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Issue 3, December 2017

GOVERNANCE

WORKING PAPER SERIES

Managing Facilities: a stock-take from the first 12 months

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Foreword

Since its founding in 1965, a hallmark of Abt Associates' work has been its pursuit of new and better ways of delivering community and development assistance. Initially much of Abt Associates work was focused in the fields of health and social policy. Nowadays, the company also applies its technical and program capabilities to governance – including on issues of front line service delivery, community driven development, local governance, economic and public sector management and leadership and coalitions.

Abt Associates sees 'governance' as more than just a sector: it is a way of thinking about how development (i.e. change) occurs. As such, Abt Associates applies 'governance' as a way of working across all sectoral and governance-specific investments. Our approach is distinguished by seven features:

- i. investing deeply in local staff and relationships, and networks and partnerships;
- ii. integrating real-time, high quality contextual and political analysis into our programming; focusing on best-fit, locally defined problems and solutions; focusing on approaches and solutions that are not only technically sound, but also politically possible;
- iii. working with the 'grain', acknowledging that change cannot be driven by outsiders;
- iv. using iterative, adaptive and responsive programming techniques, and;
- v. focusing more on enabling and equipping leaders rather than 'doing'.

Facilities

The use of Facilities by the Australian aid program has come under increased scrutiny by members of parliament, aid implementers and lobby groups. This has, in part, been fuelled by the recent launch of several, promising high-profile Facilities in Melanesia, including the PNG Governance Facility and Fiji Program Support Facility – coupled with concerns that such programs are "untested", "overly ambitious and unclear in scope".

However evidence shows that the Australian aid program's use of Facilities are neither unique nor uncommon. Facilities have been deployed to deliver Australian aid for well over a decade, and often for relatively straight-forward, single sector initiatives or operational support. Almost all Facilities tendered during this period have had a common focus on being multi-program scope; comprehensive; adaptable and responsive and being more strategic in delivering aid.

This rapid stock-take, the third in Abt Associates' *Governances Working Paper Series*, examines the company's experience in managing the first year of start-up for three large, multi-sector Facilities. All three Facilities are funded by the Australian Government: KOMPAK in Indonesia, the Papua New Guinea Governance Facility (PGF) and the Australia-Timor Leste Partnership for Human Development (ATLPHD).

We identify five practices which the company used to manage the uncertainty and challenges posed in this first 12 months of operations. Based on our experience, we judge it is possible to identify a clear phasing for startup (which extends from office establishment to project re-alignment); a common approach to increasing program coherence (beginning with consolidating projects under a single operating platform and ending with intra- then inter- sector coordination); establishing and adapting a staffing profile which supports the above processes; developing a program management approach which aims to balance accountability and adaptability, and; putting in place a minimum set of conditions that the donor and managing contractor need to drive (what arguably sits at the heart of the Facility approach) flexible and politically-informed approaches to programming.

As a company committed to improving the impact of Australia's aid dollars, and for the benefit of other aid providers managing Facilities – we believe that these lessons can, and should, be shared with the broader aid community to improve outcomes for the poor and vulnerable.

Jacqui deLacy

Vice President, Strategy and Technical Services, Abt Associates Australia

Managing three Facilities: rapid stock-take from the first 12 months

Lavinia Tyrrel¹, Graham Teskey² and Jacqui de Lacy³,

Executive Summary

The use of Facilities by the Australian aid program has come under increased scrutiny by members of parliament, aid implementers and lobby groups. This has, in large part, been fuelled by the recent launch of several high-profile Facilities in Melanesia, including the PNG Governance Facility and the Fiji Program Support Facility – coupled with concerns that such programs are “untested”, “overly ambitious and unclear in scope”⁴.

However, despite the ongoing use of Facilities to deliver aid globally—extending as far back as the 1970s—disappointingly little has been written about the experience of start-up and early implementation to inform this debate. Where evidence does exist, it tends to come long after the public debate has been had – and focus on externally commissioned ex-post evaluation: i.e. the extent to which the Facility achieved its goals, rather than the day-to-day lessons on what it *actually* to get a Facility up and running and ultimately put in place the systems needed to succeed.

This rapid stock-take is based on the authors’ involvement with three such Australian Government-Funded Facilities in Timor Leste, Indonesia and Papua New Guinea in their first 12 months of establishment. While it is too early conclusively to answer the question of whether a ‘Facility modality will deliver more effective results for Australian aid dollars than separately managed projects?’, it is possible to identify a set of promising practices and lessons on what’s worked in the first year of implementation. As a company committed to improving the impact of Australia’s aid dollars for the world’s poorest – we think that these lessons can, and should, be shared with the global aid community to improve how we deliver aid to those who need it most.

This paper is divided into four substantive. First (section 2), it frames the Facilities debate within the global and Australian aid context, finding that concerns regarding the ‘untested’ and ‘unclear’ nature of Australian-Government funded Facilities are largely unfounded. The Australian aid program has used Facilities to deliver aid for well over a decade. Since 2004, an average of two tenders annually have been released by the Australian aid program for Facilities, and there has been no disproportionate increase in the frequency of Facilities over the last two years⁵. Furthermore, the majority of these tenders have been for relatively straight-forward, single sector initiatives or operational support: with infrastructure, economic governance and education being the most popular sectors for Facility deployment. We also find that Facilities (at least at tender) have a relatively common purpose – they are almost always:

- *multi-program* in scope (with the aim of achieving efficacy and/or effectiveness goals);
- *comprehensive* (meaning they can undertake a range of aid management or development functions, and administer a range of financing instruments);
- *adaptive and responsive* (in terms of managing budgets, designing and implementing projects and selecting and working with partners); and
- *strategic* (in terms of translating high level goals into a set of aid programs that can deliver on these aims, perhaps with the exception of Facilities design to provide purely operational services).

Section 3 sets the scene for our experience to date, by describing the seven factors that shaped our first 12 months of operations each country. Even though each Facility was established in different contexts,

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⁴ For example, see 24 August 2017 – ABC news on ‘[private companies cashing in on the aid program](#)’

⁵ Data sourced from AusTender: caveats are listed in the sections below.

each experienced similar challenges and uncertainties. In all three cases the investment designs were high level and did not include a long-term strategy or high-level theory of change, meaning much of the work that a donor would normally undertake before tender had to be done during the first 12 months of implementation and at the same time as start-up. Furthermore, each facility was operating under different contract and management arrangements, and experienced substantial change to high-level strategies and budgets once implementation began. There was also an expectation that the Facilities would continue the seamless implementation of legacy projects at the same time as designing new activities and an operating and program system fit-for-purpose for that Facility. It should also be noted that the three Facilities Abt manages were established during a period when the donor workforce profile was changing, and donor-partner government governance arrangements were still being negotiated and put in place.

We conclude by identifying five promising practices which the company, and its partners, used to manage the uncertainty and challenges posed in this first 12 months of operations. We judge it is possible (and indeed necessary) to:

- i. Identify a *clear phasing for startup*, which extends from office establishment through to project re-alignment, and against which donors can set performance milestones and track progress. Such an approach helps avoid the tendency to want to ‘do everything at once and thus noting particularly well’;
- ii. Follow a *common approach to increasing program coherence*, beginning with consolidating projects under a single operational and program platform and ending with intra- then inter-sector coordination;
- iii. Establish and adapt a *staffing profile and management structure* which supports the above processes throughout the first 12 months. This includes an initial focus on operational skills (HR, finance, contracting and so on) and a single, top-down chain of command. Over time this evolves into a greater focus on development programming skills, delegated leadership and management positions dedicated purely to cross-sector coordination;
- iv. Identify and design a *program management approach which seeks to balance adaptability and accountability*. The KOMPAK program management cycle is a good practice example in this regard, using a four-stage cycle of (i) concept to design (ii) implementation (iii) learning and adaptation and (iv) replication and scaling; and
- v. Put in place a minimum set of conditions that the donor and managing contractor need to drive (what arguably sits at the heart of the Facility approach) *flexible and politically-informed approaches to programming*. For the managing contractor, this includes a system for developing and testing multiple theories of change; a system of learning and monitoring which is embedded in design and implementation; a management structure that delegates authority to program teams; national staff with political networks in positions of influence, and; a budget management system which allows for flexibility within and between work-areas in response to changes in the operating context.

1. Purpose

1.1 The purpose of this stock-take is to share lessons from Abt Associates' early implementation experience with three, high-value, Australian-Government funded 'Facilities' in the Indo-Pacific: KOMPAK in Indonesia; the Papua New Guinea Governance Facility (PGF); and the Australia-Timor Leste Partnership for Human Development (ATLPHD). Our goal is not to answer the question of whether Facilities are able to deliver aid in more efficient and effective ways than they could under many, small separately managed programs. Rather, we focus specifically on what we have learnt from the first 12 months of start-up and early implementation.

1.2 Based on past trends, we can assume the Australian Government will continue to use Facilities as a mechanism to deliver aid to overseas countries. However, incentives within the aid industry often discourage the sharing of lessons between aid implementers about what it *actually takes* to get large, high-profile Facilities of this nature and running. Knowledge is often protected for fear of losing competitive advantage, lost through the inefficient hand-over or given limited attention by program teams and donors busy with the day-to-day of implementation. At best this leads to inefficiencies as each new implementer has to 'learn the ropes' upon winning the tender, and at worst it leads to poorly designed aid programs that repeat the mistakes of previous project.

1.3 As a company committed to improving the impact of Australia's aid dollars, and for the benefit of other aid providers managing Facilities – these lessons can be shared with the broader aid community to improve outcomes for the poor.

1.4 The paper is structured as follows:

- **Section 2:** provides the history for Facilities globally and in the Australian aid context;
- **Section 3:** frames the unique context in which Abt Associates was operating in Indonesia, PNG and Timor Leste;
- **Section 4:** outlines the lessons and best practices from the first 12 months of implementing KOMPAK, PGF and ATLPHD, and;
- **Section 5:** concludes with our thoughts for the future of Facilities in the Indo-Pacific.

1.5 The rapid stock-take is based on the findings of an internal review undertaken by the Abt Associates Governance team in early 2017. This internal review was undertaken in two stages. First, a Terms of Reference was developed and approved by the Abt Executive and key source documents reviewed. These included the original Investment Concept Notes (ICN), Investment Design Documents (IDD), Requests for Tender (RFT), Abt Associates' tender responses, head agreements, strategic plans, annual plans, mobilisation, transition or inception plans, monitoring and learning frameworks, progress reports and operations manual. Second, consultations and drafts were shared with Team Leaders, Contractor Representatives, and other key technical and operational program support members over the course of 2017.

2. Facility mechanisms: history and context

The global context

2.1 'Facility' mechanisms are not new to aid and development. Facilities first gained prominence in the 1970s and 1980s as part of the International Monetary Fund's effort to respond to the balance of

payment problems facing many developing countries. These Facilities⁶ offered financing to low-income member countries at concessional rates. Initially with fairly loose parameters, over time, the scope of these Facilities were narrowed to align with national growth and poverty reduction priorities – as set out in the Poverty Reduction Strategy Papers.

2.2 However since the 1990s, the scope and definition of what constitutes a ‘Facility’ has changed significantly. Many multilateral and bilateral donors use ‘Facilities’ to manage a range of different financing mechanisms in addition to loans. These Facilities often work with, but are not confined to, national governments and usually have specific single sectoral goals such as disaster response and risk reduction, infrastructure, emergency response, and investment and business engagement.

2.3 Given the many ways in which Facilities are now used – from a World Bank concessional financing tool to a bilateral donor small grants scheme – there is no agreed definition of what precisely constitutes a Facility. This makes it difficult to situate the current experience of Facilities management in the Indo-Pacific with that which has occurred globally. There are, however, some common traits which can be observed from the global experience.

2.4 Regardless of the implementing organisation, Facilities are often said to provide:

- a single management platform that can offer different forms of financing (grants, loans, technical assistance, training, partnership brokering services and so on);
- a way to consolidate funding from different donors into the one administrative mechanism in the recipient country;
- a way to reduce transaction costs for donors and/or the national government by wrapping financing instruments under the one operating platform (rather than being managed by multiple small, separate organisations);
- a way systematically to share lessons, information and knowledge across different projects, implementing organisations and donors involved in the facility;
- a way to set a single goal for a set of different financing mechanisms and encourage them to work together more coherently;
- a degree of flexibility to shift budget between different priority areas; and
- a single governing or decision making process which can decide what projects to support or reject in line with the overall facility goal.

The Australian aid context

2.5 There is mounting public debate, in Australia⁷ on the extent to which Facilities are an appropriate mechanism to deliver Australian aid. This has been fuelled by the recent launch of several high-profile Facilities in Melanesia, including the PNG Governance Facility and Fiji Program Support Facility – coupled with concerns that such programs are ‘untested’, ‘overly ambitious and unclear in scope’ and ‘lock smaller bidders out of the aid market’.

2.6 When we examine AusTender data from the past 13 years, three trends are revealed. First, **Facilities are not new nor are they untested**. The Australian aid program has used Facilities to deliver aid for well over a decade. Since 2004, an average of two tenders have been released by the Australian aid

⁶ The IMF first provided financial assistance on concessional terms in the 1970s through a Trust Fund, which was replaced by the Structural Adjustment Facility, the Enhanced Structural Adjustment Facility and then the Poverty Reduction and Growth Facility by November 1999. See: <https://www.imf.org/external/np/exr/facts/esaf.htm>

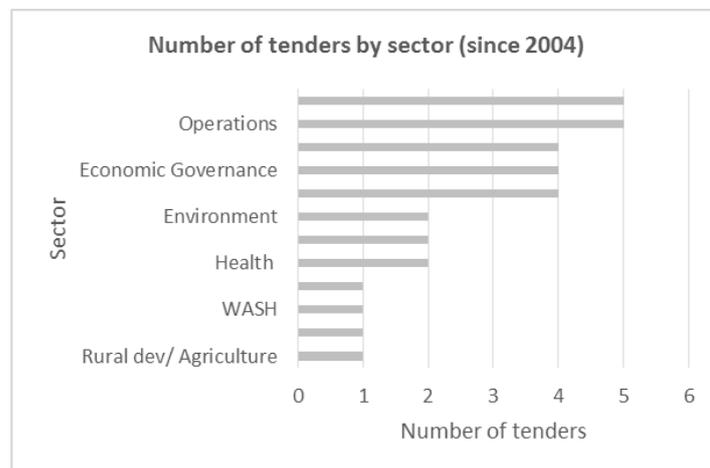
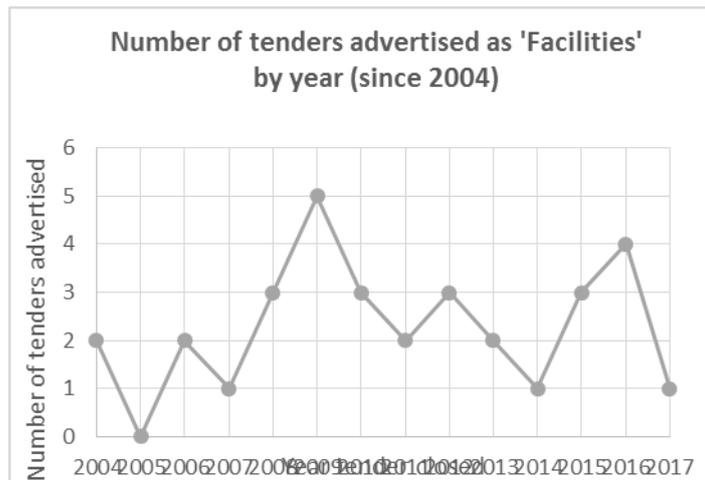
⁷ See, for example, the 26 October 2017 Senate Estimates Hearing http://parlinfo.aph.gov.au/parlInfo/download/committees/estimate/5d7f76de-3c23-4c9a-a0c6-35cc9283a933/toc_pdf/Foreign%20Affairs,%20Defence%20and%20Trade%20Legislation%20Committee_2017_10_26_5682.pdf;fileType=application%2Fpdf and ABC News article of 24 August 2017 <http://www.abc.net.au/news/2017-08-24/private-companies-to-cash-in-on-australias-foreign-aid-budget/8836390>

program annually. The greatest number of administered aid tenders released for Facilities was in 2009; and there has been no disproportionate increase over the years 2015-2016. This can be seen by the first graph on the right⁸.

2.7 Second, the majority of these tenders have been for **single sector initiatives or operational support** (e.g. fleet, HR, security management). As can be seen by the second graph on the right, since 2004, the most popular sectors for Facility tenders have been infrastructure, economic governance and education. Only five out of the 32 recorded Facility tenders were advertised with unspecified sectoral or multi-sectoral outcomes.

2.8 Third, Facilities have a relatively clear purpose that aligns with global experience. Most of the 32 tender descriptions advertised by the Australian aid program since 2004 exhibit **four common traits**:

- *They are multi program*: Facilities provide a single operating platform, managed by one contractor, which is able to host a selection of different programs and projects. Some tenders argue that this approach should achieve lower cost (by virtue of having one operating team and system, rather than separately managed systems for different projects), whereas others focus on using this platform to achieve more coherence and integration among aid projects;
- *Comprehensiveness*: Facilities are able to undertake a range of aid management or development functions, and administer a range of financing instruments. For example; from design through to evaluation and review or from procurement of advisers through to demobilisation. Facilities should also be able to administer various forms of financing, such as grants through to sub-contracts and technical assistance;
- *Adaptable and responsive*: Facilities have a degree of in-built flexibility which allows them to be responsive and adaptive in how they manage budgets, design and implement projects, and select and work with partners. While the rationale for adaptability and responsiveness differs by Facility – be it to respond to emergencies or to respond to the changing policy directives of the donor and partner government – each are designed to have this flexibility; and
- *Strategic*: Facilities, perhaps with the exception of those designed to provide only operational services, are also expected to be able to translate high level goals or objectives into a set of aid



⁸ This data was sourced from the Australian AusTender portal on 23 November 2017. The following caveats should be noted when interpreting this graph. First, this data only covers 'Facilities' tendered using administered aid funds (and not departmental funds) by the Department of Foreign Affairs and Trade, or prior to that, AusAID. It includes those tenders which specifically referred to themselves as Facilities – as such, aid programs which did not identify themselves as Facilities at tender (but may indeed view themselves as 'Facilities' in implementation – such as the INOVASI or KOMPAK programs in Indonesia) were not included in this listing. This dataset also only refers to closed or archived tenders.

programs that can deliver on these aims. Generally, this means less direction *ex ante* on the choice of activities, inputs, outputs at tender and design. In some cases, Facilities also require the ability to feedback lessons and information from implementation into these high level goals to improve how the Facility operates.

Abt Associates' experience

2.9 Abt Associates are currently managing the implementation of three, high visibility, high value, Australian Government Facilities in: Timor Leste (*the Australia-Timor Leste Partnership for Human Development ATLPHD*), Indonesia (*KOMPAK*) and in Papua New Guinea (*the PNG Governance Facility PGF*). They have a combined value of over AUD 500m over four years, which represents – between 8% and 35% of Australia's bilateral aid programs to these countries⁹; as well as significant proportions of partner government spend. The start date for the Facilities were as follows: KOMPAK in January 2015, PGF in May 2016 and ATLPHD in July 2016.

2.10 While the precise rationale for each Facility differed by country, each emphasised similar aspects of the four traits of Facilities as identified in paragraph 2.8 above.

2.11 As can be seen from the table on the right, in each case, the Australian Government justified the move to a multi-project platform on the grounds that it would not only achieve *lower cost* but also greater *coherence* among projects¹.

- in all three design documents, cost efficiencies

were to be achieved by transferring some functions previously done by Department of Foreign Affairs and Trade (DFAT) staff (such as contract management) to a single managing contractor, thus freeing up DFAT time to focus on core public service capabilities, strategy, relationships and foreign policy tradecraft. Efficiencies were also to be achieved by spending less on management systems (car fleets, human resourcing and procurement systems, financial management etc) so that aid funds can go into the programs themselves. Here the assumption is that one consolidated team or can do the job that three teams used to do when the contracts were all separately managed;

- similarly, greater coherence and integration (and thus effectiveness) was to be achieved by enabling previously separate aid projects to now work together to address complex development problems. The rationale is that, because development problems are complex, aid programs must be able to tackle them from multiple angles, disciplines and sectors at once. For example; the

	Multi-project	Comprehensive	Adaptable and responsive	Strategic
PGF	Combined six previously separately managed projects from a single sector (governance) for <i>both efficiency and effectiveness</i> outcomes.	Implementer charged with design, implement, review functions <i>and</i> administering a range of financing mechanisms	Designed to be responsive to bilateral relationship and governance context (especially politics)	High level goals set at design with strategy to be provided by DFAT after tender. Expectation that Facility can also learn and inform policy/strategy.
KOMPAK	As above, but building on two long-standing programs: the PNP support facility PSF component and the Partnership for Decentralisation – AIPD	As above	As above	As above. Had the clearest strategic intent at tender of the three Facilities – was specifically tendered to be a 'design/build' Facility – meaning much of the strategy was to be determined after the tender.
ATLPHD	As above but combines projects from seven different service delivery sectors (WASH, health, education, gender disability, nutrition, social inclusion)	As above	As above	As above but tendered with detailed expectations about how projects will be managed, while at the same time expecting they will evolve to 'add up' to more than the sum of their parts through implementation

⁹ These percentages have been sourced from publicly available data on the DFAT website. Percentages were calculated using the average annual spend for each facility (based on the total estimates outlined in each Investment Design Document), against the Australian Government's projected bilateral aid budget to each country for FY 2017-18. Total ODA figures were not used.

problem of girls skipping school in Timor Leste is not just a function of poor teaching practices (traditionally an ‘education’ sector problem), it can also be due to poor sanitation services (a WASH sector problem), pressures to undertake house-hold or seasonal work (an employment problem) or even poor teacher attendance (an upstream finance problem if salaries are unreasonably low, aren’t paid, or aren’t paid for months).

2.12 Each of the three Facilities were also designed to be adaptable and responsive. In each case, the Facility modality was to allow flexibility to respond to *both* the operating context (e.g. changes in politics, social movements etc. which could affect implementation), as well as any changes in the bilateral relationship between Australia and the partner Government.

2.13 It is worth noting that each of these Facilities were intended to be much more strategic in how they delivered aid than previous contracting arrangements. Central to this argument was that a single managing contractor—who possessed both aid management and technical development skills—would be able to adeptly translate high level policy objectives or goals into a coherent set of aid projects. From the outset, DFAT were seeking a contractor who can provide more than the traditional ‘service provider’ model – and which possessed the development expertise and political nous and relationships required actively to shape programs.

3. Setting the scene: our experience to date

3.1 Our experience in the first 12 months was shaped by seven important factors – some of which were set in motion before tender and some which transpired only afterwards. Despite each Facility being established in different operating and institutional contexts, these factors were common to all three.

- i. **All three Investment Design Documents set high level goals, but did not articulate a medium to long-term implementation strategy or high-level theory of change.** This meant, unlike more traditional projects (which inputs, outcomes and outputs are often tightly defined at design) – much of the work that a donor would normally undertake before tender had to be done during the first 12 months of implementation as well as continuing legacy projects and establishing new program and operational systems. In the case of KOMPAK, this flexibility at design was deliberately in order to allow the managing contractor to undertake a ‘design and implement’ approach to programming. From the outset, the donor was seeking a contractor capable of understanding the heritage and legacies of the program, the *realpolitik* involved in working with five partner Ministries in the Government of Indonesia and the ability to design and implement complex change management initiatives. In the case of PNG, however, this strategic direction was to be articulated by a Governance Strategy to be provided to the managing contractor after the tender was awarded, but which did not eventuate;
- ii. **All three Facilities experienced a high level of change – in terms of strategic focus and budget– in their first 12 months of operation.** In KOMPAK, for example, the budget was reduced from approximately AUD \$200m to AUD \$80m, and two of the three pillars of work were re-defined after the tender. Similarly in PNG, the Facility’s original four pillar structure (core government functions, the private sector, leadership and coalitions and ‘strongim pipol, strongim nesen’) has now transitioned to match the new priorities of the Australia-PNG partnership (i.e. three workstreams focused on decentralization and citizen participation, public sector leadership and economic governance and growth). The PGF also experienced a 50% reduction in its mobilization budget and a shortened start-up timeframe, resulting in the deferral of planned activities (such as strategy preparation) until later on in implementation;
- iii. **Each of the three countries had to design their own operational and program planning systems that were fit-for-purpose for the Facility.** In each case, this meant not only ensuring that critical aid project management approaches were in place, and soon (such as HR, budgeting, contracting,

grant-making and so on) – but that there were sufficient skills and systems established to allow for higher-order development programming functions to occur (such as design, monitoring, review, sectoral expertise, and appropriate systems to promote iterative and politically-informed approaches to programming);

- iv. **Each Facility began with a series of legacy projects.** This meant that much of the focus of the first 12 months was on continuing the seamless implementation of these existing projects, and finding ways to transition them over time with partners – rather than starting with a blank slate of funds to design new projects. Timor Leste, for example, had the highest level of novated projects brought into it: 70% of the budget for the first year, which included contracts for 45 personnel and 16 grantees;
- v. **Contracting and management arrangements established between the donor and managing contractor had implications for how much the Facility could adapt in its first year of operations.** In the case of KOMPAK, the contracting arrangements and budget structure actively encouraged financial transfers across pillars and work areas. By comparison, this was not provided for in PGF, which instead linked budget to each of the specific pillar outcomes. This made it easier to continue legacy projects and establish clear points of contact on both sides, but almost impossible to adapt and shift budget to newly designed initiatives or promote cross-project coordination;
- vi. **The governance arrangements between the donor and partner government were constantly in flux over the first 12 months.** In each case, teams were operating for some time without a systematic arrangement in place for the donor and partner government to reach decisions on strategy, program direction, priority areas and goals. As such, many decisions regarding the strategic direction of the new Facilities were deferred until sufficient political cover could be secured; and
- vii. **The establishment of these three Facilities all occurred at the same time as the donor was recalibrating its workforce profile to that of an integrated foreign policy, trade and aid department.** Each of the three Design documents indicated that the donor expected efficiency gains to be made by outsourcing aid management responsibilities to a common service provider. For obvious risk management reasons, such efficiencies could not be realized from Day 1 and took months to apply – as parties on both sides undertook change management processes to revise staff roles and responsibilities.

4. Lessons and promising practices from the first 12 months

4.1 In our experience across these three Facilities, the first 12 months of establishing, mobilising and implementation was more challenging and unpredictable than was expected at Day 1. Much of this can be explained by the factors noted above, in particular the fact that each Facility was set up to be ‘design-implement’ (with only broad parameters set at tender, with the rest of the detail to be worked out during implementation), as well as the sheer scale and speed at which each Facility needed to get up and running. In each case, the Facilities were expected to ‘walk, crawl and run’ all at once. Ongoing projects needed seamlessly to continue, operational and program platforms had to be established, staff recruited, expenditure targets met, and new projects needed to be designed all at once. In all three cases, this also occurred, at least initially, in the absence of an agreed strategic framework to guide decision making. For these reasons, the first 12 months were not without their challenges nor a degree of trial and error. However, through this experience, Abt Associates and its partners have developed a number of common and promising practices for managing the first 12 months of operations in large, multi-project Facilities. These promising practices include:

- i. A clear phasing for start-up;
- ii. An observable and phased process for increasing program coherence;
- iii. A distinct set of skills and management structures required at each phase of start-up;

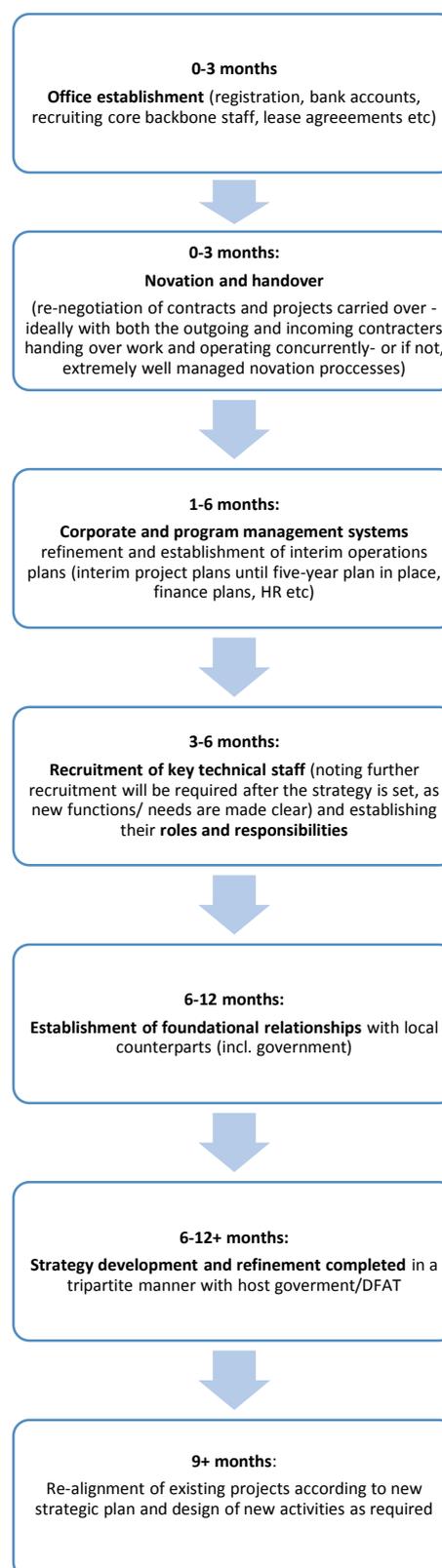
- iv. A program management cycle which aims to balance adaptability and accountability; and
- v. A minimum set of conditions for promoting flexible and politically-informed programming.

A clear phasing for start-up

4.2 A clear phasing for start-up emerged in each of the three Facilities out of necessity; to avoid the tendency to ‘want to do everything all at once, and nothing especially well’. This phased approach to start-up can be tracked by measurable outputs, which show donors that the Facility is not only meeting its interim targets, but also on-track over the long term to achieve the four principles of *multi-project* management, *comprehensiveness*, *adaptability* and being more *strategic*. Indeed, in the case of Timor Leste, the donor has actively begun to tie quarterly performance milestones and outputs to this process – as a helpful and constructive way of tracking cumulative and realistic progress over time.

4.3 This phased approach to implementation is detailed in the diagram on the right. In sum, the initial focus of the facility and performance milestones (first three to six months) should be primarily on **mobilization**, office establishment, novation, corporate and program system¹⁰ development, and the recruitment of key technical staff. It is only after six months – once personnel and systems are in place – that **relationships** with local counterparts can be deepened or developed to commence consultations on new **strategic directions** for the facility.

4.4 As new staff are recruited (three to six months), it is critical that **roles and responsibilities are clarified and agreed**, especially with the donor. For the donor, their primary role is maintaining the bilateral relationship, monitoring overall program performance / risk / expenditure, and



¹⁰ This point is critical and refers to the system used to design, implement and monitor programs. Any Facility needs a consistent approach to the project cycle – but it does not necessarily, or indeed it shouldn't, follow the log-frame approach. In order to promote flexibility and responsiveness, most Facilities need an approach to program management which collapses the design/implement review process into one. See our Working Paper #2 for more detail on what we mean here.

contributing to program strategy from the national interest perspective. For the managing contractor, they must lead day-to-day implementation (activity design, budgeting, forecasting, monitoring and review), and lead major processes for strategy design and review with the donor and local counterparts. Setting these roles and responsibilities in place early reduces inefficiencies and duplication of work.

4.5 Developing facility monitoring and evaluation frameworks and five-year plans can be a lengthy process, given the scale and complexity of the Facilities' spans of interest, and the number of in-country stakeholders that need to be brought on board. There is no point agreeing a strategy without the agreement of both the partner Government and the donor, as well as the managing contractor and their implementing partners. As such, it is not unrealistic to expect that it will take up to 12 months for the Facilities to develop an agreed **strategic framework** that will guide the re-orientation of existing programs and avoid the risk of activities proliferating in all directions. This latter point is also of particular importance. Programs *cannot* be transitioned until a new strategic framework or plan is in place. As such, donors and implementers should expect that projects in the 12 months of a Facility, will look much like they did in their previous year of operation.

4.6 Obviously, the longer any of these earlier stage processes take (e.g. recruiting key staff) or the more complex they are (e.g. high levels of novated projects or working in a new country) the longer the latter stages will take to achieve. Similarly, it is very hard to speed up any of these early processes without leading to inefficiencies later down the line. For example; in one Facility, the first annual plan was due in the contract before the five-year plan. This oversight was amended by both teams when it became clear that a high-level strategy was needed to guide what projects were expected to achieve in their first year.

An observable and phased process for increasing program coherence

4.7 Alongside a phasing for start-up, a common approach to increasing program coherence across the three Facilities also emerged. While the rationale for coherence differs by Facility – with ALPHD focused on multi-sector approaches to service delivery challenges, PGF focused on integrated approaches to tackling entrenched governance issues, and KOMPAK particularly interested in promoting national/sub-national coordination – each has had to find ways to bring previously separate projects, teams and partners together to equal 'more than the sum of their parts'. An example of how ATLPHD tackled this challenge is in the text box overleaf.

4.8 In sum, in all three cases the first eight months were focused on consolidating and integrating novated projects and partners under a single operational and program platform – as well as trying to support a new strategic vision which explained how all the 'bits' now fitted together. The second period focused on increasing coherence *within* sectors or programs. For example; encouraging those working on the upstream functions of government or policy reform to be engaging with those working on community development down-stream.

4.9 The last area of focus, at least in the case of ATLPHD, was on *multi-sector* integration. This period is characterized by different sectors beginning to cluster their resources, plans or engagement with Government and partners by geographic region or the problem on which they are working. For PGF and KOMPAK (which do not coordinate across as many sectors as ATLPHD), this part of the process appears as a more concerted focus on stage two (above).

4.10 Clearly there is a caveat applicable to what has been described here. The phasing described above appears linear and sequential. In reality it is not. It is much more iterative. For example; the process of integrating approaches within the one sector (especially efforts to match up supply and demand side interventions) is difficult in itself, and as such will continue to be a focus of each of the Facilities through their lifetimes.

The ATLPHD example – working towards greater coherence

ATLPHD commenced operations with 70% of its funding committed. It became clear that moving these separate sector projects and experienced technical experts into a single, integrated program would take time and careful change management. The team developed a phased approach to achieving greater coherence within and between projects over time.

- **Consolidation (0-8 months).** This period focused on the consolidation of existing projects and integration of novated partners under the new operating platform, as well as setting an overall strategic vision. During this period, the program engaged and socialised partners to the ATLPHD's overall strategic vision and goal – including the re-shaping of work plans. Some markers of success were the smooth transition of existing projects into the PHD and the development of a widely agreed strategic framework program.
- **Intra-sector Integration (8-12 months):** This period focused on the integration of projects and activities *within* the one sector to be more effective and coherent in how they operate (e.g. matching supply and demand, linking support to different levels of government, combining partner data collection systems etc.); mainstreaming gender and disability across the PHD's existing portfolio of activities, and; identifying immediate areas where it made sense for sectors to begin programming together. Some sectors used evaluative techniques to assist in this process. The marker of success was the articulation of a clear plan for how each sector and its partners will operate, contribute to each other's sectoral activities, and realign to work towards the overall PHD goal.
- **Multi-sector integration (12-18 months +):** This period is characterized by full implementation of the ATLPHD strategic plan – including the roll out of multi-sector activities. The markers of success are observable contributions by each sector towards multi-sector outcomes.

A distinct set of skills and management structures required at each phase of start-up

4.11 In each of the three Facilities, our staffing profile and internal management structures had to evolve to meet the needs required at each stage of startup. In *no case* did the staff or management structure deployed on Day 1 of operations remain the same over the next 12 months. It is also probably fair to say that in none of these Facilities could changing management and staffing needs have been foreseen at tender. It was only *once* the strategic direction for each Facility became clear that the staffing profile could then emerge to support it. Form truly had to follow function.

4.12 In the **first three (and up to six) months**, strong and capable operations teams were required who not only understood Abt Associates corporate processes, but also those of the donor and host country. This was especially the case in Timor Leste, where Abt Associates did not have an in-country office. Just establishing a business in Timor is a lengthy process¹¹. Some of the key skills required included: human resourcing / recruitment, financial management, business registration, contract management / negotiation / novation (both for aid projects and also setting up things like leases etc.), security and fleet management. Sound project management skills were also needed to ensure the smooth transition of legacy projects into the new Facility. Transitions were especially smooth where staff from previous contractors were brought across to continue managing a project – minimizing disruption and hand-over delays.

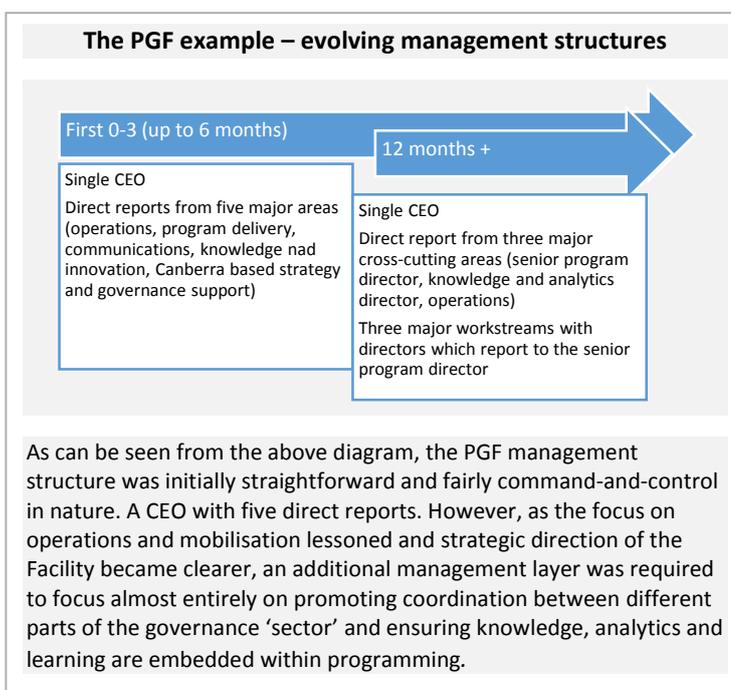
4.13 During this period management structures tended to be relatively simple and centralized, with a single head of program position and major work areas (operations, program delivery, communications etc) reporting directly to them. Such an approach made sense during a period of quick mobilization and rapid scale up of staff and budget / project management responsibilities for the company.

4.14 In the **coming six to 12 months**, it became more important to broaden the skillsets available to support strategy development and program re-design. In particular, technical expertise (such as specific sector knowledge) and development skills in program design, strategic planning, theory of change development and MEL. In some cases, external assistance was brought in on a temporary basis to

¹¹ In the World Bank's 2018 Doing Business Indicators, Timor ranks 190th out of 190 for ease of registering a new business

facilitate processes such as five year strategy development – whereas in other cases staff were hired directly for core skills (such as program design, monitoring and evaluation). During this period, it became critical for each Facility to have national staff who possessed the networks and political understanding to support engagement with local partner organisations and the partner government. These staff were (and continue to be) instrumental in helping develop, navigate and shape program direction and strategy in line with partner priorities – and promoting project commitment.

4.15 Management structures also had to evolve at the eight to 12 month mark to reflect the greater strategic intent emerging in the donor’s consultations with partner governments. In all cases, an additional management layer was required below the CEO (or Team Leader) actively to incentivize, promote and drive cross-sector or intra-sector coordination – as well as a closer integration between technical experts or monitoring, design evaluation and learning teams and those responsible for program implementation. In the case of KOMPAK the senior management team has now been reduced to four positions, including the Chief of Party. In the case of PGF a Senior Director or Programs now coordinates across the major work streams and integrates this with the operations and knowledge and analytics team. In the case of ATLPHD a deputy Team Leader and cross-sector support roles were introduced to actively encourage multi-sector programming. Further detail on the PGF example can be seen in the box on the right.



A program management system which aims to balance adaptability and accountability

4.16 The fourth promising practice, common to all three Facilities, was the establishment of a program management system that aimed to balance both adaptability and accountability. While these systems are still under refinement in the PGF and the ATLPHD, while the KOMPAK program management approach is relatively progressed – by virtue of it being the most mature of the three Facilities.

4.17 The KOMPAK program has a four-stage, cyclical program management system, as in the diagram overleaf. The purpose of this program management system is to give effect to the type of flexibility called for in the KOMPAK design¹², while at the same time providing the donor with confidence that there is a high degree of quality control and robustness in how program decisions are made. In this example, there are five key features worth noting:

¹²The KOMPAK Design calls for a management approach which enables the Facility to (1) adapt programs in response to the needs of partner governments or changes in the operating context – and move away from ‘inflexible and expensive blue-prints’, and; (2) manage investments (both budget and decisions about activities) in a more prioritized and coordinated manner – including scaling up successes and halting underperforming investments.

- i. the program cycle is represented as a **loop with tight feedback between each component**, not as a linear set of time-bound and sequential stages. While this may seem obvious, the fact that a Facility of this scale proposed to collapse the traditional boundaries

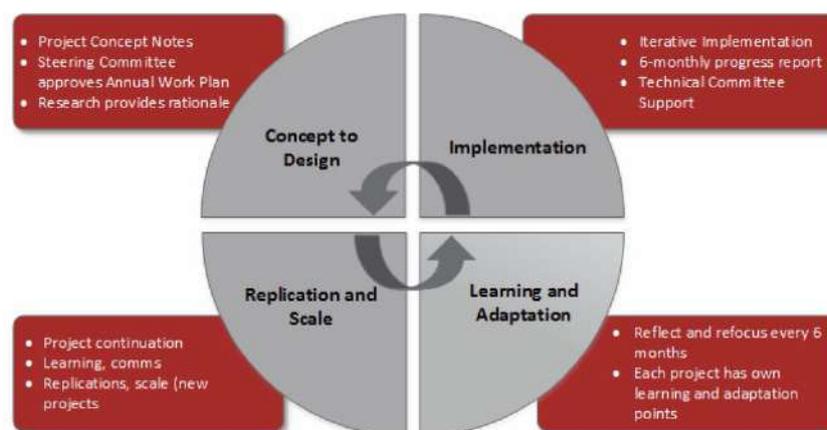


Figure 3 - Project Management Cycle

- between design / implement / review, and to revisit concept / design work, as well as integrate learning and data as it implements, is significant;
- ii. it mandates a **six-monthly review and reflection point** where stakeholders come together formally to reflect on what's worked, what hasn't and why, and consequently to adapt program budgets and priorities in response. Importantly, this meeting is also used as a way to bring partners along with a common vision;
- iii. six monthly reflection processes are also accompanied by **quarterly internal reflection sessions**, and each project has its **own learning and adaptation point**. This recognises that the pace of reform almost never matches neat six-monthly review points, and allows teams to make micro-adjustments (i.e. the type that don't require high level approval) based on what they are learning through implementation. These sessions are also intended to collect performance data against key indicators – ensuring that the accountability story to the donor is also being built; as well as an internal learning one; and
- iv. **MEL** (research, learning and monitoring data) are not added in as an afterthought or stand-alone program component. They are woven throughout the program cycle as key sources of information to inform investment decisions. By linking learning and structured review points, teams are asked to value 'tacit' knowledge (or the information that comes through networks, relationships etc) as much as it does the 'hard-stuff' (rigorous externally verified evaluations and data) when making decisions about what to stop/drop/continue or adapt across the portfolio; and
- v. each outcome area is based on a **theory of change**. That is, each team has a 'best-guess' strategy about how they think change will occur, which they then defend come review and demonstrate why they still think this is the most likely path to achieving impact. If it is no longer valid, it will be changed. Not only does this provide a paper trail for the donor to show why the program changed as it did, but it also exposes team assumptions, weaknesses in knowledge and encourages teams to actively try and influence blockages to reform in programming (rather than leave them sitting in the 'risk' section of an annual report).

4.18 In addition to the program cycle, KOMPAC has a degree of delegated decision making and budget flexibility to give program teams greater autonomy. For new investments up to AUD \$250,000 these only need approval by the KOMPAC senior management team. Further, while annual plans are required for the donor, activity statements and outputs are kept as indicative with a degree of flexibility to adapt as implementation progresses – and new information comes to light through review and reflection.

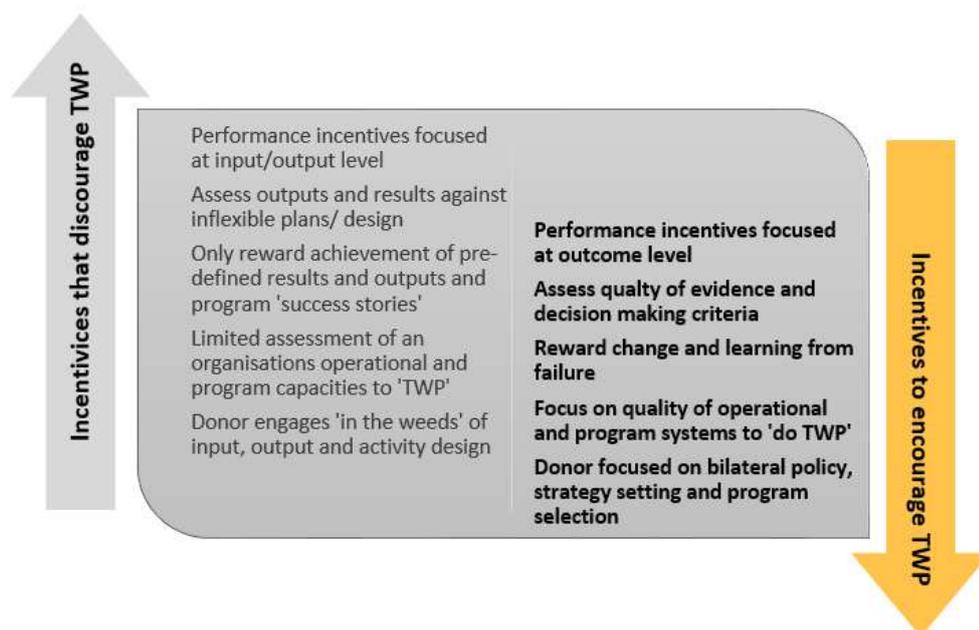
A minimum set of conditions for promoting flexible and politically informed programming

4.19 In each Facility, we found that certain good practice incentives, capabilities and systems must be set by both the donor and managing contractor to drive—what arguably sits at the heart of Facilities themselves—flexible and politically-informed approaches to programming. When these incentives actors are not in place, our experience is the donor and managing contractor tend to fixate on the minutiae of project management and dis-incentivise flexibility by slipping back into more rigid, prescriptive approaches to programming (i.e. managing *against* lower levels of the project framework rather than *for* results).

4.20 For the donor, these incentives are outlined in the diagram on the right.

4.21 For the managing contractor, we identified six key systems or capabilities as needing to be in place successfully to incentivise and drive TWP approaches in Facilities:

- i. a system for problem selection and identification which is led by local partners and draws heavily on political, as well as technical, analytical tools – ie a process that emphasises political feasibility as much as technical justification;
- ii. a system for developing multiple Theories of Change or Theories of Action (in particular political action) for each problem;
- iii. a system of monitoring and learning which is embedded (not separate) in ‘design’ or ‘implementation’ processes. As in KOMPAK, the system’s primary purpose should be to test Theories of Change and Theories of Action, have both regular formal and informal review and reflection (R&R), preference tacit knowledge and it *must* be linked to a process for making activity and budget modifications following R&R;
- iv. a management structure that delegates appropriate levels of discretion over budget, activity decisions and local networks / relationships to program managers. This allows for those with the key informant relationships and greatest knowledge of the operating context to make micro-adjustments to the project as they implement (rather than having to wait until formal R&R or approvals);
- v. high numbers of national staff in program management positions with a focus on recruiting staff with political knowledge and ‘insider’ networks specific to the reform problem at hand (i.e. not just recruiting those with purely technical or project management skills); and
- vi. a budget management system which cannot only forecast and track expenditure against overall targets, but which also allows flexibility to move funds between activities and work streams in response to performance and changes in political context.



Further detail on these factors can be found in the Abt Associates Governance Working Paper “*Thinking and working politically in large multi-sector Facilities: lessons to date*”, November 2017.

5. Conclusions

5.1 Initial lessons from these three Facilities would suggest that in order to achieve the ‘in principle’ benefits on offer, three significant ‘in practice’ modifications to business as usual will be needed:

- i. The contracting process should recognise the importance of a phased approach to start up. The skills required for program mobilisation and early consolidation are not the same as those for more mature program implementation. Milestones and targets set by the donor for the contractor should reflect this. Similarly, the donor will need to assure itself (at the tendering stage) that contractors have the skills and competencies to meet the demands of these different phases;
- ii. The donor will have to put in place HR strategies to exploit the new potentialities on offer. If much of ‘traditional’ contract management is transferred to the Contractor, the potential exists for donors to focus on policy, strategy and bilateral relationship management. It is likely that in order to deliver this benefit, the staffing profile will have to change; and
- iii. Over time, the structure and patterning of Contractor accountability will have to change. In the first 12 months it may be legitimate for the donor to focus on ensuring inputs, activities and outputs are delivered on plan and on budget. Over time however, the Contractor should be given greater freedom to adapt and revise inputs and activities, but be held increasingly accountable for outcomes and the rigour and robustness of its theories of change.



Abt Associates

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