

FOR OFFICIAL USE ONLY

INTERNATIONAL MONETARY FUND

Statistics Department



PAPUA NEW GUINEA

**TECHNICAL ASSISTANCE REPORT ON THE GOVERNMENT FINANCE
STATISTICS MISSIONS**

(September 14–25, 2015 and March 1–14, 2016)

Prepared by Barend de la Beer

September 2016

The contents of this report constitute technical advice and recommendations given by the staff of the International Monetary Fund (IMF) to the authorities of a member country in response to their request for technical assistance. With the written authorization of the recipients country's authorities, this report (in whole or in part) or summaries thereof may be disclosed to IMF Executive Directors and their staff, and to technical assistance providers and donors outside the IMF. Consent will be deemed obtained unless the recipient country's authorities object to such dissemination within 60 days of the transmittal of the report. Disclosure of this report (in whole or in part) or summaries thereof to parties outside the IMF other than technical assistance providers and donors shall require the explicit authorization of the recipient country's authorities and the IMF Statistics Department.

Contents	Page
Acronyms.....	4
Executive Summary.....	5
I. Introduction.....	7
II. Summary of the Activities Undertaken by the Two Missions.....	7
III. Institutional Coverage of the General Government and Public Sectors.....	8
IV. Accounting and Statistical Systems.....	9
A. Description of Accounts through which Funds are Channeled by Level of Government..	9
B. Data Compilation.....	11
C. Sources.....	11
D. Classification.....	12
E. Consistency.....	13
F. Dissemination.....	13
V. Migration Plan for Implementing the GFSM 2014.....	14
VI. Resources, Training, and Technical Assistance.....	14
A. Resources.....	14
B. Training and Technical Assistance.....	15
Figure	
1. General Ledger Chart Structure.....	10
Appendices	
I. List of Officials Met during the Mission.....	16
II. Migration Plan.....	19

ACRONYMS

AGO	Auditor general's office
BoPNG	Bank of Papua New Guinea
CoA	Chart of Accounts
COFOG	Classification of the Functions of Government
CS-DRMS	Commonwealth Secretariat Debt Recording and Management System
DOF	Department of finance
DOT	Department of treasury
FMD	Financial management division
FMDDMU	Financial management division, debt management unit
FMIP	Financial management improvement program, department of finance
FY	Fiscal year
GFS	Government finance statistics
<i>GFSM 1986</i>	<i>Government Finance Statistics Manual 1986</i>
<i>GFSM 2001</i>	<i>Government Finance Statistics Manual 2001</i>
<i>GFSM 2014</i>	<i>Government Finance Statistics Manual 2014</i>
<i>GFSYQ</i>	<i>Government Finance Statistics Yearbook Questionnaire</i>
GL	General ledger
ICT	Information and communications technology
IFMS	Integrated financial management system
IPBC	Independent public business corporation
IRC	Internal Revenue Commission
IU	Institutional unit
JSA	Japan Administered Account for Selected IMF Activities
KCH	Kumul Consolidated Holdings
MEPD	Macro-economic policy division, department of treasury
NEFC	National economic and fiscal commission
NTRD	Non-tax revenue division, ministry of finance
PEFA	Public expenditure and financial accountability
PFTAC	IMF's Pacific Financial Technical Assistance Center
PGAS	Provincial government accounting system
PSDS	Public sector debt statistics
RBM	Result-based management
SAMG	Statutory authorities monitoring group, department of finance
SOE	State-owned enterprise
SPID	Structural policy and investment division, department of treasury
TA	Technical assistance
TAMD	Trust accounts management division
WPA	Waigani Public Account

EXECUTIVE SUMMARY

In response to a request from the Papua New Guinea authorities, the IMF staff conducted two government finance statistics (GFS) technical assistance (TA) missions during September 14–25, 2015 and March 1–14, 2016. The missions were financed by the Government of Japan under the Japan Administered Account for Selected IMF Activities (JSA), and were part of two successive multi-year GFS capacity development (CD) projects for selected Asian and Pacific Island countries (PIC). Papua New Guinea received six missions under the first project (JSA 1) during 2012–15. The March 2016 mission was the first under the successor three-year GFS project (JSA 2).

Papua New Guinea's GFS CD activities can be summarized as follows: Papua New Guinea's TA needs were identified in the migration plan for the *Government Finance Statistics Manual 2001 (GFSM 2001)* developed by Papua New Guinea representatives during the GFS training seminar for selected PICs (June 2012). The first TA mission (May 2013) delivered a two-week formal training seminar on GFS concepts, including the changes arising from the update of the *GFSM 2001* to the successor *Government Finance Statistics Manual 2014 (GFSM 2014)*. The second mission (November 2013) provided on-the-job training to newly hired staff; drafted the institutional units (IU) classifications; and explored the availability of source data required for a comprehensive GFS compilation. The third mission (April 2014) worked on Classification of the Functions of Government (COFOG); preparing budget tables according to the *GFSM 2014*; public sector debt; and further classification of IU. Both follow-up missions of October 2014 and April 2015 focused on helping the authorities move forward in updating the fiscal data for the budget in the *GFSM 2014* format.

This report covers the last two GFS follow-up missions. **The main objectives** achieved by the two missions were: The September 2015 mission finalized and updated the integrated financial management system (IFMS) coding and helped in producing the budget summary tables in preparation for the 2016 budget. The March 2016 mission produced a fully reconciled GFS time series between the formats of the *Government Finance Statistics Manual 1986 (GFSM 1986)* and *GFSM 2014*; and assisted the authorities in preparing the *GFS Yearbook Questionnaire (GFSYQ)* data files for the budgetary central government.

The September 2015 mission findings and recommendations: The mission made final changes to the IFMS coding; and reviewed and updated the budget summary tables. The related business process was documented and explained to the treasury staff. The updated tables were presented to the authorities in preparation for the 2016 budget. The authorities were committed to produce the 2016 budget summary tables in the updated *GFSM 2014* format.

The decentralized financial control and volume of organizations which form the general Government of Papua New Guinea result in a complex and time-consuming IU classification process. Information received from the auditor general's office in assisting with the IU classification was reviewed by the mission and where applicable, information was used to

make additions or finalize entity classifications. While progress has been made in IU classification, the mission suggested that further work would be required in this area.

The March 2016 mission’s findings and recommendations: The majority of the mission’s time was spent on reviewing data and building a time series (FY2007–14) comparable to actual outturn data presented in the 2016 budget with associated reconciliations between the *GFSM 1986* and the *GFSM 2014* presentation formats for the budgetary central government.¹ On completion of the time series, the mission introduced the IMF’s annual *GFSYQ*. The mission completed the statements of operations, sources, and uses of cash, revenue, expenditure, and transactions on assets and liabilities (FY2011–14) for the budgetary central government.² The mission agreed with the authorities on the release of the final budget outturn for FY15, the time series, and the *GFSYQ* Excel files to the IMF by April 2016 (*benchmark action*).

The mission reviewed and made refinements and recommendations to the presentation of the budget summary fiscal tables produced during the 2016 budget.³ The authorities were requested to further investigate the specific detailed expenditure classification and mapping issues that impact the GFS expense table. The authorities agreed to disseminate the data (in Excel format) to the IMF, and publish it by April 2016 on the website of the DOT (*benchmark action*).

The mission followed-up with the financial control–cash management unit on providing cash balances for the development of the financial balance sheet of the general government; however, the data request by the last two missions was not provided. Development of the financial balance sheet is still a work in progress and future TA would be required in this area, depending on the timely release and provision of the source data information (*benchmark action*).

The mission recommended that the DOT’s structural policy and investment division (SPID) officials follow-up on the progress for the request of financial source data, particularly debt data, from the state-owned enterprises (SOEs). The SPID is still awaiting the response (*benchmark action*).

The missions noted the authorities’ continued efforts in improving overall financial management and controls within the DOF Financial Management Improvement Program (FMIP) roadmap, which would help improve GFS automation. However, the missions also noted that ongoing organizational restructuring of the DOT and the slow pace of filling vacancies had resulted in a slower-than-anticipated progress of automating the GFS reporting.

¹ This document is available as [DM#5956038](#).

² These documents are available as [DM#5956043](#), [DM#5956045](#), [DM#5956049](#), and [DM#5956050](#).

³ This document is available as [DM#5956053](#).

The mission also assisted the authorities in drafting a preliminary work plan⁴ by using the GFS migration plan developed earlier in the project. The authorities were requested to develop an action plan that would incorporate the IMF's results-based management (RBM) framework presented during the Bangkok workshop in February 2016 (*benchmark action*).

The mission would like to thank staff of the MEPD, the SPID, the Budget Division, and the DOF for their hospitality and cooperation, which greatly contributed to the success of the mission (Appendix I includes a list of officials with whom the mission met).

I. INTRODUCTION

1. **The main objectives** of the two follow-up GFS missions were to assist the authorities in compiling fiscal data based on the *Government Finance Statistics Manual 2014 (GFSM 2014)* framework, and promote publishing sub-annual GFS in the *International Financial Statistics (IFS)* and annual GFS in the *Government Finance Statistics Yearbook (GFSY)*. The missions aimed at assisting Papua New Guinea to report and disseminate GFS data by Q2:2016.

2. **The major tasks** of the two GFS missions were: (i) the September 2015 mission finalized and updated the IFMS coding and helped in producing the budget summary tables for the 2016 budget; and (ii) the March 2016 mission produced a fully reconciled GFS time series between the formats of the *Government Finance Statistics Manual 1986 (GFSM 1986)* and *GFSM 2014*; and assisted the authorities in preparing *GFSYQ* data files for the budgetary central government.

3. **Structure of Report:** Section II presents a summary of the activities undertaken by the two missions; Section III briefly discusses institutional and data coverage issues; Section IV covers changes in Papua New Guinea's accounting and statistical systems; Section V briefly discusses *GFSM 2014* migration plans; and Section VI deals with resources, training, and technical assistance. Appendix I shows a list of officials met during the mission and Appendix II shows the current GFS migration plan.

II. SUMMARY OF THE ACTIVITIES UNDERTAKEN BY THE TWO MISSIONS

4. The **September 2015 mission** followed-up on the work of the preceding TA missions which had allowed Papua New Guinea to compile *GFSM 2014* data for budgetary central government using audited financial statements as source data. However, additional work is required to improve quality and coverage of GFS system. The main tasks undertaken by this mission were:

- Reviewed and further amended the draft budget summary tables prepared during the earlier missions.

⁴ The work plan is available at [DM#5956057](#).

- Documented the business process for generating the budget summary tables and conducted an information session with officers explaining the process and the preparation of tables.
- Reviewed the information received for purposes of public sector delineation from the auditor general's office (AGO) and incorporated that into the IU classification table, and further identified and added the additional sources of information to the IU table.
- Conducted meetings with officials of the Department of National Planning and Monitoring to discuss results of the amended donor template and received feedback on the information provided by donor partners and how the information may contribute to the overall budget process and production of the budget summary tables.
- Conducted a meeting with Kumul Consolidated Holdings (KCH) officials to explore the options of collecting information on a frequent basis for reporting of financial activities of public sector units in Papua New Guinea.
- Followed up with the Financial Control–Cash Management Division on the progress in collecting and compiling cash balances for the general government units necessary for moving forward in compiling the financial balance sheet.
- Investigated the availability of additional source data to expand timeliness and periodicity of GFS data.
- Reviewed and updated the *GFSM 2014* migration plan (Appendix II).

5. The **March 2016 mission** further followed up on the gradual development of the GFS system in Papua New Guinea. Its main tasks were as follows:

- Reviewed the 2016 budget tables produced in the *GFSM 2014* format with recommendations for refinements and changes.
- Compiled time series data for the budgetary central government (FY2007–14) reconciled between the *GFSM 1986* and *GFSM 2014*.
- Compiled the associated *GFSYQ* for the budgetary central government (FY2011–15); FY2015 revised estimate to be updated with the final budget outturn (March 31, 2016).
- Followed up with the department of treasury's (DOT) structural policy and investment division (SPID) and the financial control–cash management unit on the mission's previous requests for data, in order to develop a general government financial balance sheet and public sector debt statistics (PSDS); assisted DOT officials in drafting a letter to the secretary of finance to formally request this information.
- Reviewed and updated the *GFSM 2014* migration plan with the aim of developing a more focused work plan by encouraging the utilization of the RBM framework.

III. INSTITUTIONAL COVERAGE OF THE GENERAL GOVERNMENT AND PUBLIC SECTORS

6. There are four levels of Government in Papua New Guinea: central, provincial, district, and local. The previous GFS TA reports of 2013 and 2014 contain more information

regarding the institutional arrangements. Most of the information in these reports are still relevant. We only highlight here, the issues that are outstanding with respect to delineation of coverage for the general government and the public sector in Papua New Guinea.

7. The Government of Papua New Guinea has established a sovereign wealth fund (SWF) which serves as a savings account that would invest surplus public monies outside Papua New Guinea for later use when it is needed. The organic law for the SWF has changed, as the SWF Act 2012 was repealed and replaced by the SWF Act 2014, which was enacted in parliament on October 27, 2014. The missions recommended that the authorities review the classification of the SWF, in terms of its coverage arising from the new organic law.

8. The structure of state-owned enterprises (SOEs) in Papua New Guinea is quite complex. The government's shares in SOEs are held in trust by the general business trust which is, in turn, held in trust by the Independent Public Business Corporation (IPBC). Dividends earned by the Government of Papua New Guinea are retained by the IPBC to fund projects for which it has been assigned responsibility to implement. Generally, such projects are capital in nature.

9. During the September 2015 mission, the OAG was able to provide more information on SOE entities. The information provided was reviewed for its usefulness and where necessary, additions were made to the IU table. The mission also further explored additional sources of information and made additions to the IU table accordingly. A meeting with the chief financial officer and finance officers of Kumul Consolidated Holdings (KCH), (previously IPBC) revealed their willingness to provide the DOT with information on SOEs that will assist in IU classification and overall financial reporting. The chief financial officer requested a formal letter signed by the secretary of treasury confirming the discussions and the requests as agreed in the meeting. KCH also requested the DOT (the SPID and the MEPD) to provide input to the new dashboard to be developed for SOEs reporting. This process will allow for the streamlining and standardizing of reporting requirements across entities.

10. As of March 2016, the SPID still experienced challenges in obtaining information to make progress with the IU classification. All information provided by the AGO to assist with classifications has been used. The mission also suggested that SPID engage the office of the solicitor general, the legal entity that registers new commercial and statutory authorities. Since the last mission, the SPID prepared and sent a formal communication to KCH to obtain financial information about SOEs. KCH did not provide any information yet. The SPID officials had a follow-up meeting in March 2016 and requested the information again.

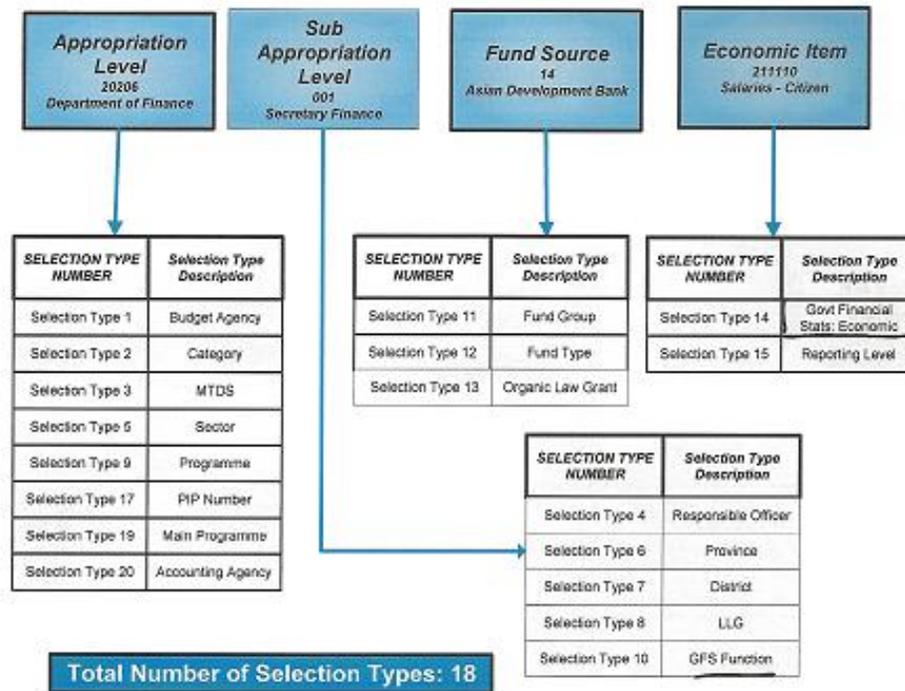
IV. ACCOUNTING AND STATISTICAL SYSTEMS

A. Description of Accounts through which Funds are Channeled by Level of Government

11. Papua New Guinea has an accrual-based accounting system, including an integrated chart of accounts (CoA). The IFMS contains an appropriate system of control required to

ensure timely reliable source data for most of the budgetary central government, as well as the provincial governments. The system includes fields for both GFS and COFOG codes, and standardized reporting can be developed to facilitate the efficient production of annual and sub-annual GFS reports. A more complete discussion of the accounting system is contained in the previous TA mission reports of 2013 and 2014, from which the following General Ledger (GL) Chart Structure has been drawn for reference; it presents a summary of the system, as is shown in Figure 1 below:

Figure 1. Papua New Guinea: General Ledger Chart Structure



Source: Papua New Guinea, Department of Finance.

12. In 2015, the MEPD reported an exercise was performed to align Papua New Guinea sectors closer to the COFOG, and that the updated classification would be used in the 2016 budget presentation.
13. Although a consolidated revenue fund exists, entities created as statutory authorities, statutory bodies, and SOEs are permitted to create trust accounts. These trust accounts are essentially separate bank accounts, most often held in private sector banks, where monies are transferred and retained by departments, ministries, statutory authorities, and SOEs. This structure of financial management presents a challenge to measuring government assets and compiling public sector debt statistics.
14. The mission had a meeting with officials of TAMD requesting, among other things, the cash balances of the trust accounts for incorporation into the financial balance sheet. The mission explained the importance of these balances and information such as, other accounts receivable and payable, in order to compile the balance sheet for the general government.

The mission requested the MEPD to follow-up on this information before the next mission (*benchmark action*).

15. In 2015, the DOF appointed a program manager for the Financial Management Improvement Program (FMIP) initiatives and implementation; and by March 2016, it was reported that the IFMS have been rolled out to more than half of the national departments, and plans are under way to roll out the IFMS to one provincial department. The target is to have the IFMS rolled out to all national departments by end 2016.

16. The March 2016 mission observed that with the FMIP now operational, areas for improvement have been identified and mapped to the Public Expenditure and Financial Accountability (PEFA) road map that may contribute to the overall progress of data compilation and reporting for automation of GFS.

B. Data Compilation

17. The mission noted the authorities' continued efforts in improving overall financial management and controls within the department of finance. Improvements particularly in the areas of trust account management, public financial management strategy and enforcement, and the rollout of the IFMS more broadly across ministries and the government as a whole, are ongoing. These ongoing medium-and long-term improvements to the main GFS source data will have significant positive impacts on the ability of the treasury department's economic and policy division (EPD) to produce timely, accurate, and complete *GFSM 2014* data.

18. The 2015 missions engaged with the IFMS team and the EPD of the treasury department to upload the GFS coding into the financial system, performed a review of the coding, and produced draft budget summary tables in the *GFSM 2014* format. The September 2015 mission made final changes to the IFMS coding and draft budget summary tables in preparation for the 2016 budget.

19. The March 2016 mission worked on producing a fully reconciled GFS time series between the formats of the *GFSM 1986* and *GFSM 2014*; and assisted in preparing the GFS *GFSYQ* data files for the budgetary central government.

C. Sources

20. In terms of GFS data sources, there are three government ministries involved in public financial management and financial oversight for the Government of Papua New Guinea, its SOEs, and statutory authorities.

21. The treasury department currently has several divisions, which are subdivided into branches. As of 2014, the treasury department has been undertaking structural reform which has made significant changes to its organizational structure. Currently, the EPD is responsible for the general direction of fiscal policy, fiscal forecasting, budget outturn reporting, and GFS compilation. The SPID are responsible for overall investment policy, including competition policy. The SPID monitors the performance of all government entities created under the Corporations Act of 1997 (referred to as SOEs). The SPID also monitors

any government bodies and statutory authorities under the management of SOEs. Debt management and reporting is conducted by the financial management division (FMD). The budgeting process is the responsibility of budget division. The treasury department also issues all warrants authorizing funds disbursements from the central government.

22. The finance department is responsible for the financial accounting system and related business processes, including capturing data, as well as, the monitoring of statutory authorities, trust accounts, and non-tax revenue collections. The transferring of funds authorized by warrants and the overall management of the consolidated revenue fund (Waigani Public Account (WPA)) are also tasks assigned to the finance department.

23. The department of planning and monitoring oversees the development budget, including capital expenditures and donor-funded projects. Until recently, the central government presented its budget on the basis of the *GFSM 1986*; but as of 2016 the budget is being presented using *GFSM 2014* format.

D. Classification

24. During the April 2015 mission, while assisting the authorities with constructing the *GFSM 2014* budget tables, it was noted that the CoA code '252 - Grants/Transfers to Public Authorities' and its detail account structure, encompass a number of transactions that should be reclassified as either subsidies or grants to foreign governments for foreign support. In a discussion with the DOT's budget division who has control over expense codes, the mission requested the creation of new codes that will identify this expense separately and easily map the appropriate codes for GFS; the budget division was in favor of creating these items.

25. During the September 2015 mission, the budget division put forward a request to the IFMS team to create new proposed accounts. In March 2016, a new IFMS CoA download reflected that the proposed accounts were not yet created. The mission requested officials to have the accounts created as soon as possible, enabling the correct classification of transactions in the expense tables. The GFS account grants to other general government units still present, a high amount of expenditure that needs to reflect final demand expenditure for the various levels of the general government. The mission requested treasury officials to investigate the details interfacing to this account for the levels of all general government units and make the necessary reclassifications in the system. This should be done with associated education and awareness initiatives to all users on the correct use of the code. Future GFS TA may be needed to assist officials on the correct use of the account.

26. In reviewing the budget summary tables produced during the 2016 budget, the March 2016 mission noted that there are inconsistencies in the projections for revenues, expenses, the financing for items, donor aid grants, concessional loans, goods and services tax transfers, bookmakers' taxes, and interest payments as provided by the IRC, Department of Planning and Monitoring, and the FMD, respectively. Expense projections use an annual growth percentage (the upcoming budget year as base) to forecast the medium-term. These are not consistent with the actual estimates provided by the respective business units. These will impact key analytical balances such as the gross operating balance and the net lending borrowing requirement produced for the budgetary central government. The mission advised

that the growth percentages for the items mentioned ‘reversed’ out of the projections and the actual estimates be used instead to provide a more realistic and correct net lending borrowing requirement.

27. The March 2016 mission noted that the expense table produced items ‘out of scope for GFS coding purposes’ and in some instances, in significant amounts. These are allocations in GFS that will not be coded as flows/transactions but either as other economic flows or memorandum items. After further consultation with the DOF, it was noted that these are expense ‘suspense accounts’ which allocate legacy interfaces for which no GFS mapping exist to these ‘out of scope for GFS coding purposes’ accounts. These should not be reported as expenses if they are not pure expenditures. The amounts were re-allocated to the categories to which they belong or excluded from the expenses after further investigation.

E. Consistency

28. In creating the new revenue and expense detail tables, the April 2015 mission also noted that with the *GFSM 2014* methodology, revenue due to provinces for goods and services tax and bookmakers turnover tax previously netted in revenue, should be classified as a gross expense in the expense table. The changes have been made in the new tables but the MEPD needs to get a breakdown of the expense cost as final output expenditure for the provinces. ‘Table 9B – Economic Classification of Expense for Central Government Agencies’ present expenditure as final output expenditure for each level of the central government-- namely, national departments, provincial governments, autonomous Bougainville Government, and commercial and statutory authorities. The mission noted that there is quite a material amount of expenditure allocated under grants represented in Table 9B which, for the purpose of this presentation, needs to be allocated to the respective economic classification items of expense. Having the legacy coding and detail of these transactions will allow the MEPD staff to classify these expenses to their respective economic classification items. Having this classified correctly will also assure that information presented can be used appropriately for calculation of GDP (expenditure basis).

29. During the March 2016 mission, a new IFMS CoA download reflected that the proposed accounts have not yet been created. The mission requested officials to have the accounts created as soon as possible, enabling the correct classification of transactions in the expense tables.

F. Dissemination

30. The mission assisted the authorities in reviewing data and building a time series (FY2007–14) comparable to actual outturn data presented in the 2016 budget with associated reconciliations between the *GFSM 1986* and the *GFSM 2014* presentation formats for the budgetary central government. On completion of the time series, the mission introduced the IMF’s annual *GFSYQ*. The mission completed the statements of operations, sources, and uses of cash, revenue, expenditure, and transactions on assets and liabilities (FY2011–14) for the budgetary central government. The mission agreed with the authorities on the release of the final budget outturn for FY15, and the time series and the *GFSYQ* Excel files to the IMF by April 2016 for IMF publication (*benchmark action*).

31. The mission reviewed and made refinements and recommendations to the presentation of the budget summary fiscal tables produced during the 2016 budget. The authorities agreed to disseminate the data (in Excel format) to the IMF, and publish it by April 2016 on the DOT website.

V. MIGRATION PLAN FOR IMPLEMENTING THE *GFSM 2014*

32. The GFSM migration plan that was developed since the beginning of the GFS capacity building project under the JSA1 in 2012, provides a good reference point, and has periodically been updated during TA missions to Papua New Guinea (Appendix II).

33. The mission assisted the authorities in drafting a preliminary work plan by using the GFS migration plan developed earlier in the project. The authorities were requested to develop an action plan that would incorporate the IMF's Results-Based Management (RBM) framework presented during the Bangkok workshop in February 2016 (*benchmark action*).

34. This activity would require further TA mission to produce a well organized RBM framework for continuing with GFS development over the next few years.

VI. RESOURCES, TRAINING, AND TECHNICAL ASSISTANCE

A. Resources

35. Staffing in the DOT for GFS compilation and oversight responsibilities are inadequate for the level of effort required to complete these tasks in a timely manner. Currently, only one team member is assigned to GFS compilation. This represents a significant risk. Although the oversight team in the SPID increased its staffing over the last few years, additional resources may be required to continue improvements in monitoring of SOEs.

36. As reported during previous missions in 2015, the two missions also noted that ongoing organizational restructuring of the treasury department and the pace of filling vacancies continued to impact GFS development efforts and have resulted in a slower-than-anticipated progress in the work of automating GFS reporting. The unexpected absence of key treasury staff also impeded the planning and work performed during this mission. Of particular importance, the mission was notified that the government has recently placed a moratorium on all public service recruitment.

37. The mission was notified of the Australian Government's advisory services being dissolved at end-December 2015. The program made significant contributions to the development of GFS and overall public finance management reforms in Papua New Guinea. The mission acknowledged the contributions made by officials employed under the Overseas Development Institute Fellowship Program in the departments of treasury, finance, and national planning and monitoring; however, they note that these are short- to medium-term arrangements which may result in a resource gap once the program is complete. The freeze

on recruitment to bring the governments' wage bill under control also reflects on the slow filling of vacancies and leaving potential resource and operational gaps.

B. Training and Technical Assistance

38. The authorities have accepted to participate in the successor GFS capacity development project funded by the Government of Japan (JSA2) and participated in the opening workshop in Bangkok in February 2016. They indicated the need for further GFS training under the JSA 2 project, as resources allow.

39. The authorities were advised to determine their needs for TA under the JSA 2 project and inform the IMF on the timing of the next mission. To prepare for the mission, the team proposes the following tasks be completed before the next mission:

- i. The MEPD to update the GFS migration plan and create an action plan based on the work plan developed during the March 2016 mission following standards set out in the IMF's Results Based Management framework;
- ii. The MEPD to obtain financial balance sheet information from the DOF;
- iii. SPID to seek financial information of SOEs from KCH; and
- iv. The MEPD to review the data sets prepared during the March 2016 mission, and post these data on the department of treasury website (in Excel format), and also report to the IMF.

Appendix I. Papua New Guinea: List of Officials Met during the Mission

Name	Surname	Position	Email	Agency
David Sovo	Aussell	Development Budget Officer – Public Investment Program	sovo_aussell@planning.gov.pg	Department of National Planning
Stanley	Yekep	AS Statutory Bodies Monitoring Branch	stanley_yekep@finance.gov.pg	Finance – Statutory Authorities
Christopher	Pilyo	SPID – Treasury	christopher_pilyo@treasury.gov.pg	Treasury – SPID
Ephraim	Danny	EPD Treasury	ephraim_danny@treasury.gov.pg	Treasury – EPD
Herman	Pahau	Statistics Officer	herman_pahau@treasury.gov.pg	Treasury – Debt
John	Uware	FAS Financial Management Division	john_uware@treasury.gov.pg	Treasury – Debt
Joseph	Paschalis	EPD Treasury	joseph_paschalis@treasury.gov.pg	Treasury – EPD
Manu	Momo	Deputy Secretary Treasury	manu_momo@treasury.gov.pg	Treasury – EPD
Mathew	Rabui	EPD Treasury	mathew_rabui@treasury.gov.pg	Treasury – EPD
Tamara	Hartwich	EPD Adviser No longer with the treasury department, departed end-February 2015	tamara_hartwich@treasury.gov.pg	Treasury – EPD
Vaieke	Vani	Economist – EPD Treasury	vaieke_vani@treasury.gov.pg	Treasury – EPD
Hans	Margis	Budget Officer	hans_margis@treasury.gov.pg	Treasury – Budget Division
Nancy	Lelang	First Assistant Secretary Treasury – Macro Economic Policy Division	nancy_lelang@treasury.gov.pg	Treasury – EPD
Gerald	Mogia Junior	Treasury Economist – Outturn Reporting	gerald_mogia@treasury.gov.pg	Treasury – EPD GFS
Heau	Kengasa	IFMS Project Manager	heau_kengasa@finance.gov.pg	Finance – IFMS Team
Ruth	George	Acting Assistant Secretary – Treasury On two-year study leave	ruth_george@treasury.gov.pg	Treasury – Debt Management
Nino	Saruva	Senior Budget Advisor	nino_saruva@treasury.gov.pg	Finance – IFMS Team
Gibson	Niawang	Acting Assistant Secretary – Treasury	gibson_niawang@treasury.gov.pg	Treasury – SPID
Samson	Mek	Economist – Treasury	samson_mek@scalix.treasury.gov.pg	Treasury – SPID
Jim	Kerwin	Technical Advisor No longer with treasury department –Departed end-September 2014	james_kerwin@treasury.gov.pg	Treasury – IFMS Team
Eddy	Galele	Advisor	eddy_galele@scalix.finance.gov.pg	Finance – IFMS Team
William	Maihua	IFMS Budgeting Team	william_maihua@scalix.finance.gov.pg	Finance – IFMS Team
Tim	Green	Acting Budget Advisor	tim_green@finance.gov.pg	Finance – IFMS Team
Joe	Tomi	Accounting Team Leader	joe_tomi@scalix.finance.gov.pg	Finance – IFMS Team
Margaret	Tenakai	First Assistant Secretary	margaret_tenakai@finance.gov.pg	Finance – Non-Tax

Name	Surname	Position	Email	Agency
				Revenue Department
Alex	Le	Advisor SPID	alex_le@treasury.gov.pg	Treasury – SPID
Rodney	Rickard	Advisor Finance	rodney_rickard@finance.gov.pg	Finance – Statutory Authorities
Ian	Nicholas	Advisor SPID	inicholas@treasury.gov.pg	Treasury – SPID
Andy	Viu	Deputy Auditor General	avui@ago.gov.pg	Auditor General's Office
Wayne	Jones	Senior Advisor	wjones@ago.gov.pg	Auditor General's Office
Rhoda	Karl	Assistant Secretary	rkarl@treasury.gov.pg	Treasury – EPD
Simon	Potter	Advisor	spotter@treasury.gov.pg	Treasury – Debt Management
Cathy	Ali	Acting Assistant Secretary	cathy_ali@scalix.finance.gov.pg	Finance – Trusts
Chris	Waiya	Assistant Secretary	chris_waiya@finance.gov.pg	Finance – Frameworks
Chris	Paul	Assistant Secretary	chris_paul@scalix.finance.gov.pg	Finance – Financial Compliance and Rep
Stephen	Nukuitu	Acting Deputy Secretary	steven_nukuitu@finance.gov.pg	Finance – Operations
Loia	Vaira	First Assistant Secretary	loia_vaira@planning.gov.pg	Department of National Planning and Monitoring
Kayelle	Drinkwater	Senior Budget Advisor	kayelle_drinkwater@treasury.gov.pg	Treasury – Budget Division
Andres	Rehbein	Adviser to IFMS	andres.rehbein@agilebt.com	Finance – IFMS Team
Dr. Ken	Ngangan	Acting Secretary of Finance	ken_ngangan@finance.gov.pg	Department of Finance
Magdelyn	Kuari	Economist Forecasting	magdelyn_kuari@treasury.gov.pg	Treasury – EPD
Rizwan	Khan	IFMS Adviser	rizwan_khan@finance.gov.pg	Finance – IFMS Team
Kamal	Chand	IFMS Adviser	kamal_chand@finance.gov.pg	Finance – IFMS Team
Jonathan	Greenland	EPD Adviser	jonathan_greenland@treasury.gov.pg	Treasury – EPD
Laurin	Janes	Planning Adviser	laurin_janes@planning.gov.pg	Department of National Planning
Brian	Thomas	EPD Adviser	brian_thomas@treasury.gov.pg	Treasury – EPD
Earau	Iru	Senior Data Management & Statistics Officer	earau_iru@treasury.gov.pg	Treasury – Debt Management
Jeffrey	Walua	Acting Assistant Secretary	jeffrey_walua@treasury.gov.pg	Treasury – Debt Management
Stewart	Bennett	Adviser Debt Management	stewart_bennett@treasury.gov.pg	Treasury – Debt Management
Peter	McCray	Team Leader for Finance Strongim Gavman Program	peter_mccray@finance.gov.pg	Department of Finance
Jim	Ramsey	IMF Financial Management Systems and ICT expert - PFTAC	jramsey@ardua.com	PFTAC
Helen	Molean	Head Cash Management	Helen_molean@finance.gov.pg	Finance Financial Control Division
Terence	Muriki	IFMS Adviser	Terence_muriki@finance.gov.pg	Finance – IFMS Team

Name	Surname	Position	Email	Agency
Sameul	Gerega	IFMS Adviser	Sameul_gerega@finance.gov.pg	Finance – IFMS Team
Colin	Bilio	Treasury Economist	Colin_bilio@treasury.gov.pg	Treasury - EPD
Craig	Deane	Adviser Finance	Craig_Deane@finance.gov.pg	Economic Public Sector Trust Program

Appendix II. Papua New Guinea: Migration Plan

Tasks	Area responsible	Progress to Date	Next steps	Timing
<p>1. Coordination of GFS reforms</p> <p>This task involves coordinating the government's adoption of <i>GFSM 2001/14</i>, including managing the project, developing understanding of <i>GFSM 2001/14</i>, seeking appropriate assistance, delegating responsibilities and reporting on progress of adoption.</p>	expenditure branch (EPD).	Presentation to EPD on GFS - Completed – August 2012.	<p>a. A more technical presentation to EPD, including the Fiscal Tables presentation under <i>GFSM 2001/2014</i> format.</p> <p>b. Monthly updating of work plan and coordination of project.</p>	<p>Early 2013</p> <p>Monthly</p>
<p>2. Classification of IUs under <i>GFSM 2001</i></p> <p>A comprehensive, definitive list of government institutions should be developed and classified in accordance to the GFS Institutional classifications (according to those that carry out government functions and those that are market enterprises). This is the first step in GFS, but will also be necessary for improved National Accounts and other Government Statistics. This classification exercise needs to include SOEs, authorities, Boards, Funds (e.g., SWFs and Super funds), provinces (e.g., in some countries provincial and local level governments do not meet the classification for IU and therefore may be part of central government).</p>	The EPD to do brief and Presentation SPID/Budget/EPD to undertake classification exercise.	A partial list, but not up to date and not distinguishing between authorities that carry out government or market functions. IFMS does not have statutory authorities classified under the current <i>GFSM 2001/2014</i> institutional classifications.	<p>a. The EPD to brief the treasury secretary, copying the SPID- giving an outline of what <i>GFSM 2001/14</i> is, why we need adopt it, our progress to date and what we still need to do (seek green light for presentation).</p> <p>b. The EPD to give presentation to SPID/Budget Division/EPD on the above mentioned. Get SPID to assist in the classification of IUs.</p> <p>c. The SPID/Budget Division/EPD to develop a comprehensive list of the general government sector, and the public sector as defined in <i>GFSM 2001/2014</i> institutional classification. This will include determining whether Papua New Guinea's statutory authorities are either public corporations or part of general government. Authorities must be grouped into ones that carry out government or market functions.</p> <p>d. TA from the IMF could provide additional guidance on borderline cases.</p> <p>e. Update October 2014 – Further work and TA required, approximately fifty units are still not classified. Challenges with obtaining administrative and financial data in making IU classification possible. The EPD intervention to the AGO in making completion of this task possible.</p> <p>f. Update April 2015 – The mission with SPID continue efforts to collect data to complete outstanding classifications. The AGO committed in assisting and providing the required information.</p>	<p>August 2013</p> <p>August 2013</p> <p>October 2013 – October 2014</p> <p>February 2015</p> <p>August 2015</p>

Tasks	Area responsible	Progress to Date	Next steps	Timing
			g. Update September 2015 – Additions made to the IU table based on information received from AGO and research by the GFS expert, further work and investigations required to complete outstanding items.	Ongoing
3. Chart of Accounts for <i>GFSM 2001/2014</i> Recurrent and Development Budget codes all to be mapped to the GFS Codes: 1 – Revenue 2 – Expense 3 – Transactions in assets and liabilities 6 – Stock of assets and liabilities 7 – Outlays by functions of government (e.g., health, education, law and order)	Budget Division – responsible for GFS classifications in the IFMS EPD to provide assistance where possible, The FMD to provide assistance with respect to assets and liabilities. The planning department to provide assistance where requested with respect to development budget codes.	CoA for the budgetary government already based on the <i>GFSM 2001/14</i> coding, but there are still some errors that need to be sorted out because some items are not coded properly. For example, motor vehicles purchases are treated and coded as expenditure (items 2) but should be treated and coded as the acquisition of nonfinancial assets (items 3). Currently, there are a number of items classified as Not Applicable. These items will have to be classified under their correct functions.	a. The budget division to review functional classification (GFS codes beginning with 7). b. The EPD to assist with review of revenue and expense and nonfinancial asset codes (GFS codes beginning with 1 and 2 and 3). c. The FMD to review asset and liability codes (GFS codes beginning with 3 and 6). d. TA could be sought to provide guidance on borderline codes. e. Update October 2014 – The October mission created a master file with all the national chart of accounts coding to the <i>GFSM 2001</i> (updated <i>GFSM 2014</i>) enabling IFMS to build coding into the financial system. The file should be reviewed and finalized before final hand over to IFMS for implementation. f. Update October 2014 – This process should also include a review of the classifications in transition tables for PGAS, Alesco (Payroll) and Oracle (Ministry of Public Works) to the GFS. g. Update April 2015 – The mission engaged with IFMS team on the completion and automation of coding and creation of standardized reports. Coding was started during the mission. EPD to review coding and provide updates on coding and tables to IFMS team. A review of legacy coding was completed. h. Update September 2015 – Minor changes has been made to the CoA coding in preparation of the budget 2016, however a detailed verification need to be conducted of the CoA-IFMS mapping.	Complete by December 2014 for integration in the next FY budget. Final sign off file to reach IFMS end January 2015. February 2015 June 2015 March 2016
4. Budgeting and Reporting on a <i>GFSM 2001/2014</i>	Forecasting Branch	No progress	a. A more technical presentation should be given to the	June 2014

Tasks	Area responsible	Progress to Date	Next steps	Timing
<p>Basis</p> <p>The fiscal tables should adopt the <i>GFSM 2001/14</i> classifications aiming for a modified cash basis. It may be appropriate to include both <i>GFSM 1986 and GFSM 2001 (2014)</i> based classification formats for first couple of years before moving completely to the 2001 (2014) format. This can be done based on the format shown in the lectures at the IMF seminar (Fiji) where data from the current <i>GFSM 1986</i> basis is converted into the <i>GFSM 2001/14</i> basis.</p> <p>Under modified cash basis reporting, we would aim to develop the following reports for the national government:</p> <p>Statement of Sources and Uses of Cash</p> <p>Statement of Government Operations (this would be the Statement of Sources and Uses of Cash plus in kind transactions and any accrual adjustments we are able to make)</p> <p>Financial Balance Sheet</p> <p>Revenue Table</p> <p>Expense Table</p> <p>Transactions in Assets & Liabilities Table</p> <p>Outlays by Functions of Government</p>	<p>with Fiscal Branch assistance.</p> <p>IFMS</p> <p>FMD input into Financial Balance sheet.</p>	<p>Population of data in tables requires GFS coding to be complete.</p> <p>Draft tables completed during April 2015 mission.</p>	<p>EPD on the <i>GFSM 2001/14</i> classification and how to present data under the <i>GFSM 2001/2014</i> format.</p> <p>b. Seek approval for training for the EPD officers in the IFMS.</p> <p>c. The IFMS team led by Jim Kerwin to provide training to the IFMS.</p> <p>d. Redesign fiscal tables based on <i>GFSM 2001/14</i>.</p> <p>e. Build <i>GFSM 2001/14</i> tables into IFMS system.</p> <p>f. Identify gaps in data collection and determine whether this data is available in IFMS.</p> <p>g. Present partial financial balance sheet information</p> <p>h. Present revenue/expenditure/transactions in Assets and Liabilities tables with explanation of how the old fiscal tables convert into the new fiscal tables.</p> <p>i. Update October 2014 – Deferred for implementation in 2016 budget. All files, reporting requirements and presentation tables to reach the IFMS Team no later than end-January 2015.</p> <p>j. Update April 2015 – The mission completed draft tables in <i>GFSM 2014</i> format by using 2015 budget as model and presented it to the authorities. The authorities to conduct stakeholder consultations to explain and agree on new presentations. Run new tables parallel with MYEFO.</p> <p>k. Updated September 2015 – Final changes have been made to the tables and the mission documented the business process in preparation of the 2016 budget. Ongoing maintenance and changes required.</p>	<p>Q1:2013</p> <p>Q1:2013</p> <p>Q2:2014</p> <p>Q4:2014</p> <p>2014</p> <p>October 2014</p> <p>2015 Budget</p> <p>2016 Budget</p> <p>July 2015</p> <p>Ongoing</p>
<p>5. Steps involved in converting revenue data to <i>GFSM 2001/14</i> basis</p> <p>Existing revenue data to be converted into <i>GFSM 2001/14</i> data.</p> <p>However, changes to the data will include:</p> <p>revenue to be reported on a net basis (net of refunds)</p> <p>All revenue to be reported when cash received, not</p>	<p>The EPD - revenue branch and forecasting branch receive assistance from the IRC, customs, finance – not-tax</p>	<p>No progress; will require institutional classification to be complete and GFS coding to be completed.</p>	<p>a. Detailed presentation/training on revenue presentation under the <i>GFSM 2001/14</i> given to the EPD, IRC, customs and finance.</p> <p>b. Further clarification of tax credit treatment to be sought from IMF.</p> <p>c. Data on revenue adjustments to be collected and collated.</p>	<p>May 2013</p> <p>October 2013</p> <p>Q4:2014</p>

Tasks	Area responsible	Progress to Date	Next steps	Timing
<p>when revenue is transferred to WPA (e.g., GST) All revenues received by the national government to be included in national government revenues (e.g., GST given to provinces and bookmakers' turnover tax) Reporting hypothecated revenue such as diesel levy to NRA. Proper institutional classification of NRA will have to be done and reporting of NRA diesel levy collections under general government revenue. Reporting on interest received on all national government accounts; Amend reporting on infrastructure tax credits.</p>	revenue.		<p>d. Historical data to be amended to GFS basis. e. Update October 2014 – Work has commenced on setting up the revised revenue tables in the <i>GFSM 2001/2014</i> in preparation for the 2016 budget roll out. f. Update April 2015 – Draft revenue tables was completed. g. Update September – Final changes made to tables in preparation of the budget in 2016.</p>	Q3:2014
<p>6. Steps involved in converting expenditure data to <i>GFSM 2001/14</i> basis. Existing expenditure data to be converted into <i>GFSM 2001/2014</i> data. However, changes to data will include: Omitting both concessional and commercial loans from expenditure and properly classifying them (maybe under financing). The proper treatment of Infrastructure Tax Credits. Treating expenditure from trust accounts as expenditure rather than transfers to trust accounts as expenditure. Providing the correct coding and format for presentation under the <i>GFSM 2001/2014</i> (maybe similar to table 6.1, but providing only information that is available). Removal of refunds. Addition of grants where hypothecated revenues are included. Breakdown of development budgets into cash and in kind. Breakdown of development budgets into personal emoluments and goods and services. Classification of expenditure by function of</p>	EPD - Expenditure Branch & Forecasting Branch, Budget division, Planning	No progress, will require institutional classification to be complete and GFS coding to be completed	<p>a. Detailed presentation/training on expenditure presentation under <i>GFSM 2001/2014</i> given to EPD, Budget, Planning b. Work with donors to improve donor information c. Further clarification of tax credit treatment to be sought from IMF d. Data on expenditure adjustments to be collected and collated, may include working with authorities on data provision, preferably through IFMS, or through other data forms. e. Historical data to be amended to GFS basis f. Update October 2014 – Work has commenced on setting up the revised expenditure tables in the <i>GFSM 2001/2014</i> in preparation for the 2016 budget roll out. g. Update April 2015 – Draft expense tables was completed. The mission identified a number of data and classifications for which EPD will have to manually adjust before publication of the final tables. These were addressed in the section open issues and compilation notes. h. Update September – Final changes made to tables in preparation of budget 2016.</p>	<p>May 2013 Q2:2014 Q2:2014</p>

Tasks	Area responsible	Progress to Date	Next steps	Timing
government. This will help with presentation of medium-term development plan enablers.				
<p>7. Steps involved in converting financing information into transactions in assets and liabilities and financial balance sheet presentation</p> <p>Unlike revenue and expenses, the information for assets and liability is not currently maintained for most entities other than SOEs, and therefore a more staged approach to introduction of GFS is required with limited data being initially reported and gradually expanded based on the reliability of data for reporting purposes and the desired reporting scope.</p> <p>The balance sheet will focus only on financial assets during this stage of implementation. Recognition of nonfinancial assets will not be undertaken until cash reporting and a full financial balance sheet have been achieved. However, transactions in nonfinancial assets will be recorded. The modified cash basis will allow for accrual adjustments where information is available.</p> <p>Changes to data may include:</p> <p>assets and liabilities will be recognized when the government has a right or obligation rather than when this is realized.</p> <p>The GFS system generally adopts a market value concept for the valuation of assets and liabilities rather than initial cost. Records will need to be maintained of changes in stock value from valuation effects and recorded from other transactions.</p> <p>Identification of investments for public policy, which have a different treatment for GFS.</p> <p>Mapping of assets and liabilities to GFS account codes.</p> <p>New assets and liabilities identified will need to be recorded and information maintained.</p> <p>Adjustment to records maintained using accrual</p>	FMD, EPD	No progress to date Will require institutional classification to be complete	<p>a. Detailed presentation/training on assets and liabilities presentation under <i>GFSM 2001/14</i> given to the EPD, budget, planning, FMD, SPID, and IPBC.</p> <p>b. Stock take of major assets and liabilities on the government.</p> <p>c. Decision on extent of balance sheet and threshold for recognition (for example 5 million kina).</p> <p>d. Establishment of IFMS reporting of assets and liabilities.</p> <p>e. Establishment of asset and liability valuation requirements under <i>GFSM 2001/14</i> (frequency and basis).</p> <p>f. Funding for valuation advice for major liabilities and assets which a market value or cost is not readily identifiable.</p> <p>g. Establishment of data reporting requirements for the holders of this information.</p> <p>h. Update October 2014 – Work has started to construct the financial balance sheet for budgetary central government. Further work and TA required as there are incomplete data and unreconciled items.</p> <p>i. Update October 2014 – This process should include a clean-up of the accounts for assets and liabilities in IFMS.</p> <p>j. Update April 2015 – The mission worked with the FMD, DMU in creating new financing tables. Incomplete information on for e.g. cash balances remain a challenge in completing the tables. EPD to continue working with TAMD, Financial Control, Compliance and Reporting Divisions in obtaining the data.</p> <p>k. Update September 2015 – Status quo.</p>	<p>June 2013</p> <p>2014</p> <p>Q1 :2013</p> <p>Q1 :2013</p> <p>Q2 :2014</p> <p>Q4 :2014</p> <p>2014</p> <p>October 2014 2015 Budget 2016 Budget</p> <p>February 2015</p> <p>July 2015</p>

Tasks	Area responsible	Progress to Date	Next steps	Timing
accounting to GFS –removal of provisions for asset impairment and valuation largely based on market value.				
<p>8. Reporting to the IMF on GFS Reporting of annual outcomes and monthly or quarterly outcomes. Currently, the National Statistics Office is officially nominated to provide GFS data to the IMF. The IMF review of statistics in 2006, recommended this function be moved to the treasury department.</p>	expenditure branch		<p>a. Determine appropriate organization for reporting GFS data to the IMF. b. Report data to the IMF. c. Update October 2014 – Reporting will be possible once the budget and associated processes are updated to the <i>GFSM 2001/14</i>. 2016 budget rollout; reporting to follow the 2016 budget rollout. d. Update September 2015 – Next steps under the Japan Administered Account for Selected IMF Activities 2.</p>	<p>2013/14 2014/15 2015/16 2016</p>