



INCENTIVE FUND

Australia and Papua New Guinea working together,
strengthening organisations, building stronger communities

2011 Annual Plan

February 2011



Prepared by Coffey International Development

DCR xxxxx Version 1



Photos on front cover:

Top to Bottom:

Detailed Proposal from PNG Maritime College being submitted to the Incentive Fund Management Team November 2010.

Arriving at the remote Josephstaal Station as part of the Organisational Assessment for the Catholic Health Services – Madang.

Children at the remote Josephstaal Station, happy to welcome visitors.

Lifeboat training apparatus – PNG Maritime College.

Health Centre at Pacific Adventist University.

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ABBREVIATIONS & ACRONYMS

| | |
|-----------------|--|
| APNGIF | Australia Papua New Guinea Incentive Fund |
| AUD | Australian dollar |
| AusAID | Australian Agency For International Development |
| BPNG | Bank of PNG |
| CBO | Community Based Organisation |
| CCI | Cross-cutting issues |
| CDS | Community Development Scheme |
| Coffey | Coffey International Development |
| CP | Concept proposal |
| CSO | Civil Society Organisations |
| CSTB | Central Supply and Tenders Board |
| DNPM | Department of National Planning and Monitoring |
| DPM | Deputy Program Manager, Incentive Fund |
| DP | Detailed Proposal |
| FBO | Faith Based Organisations |
| GoA | Government of Australia |
| GoPNG | Government of Papua New Guinea |
| GST | Goods and Services Tax |
| HIV/AIDS | Human Immunodeficiency Virus/Acquired Immune Deficiency Syndrome |
| IEA | Initial Environmental Assessment |
| IF | Incentive Fund 2010-2014 |
| IFA | Incentive Fund Agreement |
| IFO | Incentive Fund office (Level 2, Ela Beach Tower) |
| IFT | Incentive Fund team |
| IPA | Investment Promotion Authority |

ABBREVIATIONS & ACRONYMS

| | |
|----------------|--|
| IRC | Internal Revenue Commission |
| IRT | Independent Review Team |
| IT | Information Technology |
| KPI | Key Performance Indicators |
| MC | Managing Contractor (Coffey International Development) |
| MDG | Millennium Development Goals |
| M&E | Monitoring and Evaluation |
| MG | Management Group |
| MIS | Management Information System |
| MoA | Memorandum of Agreement |
| MoU | Memorandum of Understanding |
| MTDP | Medium Term Development Plan |
| NCW | National Council of Women |
| NDoE | National Department of Education |
| NDoH | National Department of Health |
| NGO | Non-Government Organisation |
| OA | Organisational Assessment |
| ODW | Office of Development for Women |
| PDA | Partnership for Development Agreement |
| PDD | Project Design Document |
| PF(M)A | Public Finance (Management) Act, 1995 |
| PGK | Papua New Guinea Kina |
| PM | Program Manager, Incentive Fund |
| PNG | Papua New Guinea |
| PNGDSP | Papua New Guinea Development Strategic Plan |
| PSTB | Provincial Supply and Tenders Board |

ABBREVIATIONS & ACRONYMS

| | |
|------------|---------------------------|
| RBA | Reserve Bank of Australia |
| SMG | Sub-Management Group |
| SNS | Sub-National Strategy |
| ToR | Terms of Reference |

1. Background

The Incentive Fund 2010 - 2014 was successfully launched in Port Moresby on 10 March 2010 at the Hohola Youth Development Centre by High Commissioner His Excellency Ian Kemish and the Honourable Minister for National Planning and District Development, Paul Tiensten. The Managing Contractor, Coffey International Development, established the Incentive Fund Office on 10 June, 2010.

During the period from March to June, and in collaboration with the PNG Department of National Planning and Monitoring (DNPM), AusAID conducted awareness workshops in eight selected provinces. These attracted over 300 participants. One hundred and sixteen concept proposals from organisations were lodged with AusAID before the Incentive Fund office opened in June. Between June and December 2010 a further 28 concept proposals were received by the Incentive Fund team, making a total of 144.

By year end, all 144 concept proposals were processed through the Incentive Fund stages¹ 1 and 2 of the appraisal process (gateway criteria and development screening assessments). Eighteen concept proposals were passed by the Management Group for an organisational assessment, 16 of which have been completed as at 17 December 2010. The remaining two organisational assessments have commenced and will be completed in January 2011.

Of the 16 organisations passing through the organisational assessment stage, 12 organisations have been asked to submit Detailed Proposals. Two of the 12 were submitted for assessment and consideration in time for the November Management Group meeting: one was approved (PNG Maritime College Upgrade valued at K5.8 million) for funding and an Incentive Fund Agreement will be signed in early February 2011. The Management Group requested the other detailed proposal to be resubmitted in 2011.

During the inception period the Management Group made an important decision to change the two funding rounds a year to an open ended approach, so that the Incentive Fund is now receiving applications all year round. This open ended approach has been structured around a quarterly Management Group meeting to manage the proposal pipeline and the Incentive Fund four stage process and its related issues/challenges. There is now a steady flow of concept proposals averaging 12 per quarter.

Establishing, maintaining and strengthening new and existing relationships with key stakeholders and PNG organisations has been a key focus for the first months of the Incentive Fund. Sector consultation and coordination has been and will continue to be an important aspect of the program. The Incentive Fund has provided two presentation sessions for the AusAID Sub-National Strategy team and held an initial consultative meeting with *Strongim Pipol Strongim Nesen* (SPSN – Empower People, Strengthen the Nation).

In rolling out the Incentive Fund Communication and Awareness Strategy, the Management Group agreed that the Incentive Fund team will take a targeted approach to conducting a number of meetings and awareness workshops for organisations and the provinces from the first quarter of 2011. This will be supported by sector discussions and information sharing to continue to strengthen linkages with sectors at the national and sub-national level.

¹ The Incentive Fund applies a four stage screening, appraisal, selection and funding process to identify which projects from submitting organisations will receive funding. The four stages are: (1) Initial Gateway Criteria Assessment¹ by the Managing Contractor (MC); (2) Development Priorities Assessment by DNPM and AusAID; (3) Organisational Assessment (MC) and Detailed Proposal (Organisation); and (4) Management Group Approval (MG), Incentive Fund Agreement and Implementation (MC and Organisation).

2. The 2011 Incentive Fund Annual Plan

2.1 Introduction and context for 2011

The Incentive Fund Annual Plan (AP) is a contractual milestone requiring the identification and prioritisation of activities, timeframes and resourcing around the three program components covering the period from January to December 2011. The three program components are; (i) program implementation; (ii) program monitoring and evaluation; and (iii) program management.

The Annual Plan is the basis for the Incentive Fund Management Group's approval of the program's priorities and focus for 2011. The priorities are based on the concept and detailed proposal funding pipeline developed and established during the initial six months (June to December 2010) of the program. The pipeline is managed through the Incentive Fund four stage process of screening, appraisal, selection and funding.

Further details on the key activities for 2011 within each program component are provided under Section 3 of this Annual Plan.

2.2 Incentive Fund Goal and Purpose

The goal of the Incentive Fund is:

- *“To deliver significant and immediately tangible economic and/or social development outcomes for men, women and children.”*

The Incentive Fund purpose is:

- *“To strengthen and reward performing Papua New Guinean organisations capable of delivering and maintaining high impact development activities that benefit men, women and children.”*

2.3 Major achievements 2010

The achievements of the first six months of operations are summarised in a series of matrixes that focus each of the Incentive Fund key output areas: program implementation, monitoring and evaluation and program management. The full matrix is available in Appendix 1.

In summary, the key achievements for 2010 include:

- establishment of the new Incentive Fund office
- establishment of positive key stakeholder relationships
- **key milestones documents completed and approved** by AusAID and Management Group to support the effective and efficient implementation of the Incentive Fund program
- timely and successful **mobilisation of Incentive Fund staff** (local and international)
- successful completion of staff inductions
- successful completion of the **Management Group members induction**
- development, testing and continuing to strengthen the **Organisational Assessment tools** and methodology, and the **Concept Proposal and Detailed Proposal Guidelines**
- **three Management Group meetings** conducted between August and November 2010 resulting in important decisions being made to guide the strategic and operational direction of the Incentive Fund program
- provision of timely detailed assessments of the total **144 concept proposals** received against the Stage 1 Gateway Criteria to DNPM, AusAID and Management Group

- **Stage 1 screening recommendations** of the 18 concept proposals provided in a timely manner to the Sub-Management Group (DNPM and AusAID) for development priorities assessment
- provided Management Group with **development priorities screening feedback** and recommendations on concept proposals for consideration **for Organisational Assessment**
- **completed 16 out of the 18** Management Group approved Organisational Assessments
- facilitated **two detailed proposals** for consideration by Management Group;
- timely, clear and constructive **feedback provided to applicants**, both successful and unsuccessful at each stage of the Incentive Fund four stage process;
- developed the first **Incentive Fund Agreement** for the first Management Group approved project to be signed and implemented in early 2011;
- established an **overall proposal pipeline and estimated budget forecast** to guide AusAID and the Management Group decisions and priorities in 2011; and
- continued developing, trialling and collaborating on **monitoring and evaluation and cross cutting issues** for organisations and stakeholders.

Four additional activities have been satisfactorily completed and are worth mentioning as they impact on the overall program management and individual project implementation:

- a **Management Arrangements** document has been developed and approved by the Management Group to guide the roles and responsibilities of the Incentive Fund key stakeholders (DNPM, AusAID, Management Group, MC and the Independent Review Team)
- links and protocols with **Internal Revenue Commission** (IRC) personnel have been established and the Incentive Fund Program has been registered for GST
- the new **Incentive Fund Imprest Account** has been established and the residual funds from the APNGIF Imprest Account have been transferred to the new IF Imprest Account
- development of full specifications for the **Incentive Fund database and website**, and testing of these prior to accepting handover from the consultancy building both products.

2.4 Context for 2011: the Concept Proposal pipeline

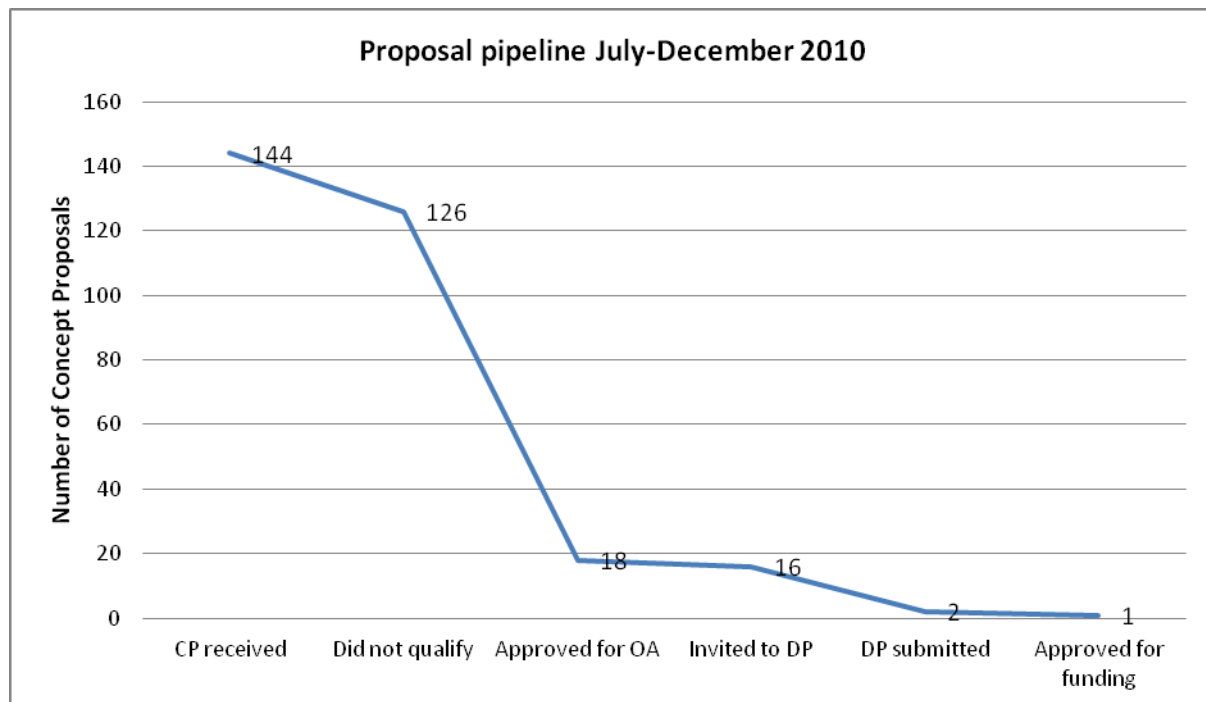
One hundred and forty-four (144) concept proposals have passed through the Incentive Fund team for Stage 1 gateway screening and subsequent Stage 2 Development screening by the Sub management Group. The total funding sought through the 144 concept proposals is over K636 million.

Of the 144 Concept Proposals:

- 126 did not meet the gateway and/or development criteria;
- 18 were presented to the Management Group for consideration.

Of the 18:

- 18 were approved for an Organisational Assessment: 14 have been completed with two to be completed in January 2011
- 16 were invited to submit a Detailed Proposal
- two submitted Detailed Proposals
- one was approved for funding and the Management group sought further information on the other Detailed Proposal to be presented at the February meeting.



The active pipeline for January 2011 consists of:

- three Organisational Assessments to be completed and the report provided to the February Management Group meeting
- 14 organisations invited to prepare Detailed Proposals for lodgement with the Incentive Fund
- one organisation to respond to a request for further information in its Detailed Proposal
- one Incentive Fund Agreement to be discussed, completed and signed.

Total projected expenditure for the 14 invited Detailed Proposal projects is K96, 278,488. It is expected that all 14 Detailed Proposals will be lodged with the Incentive Fund before June 2011.

2.5 Policies, systems and procedures

The Incentive Fund has taken and will continue to take a continuous improvement approach to strengthening the policies, procedures, systems and processes of the program. This will also include timely and effective implementation of recommendations by the Independent Review Team (due to review Incentive Fund progress in mid 2011) as agreed to by the Management Group.

The Incentive Fund will continue to take a proactive approach to discussing and recommending changes and improvements to the Management Group for their approval and Incentive Fund appropriate actions. This is demonstrated through the four Discussion Papers presented to the Management Group at meetings. Decisions, actions, follow-up actions and updates have been minuted accordingly in the Meeting Minutes for 2010. (See Appendix 9)

2.6 Risk management

A full project Risk Management Matrix has been developed and is attached to this document (Appendix 5). **The risks of most relevance for the period January 2011 – December 2011 have been identified and are outlined in this matrix.**

The June to December 2010 application of the Incentive Fund 4 stage process has identified a small number of process, proposal/project development and implementation risks against which the Incentive Fund team has taken immediate remedial action, for example:

- the Sub-Management Group have been reminded of the need for written feedback on development screening feedback;
- the Incentive Fund has used short term advisers to overcome a shortage of resources for the 18 Organisational Assessments requested by the Management Group;
- the limited number of organisations discussing cross cutting issues in Concept Proposals has been addressed through updating the concept proposal and organisational assessment templates, detailed proposal guidelines and through the development of a checklist approved by the Department of Community Development; and
- the risk of contractor shortages due to the building boom has resulted in the Incentive Fund advertising the establishment of a small to medium contractor panel, targeted at skilled contractors whose businesses may not be involved in the 'boom' attributed to the LNG project.

3. Key activities and outputs for 2011

3.1 Strategy

The Incentive Fund program and team will continue to support the strategic and leadership role of the Incentive Fund Management Group. The Incentive Fund team will also continue to ensure that the key stakeholders and organisations are informed and respect the role and decisions of the Management Group.

The overall approach for the 2011 Annual Plan is to ensure that a stream of well-performing organisations and their Detailed Proposals are supported for funding and implementation. At the same time, the team will ensure that the concept proposal pipeline momentum and use of organisational assessments is maintained and further progressed in 2011 and beyond.

3.2 Work program

3.2.1 Output 1: Program implementation

Many of the Output 1 activities are focussed on the Concept Proposal pipeline. The major activities to be undertaken (or monitored for those in progress) in 2011 by the Incentive Fund team are listed in Table 1 below.

Table 1: Scheduled Output 1 – Program implementation activities for January - December 2011

| Key Activity – Output 1 | Proposed timing |
|--|--|
| Activity 1.1: Work closely with AA to ensure the Incentive Fund gains maximum exposure through the media. | Ongoing |
| Activity 1.2: Awareness workshops: <ul style="list-style-type: none"> Conduct targeted awareness workshop in provinces as identified and approved by the MG. Develop and carry out specific sector awareness workshops for both AusAID and DNPM as required. Continue to develop dialogue and share ideas and initiatives with SPSN program | Port Moresby February-July 2011 As required Preferably January – March 2011 Ongoing Initial workshop in late January 2011 |

| Key Activity – Output 1 | Proposed timing |
|---|--|
| <i>Activity 1.3:</i> Respond to all enquiries for IF information whether by mail, email, or walk in. | Ongoing daily basis |
| <i>Activity 1.4:</i> Conduct initial gateway screening of concept proposals. | Ongoing depending on demand, submission to SMG on a monthly basis |
| <i>Activity 1.5:</i> Commission and utilise the Incentive Fund computerised database and web site to meet both AusAID and GoPNG reporting requirements. Ensure staff are trained to operate data base effectively and efficiently. | To be completed by December 2010, testing for usability will be carried out between January – March 2011, then ongoing upgrading to suit changing needs. |
| <i>Activity 1.6:</i> Provide recommendations on concept proposals to the Sub-Management Group and maintain dialogue on key issues. Record SMG decisions on development priorities | Provide new concept proposals on a monthly basis; maintain dialogue on a regular basis and/or as required. |
| <i>Activity 1.7:</i> Provide recommendations to the MG to determine initial organisations that have been successful in Stages 1 & 2 of the screening process. | MG meeting on a quarterly basis (February, May August, November) or as required due to demand. |
| <i>Activity 1.8:</i> Inform all applicants of outcome of screening at all stages. | Feedback letters to all organisations within 7 days of MG decision. |
| <i>Activity 1.9:</i> Facilitate and support Management Group meetings as required. | First MG meeting 18 February. Second MG in May or earlier if required. |
| <i>Activity 1.10:</i> Carry out Organisational Assessments of the organisations that have been approved by the Management Group as meeting the requirements of Stages 1 & 2 of the screening process. Report production and feedback of recommendation to the MG. | Ongoing process – 2-5 days per organisation, Development Specialist, and support officer site visit. Financial manager one day per organisations. |
| <i>Activity 1.11:</i> Review Detailed Proposals and provide assessment and recommendations to the MG for Funding consideration. | Ongoing – ensure that proposal pipe line is managed in a timely manner and reports are provided prior to each MG meeting |
| <i>Activity 1.12:</i> Develop IFAs with approved organisations and arrange official signing; involve MG as applicable. Ensure suitable media coverage is arranged and media attendance. | Commencing January, Ongoing as required from MG meeting decisions |
| <i>Activity 1.13:</i> Carry out initial financial management training and provide necessary financial reporting templates to all funded organisation. | Ongoing as and when required probably commencing in January 2011 |
| <i>Activity 1.14:</i> Carry out initial technical reporting training including M&E and cross cutting issues and provide all necessary reporting templates to all funded organisations. | Ongoing as and when required from January 2011 |
| <i>Activity 1.15:</i> Develop data base of small to medium sized building contractors and/or specialist consultants to be used in a selective tender process. | Initially commenced in November 2010, Ongoing but will be continually refined and updated based on experience |
| <i>Activity 1.16:</i> Assist organisations in the procurement of construction services. | Ongoing as required from February 2011 |
| <i>Activity 1.17:</i> Develop and implement project management training package for the organisations' project management teams and the contractors site management staff | Ongoing initial development of training package commenced in December 2010 |

| Key Activity – Output 1 | Proposed timing |
|--|--|
| Activity 1.18: Monitor implementation of programs both technically and financially, and provide guidance, advice, training and mentoring as required. | Ongoing as and when required from March 2011 |
| Activity 1.19: Establish processes and procedures with the Internal Revenue Commission (IRC) to submit GST refund claim forms from funded organisations on a monthly basis | Commencing in February 2011 and ongoing |
| Activity 1.20: Establish processes and procedures with the IRC to collect GST refund cheques relating to IF funded projects. | Commencing March 2011 and ongoing |
| <p>Activity 1.21: Continue inclusion of cross-cutting issue approaches in templates/checklists/documentation to ensure these are identified and integrated in the IF process, documentations and activities.</p> <ul style="list-style-type: none"> Continue use of cross-cutting issue related questions into the Gateway criteria – initial screening process – and appraisal processes for proposals being advanced through the four-stage assessment process Provide clear, concise fact sheets for organisations considering projects, as part of the Incentive Fund communication and awareness program, to ensure these organisations are fully aware of the Incentive Fund requirements <p>Review and continue to use generic checklist in the OA process to identify organisational knowledge and understanding, entry points for integration of cross-cutting issues and where capacity building will be required.</p> | Commencing January 2011 and ongoing |

3.2.2 Output 2: Monitoring and evaluation

After an intense period of planning, documentation and process development, monitoring and evaluation for the Incentive Fund moves into 2011 with a program of focussed activities which begin to measure progress at project and program levels.

The delivery, staff training and implementation of the Incentive Fund data base (January 2011) will be the platform on which these activities will operate and in particular, will begin to provide monitoring information for each of the three 'core' M&E levels.

A number of activities will commence or continue in the first quarter of 2011:

- Questions intended to identify shortfalls in organisational M&E strengths/capabilities will continue through the Phase 3 organisational assessment process;
- Organisations will be supported to include a discussion of their approaches to monitoring, and to the establishment of a baseline, in their detailed proposals. The degree to which support improved the organisation's ability to complete a successful Detailed Proposal in Phase 3 will be measured.
- Monitoring and evaluation training, including workshops and experiential learning, during post-funding approval weeks will commence with organisations with funded projects. Organisational satisfaction with this training will be measured.
- Careful records of technical and financial reporting from the funded organisations and of monitoring visits undertaken by the IF team will be kept in the data base.
- Funded organisations will be provided with the templates and approaches to provide regular feedback to the Incentive Fund on the quality of its Phase 4 support for the organisations undertaking a funded project.

- Key stakeholders such as the Management Group, AusAID and DNPM will be provided with feedback mechanisms for monitoring the Incentive Fund team's support for and response to key stakeholders

As well the Development Specialist – Monitoring and Evaluation will continue to:

- provide peer review and feedback on the gateway screening of Concept Proposals, using 'real time' reports from the data base to ensure all Development Specialist staff are up to date on all funded projects
- support and assist staff responsible for logging enquiries and Concept Proposals, and ensure staff are using the data base in a timely and accurate manner
- ensure that funded organisation data is effectively recorded within the data base for all reporting and Incentive Fund management purposes. This includes all IF team monitoring information, comments and issues arising, and ensuring that project photographs are titled and stored on the system
- provide tabulated details from the data base on funded project progress and the pipeline for IF management and key stakeholders
- provide one-sheet funded project overviews/'stories' to AusAID, DNPM and the Management Group for each funded Project on a quarterly basis
- draw down data from the data base for the quarterly and other reports, including any required by the Independent Review Team
- liaise with Management Group and discuss social research possibilities of interest, and action any Management Group requirement to identify independent consultants to undertake social research or evaluation;
- provide other discussion and information on monitoring and evaluation to the Management group as required or as appropriate; and
- assist with management of funded projects as required.

Table 2: Scheduled Output 2 – Monitoring and Evaluation activities for January-December 2011

| Key Activity – Output 2 | Proposed timing |
|--|--|
| <i>Activity 2.1:</i> Review and update the Monitoring & Evaluation Framework to reflect the current IF activity and any lessons learnt. | May-June |
| <i>Activity 2.2:</i> Continue with training activities for Incentive Fund personnel, and where required DNPM and AusAID staff to ensure all are familiar with and understand the updated MEF. Familiarise Management Group with the updated MEF. | Recommence February and ongoing |
| <i>Activity 2.3:</i> Work with Development Specialist – Cross Cutting Issues (CCI) to increase advocacy on cross-cutting issues through inductions for IF Team, MG, enhancing knowledge, sensitivity and commitment to address issues, activities and measurement. | Commenced in 2010 and ongoing, review and update as necessary |
| <i>Activity 2.4:</i> Continue to update the Risk Management Plan. | March and September review and update as necessary |
| <i>Activity 2.5:</i> Continue to review organisational assessment tools and report to ensure M&E capacity is fairly and efficiently identified. This will assist in developing project specific experiential M&E learning. | March review after the first Performance Management survey of organisations from OA stage (February) and again after August PM review See 2.15 below |

| Key Activity – Output 2 | Proposed timing |
|--|--|
| <i>Activity 2.6:</i> Assist each organisation where necessary to develop, review and implement practical, accessible and user friendly Monitoring and Evaluation Framework for their project, including baseline measures. | Ongoing throughout 2011 as organisations achieve funding for approved projects |
| <i>Activity 2.7:</i> Review and implement basic training package in M&E for all funded organisations. | April and October after Performance management measures |
| <i>Activity 2.8:</i> At OA stage, continue to discuss individual organisation M&E requirements. | Ongoing |
| <i>Activity 2.9:</i> After each IFA is signed, develop project specific technical and financial monitoring instruments and output and outcome strategies, monitoring plans. | After IFA signed, December |
| <i>Activity 2.10:</i> Identify in collaboration with the Management Group suitable projects which could be used as mini research projects to determine the actual development outcomes over time. | As agreed with Management Group, Ongoing agenda for MG. |
| <i>Activity 2.11:</i> Review and align IF program MEF and approaches towards relevant AusAID, GoPNG, Coffey International Development and other relevant policy documents on gender, HIV/AIDS, environment, disability, and child protection. | Ongoing |
| <i>Activity 2.12:</i> Review and discuss “Lessons Learnt Strategy report” from APNGIF and make recommendations to the Management Group on future ‘lessons learnt’ reporting. | May MG meeting |
| <i>Activity 2.13:</i> Train Incentive Fund development specialists to implement M&E training and support funded organisations for whom they are responsible. | Ongoing throughout 2011: Project Support Officers will be included in organisational capacity building activities to increase their own skills |
| <i>Activity 2.14:</i> Ensure Incentive Fund performance management measures are completed every six months (quality and continuous improvement assessment report on lessons learnt). | First Review of performance management February 2011 (then August). All organisations from OA stage will be surveyed in February to gauge customer satisfaction with OA process and tools. August PM measure will include satisfaction with project implementation support |
| <i>Activity 2.15:</i> Ensure the database is revised or updated in timely manner where use over time identifies any new requirements for the database. | Training for all staff January and ongoing monthly discussions with IF team and communication with database developers where updates required |
| <i>Activity 2.16:</i> Undertake six monthly consultations with funded organisations, including key stakeholders and beneficiaries on project implementation and possible emerging development outcomes. | 6 months from implementation for all funded projects: information will be entered into database and will provide input to IF performance management reporting |
| <i>Activity 2.17:</i> Prepare OA summary reports for organisations. These reports must focus on areas where the organisation needs IF support and/or where organisations need to consider approaches to management issues they need to address in their Detailed Proposal. | Ongoing post-OA visits and reports to Management Group |

| Key Activity – Output 2 | Proposed timing |
|---|--|
| Activity 2.18 Support Independent Review Team (IR) as required eg provision of data, records. | Preparing for and during IRT team visit mid-2011 |

3.2.3 Output 3: Program management

In 2010 the Incentive Fund team completed a number of key program management activities and contract milestones around key documents and tools, office set-up, staff recruitment and systems and processes. These have ensured effective and efficient program commencement. These and other activities are captured in the 2010 Quarterly and Annual Report.

Support to the Sub-Management Group and Management Group, managing the concept proposal pipeline and project managing funded projects with regular updates to Management Group and monitoring outputs will be critical priority activities for the Incentive Fund team for 2011 in achieving the Incentive Fund's goal and purpose and GoPNG's development outcomes.

Table 3 below outlines the key activities for 2011 under Output 3.

Table 3: Scheduled Output 3 – Project Management activities for January - December 2011

| Key Activity | Proposed timing |
|--|--|
| Activity 3.1: Ensure program office functions effectively with committed staff as part of the Incentive Fund team. Undertake ongoing staff development to improve effective delivery of program outcomes. | Staff probation performance appraisal completed, staff development plans and support in-house training to be conducted. Commencing January and ongoing through life of program |
| Activity 3.2: Recruit and support Short Term Advisers (STA) as approved by the MG, for STA pool | As required. STA pool established by December 2011 and regularly updated |
| Activity 3.3: Facilitate and support SMG and MG meetings including all MG Secretariat requirements. | Monthly SMG meetings commencing January 2011 Quarterly MG meetings commencing 18 th February 2011 |
| Activity 3.4: Program systems implemented including database and website providing all necessary data to respond to AusAID and GoPNG reporting requirements. | Ongoing with continuous improvement focus. Reports to be provided to DNPM and AusAID as required |
| Activity 3.5: Financial management systems implemented and maintained to ensure funds expended and acquitted in a timely manner at both the imprest account and sub imprest accounts levels. | Ongoing with monthly and quarterly imprest and sub imprest accounts acquittal and reporting |
| Activity 3.6: Ensure IF processes and procedures, Annual Plans and quality and continuous assessment report) are in place and the IF team provides necessary support to the Independent Review Team. | May – July 2011 |
| Activity 3.7: Apply risk management plan and update regularly, including fraud. | Ongoing |
| Activity 3.8: Review IF Team staffing, structure and resourcing. | By end of Year 1 (June 2011) |
| | |
| Key Contract Milestones for 2011 | Contractual deadlines |
| Activity 3.9: Annual Report for 2010 | February 2011 |
| Activity 3.10: Annual Plan for 2011 | February 2011 |
| Activity 3.11: Quarterly Report Jan-Mar 2011 | May 2011 |

| | |
|--|-------------------------|
| Activity 3.12: Six monthly Report Jan-June 2011 | August 2011 |
| Activity 3.13: Quarterly Report July-Sept 2011 | November 2011 |
| Activity 3.14: Independent Review of Incentive Fund for Year 1 | To be advised by AusAID |

Note: All Incentive Fund activities, including key contract milestones documents are provided to the Incentive Fund Management Group for their information and approval.

The overarching focus has and will continue to be to support the SMG and the MG in their decision making, strategic and leadership roles for the Incentive Fund. Consolidating the key relationships is critical. The Incentive Fund team has progressed well in this regard and will continue to maintain and strengthen focus in this area so that the SMG (AusAID and DNPM) and MG receive exemplary service and support from the Incentive Fund team.

4. Cross cutting issues

The Incentive Fund team will concentrate on supporting relevant project partners to address cross cutting issues, and raising awareness of the importance of improved access and equity with project communities, stakeholders and beneficiaries. Subject to individual concept proposals submitted and their activities, these issues will be addressed throughout the entire Incentive Fund process of screening, appraisal selection, approval and implementation. In particular the Incentive Fund team acknowledge the strong focus on gender equality required by AusAID and the Minister Counsellor and it is an integral part of the Incentive Fund's methodology with funded organisations to mainstream not only gender equality but all cross cutting issues.

Incentive Fund initiatives will focus cross cutting issues integration efforts on building the capacity of organisations and funded project personnel to develop and implement effective responses and activities. The Incentive Fund recognise the Department of Family and Community Development (DFCD) as the custodian of the cross cutting issues – gender, disability, child protection, community environment and joint custodian for HIV and AIDS in PNG: the Department has been leading the advocacy on the principles of social justice and equity.

It is important to create a platform for regular interface between the Incentive Fund and the DCFD, funded organisations and other government departments. The program will continue to work closely with DFCD to support funded organisations mainstream cross cutting issues into their organisational processes and their funded projects.

Consultation and dialogue commenced with cross cutting issues lead agencies in 2010 and will continue throughout 2011, working towards formalising an engagement between the DFCD and the Incentive Fund to build partnerships and integrate current PNG thinking on cross cutting issues into Incentive Fund activities.

Building on lessons learnt under the APNGIF, the Incentive Fund 2010-2014 will require all organisations applying for funding to integrate cross cutting issues in their proposed projects and provide details of this integration in their Detailed Proposals. The Incentive Fund will ensure this is covered from the proposal preparation stage to implementation and evaluation.

In 2011, the Development Specialists will work with funded organisations in a methodical way to review their existing cross cutting issue policies, identify any gaps and proactively address them. Baseline data across gender, disability, HIV and AIDS, child protection and environment will be established and regular monitoring undertaken. Where required the Incentive Fund Development

Specialist will provide ongoing advice, training and support through the life of the funded project with the goal of ensuring organisational sustainability beyond the project life cycle.

Within the Incentive Fund program structure and existing mechanisms, the cross cutting issue framework (included as Appendix 9) will be used to guide and facilitate the process of gender mainstreaming, and integrating HIVAIDs, disability, child protection and environment issues. This framework is still in draft form as the cross cutting issues team, who include DFCD First Assistant Secretaries, Incentive Fund personnel and Economic and Public Sector Program personnel are working with DFCD and other government departments for DFCD to lead this initiative and integrate it throughout the central government agencies. Integration of cross cutting issues will occur at different levels with the process for integration still being refined by the cross cutting issues team. These levels are:

- implementation of cross cutting issues integration in the Incentive Fund at **Program level** which is aimed at a higher level sensitisation process and creating links with GoPNG and AusAID policies and programs, increasing advocacy through the Incentive Fund Team, the Management Group and organisations that passed through the Gateway criteria;
- cross cutting issues at lead agency level, DFCD creating a platform for regular interface between the Incentive Fund and DCFD, funded organisations and other government departments. The Incentive Fund program will continue to work closely with DFCD to support funded organisations mainstream cross cutting issues into their projects and organisations;
- corporate planning and coordination level is aimed at partners and personnel within the Incentive Fund, Coffey International Development, funded organisations and their related agencies to promote cross cutting issues integration;
- civil society organisational level, aimed at broader level awareness through Incentive Fund communication and awareness sessions in regions and provinces with different target groups, as suggested by the Management Group. As part of this work the Incentive Fund Development Specialists will also work to engage the broader civil society, including community and sub-national agencies, in advocating for positive change on cross-cutting issues, at the same time, taking into consideration local cultural sensitivities; and
- providing technical input to partners and organisations going through Stage 3 and those that pass to Stage 4 of the Incentive Fund process on the program's requirement for cross cutting issues integration from Detailed Proposal development, project design, implementation and monitoring and evaluation.
- As with monitoring and evaluation, the Incentive Fund is intent on building a solid platform of documented approaches, organisational assessment templates and capacity building strategies as well as working with stakeholders, organisations and partners to implement appropriate activities and measurements. Capacity building strategies will include a sensitisation program of mainstreaming all cross cutting issues. This sensitisation program can be used with other government departments, other donor programs, other aid donors, subconsultants and subcontractors engaged by donor organisations and Incentive Fund staff.

5. Sustainability

a) The Program

Sustainability and ownership are key requirements for the Incentive Fund's success, especially for the funded organisations. During the period June to December 2010, the focus was on establishing and strengthening screening, appraisal, selection and funding processes. Guidelines, criteria and

organisational assessment tools were developed or edited to ensure clarity for organisations and to inform the Management Group in their decision making throughout the 4 stage process. All staff have been trained in and understand this 4-stage selection process.

The creation of a skilled Incentive Fund team supports the longer term sustainability of knowledge and experience. The Incentive Fund and Coffey International Development have a philosophy of multi-skilling and upgrading capacity of its staff, including a program of training and processes of team building. All staff will be trained to make enquiries of the database for information and report queries. A number of staff will also be trained in data entry from Stage 1 through to Stage 5 of the selection and implementation process. The database is an essential tool for sustainability, with knowledge of each funded project being meticulously kept, regular staff briefing on the progress of funded projects, and the capacity to draw progress reports on each project at short notice.

Ensuring sustainability and ownership needs to be addressed both within and outside of the program. The information materials and awareness/information workshops provided before actual Concept Proposal preparations and submission in 2011 will be equally important as the organisational assessment and recommendations to be embedded within the Incentive Fund Agreement for funded projects.

b) Funded projects

The Management Group members have a “healthy” pipeline for 2011 to effectively continue making decisions across the Incentive Fund four stage process, and decisions on detailed proposal funding.

The Incentive Fund Agreement will be the tool and medium by which IF will monitor, review and measure funded organisation progress against defined indicators, in line with the overall program Monitoring and Evaluation Framework.

The Incentive Fund Information Book, Organisational Assessment and Communication and Awareness workshops are critical mechanisms to address sustainability and will be tailored and rolled out in a targeted manner. The MG decisions on issues and recommendations presented under Discussion Papers 1, 2, 3 and 4 have provided further clarity and direction to enable the Incentive Fund team to take appropriate action and enhance effective implementation targeted towards achieving outcomes.

The Incentive Fund has now taken an “open ended approach” to accepting concept proposals, allowing organisations sufficient time to prepare a thorough proposal without deadline pressures. This will further allow more time and for attention to sustainability issues.

The Incentive Fund’s overall approach to supporting organisations to address the issues of sustainability and ownership is underpinned by the program’s key principles:

- contributing to PNG’s development outcomes through improving the funded organisation’s core service delivery activities;
- ongoing consultation, participation and the development and maintenance of local ownership;
- bottom-up planning;
- involvement with stakeholders at all levels in the system;
- equity ensuring benefits for all stakeholders;
- economical approaches that are within the financial capacities of partners – considering the essential operational costs post-program;
- availability of resources needed to maintain the activities and outputs post-program; and
- compliance with GoPNG policies, practices and priorities

Some specific strategies to ensure sustainability of funded projects, come from the previous APNGIF lessons learnt and include:

- Extending the completion date for supporting organisations past the actual project finish date.
- Extending the 'embedding at implementation' period during project initiation to slow down the startup phase and allow organisations time to adapt to new processes and procedures.
- Building stronger links with both Provincial and District governments to ensure ownership of the project at a community level.

6. Fraud and corruption

Fraud and corruption are prevalent in PNG and this fact has been well recognised by the Incentive Fund.

Financial management systems and processes which emphasise transparency and accountability have been developed to prevent and eliminate the chances of fraud and corruption occurring in the program. 'Lessons learnt' from APNGIF have been taken into account.

The Incentive Fund Imprest Account Manual and the Financial Management Handbook have been revised and developed as part of the key milestone documents during the mobilisation period from July to September 2010. The Imprest Account Manual guides the financial management aspects of funding receipts from AusAID in Canberra to funded organisations while the Financial Management Handbook covers the funded projects. These documents complement the fraud control plan that has been developed with the overall aim of minimising the risks of fraud and corruption occurring in the Incentive Fund Program.

With the anticipation of having the first proposal funded in January 2011, the above financial systems and processes including the fraud control plan will pave the way for prudent management of funds, and best practice in the ongoing financial management of the Incentive Fund.

A zero tolerance fraud control strategy has been adopted by the Incentive Fund and is being rigorously applied. As part of this strategy, any issues of fraud and corruption will be investigated by qualified Coffey International Development staff and all reporting processes and procedures will be undertaken in accordance with the Commonwealth Fraud Control Guidelines and Coffey's Fraud Control Policy.

At the Imprest Account level, the risk of any fraud and corrupt activity occurring is quite low. However, strict adherence will be applied in line with the Imprest Account Manual to safeguard incentive fund receipts. These procedures will be followed at all times in the management of the Imprest account throughout the life of the program.

- Cheque book will be maintained by the Incentive Fund Managing Contractor (MC)
- Drawdown requests will be made on a quarterly basis to AusAID based on Management Group decisions and cash flow requirements following acquittals of previous quarter funds
- Drawdown requests are verified by AusAID in Port Moresby before they are forwarded to Canberra
- Upon receipt of funds from AusAID, cheques will be raised to the name of the project only, strictly no cash cheques will be made
- As the Imprest account is operated on a joint signatory arrangement between DNPM and the Incentive Fund MC, all cheques will be hand delivered to the DNPM representative for his/her signatory before it is being countersigned by the MC representatives

- All cheques will be hand delivered to the respective bank for direct deposit into the project sub Imprest account
- Bank South Pacific (BSP) will verify all cheque payments with the MC before they are cleared
- Bank statements of the Imprest account will be mailed electronically on a weekly basis to the Incentive Fund Finance Manager/Accountant to keep track of the movements
- Monthly bank reconciliations will be done within 10 days following the month end to verify fund movements
- Annual external audit will be done on the Imprest account by independent auditors to provide some assurance as to the management of the funds.

Once funds have reached the sub Imprest account at the project level, this becomes a key focus for the MC. The MC is neither a custodian nor signatory to the account and relies on the reporting and monitoring mechanisms to verify the validity of the application of funds for the projects.

The MC also places high reliance on the integrity of the organisational personnel nominated to be put in charge of safeguarding the project funds. Such reliance is based on the detailed screening and appraisal process which includes a review of the financial management track record of the organisation through a review of the independent audit reports submitted by the organisation.

For all funded projects, the MC will ensure that each organisation complies with the financial management handbook guidelines as the minimum requirements for the financial management of their projects. This will include but not limited to the following:

- Provide training to the IF development specialists and finance staff on the ongoing financial management and reporting requirements of the funded organisations
- Initial financial training provided to the funded organisation on the requirements of the financial management handbook including fraud control guidelines. A copy of the handbook will be provided to the organisation
- MC will continue to provide ongoing financial training to recipient organisations on a needs basis
- MC will ensure that monthly financial reports including GST returns are furnished to the Incentive Fund on a timely basis
- MC will ensure that all the financial information is transferred to the Incentive Fund reporting template and liaise with the funded organisation to resolved any errors/omissions
- MC will carry out ongoing financial monitoring of funded organisations and recommend improvements to systems and processes where required
- MC will continue to strengthen and maintain liaison with the Internal Revenue Commission for better management of Goods and Services Tax for all the Incentive Fund projects
- Annual external and completion audits will be undertaken
- Sanctions will be imposed for non compliance to the IFA requirements.

7. Contributions

The total approved budget for the four year Incentive Fund program is AUD60 million. The expected annual budget and expenditure is AUD15 million for each financial year, commencing this financial year 2010/2011.

As discussed with the Management Group, the total funds for projects proposed by organisations and being approved through Stages 1 and 2 are much greater than the annual allocation. AusAID has intimated that additional funding for specific project proposals may be available through the Education or Health sectors of the overall aid program. This would assist in supporting the demand on the limited Incentive Fund annual budget.

The Incentive Fund is aware of ongoing discussions and potential contributions outside of the above budget from both GoPNG and GoA sectors.

A p p e n d i x 1

Major achievements for June-December 2010

The major activities for the first six months of activity by the Incentive Fund team were as follows in Tables 1-3.

Table 1: Scheduled Output 1 – Program implementation activities June - December 2010

| Key Activity – Output 1 | Achievements June – December 2010 |
|---|---|
| Activity 1.1: Induction: <ul style="list-style-type: none"> Conduct induction program for all newly appointed staff to the Incentive Fund program Develop and carry out Management Group Induction | Achieved. |
| Activity 1.2: Initial gateway screening of 116 concept proposals | Fully achieved. |
| Activity 1.3: Conduct targeted awareness workshops for organisations and other grants mechanisms, including AusAID sector programs such as SPSN, SNS, Law and Justice, Education and Health | Partially met. Presentations to Sub National Strategy (SNS) and SPSN and preliminary discussion on possible collaborations Targeted sector awareness workshops planned for first and second quarters 2011 |
| Activity 1.4: Develop the Incentive Fund computerised database and web site to include all necessary data to meet both AusAID and GoPNG reporting requirements | Fully achieved. Final testing carried out late December, database and website to be piloted during first quarter 2011 |
| Activity 1.5: Provide recommendations to the Sub-Management Group | Fully achieved as required within period |
| Activity 1.6: Provide recommendations to the MG to determine initial organisations that have been successful in the gateway criteria. | Fully achieved. A total of eighteen (18) organisations selected for organisational assessment (Stage 3) of selection process |
| Activity 1.7: Inform all applicants of outcome of screening. | Fully achieved. All organisations notified of decisions after each MG meeting. |
| Activity 1.8: Facilitate and support Management Group meetings as required. | Fully achieved: MG meetings facilitated on 8/8/10, 1/10/10 and 19/11/10 with the next meeting planned for the 11/2/11. |
| Activity 1.9: Carry out detailed assessment of organisations that have been approved by the Management Group to develop a full funding proposal. Report production and feedback of recommendation to the MG. | Achieved: fourteen OAs completed and reports for 11 presented to MG. Ten organisations were invited to present Detailed Proposals with 2 DPs being considered for funding in November with one being approved for funding. |
| Activity 1.10: Develop, discuss and agree cross-cutting issue approaches in templates/checklists/documentation to ensure these are integrated in the Incentive Fund process, documentations and activities. <ul style="list-style-type: none"> Input cross-cutting issue related questions into the Gateway criteria and appraisal processes Develop clear, concise fact sheets for organisations considering projects, to ensure these organisations are fully aware of the Incentive Fund requirements | Achieved as listed below. Discussion and agreement reached. Cross cutting issues included in Concept Proposal Gateway Application form and appraisal form. Fact sheets and information book completed and with appropriate discussion on cross cutting issues. |

| Key Activity – Output 1 | Achievements June – December 2010 |
|---|---|
| <ul style="list-style-type: none"> Develop generic checklist to be used during the OA process to identify organisational knowledge and understanding, entry points for integration of cross-cutting issues and where capacity building would be required | <p>Questions on cross cutting issues included in organisational assessment tools.</p> |
| <p>Activity 1.11: Work closely with AusAID to ensure the Incentive Fund gains maximum exposure through the media. Key activities as outlined in the communication and awareness strategy to be rolled out.</p> | <p>Partially met as listed below.</p> <p>Stakeholder feedback received on key documents before release to stakeholders and organisations.</p> <p>Media release published in the National, Post Courier and Wantok newspapers. Tok Save on EMTV. Further media coverage.</p> |

Table 2: Scheduled Output 2 – M&E activities for June-December 2010

| Key Activity – Output 2 | Achievements June-December 2010 |
|---|--|
| <p>Activity 2.1: Develop a suitable Monitoring & Evaluation Framework (MEF) to suit the goal and purpose of the Incentive Fund program and objectives of individual projects; update on an annual basis.</p> | <p>Achieved.</p> <ul style="list-style-type: none"> First draft approved by MG and AusAID, DNPM. This draft discussed the possibility of funded organisations conducting the outcome evaluation for their project. A discussion paper on evaluation roles and responsibilities was presented to the November MG meeting. And the flexible ‘four possibility’ approach to project evaluation has been approved Further revision of the MEF underway, to be completed January 2011. |
| <p>Activity 2.2: Conduct induction workshop to ensure all Incentive Fund personnel, including DNPM and AusAID are familiar with and understand the MEF. Ensure the Management Group are familiar with the MEF.</p> | <p>Partially met: short presentation to MG at induction workshop. Incentive Fund will further discuss with MG after first revision of the MEF approved.</p> <p>Incentive Fund staff also inducted with key aspects of M&E. Ongoing staff training in M&E scheduled monthly.</p> |
| <p>Activity 2.3: Increase advocacy on cross-cutting issues through inductions for Incentive Fund Team, MG, enhancing knowledge, sensitivity and commitment to address issues, activities and measurement.</p> | <p>Inductions completed</p> <ul style="list-style-type: none"> Further training on CCI checklists will be undertaken in 2011, in collaboration with DFCD, using checklists agreed between DFCD and IF. |
| <p>Activity 2.4: Develop and implement a Risk Management Plan.</p> | <p>Developed and implementation commenced.</p> |
| <p>Activity 2.5: Discuss and agree templates with SMG for organisational assessments to ensure M&E capacity is fairly and efficiently identified. This will assist in developing project specific experiential M&E learning.</p> | <p>Fully achieved: templates used with first 5 organisations. The scoring (rating) scale used in the first OA has been revised and trilled and the Incentive Fund recommendation to use a 10-point scale has been endorsed by the Management Group</p> |
| <p>Activity 2.6: Assist organisations to develop and implement a practical, accessible and user-friendly Monitoring and Evaluation Framework for each funded organisation’s project, including baseline measures.</p> | <p>As at December 2010, two smaller organisations without M&E capacity have been visited by the Development Specialist M&E for an assistance workshop. Other organisations will be consulted in January regarding their needs for support and advice in this area as they prepare their Detailed Proposal.</p> |

| Key Activity – Output 2 | Achievements June-December 2010 |
|---|---|
| Activity 2.7: Develop basic training package in M&E for organisations | Partially met: <ul style="list-style-type: none"> Materials Include experiential workshop materials to be tested for first funded organisation (estimated February 2011). Draft key stakeholder feedback materials presented for discussion with MG meeting 19 November 2010. |
| Activity 2.8: At Organisational Assessment stage, discuss individual organisation M&E requirements. | Achieved with all but 1 OA completed as at end December |
| Activity 2.9: After IFA signed, develop technical and financial monitoring instruments and monitoring programs for funded projects. | Waiting for signing of IFA for first of funded projects |
| Activity 2.10: Identify in collaboration with the Management Group suitable projects which could be used as mini research projects to determine the actual development outcomes over time. | Program and timing to be discussed at February or May MG meeting. Ongoing agenda item for MG. |
| Activity 2.11: Review and align Incentive Fund program MEF and approaches towards relevant AusAID, GoPNG, Coffey International Development and other relevant policy documents on gender, HIV/AIDS, environment, disability, child protection. | Partially met. <ul style="list-style-type: none"> waiting for final version of MTDP to be available. DFCD/IF checklist for CCI to be confirmed by DFCD and utilised in project evaluation CCI indicators included in draft IFA for first funded project |

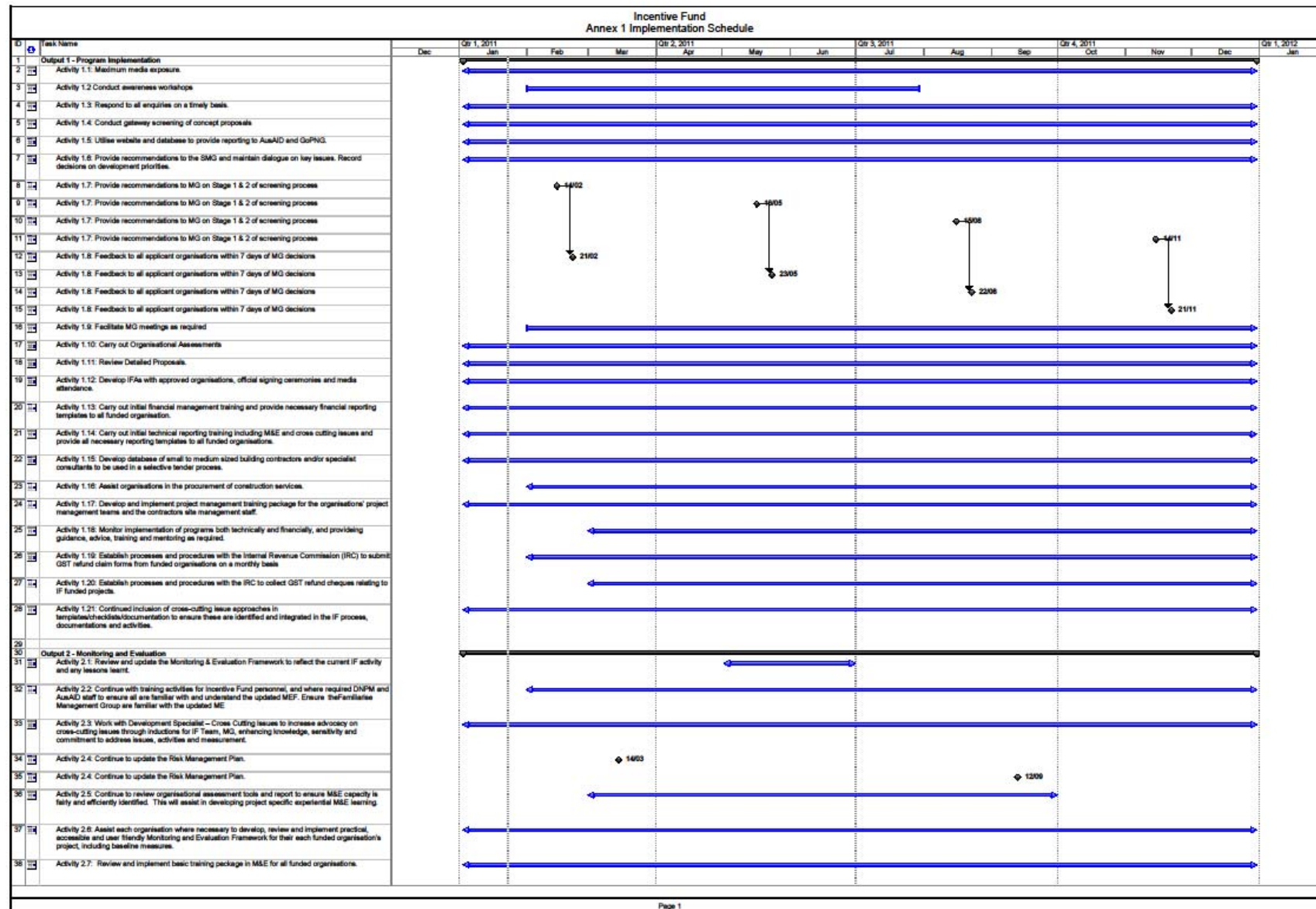
Table 3: Scheduled Output 3 – Management tasks for June - December 2010

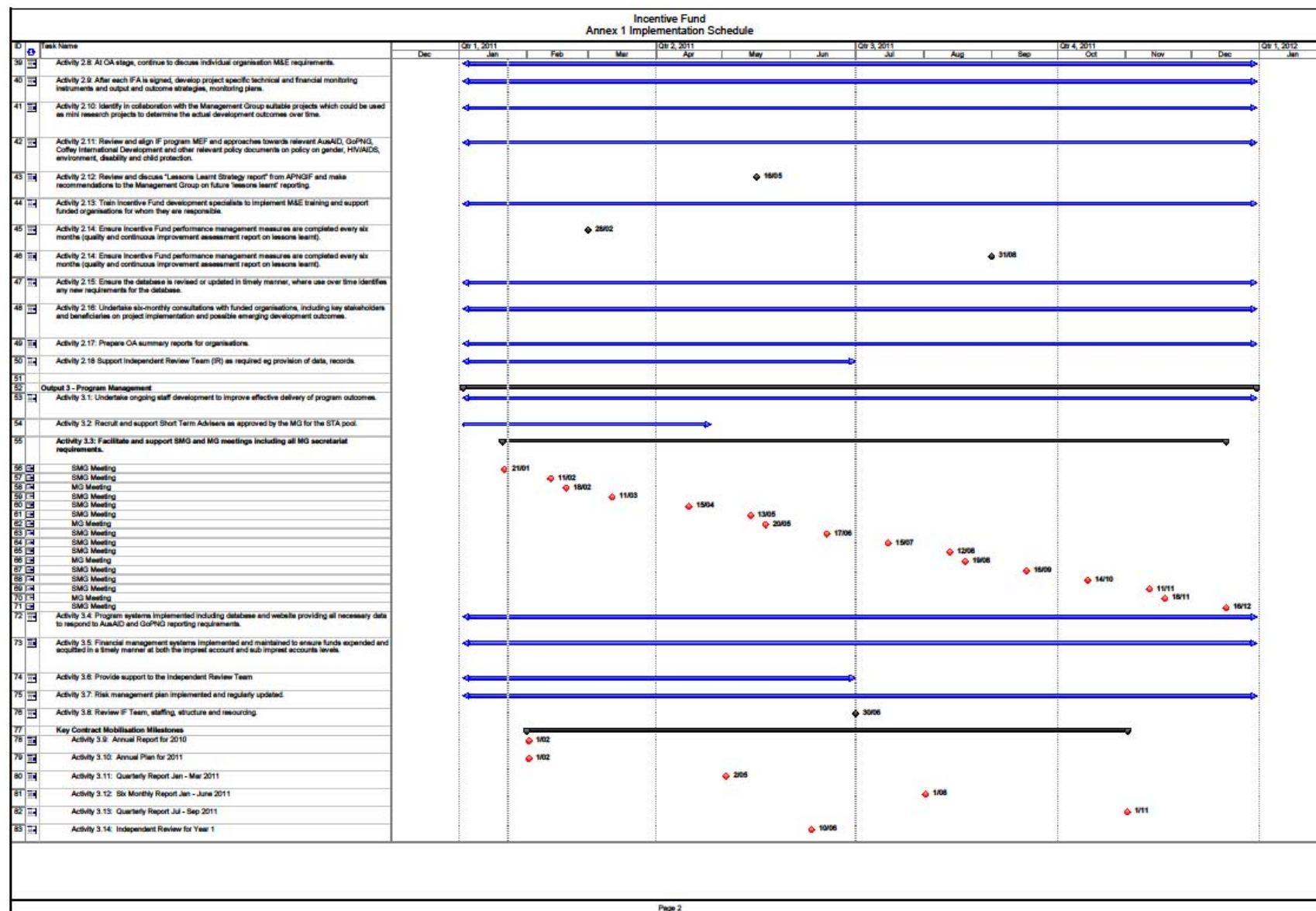
| Key Activity | Proposed timing |
|--|---|
| Activity 3.1: Establish a suitable Program office; induct Incentive Fund team; induct MG. | Fully achieved |
| Activity 3.2: Conduct monthly SMG and quarterly MG meetings. | Fully achieved |
| Activity 3.3: Develop program systems including database and website with all necessary data to respond to AusAID and GoPNG reporting requirements. | Fully achieved and ready for use. |
| Activity 3.4: Establish financial management systems and implement to ensure funds expended and acquitted in a timely manner. | Fully achieved |
| Activity 3.5: Produce first quarterly program report. | Achieved: AusAID and MG endorsement November 2010 |
| Key Contract Mobilisation Milestones | Proposed timing |
| Activity 3.6: Mobilisation Plan | Fully achieved |
| Activity 3.7: Office and staff mobilised and Security Plan being implemented | Fully achieved |
| Activity 3.8: Imprest Account Manual | Fully achieved |
| Activity 3.9: Communication and Awareness Strategy | Fully achieved |
| Activity 3.10: Information Book | Fully achieved |

| Key Activity | Proposed timing |
|--|---|
| Activity 3.11: Management Group Operating Charter | Fully achieved |
| Activity 3.12: Monitoring and Evaluation Framework | Achieved: approved by MG 19 November 2010 |
| Activity 3.13: Policies and Procedures Manual and Project Hand Book (systems and processes) | Fully achieved |
| Activity 3.14: Financial Management Hand Book | Fully achieved |
| Activity 3.15: First Annual Plan | Fully achieved |

A p p e n d i x 2

Implementation Schedule (Gantt)





A p p e n d i x 3

Budget and Planned Expenditure 2011 Billing Schedule and Expenditure Summary

Budget and Planned Expenditure January - December 2011

| Tasks | Sub-Tasks | 2011 Budget | Planned Expenditure | Variance (under-expenditure) |
|--|------------------------------|-------------|---------------------|------------------------------|
| | | AUD | AUD | AUD |
| 1. Incentive Fund Program Office Costs | a. Personnel Costs | 1,536,396 | 1,518,060 | 18,336 |
| | b. Office Set-Up Costs | 77,378 | 12,760 | 64,619 |
| | c. Office Operational Costs | 319,128 | 248,700 | 70,428 |
| | | | | |
| 2. Fixed Management Fees | a. Milestone Payments | 977,052 | 977,052 | - |
| | | | | |
| 3. Reimbursable Costs | a. Secretariat Service Costs | 48,980 | 34,000 | 14,980 |
| | b. Workshop Costs | 73,469 | 73,000 | 469 |
| | c. Marketing Costs | 48,980 | 32,000 | 16,980 |
| | d. Travel Costs | 24,490 | 20,000 | 4,490 |
| | | | | |
| 4. Short Term Technical Assistance | a. Personnel Costs | 244,898 | 75,000 | 169,898 |
| | | | | |
| 5. Incentive Fund Grants | a. Grants | 23,265,306 | 17,451,000 | 5,814,306 |
| | | 26,616,076 | 20,441,571 | 6,174,505 |

Assumptions

1. Two (2) new Infrastructure Specialists fees will be covered by the 'Development Specialist 1' vacant position
2. Incentive Fund Grants for 2011 is based on the pipeline projections. Total budget for 2011 is made up of budget for 7 months in 2010 plus total allowance for 2011
3. Planned expenditure for 'Travel Costs' relates to IF personnel travel related costs for attending IF meetings or coordination meetings with AusAID and consultations with stakeholders/service providers
4. All 'Other Travel Costs' for Organisational Assessments and Project Monitoring by the IF personnel are covered under 'Fixed Management Fees'

Billing schedules and expenditure summary January – December 2011

| Payment Stream | March 2011 | June 2011 | September 2011 | December 2011 |
|---|--|---|--|---|
| | AUD | AUD | AUD | AUD |
| 1. Incentive Fund Program Office Costs | To be billed at the end of March based on actual costs | To be billed at the end of June based on actual costs | To be billed at the end of September based on actual costs | To be billed in early January 2012 based on actual cost |
| | | | | |
| 2. Reimbursable Costs | To be billed at the end of March based on actual costs | To be billed at the end of June based on actual costs | To be billed at the end of September based on actual costs | To be billed in early January 2012 based on actual cost |
| | | | | |
| 3. Short Term Technical Assistance | To be billed at the end of March based on actual costs | To be billed at the end of June based on actual costs | To be billed at the end of September based on actual costs | To be billed in early January 2012 based on actual cost |
| | | | | |
| 4. Incentive Fund Grants | Invoice to be issued at the end of March based on MG decisions and also acquittals of expended project funds | Invoice to be issued at the end of June based on MG decisions and also acquittals of expended project funds | Invoice to be issued at the end of September based on MG decisions and also acquittals of expended project funds | Invoice to be issued at the end of December based on MG decisions and also acquittals of expended project funds |
| | | | | |
| 5. Fixed Management Fees (Milestone Payments) | | | | |
| Milestone 4 and 5 – Annual Report 2010 and Annual Plan 2011 | 509,766.00 | | | |
| Milestone 6 - Quarterly Report (Jan - Mar11) | | 127,441.50 | | |
| Milestone 7 - Six Monthly Report (Jan-Jun 11) | | | 212,402.50 | |
| Milestone 8 - Quarterly Report (Jul-Sept 11) | | | | 127,441.50 |

A p p e n d i x 4

Personnel Input Schedule

| Incentive Fund Annex 4: Personnel Implementation Schedule | | | | | | | | | | | | | | |
|---|---|----------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| ID | Task Name | Resource Names | Jan '11 | Feb '11 | Mar '11 | Apr '11 | May '11 | Jun '11 | Jul '11 | Aug '11 | Sep '11 | Oct '11 | Nov '11 | Dec '11 |
| 1 | Program Manager | Paul Constable | 27/3/10 | 17/2/11 | 24/3/11 | 7/4/11 | 28/7/11 | 4/11/11 | 25/2/11 | 9/16/11 | 30/5/11 | 20/7/11 | 4/11/11 | 25/2/11 |
| 2 | Administration Manager | Justice Gua | | | | | | | | | | | | |
| 3 | Development Specialist - Construction and Procurement | Hassan Romaso | | | | | | | | | | | | |
| 4 | Development Specialist - Construction and Procurement | Lincoln Sauwa | | | | | | | | | | | | |
| 5 | Development Specialist - Organisational Development | Josephine Gena | | | | | | | | | | | | |
| 6 | Development Specialist - M&E | Jennifer Rush | | | | | | | | | | | | |
| 7 | Financial Specialist | Lisania Bolelu | | | | | | | | | | | | |
| 8 | Program Support Officer | Elizabeth Aine | | | | | | | | | | | | |
| 9 | Program Support Officer | Grace Korua | | | | | | | | | | | | |
| 10 | Receptionist / Administration Officer | Elsie Yapien | | | | | | | | | | | | |
| 11 | Logistics Administration Officer | Elise Marjen | | | | | | | | | | | | |
| 12 | Driver | Benson Efi | | | | | | | | | | | | |
| 13 | Cleaner / Office Assistant | Esther Oruba | | | | | | | | | | | | |
| 14 | Finance Officer | Noelyn James | | | | | | | | | | | | |
| 15 | Finance Officer | Tina Tanimila | | | | | | | | | | | | |

A p p e n d i x 5

Risk Management Plan

January-December 2011 Key Risks and Management Strategies

| Identified risk | Management strategy | Occurrence and Responsibility |
|--|---|-------------------------------|
| Lack of resources, time or commitment from AusAID, GoPNG sectors to review, prioritise and provide feedback on concept proposals | <p>The Incentive Fund team will continue to build on established relationships to encourage open and frank discussions and agreements on roles, responsibilities and timelines.</p> <p>The MC will provide timely, targeted comprehensive briefings, awareness workshops and relevant materials to AusAID, DNPM and sectors.</p> <p>The Incentive Fund team will provide timely and effective initial gateway criteria assessments of concept proposals for DNPM and AusAID development priority screening.</p> | |
| Insufficient numbers of technical specialists to conduct organisational assessments and support development of concept proposals to detailed proposals | <p>Utilise the Incentive Fund team with experience, contacts and networks with NGO, CSO, private sector and key institutions to facilitate the Organisational Assessment process.</p> <p>Use a range of contractual arrangements as necessary.</p> <p>Increase development specialist team</p> | |
| Security or political disruption | <p>Close monitoring through Coffey in-country Support Office.</p> <p>Recommend organisations adopt a 'staged' or phased approach, complemented by an implementation risk management strategy under the Incentive Fund Agreements special conditions clause.</p> <p>Incentive Fund team recommend and/or seek SMG/MG approval to action.</p> | |
| Difficulty maintaining stakeholder relationships | <p>The Incentive Fund Program Manager and Deputy will maintain regular contact and on-going liaison with AusAID, DNPM and other key stakeholders.</p> <p>Internal stakeholder communication protocols and operating guidelines will be monitored and updated.</p> <p>Targeted and regular information sessions/workshops will be held with other sector programs and relevant partners.</p> <p>The Incentive Fund will be responsible for the day-to-day relationships with funded organisations.</p> | |
| HIV/AIDS, gender, disability, child protect and environment not adequately addressed in concept proposals | <p>All Incentive Fund key documents updated, including appraisal, selection and approval criteria and procedures manuals and templates.</p> <p>MG to have regular updates/briefings.</p> <p>Cross-cutting issues to be a key activity in all awareness and information workshops.</p> | |

| Identified risk | Management strategy | Occurrence and Responsibility |
|--|--|-------------------------------|
| | <p>Identify organisations likely to need capacity building in these areas, assist in developing policies and monitor organisations closely to ensure policies are being implemented.</p> <p>Ensure all cross-cutting and social inclusion issues are covered in the IFA.</p> <p>CCI Lead agency taking lead role to support INCENTIVE FUND through establishment of CCI core advisory committee</p> | |
| Poor engagement of organisations in development of monitoring and evaluation framework and activities including baseline measure | <p>Included as a key activity in the initial awareness and information workshops and regularly in future.</p> <p>Ensure monitoring and evaluation capacity identified in the organisational assessment.</p> <p>Establish baseline data.</p> <p>Undertake effective experiential learning with organisations, including engendering management support for M&E.</p> <p>Assist organisations in identifying baseline information and simple, clear indicators and processes for early monitoring.</p> <p>Make M&E an IFA condition for quarterly funding replenishment for ongoing programs.</p> | |
| Insufficient competent project managers within or outside of the funded organisations to supervise infrastructure works | <p>The MC has engaged additional Infrastructure Specialists to support and build the capacity of the funded organisations project management team.</p> <p>The IF team will use its industry networks and additional personnel if and when required</p> | |
| Insufficient competent building contractors to undertake infrastructure works | <p>The IF team have compiled a database of small to medium sized contractors willing and able to provide construction services in various provinces. Management skills of these contractors will be assessed and targeted training provided during the implementation of infrastructure programs in conjunction with the funded organisations project management team</p> | |
| Construction 'Boom' in PNG causes shortage and spiralling costs of labour and materials | <p>The IF team will ensure that all project proposals are costed against realistic implementation schedules and provide ongoing support and advice to funded organisations and contractors</p> | |
| Insufficient funds received in IFImprest Account for funded organisations through erroneous quarterly drawdown requests made to AusAID | <p>All quarterly drawdown invoices will be screened carefully in-house by the IF team before submitting same to AusAID. These invoices will take into account first two quarters funding requirements for new projects and also quarterly funding needs of ongoing projects. Funding requirements for projects that are nearing completion will be considered as well when making drawdown</p> | |

| Identified risk | Management strategy | Occurrence and Responsibility |
|---|--|-------------------------------|
| | requests each quarter end so that disruptions to projects progress caused by the delays in releasing funding to them are minimised. | |
| Occurrence of fraud at the project sub-Imprest account level | <p>Initial financial training and on a need basis will be provided to funded organisations after IFA signing. All the IF financial controls and reporting requirements including fraud control guidelines will be discussed during the training.</p> <p>A copy of the 'Financial Management Handbook' will be provided to the funded organisation to ensure that organisations comply with same for proper financial management and control of IF funds and to minimise any occurrence of fraud and corruption. Also ongoing financial monitoring of projects will be done.</p> <p>The IFA includes an authority to the respective financial institution to freeze the project sub-Imprest Account upon notification by the IF.</p> <p>Coffey has a zero tolerance policy towards fraud and corruption and any occurrence of same will be investigated, the matter referred to relevant authorities and necessary action taken to recover funds and.</p> | |
| Exchange rate fluctuation risks (drop in the PNG Kina exchange rate against major currencies) for funded organisations especially for supplies sought outside PNG | <p>All projects will be costed in PNG Kina. The MC has infrastructure specialists and relevant industry knowledge to carefully review IFA costings for goods and services related to the project.</p> <p>Adequate allowance should be provided for goods and services that will be brought in from outside PNG by taking into account exchange rate fluctuations.</p> | |

A p p e n d i x 6

Monitoring and Evaluation Framework

Approved M&E Framework doc to be inserted.

A p p e n d i x 7

Milestone Schedule 2010 - 2014

| Number | Description and Verification | Due date |
|---------------------------|--|-----------------|
| Completed in 2010 | | |
| 1 | Final Mobilisation Plan accepted by AusAID | 10 July 2010 |
| 2 | June – December 2010 First Annual Plan accepted by Management Group (MG) | 10 August 2010 |
| 3 | Quarterly Report (1 June 2010 – 30 Sept 2010) accepted by AusAID | 1 November 2010 |
| Due in 2011 | | |
| 4 | Annual Report (1 June 2010 – 31 Dec 2010) accepted by AusAID | 1 February 2011 |
| 5 | Second Annual Plan (1 Jan 2011 – 31 Dec 2011) accepted by MG | 1 February 2011 |
| 6 | Quarterly Report (1 Jan 2011 – 31 March 2011) accepted by AusAID | 1 May 2011 |
| 7 | Six Monthly Report (1 Jan 2011 – 30 June 2011) accepted by AusAID | 1 August 2011 |
| 8 | Quarterly Report (1 July 2011 – 30 Sept 2011) accepted by AusAID | 1 November 2011 |
| Due in 2012 – 2014 | | |
| 9 | Annual Report (1 Jan 2011 – 31 Dec 2011) accepted by AusAID | 1 February 2012 |
| 10 | Annual Plan (1 Jan 2012 – 30 Dec 2012) accepted by MG | 1 February 2012 |
| 11 | Quarterly Report (1 Jan 2012 – 31 March 2012) accepted by AusAID | 1 May 2012 |
| 12 | Six monthly Report (1 Jan 2012 – 30 June 2012) accepted by AusAID | 1 August 2012 |
| 13 | Quarterly Report (1 July 2012 – 30 Sept 2012) accepted by AusAID | 1 November 2012 |
| 14 | Annual Report (1 Jan 2012 – 30 Dec 2012) accepted by AusAID | 1 March 2013 |
| 15 | Annual Plan (1 Jan 2013 – 30 June 2014) accepted by MG | 1 March 2013 |
| 16 | Quarterly Report (1 Jan 2013 – 31 March 2013) accepted by AusAID | 1 May 2013 |
| 17 | Six Monthly Report (1 Jan 2013 – 30 June 2013) accepted by AusAID | 1 August 2013 |
| 18 | Quarterly Report (1 July 2013 – 30 Sept 2013) accepted by AusAID | 1 November 2013 |
| 19 | Annual Report (1 Jan 2013 – 31 Dec 2013) accepted by AusAID | 1 February 2014 |
| 20 | Completion Report accepted by AusAID | 1 June 2014 |

A p p e n d i x 8

Cross Cutting Issues Framework

Framework for Cross Cutting Issues (CCI) Integration in Incentive Fund Programs

What can we do to increase equality and support community empowerment to ensure Incentive Fund benefits all?

Within the **Incentive Fund** program structure and existing mechanisms the following issue areas will be used to guide and facilitate the process of integrating Cross Cutting Issues (CCI) - Gender Mainstreaming, HIVAIDs, Disability, Child Protection and Environment. CCI considerations must be integrated in the IF funded projects and interested organisation's structures as well as throughout the IF Program. Funded organisations need to ensure that operational systems are equitable and fair and they must create mechanisms that require CCI integration at all program stages; conception, proposal development, project design, implementation and monitoring and evaluation.

1. Strategy for implementation of the CCI Integration strategy in the Incentive Fund at Program level

This strategy for CCI implementation is aimed at a higher level sensitisation process.

- Work within the umbrella of cross cutting issues (CCI) for the Incentive Fund and create links with Government of PNG (GoPNG) & AusAID policies and programs.
- Increase advocacy through the Incentive Fund team, Management Group (MG) and Civil Society Organisations (CSO), development partners, funded organisations to enhance CCI sensitivity and the Incentive Fund's commitment towards implementation the CCI Sensitisation Strategy with funded organisations as appropriate.
- Work with organisations to understand the importance and sensitivity of addressing cross cutting issues.
- Support initiatives to develop the Incentive Fund's client knowledge and ability to promote cross cutting issues.
- Work through the organisations to build capacity, identify the CCI issues and to promote actions addressing the specific CCIs that the organisations relate to.
- Work with CCI Lead Agency – Department for Community Development (DFCD) and related line agencies of government to link and promote CCI work in the Incentive Fund.

2. CCI Lead Agency level – DFCD (Yet to be confirmed and included)

- Work with Department for Community Development to facilitate consultation process and open dialogue with DFCD and IF CCI Team to jointly promote the importance of CCI engagement at different levels of organisational initiatives that pass through Stage Three of the IF process.
- Enhance capacity of DFCD staff on the value of the brokering role to be performed by DFCD CCI Team
- Work with CCI Team to collaborate more closely with provincial engagement roll out by the DFCD to take more strategic view of the organisations that IF engages with (via the IF Four Stage process)
- Work with CCI team in DFCD to facilitate process towards creating avenues to keep inform Civil Society Organisations and foster partnerships with network organisations

– women’s organisations, Faith Based organisations, Community based Organisations, Private sector and intermediaries such as unions, social workers associations etc

3. Corporate planning and coordination level

This strategy is aimed at partners and personnel with the Incentive Fund, Coffey International Development, funded organisations and related agencies level to promote CCI integration

- Consultation and collaboration with CCI advisors with Coffey International Development, relevant external advisors and ongoing consultation with IF Team.
- Identify with each of the Policy and Planning sections of the funded organisations as one of the possible entry points for CCI consultation processes.
- Conduct in house briefings with related agencies, relevant sections heads on CCI issues.
- Support the Incentive Fund to develop/design CCI responsive checklists for project driven and strategic approach to screening Concept Proposals.
- Organisations to present activity plans on CCI for assessment by (and presentation to IF team and MG as required)

4. Civil Society Organisations level

This CCI implementation strategy is aimed at broader level awareness through Incentive Fund communication and awareness sessions through regions and provinces with different target groups, as suggested by the MG.

- Create CCI awareness and provide a sensitisation program among leaders and managers of the funded organisations
- Work with organisations to increase leadership focus on how CCI issues can be mainstreamed, using a people –centred development approach and identifying entry areas where it can be tested.
- Work with the Incentive Fund to increase dialogue between organisations and related government or partner agencies at provincial and regional levels - social sectors.
- Support organisations to examine policies and practices that encourage and promote CCI advocacy within the organisation
- Work with organisations planning policy and/or activities on CCIs
- Provide quarterly briefs and six monthly report for presentation to the Incentive Fund

5. Incentive Fund roles

This strategy outlined roles within the Incentive Fund to provide technical input to partners and interested organisations on the Program’s requirement for CCI integration at all project stages; conception, proposal development, program design, implementation and monitoring and evaluation.

- Facilitate technical assistance and expertise to meet organisation needs and project-related requirements
- Work through organisations’ project managers to provide focused assistance on CCIs.
- Support organisations to report on progress on the level of CCI integration work within organisations.

- Work with M&E development specialist and individual organisations to develop M&E tools to assess the effectiveness of organisational work on cross cutting issues integration.

6. Possible CCI Partners

These are list of possible partners that the Incentive Fund would work with or seek support from to promote CCI integration.

- CCI Lead Agency – DFCD, NACs, DCE
- Provincial Governments
- Civil Society Organisations
- Incentive Fund Development Specialists, Coffey International Development Advisors, Coffey Support Office team) and short term advisors
- Other donor programs, PNG Government Programs and programs or projects committed to CCI development principles
- Line Government agencies
- Other development partners.