

# District Expenditure Review

NEFC NGI Regional Workshop  
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# Outline

- Overview
- Methodology
- Objective of DER
- Key findings of the report
- Recommendation
- Progressive Update of the report
- The next step?

# What is the District Expenditure Review (DER)?

- Joint study by the National Economic & Fiscal Commission (NEFC) and Department of Implementation and Rural Development (DIRD)
- Review of capital expenditure and recurrent expenditure of four districts in 2013
- This study was initiated by NEFC CEO/Chairman Mr Hohora Suve and DIRD Acting Secretary Mr Paul Sai'i

# Information source used in this study and its scoping and limitation

We use the following sources;

- PGAS expenditure data
  - 200 Series
  - 700 Series
- DSIP Acquittals report
- DIMS survey data

Information used in this study exclude the following;

- Direct facility funding
- Funding on service delivery by churches, non-governmental agencies

# Selecting the Districts

The initial scope of this study is to review expenditures for six (6) Districts;

- Kokopo (East New Britain)
- Usino Bundi (Madang)
- Henganofi (Eastern Highlands)
- Wapenamanda (Enga)
- South Fly (Western)
- Rai Coast (Madang)

However, the number of districts were reduced to four during the late stage of the study by the heads of the two agencies due to;

- Quality of the data – there is no electronic copy of PGAS data available

The criteria used to select the districts was based on the first six (6) districts who submitted their 2013 DSIP Acquittals to DIRD

# Methodology

## Data Collection

- PGAS Data collected by NEFC in 2014 from the district treasuries
- DSIP acquittals provided by districts to DIRD on annual basis
- DIMS data available from 2011 DIMS survey and another follow up survey conducted last year by DIRD, NEFC, World Vision, PM's Department and UNICEF

## Analysis

- DIRD analysed the DSIP acquittals data
- DIRD/UNICEF analysed the DIMS survey data
- NEFC analysed the PGAS expenditure data

## Report Write Up

- NEFC and DIRD jointly did the write up of the report based on the findings from the analysis

# Objective of DER

- Conduct an evident based review of capital and recurrent expenditure trend at the district level
- Provide a comparative expenditure analysis of variations between the districts
- Provide an analysis of expenditure trend against the MTDS sectors
- Determine the current relationship between recurrent and capital expenditure; and
- Determine the effectiveness of district financial management systems and processes

# Key Issues in the report

- Inadequate recurrent funding to support maintenance and upkeep costs
  - In 2013, almost 80% of expenditure at the district level were categorised as capital spending while over 20% as recurrent expenditure
  - Over 30% of the total capital expenditure was spent on operational and maintenance costs alone





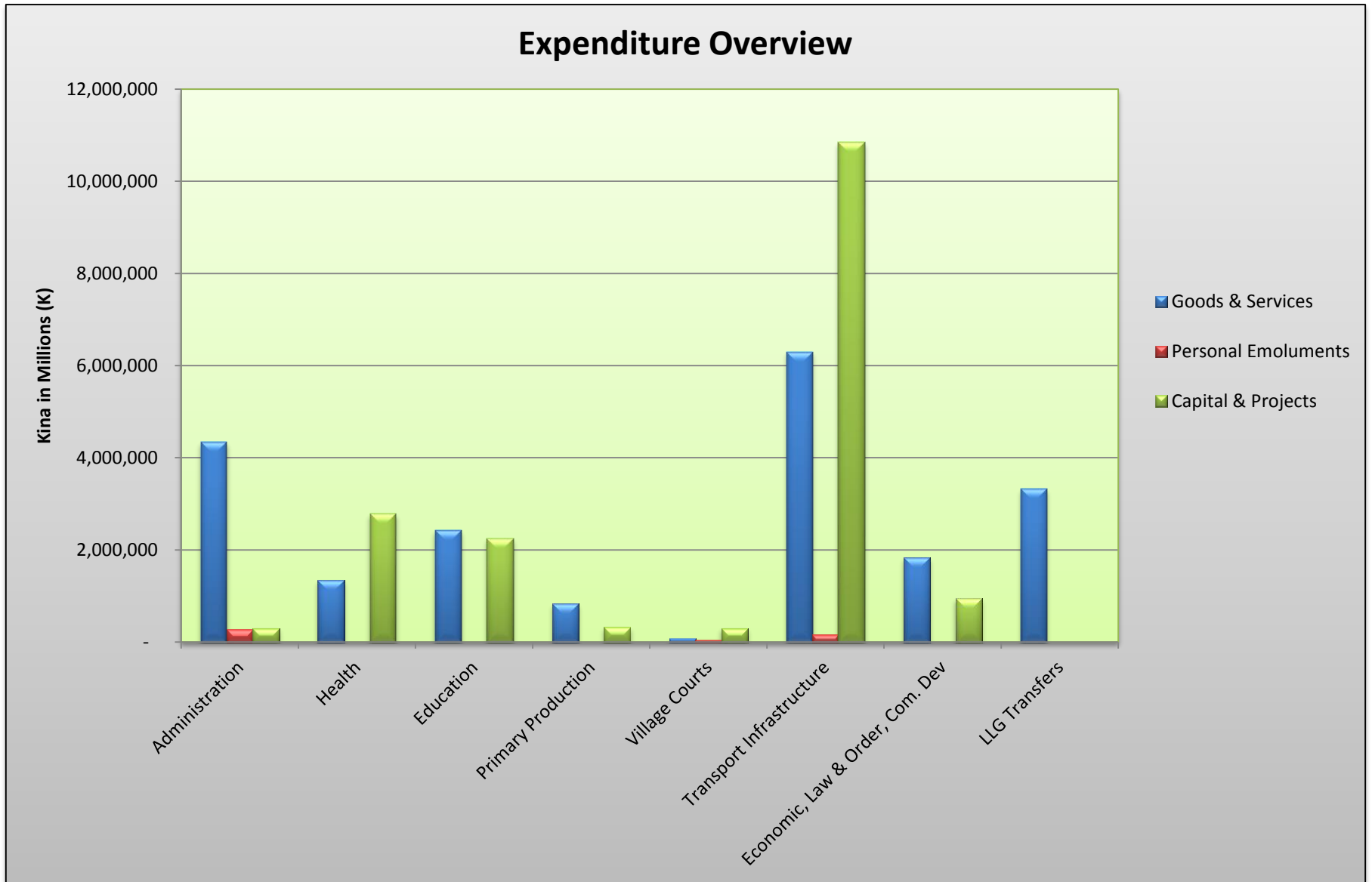
# Issues Cont....

- Financial Management reporting systems and processes are weak
  - Inconsistency in applying expenditure codes between districts
  - Districts are not submitting PGAS data to the DoF
- Present SIP acquittal system is onerous and needs to be streamlined
  - Less than 50% of Provinces, 89% of Districts and only 32% of LLGs had submitted their acquittals for 2013
  - The system is further undermined when DoF releases next tranche of SIP funds before the previous acquittals are being appraised and reviewed by DIRD

# Major Source of Spending by Item Code

Item #	Item description	Amount	%	Category Description	Amount	%
225	Construction, Improvement and Renovation	13,429,253	35%	Capital Expenditure	30,738,556	79%
135	Other operational expenses	8,961,865	23%	Recurrent Goods & Services	7,960,764	21%
143	Grant Transfers to Public Authority	4,286,773	11%			
128	Routine Maintenance Expenses	4,092,675	11%			
224	Plant, Equipment and Machinery	2,612,800	7%			
222	Purchase of Vehicles	1,702,000	4%			
123	Office Materials and Supplies	628,013	2%			
144	Grants Transfer to Individ. & Non-profit	624,900	2%			
112	Wages	458,510	1%			
125	Transport and Fuel	373,465	1%			
	Other Item Codes	1,529,066	4%			
	<b>Total spending from recurrent &amp; capital</b>	<b>38,699,320</b>	<b>100%</b>	<b>Total spending from recurrent &amp; capital</b>	<b>38,699,320</b>	<b>100%</b>

# Expenditure Overview



## Expenditure Overview



Is high goods & services expenditure on administration achieving service delivery or should these funds disperse to priority sectors to carry out key service delivery activities?

With high expenditures in this sector, has it achieve service delivery outcomes?

Is expenditure in primary production and village court sectors enough or is there are need to increase expenditure on these two key sectors?

Why is that service delivery grants are still spent on wages with larger amount under administration?

# Other Key Issues in the report

- Key intergovernmental financing principles advocated by the NEFC
- District Service Improvement Program (DSIP) and Acquittals
- District Development Authority (DDA)
- Expenditure on Enabling Environment for service delivery
  - Water Supply and Sanitation
  - Family Health Programs
  - Environmental Health Issues

# Recommendations

This joint study has identify that;

- Intergovernmental financing system can be more integrated for effective equity funding system
- Frontline agencies responsible for service delivery must continue to work together;
  - Develop effective financial systems and processes
- Spending at sub-national levels should focus more on **Sustaining** existing public services and not merely on development of new public services

# Progressive update

- Preliminary draft is complete and editing is in progress for;
  - Verification and double checking the data set that are used
  - Verifying the issues highlighted to make sure they are in line with the objectives of this study

# The next step?

- Submit the report to NEFC CEO/Chairman and DIRD Acting Secretary for reading and comments
- Publication



*Kalaro!!!!*