-type: none"> • Public procurement policy, bill and implementation plan developed, approved and implemented to address gaps including the lack of an independent complaints mechanism • Pharmaceutical procurement reform <p>Project investment:</p> <ul style="list-style-type: none"> • Pharmaceutical procurement systems and capacity strengthened • Provincial tender boards strengthened
Service delivery	<ul style="list-style-type: none"> • Performance information for achieving efficiency in service delivery (PI-8: D) • Predictability in the availability of funds to support service delivery (PI-21: D+) 	<ul style="list-style-type: none"> • Improved systems of cash forecasting and cash management • Implementation of robust frameworks for managing and monitoring the financial position and fiscal risks of state-owned enterprises, statutory bodies, and provinces. • Develop a capacity building and training plan for subnational government entities and national agencies on various PFM systems and functional training codes 	<p>Policy-based loans:</p> <ul style="list-style-type: none"> • Fragmentation in fund flows in the health sector reduced, with funds increasingly channeled to PHAs • PHA regulations and manuals (including for financial management and reporting) approved <p>Project investment:</p> <ul style="list-style-type: none"> • PHA strengthening through manuals, systems and capacity development • Department of Health monitoring and reporting capacity for subnational health funds strengthened

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HSSDP = Health Services Sector Development Program, IFMS = integrated financial management system, PEFA = public expenditure and financial accountability, PFM = public financial management, PHA = Provincial Health Authority, PI = performance indicator.

Sources: Asian Development Bank; International Monetary Fund. 2015. *Papua New Guinea: Public Expenditure and Financial Accountability Assessment*. Washington, DC.; Government of Papua New Guinea. 2015. *Public Expenditure and Financial Accountability Road Map, 2015–2018*. Port Moresby.