



Australian Government  
AusAID



**DEPARTMENT OF FINANCE**  
**Financial Management Improvement Programme**

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**Provincial Capacity Building Enhancing PNG Public  
Financial Management**

**PCaB E**

**Programme  
Proposal for 2013  
Transitional Period**

# **Provincial Capacity Building Enhancing PNG Public Financial Management**

## **PCaB E**

### **Programme Proposal for 2013 Transitional Period**

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## 1. Background

Provincial Capacity Building Programme is the UNDP-supported component of the PNG Government's overall Financial Management Improvement Programme (FMIP) and focuses on capacity building in sub-national treasury functions.

The program design builds on the foundation laid under PCaB 1 and takes into account the developments of other components of the FMIP as well as working in close collaboration with sub – national capacity building efforts by other arms of the government including the Provincial Performance Improvement Initiative (PPII).

The phase II of the programme focuses on provincial and district financial management issues in the context of efforts to improve service delivery and enhance the effectiveness of public service programmes.

The project implementation is guided by the PCaB Steering Committee, chaired by the Deputy Secretary Operations of the Department of Finance (DoF). Other members consist of a UNDP representative, an AusAID representative, a representative of the Department of Provincial and Local Level Government and other selected government Departments and Civil Society Organizations.

In September 2010, the program underwent a Mid-Term review. The review found that overall there were indications of good progress in improvements of the capacity of provincial treasury staff, and to a lesser extent at the district and LLG level. There was qualitative evidence to suggest that this has led to improved compliance to financial management and reporting requirements. These improvements in treasury functioning are a result of a combination of genuine improvements in capacity and direct technical input by advisors.

To date, the results show an impressive improvement in all of the six assisted provinces, in the two main tasks of PCaB Project: The Monthly Bank Reconciliations and the Annual Financial Statements and also other areas of financial management such as claim examination, asset management and procurement etc. These improvements in the timely and accuracy on the submission of financial reports are much better than other non-supported provinces, as they reflect this work being completed on time.

Seeing these achievements, the PCaB Steering Committee in its first meeting in January 2012 made a decision to sustain this project. The committee members opted for option one in the Exit Strategy Report which is to extend the project for a short period (no more than one or two years) as a mode of a transitional phase for a new extended country-wide project. This is because there was insufficient time to plan and elaborate a new project proposal in 2012, obtain its approval and run a resource mobilization effort.

It is in this vein, that this proposal is elaborated, considering 2013 as transitional period, where the PCaB Project can enter to a new phase of development from a pilot experience to a comprehensive development project.

## **2. Proposal Rationale**

On January 27th 2012, the PCaB Steering Committee conveyed its first meeting for 2012 purposely to discuss the program's Exit Strategy. In this meeting, the committee members unanimously agreed (refer meeting minutes no: 01/2012) that the PCaB program should not end at the end of this phase (2008 – 2012) but instead recommended that the program should be sustained or given a new life span (extension).

The Steering Committee members observed and noted that the evidence shown in the Exit Strategy Report indicated that the PCaB program has largely accomplished its goals with remarkable results, and most important, PCaB has made impact with its intervention.

The Committee also agreed that the pilot experience has been proved to be successful; the logical next step is to expend the experience to whole country because the closure of PCaB project could bring implications with the sustainability of the project far from the six provinces, for all country. The pilot experience proved to be successful, and then a replication and extension of the experience is advisable to keep a sustained approach for benefit of the PNG Government.

Whilst in this current phase, there is huge need/demand coming from non PCaB provinces. Some PCaB advisers were able to support other non-PCaB assisted provinces in cost-sharing arrangements with provincial treasuries and administrations. This is because PCaB advisers have been receiving many requests to support other surrounding provinces. Due to PCaB's limited funds and its mandate, it was difficult to attend to these requests, but through direct coordination with provincial administrations of these provinces, PCaB advisers were able to support them in cost-sharing arrangements.

The latter is an example on how the project could be extended in a country wide perspective, using the support of provincial administrations who are interested to have the intervention of PCaB project. A further cost-sharing agreement with the respective Provincial Administrations will be necessary in order to establish a network (between PTs, PAs and DTs, DAs) with the Department of Finance (DoF) at sub-national levels.

With all these justifications of sustaining the program, the program Management is seeking funding from donor agencies including increased funding from the Government of PNG and UNDP to cater for the program's transitional period in 2013 whilst a new PRODOC for the new phase which commences in 2014 - 2018 is being prepared.

Current PCaB approach ends in 2012 (end of phase II 2008-12) and funding is definitely required in 2013 (transition period) for various reasons as highlighted in detail in the next section on Program Management & Arrangement. The need of funding is urgently required so that existing program arrangement and structure can be retained and activities in the current term of reference (TOR) can follow smoothly and consistently. The program intends to add some new and challenging components in order to provide a holistic support in the management of public finances, especially at sub national levels.

Additionally to this, other few activities as recommended by the Mid-Term Review such as Planning and Budgeting, Problem Solving workshops on procurement and asset management as identified and requested by stakeholders will be implemented.

Also during this period, there is plan to get an additional support from UNDP in order to elaborate the new Project Document -PRODOC which will take as reference the key activities presented in this proposal.

The program will also be providing technical support to some additional non PCaB provinces as part of implementing the "Exit Strategy" in 2013. These provinces were identified by DoF to extend this initiative gradually to other non-supported provinces in 2013 and subsequent years.

### **3. Programme Strategy**

The Provincial Capacity Building (PCaB phase II) has been instrumental in the improvement of the financial management capacity of the six pilot provinces. UNDP, AusAID and Government of PNG have been very supportive providing technical advice and funding for the programme during the period 2008 to 2012.

PCaB Enhancing PNG Public Financial Management (PCaB E) proposes to build upon the foundations laid by previous (PCaB II) pilot experience, incorporating new key strategic issues such as: to provide more transparency in the management of public funds; establish management trainings for senior staff as part of an accountability approach; setting up and monitoring PEFA country indicators relevant to Provinces; and, establishing and implementing new mechanisms on anti-corruption. This latter will have direct linkages with the new UNDP anti-corruption project, designed to work at the institutional and policy levels, the PCaB E proposal will complement that Project.

#### **3.1 Objectives of PCaB Enhancing PFM**

PCaB E main goal is to continue strengthening sub-national financial management capacities in a sustainable manner in order to improve the quality of service delivery at sub national levels.

To meet this overall goal, the following primary objectives are set:

1. Enhance accountability and transparency within the PNG public finances
2. Improving financial management capacity at sub national levels
3. Minimizing any risk of corruption
4. Monitoring sub national Public Financial Management indicators
5. Supporting efforts for the roll-out of the IFMS in the provinces

### 3.2 Strategy for involving new provinces and stakeholders

The Department of Finance (DoF) has been embarking some years ago on regionalizing its operations, liberating thus, their dependency from Waigani. There are four regions identified as: Momase, New Guinea Island, Southern and Highlands regions. In each of these regions the DoF has plans to establish Regional Offices with dedicated staff to attend to provinces and districts within their region.

At present, the unique region with a Regional Center building is the Momase region. This province is ready to receive the first regional staff from the DoF. PCaB adviser has also been invited to stay and work in this Office. The other DoF Regional offices are still in progress, building and negotiating their infrastructure.

At the beginning of 2012, the Provincial and District Financial Management Division (PDFMD) of the Department of Finance identified the provinces that required urgent technical support from PCaB programme. These provinces shown by region are:

Table No. 1  
**Urgent and Critical Provinces, defined by the DoF,  
to be supported by PCaB programme**

Regions	Provinces
<b>Momase</b>	<ul style="list-style-type: none"><li>• Madang</li><li>• West Sepik</li></ul>
<b>Southern</b>	<ul style="list-style-type: none"><li>• Gulf</li></ul>
<b>New Guinea Island</b>	<ul style="list-style-type: none"><li>• Autonomous Region of Bougainville</li><li>• Manus</li></ul>
<b>Highlands</b>	<ul style="list-style-type: none"><li>• Enga</li><li>• Southern Highlands</li></ul>

As the DoF Regional Office for Momase region is the unique infrastructure ready to be utilized, the PCaB E team will start operating from this region, supporting the provinces of Madang and West Sepik as priority. Therefore, this region could be part of the 2013 transitional phase to support new priority provinces.

Due to logistic and facilities in the field the Gulf Province could also be part of the new provinces to be supported by the programme. Gulf province could be assisted by Central based advisers. The other four provinces could be attended progressively during 2014 and following years.

Thus, the new PCaB E approach will consider the DoF criteria of regionalization and provide support to provinces that require critical and urgent PCaB programme intervention.

The new PCaB E programme in its transitional phase (2013) will also have direct and strong level of coordination with the Provincial Performance Improvement Initiative (PPII) and Sub National Strategy (SNS) initiatives of AusAID. This has been already tested in previous PCaB phases and the need to work closely at the provincial, district and LLGs levels has utmost importance.

New PCaB E phase will continue to be managed by the FMIP Programme, Department of Finance as implementing partner on behalf of the PNG Government. FMIP will make sure a relevant coordination with other partners working at the provincial level such as the SNS programme and PPII in order to build synergies, avoid overlapping and getting major impact.

Another important link of the new PCaB E programme will be with the respective Provincial Administrations. The Provincial administrations have the ultimate responsibility of the public financial management issues within their respective province. Their active intervention are key in this new PCaB E phase, especially in those related to service delivery monitored by expenditures, especially in social sector like: education, health, water and sanitation and other important activities such as infrastructure development.

The new PCaB E in the transitional phase (2013) through agreements set in “Memorandum of Understanding” -MOUs with the mentioned new provinces and its administrations can contribute with the new PCaB E Programme sharing some cost associated with the deployment of advisers. Thus, the respective Provincial Administrations can provide accommodation and Project’s office space with basis furniture for the development of PCaB E activities in the province.

This latter has been tested during PCaB II phase, where PCaB advisers were deployed in a cost-sharing basis with provincial and treasury administrations to support non-PCaB provinces.

### **3.3 Programme components**

The PCaB E programme will start working in the transitional phase (2013) with new components as a testing phase to incorporate them in the new PRODOC of the programme. The PCaB E will continue working with previous components in the phase II as a matter of replication of its successful experience to new provinces.

The PCaB E programme will have five components; three (3) are new ones and two (2) from the previous phase. The new components are included in order to provide greater impact in the PFM at the national and sub national levels.

The PCaB E programme components are as follow:

**Component 1.- Capacity building for Provincial Treasuries, District Treasuries and LLGs.**

This component is similar to the previous phase II and it involves On-The-Job Training, Mentoring and Coaching to provincial treasury offices . This approach will continue use templates, methodologies, and tools has been very useful within the six assisted provinces. This will be implemented more easily in the new three provinces. Taking in consideration the lesson learned from previous experience, it will take less time to reach the project outputs. This component will only provide M & E to the previous six assisted provinces as they gained the necessary expertise to work by themselves as indicated in the PCaB Exit Strategy document.

**Component 2.- Transparency and Accountability for PFM.**

This is a new component of the PCaB E programme. The aim of this is to deal with the right of people in accessing public financial information. The programme will facilitate the publishing of key public financial information in the Provincial and DoF Treasury administrations. This will be a routine for Provincial Administrators and DoF Treasurers to let the citizens know about the source and destiny of public funds in their respective province.

Another important part of this component will be the training in management for senior staff of the provincial administration and treasury. This is because PCaB experience in the provinces and district receiving complains about lack of commitment and managerial responsibility of some Provincial Administrations and DoF Treasuries in the delivering of services to the population.

The Management training will be outsourced to a Company, NGO or the University of PNG in order to design and develop an especial training package for use in the programme. This type of training has been frequently requested by Provincial Administrators and DoF Treasurers in order to provide an upgrading of management skills in these areas.

**Component 3.- Establishing and implementing mechanisms to minimizing the risk of Corruption.**

This is also a new component for the PCaB E programme. The aim of this is to complement recent initiatives in combating corruption in the use of public funds. The Department of Finance among other partners is working closely to establish a series of new regulations and policies to deal with corruption. One important mention is the



recent UNDP initiative to launch an anticorruption project that will work basically at the policy, institutional and regulatory levels with Auditor General Office, Attorney General Office, Ombudsman and Treasury and Finance Departments among others.

The role of PCaB programme will be complementary in implementing these regulations and policies within the nine assisted provinces (six previous pilots plus the new three ones). PCaB E advisers will implement these regulations with practical On-The Job-training approaches and complement it with mentoring and coaching.

The advantage for getting success on this is that PCaB advisers are seen as neutral body within the Department of Finance and their impartial role have been well recognized.

Another important part of this component is the PCaB E support to the conformation, operation and functioning of Provincial Audit Committees, which in fact PCaB began this task in 2012 as part of its Annual Work Plan-AWP. PCaB E advisers will provide support for the regular functioning of Audit Committees; they will participate as observer in the audit committee sessions and can provide advice and technical support when they are required/requested to do on the status of public financial management practices. This will keep the neutral and impartial role of PCaB E advisers in audit and PFM compliance and regulatory requirements.

#### **Component 4 Monitoring sub national PEFA indicators.**

This component is also new. It is related to the urgent need for the Department of Finance to monitor the Public Expenditure and Financial Accountability -PEFA indicators. In this vein, the PCaB E support will be to recruit a local PEFA Adviser to work in direct coordination with the DoF Accounting Framework Standard Division.

As per indicated in the PCaB Exit Strategy, the DoF has been engaging since 2006 in a series of consultation with the World Bank and other development partners in order to the Government of Papua New Guinea to embark monitoring these PEFA indicators.

This component is very important in order to monitor the PEFA indicators as they applied to Provinces and thus, the PNG Government and the donors' community can assess the condition of Provincial public expenditure, procurement and financial accountability systems, and develop a practical sequence of reform and capacity-building actions.

The PCaB programme has currently a vacant position of Monitoring and Evaluation Specialist, which can be replaced by this new position as PEFA M&E Adviser. This position will work setting up, gathering data and monitoring all PEFA indicators at sub-national levels.

#### **Component 5 .- ICT Training support for IFMS roll-out to the provinces.**

This component is similar to the previous phase and involves the training of Department of Finance and Provincial Administration staff in ICT at different levels. The focus on this type of training will be to prepare the staff for the roll-out of IFMS system. At present, the

IFMS is preparing to be launched in Milne Bay as pilot experience. PCaB E will complement intensively the ICT component in this province.

PCaB E programme will use the expertise of local ICT trainers (already identified in PCaB II phase) in order to have more and regular ICT training courses for staff from Provincial treasury and administration.

#### **4. Management arrangements**

The Provincial Capacity Building Enhancing PFM ( PCaB E) in this 2013 transitional phase, will cover nine (9) provinces, the initial six (6) pilot provinces from the phase II plus the new three (3) provinces already selected by the Department of Finance, which are: Madang, West Sepik and Gulf province.

The PCaB based advisers in the Provinces will be redeployed according to the PCaB E new priorities and support to new provinces attached to the programme. In general, there will not be an increase in adviser numbers.

The PCaB E programme will start working with a regional perspective which is in line with the DoF priority. The Momasse region with headquarters in Madang will be the first region to be attended. The DoF Regional building is ready to be in operations by 2013 and during that year will be the first year of the DoF regional structure. PCaB E will set a Regional Adviser (one of the current advisers will be promoted to this position) in Madang. Likewise, an additional Provincial Support Adviser will be working at this regional office in order to support Madang and West Sepik provinces.

Under this new regional perspective, the role of the previous PSA will also include functions to support at district and LLG levels; thus, the new position title will be Provincial and District support Advisers, instead of having a separate District and LLG support adviser. This latter is because the current PSAs have fewer duties than the current District and Local Support Advisers.

The redistribution of PCaB advisers will be done by FMIP Division in close consultation with the PDFMD, and it will not affect the current operation and technical advice to the six assisted provinces. The idea is to support new three provinces in 2013 (and gradually others after this year) and provide M& E to the six assisted pilot provinces. The new components will be incorporated in all of the nine provinces.

The Steering Committee will continue as the project major authority to guide all activities at policy and strategic levels and managed by FMIP at operational levels.

## 5. Monitoring and evaluation

All program activities will be monitored using the already Monitoring and Evaluation System developed for the PCaB Phase II programme. This comprises a series of regular reports and communication system that allows an adequate control & management of the programme components and activities.

This process (M&E) is a continuous function that aims primarily to provide the main stakeholders with early indications of the quality, quantity and timeliness of progress towards delivering the intended outcomes. Therefore, all programme activities will be subject to continuous monitoring by programme implementer and clients against the indicators determined in the M&E framework.

As part of the on-going process of monitoring, a number of reports on intervention activities are expected to be written and submitted by advisors to the PCaB management. The table below presents the various types of reports to monitor PCaB activities with related details of each type of report.

Type of Report	Provided by	Due date	Address to/Circulation list
Weekly progress Report	All advisors	Every Thursday	To NPC/CTS to compile a summary to FMIP
Monthly Bank Rec. status report for all accounts	PSA/DLSA	End of month	To NPC/CTS to update master record and cross check with AFWSD record and report to FMIP
Quarterly progress Report	All advisors	End of quarter	To NPC/CTS to compile a summary and circulate it to all stake holders through FMIP
On-the-job training and workshop reports	DLSA,PSA,TCSA, ICTSA	End of every TMC and workshops	To NPC/CTS to compile a summary and circulate it to stake holders through FMIP
Annual Assessment Report	NPC, CTS	December	To NPC/CTS to compile a summary and circulate it to stake holders through FMIP

Additionally to this reports, the PCaB programme will continue providing key information about project activities with:

Type of information	Provided by	Due date	Target group
Project Newsletter	All advisors	Fortnightly	Key Stakeholders
PCaB Web Site	ICT Adviser	Updated weekly	To citizenry

## 6. Programme outputs and budget

UNDAF Outcome	<b>Governance and equitable development</b>		
Expected Intermediate Outcome(s):	Elected representatives and key Government bodies implement good governance practices grounded in accountability, transparency, inclusive participation and equity		
Expected Output(s):	<p>1.1 Selected Provincial and District Treasuries have the capacity to prepare and submit accurate financial reports and statements on time.</p> <p>1.2 A Performance Management System in place and operational through a M&amp;E framework that allows an adequate control &amp; management of provincial and district treasury offices improving their accountability and compliance with public financial management regulations</p> <p>1.3 Integrated Financial Management System (IFMS) operational in selected pilot province</p> <p>1.4 PEFA indicators set and monitored at sub national levels</p> <p>1.5 Transparent and accountable Public Financial Management</p> <p>1.6 Mechanism in place and operational to minimize risk of corruption</p>		
Programme Title:	Provincial Capacity Building Enhancing Public Financial Management (PCaB E)		
<b>Programme Key Activities</b>	<b>Indicative actions</b>	<b>Responsible parties</b>	<b>inputs</b>
<p><b>1.1 Programme Coordination, management and Technical Support.</b></p> <p>Programme is successfully managed and implemented by programme staff to ensure programme meets intended outputs.</p>	<ul style="list-style-type: none"> <li>Recruitment and salaries of programme staff</li> <li>Monitoring and evaluation</li> <li>Stakeholders consultations</li> <li>UNDP consultant to elaborate PRODOC</li> </ul>	<ul style="list-style-type: none"> <li>Department of Finance/FMIP</li> <li>UNDP</li> </ul>	<ul style="list-style-type: none"> <li>Chief Technical Specialist</li> <li>National Programme Coordinator</li> <li>Training and Coordination Support Advisor</li> <li>Finance Officer</li> <li>Administrative Assistant</li> </ul> <p><b>Budget: USD 400,000</b></p>
<p><b>1.2 Capacity building for provincial treasuries, district treasuries and LLGs.</b></p> <p>Advisory team consisting</p>	<ul style="list-style-type: none"> <li>Recruitment and salaries of advisors</li> <li>Training sessions at Regional, provincial and district levels</li> <li>Printing of training</li> </ul>	<ul style="list-style-type: none"> <li>Department of Finance/FMIP</li> <li>Provincial &amp; District Treasuries</li> <li>Provincial</li> </ul>	<ul style="list-style-type: none"> <li>One Regional Adviser</li> <li>Six Provincial Support Advisers</li> <li>Six District support Advisers</li> <li>Transport for advisors</li> </ul>

<p>of a Regional Adviser, and Provincial support advisers District support advisers, to provide hands-on training and mentoring while working closely with designated counterparts at the regional, provincial and district levels.</p>	<p>manuals</p> <ul style="list-style-type: none"> <li>Monitoring and evaluation</li> </ul>	<p>Administrations</p> <ul style="list-style-type: none"> <li>UNDP</li> <li>AusAID</li> </ul>	<ul style="list-style-type: none"> <li>Training workshops</li> <li>Travel budget</li> </ul> <p><b>Budget: USD 1,200,000</b></p>
<p><b>1.3 ICT support for provincial Financial Management.</b></p> <p>ICT Adviser and Local ICT specialist to provide regular ICT training courses in the provinces.</p>	<ul style="list-style-type: none"> <li>ICT training and Training Support Coordination Adviser salaries</li> <li>Training of trainer courses</li> <li>Printing of ICT Training Manuals</li> <li>PCAB Website maintenance</li> </ul>	<ul style="list-style-type: none"> <li>Department of Finance/FMIP</li> <li>Provincial &amp; District Treasuries</li> <li>Provincial Administrations</li> </ul>	<ul style="list-style-type: none"> <li>ICT and TSCA staff</li> <li>Travel budget</li> <li>Training workshops</li> <li>Website</li> </ul> <p><b>Budget: USD 240,000</b></p>
<p><b>1.4 PEFA sub national indicators set, monitored and operational.</b></p> <p>A PEFA local adviser to set, gather data and monitor the 31 indicators at sub-national levels in the Department of Finance.</p>	<ul style="list-style-type: none"> <li>Recruitment of PEFA Adviser</li> <li>PEFA adviser salaries</li> <li>Training of PEFA standards</li> <li>Gathering data</li> <li>Monitoring and evaluation</li> </ul>	<ul style="list-style-type: none"> <li>Department of Finance</li> <li>Provincial &amp; District Treasuries</li> <li>Provincial Administrations</li> </ul>	<ul style="list-style-type: none"> <li>PEFA Adviser</li> <li>Training workshops</li> <li>Travel Budget</li> <li>ICT System</li> </ul> <p><b>Budget: USD 280,000</b></p>
<p><b>1.5 Transparent and Accountable Public Financial Management</b></p> <p>The DoF at national and sub national levels to publish key public financial management information. Organization of regular management training courses addressed to senior staff at sub national levels.</p>	<ul style="list-style-type: none"> <li>Publishing PFM information at each Provincial Treasury and Administration in the nine Provinces</li> <li>Set up PFM information in the DoF and PCaB Websites</li> <li>Training of Trainers in Management</li> <li>Printing of management training manuals</li> </ul>	<ul style="list-style-type: none"> <li>Department of Finance</li> <li>Provincial &amp; District Treasuries</li> <li>Provincial Administrations</li> </ul>	<ul style="list-style-type: none"> <li>Printing services</li> <li>Website update</li> <li>Training and workshop sessions</li> <li>Public awareness printing &amp; publicity</li> </ul> <p><b>Budget: USD 300,000</b></p>
<p><b>1.6 System and mechanism in place to minimize the risk of corruption</b></p> <p>A set of mechanism comprising policy and regulatory in anti corruption issues are implemented at national and sub national levels.</p>	<ul style="list-style-type: none"> <li>Sensitization and awareness campaign</li> <li>Training on anti corruption policies and regulations</li> <li>Liaising with key stakeholders to deal with anti corruption cases</li> </ul>	<ul style="list-style-type: none"> <li>Department of Finance</li> <li>Provincial &amp; District Treasuries</li> <li>Provincial Administrations</li> <li>UNDP</li> </ul>	<ul style="list-style-type: none"> <li>Training workshops</li> <li>Public awareness campaign</li> <li>Travel budget</li> <li>ICT System</li> </ul> <p><b>Budget: USD 380,000</b></p>

Support to the setting up and operation of Audit Committees in all of assisted provinces.	<ul style="list-style-type: none"> <li>• Audit committees set and operational in nine provinces</li> </ul>		
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## 7. Funding resources

The funds needed by contributing institution to develop the PCaB E programme in the transitional period (2013) are shown in the Table 2 below. The overall cost of USD 2,800,000 is approximately USD 470,000 above the PCaB II budget. The allocation of responsibilities for this additional cost is proposed to be lie with the Government of PNG, which will increase its annual contribution from USD 530,000 to USD 1,000,000.

**Table 2**  
**Resource of funds by Institution**

Institution	Funds (USD)
<b>UNDP</b>	300,000
<b>AusAID</b>	1,500,000
<b>GovPNG</b>	1,000,000
<b>TOTAL</b>	<b>2,800,000</b>