



Australian Government



INCENTIVE FUND

INVESTMENT COMPLETION REPORT

JUNE 2023

PNGAus Partnership



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Introduction

The Incentive Fund is a flagship Australian-funded development program established in 2000 to improve service delivery and enhance economic opportunities for Papua New Guineans. This is achieved by supporting government and non-government organisations across PNG to develop high-quality infrastructure for health, education, agriculture, water and sanitation, and research. Support is provided through grants of between PGK1 and 10 million, and assistance to implement projects.

Throughout its 23 years of operation, the Incentive Fund has invested in projects in underserved and remote communities covering 21 of the nation's 22 provinces with an emphasis on gender equality and social inclusion.

Incentive Fund Phase 4 (IF4) commenced in August 2015 and concludes in June 2023. By program end, 16 projects will be completed, with another 3 projects continuing into Incentive Fund Phase 5 (IF5). A further 3 projects are in the late design stage and will commence at the start of IF5.

Objectives and results logic

IF4's aim is to improve the capacity of high performing organisations to meet the service delivery and economic development needs of Papua New Guineans by:

- expanding the reach, coverage, and quality of services; and
- expanding partner organisations' contribution to meeting economic development needs.

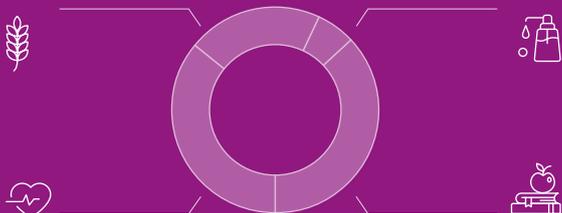
Visibility of Incentive Fund

Incentive Fund's long-standing high profile is reflected in the high volume of applications from across PNG. This profile has been maintained under IF4, including through the IF4 website and the Legacy Series of videos showcasing Incentive Fund's achievements which were broadcast on national television. Senior representatives of the Australian and PNG governments and community representatives attended 24 project launch and opening events for Incentive Fund.

IF4 INVESTMENTS

21% AGRICULTURE & RURAL DEVELOPMENT

6% WATER, SANITATION & HYGIENE



36% HEALTH

37% EDUCATION



13 PROVINCES, MOSTLY TARGETING PREVIOUSLY UNDERSERVED POPULATIONS

PHASE 1
(2000 – 2003)

27 projects K168 million
69% education

PHASE 2
(2004 – 2008)

12 projects K68 million
37% education
42% health

PHASE 3
(2010 – 2015)

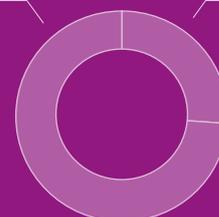
20 projects K132 million
59% education
37% health

PHASE 4
(2015 – 2023)

19 projects K110 million
37% education
36% health

74%

(14) projects designed to expand the reach, coverage and/or quality of service delivery



26%

(5) projects that promote economic development

Flexible responses to emerging priorities

IF4 also provided a flexible mechanism for DFAT to respond to emerging priorities, including additional funding streams.

- **COVID-19 Grants** supported Incentive Fund partner organisations to develop, scale-up and/or enhance their COVID-19 response. More than PGK300,000 was provided, supporting training, community outreach, improved hygiene and sanitation facilities, and specialised medical facilities.

- **Climate Change Grants** assisted vulnerable communities in PNG to mitigate and adapt to the risks of climate change, providing PGK1 million in grants to six new partner organisations.

Performance area: Immediate outcomes

IF4 is improving capacity of organisations to meet service delivery needs by expanding:

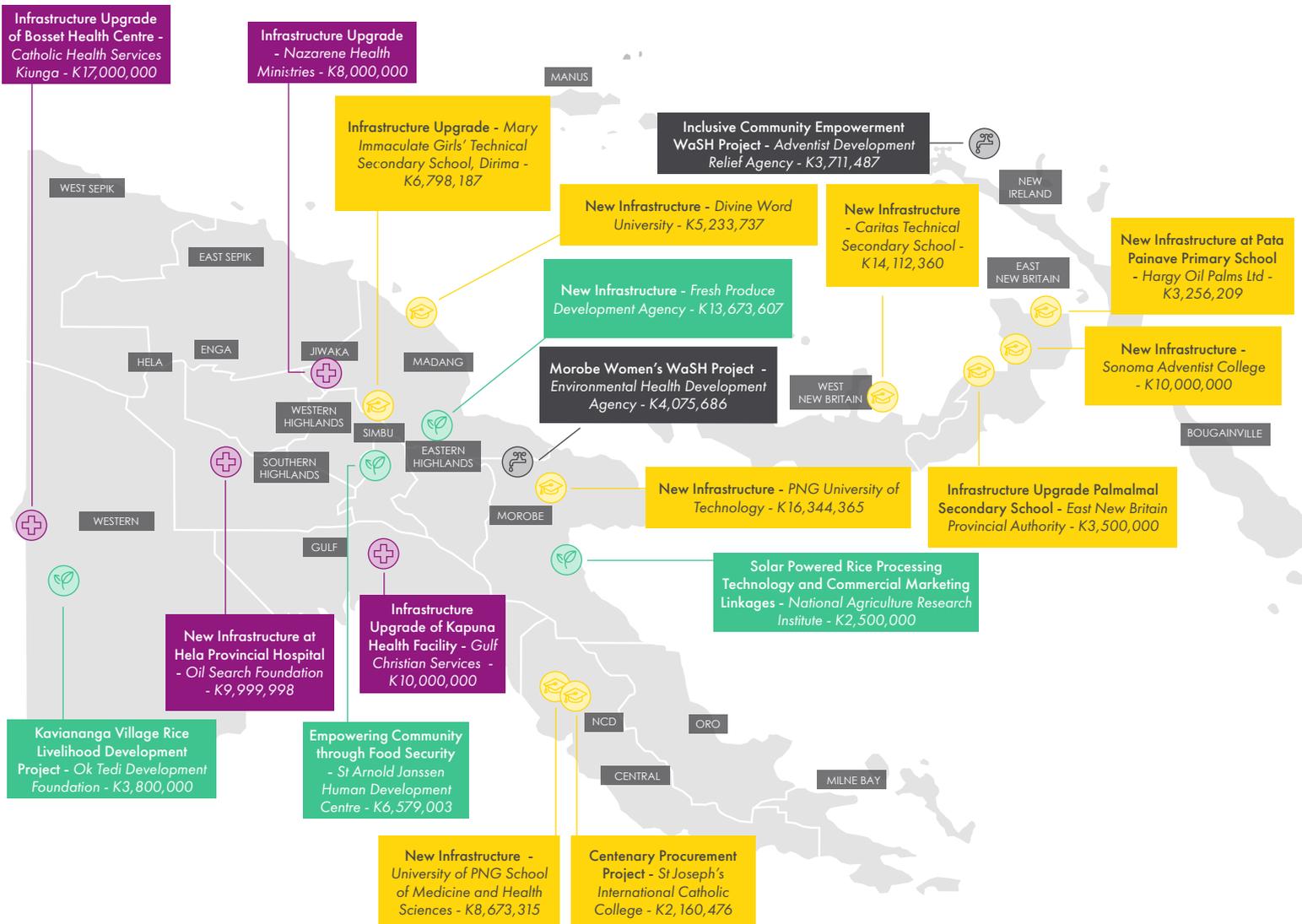
Reach – new recipients in new areas of service delivery.



Coverage – new recipients in existing areas of service delivery.



Quality – improved service quality for existing recipients.



HEALTH

EDUCATION

AGRICULTURE

WATER, SANITATION AND HYGIENE

Expanding reach, coverage and quality of services

Health services

All health facilities have upgraded infrastructure and recorded improvements in delivery and quality of health services through their Incentive Fund projects.

K39.2 MILLION
across
4 MAJOR HEALTH FACILITIES
in **four** provinces (Hela, Gulf, Jiwaka and Western), serving around
700,000 PEOPLE



Education services

K37.5 MILLION
across
7 EDUCATION INSTITUTIONS
in **five** provinces (National Capital District, Morobe, Simbu, Madang, and East New Britain), which serve over
7,300 STUDENTS
every year



Case study: Education - Palmalmal Secondary School

Prior to 2020, Palmalmal Secondary School's class quotas were exceeded with students having to sit on the floor. After the expansion of its facilities, the school can now accommodate the increase in enrolments brought on by the PNG government tuition fee-free policy. Palmalmal is the only secondary school in Pomio, which means it takes in students from several primary schools in the area and is a feeder for further education.



Water, Sanitation and Hygiene Services

K7 MILLION
for
2 WATER, SANITATION, AND HYGIENE (WaSH) PROJECTS
in **two** provinces (New Ireland and Morobe), expanding the reach of WaSH service delivery to
15,625 PEOPLE IN 29 PREVIOUSLY UN-SERVED COMMUNITIES



Meeting economic development needs

Economic development

K21.3 MILLION

for

4 AGRICULTURE & RURAL DEVELOPMENT PROJECTS

to support farming households in rural districts

across **six** provinces (Morobe, Western, Eastern Highlands, Simbu, Jiwaka, Western Highlands)

Economic infrastructure supported through IF4 includes:



10 agricultural resource centres



2,697 people in farming groups, including **1,174** women

2 laboratories



30 hectares of food production plots



3,743 people trained in food processing or production



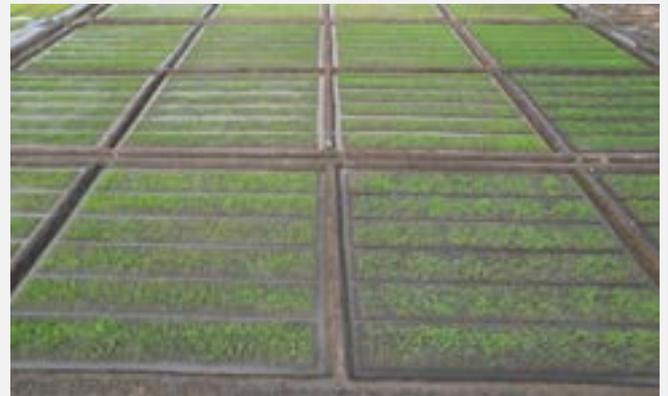
68 solar rice mills



1 irrigation system

Case study: Health services - Infrastructure Upgrade of Kapuna Health Facility

Kapuna Health Facility, through the support of an Incentive Fund grant, has been able to upgrade its facilities for most of its outpatients, which have historically been women. Inclusive facility design prioritised the views of primary service users, so that completed infrastructure was aligned with their needs and priorities. This resulted in a 40% increase in women receiving antenatal care for the one-year period ending March 2020, in comparison to the same period a year before.



Case study: Economic development - Ok Tedi Development Foundation (OTDF)

More than 2,000 growers, including women's groups and families in Middle Fly District of Western Province, participated in rice growing trials through OTDF's Rice Livelihoods Development Project. Funded by an Incentive Fund grant, OTDF empowered communities with training in improved food production techniques and farming tools, as well as family business training and support for sustainable agribusinesses. Twenty participants, including ten women, were trained on the rice farming cycle to ensure long term sustainability in food security and economic empowerment of rural communities in Western province.

Case study: Economic development - National Agricultural Research Institute (NARI)

NARI, in partnership with the PNG Women in Agriculture Development Foundation, and supported by Incentive Fund, successfully piloted the use of solar-powered rice mills with two remote communities in Tewae-Siassi District of Morobe Province. With the aim of improving food security, both communities were trained in rice cultivation, rice-mill operation and household financial management. The communities received two mills, supporting long term food security by decreasing reliance on imported rice.



Performance area: Grant-making and management

The Incentive Fund grant making process has successfully incentivised behaviour change, as demonstrated by:

- 82 organisations acted on feedback before resubmitting proposals; of these, 19 were approved for funding.
- 100% of successful proposals made improvements suggested during the assessment process, including for GEDSI, infrastructure design, leadership, financial management, and stakeholder engagement.
- With encouragement from IF4, 7 projects (35%) included a counterpart contribution at an average of almost PGK1 million, reinforcing project ownership and increasing likelihood of project success.

IF4 Governance Framework

The IF4 grant selection process ensures the fair and transparent awarding of grants. A key feature is the two tier governance structure, made up of the (i) Operational Management Group and (ii) Strategic Management Group. These comprise of representatives from the business and community sectors, and from the Australian and PNG governments. This secures strong program ownership and ensures grants are informed by knowledge of the PNG context and allocated according to shared objectives and priorities.

The IF4 Managing Contractor supports grant-making and management performance by providing managerial, technical, and contextual expertise and capacity development support.



Case study: Environmental Health Development Agency (EHDA)

EHDA was rejected four times for an Incentive Fund grant. However, it acted on feedback to improve financial management, GEDSI and M&E processes. This ultimately paid off, with EHDA receiving a grant to implement a rural WaSH project that was extended in recognition of its significant value for money.



460

concept proposals received and assessed, from all provinces



54

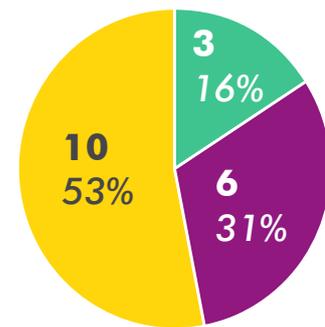
organisational assessments completed



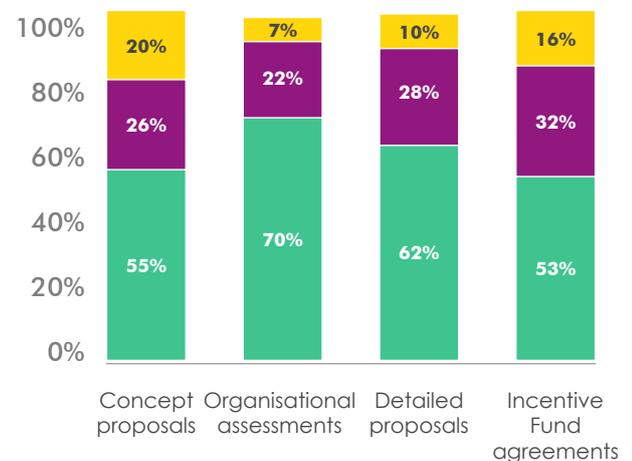
19

Incentive Fund Agreements signed - 13 completed, 3 to be completed by end of phase four and 3 will be completed in phase five

Incentive Fund Agreements by organisation type



● Non-government (non-profit) ● Government ● Private sector

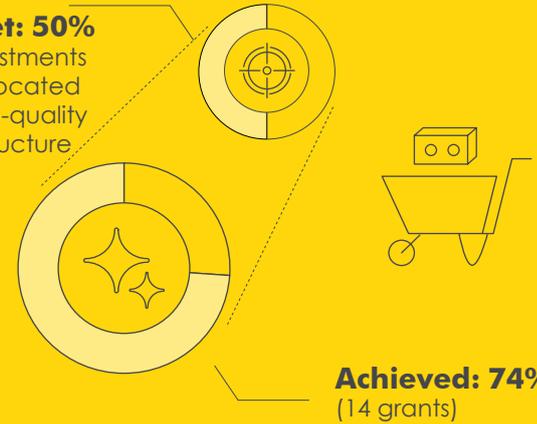


Portfolio target 1

At least 50 per cent of investments are allocated to high-quality infrastructure.

This target reflects Key Result Area 2 in the Government of PNG's Medium-Term Development Plan 2018- 2022 and the accompanying Development Cooperation Policy. All infrastructure is built to high quality standards and aligns to international and PNG building standards.

Target: 50%
of investments are allocated to high-quality infrastructure



Case study - Private sector engagement: EHDA

EHDA, with the support of an Incentive Fund grant, has improved health in 20 un-served rural communities by building clean and reliable WaSH facilities and providing community-led sanitation training. Women and girls in these communities now have easy access to water, reducing security risks and water collection time from an average of 73 minutes to just 4.7 minutes. The project has also demonstrated significant health improvements for children with a 90% reduction in the number of children falling ill from waterborne diseases.



Portfolio target 2

At least 80 per cent of investments support empowerment of women and girls

This target builds on the Government of PNG's Medium-Term Development Plan 2018-2022 and reflects Australia's aid priorities.

Empowerment of women and girls means they can participate in, contribute to and benefit from or access IF4 investments in ways that recognise the value of their contributions, respect their dignity and make it possible to negotiate a fairer distribution of program benefits.

100 per cent of projects have made demonstrable contributions to empowerment of women and girls at all four intervention levels.

PROJECTS WITH HIGH OR MEDIUM INFRASTRUCTURE FOCUS BY SECTOR

Sector	Number of projects
Education	7
Health	4
Water, sanitation and hygiene	1
Agriculture and rural development	2

Target: 80%
support empowerment of women and girls



GEDSI INTERVENTION LEVELS

1 Primary project outcome(s) The primary project objective fundamentally addresses gender, disability and social inclusion issues	2 Organisational mainstreaming A GEDSI perspective is integrated into Partner systems and practices
3 Project mainstreaming A GEDSI perspective is integrated into aspects of project management	4 Strategic intervention The project targets promotion of GEDSI outcomes beyond the primary project objective

Target: 20%
target private sector
engagement



Achieved: 26%
(5 grants)

Portfolio target 3

At least 20 per cent of investments target private sector engagement.

This target reflects priorities identified in the Government of PNG's Medium-Term Development Plan III.

Partnerships with the private sector through IF4 primarily involved pro-bono and in-kind support.

Case study: Private sector development - Kapuna Health Facility

Kapuna Health Facility successfully upgraded its facilities to hospital-level status through a collaborative partnership, with an Incentive Fund grant and assistance from Total Energies. As Kapuna Hospital can only be reached by river, the project faced logistical challenges, but Total Energies supported the hospital by transporting construction materials to the project site. This support reduced initial logistics costs by at least 31%.



Key learning and observations from IF4

- Partner organisations often have low capacity, requiring time-intensive support, coaching and technical assistance. Future phases should include resourcing for capacity strengthening to ensure partnerships are effective and efficient.
- Sustainability of project investments is a challenge that requires partnerships and support from political and government leadership at local, district and provincial government levels. This should include input to and support for project planning and design, and policy alignment with district and provincial level development plans.
- The Incentive Fund should leverage its long history and evidence base to support decision-making processes and inform development programming, in both PNG and Australia.



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Incentive Fund Phase 4 was managed by Tetra Tech International Development on behalf of the Australian Government