



**DEPARTMENT OF TREASURY
Budgets Division**

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BUDGET CIRCULAR 2/2008

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CIRCULAR LETTER TO:

**All Provincial Administrators, Departmental Heads and
Heads of Statutory Authorities**

REVISED ARRANGEMENTS FOR THE RELEASE OF WARRANT

1. Purpose

This Budget Circular is intended to inform and guide all National Departments, Statutory Authorities and Provincial Administrations (**agencies**), and all levels of government, about revised arrangements for the release of warrant by the Department of Treasury.

2. Distribution

To ensure the effective implementation of the 2008 National Budget, it is important that all Heads of Departments, Heads of Statutory Authorities and Provincial Administrators ensure that key officers in their agency are provided with a copy of this Budget Circular.

3. Revised Warrant Arrangements

One of the key challenges presently facing Papua New Guinea is effective implementation of government programs. Over recent years, agencies and provinces have frequently claimed that one of the reasons they have failed to properly deliver programs and services to the people is delays in the release of warrant by Budgets Division in the Department of Treasury. While not accepting that release of warrant is a major reason for the failure to adequately implement

programs, I am keen to ensure that the Department of Treasury plays its part in removing possible impediments to the delivery of programs and services.

The revised arrangements set out in this Circular seek to avoid unnecessary delays in the release of warrant for many types of spending while balancing this against the legitimate role that warrant release has in acting as a check on out-of-control spending. The revised arrangements are:

- Development Budget – Treasury has front-loaded warrant release for this expenditure for the last few years and this will continue in 2008;
- Debt Servicing – Treasury has for some time released the full warrant for this expenditure at the start of the year, and this will continue in 2008;
- Salaries and Allowances for National Departments and Provincial Government (including Teachers) – full warrant for this expenditure is to be released at the start of year (i.e. this will be treated the same as Debt Servicing);
- Rentals – full warrant will be released at the start of the year;
- Provincial Government Goods and Services funding – 50 per cent of the warrant will be released at the start of the 1st quarter (i.e. January) and the remaining 50 per cent of the warrant will be released at the start of the 2nd quarter (i.e. April) – note that the release of warrant for Provincial Government Goods and Services is subject to the Treasurer’s approval of the Province’s budget;
- Utilities - 50 per cent of the warrant will be released at the start of the 1st quarter (i.e. January) and the remaining 50 per cent of the warrant will be released at the start of the 2nd quarter (i.e. April); and
- Where an agency has submitted an annual cash flow projection at the start of the year then, so long as they propose no variations to this cash flow through the year, warrant release as per that cash flow will be automatic at the start of each month.

I intend to trial these new arrangements throughout 2008 and assess their effectiveness prior to determining whether they should continue in the future.

4. Responsibilities of Heads of Agencies

One of the obvious risks with this new approach is that agencies may take advantage of the early release of warrant and exhaust their appropriation before the end of the year. Such behaviour would be a breach of the *Public Finances (Management) Act 1995* and a dereliction of the relevant agency heads’ responsibility to effectively manage their agency.

In particular, section 5 of the *Public Finances (Management) Act 1995* makes agency heads, including Provincial Administrators, personally responsible for the financial management of their agencies. Subsection 5(1)(e) states that agency heads are responsible for ensuring that “there is no over commitment of funds and a review is undertaken each month to ensure that there is no over-expenditure or over commitment”. The agency head’s responsibility extends to the actions of subordinates acting under delegation.

It is crucial that you and your officers understand that it is your responsibility to manage your agencies within the appropriation that has been approved for you by the Government and by the Parliament, and that you are required by the law to monitor the expenditure of your agency to ensure that it is consistent with the funding provided. **No additional funding will be provided if you fail to manage your resources across the year.**

SIMON TOSALI
Secretary