



Papua New Guinea

DEPARTMENT OF FINANCE
Office of the Secretary

FINANCE INSTRUCTION 7A/2020

23RD SEPTEMBER 2020

SUBJECT: IMPLEMENTATION GUIDELINES FOR COVID-19 STIMULUS PACKAGE FOR PROVINCES AND DISTRICTS

1. INTRODUCTION

1.1 Authority

This Finance Instruction (hereafter FI) is issued by Secretary Finance under Section 117 of the *Public Finances (Management) Act 1995 (PFMA)* (as amended) whereby the Finance Departmental Head may issue Financial Instructions that are necessary or desirable for carrying out or giving effect to this Act and in general for the better control and management of public monies and public property.

1.2 Legality and Enforcement

Pursuant to Section 4 (1) of the PFMA, the Finance Secretary has control and direction of all matters relating to the management of the financial affairs of the State.

Pursuant to Emergency (General Powers) (COVID-19) Regulation 2020 and the National Pandemic Act 2020, the Emergency Controller has control and direction of all matters relating to the management of the State of Emergency.

This FI will remain in effect for the duration of the COVID-19 State of Emergency.

1.3 Precedence

FI No. 07 of 2020 is revoked to the extent of inconsistency for the application of this FI No. 7A of 2020.

2. PURPOSE

The purpose of this Instruction is to give direction to all the Provincial Administrators, CEOs of District Development Authorities (DDA) and Provincial and District Finance Managers on the mechanisms for managing funds allocated for the COVID-19 stimulus package for provinces and districts.

3. ECONOMIC STIMULUS PACKAGE

The Marape-Steven Government has endorsed an Economic Stimulus Package of K5,700 million towards addressing the COVID-19 Emergency in the Country. Most of the COVID-19 response support is focused on monetary policy actions through the Bank of PNG to lower interest rates and support businesses through loan deferment.

PNG is in an extraordinary position relative to the rest of the world in containing the COVID-19 pandemic. The strong policies put in place by the Marape-Steven government means that PNG is not suffering in the same way as almost all other countries around the world. The failure to contain COVID-19 is having a devastating impact on their economies. The world is facing the worst economic downturn in a century. PNG must respond cleverly to the new economic situation.

We cannot be complacent. So, despite PNG's successes, we must also support activities that support growth and jobs. Double action good policies and action that would support incomes and jobs even without a COVID-19 pandemic.

K211 million of funding shall be transferred to COVID-19 Provincial and District administration accounts to continue PNG's response and preparations for COVID19 as well as supporting incomes growth and jobs.

This allocation is to be implemented with due diligence and in an accountable manner. I emphasize the importance of accountability. Our people expect high levels of accountability that has been seriously lacking in disaster responses by previous Governments.

PNG is drawing on very welcome international support for the COVID-19 pandemic and we must demonstrate that funds have been well spent.

4. IMPLEMENTATION CONTROL MEASURES

- 4.1. All funds relating to the COVID 19 stimulus package are to be held and expensed within the COVID-19 Emergency Trust Account and Subsidiary Accounts opened with BSP for every province and district.**
- 4.2. Funding relating to the WASH, Agriculture support and the MSME programs must be utilized on activities specific to these programs.
- 4.3. A financial and physical report with tangible outcomes must be completed by the end of this financial year for all implementing agencies. The report is to be submitted to the Departments of Finance and Treasury.
- 4.4. Progress on activities should also be shown on social media including pictures and videos, where appropriate.

5. PROVINCES AND DISTRICT ALLOCATIONS

- 5.1. District - will each receive a total of K2.0 million, comprising:
 - (a) K500,000 from the WASH Program,
 - (b) K500,000 from the MSME Support Program, and
 - (c) K1,000,000 from the Agriculture Support Program.

5.2. Provinces – will each receive a total amount of K1.5 million, comprising.

- (a) K500,000 from the WASH Program, and
- (b) K1,000,000 from the Agriculture Support Program.

5.3. Provinces and Districts may transfer up to **K2 million or an amount authorized by the respective Provincial Executive Council or delegated committee or DDA Board**, from their respective PSIP/DSIP and Operating accounts for COVID – 19 emergency response related expenditure **ONLY**. For all other SIP procurements and expenditures, Provinces and Districts are to comply with current SIP Guidelines and expenditure approval processes for the allocation and the management of the funds.

6. PROVINCES AND DISTRICTS WILL EXPEND THE FUNDS IN ACCORDANCE WITH THE FOLLOWING GUIDELINES

6.1. WASH (K500,000 per District and Province)

Objective: Improve hygiene in public places such as schools, markets, churches, hospitals, aid posts and other potential hotspots.

"Always wash your hands with soap" has been one of the key messages for preventing COVID-19. This funding will help local communities to put that message into practice.

Provincial Governments and District Development Authorities will determine the most effective use of the funds and must prioritise places that attract the largest gatherings. They are encouraged to consult and cooperate with relevant local partners.

The focus on the very basic elements of providing soap, sanitisers and clean water in public places is to ensure that the reopening of public places is safe.

6.1.1 All funds must be directed to COVID-19 health hygiene related expenses.

6.2. Agriculture (K1,000,000 per District and Province)

Objective: Support for extension services and grants to improve crop production and quality to feed our people and support their incomes.

The funds must be directed to agriculture and food security programs. For example:

- (a) The purchase and distribution of improved seeds or seedlings;
- (b) Purchase of essential equipment such as rice or coffee mills;
- (c) Purchase of garden tools for distribution to farmers;
- (d) Provision of agriculture extension services;
- (e) Plant pest management (including fall armyworm mitigation measures); and
- (f) Livestock management (including African swine fever mitigation measures).

6.3. MSME (K500,000 per District)

Objective: The informal sector and MSMEs are the backbone of the rural economy and provide livelihoods for over 80 percent of the population. By supporting MSMEs, we support the rural and subsistence economy throughout the nation, which has been hard hit by the State of Emergency lockdown.

The funds can be used for activities such as:

- (a) lowering market fees for vendors;
- (b) spending on small scale infrastructure that provides both health and economic benefits such as market upgrades;
- (c) spending that boosts local employment through MSMEs;
- (d) support for farmers to get goods to urban markets through produce aggregation and transportation;
- (e) financial literacy and small business training, and
- (f) similar activities that help women and men alike.

The funds should be spent locally rather than directed to businesses outside the district wherever possible.

7. PROCUREMENT

- 7.1. Pursuant to Section 51 of the National Pandemic Act 2020, the Procurement Provision of the PFMA and the National procurement Act (NPA) shall not apply. However, pursuant to the National Pandemic Act 2020, Section 9, the Controller has the power to do all things necessary to carry out the functions of the Controller, including issuing procurement related instructions or guidelines issued under this Act (Section 53).

Also, under Section 4 of the PFMA, the Finance Secretary has the responsibility to assist the Finance Minister to enforce the usage of finances of the state so full accounting is made to the Parliament on the expenditure.

Therefore, the following procurement limits shall apply:

- a) District Development Authority procurements, K2.5 million, with procurements above this limit to be referred to the Provincial Administrator.
- b) Provincial Procurements, K5 million, with procurement above this limit to be referred to the NPC;
- c) National Procurement Commission, K10 million, with procurements above this limit to be referred to the NEC;
- d) National Executive Council (NEC), Unlimited.

8. EXPENDITURE MANAGEMENT AND REPORTING

- 8.1. Where the COVID-19 Trust Accounts are not in either IFMS or PGAS, a manual cash book must be maintained that records, at least the following information:

- (a) **Payments into the Account:**

- (i) Date,
- (ii) Amount,
- (iii) Funds source (National Government Appropriation, donor, etc.), and
- (iv) Purpose - whether the funds are for a specific purpose (e.g. WASH, Agriculture or MSME).

(b) Payments from the Account

- (i) Date;
- (ii) Cheque Number;
- (iii) Amount;
- (iv) Payee;
- (v) Goods/Services supplied; and
- (vi) Purpose for which the goods/services support economic stimulus.

Expenditure approval (Section 32) delegates of Provinces and Districts must ensure that all payments are compliant with PFMA expenditure requirements.

9. TRUST ACCOUNT BANK RECONCILIATIONS

Reconciliations of the COVID-19 Trust Accounts are to be completed in accordance with PFMA provisions, as follows:

- (a) Provincial Trust Bank Accounts. The PFM is to ensure that the provincial subsidiary bank account is reconciled within 14 days of the end of the month. A copy of the completed bank reconciliation, including a copy of the cash book, is to be provided to the Department of Finance, Financial Reporting and Compliance Division (FRCD) and Provincial and District Financial Management Division (PDFMD) by the 14th day of the month.
- (b) District Trust Bank Account. The DFM is to ensure that each District subsidiary bank account is reconciled within 14 days of the end of the month. A copy of the completed bank reconciliation, including a copy of the cash book, is to be provided to the Department of Finance, Financial Reporting and Compliance Division (FRCD) and Provincial and District Financial Management Division (PDFMD) by the 14th day of the month.

10. OTHER FINANCIAL REPORTING

A Financial and Physical Report with evidence of tangible outcomes is to be completed by 31 December 2020 for all implementing agencies and submitted to the Departments of Finance and Treasury.

11. IMPLEMENTATION RESPONSIBILITY

As the custodians of the funds and expenditure delegates responsible for the moneys allocated through the COVID-19 economic stimulus package, Provincial Administrators,

DDA CEOs and Provincial and District Finance Manager are accountable for the effective implementation of this program.

The Government is doing the best that it can for our people and your guidance and leadership is expected in both implementation and reporting on the funds allocated to each of your agencies.

Let us all work together to implement COVID-19 support response through the Government's decentralised trust in District and Provinces.

12. DATE OF IMPLEMENTATION

This Finance Instruction is effective as of the date of signing by the Secretary for Finance.

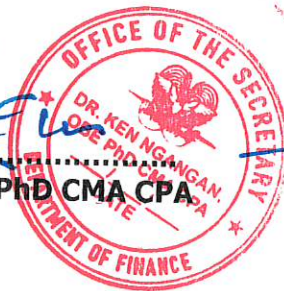
13. HELP DESK

Should you require further information the following officers should be contacted:

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DAVID MANNING, MBE, DPS
Police Commissioner and
Emergency Controller



Date: 28 09 2020

Date: 01 10 2020