DEPARTMENT OF FINANCE

FINANCE INSTRUCTION

FI 03 / 2026

SUBJECT: USE OF SERVICE IMPROVEMENT PROGRAM FUNDS TO SUPPORT EL NINO RELIEF EFFORTS IN PROVINCES AND DISTRICTS

Document control

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Date issued	19 August 2026
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Supersedes / replaces	Consistent with FI 04/2019
Issued by	Secretary for Finance
Enquiries / contact officer	Financial Reporting and Compliance Division / Financial Controls Division

1. Legislative authority

This Finance Instruction is issued for the better control and management of public moneys and public property. It is issued under, and gives effect to, the following provisions of the Public Finances (Management) Act 1995 (the PFMA), the National Procurement Act 2018 and the relevant decision of the National Executive Council:

Provision / instrument	Subject	How this Instruction gives effect to it
s. 117 PFMA	Power to issue Finance Instructions	The Finance Departmental Head may issue Finance Instructions necessary or desirable for carrying out or giving effect to the PFMA and, in general, for the better control and management of public moneys and public property.
s. 4 PFMA	Control and direction of the financial affairs of the State	Provides the basis for directions governing the management, control and reporting of the specified public funds.

Provision / instrument	Subject	How this Instruction gives effect to it
NEC Decision No. 154/2026	Reprioritisation of DSIP and PSIP funding for the 2026/2027 El Nino response	Directs the Minister for Finance to prepare a Finance Instruction enabling provinces and districts to reprioritise specified DSIP and PSIP funding for El Nino response activities.
National Procurement Act 2018	Procurement of goods, works and services	Confirms that existing procurement requirements continue to apply to expenditure made under this Instruction.

2. Purpose

1. To direct the specified Provincial Governments and District Development Authorities (DDAs) to reprioritise and apply K10 million of Provincial Services Improvement Program (PSIP) funding and K5 million of District Services Improvement Program (DSIP) funding, respectively, to El Nino drought and frost response activities.
2. To empower provinces and districts to act as first responders while ensuring that all expenditure remains subject to the PFMA, applicable procurement requirements, SIP guidelines and this Finance Instruction.

3. Application and scope

3. This Finance Instruction applies to the Provincial Governments and DDAs listed in paragraph 5.2, their Provincial and District Administrators, Provincial and District Finance Managers, accountable officers and elected Members of Parliament involved in the management or oversight of the specified funds.
4. This Instruction is time-bound and applies only to the specified PSIP and DSIP amounts reprioritised for El Nino disaster-response activities.
5. This Instruction is consistent with Finance Instruction No. 04 of 2019, issued on 25 April 2019.

4. Background

6. Scientists and the Papua New Guinea National Weather Service have confirmed the development of El Nino conditions in the tropical Pacific Ocean. El Nino can significantly alter weather patterns, increasing the risk of drought, heatwaves and other extreme weather events.
7. The current El Nino event is expected to affect Papua New Guinea over the coming months, with persistent dry conditions and below-average rainfall potentially peaking towards the end of the year.
8. Reduced rainfall, drying water sources, frost and damage to food gardens have been reported in the Highlands and Coastal provinces. These conditions threaten food security, agricultural production and community livelihoods.
9. The Government has activated national and provincial disaster-preparedness measures through the National Disaster Centre and established a National ENSO Taskforce to monitor conditions and support protection of food security, water supplies, public health and livelihoods.

5. The direction (mandatory requirements)

5.1 NEC Decision No. 154/2026

At Special Meeting No. 07/2026 on 25 June 2026, the National Executive Council:

10. noted Policy Submission No. 145/2026;

11. noted the proposed initial budget of K185 million for the National Disaster Centre to manage El Nino and its impacts nationwide;

12. agreed that provinces and districts be given flexibility and be empowered to manage El Nino impacts as first responders;

13. agreed that the National Disaster Centre focus on tailoring the national blueprint, with provinces and districts managing and implementing local response measures;

14. approved the reprioritisation of funding already in the system and directed the Minister for Finance to prepare a Finance Instruction covering K5 million from DSIP and K10 million from PSIP;

15. approved K50 million for the National Disaster Centre's Disaster Management System and arrangements, subject to the normal assessment of the Departments of Treasury and Finance; and

16. approved the establishment of a Ministerial Committee on El Nino comprising the Ministers responsible for National Disaster and Emergency Services (Chair), Agriculture, Treasury, Finance, National Planning, Energy, Provincial and Local-level Government Affairs, and Health.

5.2 Priority provinces and districts

In accordance with the latest National Weather Service forecast reflected in the Instruction, the following provinces and their DDAs are identified for priority action:

Region	Provincial Governments and DDAs covered
Highlands Region (all provinces)	Chimbu (Simbu), Eastern Highlands, Enga, Hela, Jiwaka, Southern Highlands and Western Highlands
Southern Region (all provinces)	National Capital District, Central, Gulf, Milne Bay, Oro and Western
Islands Region (selected)	Manus, New Ireland and West New Britain
Momase Region (selected)	East Sepik

17. The listed Provincial Governments must prioritise and apply K10 million of their PSIP funding to drought and frost response activities within their respective provinces.

18. The DDAs within the listed provinces must reprioritise and apply K5 million of their DSIP funding to the same purpose within their respective districts.

6. Bank accounts

19. Payments from PSIP funding must be made through the existing Provincial Services Improvement Program Operating Account (PSIPOA).

20. Payments from DSIP funding must be made through the existing District Services Improvement Program Operating Account (DSIPOA).

7. Use of SIP funds for disaster-relief efforts

21. The specified SIP funding must be used only for eligible disaster-related activities responding to the El Nino drought and frost situation.

22. The specified SIP funding must not be used for capital works.

23. Any proposed capital works must be referred to the Department of Works.

8. Claims, payments and Section 32 approvals

24. All payments must comply with applicable SIP guidelines, this Finance Instruction and the requirements of the PFMA.

25. Every claim submitted for payment must be approved by an authorised delegate appointed under Section 32 of the PFMA, appropriately certified and supported by the relevant documentation.

9. Procurement

26. The existing procurement procedures and requirements under the National Procurement Act 2018 apply to all expenditure under this Instruction following the necessary selection and full endorsement by the relevant Joint Provincial Planning and Budget Priorities Committee, Provincial Executive Council or DDA Board, as applicable.

10. Financial reporting

27. Each Provincial and District Administrator must compile a financial report on the use of the specified funding and submit it to the Secretary of the Department of Implementation and Rural Development, with a copy to the Secretary for Finance, by 30 December 2026 and 2027.

11. Compliance and enforcement

28. Failure to comply with this Finance Instruction may result in sanctions or penalties under the PFMA or other applicable laws.

29. Accountable officers must ensure that expenditure is lawful, properly authorised, supported by documentation and reported in accordance with this Instruction.

12. Related instruments and references

Type	Reference and title
Legislation	Public Finances (Management) Act 1995; National Procurement Act 2018
NEC decision	NEC Decision No. 154/2026 - Reprioritisation of DSIP and PSIP funding for the 2026/2027 El Nino response
Related Finance Instruction	Finance Instruction No. 04 of 2019, issued 25 April 2019
Operational guidance	Applicable SIP guidelines and approved disaster-response arrangements

13. Help desk

For further information, contact the Department of Finance:
First Assistant Secretary, Financial Reporting and Compliance Division - telephone 303 7809; or

First Assistant Secretary, Financial Controls Division - telephone 303 7808.

14. Authorisation

OFFICE OF THE SECRETARY
Mr. Samuel Penias
DEPARTMENT OF FINANCE

MR. SAMUEL PENIAS
Secretary for Finance