



Australian Government
Department of Foreign Affairs and Trade

Investment Design Document
 for
 Papua New Guinea Governance Facility (PGF)

Papua New Guinea Governance Facility (PGF)	
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List of Acronyms

ACC	Australian Civilian Corp
AEC	Australian Electoral Commission
AFP	Australian Federal Police
AHC	Australian High Commission
ANCP	Australian NGO Cooperation Program
APEC	Asia Pacific Economic Cooperation
ABG	Autonomous Bougainville Government
ARB	Autonomous Region of Bougainville
CDD	Community Driven Development
CPP	Churches Partnership Program
DFAT	Department of Foreign Affairs and Trade (Australia)
DSS	Deployee Support Services
EPSP	Economic and Public Sector Program
GoA	Government of Australia
GoPNG	Government of Papua New Guinea
INA	Institute of National Affairs
IPA	Institute of Public Administration

JSS4D	Justice Services and Stability for Development
KRA	Key Result Area
MSU	Management and Support Unit (PGF)
NGO	Non Government Organisation
NRI	National Research Institute
PGF	Papua New Guinea Governance Facility
PacLGP	Pacific Leadership & Governance Precinct
PLGP	Provincial and Local-level Governments Program
PWSPD	Pacific Women Shaping Pacific Development (program)
QTAG	Quality and Technical Assurance Group
RRRC	Reef & Rainforest Research Centre
SGP	Strongim Gavman Program
SMC	Strategic Management Committee (PGF)
SOE	State Owned Enterprises
SP	Service Provider
SPSN	Strongim Pipol Strongim Nesen
UPNG	University of Papua New Guinea
VFM	Value for Money

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1 Analysis and strategic context

Strategic Setting and Rationale

Recent changes in Australian and PNG aid policy necessitate a major rethink of both the focus of Australian aid and how we deliver assistance. Aid to improve PNG's governance is no exception.

Australian aid to Papua New Guinea is at the very centre of Australia's greater commitment to its immediate neighbourhood, the Indo-Pacific region. In line with Australia's aid policy¹, Australian governance support is being reconsidered and differentiated to respond to the Government of PNG's policy priorities and ambitious structural reforms² and PNG's particular emergent political, economic, bureaucratic and social context.

The joint Aid Assessment commissioned in December 2013 by both the Governments of PNG and Australia dictates new directions for the Australian aid program that reflect the maturing economic and strategic partnership between Australia and PNG. Key points for Australian governance aid include:

- Aligning the aid program with shared political and economic objectives of both governments;
- Reprioritising 30% of aid program to focus on enabling broad-based private sector-led growth, aid-for-trade, and building more effective partnerships with the private sector;
- Reducing Australian aid for direct service delivery;
- Expanding support for 'good governance' with greater emphasis on core functions of government, accountability and leadership through an expansion of the Strongim Gavman Program, better targeted anti-corruption and security efforts, professionalizing the PNG public service, support for the Pacific Leadership & Governance Precinct and reframing Australian policing support;
- Intensifying and expanding support for women's empowerment;
- Increasing the proportion of bilateral aid for Bougainville ; and
- Establishing clearer, more realistic performance benchmarks/targets to assess both Australian and PNG performance and to drive accountability and future agreed actions.

PNG Governance Context (Situation Assessment)

There are major challenges for the GoPNG to implement its development vision and to overcome its poor track record of implementing governance and policy agendas.

Over the past 14 years PNG has experienced unprecedented economic growth, however this has not translated into improvements in 'good governance' and the quality of life of most PNGeans. The evidence shows that few citizens are currently benefitting from PNG's economic growth and policies and that poverty and inequality are increasing while essential services are deteriorating³. A major factor in this deterioration has been PNG's inability over 30 years to formulate a reliable, workable decentralised system of government, in spite of several large-scale attempts to do so. While economic growth is currently projected to increase

¹ *Australian Aid: Promoting Prosperity, Reducing Poverty, Enhancing Stability*

² Alotau Accord 2012; PNG Vision 2050; and National Strategic Development Plan (2010-2030).

³ PNG is currently ranked 156/187 on the UN HDI (deteriorating) and will not meet any MDG targets in 2015

further over the coming decade and will spike at over 15 per cent in 2015 (the first full year of LNG exports), PNG's future stability and development will depend on the inclusiveness of that growth and the quality of political and bureaucratic leadership to improve governance.

PNG's short to medium term outlook is complicated by emerging macroeconomic pressures and an increasingly difficult fiscal position. Big increases in government expenditure have contributed to budget deficits of 4.3 per cent in 2012, 7.8 per cent in 2013, 5.9 per cent in 2014 and a projected 4.4 per cent in 2015 (expressed as a percentage of GDP). The PNG government acknowledges that the deficits are unsustainable and it is committed to returning the budget to balance by 2017. However, based on current revenue projections, this will require a substantial cut in expenditure. This would be a very difficult task in any circumstances but is likely to be further complicated by the recent sharp fall in international oil and gas prices⁴; PNG hosting high profile events (such as the Pacific Games and Pacific Islands Forum leaders meeting in 2015, APEC in 2018); and the next national election (2017).

The GoPNG's efforts to improving governance will need to address a range of challenges:

- Maintaining macroeconomic and fiscal stability;
- Maintaining a viable democratic state and constitution in the face of weak political and social cohesion, contributing to a diminishing sense of national identity, and shared values;
- Ensuring state stability and sufficient state authority to implement policies and programs in an increasing diverse and contested system of decentralised government;
- Supporting the autonomy process in Bougainville;
- Increasing the representation of women in decision making in Government administration and in the political life of the country;
- Ensuring political and bureaucratic institutions interact effectively and build greater trust between political and bureaucratic leaders;
- Ensuring there is adequate public sector leadership and capacity to provide essential services for all PNG citizens;
- Strengthening formal accountability at all levels (political, bureaucratic and citizenry), in face of high levels of corruption⁵;
- Ensuring political and economic institutions and policies encourage broad-based economic growth, reducing reliance on the extractive sector and numerous inefficient State Owned Enterprises (SOEs) and tackling the high cost, high risk, and low productivity environment for businesses;
- Inadequate skilled labour and high population growth and demographic transition leading to high rates of internal migration, urbanisation and youth unemployment; and
- Addressing a national calamity in women's insecurity and disempowerment and increasing concerns about children's security and their safety.

PNG's governance context, issues and challenges determine that Australia's future governance aid programs will be developed and implemented in a highly complex, rapidly changing and high risk environment.

⁴ At the time of writing (March 2015) the magnitude of the impact of the fall in international energy prices on the PNG Budget is unclear, and the Government has not issued any substantive comment on the matter.

⁵ PNG is currently ranked 145 out of 175 countries on Transparency International's Corruption Perceptions Index (2014)

Australian Governance Assistance

Nearly all Australian aid activities include components that are aimed at improving governance either directly or indirectly. The activities that currently fall within the Australian governance aid portfolio include public sector strengthening, civil society strengthening, leadership programs and support for mechanisms of accountability including elections. The current bilateral aid program invests approximately \$120 million per year (or about 20 per cent of the total bilateral program) for activities in the governance portfolio. Australia is by far the largest aid donor for improved governance (and in PNG overall), providing support in many geographic areas at the national, sub-national and community levels in partnership with other donors, development specialists, and Australian Government partners.

The current governance portfolio includes:

- Strongim Gavman Program (SGP);
- Electoral assistance;
- Economic & Public Sector Program (EPSP);
- Provincial & Local Government Program (PLGP);
- Strongim Pipol Strongim Nesen (SPSN); and
- PNG Churches Partnerships Program (CPP).

In recent years, these programs have contributed to supporting PNG's macro-economic stability; increased organisational capacity in priority central agencies; enhanced development planning and budgeting capacity for sub-national administrations; more equitable financing arrangements for basic services in PNG provinces; improved development benefits for various communities through facilitated engagement with local administrations; and supported some PNG coalitions to drive developmental change, including churches. Recent reviews of the individual programs, however, indicate that while many are highly relevant and have satisfactory results, particularly in service delivery, the total portfolio has not been able to leverage the required impact to help stem the deteriorating governance environment⁶.

Lessons Learned

Reviews and evaluations over the past two decades consistently reference PNGs' limited institutional authority and capability and indicate that local PNG leadership is the key factor that determines the impact of Australia's governance assistance. Australian aid will give greater emphasis in the future to assessing, supporting and facilitating local leadership of both women and men, be more realistic about what can be achieved in set timeframes, and strive to sustain impacts over a longer-term horizon. To ensure aid efforts continue to be tailored appropriately, there is a need to focus on strengthening monitoring, evaluation and

⁶ Review of the PNG-Australia Development Cooperation Treaty (1999) (19 April 2010); Alan Morris et al, PNG Governance Review (2012); Independent Progress Report of the Strongim Gavman Program (13 March 2012); Independent Progress Review of the PNG-Australia Economic and Public Sector Program (15 October 2012); Independent Completion Report of Sub-National Strategy Phase 1 2007-12 (19 December 2012); Independent Evaluation of Australian Aid for Electoral Assistance in PNG 2000-2012 (March 2013); Independent Review of Two Democratic Governance Programs in PNG - Strongim Pipol Strongim Nesen (SPSN) and Church Partnership Program (CPP) (12 February 2013); Independent Review of Two Remote Service Delivery and Community Development Programs (13 August 2012).

knowledge systems of what is driving and/or constraining change. A number of lessons for Australian aid in PNG have informed the current design approach:

- Top-down governance solutions in isolation have not delivered sustainable benefits for PNG citizens: assistance must operate in different governance domains (national, sub-national and community) to address the difficult task of establishing a clear line of sight between the citizen and various levels of government;
- Local conditions vary significantly across PNG, as do opportunities: recognising and responding to these differences and opportunities is required rather than promoting uniform solutions nationally; working with the private sector or civil society can be more effective than working only with government in particular circumstances;
- Effectiveness of assistance is highly contingent on local leadership (political/bureaucratic/civil): understanding this and how changes in the wider context impact on leadership at a local level are key to ensuring continued relevance of assistance;
- Lack of women's leadership within all domains of PNG life – politics, government, the private sector, community and family – hinders overall development within PNG; and
- Assistance needs to be flexible and adaptable: this requires better understanding of the changing local context and the opportunities and constraints provided, along with modalities and incentives that encourage iterative approaches to delivery of assistance, focused on the complex relationship between inputs, processes, outputs, and outcomes.

Australia's future governance programs will be refocused to align clearly with the new policy directions for the aid program, bringing into sharper focus the role of the private sector in driving broad-based economic growth and raising the importance of enabling business and trade development. The Australian High Commission (AHC) governance strategy for PNG, developed prior to the new policy directions, is being revised⁷ to reflect and align with these new directions. In addition, future governance assistance will reflect the following objectives:

- Strengthened aid effectiveness through a more prioritised and consolidated governance portfolio approach that exploits potential coherence and synergies to better leverage the impact of Australian governance support;
- Improved aid efficiency through use of simpler, more agile management structures and more appropriate selection of aid modalities to deliver assistance, moving away from inflexible and expensive blue-print designs and over-reliance on costly technical assistance;
- Empowering women and girls by smart investments in improving women's voice and ensuring benefits accrue to women and girls across programs. Working closely with the new Pacific Women Support Unit, and the AHC Gender team, ensure all governance programs target women's leadership, economic and physical security;
- Value for money through improved capability to identify and build on success and respond quicker to under-performance;
- Innovation through the use of contracting arrangements and incentives to encourage well-managed risk taking by expert contractors.

⁷ PNG Draft Governance Strategy August 2013

2 Investment Description

Rationale and Purpose

Following a DFAT open tender process, DFAT intends to appoint a Service Provider (SP) – single company or consortium – to establish a Management and Support Unit (MSU) for an ambitious, innovative governance initiative in Papua New Guinea: the Papua New Guinea Governance Facility (PGF). The PGF will be the instrument for implementing AHC's PNG Governance Strategy (which is being renewed in 2015). The PGF will operate across a range of thematic pillars and selected geographical areas using a mix of modalities and financing instruments:

- As a consolidated facility, the PGF is expected to deliver significant efficiency savings for AHC compared with separately tendered programs and projects.
- As a more responsive, coordinated, flexible and adaptive modality, the PGF will also increase the effectiveness and cohesion of Australian support in a difficult, uncertain and high risk environment.
- The creation of the PGF will better position AHC staff to focus on their core responsibilities: policy, facility oversight and strategic stakeholder management and reporting.
- The process of strategic re-design of selected programs in preparation for the PGF and the learning and review mechanisms included in PGF design provide the means to improve the substance of governance programs and deliver better results for PNG.

When at full operating capacity, the SP will manage an estimated total expenditure of some A\$80-100 million per year. The contract to operate the facility is offered for an initial 5 years, with an option to extend by another 2 years, subject to performance.

The goal of the PGF is: *"To contribute to security, stability and inclusive prosperity in Papua New Guinea"*

Its objective is: *"Improved programming to promote governance processes and institutions for stability and inclusive growth in Papua New Guinea"*

Under this objective, the Facility will deliver results primarily in four Key Result Areas:

Key Result Area (KRA)	Summary description
1: <i>Effective governance programs, addressing development opportunities and constraints in priority areas, delivered</i>	This KRA relates to the performance of PGF programs themselves in the priority areas identified in AHC's Governance Strategy: Core functions of government; Private Sector Development; State-Civil relations; and Leadership.
2: <i>Governance programs effectively addressing critical gender issues demonstrated</i>	All Australian governance aid programs will mainstream women's empowerment and equality issues , demonstrating they are addressing issues of women's leadership, economic and physical security;
3: <i>Efficient and effective operational support provided to Papua New Guinean stakeholders and the AHC</i>	This KRA relates to the quality and efficiency of service provision by the SP, with a view to achieving demonstrable value for money improvements for Australian assistance.
4: <i>High quality knowledge and learning about governance and development in Papua New Guinea communicated</i>	A research and knowledge-based approach is a key area that the PGF will strengthen, to generate the necessary learning that informs PNG stakeholders and the strategic development of Australian assistance.

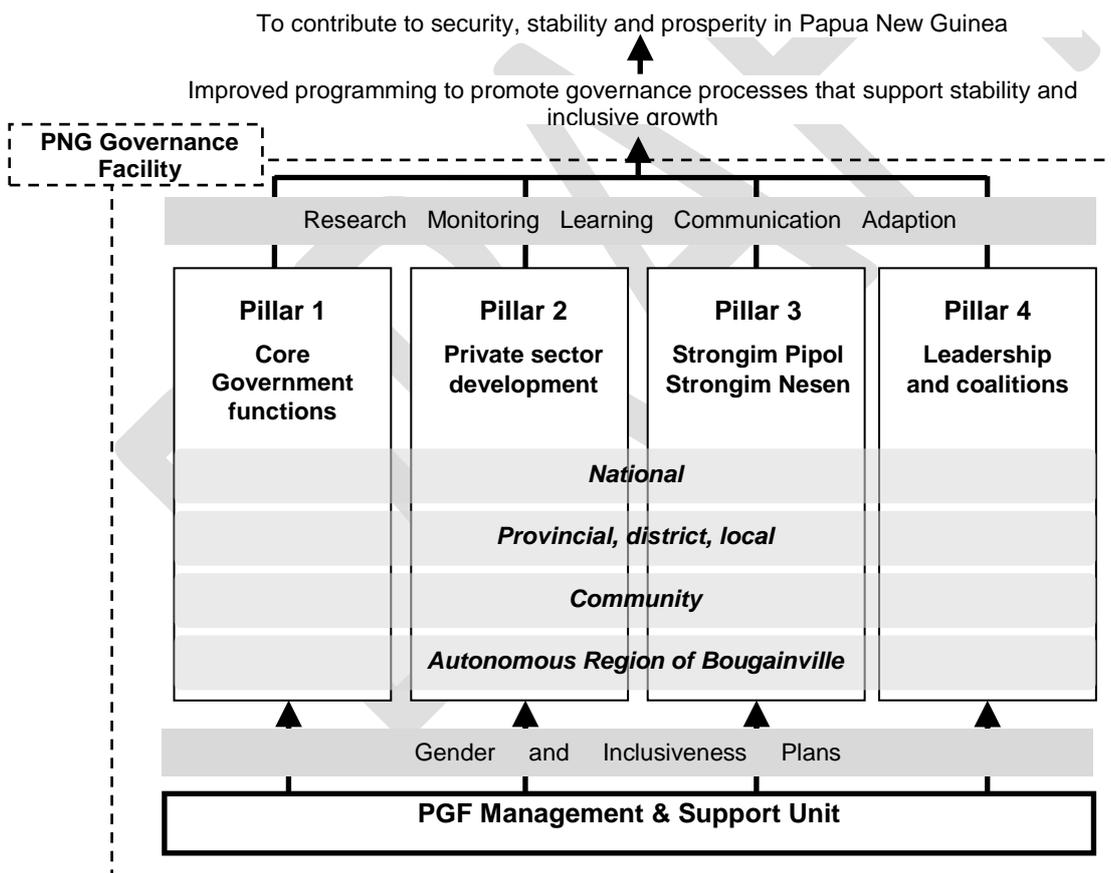
effectively to stakeholders

The PGF will be responsible for the design and implementation of Australia’s future governance portfolio under the strategic direction and oversight of the Australian and PNG Governments. It will have the flexibility and means to respond to new and immediate requirements, evolving circumstances, and will also invest in longer-term development programs. By bringing governance activities under one umbrella facility, the AHC wants to achieve greater coherence between – and consolidation of – individual activities, effective gender mainstreaming, smarter administrative, contracting and management processes, and improved knowledge sharing and actions on lessons learned across the portfolio. Most of Australia’s current governance programs are scheduled to end by June 2016⁸. It is timely to recalibrate the shape and arrangements of future assistance.

PGF Scope

The future governance portfolio, to be managed by the PGF, will focus on four key pillars in line with AHC’s Governance Strategy for PNG (see figure 1):

Figure 1: PGF Scope



⁸ Key governance programs are currently seeking extensions to these dates.

A critical objective of the PGF is to ensure that all Australian governance aid programs mainstream women's empowerment and equality issues. This will be achieved by up-front analysis and investments across programs and working collaboratively with the proposed Pacific Women Shaping Pacific Development (PWSPD) Support Unit and with the AHC Gender Program. The SP will also be required to provide gender expertise within the PGF.

High-level direction and coherence for the PGF will be set by AHC's PNG Governance Strategy, which itself will be adjusted over time in consultation with Government of PNG. The following sections summarise the anticipated approach under each of the pillars. Annex 1 provides summary information for existing governance programs that are expected to transfer, following revisions and quality processes, to the PGF. Annex 2 provides more details regarding the anticipated requirements for each pillar.

Programs under each pillar will contribute overall to PGF Key Result Areas (KRAs) 1 and 2:

KRA 1: Effective governance programs, addressing development opportunities and constraints in priority areas, delivered;

KRA 2: Governance programs effectively addressing critical gender issues demonstrated.

Pillar 1: Core Government functions

The end-of-facility outcome targeted under this pillar is: government agencies continuing to perform selected core functions essential to state stability, economic growth and equitable service provision. In pursuing this outcome, the PGF will focus on the following strategic priorities:

- (a) Rule of Law, Security and Accountable Government (including elections) ;
- (b) Public Expenditure Management/Public Financial Management;
- (c) Public Sector Human Resource Management; and
- (d) Decentralisation.

The overall approach under this pillar will involve:

- (a) Continuing to build close and influential relationships between GoA and GoPNG to enable high level dialogue on key policy agenda;
- (b) Engagement with and support to key agencies through the Strongim Gavman Program (SGP) with respect to that policy agenda;
- (c) Provision of complementary support on strategic issues relating to rule of law, public expenditure management, HR management, decentralisation and women's leadership, security, participation, and decision making in government.

Advisory support from Australian government officials and institutional twinning between Australia and PNG public sector counterparts through SGP will be key elements in the approach, supplemented by additional program and technical assistance through the PGF. In addition, the SP will provide Deployee Support Services (DSS) to SGP personnel and any other Australian Government deployees provided other programs (see Annex 2, Part G for details of the services required). Program funding will be provided for selected PNG organisations contributing to the quality of policy analysis and debate.

Significant levels of support are already being provided centrally for public sector governance. While SGP will remain the key vehicle of assistance, much closer integration and coordination is necessary across all support to ensure maximum impact is achieved for Australia's sizeable investment. Existing support provided under the Economic and Public Sector Program (EPSP⁹) will be redesigned in advance of transition to the PGF to ensure it is effectively supports the approach expressed in (a) and (b) above.

Future Australian assistance at the sub-national level will be guided by AHC's governance strategy, which is being updated in 2015. Assistance will be focused on selected central agencies and 8-12 priority provinces and districts as determined by the AHC and GoPNG¹⁰. While capacity building at a district level may be necessary, the emphasis of Australian support will shift to approaches that engage with local members of parliament and administrations to leverage the considerable resources expected to be directed to district level. A key objective will be to ensure that provincial/district programs as far as possible are aligned and collaborate with community driven programs as determined in pillar 3.

This pillar also includes electoral assistance. The Elections Program is being redesigned under a new AHC strategy and is expected to involve a graduated increase in support for the 2017 PNG elections and assistance for future electoral events in Bougainville. The program will involve support for strategic policy advice, training and logistics.

In addition, priority linkages will be established with the Pacific Leadership and Governance Precinct (PacLGP) under pillar 4 and there will be close alignment, coordination and collaboration with Australian support for the law and justice sector and through the Pacific Women Program.

Annex 2, Part B provides further details of the services required under this pillar.

Pillar 2: Private sector development

AHC's Private Sector Development Framework for PNG (2014-18) provides support to reduce costs and risk in the Papua New Guinean economy and increase productivity to generate more inclusive, private sector-led economic growth. It will predominately be delivered through financing for key partnerships and institutional linkages with multilateral development banks, ACIAR, and private sector organisations. The PGF will be responsible for implementing a small grants program under the Framework, promoting private sector Innovation and Partnerships.

The end-of-facility outcome targeted by the PGF Private Sector Development Pillar is: Operational private sector partnerships promoting inclusive growth, innovation and entrepreneurship. The strategic priorities for the small grants program will be developed during the design and reflected in selection criteria. Innovation opportunities will not be pre-defined but the program will support proposals that have clear potential to demonstrate one or more of the following characteristics:

- (a) catalyse inclusive, equitable economic growth;
- (b) address market failures;
- (c) deliver merit or public goods; and

⁹ EPSP will not exist as a separate program in the PGF.

¹⁰ PLGP will not exist as a separate program in the PGF.

- (d) contribute to women's economic empowerment.

The small grants program will support innovative partnerships between individual businesses and/or established business councils either within PNG or between PNG and overseas private sector organisations. For example, business councils in rural PNG have shown early interest in partnering with their Australian counterparts. While detailed selection criteria will be defined during the course of design, it is expected that the approach will:

- (a) Build on success;
- (b) Focus on women's economic leadership; and
- (c) Operate only in open markets

The Contractor will be expected to liaise with other initiatives being implemented under the Private Sector Development Framework as required by DFAT to leverage maximum impact for Australian aid.

Annex 2, Part C provides further details of the services required under this pillar.

Pillar 3: Stongim Pipol Strongim Nesen¹¹

The end-of-facility outcome targeted by the SPSN Pillar is: demonstrable community driven change and accountability, transparency and development in selected geographical regions. In pursuing this outcome, the PGF will focus on the following strategic priorities:

- (a) Citizen-led state building;
- (b) Citizen resilience and inclusion;
- (c) Social accountability; and
- (d) Nation building.

Support to communities and civil society is currently undergoing substantial re-design. The approach going forward will focus on supporting the role of civil society agents as instruments of change and promote greater community engagement with government, including MPs, for more accountable use of resources. There is a need for much greater integration, coherence and coordination with the other three Pillars and increased investment in learning to inform the scaling up of success.

This will be realized through greater emphasis on the role of churches, community driven development and 'coalitions for change' and less on provision of advisory assistance, targeted projects and grants. Investments in specific, significant nation-building initiatives, e.g. Sports for Development, will also be undertaken. The Contractor will also be required to ensure related initiatives are coordinated to maximise learning and to leverage the demonstration value of Australian investments.

Australian assistance to churches will be enhanced to support their vital role promoting and advocating for improved governance, supporting the resilience and inclusion of many disadvantaged and marginalised citizens (including through delivery of basic services) and advancing women's empowerment. The enhanced assistance will build on the successful Churches Partnership Program.

¹¹ 'Strongim Pipol Strongim Nesen' is currently a program and will established as a 'Pillar' under the new PGF.

Existing community driven development (CDD) projects will be transferred to the PGF. Under the PGF all current and future CDD programs will be implemented by selected partners (not the SP). The CDD programs will be, to the extent possible, implemented in the priority provinces and districts under Pillar 1. The SP will be required to identify and support partners to implement any future additional CDD projects. The Contractor will be required to establish a mechanism/process for monitoring and analysis across the suite of CDD programs that enables learning and knowledge sharing.

Under current community programming, Australia supports a number of key civil society partners. The current Key Partners Program will be refreshed through a new “Agents for Change” program that will focus on organisations as change agents for better governance. Under the PGF, there will also be provision for a consolidated small community grants program.

The PGF will give higher priority to social accountability under this Pillar, raising awareness of community views and demand for good governance. This will initially entail enhanced PGF support to promote voice and debate in the media and social-governance research/evaluation activities including commissioning high quality, periodic assessments of public perceptions about governance issues. Further, a district level social accountability program will also be established to provide greater transparency and accountability of provincial and district level public expenditure.

Annex 2, Part D provides further details of the services required under this pillar.

Pillar 4: Leadership and coalitions

The end-of-facility outcome targeted under this pillar is: Better, values-based leadership, collective action and ‘agency’ for improved governance. In pursuing this outcome, the PGF will focus on the following strategic priorities:

- (a) Political and bureaucratic leadership of the Public Sector;
- (b) Women’s leadership;
- (c) Youth leadership; and
- (d) Coalitions for change.

The overall approach of this pillar will be to support and facilitate influential individuals, groups and coalitions from across PNG society to work together to promote locally relevant solutions to development problems. This may include an annual leadership symposium for the whole pillar level.

The approach will involve:

- Working closely with the other pillars;
- Support for the ‘Pacific Leadership and Governance Precinct’ at UPNG and the PNG Institute of Public Administration ‘School of Government’;
- Establishing a Leadership Mentoring Program for better political and bureaucratic engagement;
- Supporting women’s leadership and coalition in political, public and private sectors and in civil society;
- Establishing a youth leadership program;
- Strong policy and programming links with Australia’s Scholarship Awards programs;
- Supporting selected leadership development programs;
- Supporting selected ‘coalitions for change’ (up to 5); and
- Support for selected PNG think tanks and public policy organisations.

This will be realized through targeted programs/projects, twinning partnerships with universities, prioritised awards and small grants program. The preferred approach will be to identify and work with existing PNG

organisations (for example, University of PNG, PNG Institute of Public Administration-School of Government (PNG IPA-SOG)). The aim over time would be to support these local organisations to play active convening and brokering roles to address development issues of importance to Papua New Guinea. In some instances, the PGF may enter into direct funding arrangements with selected leadership organizations to support their development over time.

Annex 2, Part E provides further details of the services required under this pillar.

Geographic scope

The four Pillars will direct assistance to the national, sub-national and community levels, and in the Autonomous Region of Bougainville (ARB). While a program may be centred at a particular level, the SP will need to ensure that programs establish the appropriate linkages, coordination and “line of sight” across levels (eg between prioritised provinces, districts and communities).

At the sub-national level, PGF will be focused in up to 12 priority provinces and districts. Those already agreed include Western Province, Manus, Oro, Morobe and Sandaun. Additional target provinces will be identified by the AHC and the SP during implementation but it is expected there will be a close geographical alignment with the new Justice Services and Stability for Development program (JSS4D) and Pacific Women program.

In addition, the SP will also be responsible for developing and managing governance interventions under the four focus pillars in the Autonomous Region of Bougainville (ARB), which for design purposes is being treated as a distinct management unit. Annex 2, Part F provides further details of the services required for the Bougainville governance program.

Quality & Risk Assurance

All programs and initiatives implemented through the Facility will be required to meet DFAT’s quality and risk management requirements. In addition to the SP ensuring appropriate quality and risk management processes under the PGF, the AHC will also establish an independent external expert Quality and Technical Advisory Group (QTAG). The QTAG will deliver a range of advisory, review and quality assurance services to support the AHC and the operation of the PGF and the new PNG Justice Services and Stability for Development (JSS4D) program to be implemented in 2015.

Term of the PGF

The proposed term of PGF is 5 years, with the option to extend the term a further two years, subject to progress and results. A 9 month inception (mobilisation and scale up) phase is anticipated to commence in October 2015, in advance of full implementation from 1 July 2016.

Resources

Financial resources

Indicative (PGF Program Activity) expenditure under the PGF is likely to be approximately \$90 million per year when fully operational. This excludes all SP management costs. It is expected that it will take 2 -3 years to reach the full level of operation.

The indicative budget framework for the initial five years is:

2015/16: A\$ 45 m (six months)	2018/19: A\$ 95 m
2016/17: A\$ 80 m	2019/20: A\$ 95 m
2017/18: A\$ 95 m	2020/21: A\$ 40 m (six months)

Table 1: PGF Indicative Annual Activity Costs (at full operation) by Pillar/ work-stream

Program Pillar	Indicative Annual cost
Pillar 1: Core Functions of Government	23,000,000
SGP Support/Deployee Supprt Services	12,000,000
Pillar 2: PSD	1,100,000
Pillar 3: SPSN	30,400,000
Pillar 4: Leadership & Coalitions	13,500,000
Bougainville	15,000,000
TOTAL PGF Activity Costs	95,000,000

Human resources

Tenderers will be required to propose management and staffing structures and levels to meet PGF operational requirements and implementation arrangements. This should reflect the mix of technical specialists and management services staff for the Management and Support Unit that they feel will best deliver the requirements. Tenderers will be expected to include experienced PNG men and women, particularly in key roles.

Tenderers will be required to detail plans to transition the existing DSS to the PGF including staff orientation and pastoral support services. In addition, tenderers should indicate how the Management and Support Unit will ensure adequate pre-deployment preparation of staff in other PGF programs, especially those with limited PNG experience.

3 Implementation arrangements

Overall approach

The PGF will operate in a complex, changing and high risk institutional environment. It will need to respond in imaginative, nuanced and culturally sensitive ways to the Papua New Guinean context, the opportunities and the challenges that present themselves. It is expected to be innovative, highly responsive and flexible in its approach to governance assistance:

- By consolidating a wide range of governance issues and domains into one facility, the PGF design is intended to maximise coherence and identify and develop synergistic opportunities across the governance portfolio;
- The Facility model is deliberately flexible and adaptive to allow the portfolio program of work to evolve over time, respond to expected and unknown significant changes in PNG's governance context, building on iterative engagement, innovation and evidence of how change happens, what works and what doesn't;
- At the same time, flexibility and adaptation need to be applied within a coherent strategy that is built on good up-to-date understanding of the direction of progress;
- By involving the SP closely in the on-going, strategic development and implementation of programs of the PGF, the design is intended to incentivise the SP to contribute its own expertise and ideas for delivering more effective governance assistance;
- Finally, the Facility model enables a portfolio management approach. The PGF portfolio will need to be balanced, in terms of the profile of reward and risk and between the level of 'maintenance' and 'experimental' support. But this approach acknowledges that institutional and transformative change involves innovation and (well-managed) risk-taking. Not all areas of work will be successful and failure is acceptable if (a) risks are assessed and understood; (b) assumptions are reasonable; (c) underperformance is recognised early and actioned appropriately; and (d) lessons are learned iteratively to improve future support. This risk appetite must be supported by smart monitoring, active risk management and coherent oversight by both the SP and AHC.

This approach is believed to be a much better fit with the reality of working in Papua New Guinea, the level of governance change occurring across the country, and the various lessons learnt over the past two decades of governance assistance (see Box 1). However, it demands significant strategic, management as well as technical skills and experience. The SP will be highly competent with a proven track record in:

- Establishing flexible, responsive facility management, administration and coordination systems for a diverse portfolio of work, capable of responding to opportunity where it arises and scaling back where anticipated developments are not forthcoming;
- Managing complex governance programs in a range of thematic areas, demonstrating world-class expertise and deep understanding of relevant governance issues in the PNG context, as well as evidence of achieving concrete results;
- Tailoring approaches and influencing strategies to reach different audiences and building relationships with key players;
- Ensuring longer-term focus on strategic objectives while balancing short-term demands for assistance;

- Knowledge-based and action-research orientated programs, with an emphasis on real-time problem-driven learning and adaptation;
- Working effectively in fragile environments, demonstrating an understanding of the challenges and requirements of working in Papua New Guinea;
- Advancing and actively promoting women's empowerment and equality within governance programs with a strong emphasis on women's leadership, economic and physical security;
- Working in partnership with multilaterals, government, private sector, civil society (including local and international non-governmental organisations); and
- Engaging effectively with local leaders and change agents through use of compelling and influential communication strategies and modalities.

Box 1: PGF's Theory of Action

While single program designs typically outline an underlying theory of change, the approach for the PGF is to elaborate a theory of action or key elements of PGF's approach that, given the nature of governance change in PNG, are believed to be necessary to deliver more effective programming. A theory of action acknowledges that the quality of the PGF's implementation approach, as well as what it supports, is important in determining success.

IF

Governance change is complex, requires transformation and is contingent on local leadership...

...THEN

It may be hard to know in advance what will work

It may also be unclear at the outset how change occurs

Not all efforts will be successful

Opportunities for change will be unpredictable

Different interventions may work in different settings

Change will be inherently political

...THEREFORE PGF SHOULD

- Employ monitoring and reflection mechanisms that support quick and efficient learning
- Enable an iterative, adaptive approach to planning;
- Ensure initiatives have clear, realistic and testable objectives;
- Embed action-research methods into initiative management.
- Use agile management and financial systems for initiatives to enable modifying or stopping;
- Manage risk profile of the portfolio to reflect AHC and GoPNG risk appetite/tolerance
- Contract expert Service Provider with capacity for horizon scanning;
- Use agile management and financial systems to enable responsiveness/scale up of successes;
- Ensure context is explicit and understood in initiative design;
- Use case-based evaluation approaches and systematic cross-case comparison where possible.
- Empower expert Service Provider to work closely with AHC beyond technical solutions;
- Engage appropriately skilled staff;
- Ensure coordinated and joined up management arrangements to avoid silos

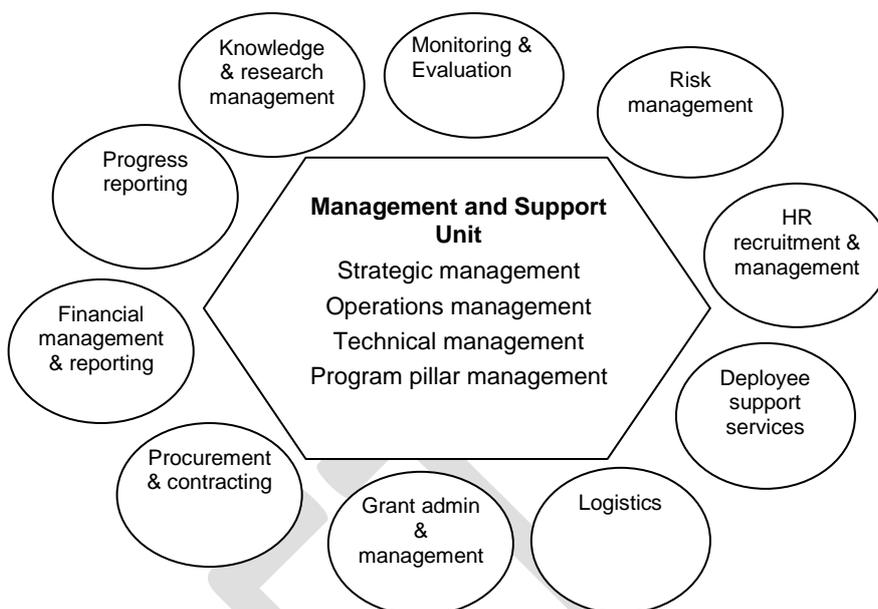
PGF Management and Support Unit

Figure 2 outlines the range of requirements for the PGF Management and Support Unit (MSU). Annex 2, Part A provides further detail.

The MSU will deliver four broad functions:

- a) Establishment and operation of business processes, systems and capacity and capability to support the AHC governance program portfolio;
- b) Strategic development and coordination of PGF programs;
- c) Design, implementation and management of PGF programs; and
- d) Knowledge management, research and communications capability.

Figure 2: Management and Support Unit: outline of functional requirements



(a) Business processes, systems and capabilities: The SP will establish the Management and Support Unit to support all PGF operations. Services will include:

- Establish and maintain strategic management mechanisms and key business process services for the Facility and various programs;
- Recruitment and management of technical, administrative and logistical staff to support the implementation of governance programs;
- Establishment and operation of PGF support offices in Port Moresby and Buka (ARB) and selected provinces/districts as required by AHC (some 4-6 additional sub-offices may be required);
- Deployee Support Services for Australian Whole of Government advisers supporting the Strongim Gavman Program (SGP);
- Procurement services and other logistical support, for the PGF and for AHC as necessary e.g. APEC meeting to be held in PNG during 2018;
- Financial management systems for provision and administration of a variety of funding mechanisms including grant funding;
- Annual planning and review processes.

The SP will also establish effective and coherent monitoring, risk management and reporting mechanisms to inform Facility Managers, AHC and external stakeholders about issues, results and risks. Monitoring will be required for individual programs within the Facility, at a portfolio level against the key results areas, and at the level of PGF objective and goal.

In addition, the MSU will also provide other support (e.g. logistical support for AHC and PGF activities) on an as required basis.

(b) Strategic development and coordination: For each of the pillars, AHC is currently reviewing and redesigning existing programs to align with its PNG Governance Strategy (itself, undergoing a refresh in 2015 in line with Australia's new priorities and PNG's evolving context). A number of existing, revised AHC funded activities and commitments will be transferred into the PGF. The Management and Support Unit will not therefore be starting from a zero-base. However, the SP will, in close consultation with AHC and consistent with the new governance strategy, develop thematic strategies/road maps to guide future Australian aid and may support the process of refining and reorienting existing programs depending on progress before mobilisation. The SP will work closely with AHC and GoPNG through the PGF Strategic Management Committee and QTAG to identify opportunities and shape the direction of PGF programs, in line with GoA and GoPNG priorities. Thus, while AHC will retain responsibility overall for the strategic direction of Australian aid, the SP is expected to make a significant contribution to its development.

Coherence and coordination will be a key element of the strategic management of the Facility. Strategic coherence remains the overall responsibility of AHC but the SP will be expected to exploit the synergies possible within and beyond the PGF and ensure counterproductive overlaps are avoided. Specifically, the SP will:

- Ensure that PGF pillars and programs do not operate in silos but complement and cross-fertilise one another;
- Maintain close, complementary linkages with other AHC programs with a significant governance dimension (e.g. JSS4D, PWSPD, Health, Education and Bougainville);
- Identify and exploit coordination opportunities with other development agencies, for example, the World Bank, Asian Development Bank, United Nations Development Program, private sector organisations, civil society and academic institutions, and government to leverage impact and efficiency for Australia's investments;

Effective coordination will not happen by itself. The PGF results framework (KRA 3) will require assessment and reporting on coherence and coordination on at least an annual basis. All PGF programs will need to identify their intended contribution(s) to end-of-facility outcomes and relevant linkages/dependencies with other activities. Nor is effective coordination a cost-free exercise. Tenderers should specify clearly in their bids the coordination mechanisms they propose using and the resources required.

(c) Design, implementation and management: While AHC will set the overall strategic direction for the PGF, the SP will have significant authority to determine how best to operationalise the strategy. This will entail responsibility for designing and managing the implementation of a number of existing and planned governance programs (see annex 1 for more detail). The SP will also work with the PGF's Strategic Management Committee to identify new opportunities for support and, if agreed, put in place a design process that meets AHC quality requirements. By assuming significant responsibility for design, management and administration, the MSU will enable AHC governance staff to focus on their core responsibilities for strategic oversight and relations. This will require:

- An effective approach to design and commissioning (including, in some cases, tendering), to be agreed in consultation with AHC/DFAT, based on considerations of fitness for purpose and value for money;
- Appropriate due diligence checks on proposed sub-contractors and AHC grant recipients, ensuring all contracting meets relevant legal requirements and risks to AHC are appropriately managed;

- Integrating relevant aspects of the AHC Gender action plan and Inclusiveness Action Plan for Papua New Guinea.

In the design of new activities, the SP is expected to consider the balance in the overall portfolio between short term results and longer-term, more difficult/risky but potentially more transformative governance change.

To avoid any conflict of interest risks, designs and the design process will be subject to quality assurance, in the first instance by the QTAG, but may involve other reviews depending on the nature of the program. AHC will advise the SP on a case-by-case basis.

The SP will be required to provide support, administer and manage a range of aid forms (modalities) and financing instruments for effective program implementation; for instance ‘analysis-design-implement’ programs, grant programs, matched grants, challenge funds and other types of innovative instruments, technical assistance (including, but not limited to, advisory support) and small-scale infrastructure development. It should be noted that several PGF programs include existing grant schemes, some of which are substantial (see annex 1). These schemes will require significant oversight and support from the Management and Support Unit to ensure governance arrangements accord with the Commonwealth Grants Rules and Guidelines.

A key element in PGF’s theory of action is a regular process of reflective review to enable real-time adjustments to programming (modification or cessation) in response to changing context and/or performance. This will require appropriate processes and financial management mechanisms that support flexible, adaptive management. Tenderers should include in their bids explanation of how they would operationalise this element.

(d) Knowledge management & Research: As part of the Management and Support Unit, the SP will establish a PNG Governance Knowledge and Research Platform, to build and share knowledge regarding governance in Papua New Guinea and regionally¹². The Knowledge Platform represents a significant shift in approach to influencing governance in PNG. The emphasis on ‘knowledge’ represents a decreased focus on the provision of ‘technical assistance’ and increased focus on provision of robust credible information for PNG policy makers. The aim is to inform and support the development of public policy, through the creation and dissemination of knowledge and evidence, rather than through the provision of short-term experts. The Platform will:

- Gather, maintain and synthesise documents and findings from PGF and other Australian governance activities in PNG and the region;
- Initiate research and analysis in relation to the thematic pillars and overall PGF objectives; this will include periodic country governance risk assessment of the broader operating context for PGF and longitudinal research, including public perception surveys, to track changes in knowledge, attitude and opinions about governance in Papua New Guinea;
- Provide short-term (2-5 days) research support for GoPNG and AHC on request;

¹² While the initial focus of the Platform will be on PNG, over time this will expand to include and inform wider learning across Melanesia.

- Develop innovative approaches to communicating knowledge, in ways that will engage and influence stakeholder attitudes towards governance issues¹³ and contribute to public policy debated and formulation; AHC anticipates the PGF will establish a high quality, sustained communications strategy, (not a series of one-off publications), which facilitates two-way dialogue with target audiences, and which maximises the technological opportunities available as and when appropriate;
- Establish the relationships and mechanisms required to maintain a deep understanding of the governance context.

The Knowledge and Research Platform will make a significant contribution to national (and ultimately regional) debates and AHC's and PGF's own understanding of governance developments and risks in Papua New Guinea and Melanesia. It will build on and augment existing specialist research and knowledge capacity in the fields covered by PGF. It is up to tenderers to determine the most effective means of addressing this but the Platform will be expected to be established at an appropriate organisation in PNG with links to public policy bodies in PNG and to overseas counterpart organisations (universities or think tanks). Tenderers will need to identify a lead institution with overall management and financial responsibility for the platform and will also need to demonstrate how their model will access relevant thematic governance and gender expertise and capability in conducting policy and political economy analysis, horizon scanning, action research and theory-based evaluation, communications and influencing.

The QTAG will review the quality of the Platform's research and communication activities as required.

Autonomous Region of Bougainville

The PGF will need to respond and support the particular governance requirements of the Autonomous Region of Bougainville (ARB). Annex 2, Part F provides more detail. Bougainville's autonomy arrangements demand a differentiated approach. The Autonomous Bougainville Government (ABG) is legally and institutionally distinct from the rest of PNG, and requires a tailored engagement with development partners on what assistance is delivered (particularly in governance).

For the PGF's operations, the AHC requires a particular engagement with the ABG and priority stakeholders. Separate governance arrangements and a differentiated partnership approach to programming (including provision for co-funding from the ABG and other development partners) will be developed in close consultation during the Inception Phase. It is expected that the Bougainville program in its entirety – not just the governance support – will be sustained over the next 5 years at around \$50m annually and the PGF will need to be responsive to a possible scale-up as the governance situation evolves.

In addition to the functions outlined above, the SP will be required to:

- a. Establish and maintain a PGF sub-office in Buka;
- b. Provide advisory and logistical support for AHC staff in Bougainville;
- c. Provide strategic and operational management function under the direction of AHC-ABG-GoPNG for the management of Australian governance support to Bougainville;

¹³ For example, similar to the UK based Governance and Social Development Research Centre (GSDRC).

A number of existing governance programs operating in Bougainville will also transfer to the PGF when established. These are summarised in Annex 1.

Transition and Implementation

Inception (Mobilisation and Scale-up) Phase

There will be a 9 month inception phase prior to full implementation to facilitate the mobilisation and initial operationalization of the PGF, the effective handover of any assets and resources from existing service providers, and the orderly transfer of agreed AHC governance programs into the PGF.

The inception phase is expected to commence in October 2015 and extend to 30 June 2016. Tenderers will be required to submit a draft Mobilisation Plan as part of their PGF tender proposals. Covering the first three months of the inception phase, the draft Mobilisation Plan should outline how the SP will ensure the efficient and effective establishment of the Management and Support Unit and should include:

- staffing structure for the PGF Management and Support Unit and outline the proposed management structure and lines of reporting;
- plans for the establishment of the PGF Management and Support Unit offices and staff;
- nominated personnel for key positions in the Management and Support Unit;
- approach to making best use of existing staff and program assets such as vehicles, equipment and other resources;
- a communication strategy to inform all staff of planned new arrangements and the time-line for proposed changes;
- the proposed staff resources that will be deployed during the inception phase;

Within the first three months, the SP will produce a detailed Transition Plan outlining the approach and timetable to transferring agreed AHC governance programs into the PGF, including transition arrangements for Deployee Support Services, ensuring continuity of assistance where appropriate. This will build on transition arrangements already developed by AHC for existing programs. In the event that it is considered necessary and useful, the SP may be required to submit a revised Transition Plan during the course of the phase.

Key services that the SP will provide during the inception phase include:

- Mobilisation of key technical and management personnel for the Facility Management and Support Unit;
- Close and frequent consultation with the AHC to ensure agreement on all key aspects of the PGF establishment and that all inception phase activities are successfully completed;
- Initial consultations with AHC governance teams, with GoPNG and with other PNG stakeholders;
- Consultations with existing programs/contractors;
- Refinement of the schedule for the transfer of agreed existing individual program;
- Review and refinement of administrative and operational procedures;
- Completion of key management documentation and systems for the Management and Support Unit;
- Transfer and implementation of agreed existing programs into the PGF.

Key outputs of the inception phase will be agreed in discussion with AHC after contract award but will include:

- Annual plan (including implementation arrangements) for the 12 months, Jul 2016–Jun 2017, and indicative plan for the following 12 months (Jul 2017-Jun 2018)¹⁴
- revised PGF results framework
- Gender action plan (an accompanying gender budget will be developed during implementation)
- Inclusiveness action plan
- Monitoring and evaluation plan
- Revised risk management plan/matrix; and
- Strategy for establishing the Knowledge Mgmt and Research Platform.

Transfer of agreed existing programs to PGF

For each of the pillars, AHC is currently reviewing and redesigning existing programs to align with its revised Governance Strategy. The PGF will initially comprise a mix of existing, modified AHC governance programs and proposed new programs. Annex 1 provides an overview of the existing programs that will, with revision, transfer to the PGF. The SP will be responsible for establishing and mobilising the PGF to prepare for the efficient and effective transfer of agreed existing programs, ensuring continuity in the provision of assistance. Existing programs will not be transferred all at once; the process will be staged and will extend into the implementation phase in some cases. However, the SP will have established an effective process to manage the transfer during the inception phase.

The existing Deployee Support Services (DSS) program provides logistical support to Australian Government advisers deployed to a range of PNG departments and agencies primarily under the Strongim Gavim Program (SGP) and support for twinning arrangements between Australian and PNG government agencies. It is not envisaged that there will any substantive change to the current DSS program in terms of services provided. Annex 2, Part G provides more details on these.

Implementation Phase (July 2016 – June 2020)

During the Implementation Phase, the SP will provide the services as detailed in the draft Statement of Requirements (Annex 2) and other services detailed in the SP's Implementation Plan and agreed by the AHC.

AHC Program Synergies

Governance Pillar activities will be undertaken in up to 8-12 provinces/districts. At this stage the provinces will include Manus, Western Province, Morobe, Oro (Northern), Southern Highlands/Hela, Western Highlands and Sandaun. It is envisaged that the AHC Governance and Justice Services programs will be closely aligned and coordinated and there will be significant potential for synergies between the two programs. In addition, the Pacific Women program will also undertake activities in the some of the provinces. Given this AHC will require the SP to establish a number of small provincial sub offices with locally engaged staff to serve as program focal and coordination points for governance, justice and Pacific Women program activities.

Gender and Inclusiveness

¹⁴ ie a 2 year rolling plan and budget.

A key result area for the PGF is to ensure that all future Australian governance programs will benefit women and girls and people living with disabilities to improve equality. Many of the existing governance programs across each of the four thematic pillars incorporate gender, inclusion, women's empowerment and disability activities. Most of these activities will continue under the PGF.

The SP will be required to develop a detailed Gender action plan and Inclusiveness action plan within the first 9 months of implementation. The plans should include an analysis of how to increase empowerment of women and people with disabilities respectively within each program, based on lessons learned from past activities in PNG and international good practice in achieving results. Consideration should be given to including an outline PGF gender budgeting strategy to set benchmarks for gender in relation to all governance program activities.

There will be additional opportunities for the PGF to advance DFAT's and GoPNG gender and inclusiveness agenda through close liaison with the DFAT Pacific Women Shaping Pacific Development Program. The Pacific Women program has recently been tendered by DFAT and the program includes provision for a Support office in Papua New Guinea¹⁵. The PGF activities across the four pillars will provide entry points for Pacific Women and vice versa. The PGF is also expected to establish its own gender expertise and capacity to achieve this result.

Child Protection

The SP staff will come into contact with children or minors as part of PGF programs. DFAT has over-riding policies associated with child protection with all funded SPs and bound by strict policies in relation to managing and reducing risks of child abuse by persons engaged in delivering DFAT activities. This includes a 'zero tolerance' approach on all issues relating to child abuse and child pornography. The SP will reflect this clear, unambiguous policy in planning, operations and management. All SP contracted staff will be briefed on DFAT's Child Protection policies and the SP's approach incorporated into a PGF Operations Manual.

Value for Money

Value for money is a key consideration for DFAT. Significant reductions in overhead and transaction costs are anticipated from the rationalisation of corporate systems resulting from consolidation within a single Facility. Better value for money is expected to arise from three primary sources:

- Economies of scale - enabling for example savings in SP 'back office' costs and proportionate reductions in management charges;
- Transaction efficiencies - enabled by greater delegation to the SP to re-engineer administrative processes (as distinct from just cost-shifting) and strip out unproductive activities;
- Portfolio management – that enables the SP in discussion with AHC/GoPNG to stop poorly performing activities if improvement is not evident (in line with DFAT's performance commitments for the Australian aid program) and reallocate resources to more promising activities.

¹⁵ The PWSPD unit is expected to be operational in 2015.

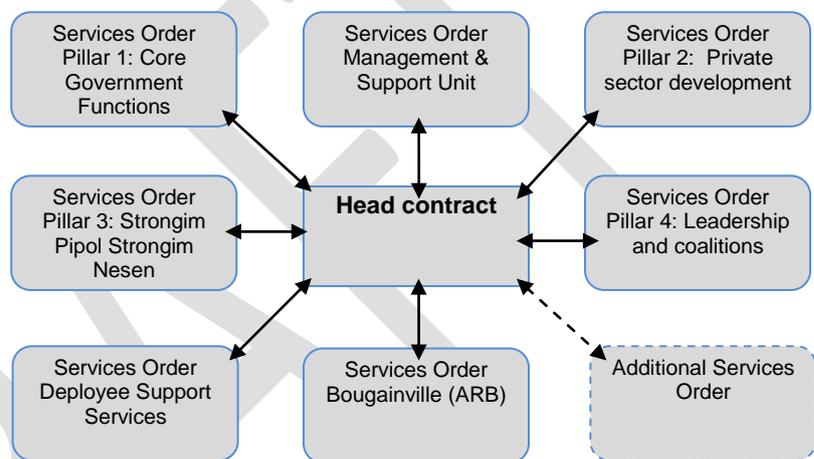
Value for money is not delivered as a one-off exercise but is a continuous management process. The SP will be required to demonstrate clear value for money for all activities supported by the Facility. This will include demonstrating that administrative costs are minimised; that management processes (including procurement procedures) are designed to maximise cost effectiveness; that commercial risks are managed sensibly in a geographically challenging operating environment; and that funds are allocated based on evidence of results to ensure the greatest possible impact.

With this in mind, AHC is establishing baseline measures for the main anticipated sources of VFM improvement. These will form the basis for assessing on-going value for money on at least an annual basis under KRA 3 of the PGF results framework. The measures and approach will be refined during the inception phase. At this stage, tenderers should explain their prospective approach, how they will deliver expected transaction efficiencies, and how their staffing arrangements for the MSU represent the best value for money.

Contracting Model

The PGF will use a Period Offer/Service Order contract model. Figure 3 outlines the major elements of the proposed contract structure and the major service orders. Multiple service orders will be issued over time under each pillar. A draft Statement of Requirements is attached at Annex 2.

Figure 3: Outline of PGF contract structure



The AHC in Port Moresby will have overall responsibility for PGF contract management and administration.

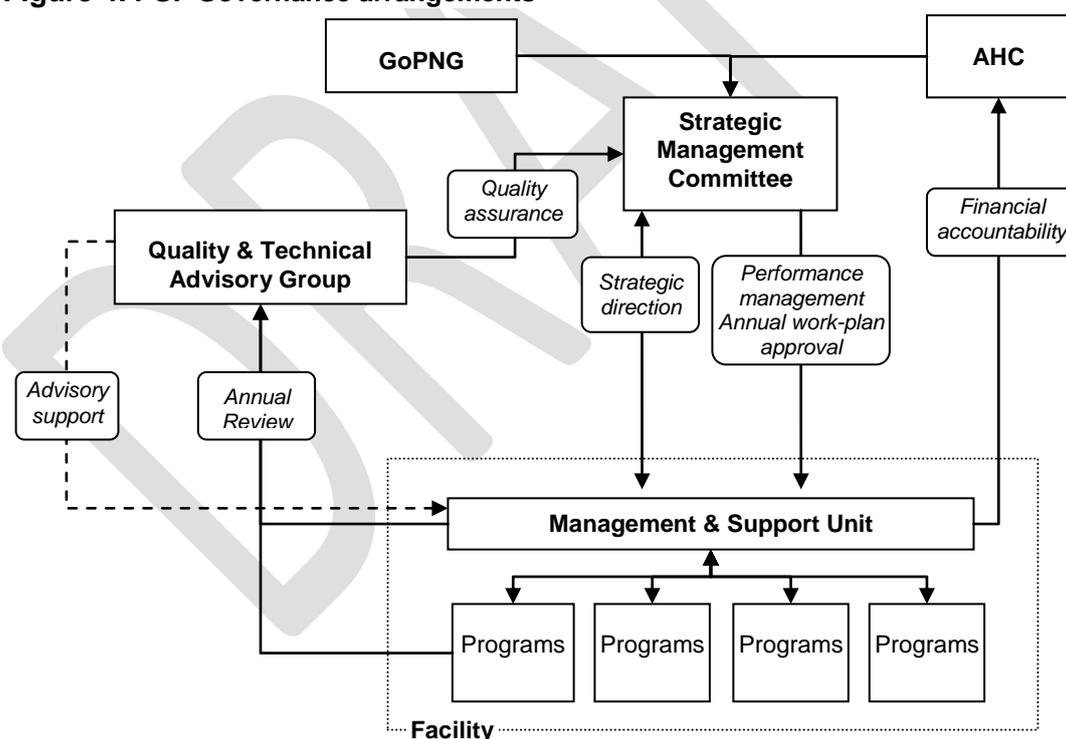
PGF expenditure should be “On Plan” and “On Budget” for GoPNG aid flow and budget planning and reporting purposes. However, the design does not envisage any substantial use of partner government public financial management systems at this point. Any subsequent decision to use partner systems would be subject to the DFAT policy requirements including independent assessment(s) of the systems.

4 Governance Arrangements

The PGF will be overseen by a Strategic Management Committee, which will provide strategic direction to the Facility and approve annual work plans and all major new programs (figure 4). The Strategic Management Committee will be co-chaired by the AHC PNG Head of Mission (HOM) and the GoPNG Chief Secretary. Committee composition will strive for a balance of both women and men to provide women's voice in decision making across the program. Core membership will be determined by subsequent decision between the AHC and GoPNG but will likely comprise:

- a senior nominated GoPNG Departmental Secretary;
- PNG private sector nominee;
- PNG civil society nominee;
- AHC Minister Counsellor - Governance;
- AHC Counsellor - Gender;
- SGP nominee;
- Facility Director;
- Representatives from invited PGF governance programs; and
- SP head-office representative.

Figure 4: PGF Governance arrangements



The Strategic Management Committee will meet six monthly¹⁶. The primary functions will be:

¹⁶ The timing of the Strategic Management Committee meetings will be June and December to fit with AHC budget cycle.

- Consider, approve and monitor the Facility annual plan/program of work;
- Review the PGF gender action plan;
- Identify priority areas and opportunities for PGF engagement;
- Consider and approve design and development of PGF governance strategies and programs;
- Review mid-year PGF performance reports;
- Consider and approve the Annual Review and recommendations;
- Assess and advise on country, program and operational risks; and
- Consider PGF audit reports and recommendations and agree any necessary actions.

The Management and Support Unit (MSU) will provide secretariat support services to the Strategic Management Committee, covering drafting of agendas, in consultation with the co-chairs, notifying members and invitees of meetings, drafting minutes and materials for meetings as necessary and circulating documentation in a timely manner. In addition, the MSU will ensure agreed progress and performance reports are provided to the Strategic Management Committee.

In consultation with GoPNG, AHC will establish the strategic direction and coherence for PGF assistance. AHC will also build and maintain relations with all key stakeholders. Australia's bilateral relationship with PNG is highly complex and multi-dimensional and effective management will require close working between AHC and the SP. Achieving substantive progress in this environment will be a shared endeavour. To that effect, AHC will nominate key Governance program management personnel from within the AHC for liaison with the SP on PGF policy, strategic and programming issues. Arrangements will be established for regular, routine meetings between these AHC staff and Senior Facility staff.

At the operational level, the SP will be responsible for ensuring an action research-based, iterative and adaptive approach to implementation. To do this, the SP will be enabled by appropriate levels of delegation and suitable financing mechanisms. The AHC in Port Moresby will have overall responsibility for PGF contract management and administration. SP senior management representatives will meet regularly with AHC staff to review overall progress and address and resolve any issues. We envisage initially the SP will attend weekly operational management meetings with AHC.

Both the SP and the Strategic Management Committee will be supported by a Quality and Technical Advisory Group (QTAG). The QTAG will quality assure program designs and major outputs produced by the Facility and lead the Annual Review process. It will work closely and cooperatively with the MSU and will be available to respond to requests for short-term guidance on questions of design and implementation, from either the MSU or DFAT itself. However, the QTAG's work program and support activities will be approved by DFAT and it will ultimately report to the Strategic Management Committee. The contract for the QTAG will be tendered separately.

The AHC is reviewing the various governance arrangements currently in place for each program/project with a view to rationalising and simplifying the arrangements at the PGF Pillar level. This includes governance arrangements for the program of governance support to the Autonomous Region of Bougainville. The SP will contribute to the revised arrangements during the inception phase.

Annual Implementation Cycle

The PGF annual plan (workplan and budget) will be developed and updated on an annual rolling basis with a two year time horizon. The SP will prepare a draft workplan and budget for the coming twelve month period

(July-June) but include indicative plans and budget for the following year. The SP will over-program parts of the workplan where appropriate, to provide the Strategic Management Committee with options to develop strategic direction and support a portfolio management approach by the SP. The SP will be expected to present the draft workplan and budget to the AHC by mid March. Development of the plan will be supported by a substantive reflection and review process for each pillar to identify necessary adjustments to programmed activities. The SP will design this process during the Inception Phase but tenderers should indicate in their bids how they would approach the design.

The draft annual plan will normally be available before the Annual Review exercise and will be finalised in the light of the Review findings and recommendations. The final plan will be submitted to the Strategic Management Committee for approval in June each year.

Monitoring and evaluation

The SP will be responsible for designing and implementing an efficient and effective monitoring and evaluation system for the Facility, informed by the DFAT standards. Given the range of activities supported by the PGF, monitoring and evaluation arrangements must be smart, practicable and informative, with the capability to spot potential risks and opportunities early.

The system will need to provide progress information at three levels:

- Each individual program will need proportionate monitoring arrangements in place that provide regular information about progress (financial and outputs) against expected results and program risk status. This will be based on clarity about the intended changes being supported, how they will come about (program theory), and how they contribute to the strategic aims of the pillar.
- Progress of the Facility as a whole (including the program portfolio under each pillar) will be assessed against the goal, objective and key result areas established in the finalised PGF results framework; this will include measures of coordination and efficiency aligned with new DFAT VFM standards.
- Monitoring of the broader governance context within Papua New Guinea will be conducted to augment routine monitoring activities and enable the trajectory of change to be tracked over time. To support this, the SP should include capacity to conduct periodic diagnostic and evaluative research on aspects of the PGF's work. It is expected that the necessary capability for context monitoring will be located within the PGF's Knowledge and Research Platform.

The monitoring and evaluation system will be developed in consultation with AHC and DFAT's Aid Management and Performance Branch (Canberra) during the inception phase. As a key user of the system's outputs, AHC will need to be closely involved in its development and in defining the reporting routines (form and frequency). To ensure efficiency, SP performance reports will need to be aligned with AHC's needs for reporting and learning and DFAT's corporate performance reporting requirements under the new performance framework for Australian aid. This will include the 10 Key Targets and any future aid/governance 'benchmarks' that will be agreed with GoPNG. The performance monitoring approach will also need to be closely linked to risk management arrangements.

The SP will report on performance to the Strategic Management Committee twice a year. The format of performance reports to the Committee will be agreed in discussion with AHC. Simplicity and 'fit-for-purpose' will be key determinants of the structure and content of the reports.

The SP will submit a finalised results framework for the PGF (including indicators and means of verification) and a monitoring and evaluation plan to the Strategic Management Committee for approval within the first six months of the inception phase. At this stage, tenderers are required to elaborate their proposed approach to

the design and development of PGF's monitoring and evaluation arrangements. Annex 3 discusses further the characteristics of the monitoring and evaluation needs for PGF to inform tenderers' submissions.

External review and quality assurance

The PGF will be subject to annual review, led by an external QTAG. The SP, as a key stakeholder, will also participate substantively in Annual Reviews. Annual Reviews will use information from the PGF monitoring and evaluation system, supplemented with additional data collection as necessary.

Annual Review will:

- Examine performance against the results framework at the Facility pillar level;
- Review a sample of programs – selected on a rolling basis each year so that all programs will be examined by the QTAG at least once every three years (individual program level);
- Assess the performance of the SP (annual contractor performance assessment);
- Review of PGF's approach to risk assessment, management and reporting and, if appropriate, provide recommendations for improvement;
- Provide an overall assessment of the effectiveness and efficiency of the PGF and, if appropriate, provide recommendations to inform finalisation of the annual planning process.

The QTAG and SP will maintain a close and cooperative working relationship. As far as possible, the Annual Review report submitted to the Strategic Management Committee should be agreed with the SP. However, if agreement is not possible, the QTAG will indicate which of its conclusions are disputed and why.

In addition to the Annual Review, the QTAG will also provide quality assurance and advisory services to the Strategic Management Committee and Facility Director on a demand-led basis. This will include review of program designs on behalf of the Strategic Management Committee and advisory support on aspects of implementation. In addition, the QTAG may be tasked by the Strategic Management Committee to undertake 'deep dive' assessments to inform the strategic direction on the PGF or to address any particular issues.

The SP will arrange an annual, external independent financial audit, including review of the SP's financial and project management systems. Individual programs may be selected, on a risk-basis, for examination as part of the external audit exercise. In addition, individual programs may be subject to review by AHC internal audit.

The PGF will be subject to an independent review after three years operation and independent evaluation after five years. These activities may or may not be conducted by the QTAG, depending on the Strategic Management Committee's views at the time. These activities and the QTAG will be contracted separately by the AHC.

5 Risk Management

Appropriate, well-managed risk-taking will be a key feature of PGF. Tender proposals should explain the proposed approach to managing risks at the following levels:

- Risks in the wider operating environment, including political and security risks;
- Risks at the program level, individually and;
- Risks at the PGF level to strategic coherence and achievement of overall objectives, arising from the facility modality (see below);
- Risks at the MSU level, including management risks arising from the complexity of the PGF and the challenge of securing and retaining high-quality staff (especially women) for work in Papua New Guinea;
- Fiduciary risk, including sub-contractor capacity risks and risk of fraud particularly in respect of grant funding;
- Reputational risks for DFAT and the AHC.

As point of reference, Annex 4 provides a summary of the key risks identified at concept design. In particular, there are a number of risks arising from both the facility model and its poor application. Notable among these is the potential for 'drift' from a coherent set of objectives and fragmentation in the face of strong and continuous demand for small packages of assistance in a diverse range of areas. The PGF will be required to respond to and manage this demand but this should not be at the expense of strategic coherence. Clarity of underlying purpose for all programs will be important in managing this risk, as will high quality contextual and program monitoring and evaluation to inform the annual review and reflection process.

As a large and complicated facility, there are risks associated with the mobilisation and set up phase. Consequently, AHC is preparing its own transition plan to manage risks during inception and will assign a Transition Adviser to support AHC's engagement during this period.

As part of the inception phase, the SP will:

- Develop PGF's approach to assessing, monitoring and reporting risks across the different levels;
- Detail the principal areas of risk and develop a management plan to mitigate these as far as feasible and desirable (in line with the Strategic Management Committee's risk appetite).
- Produce a PGF Risk Management Strategy/Matrix to be approved by the Strategic Management Committee within the first 6 months.

Thereafter risks should be reviewed regularly by the SP in a risk register along with latest assessments (pre- and post-mitigation). This should be a living document, for discussion at regular Program Management meetings with AHC and informing the six monthly and annual reports.

Anti-Fraud

The SP will develop and implement systems and processes that guard against fraud, nepotism and corruption. This will include:

- A 'zero tolerance' position on fraud;
- Using transparent processes in the selection of local service providers and other contractual arrangements and exercise due diligence over any sub-contractors;

- Clear articulated financial operating procedures suitable to the different forms of aid being managed, to be followed by SP management and operational staff and monitored for accuracy and completeness.
- SP financial management procedures that are compliant with the relevant financial management, fraud control and accountability requirements of DFAT. This includes processes that enable all funds to be tracked, justified, reported on and (where required) audited; and
- SP to procure independent external financial audits annually, the TOR and appointment of which will be approved by AHC but will include review of the SPs financial and project management systems; external audits may include sub-recipients of PGF funding.

The SP will be required to notify AHC immediately where any financial mismanagement or fraud is detected or suspected. DFAT reserves the right to withhold payments or terminate the contract on grounds of inadequate financial management.

Security and Disaster Management

The SP will need to develop and regularly update *Security and Disaster Management Plan* and provide a copy to all contracted personnel. Given the particular security environment in PNG it is expected that the SP would provide inductions and regular briefings on security to all contracted staff and also to Australian Whole of Government staff as required by the contract. This includes, but is not limited to, the provision of telephone numbers of key SP emergency contacts as well as contingency plans for responding to emergency situations. The Plan should also address business continuity aspects of emergency response

Annex 1: Description of existing programs¹⁷ expected to transfer to PGF

Proposed Pillar	Program title & annual spend	Current Description (note: subject to change through 2015)	Expected transfer arrangements
Core Functions of Government	Strongim Gavman Program <ul style="list-style-type: none"> Employee Services Support 	<ul style="list-style-type: none"> Logistical support; Secretariat support for AHC and GoPNG Program Monitoring and evaluation. 	<ul style="list-style-type: none"> Transfer as agreed by July 2016; plus Implement new management arrangements including providing additional in-PNG 'secretariat' function.
	Elections Program	<ul style="list-style-type: none"> Logistical support for 2017 elections, AEC, ACC, and AFP Technical assistance (est x4 LTA) Procurement and financial advisory support Support for electoral events in Bougainville 	<ul style="list-style-type: none"> Transfer as agreed by July 2016; plus Implement new strategy.
	Economic & Public Sector Program <ul style="list-style-type: none"> Support for Central Agencies Human Resource Management 	<ul style="list-style-type: none"> Technical assistance (est X15 LTA) Coordination with SGP advisers Provision of advisory assistance to DPM (est X1 LTA). Technical support for HR Connect Program; Piloting program in selected provinces; Coordination with PNG Institute of Public Administration – School of Government; 	<ul style="list-style-type: none"> Transfer as agreed by July 2016; HRM: Transfer as agreed by July 2016;

¹⁷ Most of these programs are undergoing significant review and re-design through 2015.

	<ul style="list-style-type: none"> National Research Institute Tanim Graun Program PNG IPA-School of Government Women's Leadership in Public Sector – GESI 	<ul style="list-style-type: none"> Annual core funding program; Advisory assistance; Coordination with ANU Coordination and presentation of regular governance forum televised; Provision of technical assistance; Appointment of PNG staff. Oversight and coordinate Australian overall assistance; Provision of advisory assistance to IPA-SoG; Support for Public Sector Graduate Program; Coordination with DPM and APSC; Coordination with UPNG. Provision of advisory assistance to Dept of Personnel Management; Program support for central agencies and provincial pilots (3). 	<ul style="list-style-type: none"> NRI: Program transfer as agreed by July 2016 to Leadership Pillar Transfer as agreed by July 2016 to Civil Society Pillar. Transfer as agreed by July 2016 to Leadership Pillar; Transfer as agreed by July 2016 to Leadership Pillar; Implement new strategy/program developed in 2015.
	<p>Provincial & Local Government Program</p> <ul style="list-style-type: none"> Public Expenditure Management Provincial & District Programs Leadership Mentoring Program 	<ul style="list-style-type: none"> Technical assistance to selected central agencies (DoF, NEFC, DPLGA) Coordination with SGP advisers Coordination with other key donors including UNDP and ADB Provision of advisory assistance to selected provinces and districts. Minor procurement. Recruit and maintain a select group of PNG senior advisers (6-8) to assist provincial and district politicians and administrators; Dedicated Political-Bureaucratic Leadership Program (To be developed in 2015). Advisory assistance. Technical assistance 	<ul style="list-style-type: none"> PEM: Transfer as agreed by July 2016; Transfer as agreed by July 2016. Transfer as agreed by July 2016 to Leadership Pillar.

	<ul style="list-style-type: none"> • Kokoda support program • Manus support program • Bougainville Public Sector 	<ul style="list-style-type: none"> • Program and procurement • Technical assistance • Technical assistance • Program and procurement • Technical assistance 	<ul style="list-style-type: none"> • Transfer as agreed by July 2016 to Civil Society Pillar. • Transfer as agreed By July 2016. • Transfer as agreed by July 2016 to Bougainville component
Private Sector Development	Innovations Partnership Fund (new)	<ul style="list-style-type: none"> • Small grants program. 	<ul style="list-style-type: none"> • To be developed by PGF in Inception Phase.
	Institute of National Affairs Partnership	<ul style="list-style-type: none"> • Annual core funding to INA based on agreed workprogram (to be developed during 2015). 	<ul style="list-style-type: none"> • Transfer as agreed by July 2016 to Leadership Pillar.
Civil Society: Accountability, Transparency & Better Governance	Churches Partnership Program	<ul style="list-style-type: none"> • Core funding to PNG churches through Australian Church INGOs. • Logistical and program support. • Secretariat function for Churches Partnership. 	<ul style="list-style-type: none"> • Transfer as agreed By July 2016
	Strongim Pepol Strongim Nesen Program	<ul style="list-style-type: none"> • Key Partnerships • Core funding to agreed key partners (up to 15). • CARE Integrated Community Development Program (Eastern Highlands); • SPSN Bougainville Peace Building Program; • SPSN Manus Community Development Program; • RRRC Building Resilience in Treaty Villages Western Province Program; • Kokoda Integrated Community Development Program (expected to be developed in 2015). • CARE Strengthening Community Government (Bougainville) 	<ul style="list-style-type: none"> • Transfer as agreed by July 2016; • Transfer as agreed by July 2016; • Transfer Panguna CDD to Bougainville component • Transfer CARE Strengthening Community Government and Bougainville Peace Building Program to Bougainville component

	<ul style="list-style-type: none"> Management and administration of a small grants program. National Museum Project 	<ul style="list-style-type: none"> Accreditation program for the Community Development Workers Sports for Development?? Management and administration of a small grants program. Technical assistance; Procurement. 	<ul style="list-style-type: none"> Transfer as agreed by July 2016; Transfer as agreed by July 2016;
Leadership & Coalitions	Pacific Leadership and Governance Precinct <ul style="list-style-type: none"> Institute of Public Administration 'School of Government' 	<ul style="list-style-type: none"> coordination with UPNG and ANU partnership; infrastructure to IPA technical assistance to IPA 	<ul style="list-style-type: none"> Transfer as agreed by July 2016;

Autonomous Region of Bougainville Governance programs

Proposed Pillar	Program title & annual spend	Description	Expected transfer arrangements
Core Functions of Government	Public Sector Program	<ul style="list-style-type: none"> Technical assistance 	<ul style="list-style-type: none"> Transferred as agreed by July 2016
	Bougainville Governance Implementation Fund (GIF) (AUD 10 million – including AUD5 million from Government of New Zealand)	<ul style="list-style-type: none"> Program management and logistical support to ABG for: <ul style="list-style-type: none"> Implementing the Autonomy pillar of the BPA Capacity to design and establish systems for de-centralised service delivery Targeted Economic Development opportunities Program to be re-design in 2015, including new management structure that accommodates NZ 	<ul style="list-style-type: none"> Transfer as agreed by July 2016

Private Sector Development	Agriculture and Economic Development (new)	<ul style="list-style-type: none"> • Program support expected to be developed during 2015) • Possibly through GIF TBC • Program support expected to be developed during 2015 and delivery as an activity under the GIF 	<ul style="list-style-type: none"> • Transfer as agreed by July 2016
Civil Society: Accountability, Transparency & Better Governance	Community Grants Program (New)	<ul style="list-style-type: none"> • Small, medium and large grants to community, church and NGOs • Building on small-scale pilots developed in 2015 through SPSN (CARE Community Government Strengthening) and community government infrastructure delivered through GIF • To be developed in 2015 	<ul style="list-style-type: none"> • Transfer as agreed by July 2016
	Community Government Program (new)	<ul style="list-style-type: none"> • Program support to strengthen community government • Building on small-scale pilots developed in 2015 through SPSN and GIF 	<ul style="list-style-type: none"> • Transfer as agreed by July 2016
	Bougainville Peace Building Program	<ul style="list-style-type: none"> • Technical assistance • Local advisory personnel 	<ul style="list-style-type: none"> • Transferred from SPSN as agreed by July 2016.
Leadership & Coalitions	Leadership and Civic Engagement Program (New)	<ul style="list-style-type: none"> • Public servant training, twinning, internships; • Ministerial/Senior Public service induction and mentoring program; • Youth leadership mentoring and civic education • Civil society organisations and advocacy • To be developed in 2015. 	<ul style="list-style-type: none"> • Transfer as agreed by July 2016.

Annex 2: Schedule 1 Statement of Requirements

Annex 2 (Schedule of Requirements and Pricing Schedule) is currently being finalised by DFAT and will be released as part of the tender documentation

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Annex 3: PGF monitoring and evaluation

The SP will be responsible for designing and implementing an efficient and effective monitoring and evaluation system for the Facility. As a key user of the system, AHC will be closely involved in its design and on-going development.

Monitoring progress of governance programs in ways that yield valid, insightful and actionable information is challenging. Determining what information is desirable, necessary and feasible, what routine monitoring can deliver and what needs deeper, periodic evaluation all require discussion and negotiation among stakeholders. Previous approaches to monitoring and evaluation of governance programs in PNG have frequently not been fit-for purpose: in addition to programs themselves lacking effective theories of change to facilitate monitoring, the design of systems and reports has too often been left to contractors to determine in isolation and consequently failed to satisfy target audiences. They have also tended to rely on measures of activity and process, while at the same time targeting very high-level outcomes and have failed to acknowledge the broader set of influences affecting governance trajectories.

The SP will design PGF's approach to monitoring and evaluation in close consultation with AHC and other stakeholders. This annex sets out expectations of the system that should shape the development of the overall approach.

The system must meet two basic requirements: PGF's own internal requirements for management control and learning; and external stakeholders' information needs.

For the former, the system will need to be aligned with the annual process of review and reflection, to inform and support the iterative, adaptive annual planning approach proposed for PGF. Good links will also be needed with the PGF Knowledge and Research Platform, as both a user of and a contributor to PGF monitoring and evaluation outputs.

For the latter, AHC is a key user and the system will need to meet both DFAT accountability requirements (financial and performance) and AHC learning needs. In order to be fit for purpose, outputs of the system will need to be discussed and agreed with AHC and other external stakeholders to ensure they meet information needs in as efficient and simple manner as possible. In particular, at the pillar level, reporting will need to provide stakeholders with a clear picture of how the governance portfolio is performing, in a succinct and accessible form. Stakeholders' information needs are likely to change over time, as needs shift. In addition to regular "learning" outputs for AHC staff, reporting routines (format and frequency) will need to be aligned with the DFAT's new performance framework for the aid program, including the 10 Key Targets and future aid/governance 'benchmarks' that will be agreed with GoPNG.

Monitoring and evaluation activities for PGF will need to operate at three, related levels: Program; Facility; and Context.

Program level

Monitoring and evaluation arrangements for existing programs transitioned to the PGF will need to be reviewed by the SP during the Inception Phase. While there may be some opportunity to utilise current arrangements for individual programs, the sheer diversity of PGF programs dictates the final approach overall must be proportionate – realistic, practicable (given capacity) and focused on essentials. The approach for each program should be based on clarity around three basic questions:

- a) What change (realistically) is the program trying to support?
- b) What is the program's theory about that change? (i.e. what determines current governance practice and what is the hypothesis about how the program will affect behaviours and support change?)
- c) How will the change contribute to the broader strategic outcomes under each pillar?

Within this frame, each program will need monitoring arrangements in place to provide regular information about progress (financial and outputs) against expected results and program risk status; these should be informed by the DFAT standards (2 and 3) for monitoring and evaluation. Exact measures and methods will

be tailored to the particular program but should be sufficient to provide management with a view of whether the program appears to be working as intended.

Program-level evaluation (as distinct from monitoring) will focus on understanding *why* the program is working the way it is (positively or negatively). At the individual program level, evaluation activities will vary according to need but we anticipate this will involve a shift from conventional independent, mid-term or end-of-project reviews, towards more action research/learning, embedded, focused, real-time activities designed to inform planning and management decision-making. Approaches such as developmental evaluation and most significant change may be useful in this regard.

Facility-level

Progress of the Facility as a whole will also be assessed. This will cover the performance of programs under each pillar (KRAs 1 and 2) as well as the effectiveness of the facility itself in delivering the services (KRAs 3 and 4).

For the former, a portfolio approach to monitoring may be appropriate. Unlike the typical engineering-based model of performance, individual programs may not collectively 'add up' to the pillar's strategic outcome, under a single unifying theory of change. Rather, programs may represent a different route to the outcome, operating under their own theory of change, and significant success in one or two respects may deliver sizeable pay-offs. However, this requires a portfolio-wide perspective on performance and a sound approach to managing performance risk – ensuring the portfolio is balanced (in terms of short vs. long-term gains, riskiness of initiatives and their potential pay offs) and the capability exists to identify quickly areas that are not delivering anticipated results and scale back, while scaling up where potential exists.

Evaluation at the portfolio level will need to be tailored to the specifics of the mix of programs and the key questions of interest. While each program may be considered 'unique' there will be scope for evaluation to contribution to learning across the portfolio. Approaches such as cluster evaluation and systematic, case-based comparative techniques, (e.g. qualitative comparative analysis), may be useful in this regard.

Tracking the effectiveness of the facility itself will require assessment of progress against the goal, objective and key result areas established in the finalised PGF results framework; this will include measures of VFM aligned with new DFAT standards and coordination and coherence within and across pillars. The Facility's performance in these regards will be reviewed annual ly by the QTAG. A draft overarching framework is provided in table 4.1. This will be developed and finalised in close consultation with DFAT during the inception phase.

Table 4.1: Draft results framework at the Facility level.

	Illustrative indicators
<p>Goal To contribute to security, stability and prosperity in Papua New Guinea</p>	<ul style="list-style-type: none"> • Evidence of uptake by leaders and coalitions of learning generated by PGF • Wider application by leaders and coalitions of learning generated by PGF
<p>Objective Improved programming by AHC to promote governance that supports stability and growth</p>	<ul style="list-style-type: none"> • % programs scoring satisfactory or higher against partners' mutual obligations • % poor performing programs improved or cancelled within 12 months • % programs engaging the private sector • Appropriately balanced (risks and benefits) portfolio of governance programs

<p>Key result area 1: Effective governance programs, addressing development opportunities and constraints in priority areas, delivered</p>	<ul style="list-style-type: none"> • % of programs demonstrating or on-track to demonstrate positive changes to governance arrangements • % satisfaction among pilot stakeholders with program performance
<p>Key result area 2: Governance programs effectively addressing critical gender issues demonstrated</p>	<ul style="list-style-type: none"> • % of programs effectively addressing gender issues in their implementation (Annual review score)
<p>Key result area 3: Efficient and effective operational support provided to PNG stakeholders and the AHC</p>	<ul style="list-style-type: none"> • % programs meeting VFM standards • On-going consolidation of Australian governance assistance; • On-going coordination and coherence of Australian assistance • Reduced unit management costs (measured against pre-PGF baseline) • Annual review score
<p>Key result area 4: High quality knowledge and learning about governance and development in PNG communicated effectively to stakeholders</p>	<ul style="list-style-type: none"> • QTAG scores for quality of PGF program designs and research/learning products • Use among target stakeholders of research • Annual review score

Context-level

To augment routine monitoring activities, the SP should also include capability to assess the broader governance context within Papua New Guinea and track the trajectory of change over time (context monitoring) and to conduct diagnostic and evaluative research on aspects of the PGF's work.

This will entail periodic country governance risk assessment of the broader operating context for PGF and longitudinal research, including public perception surveys, to track changes in knowledge, attitude and opinions about governance in Papua New Guinea. The initial framework to guide this work will also be developed during the inception phase but will be adapted in the light of experience. This assessment capability will be located in the PGF's Governance Knowledge and Research Platform.

Annex 4: PGF concept design risk matrix (summary)

Risk	Risk rating			Proposed Treatments	Entity(ies)	Residual Risk Rating
	Impact	Likelihood	Rating			
Risks in the Operating Environment						
Increased political instability and insecurity in PNG adversely impact on AHC ability to implement governance programs	Severe	Possible	High	No risk mitigation measure identified	N/A	High
Further reductions in aid program budget and DFAT (Aid) staff at Post	Moderate	Possible	High	DFAT may need to consider transfer of contract management function to Canberra	DFAT	Moderate
Further (Australian Government) changes in priorities and focus of aid (and governance) program to PNG	Major	Possible	High	Facility contracting model incorporates flexibility to respond quickly to changes in Australian Government change in (PNG) aid priorities	AHC	Low
Lack of GoPNG engagement at the Sector (Facility) level through the Strategic Facility Management Committee	Major	Possible	High	Facility Strategic Management Committee chaired by HOM and Chief Secretary; Consultations have taken place with GoPNG via the proposed AHC Governance strategy which incorporates many of the changes proposed via the Facility	AHC, GOPNG	Moderate
Lack of Australian Government, GoPNG, private sector or civil society sector determination to increase women's empowerment	Major	Possible	High	Up front agreements that programs will focus on this; Gender plans that allocate human and financial resources to shift some of the barriers; monitoring at the highest level (PGF KRA 2)	AHC	Moderate
Transition to Single Facility SP						

Insufficient time for Facility SP to complete handover of physical assets, IP and program functions from existing SPs	Major	Possible	High	Inception phase for SP to arrange handover of assets etc; sequenced transfer of program functions (e.g. DSS) to PGF AHC's own transition plan and Transition Adviser	AHC	Low
Potential loss of existing experienced SP staff	Major	Likely	High	Early advice on new SP. Establishment period provides new SP with time to advertise and recruit experienced staff from existing SPs	Facility SP	Moderate
Streamlining of existing (individual) Program Governance mechanism through the single Facility reduces GoPNG engagement	Major	Possible	High	GoPNG/AHC program governance measures considered in Facility design	AHC	Moderate
Potential loss of continuity with existing PNG delivery Partners	Major	Possible	High	AHC and Facility SP Consultations with delivery partners in Facility "Establishment period" to explain changes.	AHC	Low
Insufficient time for AHC Governance staff to modify the scope of existing programs and draft Service Orders to implement programs with PGF	Major	Possible	High	AHC's own transition plan and Transition Adviser to assist program areas	AHC	Low
Facility and Program management						
Single SP model too complex and adversely affects performance	Major	Possible	High	Regular AHC/SP meetings to discuss performance. Constructive engagement Annual (formal) Contractor Performance Assessment; Contract management will be responsibility of AHC- coordinated to provide more consistent management engagement	AHC, Facility SP	Moderate

Further reductions in AHC PNG governance staff reductions results in lack of strategic oversight and direction in some programs	Moderate	Possible	High	Responsibility for strategic oversight/ direction of some governance programs transferred PNG Canberra Desk.	DFAT	Moderate
Insufficient number of AHC staff renders contract management of the Facility weak	Moderate	Possible	High	Agreement by AHC to resource contract management/administration functions across governance portfolio.	DFAT/AHC	Moderate
Limited availability of expert program staff (especially women) to work in PNG	Major	Possible	High	DFAT consultation with Whole of Government agencies to manage risk; Selection of expert SP with well-developed networks	DFAT, Whole of Government agencies	Moderate
Lack of GoPNG engagement at (governance) program level	Major	Possible	High	Existing governance arrangements for individual governance programs to be reviewed and where possible streamlined to ensure GoPNG engagement; QTAG cyclical review of individual program elements provides opportunity for GoPNG engagement.	AHC	Moderate
Facility research and learning processes do not inform, or not integrated into, governance programs	Moderate	Possible	High	Regular AHC/SP meetings to review research and learning results and integration into programs. QTAG annual review of the Facility	AHC, Facility SP and QTAG	Low
Potential complexity of coordinating Facility Annual (Program) Planning due to number and diversity of governance programs	Moderate	Possible	High	Timelines for individual governance programs input to Annual Planning process respected. PNG OPS coordination role to ensure Annual Planning process undertaken in timely manner	AHC , Facility SP	Low
Potential "disconnect" in integrating Facility Gender related activities with PWSPD PNG activities	Moderate	Possible	High	Early discussions between AHC and PWSPD Governance Counsellors. Examine opportunities for joint PWSPD/Facility activities.	AHC	Low
Risks in Facility design and implement						

approach						
Poor quality designs for new governance programs (political pressures)	Moderate	Possible	High	Appointment of expert SP; Independent QA of designs by QTAG	AHC/QATG	Moderate
Existing AHC QA mechanisms for new designs not conducive to a design and implement approach to respond to rapid changes in priorities.	Moderate	Possible	High	Internal AHC discussions re more "flexible" QA for designs using QTAG	AHC	Moderate
Facility "Learning and Research" findings not adequately reflected in new designs	Moderate	Unlikely	Moderate	Design plans and QA mechanism to include a specific criterion re integration of Research/Learning findings	AHC	Low
Fiduciary Risk						
Centralising DFAT program funds with single Facility SP potentially increases risk of fraud	Moderate	Possible	High	Review and refinement of country programs in response to M&E findings.		Moderate
Potential fraud risk involving delivery partners especially DFAT grant funding	Major	Possible	High	Due diligence checks on delivery partners. Rolling program of audit spot checks of DFAT program funds.	Facility SP	High

Risk Matrix Key

Likelihood/Impact	Negligible	Minor	Moderate	Major	Severe
Almost certain	Moderate	Moderate	High	Very High	Very High
Likely	Moderate	Moderate	High	High	Very High
Possible	Low	Moderate	High	High	High
Unlikely	Low	Low	Moderate	Moderate	High
Rare	Low	Low	Moderate	Moderate	High