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ABOUT THE AID PROGRAMMING GUIDE

The Aid Programming Guide (APG) is the basic source of information for all DFAT officers (Australia-based and locally engaged staff) who are responsible for aid management in Canberra and at Posts. It sets out mandatory processes and recommended approaches for aid management, and is supplemented by detailed policies, guidelines, tools and templates. These are all available on the intranet, linked to the online version of this guide.

The guide can be read in full, or readers may choose to focus on individual chapters. DFAT officers who need detailed advice on their specific circumstances will find contact details for the responsible area in each relevant chapter and on the intranet. Training is available for key topics including agreement management, investment design, monitoring and evaluation, procurement, sectoral and thematic issues, fraud, risks and safeguards, and AidWorks.

WHAT THE GUIDE COVERS

Chapter 1
Background and context
- Background, legislative and policy framework, and governance arrangements for the aid program.
- An introduction to AidWorks, DFAT’s aid management IT system.

This chapter gives officers at all levels an overview of key aspects of the aid program and how DFAT manages the program.

Chapter 2
Australia’s aid policy and performance framework
- Australian Government and DFAT sectoral policies and strategies that guide aid planning and delivery.
- The performance framework for Australia’s aid program, including the role of evaluation.
- Requirements and instructions for Aid Investment Plans (AIPs).

This chapter provides officers, particularly senior managers, with an overview of the policy framework for the aid program, as well as the performance framework, the evaluation policy, and individual sector and thematic policies. It also sets out how the policy architecture is implemented in country and regional AIPs.
Chapter 3
Aid program management and performance reporting

- Management of aid programs and portfolios of investments, specifically the tools available to help managers plan investments, track budgets, undertake annual aid program performance reporting, prioritise and plan evaluations and engage stakeholders.

This chapter is particularly relevant to senior managers and delegates who manage country-specific or regional aid programs. It also includes important information for officers who directly support senior managers in discharging their responsibilities.

Chapter 4
Investment design

- The requirements and approval processes that help ensure that high-quality investment designs proceed to implementation.

This chapter is for officers, including senior managers, who are involved in designing investments or approving investment designs.

Chapter 5
Engaging partners: procurements and grants

- The legislative requirements and DFAT policies involved in selecting a delivery partner.

This chapter is particularly for delegates, as legislatively delegates must ensure that the selection method for and the outcome of selecting a delivery partner represents value for money for taxpayers’ funds.

Chapter 6
Implementation: investment management, evaluation and quality reporting

- Management of individual investments, specifically the tools required to implement and maintain quality control for individual investments. These tools include annual Aid Quality Checks, Aggregate Development Results and Annual Evaluation Plans.

This chapter is aimed at officers designated as investment managers, and provides information on key aspects of investment management.

Chapter 7
Implementation: agreement management

- Management of individual aid agreements (contracts and grants), specifically the activities required and the supporting tools available to help officers manage the start-up, implementation and closure of an agreement.

- Explanations of important distinctions between managing contracts and managing grants.

This chapter is for delegates and officers who have responsibilities for managing agreements.
Chapter 8
Aid risk management

- How to manage risk in the aid program, and DFAT requirements for fraud monitoring and reporting.
- Meeting safeguard obligations on environmental protection, children, vulnerable and disadvantaged groups, displacement and resettlement, indigenous peoples, and health and safety.

This chapter is important for officers at all levels who have aid management responsibilities.
# FEATURES OF THE GUIDE

Each chapter includes several elements to draw the reader’s attention and highlight crucial information.

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<thead>
<tr>
<th><strong>Key messages</strong></th>
<th>This introductory box provides key messages covered in the chapter.</th>
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<tr>
<td><strong>Mandatory requirements</strong></td>
<td>This introductory box provides mandatory requirements covered in the chapter.</td>
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<tr>
<td><strong>Proportionality</strong></td>
<td>This box highlights where requirements vary depending on the value and nature of the specific program investment or agreement.</td>
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<tr>
<td><strong>In practice</strong></td>
<td>This box gives tips and ideas on how a process might work, together with any specific details that officers should consider in their work.</td>
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<tr>
<td><strong>AidWorks</strong></td>
<td>This box outlines requirements for what needs to be uploaded or updated in AidWorks. Readers who need help using AidWorks in relation to any of these requirements should email <a href="mailto:aidworks.support@dfat.gov.au">aidworks.support@dfat.gov.au</a> or visit the AidWorks Learning Hub.</td>
</tr>
<tr>
<td><strong>Key resources</strong></td>
<td>This box lists resources referred to in the chapter. Links to resources throughout the document connect to policies, detailed guidance, good practice notes and templates.</td>
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CHAPTER 1  BACKGROUND AND CONTEXT

Key messages
This Aid Programming Guide (APG) is the starting point for all officers working on the aid program. It outlines policy and program management responsibilities, legal and financial obligations, and aid quality and accountability requirements.

Legislation underpins the aid program and places obligations on those who manage it. All officers are responsible for ensuring that outcomes specified in agreements with aid delivery partners are achieved to the required standard, within the agreed time frame. Financial delegates must also be able to demonstrate that all agreements represent good value for money for the Australian taxpayer. In particular, delegates need to understand the costs and impacts of their spending, as well as the risks involved.

AidWorks is DFAT’s aid management IT system. It enables officers to effectively manage budget, financial, procurement, agreement and performance aspects of the aid program.

Each year, the Australian Government promotes Australia’s national interests by investing around $4 billion to promote sustainable economic growth and poverty reduction in developing countries, primarily in the Indo-Pacific region. The investment is delivered through a series of country, regional, global and thematic aid programs. The APG sets out DFAT’s operational framework for ensuring the aid program aligns with Government policy and can demonstrate results and value for money.

1.1 OVERVIEW AND PURPOSE OF THE APG
This guide is designed to help aid program managers and financial delegates plan and deliver high-quality aid programs. It focuses on processes that relate to country and regional programs and includes basic information for global aid programs (see Chapter 3). The APG describes officers’ policy and program management responsibilities, as well as legal and financial obligations and aid quality requirements. It reflects a planned and systematic approach to aid programming and delivery, and describes how DFAT manages aid to deliver effective development results. It also provides links to supplementary resources and support, including technical advice, guidance and templates for approval and reporting.

1.2 LEGISLATIVE BASIS FOR THE AID PROGRAM
The aid program operates in accordance with Australian law, including legislation that has extra-territorial effect.

- Commonwealth legislation and other instruments—including the Public Governance, Performance and Accountability Act 2013 (PGPA Act); Commonwealth Procurement Rules; and Commonwealth Grants Rules and Guidelines—require appropriate use of public money. Aid investments may be subject to internal audit and to Australian National Audit Office (ANAO) review.
  - Value for money is a key consideration in decision-making for all aspects of the aid program. DFAT’s Value for Money Principles (Figure 1) seek to ensure the effective, efficient, economical and ethical
management of Australian aid, in a way that advances Australia’s national interests and achieves the Government’s policy commitments. The principles reflect the requirements of the PGPA Act.

– One of the Government’s policy commitments—outlined in Australian Aid: Promoting Prosperity, Reducing Poverty, Enhancing Stability—is to ensure high standards of transparency. This is part of the ‘Ethics’ Value for Money Principle. It involves publishing comprehensive, accessible and timely information about the aid program on the DFAT website.

Figure 1: Value for Money Principles

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<thead>
<tr>
<th>ECONOMY</th>
<th>EFFICIENCY</th>
<th>EFFECTIVENESS</th>
<th>ETHICS</th>
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<td>Cost consciousness</td>
<td>Evidence-based decision-making</td>
<td>Performance and risk management</td>
<td>Accountability and transparency</td>
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<td>Encouraging competition</td>
<td>Proportionality</td>
<td>A focus on results</td>
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<td>Experimentation and innovation</td>
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– DFAT must consider risks and environmental and social safeguards at all stages of aid management, irrespective of the investment’s financial value. We have obligations to protect the environment in accordance with the Environment Protection and Biodiversity Conservation Act 1999 (EPBC Act) and other international agreements ratified by Australia. DFAT officers are bound by Australian legislation that supports child protection, health and safety and prohibits bribery of foreign officials.

– The Australian aid program operates in a number of countries that have complex, challenging and changing environments. By their nature, aid investments can involve a high degree of risk that requires careful and ongoing management.

– Risk management is defined as identifying and analysing potential risks and opportunities, and developing proportionate, defensible management strategies that balance risk and treatments against the benefits of investment.

– DFAT’s aid management systems are designed to involve a proportional approach—i.e. the time and effort it takes to ensure high-quality aid and manage risk should be in proportion to the value and nature of the aid investment.

– Chapter 7 provides more information on risk management and environmental and social safeguards.

– Under the Work Health and Safety Act 2011, senior managers and Heads of Mission (HOMs) have legal obligations relating to departmental officers, volunteers, scholarship recipients and other delivery partners. Senior officers and HOMs must ensure systems are in place to protect and preserve the health and safety of those conducting business on behalf of DFAT.
1.3 FINANCIAL DELEGATIONS

Financial delegations give officers authority to approve spending (financial commitment under section 23 of the PGPA Act) and to approve entering into an agreement. For administered aid funding, this approval is under section 32B of the Financial Framework (Supplementary Powers) Act 1997 (FFSP Act). Financial delegates are accountable for their decisions and actions, and must operate in accordance with their delegation levels and obligations. They are also responsible for ensuring that a proposed aid investment represents proper use of Australian Government resources and meets legislative and DFAT requirements.

Delegations are determined and approved by the DFAT Secretary.

1.4 DFAT’S GOVERNANCE ARRANGEMENTS FOR THE AID PROGRAM

The Departmental Executive and three other departmental committees oversee the strategic direction and quality of Australia’s aid program. They involve senior managers from across DFAT.

1.4.1 Departmental Executive

The Departmental Executive has overall responsibility for DFAT’s strategic priorities and resource management, including for the Australian aid program. It considers budget and policy matters that require high-level attention; how the program aligns with government policies and priorities; and strategic-level program performance.

The Departmental Executive comprises the Strategic Policy Committee (SPC) and the Performance, Risk and Resourcing Committee (PRRC).

1.4.2 Audit and Risk Committee

The Audit and Risk Committee provides independent assurance and advice to the Secretary and Departmental Executive on DFAT’s risk management and fraud control arrangements; internal control framework; external accountability responsibilities; and internal and external (ANAO) audit activities, including in relation to the aid program. It reports directly to the Secretary.

1.4.3 Aid Governance Board

The Aid Governance Board (AGB) is an advisory body that provides policy, risk and performance management oversight of the aid program. The AGB supports the Secretary, the Departmental Executive, relevant Deputy Secretaries and PGPA Act delegates to exercise their decision-making authority under the aid program.

The main aim of the AGB is to ensure strong governance of the aid program in a way that is consistent with Government policy and enables the program to achieve development impact and value for money. The AGB also:

- promotes policy coherence between Australia’s foreign affairs, trade and development agendas
- provides end-to-end oversight of the strategic, management and risk frameworks for Australian aid, including monitoring performance of the aid program.
The AGB’s advice to inform aid program decision-making complements the assurance roles of the Independent Evaluation Committee and the Audit and Risk Committee.

The AGB is chaired by a Deputy Secretary. The AGB Secretariat is in the Contracting and Aid Management Division (ACD).

1.4.4 Independent Evaluation Committee

The Independent Evaluation Committee (IEC) is an advisory body that oversees the work of the Office of Development Effectiveness (ODE). Its objective is to strengthen the quality, credibility and independence of ODE’s work program. This involves evaluation and performance and quality analysis, including independent analysis of the Annual Evaluation Plan and Performance of Australian Aid report.

The IEC comprises an independent chair, two independent members and a DFAT Deputy Secretary. A representative of the Department of Finance attends as an observer. The Minister for Foreign Affairs appoints all external members.

1.5 DIVISIONAL AID RESPONSIBILITIES AND EXPERTISE

Geographic divisions and associated Posts are responsible for managing country and regional aid programs. Their responsibilities include setting strategic directions, investment design and implementation, managing relationships with partner governments and other development stakeholders, monitoring and evaluation, and performance reporting.

There is flexibility in how aid management responsibilities are divided between Posts and geographic divisions, taking into account the scale of aid and level of engagement required, balanced with costs, resourcing, security and the availability of local expertise.

Regardless of how the responsibilities are divided, they need to be clear and understood by all relevant officers. Posts and divisions are responsible for maintaining appropriate internal controls to ensure compliance with all departmental policies and legislative requirements.

A number of other DFAT divisions are engaged in aid-related work—e.g. as managers of global, sectoral or thematic programs, or as centres of aid policy or aid management expertise. Figure 2 lists the relevant areas of responsibility and expertise, by division.
Figure 2: DFAT thematic, sectoral and aid management responsibilities and expertise

**MULTILATERAL POLICY DIVISION**
- Disability
- Gender equality
- Human rights and Indigenous
- Multilateral strategy
- UN development agencies

**OFFICE OF THE CHIEF ECONOMIST**
- Development economics
- Multilateral development banks
- Trade statistics

**HUMANITARIAN, NGOS AND PARTNERSHIPS DIVISION**
- Disaster risk reduction
- Humanitarian policy and response
- NGOs and volunteers
- Stabilisation and recovery

**OFFICE OF TRADE NEGOTIATIONS**
- Aid for trade
- Food security

**SOFT POWER, COMMUNICATIONS AND SCHOLARSHIPS DIVISION**
- Public diplomacy
- Scholarships and alumni

**HUMAN DEVELOPMENT AND GOVERNANCE DIVISION**
- Development policy
- Education
- Fragility and conflict
- Governance
- Health
- Law and justice
- Social protection

**ECONOMIC GROWTH AND DEVELOPMENT FINANCING**
- Agriculture
- Climate change
- Development finance
- Environment
- Infrastructure
- Private sector
- Water and sanitation

**CONTRACTING AND AID MANAGEMENT DIVISION**
- Agreement management
- Aid management training
- AidWorks
- Anti-corruption
- Child protection
- Due diligence
- Environmental safeguards
- Fraud control
- Investment design
- Performance management
- Preventing sexual exploitation, abuse and harassment
- Procurement and grants
- Program planning
- Public financial management
- Results reporting
- Risk management

**OFFICE OF DEVELOPMENT EFFECTIVENESS**
- Evaluation policy
- Strategic evaluation

**BUDGET BRANCH**
- Aid budget allocation
- ODA eligibility
- ODA statistics

**INNOVATION XCHANGE**
- Innovation
1.6 THE AID MANAGEMENT CYCLE

DFAT uses a standard program management cycle as a conceptual framework for aid program management (Figure 3). The phases of the aid management cycle cover policy and planning; design and procurement; implementation and performance management; and review and evaluation. The phases are presented as a cycle to reflect the usual sequence of aid management steps, but are interrelated and mutually reinforcing. Aid management is not linear and phases will be repeatedly revisited.

**Figure 3: The aid management cycle**
1.7 DFAT’S AID MANAGEMENT IT SYSTEM

1.7.1 AidWorks

AidWorks is DFAT’s aid management IT system used to administer the Australian aid program. It is integral to aid program policy, planning, program delivery, investment and agreement management, as well as program reporting and analysis. AidWorks supports key business functions including pipeline planning; budget and financial management; procurement; and implementation of agreements, including performance management.

1.7.2 What information is in AidWorks?

AidWorks supports evidence-based decision-making for aid programs, investments and agreements. It holds comprehensive information on country, regional and global programs including program pipelines, planned and current investments, and agreements—including critical documentation such as program designs, agreements with delivery partners and evaluation reports. This allows DFAT to manage, track and report on the aid program.

The information in AidWorks reflects the policy and program management responsibilities, legal and financial obligations, and quality and accountability requirements set out in the APG. AidWorks includes:

- Program Fund Plans, including planned investments
- descriptions of investments, including costs, time frames and delivery partners
- indicators relating to gender equality, disability, child protection, climate change and other issues
- investment quality reports and other performance information
- investment documents such as designs, reviews and evaluations
- details of agreements (such as contracts and grants)
- commitments and expenditure
- investment management plans
- a comprehensive reporting framework to help with program monitoring and with performance and issues management.

AidWorks information is used for a variety of purposes—including as the basis of reporting to the Departmental Executive, the Australian Government and the public—so it must be accurate and up to date at all times.

1.7.3 How AidWorks supports aid management

DFAT officers—from senior managers with aid program responsibilities to officers in operational positions at Posts or in Canberra—use AidWorks to do their job: to plan and implement programs and to meet reporting requirements efficiently and accurately.

Pipeline planning

Effective aid management and delivery against Aid Investment Plans requires planning for expenditure in future years—generally the current year plus the following three financial years. This is known as ‘pipeline planning’. AidWorks pipeline planning reports give senior managers in Canberra and at Posts an overview of and control over prioritisation and funding of a program’s portfolio of current and planned aid investments.
The Program Fund Plan is a critical management tool that helps with developing and maintaining a program’s pipeline of investments. It is used to manage the program’s current and future financial year allocations across the full portfolio of investments.

**Investment and agreement management**

Investment and agreement managers use AidWorks on a daily basis to complete business steps involved in planning, approving, implementing and reviewing investments and agreements. Managers need to pay particular attention to ensure that the financial information in AidWorks is regularly updated and is accurate.

AidWorks produces summary reports so managers can see at a glance the current ‘state of play’ for individual investments. The summary information includes:
- a description of the investment
- the current financial year position
- investment quality reporting
- timelines for each of the activities under the investment
- expenditure on active agreements
- upcoming payment events.

**Reporting**

The quantitative and qualitative data in AidWorks informs policy briefings and helps DFAT meet internal management requirements and the information requirements of many stakeholders. These include the Australian Government, the Australian public, international organisations such as the Organisation for Economic Co-operation and Development’s Donor Assistance Committee (OECD-DAC), and other bodies and initiatives such as the International Aid Transparency Initiative.

1.7.4 **How to get help with using AidWorks**

Most geographic divisions have a central coordination unit that can provide AidWorks support. ACD has a small team that supports training in Canberra and at Posts and serves as an AidWorks help desk: aidworks.support@dfat.gov.au. The AidWorks Learning Hub provides a wide range of guidance material to help with all AidWorks tasks. The Global Support Centre provides support relating to user access.

**AidWorks**

A box at the end of each APG chapter provides hints and reminders about how best to use AidWorks.

Remember, DFAT relies on the quality of AidWorks data for all public reporting. All planned aid expenditure must be accurately recorded in AidWorks, and information must be accurate and regularly updated.

1.7.5 **AidWorks redevelopment 2018–19**

AidWorks was updated in late 2018 and undergoes continuous improvement. The updated AidWorks system guides users down a specific pathway depending on the nature of the investment (see Figure 4).
1.8 PUBLIC DIPLOMACY AND THE AID PROGRAM

The aid program provides many opportunities to build public understanding of Australia’s aid effort, increase influence and promote Australia as a reliable partner. HOMs, Senior Executive Service (SES) staff and other aid officers should refer to DFAT’s Public Diplomacy Strategy and Posts’ annual public diplomacy priorities for overall guidance.

Promoting Australia’s development credentials is an important public diplomacy goal. Highlighting Australia’s work with partner countries to accelerate economic growth, increase stability, manage the impacts of climate change and reduce poverty through effective development and humanitarian assistance are all themes with public diplomacy opportunities. To take advantage of these opportunities, programs hold launches with ministers or HOMs in attendance; host media engagements around ministerial visits; and produce stories and photos for publication in host country local media. Case studies from monitoring and evaluation reports can also be a source of new stories. Using social media content on official DFAT platforms to explain the benefits of an aid program can help raise public awareness in a host country and among the Australian public. DFAT media liaison officers and the Digital Communications Hub can advise on engaging with the Australian media and promoting stories on social media.

For more information about issues raised in this chapter, or about the APG more generally, email apg@dfat.gov.au.
Key resources

Policies
- **Australian Aid: Promoting Prosperity, Reducing Poverty, Enhancing Stability**
- **Making Performance Count: Enhancing the Accountability and Effectiveness of Australian Aid**
- **Performance of Australian Aid report (2017–18)**
- **Value for Money Principles**
- **Aid Evaluation Policy**

Guidance
- **AidWorks Learning Hub**
CHAPTER 2  AUSTRALIA’S AID POLICY AND PERFORMANCE FRAMEWORK

Key messages
Promoting prosperity, reducing poverty and enhancing stability are the overarching objectives of Australian aid policy.

Australia has a strong focus on performance at all levels of the aid program to give taxpayers confidence that Australia’s aid delivers results and value for money.

Aid Investment Plans (AIPs) give effect to the aid policy and performance framework and outline Australia’s strategic objectives in a country or region.

The Annual Evaluation Plan outlines the evaluations that program areas and the Office of Development Effectiveness (ODE) will conduct.

The Secretary approves DFAT’s Annual Evaluation Plan.

Mandatory requirements
Aid investments must align with the aid program’s strategic framework.

Country and regional programs valued at $15 million or more total annual official development assistance (ODA) must produce an AIP.

AIPs must be quality assured, approved by the relevant First Assistant Secretary and published on the DFAT website. Their content and size depend on the value of the program.

The Aid Governance Board (AGB) reviews AIPs for programs with a total annual ODA allocation of $50 million or more.

The AGB is responsible for ensuring that evaluation findings inform the aid strategies and investments it approves.

2.1 AUSTRALIA’S AID POLICY
The Minister for Foreign Affairs launched Australia’s development policy Australian Aid: Promoting Prosperity, Reducing Poverty, Enhancing Stability on 18 June 2014. This policy is the key framing document for all officers involved in the aid program. A new development policy and performance framework is under development, but the 2014 policy remains the guiding document until the new policy is released.

The purpose of the aid program is to promote Australia’s national interests by contributing to sustainable economic growth and poverty reduction. The aid program focuses on achieving two development outcomes: strengthening private sector development and enabling human development. The framework in Figure 5 sets out the six priority areas for investment. Section 2.4 provides more detailed information.
2.1.1 International policy environment, including 2030 Agenda for Sustainable Development

Australia’s development priorities are well aligned with the 2030 Agenda for Sustainable Development, which includes the Sustainable Development Goals (SDGs) and the Addis Ababa Action Agenda on Financing for Development. The 2030 Agenda is the globally agreed road map for sustainable development. It brings together all aspects of development: social, economic and environmental. It emphasises self-reliance and the need to mobilise all resources to finance development, including domestic revenue, trade and private sector investment.

Australia has also committed to global agreements on development effectiveness (at Paris in 2005, Accra in 2008 and Busan in 2011). These provide a framework for development cooperation that emphasises
the principles of country ownership, a focus on results, multi-stakeholder partnerships, transparency and mutual accountability.

2.2 INTEGRATED SYSTEM OF PERFORMANCE INFORMATION AND REPORTING

In 2014 the Minister for Foreign Affairs introduced a new performance system, Making Performance Count: Enhancing the Accountability and Effectiveness of Australian Aid. The system uses performance assessments at all levels to measure the overall performance of Australia’s aid program. It draws on performance assessments of delivery partners (including contractors, non-government organisations (NGOs), multilateral organisations and others engaged by DFAT to deliver aid); individual investments; and country, regional and global programs. It links performance to funding and ensures a strong focus on results and value for money. The performance framework is illustrated in Figure 6.

At the highest level, the whole aid program is assessed against 10 strategic targets and development policy priorities. Performance is publicly reported each year in the Performance of Australian Aid report.

At the individual country and regional program levels, Aid Program Performance Reports (APPRs) provide an evidence-based assessment of progress against the Australian aid objectives set out in Aid Investment Plans (AIPs) and include agreed management actions. APPRs help strengthen program management, demonstrate accountability and improve program effectiveness. The reporting process is also an opportunity to discuss program performance with partner governments (see Aid Program Performance Report (APPR) Good Practice Note and Chapter 3).

At the individual investment level, investment quality reporting (IQR) assesses and reports on the performance and results of individual aid investments and delivery partners during implementation or on completion (see the Aid Investment Quality Reporting Good Practice Note and Chapter 6). IQR comprises:

- Aid Quality Checks (AQC), Final Aid Quality Checks (FAQC) and Humanitarian Response Aid Quality Checks (HAQC)
- Partner Performance Assessments (PPA)
- Aggregate Development Results (ADR) reports.

DFAT assesses the performance of multilateral organisations separately. Multilateral Performance Assessments (MPAs) inform Australia’s partnership engagement with key organisations and support dialogue with multilateral headquarters on key performance issues. DFAT conducts MPAs on a rolling basis—on average every three years—for multilateral organisations that receive the most significant amounts of core aid funding ($7 million or more per year).

Independent evaluation (see Section 2.3) supplements this integrated system of self-assessment of performance. Evaluations will generally use data gathered through performance monitoring as one source of evidence on which to base findings and recommendations.

AidWorks

IQR templates are downloaded from AidWorks. Completed and approved reports must be uploaded by the reporting due date.
How is the performance of the Australian Aid Program assessed?

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<th>WHAT PERFORMANCE IS ASSESSED?</th>
<th>WHAT IS PERFORMANCE MEASURED AGAINST?</th>
<th>HOW IS PERFORMANCE REPORTED?</th>
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<td>10 strategic targets</td>
<td>Performance of Australian Aid Report</td>
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<td>Multilateral Performance Assessments</td>
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</tbody>
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INDIVIDUAL AID INVESTMENTS

7 aid quality criteria:
- Relevance
- Effectiveness
- Efficiency
- Monitoring & evaluation
- Sustainability
- Gender
- Risk management & safeguards

Alignment with key policy priorities:
- Innovation
- Private-sector engagement
- Climate change
- Disability
- Inclusion

KEY AID DELIVERY PARTNERS

5 assessment criteria:
- Lasting results & impact
- Value for money
- Collaboration, communication, responsiveness
- Policy alignment, risk management, innovation
- Effective personnel

Annual Partner Performance Assessments
Figure 7: Australian aid program strategic targets

**TARGET 1**
**PROMOTING PROSPERITY**
Promote economic development by increasing Australia’s aid for trade investments to 20 per cent of the aid budget by 2020.

**TARGET 2**
**ENGAGING THE PRIVATE SECTOR**
All new investments will explore innovative ways to promote private sector growth or engage the private sector in achieving development outcomes.

**TARGET 3**
**REDUCING POVERTY**
By July 2015, all country and regional programs had Aid Investment Plans describing how Australia’s aid will promote economic growth in ways that provide pathways out of poverty.

**TARGET 4**
**EMPOWERING WOMEN AND GIRLS**
More than 80 per cent of investments, regardless of their objectives, will effectively address gender issues in their implementation.

**TARGET 5**
**FOCUSBING ON THE INDO-PACIFIC REGION**
Increase the proportion of country program aid that is spent in the Indo-Pacific region to at least 90 per cent from 2014–15.

**TARGET 6**
**DELIVERING ON COMMITMENTS**
From July 2015, progress against mutual obligations agreed between Australia and its key partner governments and organisations forms part of program performance assessments.

**TARGET 7**
**WORKING WITH THE MOST EFFECTIVE PARTNERS**
From July 2015, new systems used to assess the performance of the aid program’s key delivery partners and ensure stronger links between performance and funding.

**TARGET 8**
**ENSURING VALUE FOR MONEY**
Deliver high standards of value for money in at least 85 per cent of aid investments. Where standards are not met and improvements are not achieved within a year, investments will be cancelled.

**TARGET 9**
**INCREASING CONSOLIDATION**
Reduce the number of individual investments by 20 per cent by 2016–17 to focus efforts and reduce transaction costs.

**TARGET 10**
**COMBATING CORRUPTION**
From July 2015, new fraud control and anti-corruption strategies introduced for all major country and regional programs.
2.3 INDEPENDENT EVALUATION

Independent evaluations also contribute performance information to support management, accountability and learning. They are generally undertaken at two levels.

- High-level strategic evaluations focus on key policy directions, specific development themes or sectors, or large programs. The Office of Development Effectiveness (ODE) produces these under the oversight of the Independent Evaluation Committee (IEC).

- Country, regional and global program officers identify and manage independent evaluations as outlined in the Annual Evaluation Plan. These may be evaluations of individual investments or evaluations which examine a particular issue at the program level or across a number of investments. Sectoral or thematic programs manage independent evaluations of sector strategies. In DFAT, these are called program-prioritised evaluations.

DFAT program areas initiate and manage program-prioritised evaluations. Designated program areas undertake an annual process to identify and prioritise independent evaluations, which they can use to improve their work. In accordance with the Aid Evaluation Policy, designated program areas must complete a minimum number of these evaluations within the relevant year. Global programs and sectoral programs conduct evaluations of their programs every three years and of their sector strategies every five years. Program areas have flexibility to determine the highest priority issues their evaluations should focus on. ODE has developed an Annual Evaluation Plan template and prioritisation tool for program areas to assist their evaluation planning and prioritisation (see Chapter 3).

On occasion, program areas may undertake a rapid management review to help inform immediate decisions required on individual investments. Rapid management reviews are similar to evaluations but involve less time and resources and are generally less rigorous. The requirements of the Aid Evaluation Policy do not apply to rapid management reviews.

ODE compiles DFAT’s Annual Evaluation Plan, which outlines the strategic evaluations to be published by ODE and the program-prioritised evaluations to be published by program areas during that year. The Annual Evaluation Plan is endorsed by the IEC, reviewed and approved by the Secretary, and shared with the Minister for Foreign Affairs. It is published on DFAT’s website. ODE regularly reports to the Secretary on the progress of planned evaluations. The Minister for Foreign Affairs also receives reports on progress against the plan.

2.3.1 Why evaluate?

Independent evaluation is a process for systematically and objectively assessing investments, programs and strategies. Independent evaluations give DFAT credible and robust information on how aid investments have performed. They support:

- **management**: presenting evidence and analysis to guide decisions about new and existing investments, AIPs and aid policies

- **accountability**: demonstrating the effectiveness of the aid program to stakeholders, including the Australian public, the Australian Parliament, partner governments, implementing partners and the communities DFAT works with

- **learning**: contributing to the body of knowledge about what does or does not work in a particular context and why.

See the Aid Evaluation Policy.
2.4 SECTOR AND THEMATIC STRATEGIES AND GUIDANCE

To help with making strategic choices for country, regional and global programs, DFAT has developed detailed guidance on priority themes and sectors, including those linked to the 10 strategic targets. These strategies and guidance notes provide analytical frameworks to inform decision-making, make programs more effective and increase coherence across the whole Australian aid program. All are available on the DFAT website.

In AidWorks, themes describe a collection of measures including government priorities and objectives, targets and safeguards. Cross-cutting areas not covered by DAC codes are covered by themes—with the exception of gender, which has both.

### AidWorks

AidWorks is the management system used to analyse sectoral and thematic policy and programming issues across the aid portfolio.

Themes that should be tagged in AidWorks investments are Climate Change, Disability, Disaster Risk Reduction, Gender, Indigenous People, Innovation, Maternal and Child Health, Private Sector Development, Research, and Social Protection.

Information on the thematic component of the investment helps policy areas understand how the investment contributes to thematic or cross-cutting goals and targets.

#### 2.4.1 Private sector development and engagement

When a country’s private sector expands and increases its productivity, that country’s economy grows. When the poor can contribute and participate, economic growth leads to reduced poverty. Higher and more inclusive growth gives people the best chance to find jobs, increase their incomes and escape poverty. Australian support seeks to strengthen the private sector in partner countries by building better business and investment environments, supporting growth in specific markets and maximising the development impact of individual businesses.

The private sector has a wealth of knowledge, ideas, capabilities and resources that can help improve the effectiveness of Australia’s aid program. By engaging the private sector—informally or through formal partnerships—the aid program can leverage assets, connections, creativity and expertise to achieve mutually beneficial outcomes that satisfy Australia’s development objectives.

Promoting private sector development and private sector engagement is a strategic target for the Australian aid program and must be considered in AIPs. All new aid investments must explore innovative ways to promote private sector growth or engage the private sector in achieving development outcomes. More detail is in the [Strategy for Australia’s Aid Investments in Private Sector Development](#) and the Engaging the Private Sector in Development Guidance Note.

#### 2.4.2 Gender equality

Promoting gender equality and empowering women and girls is a strategic priority for the aid program and should be considered in all AIPs. DFAT takes a two-track approach, which involves taking measures specifically designed to tackle gender inequalities while incorporating gender issues into all aspects of Australia’s work. The first track requires action to address gender inequalities that are particularly
challenging or where progress is slow. The second track requires integrating gender equality across all areas and sectors. This approach is reflected in Making Performance Count, which sets a strategic target of at least 80 per cent of investments, regardless of their objectives, effectively addressing gender equality issues.

All programs, regardless of sector, must take into account the potential for development interventions to have different impacts on particular groups of women and men, and must take steps to maximise opportunities and results for both women and men. At a minimum, programs must ensure their aid investments do not exacerbate gender inequality; where possible, the aid program should actively work to close gender equality gaps. Australia will also continue to fulfil its obligations under the United Nations Convention on the Elimination of All Forms of Discrimination against Women. More detail is in DFAT’s Gender Equality and Women’s Empowerment Strategy and Gender Equality and Women’s Empowerment in DFAT’s Aid Program—Good Practice Note.

2.4.3 Aid for trade

Aid for trade is about helping developing countries address their internal constraints on trade—such as cumbersome regulations, poor infrastructure and lack of workforce skills. This might include training customs officials to facilitate trade, investing in ports and storage facilities, connecting farmers to overseas buyers and helping women entrepreneurs become exporters. Aid for trade supports developing countries’ efforts to better integrate into and benefit from the global rules-based trading system, implement domestic reform and make a real economic impact on the lives of their citizens.

The Australian Government is committed to promoting economic development, including by increasing aid for trade investments to 20 per cent of the total aid budget by 2020. This is consistent with the level of aid for trade investment by other key donors and the increasing demand for this support in developing countries, including in the Indo-Pacific region. No country has achieved high and lasting growth without participating in international trade or attracting investment.

Investing in more aid for trade activities is a strategic target for the Australian aid program and must be considered when developing AIPs and related pipelines for new investments. More detail is in the Strategy for Australia’s Aid for Trade Investments and the Aid for Trade Guidance Note.

2.4.4 Innovation

Innovation is a process of first deeply understanding the problem, then collecting and developing new ideas, trialling and adapting possible solutions, and trying again until something works. This can be done effectively through collaboration and partnerships that bring in new thinking and perspectives. Because innovation broadens the scope of people and organisations involved in developing a solution, it can create cost efficiencies by leveraging the finance, skills and knowledge of others. Innovative approaches to using technology and science (including behavioural science) can emerge in the process of solving problems. New perspectives emerge in seeking to understand a problem and find cost-effective ways to solve it; or in seeking to finance a project and increase its scale and impact.

Considering innovative approaches involves seeking opportunities that build on the influence and impact of others. Those that promise to be transformative can be scaled to reach many, and can have more impact and reach than existing approaches. Being innovative also means taking measured risks on something new and unknown. Risks can be measured by seeking advice from experts and making small investments while still gathering evidence, learning more and building the case for a larger investment.
InnovationXchange is leading DFAT’s work to identify and test innovative approaches. However, innovation needs to become an essential component of the whole aid program (and the whole of DFAT). See the InnovationXchange website for details.

2.4.5 Effective governance

The term ‘governance’ refers to how power and authority are used to manage public resources. The governance sector includes public sector reform, public financial management (including domestic resource mobilisation), environmental protection, economic management, electoral support, law and justice, and anti-corruption efforts.

Where governance is poor, sustainable development outcomes are also poor. Governance is critical for making aid and development more effective, because it influences the development and implementation of public policies; the establishment of strong and inclusive institutions; the maintenance of peace and stability; the eradication of corruption; and the ability of businesses to grow and offer employment opportunities. Governance also affects the extent to which men, women and children can access basic services (such as health, education, transport, water and sanitation) and are empowered to hold political leaders and government officials to account.

Despite being technically sound, an aid investment may not be politically feasible in a given context. Broad political awareness will inform an understanding of formal and informal institutions (i.e. how things are really done) and how change can be achieved in the particular country context. Australia’s aid programming should be guided by Effective Governance: Strategy for Australia’s Aid Investments. This strategy provides advice on the types of governance investments to consider, and how to ensure that all development cooperation investments are sufficiently informed by an analysis of the relevant context.

2.4.6 Fragility and conflict

Fragility and violent conflict pose some of the greatest challenges to prosperity, stability and poverty reduction. Fragility and conflict, while not synonymous, are frequently related. Across the Asia-Pacific region, this tends to take the form of subnational conflict in South Asia and South-East Asia and fragility in Pacific states, which tend to be less resilient to shocks. Addressing conflict and fragility requires more than just an aid response. Fragility and conflict are fundamentally political problems that require political solutions. Strategies and interventions should be sensitive to fragility and conflict but also need to be holistic, incorporating diplomatic, trade, development and security responses.

Using conflict analysis during the design process will help to identify drivers of conflict and fragility in a particular context and inform conflict-sensitive investments that, at minimum, do not exacerbate those drivers but instead seek to address them. Conflict-sensitive investments can help to prevent or mitigate future conflict and build resilience and stability. The Conflict Analysis Guidance Note outlines how to complete this analysis.

2.4.7 Building resilience: climate change and disaster risk reduction

The impacts of climate change are felt greatly in the countries and regions where our aid programs focus, such as in the Pacific and in coastal zones of South-East Asia. Often these impacts are felt most acutely by marginalised communities.

Australia is committed to developing climate and disaster resilience in vulnerable countries and sectors. The 2015 Paris Agreement sets a new course for global climate action. The 2030 Agenda for Sustainable Development integrates risk and resilience across at least 10 of the 17 SDGs. It includes a standalone goal
(SDG 13) on taking urgent action to combat climate change and its impacts. The Sendai Framework is the global blueprint for reducing the risk of climate-related and other disasters for the next 15 years. The concept of resilience helps to make sense of the linked issues of climate change adaptation and disaster risk reduction. The Australian aid program takes a two-track approach to building climate and disaster resilience. The first is mainstreaming climate and disaster resilience in all relevant sectors, including at-risk sectors in disaster-prone countries. The second is a targeted approach, including investments, to helping countries and communities adapt to climate change and reduce their disaster risk.

AIPs should consider climate and other disaster-related risks and opportunities. Where relevant, investments must be designed to mitigate existing climate-related risks and avoid creating new ones—particularly in highly vulnerable sectors like agriculture; water, sanitation and hygiene (WASH); and infrastructure.

DFAT is developing a Climate Change Good Practice Note.

2.4.8 Disability-inclusive development

The Australian Government is committed to expanding opportunities for social and economic development for people, businesses and communities to promote economic growth and reduce poverty. Australia recognises that this cannot occur effectively if the most disadvantaged people are left behind. People with disabilities comprise one in seven of the global population and are the largest and most disadvantaged minority in the world. For Australia’s development efforts to be effective, people with disabilities must be partners in and beneficiaries of the Australian aid program.

Australia has ratified the United Nations Convention on the Rights of Persons with Disabilities, which requires international cooperation and humanitarian action to make aid disability inclusive. Throughout the aid management cycle—including policy development and direction-setting—programs should engage with people with disabilities and with their representative organisations to identify and address barriers to inclusion. More detail is in DFAT’s Development for All 2015–2020: Strategy for Strengthening Disability-Inclusive Development in Australia’s Aid Program and Disability-Inclusive Development Guidance Note.

2.4.9 Indigenous peoples

The Australian Government is committed to delivering programs that improve outcomes for Indigenous peoples. Indigenous peoples have their own diverse concepts of development, based on their traditional values, visions, needs and priorities, which may differ from those of the broader population. Indigenous peoples are also at greater risk of exclusion, marginalisation and discrimination. For example, social, economic, political and power imbalances may prevent Indigenous peoples from achieving equal access or benefits, or may actively cause them harm. DFAT officers should use the DFAT operational guidance Reaching Indigenous People in the Australian Aid Program: Guidance Note to ensure the aid program is effectively reaching—and not inadvertently harming—indigenous peoples in partner countries. The guidance note also applies to ethnic minorities and other minority groups.

There is no universally accepted definition of ‘indigenous’. DFAT should use whatever terminology is appropriate in each country context. Further guidance on terminology is in the DFAT Indigenous Peoples Strategy 2015–2019: A Framework for Action. The strategy also provides more detail on DFAT’s foreign policy, aid, trade, public diplomacy and corporate priorities for indigenous peoples in Australia and around the world.
2.4.10 Sector strategies

DFAT has developed or is developing sector strategies and further guidance—including good practice notes—for:

- infrastructure
- agriculture, fisheries and water
- social protection
- education
- health
- humanitarian
- domestic resource mobilisation (tax policy and administration)
- climate change
- disaster risk reduction
- Australia Awards (scholarships and fellowships)
- public financial management.

2.5 AID INVESTMENT PLANS

Country and regional programs valued at $15 million or more total annual official development assistance (ODA) must produce an AIP. An AIP is a public document that details Australia’s development-related objectives in a partner country or region, how they will be achieved and how success will be measured. AIPs are mandatory under the Government’s aid policy statement, Australian Aid: Promoting Prosperity, Reducing Poverty, Enhancing Stability.

Where an Integrated Country Strategy is being drafted, programs should, if possible, develop an AIP at the same time or soon after. The AIP should be informed by the choices made in the strategy.

AIPs generally span four years, in line with budget forward estimates. Alternatively, they may be aligned to a partner country’s political cycle (up to six years). For countries facing dynamic or highly challenging circumstances, programs may develop AIPs with shorter time frames. For example, this may be appropriate for countries facing rapid political change or dealing with the impacts of conflict or natural disasters.

AIPs reflect the Government’s total aid effort in a country or region. They include information on significant expenditure through regional or global programs or by Australian Government agencies other than DFAT. All AIPs are published on the DFAT website.

Proportionality: Aid Investment Plans

DFAT takes a proportionate approach to developing AIPs. This means that the time and effort put into developing an AIP, the analysis underpinning it, the details it contains and the authority for approving it should be proportional to the value and/or strategic importance of the country or regional program. In all cases, existing resources should be used where possible. The Contracting and Aid Management Division (ACD) is responsible for setting AIP requirements.
2.5.1 What an AIP contains

AIPs are underpinned by analysis that:

- with reference to the Foreign Policy White Paper, identifies Australia’s core interests in a country or region, including the potential costs of instability and insecurity
- outlines the key challenges to achieving those interests (including constraints on growth)
- identifies the extent, distribution and drivers of poverty, and considers the relationship between growth and poverty reduction
- makes a realistic assessment of what Australia can influence given the political economy of the partner country or region and our resources (including funding, staff numbers and capacity, and partner capacity)
- explains what Australia will seek to achieve and why (including, where relevant, what we will not do and why)
- considers implementation risk, including safeguard risks, delivery modalities and the results of previous evaluations.

For advice on how to do analysis, including for AIPs, see the Analysis Good Practice Note and Poverty and Social Analysis Good Practice Note. DFAT thematic areas can help with access to external experts.

The analysis underpinning AIPs must be documented so that the Aid Governance Board (AGB) and the relevant approver can clearly understand the choices in the AIP. The exact form of this documentation is up to the program. For example, an Integrated Country Strategy may satisfy some or all of the above points. Alternatively, a document could be prepared summarising the results of the analysis and explaining the choices in the AIP.

The AIP itself must be as succinct and direct as possible and in the format set out in the AIP template. For programs with $50 million or more total annual ODA, the AIP should be approximately 10 pages, excluding annexes. For programs with $15 million to $50 million total annual ODA, approximately four or five pages, excluding annexes, is generally enough.
In practice: AIP outline

- **Part I: Context and rationale**
  - Political economy of the partner country/region
  - Australia’s national interests and influence objectives
  - Growth and poverty analysis
  - Australia’s value-add and leverage

- **Part II: Objectives and implementation approach**
  - Key development objectives (generally between two and four) together with the approach and key interventions to be employed to achieve them (e.g. partnerships, policy dialogue, major current and planned investments)
  - How planned activities will address poverty reduction
  - How planned activities under each objective will contribute to achieving the Sustainable Development Goals
  - Resourcing implications (budget, people and partners)

- **Part III: Performance management**
  - Mutual obligations between Australia and partner government, outline approach to monitoring and evaluation and identify performance benchmarks

- **Part IV: Program management**
  - Governance and resource management arrangements, key risks and approach to risk management

- **Annexes (public)**
  - Performance Assessment Framework
  - Investment Pipeline

- **Annexes (non-public)**
  - Program Fund Plan
  - Program Risk Register

2.5.2 AIPs: the foundation for program-level performance assessment

The Government’s performance framework Making Performance Count: Enhancing the Accountability and Effectiveness of Australian Aid drives links between performance and aid funding, ensuring a stronger focus on results and value for money.

The framework requires that all AIPs identify a set of performance benchmarks for the life of the AIP. These should highlight key planned program results and significant milestones (for example, a milestone might be adopting a new policy, and key program results would flow from implementing that policy). They should include measures of improved operational effectiveness or efficiency. Performance benchmarks may be selected from Performance Assessment Framework indicators (see the ‘Proportionality’ box below).
Proportionality: Performance Assessment Frameworks

All programs that need an AIP must develop a Performance Assessment Framework (PAF).

A PAF is a management tool for comprehensively detailing expected results across the program’s portfolio of investments. It includes measurable indicators against which progress towards the program’s overall objectives can be assessed. Experience has consistently shown that programs with a PAF are more able to present credible performance reporting.

The overall complexity of a PAF and the level of effort allocated to developing it should be proportional to the value and risk profile of the program. Some programs delivering economic partnerships have developed PAFs that cover both aid and economic objectives. This is an acceptable model.

2.5.3 Partner governments and other stakeholders

Partner governments must be consulted on the development objectives, performance benchmarks and mutual obligations set out in an AIP. Judgements on the depth, scale and sequencing of consultations should be made by the Post. For regional AIPs, this should include discussions with regional organisations or other organisations working regionally. Although AIPs must be informed by consultation, they do not need to be formally negotiated with or endorsed by partner governments (although they may be adapted for this purpose if necessary in a particular local context).

When developing an AIP, DFAT officers responsible for the country or regional program should also consult with and seek input from other stakeholders, including:

- other divisions in DFAT (including cross-cutting areas such as gender)
- other Australian Government agencies with an interest in the country or region
- private sector organisations, NGOs and civil society organisations (as relevant)
- research organisations working on development issues in the country or region
- bilateral and multilateral development partners.

2.5.4 How AIPs are quality assured and approved

Before starting work on an AIP, it is good practice to document the planned process and timeline in an AIP commissioning minute. This should be signed by the relevant First Assistant Secretary (FAS) or Assistant Secretary (AS), depending on program value and risk profile (see Figure 8).

After producing a draft AIP, consult relevant stakeholders on the proposed development objectives, implementation approach, performance management (PAF, performance benchmarks and mutual obligations) and risk assessment. At a minimum, these would generally include the thematic and policy areas of DFAT relevant to the areas of focus in the draft AIP (including cross-cutting areas such as gender), together with the Contracting and Aid Management Division. Document comments and responses. This will enable the approver of the AIP to be satisfied that there has been a suitable quality assurance process.

The FAS is responsible for ensuring that all appropriate consultations have been done and the AIP is in line with high-level Government policy directions. The relevant Head of Mission (HOM) must endorse the AIP before it goes to the FAS for approval.
AIPs valued at $50 million or more total annual ODA then need to go to the Aid Governance Board for review. The Aid Governance Board also has discretion to review AIPs valued at $15 million to $50 million total annual ODA. The next step is approval by the Minister ($50 million or more total annual ODA) or the relevant Deputy Secretary ($15 million to $50 million total annual ODA).

2.5.5 How AIPs are reviewed and kept current

Annual Program Performance Reviews (APPRs) are the key tool for reviewing progress against the objectives set in an AIP (see Chapter 3). This may include an assessment of the continuing relevance of AIP priorities. Significant changes in the country or regional context—including changes to Australia’s bilateral relationship, the emergence of conflict, a major natural disaster or a political change—may lead to a decision to revise AIP objectives.

If the relevant FAS/HOM decides that an AIP needs significant adjustments due to a major change in the operating context, they should seek approval from the initial approver (Deputy Secretary or Minister). Minor adjustments to an AIP are made through APPRs. These should be incorporated into the AIP each year to keep it current and relevant. AIP annexes should also be updated each year.

Extensions to an AIP need approval from the initial approver (Deputy Secretary or Minister).
Note: AIPs are not required for programs under $15 million total annual ODA.

* See Executive Branch guidance on integrated country strategies and Section 2.5.1 of this guide.

An Integrated Country Strategy or other document explaining choices made in the AIP must be annexed to the AIP for AGB review. AIPs are published on the website and must be uploaded to AidWorks.

### 2.5.6 Roles and responsibilities

The relevant division in Canberra has primary responsibility for drafting an AIP. Posts should provide analytical input and lead any consultations with partner governments and in-country stakeholders.

The relevant Director is responsible for having the public version of the AIP placed on the website within one month of its approval, amendment or annual update.
For more information about issues raised in this chapter, email programplanning@dfat.gov.au.

Key resources

Policies
Australian Aid: Promoting Prosperity, Reducing Poverty, Enhancing Stability
Australia Awards Global Strategy
Aid Evaluation Policy
Development for All 2015–2020: Strategy for Strengthening Disability-Inclusive Development in Australia’s Aid Program
Effective Governance: Strategy for Australia’s Aid Investments
Gender Equality and Women’s Empowerment Strategy
Health for Development Strategy 2015–2020
Climate Change Action Strategy
Making Performance Count: Enhancing the Accountability and Effectiveness of Australian Aid
Framework for Supporting Tax Policy and Administration through the Aid Program
Strategy for Australia’s Aid for Trade Investments
Strategy for Australia’s Aid Investments in Agriculture, Fisheries and Water
Strategy for Australia’s Aid Investments in Economic Infrastructure
Strategy for Australia’s Aid Investments in Education 2015–2020
Strategy for Australia’s Aid Investments in Private Sector Development
Strategy for Australia’s Aid Investments in Social Protection

Guidance
Aid for Trade Guidance Note
Aid Investment Quality Reporting Good Practice Note
Aid Program Performance Report (APPR) Good Practice Note
Analysis Good Practice Note
Conflict Analysis Guidance Note
Climate and Disaster Risk Reduction Guidance Note
Disability-Inclusive Development Guidance Note
Early Recovery—Humanitarian Strategy Guidance Note
Humanitarian Guidance Notes
Social Protection and Disability Guidance Note
Gender Equality and Women’s Empowerment in DFAT’s Aid Program—Good Practice Note
Performance Assessment Framework Good Practice Note
Political Economy Analysis Guidance Note
Poverty and Social Analysis Good Practice Note
Engaging the Private Sector in Development Guidance Note
Reaching Indigenous People in the Australian Aid Program: Guidance Note

Tools and templates
AIP template
Program evaluation template (Annual Evaluation Plans)
Evaluation Prioritisation Tool
Performance Assessment Framework template
CHAPTER 3 AID PROGRAM MANAGEMENT AND PERFORMANCE REPORTING

Key messages
DFAT’s country and regional programs comprise a set of strategic investments that are chosen as a portfolio and designed to generate specific outcomes as set out in aid investment plans (AIPs) or equivalent strategy-setting documents.

The relevant First Assistant Secretary (FAS) and Head of Mission (HOM) are responsible and accountable for all aspects of their aid program. A Senior Responsible Officer (SRO) model is being trialled with a few programs. See the Senior Responsible Officer guidance for more information.

Program management involves developing relationships with the partner government and other partners; setting strategic priorities; allocating budgets; tracking results; managing risk; and ensuring that all expenditure complies with the law.

The FAS approves which program evaluations will be conducted as part of DFAT’s Annual Aid Evaluation Plan.

Mandatory requirements
Programs must comply with the Public Governance, Performance and Accountability Act 2013 (PGPA Act) and other relevant legislation.

Budgets are allocated through the Program Fund Plan (PFP), which must be completed in AidWorks and updated quarterly.

Program risks must be reviewed regularly and escalated as appropriate.

Aid Program Performance Reports (APPRs) must be produced annually by country and regional programs that have an annual total official development assistance (ODA) allocation of $15 million or more.

APPRs must be peer reviewed to ensure performance reporting is robust and contested.

APPRs must be approved by the relevant FAS and published on the DFAT website.

All evaluations and management responses must be published on the DFAT website within three months of an evaluation report being completed.
Aid program management ensures that the program’s portfolio of investments is coherent and will achieve the objectives set out in the AIP.

Program management ensures that resources (staff and budget) are allocated according to the program’s strategic priorities, and that expenditure fully complies with the law.

Performance reporting enables DFAT to assure the Minister and taxpayers that the aid program is achieving credible results.

3.1 WHAT IS AN AID PROGRAM?

An aid program is a set of strategic investments that are chosen as a portfolio and designed to generate specific outcomes. A program may cover a country (country program) or a region (regional program). The investment choices are guided by the Australian Government’s objectives as set out in country and regional AIPs. They are also influenced by partner country preferences, opportunities (particularly the presence of reformers) and experience (for example, the longer the engagement in a sector, the stronger the results). It can take up to two years to design and procure an investment, so there is always a mix of old and new investments in any portfolio. Each program is allocated an annual budget appropriation at the start of the financial year and is given a medium-term funding estimate through the forward estimates process.

In practice: Funding to multilateral organisations and global funds

Australia funds various multilateral organisations, global funds, and UN development and humanitarian organisations. This allows us to leverage resources from other donors, extend our reach, access expertise and pursue aid policy objectives at a scale that would not otherwise be possible.

Australia normally channels funding to these organisations in two ways: non-core funding and core contributions. Both ways require the financial delegate to justify value for money in the selection of the aid delivery partner (especially if there is no competition) and in the agreed project terms and conditions.

**Non-core funding** is targeted for a specific program, project or projects, usually at either country or regional level or for activities in a specific sector or sectors. We generally provide non-core funding through country, regional or sectoral programs from the budget allocations managed by those programs. It typically involves project-level co-financing, contributions to single or multi-donor trust funds, or earmarking voluntary contributions for specific sectors or initiatives.

**Core contributions** support an agency’s core mandate and objectives. We often commit to these contributions on a multi-year basis.

**Responsibility for managing non-core funding** generally sits with the relevant DFAT geographic or sectoral area or with the relevant country or regional program. In planning and managing non-core funding, DFAT officers should follow DFAT’s investment design (see Chapter 4) and management processes (see Chapter 6). The design process normally relies on the partner’s project design, procurement and project management systems.

**Responsibility for managing core funding** and the overarching relationships with multilateral agencies sits with the Global Cooperation, Development and Partnerships Group (GPG) and the Humanitarian, NGOs and Partnerships Division (HPD).
Core contributions are exempt from many of DFAT’s investment design and management processes. We monitor their overall performance through the Multilateral Performance Assessment (MPA) process, which happens every three years. MPAs consider the overall (core and non-core) organisational priorities and performance of DFAT’s main multilateral partners. Relevant geographic and sectoral areas and Posts are consulted as part of the MPA. Information from Partner Performance Assessments (PPAs), collated by the relevant division, also informs the MPA.

For more information, see:
- Explanatory Note on Multilateral and Global Programs
- Australia–Asian Development Bank Partnership Framework
- World Bank Group Partnership Framework
- Strategic Partnership Framework UNICEF
- Strategic Partnership Framework UNDP
- Templates for grants to partner governments or international organisations

### 3.2 AID PROGRAM MANAGERS AND THEIR RESPONSIBILITIES

In DFAT, aid programs are managed by divisions and Posts. The relevant FAS and HOM have ultimate responsibility for all aspects of their aid program. They can delegate responsibility for certain elements of the program to SES Band 1, EL 2 or EL 1 officers as appropriate, depending on the size and risk profile of the program. In large programs, responsibility for sector programs is generally delegated to EL 2 managers. A Senior Responsible Officer model is being trialled in a few programs.

Financial responsibilities are derived from the PGPA Act. The DFAT Secretary determines delegations (see Chapter 1).

There is no single model for the division of responsibilities between Posts and Canberra. The situation will vary according to the size of the program, the level of devolution and the risks involved. Given this flexibility, it can help managers in both locations to document their agreed respective responsibilities. Having this information also helps their teams.

Under the PGPA Act, program managers are accountable for using and managing public resources efficiently, effectively, economically and ethically. This involves:
- meeting high standards of governance, performance and accountability
- providing meaningful information to Parliament and the public
- properly using and managing public resources.

### 3.3 KEY ASPECTS OF PROGRAM MANAGEMENT

Senior managers should stay focused on the big picture: maintaining relationships with partners, setting strategic priorities, managing risks, allocating budgets, tracking results and ensuring that expenditure complies with the law.
3.3.1 Build relationships with partner governments and other partners

Australia aims to build mature partnerships based on principles of mutual accountability with partner governments and organisations. This provides the basis for reinforcing the responsibility of partner governments for planning and funding their own economic development and poverty reduction strategies. It also ensures that relationships are in place to advocate for partner government policy reforms that promote economic growth and poverty reduction, complementing aid program support.

Managers also need to focus on other partners including:
- the local private sector and representative business organisations
- delivery partners such as commercial contractors, local and Australian NGOs, and other international development agencies involved in delivering Australia’s aid
- other bilateral and multilateral development agencies
- local community and civil society organisations.

3.3.2 Ensure alignment with AIP objectives

Senior managers should take a holistic view of their specific country or regional program to ensure that the portfolio of investments achieves maximum impact against the priorities set in AIPs (see Chapter 2).

In practice: Strategic alignment

Managers can achieve maximum impact by:
- increasing coherence and taking a collective approach across the investment portfolio. This usually spans several sectors, is delivered by a range of implementing partners, and has several individual investment managers at a Post or in Canberra
- regularly calibrating the program’s portfolio of investments to ensure alignment with the strategic objectives of the AIP and the Australian Government’s development policy
- being well informed of changes in the development context that may affect the continuing relevance of Australia’s aid programs and their alignment with partner government interests
- regularly examining program-level performance indicators, such as investment quality reporting, performance against strategic targets, consolidation profile, risk exposure, expenditure levels (current and projected), aid management capability and resourcing levels
- formally reviewing the risk profile each quarter as a management team
- engaging with program evaluations. This includes identifying evaluation subjects for the Annual Evaluation Plan, setting clear expectations for evaluation teams, and considering and implementing evaluation recommendations.

3.3.3 Ensure strong risk management

All managers need to manage risk. This includes identifying, monitoring and reviewing risks, and determining when escalation is appropriate (see Chapter 8).
3.3.4 Ensure effective budget management and pipeline planning

Budget planning and management are dynamic and complex, combining annual funding allocations, multi-year funding commitments and various investment preparation lead times. HOMs and SES officers should put in place mechanisms that enable them to:

- have a strong understanding of the status and sequencing of existing investments in the program portfolio
- effectively plan (in terms of budget and staff allocation) for the preparation of new investments and agreements
- regularly review the program’s budget and expenditure position to ensure that they can meet annual expenditure targets and that there is enough funding for current and planned investments.

Effective aid programs are underpinned by strong planning. ‘Pipeline planning’ reflects the need for managers to plan investments and manage budgets two or three years into the future. It enables a program manager to see and create programming opportunities to respond to new priorities. Two tools support strong pipeline planning: the Program Fund Plan (PFP) and program expenditure reports. Both are generated in AidWorks.

The PFP is DFAT’s main tool and central record for managing aid program allocations and commitments and for planning and facilitating aid expenditure. All programs must have a PFP that:

- outlines the program’s current and planned portfolio of investments for the current financial year and three years into the future
- is approved by a HOM or SES officer and recorded in AidWorks (typically through the program’s central coordination, operations or budget unit)
- is updated at least quarterly to record changes in budget allocations to account for variations in planned expenditure against investments and as end-of-financial-year processes take effect
- reflects data for current and planned investments.

Aid programs cannot spend their budgets until agreements are in place. Once an investment is designed, the process of selecting a delivery partner and making an agreement can take up to six months. ‘Programmed expenditure’ reports enable managers to see how much of their budget is committed in agreements, and to start planning for agreements that will be needed in 12 to 18 months. Managers should generally look two years ahead and aim to have around 50 per cent of their indicative budget already committed (with agreements in place).

To ensure effective in-year budget management, HOMs and SES officers should:

- regularly review expenditure against the program budget (typically through the program’s central coordination, operations or budget unit, which prepares dashboard reports using data from AidWorks)
- require investment and agreement managers to structure payments so they are spread as evenly as possible across the year, reducing pressure at the end of the financial year
- require investment and agreement managers and central coordination, operations and budget units to keep AidWorks program data up to date. This enables accurate reporting of budget use to DFAT senior managers, including the Departmental Executive and the Aid Governance Board
- make the portfolio of investments flexible enough to ensure full and effective use of the program’s budget allocation—e.g. with investments that can be readily and effectively scaled up or down, and selective ‘over-programming’ in case of delays to implementation and expenditure.
3.3.5 Collect evidence of outcomes and performance

Reliable performance information is needed to check that programs remain relevant and continue to meet overall strategic directions as set out in the AIP.

Programs with an annual total ODA allocation of $50 million or more must have a Performance Assessment Framework (PAF) that includes measurable indicators for assessing progress towards a program’s overall stated objectives. Smaller programs should also have a PAF; otherwise they must use the monitoring and evaluation frameworks developed at the investment level as the key tools for assessing progress towards program-level objectives (see Chapter 4).

HOMs and SES officers should ensure there are adequate resources (staff and budget) for program performance monitoring.

3.3.6 Prioritise evaluations

All evaluations should be commissioned and conducted to maximise the use of evaluation findings and recommendations to improve DFAT’s work. To ensure evaluations are highly useful, DFAT focuses on three areas: prioritisation; quality; and systems that facilitate use.

Each year programs must prepare a list of priority evaluations for approval by the relevant FAS and inclusion in DFAT’s Annual Evaluation Plan (see also Section 2.3). These evaluations should focus on topics that will help to guide current and future programming. They may target areas where there are significant evidence gaps, issues that pose significant risks, high-profile interventions, or investments of high financial value. Over time, programs should evaluate all their significant investments. The prioritisation tool will help staff identify priority evaluations. Selected evaluations are included in each program’s APPR (where applicable).

The ‘In practice’ box below lists key features of evaluation quality and use. Observing these principles ensures that evaluation findings are credible, robust and valuable. Management responses must be completed for all evaluations and approved by the relevant senior manager (e.g. Assistant Secretary or Minister Counsellor). All evaluation findings and management responses must be published on the DFAT website within three months of completing the evaluation report. Depending on the evaluation topic and findings, program areas may prepare talking points before publication.

DFAT’s Office of Development Effectiveness (ODE) periodically evaluates aid at the whole-of-program level, including country, regional, thematic and global programs. These strategic evaluations provide additional performance information and draw out high-level lessons from across Australia’s aid program. Management responses to ODE strategic evaluations should be finalised and approved by the relevant Senior Manager within 28 days of completing the evaluation report.

In practice: Ensuring evaluation quality and use

For an evaluation to deliver full value to DFAT, it should have the following features.

- **Independence**: To ensure objectivity, evaluation teams should be led by an independent person who is not directly involved in the management of the program being evaluated. Independence is important for credibility and often adds a useful alternative perspective. Evaluation conclusions may be debated and recommendations accepted or declined, but no undue influence should be exercised over the process or findings of an evaluation.

- **Expertise**: A team leader with evaluation expertise should lead all evaluations. If the team leader does not have the requisite sector, country or program knowledge, other team members should be engaged to provide this. Evaluation teams may include
consultants or DFAT officers from outside the immediate program area. Involving DFAT staff will ensure evaluation teams understand DFAT’s context and have insight into whether evaluation recommendations are appropriate and feasible. It will also give DFAT staff strong ownership of the evaluation and build their capacity.

- **Early engagement with partners:** All evaluations should involve partner governments and implementing partners, to the extent possible. This gives them ownership of evaluation design and implementation and ensures they understand DFAT’s evaluation requirements. Where DFAT participates in joint evaluations or allows evaluations to be led by one of our development partners, program areas should first ensure that the evaluation can comply with DFAT’s quality, management response and publication requirements.

- **Quality:** DFAT’s Monitoring and Evaluation Standards help teams ensure the quality of evaluation products (including terms of reference, evaluation plans and reports). A peer review of the draft evaluation report is not mandatory but is often useful for quality assurance and information sharing.

- **Ethical conduct:** Evaluation teams should adhere to the Australasian Evaluation Society’s Guidelines for the Ethical Conduct of Evaluations.

- **Senior management oversight:** Evaluations can help incorporate analysis of past performance and lessons learned into DFAT’s decision-making and planning processes. Senior management oversight of independent evaluations helps ensure this. An EL 2 should be responsible for financial and procurement approvals; clearance of terms of reference and evaluation plans; and ensuring quality assurance processes are applied. Senior managers (e.g. Assistant Secretaries and Minister Counsellors) are responsible for approving the evaluation report and management responses for publication. All relevant SES delegates are responsible for ensuring evaluation findings inform Australia’s aid planning and delivery.

- **Transparency:** Consistent with the Government’s transparency commitments and Aid Evaluation Policy, evaluation reports should be published alongside a management response on the DFAT website within three months of completion. Senior managers should encourage appropriate staff handover, record keeping and back-end planning to ensure follow-through to publication of the evaluation report and management response. The relevant FAS may grant exemption from publication in exceptional circumstances. In such cases, there must be a formal minute providing the rationale for non-publication. See the Aid Evaluation Policy and DFAT Monitoring and Evaluation Standards.

### 3.3.7 Consider public diplomacy opportunities

Good program management includes identifying opportunities for public diplomacy. Aid program managers should refer to DFAT’s Public Diplomacy Strategy and Posts’ annual public diplomacy priorities for guidance on encouraging support for the aid program and contributing to our public diplomacy goals.

Public diplomacy opportunities may include public events linked to program or policy developments that have been supported by Australian aid investments—such as launches at Posts by Ministers or HOMs, ministerial visits, and providing stories or photos for publication. Case studies from monitoring and evaluation reporting can highlight aid achievements. Carefully managed social media activity—posting on Facebook; sharing articles on relevant topics; tweeting; using Twitter hashtags; and retweeting stakeholders and partners—can amplify public awareness and engagement with the aid program.
3.4 PROGRAM-LEVEL PERFORMANCE REPORTING REQUIREMENTS

Country and regional aid programs report on their performance through annual APPRs (see Chapter 2). APPRs provide evidence-based assessment of progress against the Australian aid objectives set out in AIPs. APPRs help strengthen program management, demonstrate accountability and improve effectiveness. DFAT does not expect to have all AIP objectives assessed as ‘on track’ each year, given the challenges of achieving development outcomes. Some of the most important aspects of APPRs are the agreed management actions to help address areas where progress is below expectations. APPRs note any major evaluations completed during the reporting period, and any planned program-prioritised evaluations. The reporting process is also an opportunity to discuss program performance with partner governments.

APPRs cover total Australian ODA to a country or region, not just the ODA administered by DFAT. The APPR preparation and drafting process is proportional to the value, risk and complexity of the country or regional program (see the ‘Proportionality’ box below).

APPRs must report on progress against performance benchmarks and progress towards mutual obligations. They must also include an overall assessment of key risks, how they are being managed, and any changes to the risk profile. APPRs should include any revisions to performance benchmarks for the upcoming financial year. See the Aid Program Performance Reports (APPRs) Good Practice Note for details.

APPRs must be peer reviewed to make sure there is robust and contested assessment of and reporting on program performance and that they identify suitable management responses.

Final APPRs are approved for public release by the relevant FAS. The relevant HOM should endorse the final document before it is published on the DFAT website.
Proportionality: APPR requirements

Total yearly ODA and related requirements:
- Less than $15 million: exempt from producing an APPR unless required by the relevant FAS
- $15 million to $50 million: summary APPR required
- $50 million to $100 million: 15-page maximum APPR required
- More than $300 million: 25-page maximum APPR required.

Peer review is proportional to the program’s value, risk and complexity. It should be chaired at SES level. DFAT officers from the Aid Management and Performance Branch, Human Development and Governance Division, Economic Growth and Development Financing Division, Gender Equality Branch and ODE must be invited to participate in all peer reviews and given adequate notice of them. Participants from thematic and sector areas and representatives from other government agencies can be involved, as appropriate.

ODE publishes a quality review of APPRs, summarising performance trends and assessing the credibility of the reports. The review provides useful feedback on aid program performance reporting for HOMs and SES officers, and is a good reference for authors wanting to improve the quality of their own APPRs.

3.4.1 Program evaluation plans

Program evaluation plans are part of all AIPs (see Chapter 2). They are reviewed and updated annually as part of the Aid Evaluation Plan and APPR process. A program’s evaluation plan should be limited to evaluations that have the greatest strategic importance to the program. The mandatory Final Aid Quality Check is an alternative means of gathering significant evidence of results and development impact. It records lessons from investments that may not merit a formal independent evaluation.

3.5 POTENTIAL PITFALLS

The Contracting and Aid Management Division (ACD) and ODE have identified the following common weaknesses in program management, evaluation and performance reporting.
- Weak line of sight between AIP objectives, investments and the activities being implemented. This results in a loss of clarity.
- Lack of investment in, and capacity to undertake, monitoring and evaluation. This means there is no evidence to support investment management, which in turn risks weakening the program-level performance narrative.
- Rating AIP objectives as ‘on track’ in APPRs without evidence to substantiate performance claims. This can arise from the mistaken belief that it will reflect negatively on program managers if progress is not as anticipated.
- Not giving enough attention to pipeline planning. This leads to expenditure pressure and, potentially, poor programming choices.
- Not publishing evaluations. This reduces DFAT’s ability to learn from its own programs and the Government’s ability to meet its transparency commitments.
For more information about issues raised in this chapter, email programplanning@dfat.gov.au or opeval@dfat.gov.au (for evaluation).

**AidWorks**

Senior managers can customise dashboard reporting from AidWorks to cover all operational needs. This may include financial reporting, tracking the number of investments and agreements, and summarising investment quality reporting data.

AidWorks supports pipeline planning through the mandatory PFP.

All programmed expenditure information comes from AidWorks reporting.

The Finance Division monitors program expenditure in AidWorks. If data is not up to date, this can affect budget allocations and future planning.

### Key resources

**Policies**

- Aid Evaluation Policy

**Guidance**

- Australia–Asian Development Bank Partnership Framework
- Aid Program Performance Report (APPR) Good Practice Note
- Explanatory Note on Multilateral and Global Programs
- DFAT Monitoring and Evaluation Standards
- Program Planning and Management Good Practice Note
- Strategic Partnership Framework UNICEF
- Strategic Partnership Framework UNDP
- World Bank Group Partnership Framework
- Senior Responsible Officer Guidance

**Tools and templates**

- Annual Evaluation Plan template
- Evaluation Prioritisation Tool
- Templates for grants to partner governments or international organisations
- Aid Program Performance Report template—Full APPR (programs of $50 million or more)
- Aid Program Performance Report template—Summary APPR (programs between $15 million and $50 million)
CHAPTER 4 INVESTMENT DESIGN

Key messages

High-quality investment designs underpin the effectiveness of Australian aid. The review and design process should begin well before the investment is due to start. Quality designs allow enough time for analysis, review, field consultations, partnership brokering and quality assurance.

Each design needs to be tailored to fit the specific context and desired outcome. There are mandatory design requirements but they have enough flexibility to enable officers to determine which approach best suits the investment.

Mandatory requirements

There are mandatory processes for investment concepts, design documentation, quality assurance and approvals. Requirements are proportional: they depend on the investment’s size, risk profile and approach.

Programs must screen all investments for key risks and environmental and social safeguards to determine the design process.

All investments over $10 million must have policy approval from the Post and the Canberra home division at the concept and design stages.

For all investments valued at $50 million or more, the program must consider innovative ways to promote private sector growth or engage the private sector.

All investments valued at $100 million and/or rated as high risk must go to the Aid Governance Board for consideration. This is also a requirement for all concepts and designs for facilities.

Investment designs are the mechanism DFAT uses to translate aid program objectives to tangible impact on the ground. Designs set out the clear logic between the desired outcomes, intended investment activities and implementation arrangements, and how progress towards outcomes will be measured. The design document is usually the basis of a procurement or grant process.

A good-quality design process takes context into account, involves meaningful engagement with stakeholders (particularly partner governments), and is informed by evidence and analysis. Designs should take full account of the lessons documented in evaluations of other relevant investments.
4.1 TYPES OF DESIGN

In DFAT there are two approaches to design.

- **DFAT-led design**: DFAT manages the design process and draws on external expertise as needed. An Investment Design Document (IDD) of up to 25 pages (plus annexes) must be prepared.

- **Partner-led design**: A partner organisation—such as a multilateral development bank, an NGO or a UN agency—leads the design process. DFAT may have opportunities to participate in and influence the design. An Investment Design Summary (IDS) of up to 15 pages (plus annexes) must be prepared.

Decisions about delivery approaches, forms of aid and the type of delivery partner are made through the design process. The IDD or IDS must provide justification for the proposed approach. See Figure 9 below and the Delivery approaches and forms of aid guidance for more detail.

**Figure 9: Principal aid investment options**

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**In practice: DFAT-led design processes**

Managing a DFAT-led design is one of the most important and rewarding tasks for staff involved in Australia’s aid program. The design process helps staff to meet their legal obligations, obtain guidance from senior managers and learn from the experiences of past
activities. It provides enough flexibility for staff to consider all the options available and determine the most effective approach for the specific context.

4.2 MAIN STEPS IN A DESIGN PROCESS

There are two phases and seven steps in a design process. The requirements at each step are proportional to the size and risk of the investment. They vary depending on whether the design process is DFAT led or partner led. Figure 9 lists the mandatory requirements for both approaches.

Planning Phase: Identification, risk assessment and written approval to commence

**Step 1—Identification:** Start planning for a new investment or a further phase of an existing investment as early as possible before the required start date of the investment. This allows time for necessary research and/or evaluation. Investment managers must discuss the program pipeline with senior managers and determine which investments are required to support their program’s strategic direction. They will need to consider the Aid Investment Plan, the Program Fund Plan and any policy shifts or programming imperatives. They should consider commissioning research and/or a review or evaluation of existing investments to inform the new design. Managers should identify consultants to participate in the design team and other assistance needed to support the design process.

**Step 2—Screen for risks and safeguards:** Identify and screen for the key risks, including potential environmental and social safeguard risks and impacts. Screening must be completed for all investments. The level of risk and the value of the investment determine the quality assurance process and approval requirements. See the Risk and Safeguard Tool.

**Step 3—Written Approval to Commence Minute:** Get approval to start the design process in a formal Written Approval to Commence Minute from the relevant delegate in the initiating area. The minute should provide justification for the proposed approach (i.e. DFAT-led or partner-led design). This does not require joint Canberra/Post approval. This approval moves the investment into the design phase.

Design Phase: Concept, design, quality assurance and approval

**Step 4—Concept (five-page maximum):** If an investment is valued at $10 million or more or is assessed as high risk, an investment concept is mandatory. The process for preparing and approving a concept depends on complexity and risk. It may take one to three months. Once the concept is approved, the investment proceeds to design. The Investment Concept template and the Concept Approval Minute must be jointly approved by both the Canberra home division and the Post (unless the investment is a regional or global program managed from Canberra) by the correct delegates. See the ‘In practice’ box ‘Who is the right delegate for dual approval?’ below. If the investment is valued at $100 million or more and/or is high risk or a facility, it will also need to go to the Aid Governance Board (AGB) for consideration.

**Step 5—Design:** Producing a design may take several months. The timing depends on its complexity, understanding of the context and implementation requirements, and the investment design pathway. Meaningful and early engagement with DFAT stakeholders, partner governments, the private sector,

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1 ‘Canberra’ refers to the relevant budget owner—i.e. the home division/desk. If the investment is co-financed by more than one budget owner, more than one Canberra approval may be required—i.e. all home divisions should co-sign.

2 This could include trialling different models such as concept to tender, design-implement and simpler designs (see Adaptive Design and Procurement Trial (ADAPT) concept paper).
beneficiaries, development partners and civil society organisations (including those representing women, people with disabilities, indigenous peoples, and environmental advocates) is essential in the design process. The design document must set out the policy objectives, program outcomes, implementation arrangements, and how progress will be measured.

**Step 6—Quality assurance:** The quality assurance process aims to improve quality and ensure the intended investment is fit for purpose. Quality assurance is proportional to investment size and risk. It involves independent appraisal and peer review and may require consideration by the AGB. See the Investment Design Quality Assurance and Scoring Guidance and the Investment Design Quality Assessment Tool and Scoring Matrix.

**In practice: Adaptive Design and Procurement Trial**

The Adaptive Design and Procurement Trial (ADAPT) explores innovative pathways for investments. Options include design update, concept to tender, co-creation with the private sector, and design-implement. Email designmail@dfat.gov.au if you are interested in opting into this trial.

**Step 7—Approval:** The final step of the design process is approval by the relevant program delegate(s). For investments valued at $10 million or more, the Design Approval Minute template must be jointly approved by both the Canberra home division and the Post by the correct delegate (unless the design concerns a regional or global program led by Canberra).

**In practice: Partner-led design processes**

Partner-led design processes are typically less burdensome for DFAT but may provide less opportunity to influence the investment. The best time for DFAT to influence a partner-led design is at the concept phase. Early engagement can ensure that the design meets Australian requirements (such as gender equality and environmental and social safeguards). Where DFAT has limited ability to shape existing partner-led activities, DFAT delegates must be assured, before approving the design, that the investment implements Australian aid policy and meets DFAT standards.
**Figure 10: Proportionality—mandatory design requirements**

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*Investments of less than $3 million that are low risk do not require a design document; they move straight to financial approval.

© For investments of $10 million or more, Post and Canberra delegates will provide dual approval (except for regional/global programs which do not have a Post counterpart).
4.3 HOW TO INITIATE A DESIGN

4.3.1 Complete the risks and safeguards assessment

All proposed investments must be screened for risks and safeguards. This includes impact on the five environmental and social safeguards, as this will help determine the design quality assurance pathway. The investment manager should do this using the Risk and Safeguard Tool. If an investment is assessed as high risk, the investment manager must prepare an investment concept, which must go to the AGB for consideration. If an investment triggers safeguard concerns (see Chapter 8), DFAT must ensure appropriate management strategies are in place during the design and implementation phases.

For investments that plan to use partner government financial systems, it is important to check if there is a current Assessment of National Systems in place (see Chapter 8) and a sector fiduciary risk assessment.

Low-risk investments valued at less than $3 million do not require a design document. They and can go directly to financial approvals once the risks and safeguards screening is complete.

4.3.2 Get written approval to start the design process

All high-risk investments and investments of $3 million or more require delegate approval to start the design process (a Written Approval to Commence Minute). The approval makes senior managers aware that the investment is moving from planning to design. It gives delegates the opportunity to shape the approach and focus of the investment.

The approval request does not need to include a detailed explanation of the planned investment, but as a minimum it should:

- name the delegates who will approve the investment concept (if required), the final design and any Public Governance, Performance and Accountability Act 2013 (PGPA Act) approvals.
- confirm that the Program Fund Plan has budget available to meet the costs of the investment design process and of the investment itself.
- define the investment’s risk rating (low, medium, high or very high), based on the Risk and Safeguard Tool.
- set out the planned design process, including justification for choosing a DFAT-led or a partner-led design pathway. This outline should include time frames; design management arrangements; likely time and resource demands on DFAT officers, partners and consultants; expected quality assurance; and proposed procurement processes.

For high-risk investments and investments of $10 million or more, an investment concept must be prepared once the approval to start has been granted.
In practice: Who is the right delegate for dual approval?

Canberra-based First Assistant Secretaries and their delegates are accountable for verifying that minimum standards have been met before approving investment concepts and designs (see Admin Circular AC0413/17).

The delegate for approvals of concepts and designs must be the appropriate budget owner and relevant financial delegate as per the PGPA Act.

Planning phase: Formal Written Approval to Commence comes to the relevant financial delegate (as per the PGPA Act) from the initiating area. This does not require joint Canberra/Post approval.

Concept and design: Investment concepts and investment design documents for investments valued at $10 million or more and/or rated as high risk must have joint approval from both Canberra and Post program fund owner(s) at the correct delegate level (as per the PGPA Act). The exception is investments that concern a Canberra-led regional or global program. The Canberra delegate should be the home division or geographic desk.

The delegates must be the appropriate budget owners and financial delegates as per the PGPA Act, even though these are administrative approvals only (EL 2 up to $3 million, SES 1 to $25 million, SES 2 to $100 million, SES 3 to budget).

4.3.3 Prepare the investment concept

An investment concept explains important details about the planned investment and how the design process will proceed. It sets out policy parameters: why, what and how. It should give business owners and delegates clarity on policy directions and broad implementation options before starting a detailed design process with stakeholders.

The investment concept should be no longer than five pages.

4.3.4 Consult the Aid Governance Board

All investment concepts and designs that are valued at $100 million and/or rated as high risk, and all concepts and designs for facilities, must go to the AGB for consideration before the program delegate can approve them. The AGB also has the discretion to consider any other concepts and designs on request. AGB minutes will record any recommendations from the AGB in relation to the concept/design process or documentation to be addressed before approval by the delegate. Programs that need to place an investment concept or design on the AGB agenda should email AGBSecretariat@dfat.gov.au.

4.3.5 Consider the ADAPT Trial

The Adaptive Design and Procurement Trial (ADAPT) explores innovative pathways for investments. Options include design update, concept to tender, co-creation with the private sector, and design-implement.

ADAPT aims to:
- speed up the process between the stages of concept, design and procurement
- trial different models such as concept to contract, design-implement and simpler designs
• where the private sector is a key partner, elicit more ideas/solutions from them at an early stage regarding identified development challenges
• allow organisations to bid and be compared based on innovation rather than (as the present system emphasises) on their capacity to implement
• allow more flexible contracting, including a design-implement approach after mobilisation.

Email designmail@dfat.gov.au if you are interested in exploring this trial.

4.3.6 Select and mobilise a design team

A small team of up to four people (proportional to the investment’s size and required skills) usually produces an investment design document. The investment manager identifies and (as necessary) contracts the right combination of expertise and oversees the design process. DFAT officers can also be part of the team. Officers can get help from the Contracting and Aid Management Division (ACD) Investment Design Section to draft the design Terms of Reference. The Design, Review and Monitoring & Evaluation Panel can provide access to design expertise through its Deeds of Standing Offer with individuals and organisations. For more information on the panel, contact the Investment Design Section (designmail@dfat.gov.au).

It is important to brief the design team to ensure they understand DFAT and partner government expectations. For investments valued at $50 million or more, the ACD Investment Design Section (designmail@dfat.gov.au) should conduct this briefing at the start of the design mission.

4.4 WHAT PREPARING A DESIGN INVOLVES

Designing an investment involves determining the policy objectives, end-of-program outcomes, delivery approach, forms of aid, policy reform agenda, implementation and governance arrangements, possible selection process for engaging a delivery partner, and monitoring and evaluation arrangements. It is important to assess the alternatives and identify the option that will achieve the best development outcomes for the country or region. The broad options to be considered are set out in Figure 9.

In practice: Innovation in design

While there are standard steps in the process for developing a design, officers are encouraged to consider different ways to undertake design and prepare design documents. A design must clearly identify the problem and articulate what DFAT is trying to achieve. It should provide an analysis of the situation; determine an approach to delivery; and give delegates confidence that the intended aid investment is fit for purpose.

Designs of all new investments worth $50 million or more must consider innovative ways to promote private sector growth or engage the private sector.

4.4.1 Facilities

Any program considering designing facilities should consult the Guidance Note: Facility Investments and the Delegate Checklist for Approving Facilities. Officers must contact the ACD Investment Design Section before
commencing concept/design processes for a facility investment. Programs are encouraged to appoint a Senior Responsible Officer (SRO) in the early stages of the design process for a facility (note: the SRO model is still in a trial phase).

4.4.2 Documentation

Every investment valued at $3 million or more (GST inclusive) requires either an Investment Design Document (for DFAT-led designs) or an Investment Design Summary (for partner-led designs). All designs must be underpinned by the Investment Design Quality Criteria. The level of detail in a design document should be proportional to the risk, value and complexity of the investment.

4.4.3 DFAT-led designs

For DFAT-led designs, an Investment Design Document (maximum 25 pages, plus annexes) explains what the investment will achieve and how it will be implemented and measured. The design must clearly identify roles, responsibilities and accountabilities for delivery, and specify clear outputs and outcomes for inclusion in a contract or agreement. Design documents must follow the relevant Investment Design Document template and Design Approval Minute template.

4.4.4 Partner-led designs

For partner-led designs, the Investment Design Summary (maximum 15 pages, plus annexes) should assure the delegate that the proposed investment meets DFAT’s investment design quality criteria and aligns with Australia’s strategic priorities. It should justify the proposed delivery approach and delivery partner. It must explain what will be gained through the partnership and how DFAT will engage with and manage the investment. Key priorities for the design summary are to maximise the performance of the partner(s), ensure DFAT participation in governance and decision-making, and manage risk.

4.4.5 Monitoring and evaluation

A robust monitoring and evaluation system is critical. It is essential for measuring the performance and progress of an investment. It is also essential for managing risk, for learning, and for informing decision-making that leads to continual improvement in implementation. A good monitoring and evaluation system starts at the design stage with clear and measurable outcomes and theory of change.

A Minimum Sufficient Monitoring and Evaluation Framework (see the Investment Design Document template) is necessary at the design stage for all investments. This framework must be annexed to the design document/summary. It includes broad information on indicators, on targets and on data collection methodology to measure the investment outcomes, outputs and activities. Monitoring and evaluation should be properly resourced and allocated 4 per cent to 7 per cent of the total investment budget.

The monitoring and evaluation plan and system are fully developed later, during implementation. The lead delivery partner must prepare a monitoring and evaluation plan with a quality-assured monitoring and evaluation framework within the first three to six months. The baseline and the monitoring system is developed within the first 12 months.

4.4.6 Procurement

If the design involves procuring a commercial supplier/contractor through a tendering process, or a competitive grant process, officers must contact the Aid Business Branch (ABB) (aid.contracts@dfat.gov.au)
as early as possible in the design process. The ACD Investment Design Section and ABB may also suggest innovative design and procurement approaches. The design team must also discuss the draft Statement of Requirements for the tender with ABB before it is finalised.

4.5 FINALISING A DESIGN

4.5.1 Quality assurance

Quality assurance (QA) improves the quality of an investment and reassures the final delegate of a robust and contestable process. It includes independent appraisal, peer review and AGB consideration depending on the investment value and risk rating. The program area coordinates the quality assurance process.

DFAT assesses and scores the quality of concepts, designs and investment design summaries in accordance with the Investment Design Quality Assurance and Scoring Guidance. The DFAT design quality criteria are embedded in the quality assurance scoring system. All investments of $10 million or more must be scored using the Investment Design Quality Assessment Tool and Scoring Matrix before implementation can start.

Table 1: QA requirements for investment concepts

<table>
<thead>
<tr>
<th></th>
<th>Under $10m *</th>
<th>$10m–$50m</th>
<th>$50m–$100m</th>
<th>$100m+</th>
<th>High risk (any $)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Informal QA</td>
<td>Optional</td>
<td>Optional</td>
<td>Optional</td>
<td>Required</td>
<td>Required</td>
</tr>
<tr>
<td>Formal peer review</td>
<td>Not required</td>
<td>Optional</td>
<td>Optional</td>
<td>Optional</td>
<td>Optional</td>
</tr>
<tr>
<td>and independent appraisal</td>
<td>Not required</td>
<td>Optional</td>
<td>Optional</td>
<td>Optional</td>
<td>Required</td>
</tr>
<tr>
<td>AGB</td>
<td>Not required</td>
<td>Not required</td>
<td>Not required</td>
<td>Required</td>
<td>Required</td>
</tr>
</tbody>
</table>

* Investment concepts are optional for low-risk designs under $10 million.

Table 2: QA requirements for investment designs

<table>
<thead>
<tr>
<th></th>
<th>Under $10m</th>
<th>$10m–$50m</th>
<th>$50–$100m</th>
<th>$100m+</th>
<th>High risk (any $)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Informal QA</td>
<td>Required</td>
<td>Not sufficient</td>
<td>Not sufficient</td>
<td>Not sufficient</td>
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<tr>
<td>Independent appraisal</td>
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<tr>
<td>Formal peer review</td>
<td>Optional</td>
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<td>AGB</td>
<td>Not required</td>
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</tr>
</tbody>
</table>

All designs for investments valued at $10 million or more must be formally quality assured. They must have written appraisals including scores from independent (internal or external) experts.

High-value and high-risk designs require greater scrutiny. For investments worth $50 million or more or assessed as high risk, there must be formal peer review of the design. Two external appraisers and two
formal DFAT peer reviewers are required. Sector specialists and representatives from ACD and the relevant sectoral policy division must be invited to the peer review. Draft design documents (and any completed independent appraisal) should be provided to peer reviewers at least 10 working days before the peer review meeting. The design team must prepare accurate minutes of this meeting and a summary of the peer review findings, and upload them to AidWorks as soon as possible. The peer review summary must be attached to the design approval minute.

See the Investment Design Quality Assurance and Scoring Guidance.

4.5.2 Design Approval

The relevant delegate(s) need to approve the investment design using the Design Approval Minute template. Design approval is informed by the quality assurance process but is ultimately the delegate’s responsibility. Investment design documents for the approved design are published on the DFAT website.
Figure 9: DFAT-led design pathway

For investments of $10 million or more, Post and Canberra delegates will provide dual approval (except for regional/global programs, which do not have a Post counterpart).

Or any other investment as requested by the Aid Governance Board.
Figure 10: Partner-led design pathway—design not yet finalised by partner †

† When partner-led design is already underway, start at the stage of preparing the IDS and annex proposal (i.e. skipping the concept stage).

部委 For investments of $10 million or more, Post and Canberra delegates will provide dual approval (except for regional/global programs, which do not have a Post counterpart).

部委 Or any other investment as requested by the Aid Governance Board.
4.6 EXEMPTIONS FROM MANDATORY DESIGN REQUIREMENTS

Some types of investments do not need to follow the mandatory design requirements. These are:

- humanitarian and disaster assistance investments of less than 12 months duration
- deployments under the Australia Assists program
- annual contributions made to NGOs under the Australian NGO Cooperation Program
- core contributions to multilateral organisations that have been reviewed (and found to have performed satisfactorily) through a DFAT Multilateral Performance Assessment (or the former Australian Multilateral Assessment) or by the Multilateral Organisation Performance Assessment Network (MOPAN). For more information, email multilateralperformance@dfat.gov.au.

Guided workflows for different investment pathways (such as those above) are now in AidWorks (see Section 1.7.5).

In other specific circumstances, the First Assistant Secretary of the Contracting and Aid Management Division (FAS ACD) may exempt an investment from the mandatory design requirements. For example, there may be no need for a full design process for a subsequent phase of an existing investment if that investment has had a positive evaluation and there is sound evidence that it is performing well, and if the current scope is broadly consistent with the proposed new phase.

Discuss any request for exemption from the mandatory design requirements with the ACD Investment Design Section, then submit a formal minute seeking FAS ACD approval. If an exemption is granted, the Written Approval to Commence Minute (signed by the delegate) should also outline the planned design pathway. In the case of opting into the ADAPT trial, seek written approval from the Director Investment Design and include this in the Written Approval to Commence Minute for delegate approval.

4.7 POTENTIAL PITFALLS

Reviews of investment design documents and performance assessments of investments highlight a consistent set of potential pitfalls.

- Not getting the policy content right. Lack of clear articulation of required policy and budget dialogue can reduce the investment’s effectiveness.
- Not engaging senior managers early. It is important to test ideas with senior managers as the design process unfolds, and to regularly update them. A low-risk, low-value investment will require fewer discussions than a high-value or high-risk investment.
- Substandard concept or design documents. These can cause delays. It is good practice to establish an internal reference group for all investments valued at $100 million or more or rated as high risk. This group can include relevant DFAT expertise such as sector/thematic, gender, disability, budget (if ODA sensitive), design, risk and contracting specialists.
- Poor planning—the cause of most design problems. Failing to prepare properly may:
  - mean the expertise required to help write the design documentation is unavailable
  - lead to disengaged stakeholders (partner governments, beneficiaries and DFAT officers) who are not committed to the program’s implementation
result in cursory review and quality assurance processes. Weak quality assurance leads to less sharing of lessons learned, so risks tend not to be recognised and good ideas may be missed.

- cause stress between desks, Posts and stakeholders, undermining a genuine development partnership.

- Inadequate hands-on management by DFAT officers. This can cause the design process to ‘drift’. Design processes need strong, active management to help keep them on track and within budget.

- Analysis paralysis. Adequate information and analysis are essential factors informing an investment design, and aid investments must be sensitive to context. However, there should be clear parameters and discipline around time frames and ensuring appropriate return for effort.

- Designs that are too complex or impractical. This makes it difficult to draft contracts/agreements.
  - A weak Statement of Requirements can lead to weak contracting arrangements that do not fulfil the design intention and/or confuse roles and accountabilities. Ensure these are well thought through.
  - Unclear and measurable outcomes statements can lead to weak monitoring and evaluation systems and may make the investment vulnerable to strategic drift.
  - weak monitoring and evaluation frameworks that lack baseline data etc. can cause delays in establishing monitoring and evaluation systems and collecting data. A Minimum Sufficient Monitoring and Evaluation Framework (as outlined in the Investment Design Document template) must be annexed to the design document.

For more information about issues raised in this chapter, email designmail@dfat.gov.au.

AidWorks

Upload all key documents to AidWorks as soon as they are finalised, in order to progress through investment phases. These include:

- Written approval to commence, with Risk and Safeguard Tool
- Approved concept note
- Concept approval minute
- Approved design document
- Independent appraisal document(s)
- Peer review minutes
- Design approval minute
- Section 23 Minute (see Chapter 5)
- Agreements associated with the investment (see Chapter 7).
Key resources

Guidance
- Investment Design Quality Criteria
- Senior Responsible Officer Guidance
- Gender Equality in Design Good Practice Note
- Explanatory Note on Program Logic
- Top Tips for Selecting and Working with Design Teams
- Terms of Reference for Design Teams
- Guidance Note: Facility Investments
- Delegate Checklist for Approving Facilities

Tools and templates
- Investment Concept template
- DFAT-led design—Investment Design Document template
- Partner-led design—Investment Design Summary template
- Risk and Safeguard Tool
- Policy Dialogue Matrix
- Investment Design Quality Assurance and Scoring Guidance
- Investment Design Quality Assessment Tool and Scoring Matrix
CHAPTER 5 ENGAGING PARTNERS: PROCUREMENTS AND GRANTS

Key messages
When deciding how to approach potential partners, and in signing an agreement with the preferred partner, the delegate must ensure value for money.

Financial delegates are personally accountable for decisions and actions in relation to procurement and aid grants processes. They must operate within their delegation levels and legislative obligations.

When engaging a partner for less than $500,000 (GST inclusive), use BuyRight. For more than $500,000 (GST inclusive), email aid.contracts@dfat.gov.au.

Open and competitive merit-based selection processes achieve better value for money.

Engage all potential partners early, while you are scoping your needs. Look to collaborate as much as possible.

Mandatory requirements
Officers must comply with DFAT’s procurement and grants policies when engaging a partner. This is required for compliance with the Public Governance, Performance and Accountability Act 2013 (PGPA Act), the Commonwealth Procurement Rules (CPRs) and/or the Commonwealth Grant Rules and Guidelines (CGRGs).

Partners and potential partners now have greater ability to challenge DFAT’s selection processes for a partner. The Government Procurement (Judicial Review) Act 2018 gives the Federal Circuit Court of Australia (concurrently with the Federal Court of Australia) jurisdiction to consider applications, grant injunctions and/or order payment of compensation in relation to breaches. For more information, email aid.contracts@dfat.gov.au.

Australia uses a wide variety of implementing partners in delivering the aid program. These include multilateral organisations, NGOs, other donors, partner government systems and commercial contractors.

The type of delivery partner used is determined at the level of individual investments through the investment design process.

DFAT’s processes to engage partners are set up to:
- get the best outcomes for DFAT, beneficiaries and the taxpayer
- ensure any organisation with the potential to deliver some or all of a project is aware of the opportunity
- strengthen processes while ensuring accessibility
- ensure taxpayers’ money is well spent in a way that complies with Commonwealth legislation
- manage significant commercial, project, legal and reputational risks associated with aid delivery.
5.1 WHAT IS VALUE FOR MONEY?

Achieving value for money is the core of the Commonwealth Grant Rules and Guidelines (CGRGs) and the Commonwealth Procurement Rules (CPRs). DFAT officers must be satisfied that engaging a partner achieves value for money. They must document how value for money has been achieved.

Engagements should:
- encourage competition and be non-discriminatory
- be efficient, effective, economical and ethical
- encourage appropriate engagement with risk
- entail collaboration and partnership
- have an outcomes orientation
- be accountable and have transparent decision-making.

DFAT’s Value for Money Principles build on the requirements of the Public Governance, Performance and Accountability Act 2013 (PGPA Act), CPRs and CGRGs, to ensure proper use of Australian Government resources and help with decision-making.

5.2 RESPONSIBILITY FOR ENGAGING A PARTNER

Financial delegates are responsible for approving the engagement of a partner. They are personally responsible and accountable for their decisions and actions, which they must carry out within their delegation levels and in accordance with DFAT requirements. They must ensure that a proposed aid investment represents a proper use of Australian Government resources and meets legislative and departmental requirements.

The Aid Business Branch (ABB) leads processes for engaging partners over $500,000 (GST inclusive) in close collaboration with the relevant program area. ABB manages the aid functions in BuyRight. Program areas should use BuyRight to engage partners for less than $500,000 (GST inclusive).

Investment and agreement managers should engage with ABB early in the process to seek advice on the appropriate approach and to discuss the different options available.

ABB provides online learning and face-to-face training courses (enrol through PeopleSoft) on officers’ obligations for engaging partners and managing contracts.

5.3 IS IT A CONTRACT OR IS IT A GRANT?

There are some fundamental differences between a contract and a grant. On some occasions, though, it can be challenging to work out which applies. Either way, the delegate must document why the engagement is a contract or a grant, and undertake a competitive process to select a delivery partner. The Department of Finance’s Resource Management Guide No. 411: Grants, Procurements and Other Financial Arrangements is a useful guide.

In short, the financial arrangement between DFAT and a partner is more likely to be a procurement (contract) if:
- DFAT is acquiring goods or services for its own use
- DFAT is acquiring the goods or services for use by another relevant entity or a third party (such as a partner government)
• DFAT needs ownership of, control of, or title to the equipment, property, infrastructure, intellectual property or other asset
• the services would not be provided if DFAT declined to provide financial support
• the goods or services can be quantified, described or measured—e.g.:
  — a good or service delivered to a specification requested by DFAT
  — a review and report according to the process required by DFAT
  — hours of a specific service provided according to a contract.
The financial arrangement is more likely to be a grant if:
• part of the services would be provided without a contribution from DFAT
• the financial assistance is provided through a co-contribution.
• the financial assistance is to help an organisation to purchase an asset for its own control and use
• the financial assistance is for conducting a pilot
• the financial assistance is to facilitate research, innovation or entrepreneurship
• the financial assistance is provided as a payment with no conditions that is not covered by specific legislation—e.g. a cash gift or prize.

Most aid investments will involve either a procurement or a grant. The choice will depend on DFAT’s intentions regarding control and on what it is we are buying.

Officers should seek ABB advice at an early stage of investment planning to determine which type of agreement is most appropriate. Processes and approvals vary according to the agreement type, as each involves different legislative and departmental requirements.

5.4 AID ADVISER REMUNERATION FRAMEWORK

The Aid Adviser Remuneration Framework (ARF) applies to all contracts signed before March 1 2020 and defines the remuneration of aid advisers. All aid advisers under these contracts—whether funded through administered funds or departmental funds—must be engaged in accordance with the ARF.

The APA process consistently reinforces expectations and assesses performance to identify opportunities to improve individual advisers’ performance. It acknowledges where their performance is satisfactory (or better) and identifies where performance is unsatisfactory (or worse). This helps to ensure that value for money is being achieved. DFAT also uses information from APAs in tender evaluations when assessing nominated personnel, and to provide supporting evidence when considering adviser remuneration.
**In practice: Subsidiary arrangements**

Some partner countries may require subsidiary arrangements to cover specific requirements of the investment. Subsidiary arrangements:

- outline the activity to be implemented
- formalise partner government support for, and involvement in, the activity
- specify which partner government agencies will be involved.

High-value programs usually require subsidiary arrangements. DFAT should not enter into procurement agreements without having a signed subsidiary arrangement in place. This arrangement demonstrates the commitment between the partner government and the Australian Government.

Subsidiary arrangements can take time to negotiate, so it is wise to start developing them early. It is possible to start the partner engagement process before a subsidiary arrangement is in place, provided there is a letter of endorsement (or similar form of agreement) from the partner government.

**5.5 CONDUCT AND ETHICS: PROBITY AND CONFIDENTIALITY**

Probity—evidence of ethical behaviour—is a critical consideration in planning and managing the engagement of a partner. DFAT’s Conduct and Ethics Manual provides guidance and policy on conduct and ethics issues for all categories of DFAT employees and contractors. The Government, the Australian community and DFAT’s Secretary have a clear expectation that DFAT employees and contractors maintain the highest standards of professionalism, probity, accountability and ethical practice in their work.

Unethical or inappropriate behaviour cannot be tolerated. DFAT employees and contractors are expected to call it out wherever they see it. This includes behaviour that contravenes the APS Code of Conduct, Values and Employment Principles and DFAT’s Anti-bullying, Harassment and Discrimination Policy; Values Statement; Code of Conduct for Overseas Service; and locally engaged staff (LES) codes of conduct at Posts.
5.6 POTENTIAL PITFALLS

Common weaknesses in engaging partners include:

- not spending enough time on procurement and pipeline planning. This results in rushed or poorly considered procurements
- poorly defined statements of work that do not articulate the outcomes sought. This risks a weak market response, protracted negotiations, more expensive bids, and delayed mobilisation
- not obtaining or documenting key delegate approvals (including the basis of a decision on value for money)
- not considering more flexible and innovative procurement and contracting options
- not complying with departmental requirements. This results in failing to comply with legislative obligations
- not maintaining probity and confidentiality. This compromises the integrity of the procurement process
- information in AidWorks not matching the corresponding agreements.

For more information about the issues raised in this chapter, email contracts@dfat.gov.au.

**AidWorks**

All procurement and grant approval documents and agreements must be uploaded into AidWorks.

DFAT relies on the quality of investment and agreement information in AidWorks for all public reporting.

**Key resources**

BuyRight simplifies aid grants and procurements. It provides step-by-step processes, guidance and templates in workflows to help line areas conduct aid grants and procurements in accordance with Commonwealth legislation and DFAT policy.
CHAPTER 6 IMPLEMENTATION: INVESTMENT MANAGEMENT, EVALUATION AND QUALITY REPORTING

Key messages
Aid investments are designed to achieve specific outputs and outcomes and to contribute to the overall objectives of the aid program as set out in the Aid Investment Plan (AIP).
Depending on the size and complexity of the investment, the investment manager will typically be an EL 1, APS 6, APS 5 or LES officer.
For country and regional aid programs, aid investments are often managed at the Post.
Investment managers are responsible for all aspects of the investment, including overseeing agreement management and financial management.
An evaluation manager oversees and manages an independent evaluation. The investment manager or another staff member can be the evaluation manager for an investment.

Mandatory requirements
Investment managers must follow DFAT’s procedures and financial management policies to ensure compliance with the Public Governance, Performance and Accountability Act 2013 (PGPA Act).
Investment managers must keep investment-level and agreement-level data up to date in AidWorks.
Programs must complete investment quality reporting: Aid Quality Checks, Aggregate Development Results and Partner Performance Assessments.

Effective management of investments ensures that:
- Australia’s aid investments produce outcomes and the program meets its strategic objectives
- public funds are spent effectively according to the requirements set out in relevant approvals and agreements, and DFAT can meet its accountability requirements
- risks are identified and actively managed.
Investment quality reporting enables DFAT to review and improve its investments, assess the performance of partners and report on results. This information contributes to DFAT’s assessment of how the whole aid program is performing.
6.1 WHAT IS AN AID INVESTMENT?

An aid investment is an intervention designed to achieve specific outputs and outcomes and contribute to the overall objectives of a program. An investment may be broken down into different activities. It will include agreements with a variety of partners that implement the activities. A country or regional program will manage a portfolio of investments, which in combination aims to achieve the strategic objectives in the program’s Aid Investment Plan (AIP). Figure 11 illustrates this program hierarchy.

DFAT aid investments vary in size and complexity. They typically range from $3 million to $100 million or more and run for around four years, although they are increasingly extending up to 10 years.

![Figure 11: Aid program hierarchy](image)

6.2 INVESTMENT MANAGERS AND THEIR RESPONSIBILITIES

Investment managers are responsible for all aspects of the investment, including design, implementation and monitoring. Depending on the size and complexity of the investment, the investment manager will typically be an EL 1, APS 6, APS 5 or LES officer. High-value or high-risk investments may be managed by EL 2 officers. For country and regional aid programs, aid investments are often managed at the Post.

Although an investment manager delegates some aspects of their role, they keep overall responsibility for the performance of the investment—such as making sure the investment delivers outcomes, funding is spent accountably and risks are well managed.
If an investment is included in DFAT’s Annual Evaluation Plan, the investment manager will generally also be responsible for managing the evaluation.

### 6.3 KEY ASPECTS OF INVESTMENT MANAGEMENT

There is no set approach to managing an aid investment. Sections 6.3.1 to 6.3.7 set out management aspects common to most investments.

#### 6.3.1 Build and maintain relationships with key stakeholders

Effective relationship management requires dedicated time, the right forums and communication channels, and appropriately identified counterparts. Strong relationships enable DFAT to participate in meaningful policy dialogue, identify and manage risks, adapt to changing contexts, address problems when they arise, and use our influence beyond funding contributions.

While DFAT needs direct relationships with stakeholders, investment managers also need to support stakeholders and connect them with each other. This support may take the form of dialogue with a partner government on policy, regulatory or budgetary constraints identified as affecting the implementation of an investment. It may also include making sure delivery partners have enough access to partner government officials and can operate effectively, consistent with local laws (such as on taxation and customs duties). See Section 3.3.1 for more details.

#### 6.3.2 Ensure alignment with strategic objectives

During the design phase of an investment, it is crucial to make sure investments align with the investment strategy and generate desired outcomes (see Chapter 4). An investment manager or someone on their team will generally lead the design process. It is important for more senior managers to be engaged at major decision points throughout the design phase to maintain alignment with overall strategy.

#### 6.3.3 Ensure strong risk management

Investment managers must manage risk throughout the design and implementation phases of an investment. This includes setting out identifiable risks in a risk register and reviewing risks at least quarterly. They must escalate significant risks to the relevant next level of DFAT management (see Chapter 8).

#### 6.3.4 Monitor budgets and plan for successor investments

Sound management of overall country and regional program budgets relies on accurate investment-level data being entered into AidWorks. Investment managers are responsible for:

- making sure program delegates’ decisions on investment budget allocations are entered accurately and promptly
- entering information about planned investment activities
- entering information about the timing and value of payments.

Investment managers should also pay close attention to the end point of activities and agreements, to allow enough time to confirm replacement activities in the program’s pipeline.
6.3.5 Collect evidence and results

Investment managers must make sure there is sufficient evidence available to track progress and to measure and report on performance. Monitoring investments and evaluating their performance are critical tasks. Information from monitoring information and evaluations enables DFAT to:

- understand whether investments are achieving their intended results
- use evidence to promote continuous improvement
- respond to changes in context and inform budget decisions by DFAT managers and delegates
- credibly account for the investment of Australian taxpayers’ money.

Strong monitoring arrangements are those that are planned, continuous and systematic, and documented in a monitoring and evaluation framework. The level of resources allocated to monitor implementation will depend on a variety of factors—including risk, historical performance, complexity, size, strategic significance and the form of aid being used.

For some investments, there will be an independent evaluation either part of the way through the investment or when the investment is completed. Evaluation informs reporting and encourages accountability. It also supports the learning and decision-making that guides continuous improvement. The program management team will identify which investments are priorities for evaluation (see Section 2.3 and Section 3.3.6). The ‘In practice’ box below provides more guidance on managing an independent evaluation.

**In practice: Monitoring and evaluation frameworks**

An investment manager must consider what information and evidence is required to measure and report on an investment’s performance, and how best to collect this evidence. They will typically commission a monitoring and evaluation framework as part of the investment design and refine it during the life of the investment, responding to changes in context. The monitoring and evaluation framework sets out how progress and performance will be regularly measured. At a minimum, it will:

- articulate the investment’s objectives, expected end-of-program outcomes and outputs
- identify potential evaluation questions and the information needed to address them
- contain a schedule of monitoring activities, with details of how information will be sourced and collected (such as through surveys, site visits and stakeholder meetings)
- require monitoring of key investment deliverables—those that account for large effort and/or expenditure, and those that are likely to have a major influence on the extent to which the investment meets its expected outcomes
- be easy for non-specialists and key stakeholders to understand
- be costed and resourced.

Sector/thematic Performance Assessment Notes may help investment managers set sector-specific monitoring indicators and evaluation questions. These and other resources, grouped by sector, are on the Investment Priorities and Cross-cutting Issues intranet page.
In practice: Sources of information in the monitoring process

Aid investment managers should engage closely in the process of collecting and analysing information used to monitor investment performance. This information can come from various sources.

- **Primary data:** This may be gathered from surveys (such as household surveys and beneficiary satisfaction surveys) or provided by investment delivery partners, partner governments, non-government international organisations and other donors.

- **Progress reports:** These are usually prepared by delivery partners, drawing directly on information gathered from the monitoring and evaluation system. These reports should provide information on the quality, reach and coverage of key outputs or deliverables. They should also give an overall assessment of progress towards end-of-program outcomes.

- **Field visits:** The investment manager must plan and conduct regular field visits to verify results and identify risks. Participation from partner government representatives is strongly recommended, as it helps reinforce ownership, resolve problems and increase the management capabilities of local authorities. Investment managers may also engage independent consultants to participate in field visits, provide high-level technical advice and help with monitoring and reporting.

DFAT’s [Monitoring and Evaluation Standards](#) provide detailed guidance on monitoring and evaluation systems, investment progress reporting, monitoring visits and evaluation products.

In practice: Managing an independent evaluation

Aid evaluation managers are responsible for managing independent evaluations and arranging their publication. Senior managers will decide which evaluations will be conducted each year and will approve management responses.

The evaluation manager must consider all the key features of a high-quality and useful evaluation (see Section 3.3.6 and the ‘In practice’ box ‘Ensuring evaluation quality and use’). These include evaluation independence, relevant expertise in the evaluation team, early engagement with partners, compliance with DFAT’s [Monitoring and Evaluation Standards](#), ethical conduct in line with the Australasian Evaluation Society’s Guidelines for the Ethical Conduct of Evaluations, senior management oversight, and transparency.

DFAT’s [Good Practice Note on How to Manage an Evaluation and Monitoring and Evaluation Standards](#) provide detailed guidance to help evaluation managers:

- produce high-quality evaluation terms of reference
- manage an evaluation process effectively.

DFAT’s [Good Practice Evaluation Products webpage](#) provides examples of terms of reference, evaluation plans, evaluation reports and management responses. The Design, Review and Monitoring & Evaluation Panel can provide access to monitoring and evaluation expertise through its Deeds of Standing Offer with individuals and organisations. For more information on the panel, contact the Investment Design Section (designmail@dfat.gov.au).
The DFAT Monitoring and Evaluation Standards also provide detailed guidance to help evaluation teams produce high-quality evaluation plans and reports. An evaluation manager can organise a peer review of the draft evaluation report. Peer review is not mandatory but is often useful for quality assurance and information sharing.

To make sure there is follow-through to publication of the evaluation report and management response, evaluation managers must:

- engage early with partners (typically through the investment manager) and consultants so they understand DFAT’s quality and publication expectations
- ensure appropriate record keeping and staff handover
- publish evaluation reports with management responses on the DFAT website within three months of the report being completed. Any partner-led evaluations should also be published on the DFAT website. The Good Practice Note: How to Manage an Evaluation provides a template for the management response at Annex A.

See the Aid Evaluation Policy, Good Practice Note: How to Manage an Evaluation and DFAT Monitoring and Evaluation Standards.

6.3.6 Oversee agreement management, including financial management
See Chapter 7.

6.3.7 Consider public diplomacy opportunities
Investment managers should use monitoring and evaluation reporting to identify achievements that can contribute to a program’s public diplomacy efforts (see Section 3.3.7).

6.4 INVESTMENT-LEVEL PERFORMANCE REPORTING REQUIREMENTS
Investment quality reporting (IQR) assesses the performance and results of individual aid investments and delivery partners during or at the end of the implementation of the investment. IQR comprises three elements:

- Aid Quality Checks (AQC)s, Final Aid Quality Checks (FAQCs) and Humanitarian Response Aid Quality Checks (HAQCs)
- Partner Performance Assessments (PPAs)
- Aggregate Development Results (ADR)s.

6.4.1 Aid Quality Checks
Program areas—typically with Posts in the lead—prepare AQC:s each year using evidence gathered from implementing partner reporting, monitoring visits, reviews and evaluations. The AQC assesses the performance of the investment over the previous 12 months.
AQCs enable investment managers to review how well aid investments are performing against standard quality criteria, record practical actions to improve performance, and provide information about the achievements of Australian aid investments. AQCs assess investments against a set of quality criteria to inform an overall assessment of the effectiveness of the aid program.

### Proportionality: AQC requirements

- An AQC or HAQC must be completed for all aid investments worth $3 million or more. The process is optional for smaller investments.
- In the final year of an investment, a FAQC is conducted rather than an AQC.
- Independent moderation is required for all FAQCs, for AQCs for investments requiring improvement (IRIs), and for AQCs and HAQCs for investments of $10 million or more.
- AQCs are not required for investments of an administrative nature or for core contributions to multilateral organisations.
- Exemption from AQC reporting may be warranted in certain limited circumstances—e.g. for investments that have been implemented for less than six months. All exemptions must be approved by the First Assistant Secretary of the Contracting and Aid Management Division and recorded in AidWorks.
- There are no exemptions from FAQC reporting.
- AQCs, FAQCs and HAQCs must be approved by a relevant EL 2 (or above). The investment manager must upload the approval to AidWorks by the reporting due date.

### FAQCs

In the final year of an investment, a FAQC is conducted instead of an AQC. Each FAQC provides information on the final performance of an aid investment against planned outcomes. It should reflect on the performance of the investment throughout its life, not only in the preceding 12 months. The FAQC report should identify lessons learned to inform future designs and strategic directions. ODE independently validates all FAQCs. The final results are used for external reporting.

### HAQCs

Humanitarian aid investments are those that primarily aim to save lives, alleviate suffering and protect human dignity during and after disasters and other crises. For these investments, a HAQC is conducted instead of an ACQ. HAQCs have slightly different assessment criteria. Exemption, moderation and approval provisions are the same as for AQCs.

### Moderation

AQC reporting is a self-assessment system, so it is important that AQC reports undergo quality assurance. This is done through a moderation meeting. Moderation ensures that the assessment and reporting of investment performance is robust and contested, and that suitable management responses have been identified and implemented.

The moderation meeting should be proportional to the investment’s value, risk and complexity. The meeting chair should normally be the relevant EL 2 (or higher). If possible, the chair should be at SES level if the investment is high value, high risk, sensitive, complex or underperforming. The moderator (usually EL 1 or
higher) should be independent of the direct management of the program. DFAT officers from the Gender Equality Branch and other relevant thematic and sector areas can be involved as appropriate.

The Contracting and Aid Management Division (ACD) moderates all facilities AQC and all investments requiring improvement (IRIs).

**Investments requiring improvement**

There are strict management procedures for dealing with IRIs—underperforming aid investments. These investments will be cancelled if value-for-money standards are not met and improvements are not achieved within one year. This allows DFAT to direct the funding to aid investments with a greater chance of success.

Investments of $3 million or more that receive an unsatisfactory rating (3 or below) for the effectiveness and efficiency criteria in their annual AQC are designated as IRIs. In such cases, the AQC should clearly outline a management action plan to improve performance.

The First Assistant Secretary of the Contracting and Aid Management Division (FAS ACD) determines the final list of IRIs. They report on the status of IRIs to the Minister for Foreign Affairs. Summary numbers are reported in the annual Performance of Australian Aid report.

Program areas with IRIs must assign an SES officer to oversee these investments. The program area must provide the Aid Management and Performance Branch (MPB) with a minute, approved by the SES officer, outlining management actions to improve the IRI’s performance. MPB then moderates the next AQC for the IRI.

If performance against both the effectiveness and efficiency criteria remains unsatisfactory after one year, the FAS of the program area will decide whether the investment will be cancelled, and provide a minute to the FAS ACD outlining their decision. The decision will be included in the annual advice from ACD to the Minister for Foreign Affairs.

### 6.4.2 Aggregate Development Results

ADRs are indicators of development impact that can be aggregated across the aid program to demonstrate the contribution of Australian aid to development outcomes in partner countries. ADRs are valuable for public diplomacy, communications on aid impact, and strategy and policy development. DFAT must report ADRs for all aid investments of $3 million or more, and where the resulting value exceeds the reporting thresholds.

The implementing Post or branch must report ADRs across all bilateral, regional and global programs for all partners. ADR reports should reflect all DFAT funding for an investment and include any results available after the investment has concluded.

Calculations of ADRs must be based on evidence. Results must be clearly attributable to DFAT funding using a pro rata approach. Reporting on numbers of people must be sex-disaggregated. The reporting approach must be consistent year on year without gaps, overlaps or double counting.

ADRs must be approved by a relevant EL 2 (or above) and uploaded to AidWorks by the investment manager by the reporting due date.

### 6.4.3 Partner Performance Assessments

Each year, agreement managers must complete an assessment of implementing partners’ performance in relation to specific agreements (commercial agreements and grant agreements). See Section 7.4.
6.5 POTENTIAL PITFALLS

Effective investment management is most commonly undermined by:

- lack of investment in and capacity to complete monitoring. This means there is insufficient evidence to support investment management
- a monitoring and evaluation system (including a monitoring and evaluation framework and baseline) for the investment that fails to meet DFAT’s Monitoring and Evaluation Standards. This means there is insufficient data to measure performance and progress against investment outcomes
- a tendency for ACQs to look for the positives and downplay the negatives rather than making objective judgements about performance based on progress against expected results
- weak engagement with the partner government. This compromises the enduring relevance of the investment and leads to weak and inefficient implementation, in turn reducing effectiveness
- poorly identified objectives, undermining the delivery of strong results.

For more information about issues raised in this chapter, email programplanning@dfat.gov.au.
AidWorks

The Investment Management Plan (IMP) is a useful tool to manage and monitor an investment’s governance, project management and agreement management. The IMP can record milestone dates for events such as site visits, mid-term reviews and progress reporting. Supporting documents relevant to these events can be uploaded. Tasks listed in the IMP flow through to investment and program calendars in AidWorks.

Investments must be entered in AidWorks in the planning phase.

All IQR report templates can be downloaded from AidWorks.

It is critical to update information in AidWorks regularly, particularly information relating to payment events.

DFAT relies on the quality of investment-level information for all public reporting.

Key resources

Policies

Aid Evaluation Policy

Guidance

Aggregate Development Results Guidance
Aid Investment Quality Reporting Good Practice Note
Good Practice Note: How to Manage an Evaluation
DFAT Monitoring and Evaluation Standards
Gender Equality Ratings Short Note
Gender Equality in Monitoring and Evaluation Good Practice Note
Performance Assessment Note—Gender Equality Strategy
Performance Assessment Note—Governance
Performance Assessment Note—Social Protection
Investment Priorities and Cross-cutting Issues intranet page
Climate Change and Disasters (Building Resilience) AQC Ratings Short Note

Tools and templates

AQC template
FAQC template
HAQC template
CHAPTER 7 IMPLEMENTATION: AGREEMENT MANAGEMENT

Key messages
Agreement management refers to the processes used to manage both contracts and grants.

The Australian aid program manages on average 2,600 agreements each year. These agreements range from the very simple to the very complex and involve a range of delivery partners, both for profit and not for profit, including multilaterals, NGOs, the private sector, universities and partner governments. Effective agreement management is essential to mitigating risk and providing assurance that DFAT delivers outcomes and value for money.

Mandatory requirements
Agreements (including amendments) over $10,000 must be entered into AidWorks within 14 days of the agreement start date.

Agreements over $3 million must conduct a Partner Performance Assessment (PPA) annually. This is recommended but optional for lower value agreements.

All engagements of advisers must conduct an Adviser Performance Assessment (APA) annually.

7.1 WHAT IS AGREEMENT MANAGEMENT?
Agreement management comprises all the activities (including corrective actions) that are undertaken after the signing of the agreement (either a contract or a grant—see Section 5.3 for the difference between a contract and a grant) to ensure the agreement delivers the intended outcome. The aim of agreement management is for all parties to obtain the intended benefits and meet their obligations under the agreement.

7.2 AGREEMENT MANAGERS AND THEIR RESPONSIBILITIES
Agreement managers are the main point of contact for the delivery partner on all agreement matters. They are responsible for all activities associated with managing an agreement. This includes ensuring the agreement objectives are met, financial management and legislative requirements are met, partner performance is satisfactory and stakeholders are well informed.

For larger or riskier agreements, agreement management may be split between several people. If this is the case, one person should be the senior agreement manager and everyone involved needs to clearly understand their individual roles and responsibilities.
An agreement manager should be appointed as early as possible, ideally before the agreement is signed. They should have skills and training commensurate with the value and risk of the agreement. A RACI matrix may help with determining and documenting roles and responsibilities.

Agreement management involves:

- proactive management throughout the term of the agreement, to ensure it achieves the stated outcomes and value for money and to minimise the chance of a dispute arising
- regularly engaging with the delivery partner in a constructive, respectful and collegial way
- ongoing relationship management with stakeholders (particularly partner governments) so that all parties understand and agree on expectations and responsibilities
- regularly reviewing, monitoring and managing agreement issues and risks (proportional to the value, risk and complexity of the agreement)
- identifying non-compliance and reporting it to responsible areas. Non-compliance includes fraud, child protection, counter terrorism and sexual exploitation, abuse and harassment
- managing and measuring performance to ensure that all parties produce their respective deliverables and meet key milestones
- actively overseeing the planning and implementation of contract milestones to integrate emerging priorities into the ongoing work and that these are reflected in the agreement
- providing regular feedback on delivery partners’ performance, including through annual Partner Performance Assessments (PPAs) and Adviser Performance Assessments (APAs), where required
- effectively negotiating with stakeholders and the delivery partner, as required
- ensuring there are regular audits, with management responses, as per agreement requirements
- administration activities throughout the agreement life cycle, including:
  - recording and maintaining accurate and timely agreement and financial information in AidWorks
  - ensuring that invoices are processed and paid in accordance with agreement requirements and the Financial Management Manual
  - maintaining all relevant records and registers
  - negotiating and preparing any amendments to the agreement, in accordance with DFAT requirements.

Failure to properly manage an agreement can result in unsatisfactory partner performance and/or poor or non-delivery of the agreed outcomes, leading to poor value for money. Every agreement that DFAT undertakes is part of a larger body of work, so under-delivery on individual agreements can have unintended consequences such as delays to critical decisions, over-expenditure and strategic drift.

Smaller problems that are not addressed can lead to bigger issues, which can increase the risk of the agreement and cause the relationship with the partner to deteriorate. This can result in reputational risks and have a negative impact on DFAT’s ability to effectively serve its clients and meet the requirements of Government.

### 7.3 PHASES OF AGREEMENT MANAGEMENT

It is important to consider the management of the agreement while the agreement is being planned and procured (see Chapter 5). A well-defined procurement with clear outcomes and expectations will result in an
agreement that is easier to manage. To help with planning, DFAT defines agreement management across three individual phases:

**Figure 14: Agreement management activities by phase**

**Phase 1  
Agreement start-up**
- Review the agreement in detail and understand the obligations of all parties
- Confirm roles and responsibilities for managing the agreement
- Set up administration, including records management
- Review and update plans (risk register, contract or grant management plan)
- Conduct start-up meeting

**Phase 2  
Agreement performance**
- Manage relationships (delivery partner and stakeholders)
- Actively monitor, measure and manage performance
- Ensure effective monitoring and evaluation systems are in place and key milestones are delivered (monitoring and evaluation plan within the first three to six months; monitoring and evaluation system and baseline within the first 12 months)
- Perform administrative tasks
- Manage agreement risks
- Manage complaints, disagreements and disputes
- Monitor delivery of milestones (operation manuals, monitoring and evaluation frameworks, annual plans, reports)
- Manage amendments, including negotiations and extensions

**Phase 3  
Agreement closure**
- Consider and manage contract transition issues where required
- Complete closure activities
- Monitor delivery of final milestones (final reports, handover plans, asset handover)
- Conduct final reviews (including performance)
- Consider, document and communicate lessons learned
In practice: Managing agreements

Agreement managers must be fully aware of the obligations of each party under the agreement.

Key practices to consider include:

**Agreement (contract/grant) management plan**

An agreement management plan is a valuable tool to guide agreement implementation, monitoring and progress reporting. It helps ensure the agreement is achieving value for money through effective monitoring and oversight.

**Risk management**

Risk management does not stop once the agreement is signed. Agreement managers are responsible for managing risk and identifying emerging issues related to the agreement. Risks related to the agreement may be documented in an agreement-level risk register or recorded in the investment risk register that was developed during the design and procurement phase. The agreement and/or investment manager should update the risk register at the start of the implementation phase and must review this at least quarterly. Reviews should ensure that controls are still in place and effective, treatments are implemented and any new or emerging risks are documented.

It is the agreement manager’s role to deal promptly and effectively with any risks (i.e. financial, legal, reputational and implementation risks, including fraud, child protection, terrorism financing, environmental and social safeguards, sexual exploitation, abuse and harassment) that arise during the life of the agreement. For more information about aid risk management, see Chapter 8.

**Conflict of interest**

Agreement managers must be alert to any conflicts of interest (real, apparent or perceived) in connection with their responsibilities. They must disclose any such conflicts to DFAT and take reasonable steps to avoid any situation where their personal interests conflict, or could be perceived to conflict, with their responsibilities. They should also be aware of any conflicts of interest the delivery partner may have in relation to its obligations. See the Conduct and Ethics Manual for information and guidance.
AidWorks

Agreement managers must keep agreement-level data up to date in AidWorks. This includes all payment events and financial phases, all necessary approvals and all relevant attachments.

The AidWorks calendar is a useful tool for setting up key agreement dates such as milestones, deliverables and tranche payments. It can be used with the Agreement Management Plan to provide reminders in advance of key dates.

7.4 KEY ASPECTS OF AGREEMENT MANAGEMENT

There are four key aspects of agreement management. Sections 7.3.1 to 7.3.4 set out these aspects. Importantly, the amount of energy and effort required for each aspect will differ based on the complexity of the agreement and will also change over the life of the agreement. Higher risk agreements may require more administration, for instance, while high-performing agreements may require lighter touch governance.

7.4.1 Agreement governance

Effective planning and governance is essential for strong agreement management and successful outcomes. Agreement managers need to clearly understand who the key stakeholders in the agreement’s outcomes and performance are. They need to establish mechanisms to keep these stakeholders informed throughout the life of the agreement and, where necessary, engage them in key decisions. This could include annual planning meetings, steering committees, working groups etc.

Agreement managers must also ensure compliance with departmental governance requirements such as the financial management framework, audit and fraud control frameworks, internal reporting obligations and the APS Code of Conduct.

Key information on the governance arrangements for an agreement should be documented in a Contract Management Plan or a Grant Management Plan.

7.4.2 Performance management

Managing the performance of the agreement is fundamental to delivering the expected and agreed outcomes. The agreement manager should ensure a strong understanding of the agreement deliverables and a mutual understanding of the expectations of the contracted parties. They should monitor these deliverables for timeliness, quality and cost; determine whether performance is meeting expectations; and take prompt action to correct any underperformance or variation from agreed expectations.

Agreement managers need to be mindful that both parties have rights and obligations under an agreement, and that in some cases the delivery partner may rely on DFAT to fulfil its obligations before being able to meet its own. If DFAT’s needs or expectations change, the agreement must be amended in writing, using the process set out in the agreement. This will avoid any misunderstanding leading to future legal and/or performance issues.

In some cases, agreement managers may choose to call in additional expertise—e.g. to review complex financial or audit reports or confirm whether performance standards have been met. This expertise might be
funded as part of the investment (e.g. a Technical Advisory Group), or it might be engaged by the program area directly (e.g. a technical adviser to advise on complex program deliverables).

Specific guidance and tools to help agreement managers with performance management are on the Contract and Agreement Management intranet page.

7.4.3 Relationship management

Effective relationship management at the agreement level underpins successful agreement management and overall agreement performance. Relationships with partners and stakeholders should be professional and collaborative and involve regular communication. The cultures of the parties and the personalities of the people involved will influence the relationship. Low-risk, high-performing partners may need less intensive engagement than high-risk or underperforming partners.

For more complex or strategic agreements (especially where there are multiple individuals in charge of managing the agreement), DFAT agreement managers should consider establishing a communications strategy or plan to guide engagement with the partner and key stakeholders. This could be done through the contract terms or kept as an informal accompaniment to the agreement management plan so that it can evolve over the life of the agreement.

If there are problems such as poor request response times or a lack of shared understanding about key issues and obligations, the agreement manager will need to consider ways to address this through engagement with the partner. Having a professional and courteous relationship will help mitigate these issues. If the agreement manager cannot resolve the issue, they can take it to their supervisor for advice. If this fails to resolve the issue, they should raise it with the Aid Business Branch (ABB).

7.4.4 Agreement administration

Effective administration underpins all other aspects of agreement management. The agreement manager is responsible for ensuring an efficient approach to administering the agreement. Poor administration can have serious impacts on program delivery, outcomes, scheduling and budgets.

Administrative activities are largely procedural. They include validating and processing invoices; attending progress and decision-making meetings; conducting performance reviews, spot checks and routine audits; maintaining agreement documentation; maintaining the agreement management plan (if applicable); monitoring key dates and objectives; filing records in accordance with legislative requirements; and ensuring an adequate audit trail to meet transparency requirements. These tasks are nonetheless critical to DFAT meeting its obligations both under the agreement itself and under its broader legislative framework.

An important area of agreement administration is managing processes for the delivery, acceptance and payment of goods or services, as detailed in the ‘Financial management’ box below.

Specific guidance and tools to help with agreement administration, including checklists, are on the Contract and Agreement Management intranet page.
In practice: Financial management

Agreement-level financial information must be kept up to date. It is reported to the Departmental Executive and the Aid Governance Board and is critical to internal decision-making.

The agreement manager is responsible for monitoring the financial aspects of the agreement. All payments must be made in accordance with the Financial Management Manual and the Public Governance, Performance and Accountability Act 2013. This includes:

• checking that the deliverables itemised in an invoice have been delivered by the provider and accepted by DFAT
• verifying that the invoice is correct and in accordance with the agreement
• having payments authorised by a certifying officer
• tracking expenditure against planned budgets to ensure it does not exceed the value of the agreement and funding allocation
• reporting required information to the relevant finance and budget coordinators in Canberra and at Posts.

7.5 PERFORMANCE ASSESSMENTS

7.5.1 Partner Performance Assessments

Active performance management and assessment ensures key partners are delivering the goods/services required in aid agreements. DFAT’s mandatory PPA ensures a strong link between performance and funding and is used to inform future selection of delivery partners.

PPAs are mandatory for commercial suppliers, NGOs and multilateral organisations with agreements valued at $3 million or more\(^4\). They are also recommended as a sensible performance management tool for agreements of lower value or higher risk. Requests for exemption from a PPA must be made in writing to the First Assistant Secretary of the Contracting and Aid Management Division.

The PPA assesses performance against five criteria. Additional criteria can be added if they are mutually agreed by the contracting parties in advance. The Performance Dashboard tool is a useful way to record and track PPA performance ratings over the life of an agreement.

PPAs are a key tool for managing agreement-level performance and are taken seriously by delivery partners. In some agreements, PPA results will be directly linked to performance payments. Therefore it is important that DFAT’s assessment findings are based on validated facts and evidence and have been communicated to the delivery partner before the assessment, so that there are no surprises.

PPAs must be approved by the agreement manager and a relevant EL 2 and uploaded in AidWorks by the due date. They do not need to be moderated. In accordance with the principles of natural justice, suppliers

\(^4\) PPAs are not required for partner governments that are also implementing partners or for core contributions to multilateral organisations.
must have at least 15 working days to review and respond to PPAs. For privacy and information-handling protocols, see the Aid Investment Quality Reporting Good Practice Note.

Information in PPAs may be used for official Australian Government purposes to inform DFAT’s operations, and for internal and public reporting. DFAT also uses past performance information from PPAs during tender and grant evaluation processes. To help DFAT staff with tender evaluation processes or agreement award decisions, the Partner Performance Assessment Register (on the Procurement intranet page) provides a list of PPAs for individual advisers. To request copies of PPAs, email contractor.performance@dfat.gov.au.

7.5.2 Adviser Performance Assessments

APAs assess how well individual advisers are delivering the services required under aid agreements against up to six criteria over a 12-month period. This helps to improve the performance of advisory inputs at the activity level. APAs must be completed for all specified advisers, regardless of agreement value.

The APA process consistently reinforces expectations and assesses performance to identify opportunities to improve individual advisers’ performance. It acknowledges where their performance is satisfactory (or better) and identifies where performance is unsatisfactory (or worse). This helps to ensure that value for money is being achieved. DFAT also uses information from APAs in tender evaluations when assessing nominated personnel, and to provide supporting evidence when considering adviser remuneration.

APAs are to be undertaken on completion of an adviser’s agreement, or annually if the agreement runs for more than 12 months (e.g. on the anniversary of the start date). Ideally, performance reviews/discussions should be held frequently, or at least biannually. APAs (including written statements from advisers in response to APAs) remain valid for five years.

Information in APAs may be used for official Australian Government purposes to inform DFAT’s operations, and for internal and public reporting. DFAT also uses past performance information from APAs during tender and grant evaluation processes. To help DFAT staff with tender evaluation processes or agreement award decisions, the Contractor and Adviser Performance Register (on the Procurement intranet page) provides a list of APAs for individual advisers. To request copies of APAs, email contractor.performance@dfat.gov.au.

7.6 AMENDMENTS TO AGREEMENTS

During the life of an agreement, changes in needs, the operating environment or other factors may necessitate changing the original agreement. This is known as an agreement amendment (or agreement variation).

Amendments can be minor administrative changes (such as changing contact or banking details) or more significant changes to the project that affect the scope, duration, price or deliverables. Any party to the agreement can ask for an amendment. For an amendment to be legally binding, all parties must agree to it in writing.

A challenge when making amendments is the potential for the revised scope to incrementally creep away from the original intention of the agreement. This can compromise the integrity of the tender outcome, as the revised requirements may differ from those in the original approach to market. It is important to consult with ABB about proposed amendments to scope, duration or price that are significant or complex.

Amendments must follow the amendment procedure outlined in the agreement. BuyRight (on the Procurement intranet page) provides step-by-step processes, guidance and templates to help with amendments, including clearances and approvals. Agreement managers need to be aware that the
requirements for clearance and approval of an amendment depend on the total value of the amended agreement, not just the value of the amendment.

Agreement managers must ensure that the partner does not start work on any of the conditions or services relating to the amendment before the amendment is signed.

AidWorks

All amendments to agreements valued at $10,000 or more (GST inclusive) must be registered in AidWorks within 14 days of the amendment start date.

The total value of an agreement (including any amendments) must always be recorded in AidWorks. Agreement managers must not adjust the agreement value in AidWorks (either up or down) without a signed written amendment unless the agreement has been completed.

7.7 POTENTIAL PITFALLS

Effective agreement management is most commonly undermined by:

- not reading and becoming familiar with all aspects of the agreement
- not setting clear expectations early between the parties
- poor understanding of contracted or agreed implementation arrangements. This weakens DFAT’s relationship with the delivery partner, undermines the quality of results and deliverables, and leads to weak and inefficient administration
- not focusing on the big picture and the critical pathway to success—i.e. micromanaging
- avoiding challenging conversations or decisions—e.g. in relation to performance issues or negotiating an amendment
- insufficient planning or preparation for an amendment/extension to the agreement
- not developing constructive working relationships with partners and/or stakeholders. This can compromise the effectiveness of the agreement
- poor financial management/oversight
- not coordinating agreements in the same sector or when one agreement is being used to assess another agreement’s milestones. This leads to duplication, confusion for partners, overlapping mandates, major gaps and lost opportunities
- unclear governance and hierarchy when dealing with consortium arrangements (multiple contracted parties)
- poor-quality or delayed delivery of monitoring and evaluation milestones
- poor agreement monitoring and lack of independent progress assessments and/or follow-up.

For more information about issues raised in this chapter, email aid.contracts@dfat.gov.au.
**Key resources**

**Guidance**
- Australian Government Contract Management Guide
- Top Ten Tips for Aid Agreement Managers
- Effective Management of Project Assets
- Managing Activities that Use Partner Government Systems
- Financial Management Manual
- Contract and Agreement Management intranet page
- Quick Guide to Amendments

**Tools and templates**
- Performance Dashboard
- Contract Management Plan
- Grant Management Plan
- RACI Matrix
- PPA template
- APA template
CHAPTER 8  AID RISK MANAGEMENT

Key messages
Managing risk is everyone’s business. Early identification and management of risk helps DFAT deliver effective aid in complex, challenging and changing environments.

Risk management involves thinking about, understanding, regularly discussing and documenting risk.

Risk is managed at the program and investment level at a minimum. It should also be managed at the activity or contract level where appropriate.

Mandatory requirements
For every investment, officers must screen for environmental and social safeguards, analyse risk, and document these processes in the Risk and Safeguard Tool.

If screening indicates that there may be an environmental or social impact, the level of risk must be assessed and rated. If a negative environmental or social impact is likely, an impact assessment and management plan must be developed. Agreements with aid delivery partners must include provisions for managing, monitoring and reporting on safeguards.

If screening identifies sexual exploitation, abuse and harassment (SEAH) or child protection risks, the level of risk must be assessed and rated and the relevant minimum standards must be applied.

Agreements with delivery partners must include standard clauses requiring compliance with DFAT’s Preventing Sexual Exploitation, Abuse and Harassment Policy and Child Protection Policy. All allegations and suspicions of SEAH or child abuse or exploitation must be reported to DFAT immediately.

Major country and regional programs (those with an annual total official development assistance (ODA) allocation of $50 million or more) and high-risk programs must have fraud control and anti-corruption strategies (FACS) in place.

Post, program and investment risk registers must be updated quarterly.

Due diligence assessments of aid delivery partners must be completed before entering into a funding arrangement. This includes making sure the potential partner is not a ‘designated person or entity’ under sanctions or debarment lists.

If there is a medium, high or very high terrorism financing risk, there must be more intensive due diligence check of the partner. Details on this are in DFAT’s Approach to Managing Terrorism Financing Risk and the Baseline Due Diligence Operational Procedures.

When DFAT channels funds through partner government systems, we must undertake and regularly update assessments of national and sector-level public financial management and procurement systems.

Agreements with aid delivery partners must include approved clauses for detecting, reporting and managing fraud.
Instances of alleged, suspected, attempted or detected fraud must be reported immediately. If the allegation is substantiated, there must be appropriate follow-up action. This includes action to recover losses, penalise those responsible and address any fraud control weaknesses.

Allegations or suspicions of child abuse or exploitation related to Australia’s aid program must be reported without delay.

Early identification and management of risk helps DFAT deliver effective aid in complex, challenging and changing environments. Aligning risk management with clear business objectives gives DFAT a stronger understanding of what those objectives are and how to achieve them.

Monitoring the expected benefits of a program, project or activity against identified risks enables DFAT to make better decisions.

Good risk management practices improve the overall effectiveness of DFAT programs and business-as-usual activities, increasing public confidence in the integrity of Australia’s aid investments.

8.1 WHAT IS AID RISK MANAGEMENT?

Aid risk management aims to minimise the impact of uncertainty on delivering the aid program’s objectives. It is an ongoing process that involves:

- identifying and analysing potential risks throughout the aid management cycle
- developing proportionate and defensible strategies to balance risk and benefit and to enable sound decisions about whether to start, continue, modify or conclude an aid investment
- monitoring risk—including through internal and external discussions—and updating risk registers
- monitoring controls to ensure they are still in use and effective
- ensuring treatments are implemented by the due date
- when necessary, escalating risk to the attention of higher level decision-makers or forums.

Effective risk management is about being open to an acceptable level of risk and actively managing that risk to achieve effective development outcomes.

Aid risk management includes due diligence assessment of delivery partners; evaluations of partner governments’ financial systems; fraud control and anti-corruption efforts; countering terrorism resourcing; and environmental and other safeguards (including child protection; sexual exploitation, abuse and harassment (SEAH); and displacement and resettlement).
In practice: Risk definitions

Risk: The effect of uncertainty on objectives.
Risk control: Measures in place to manage a risk.
Risk treatment: A process to modify or mitigate a risk.
Risk management: Identifying and analysing potential risks and opportunities, then developing proportionate, defensible management strategies that balance risk and treatment against benefits.
Risk escalation: Raising awareness of risk with higher forums or decision-makers.

8.2 RESPONSIBILITY FOR RISK MANAGEMENT

All officers are responsible for both managing risk and ensuring our delivery partners do likewise. This includes identifying risks, putting risk mitigation strategies in place and regularly monitoring risks. Regularly discussing risks can help ensure issues are escalated as required.

Investment and agreement managers oversee investment and agreement level risks. Heads of Mission and SES managers oversee program risks and are responsible for nurturing a proactive risk culture in their teams. A Senior Responsible Officer model is being trialled with a few programs.

8.3 PRINCIPLES OF GOOD AID RISK MANAGEMENT

- Identify risks early: This is the key to effective risk management. By identifying and addressing risk in the early stages of program planning and design, it may be possible to eliminate or greatly reduce risk through the design process. This can improve or protect investment outputs and outcomes.
- Fit for purpose: The approach to risk management must be proportionate to the level of risk and adaptable to suit changes in the external environment. Eliminating risk is not the goal. Risk management involves considering ways to minimise risks, avoid risks, share risks or mitigate and accept risks. High risks may be acceptable because of the potential benefits or because of the costs of not taking action. It is usually impossible and unrealistic to eliminate all risk in an aid investment.
- Communicate, review, monitor and document: Risk registers must be reviewed at least quarterly. Ensure that controls are still in place and that treatments have been implemented (by their due dates). Communicate and consult. Are risks being managed? By who? Do we have a common understanding of what the risks are? Document conversations related to the aid investment as part of ongoing contract management. This will help identify any new or emerging risks and any information that may indicate that a risk event is occurring.
8.4 DFAT’S AID RISK MANAGEMENT PROCESSES

DFAT manages risk at the program and investment levels. The Risk Management for Aid Investments Guide provides detailed instructions on this process.

High-level program risks are assessed as part of Aid Investment Plans (AIPs) and reported on through annual Aid Program Performance Reports (APPRs).

Investment-level risks must be assessed using the Risk and Safeguard Tool as part of initiating the investment design process. Risks are recorded throughout the design process as part of the agreement documentation. They are monitored throughout the implementation phase, with the risk register updated at least quarterly. Risks are reported on through annual Aid Quality Checks.

Investment managers may choose to have separate agreement-level risk registers if this would improve risk management or if the agreement is complex and high risk. Alternatively, agreement risks can be documented in the investment risk register.

Each investment must have its own risk register. It is not enough to rely on partner risk documentation, as partners are not in a position to assess risks from DFAT’s perspective. Discussions with partners to review the management of shared risks should be proportionate to the investment’s risk profile. Document any shared risks on the DFAT aid investment risk register and ensure the risk is being properly controlled and managed.

8.5 AID RISK MANAGEMENT REQUIREMENTS

8.5.1 Environmental and social safeguards

To minimise risk and ensure the aid program can be delivered effectively and efficiently, DFAT must consider a number of safeguards when planning, designing, delivering and evaluating all Australian aid investments. Failing to adequately address safeguards may result in harm to people or the environment, have legal consequences or damage the reputation of DFAT and Australia’s aid program.

The Environmental and Social Safeguard Policy for the aid program consolidates DFAT’s approach to managing safeguard risks in the aid program. All investments must be screened for environmental and social impacts, by considering five key safeguards:

- Environmental protection
- Children, vulnerable and disadvantaged groups
- Displacement and resettlement
- Indigenous peoples
- Health and safety.

Figure 15: Mandatory risk and safeguard process details the mandatory risk and safeguard process that programs must undertake when implementing an aid investment. If screening indicates that there may be an environmental or social impact, the level of risk must be assessed and rated. If a negative environmental or social impact is likely, a proportional environmental and social impact assessment must be completed. Impacts identified in the impact assessment must be managed through a management plan, and monitored and reported as part of the investment implementation process. Agreements with aid delivery partners must include provisions to manage safeguards in accordance with DFAT’s safeguard policy. There are operational procedures and guidance notes to support the application of safeguards.
Officers and partners can email aidsafeguards@dfat.gov.au for advice on or help with assessing and managing environmental and social risks and impacts.

Figure 15: Mandatory risk and safeguard process
8.5.2 Due diligence

Due diligence assessments are risk assessments of our delivery partners. They are mandatory for any administered aid funding, irrespective of the amount, with the exception of some partners as outlined in the next section.

The Due Diligence Framework sets out a structured approach for identifying and assessing the risks of using a particular partner before entering into an agreement. The framework includes step-by-step tools and guidance to help DFAT officers undertake the appropriate level of due diligence.

Due diligence assessments are valid for up to three years unless there is a significant change in the entity’s circumstances. These assessments are conducted and stored online in the Assurance and Risk Management System (ARMS). Further details and task cards for the use of ARMS are on the Due Diligence intranet page.

Before conducting a new assessment, check the Due Diligence Assessment Register to see if there is a current assessment.

Partners excluded from the due diligence process

Due diligence assessments are mandatory before entering into an agreement with most aid delivery partners. Due diligence assessments are not required for:

- **Accredited Australian non-government organisations (NGOs):** The accreditation process for these NGOs under the Australian NGO Cooperation Program satisfies due diligence requirements.
- **Partner governments:** Due diligence is done through Assessments of National Systems (ANS) and sector-level investigation of financial management, including procurement systems (see Section 8.5.3).
- **Australian government agencies:** These partners are considered to meet due diligence requirements because they operate under the Public Governance Performance and Accountability Act 2013 (PGPA Act) or the Commonwealth Authorities and Companies Act 1997.
- **Australian government educational institutions:** Universities and technical colleges operating within Australia are considered to meet due diligence requirements because they operate under Commonwealth and state government supervision, oversight, policies and standards.
- **Other bilateral donors:** Due diligence is undertaken in the process of developing a delegated cooperation agreement.
- **Multilateral organisations:** New arrangements are being developed. For interim arrangements, email due.diligence@dfat.gov.au.

Terrorism financing risk

Before entering into an agreement or renewing an agreement, officers must check the proscribed lists to see if the delivery partner is listed. This is mandatory for every agreement, regardless of the risk profile of the aid investment. The proscribed lists are:

- List of Terrorist Organisations
- DFAT Consolidated List.

As part of the risk assessment, officers should assess the level of terrorism resourcing risks. Do more due diligence and apply more precautions if an implementing partner operates in places that are susceptible to terrorism. For support, email counter-terrorism.resourcing@dfat.gov.au.
8.5.3 Partner government systems assessments

When an aid investment may involve using partner government systems to deliver Australian aid, an analysis of the risks and benefits of the system is required. This analysis is based on a two-tier assessment process, starting with an ANS.

The ANS provides an overview of key strengths and weaknesses of national-level partner government systems for public financial management, including procurement, and an assessment of the fiduciary risks of using them. The completed ANS report must be submitted to the relevant Assistant Secretary for endorsement, accompanied by a completed endorsement minute.

If the ANS recommends that DFAT consider using a partner government’s systems as the funding mechanism for an Australian aid investment, the next step is a detailed assessment of public financial management. This looks at the procurement and other systems of the entities that will be responsible for managing Australian funds. These sector-based assessments conclude whether and to what extent an aid investment should use the partner government’s systems. They may recommend risk mitigation and capacity development strategies as part of the investment. The decision to channel aid funds through partner systems must be documented in the investment design and spending approval stages.

National and sector-level assessments must also be reviewed and updated periodically during the implementation stage. Generally speaking, national updates should be completed every three years. Program areas may be able to delay an update beyond the three-year mark by consulting with the public financial management staff in the Environment Safeguard Public Finance Management & Aid Risk Section (SRS). There must be genuine reasons for delay. Such delays are subject to close oversight by Posts and must be consistent with the level of risk.

Sector-level assessments of public financial management (including procurement systems) need to be updated every three years, unless program areas can show SRS that they are monitoring risks and mitigation measures regularly and have a credible mechanism for identifying emerging risks that can replace the formal three-yearly update.

National and sector-level assessments are not required if Australia is providing finance to a partner government through other development partners that have done their own assessments, as long as DFAT judges their assessments to be adequate. Public financial management staff in SRS can help with evaluating assessments.

For advice on these requirements and the scope and timing of assessments, contact Partner.Systems@dfat.gov.au. For more information, see the Guideline for Assessing and Using Partner Government Systems for Public Financial Management and Procurement and the Public Financial Management Advice intranet page.

8.5.4 Fraud control and anti-corruption

DFAT has a zero-tolerance approach to fraud and corruption. This means all potential instances of fraud must be reported without delay. DFAT will assess and investigate all allegations to determine the nature and extent of the fraud. If DFAT can establish that fraud has occurred, it will seek to recover lost funds or assets and will pursue penalties and prosecution.

This policy applies to all DFAT employees and contractors. It also applies to NGOs, civil society organisations, third-party service providers and other recipients of Australian aid funding.
In practice: Types of fraud

DFAT defines fraud as ‘dishonestly obtaining a benefit, or causing a loss, by deception or other means’. This definition goes beyond the legal definition of fraud to include tangible and intangible benefits. This means it encompasses more activities or behaviours than the misuse or misappropriation of money or assets.

Examples of fraud are misappropriation of funds; altering documents; falsifying signatures; misuse of Commonwealth assets; providing false information to the Commonwealth; unauthorised disclosure of confidential information; theft of aid program funds or assets; and bias, cronyism and nepotism.

Prevention and detection strategies

The best way to prevent or detect fraud and corruption is by rigorously designing policies and programs; completing detailed planning before implementing an investment; and continuously monitoring, reviewing and adapting policy and practice to ensure robust and effective prevention, mitigation and detection measures.

Fraud risk prevention and detection strategies must be considered throughout the aid management cycle, in line with Section 10 of the PGPA Rule 2014 (an instrument of the PGPA Act). All programs and investments must align with DFAT’s Fraud Strategy Statement and internal Fraud Control Plan.

The Fraud Control Plan lists DFAT’s high-level fraud and corruption risks, together with strategies for mitigating them. It identifies key fraud risks based on the type of implementing partner. DFAT officers must consult this plan when designing aid investments or reviewing fraud risks in a country or regional aid program. They must also consult the plan when developing AIPs.

AIPs must include risk registers that identify the risks (including fraud risks) to achieving aid investment objectives. They must also identify management strategies to combat the risks of fraud and corruption.

Reporting and managing fraud matters

If a fraud allegation is substantiated, DFAT may refer the matter to law enforcement authorities. DFAT will seek to recover any misappropriated funds or assets and may seek prosecution of offenders and/or administrative penalties.

When a fraud investigation reveals a fraud control weakness, program managers—with the implementing partner—must change processes and policies to address this weakness.

All agreements with implementing partners must contain approved fraud clauses. These clauses will also cover fraud reporting obligations. Program managers must be familiar with these clauses and particularly with implementing partners’ obligations relating to fraud and corruption. For more information, email the Fraud Control Section (FCS) at fraud@dfat.gov.au.
In practice: Fraud reporting

Any instance of alleged, suspected, attempted or detected fraud related to an aid investment must be immediately reported.

This involves:

- reporting to the Fraud Control Section (FCS) if the matter involves external fraud against the Australian aid program and the suspect/perpetrator is not a DFAT officer
- reporting to the Conduct and Ethics Unit (CEU) if the matter involves internal fraud (against DFAT) by DFAT officers. This can include fraud committed jointly between DFAT officers and an external party. If the fraud has an external element, CEU and FCS will liaise to ensure an appropriate investigation
- reporting to the Passports Fraud Section if the matter concerns the passport application process or use of Australian passports
- reporting by FCS to the Transnational Crime Section if the matter involves an Australian extraterritorial offence.

DFAT investigates all reported matters in accordance with its policies and procedures.

8.5.5 Child protection compliance

Contact with children or impact on children can occur in relation to a broad range of aid investments and partners. It is not possible to eliminate all risks of child exploitation, endangerment and abuse. However, careful management can reduce the risks to children.

Direct and indirect risks to children must be considered in the design and implementation phases of DFAT investments.

DFAT’s Child Protection Policy reflects our obligations under the United Nations Convention on the Rights of the Child and relevant Australian laws to protect children from abuse and exploitation. The policy applies to all DFAT officers, functions and programs. This includes individuals and organisations funded under DFAT programs—regardless of their value, partner or funding mechanism. The policy takes effect through minimum child protection compliance standards and mandatory reporting requirements.

It is mandatory to consider child safety and protection risks as part of any safeguard assessment. For more information, see the Guidance for Establishing the Child Protection Risk Context on the Child Protection intranet page. Officers should consult detailed guidance on the intranet relating to DFAT child protection requirements. Implementing partners can access this guidance on the DFAT website’s Child Protection page.

Posts and divisions can contact the Child Protection Compliance Section (childprotection@dfat.gov.au) for advice on or help with establishing, maintaining and reporting on child protection measures.

8.5.6 Preventing sexual exploitation, abuse and harassment

DFAT does not tolerate SEAH of any kind. This applies to our own organisation both in Australia and overseas and extends to those we work with. DFAT’s Preventing Sexual Exploitation, Abuse and Harassment (PSEAH) Policy outlines the expectations and requirements for DFAT staff and partners to manage the risk of SEAH and report SEAH incidents. Victims’ and survivors’ safety and wellbeing must be the highest priority in
reporting, and their information must be treated confidentially. Whistleblowers must also feel safe and protected during the reporting process.

The PSEAH Policy takes a risk-based, proportional approach. DFAT staff and partners must assess the level of risk of SEAH and apply the PSEAH Minimum Standards to match the level of risk identified. In other words, the higher the risk, the higher the control.

The policy applies to all DFAT employees (including contractors), partners who have agreements with DFAT (funded and unfunded), partner governments, multilateral organisations and downstream DFAT partners.

DFAT monitors compliance and assurance through a range of measures, including through usual performance assessments, monitoring and evaluation processes, reviews, NGO accreditation processes, due diligence checks, audits and ongoing agreement management.

DFAT’s PSEAH Policy reflects international commitments including:

- the Tidewater Joint Statement on Combating Sexual Exploitation and Abuse in the Development and Humanitarian Sectors [June 2018]
- Whistler Declaration on Protection from Sexual Exploitation and Abuse in International Assistance [June 2018]
- commitments made by donors to tackle sexual exploitation and abuse and sexual harassment in the international aid sector [October 2018].

Posts and divisions can email seah.reports@dfat.gov.au for advice on or help with establishing, maintaining and reporting on SEAH matters.
8.6 POTENTIAL PITFALLS

Potential pitfalls in risk management include:

- treating risk as a compliance activity rather than as a regular embedded business practice. Risk management involves conversations about risk; it is not just about filling out a risk register.
- not consulting widely enough when considering risk, or assuming that partners or others can manage DFAT’s risk.
- not ensuring that controls continue to be used or that treatments are implemented.
- not regularly reviewing risks and controls to check that they are still appropriate.
- not having a proportionate and realistic view of the controls that can be implemented with the resources available.
- not considering risk management during program planning and development, and adding it on retrospectively rather than as a core integrated element.
- not doing enough (or any) due diligence. A minimum requirement is to assess risks against the eight baseline criteria. These include a partner’s identity and performance record, sanctions and debarments, and capacity to comply with DFAT policies and safeguards.

For more about the issues raised in this chapter, email the relevant area: aidriskmanagement@dfat.gov.au, aidsafeguards@dfat.gov.au, due.diligence@dfat.gov.au, Partner.Systems@dfat.gov.au, fraud@dfat.gov.au, seah.reports@dfat.gov.au, or childprotection@dfat.gov.au.

AidWorks

Officers must complete mandatory fields in AidWorks relating to safeguards and government priorities.

DFAT relies on the quality of investment and agreement information in AidWorks for all public reporting, including fraud and risk management information.

Discussion of risk can be recorded in AidWorks in the Notes section.

Updated Risk and Safeguard Tools can be attached to AidWorks.

Key resources

Policies

Due Diligence Framework
DFAT’s Approach to Managing Terrorism Financing Risk
Environmental and Social Safeguard Policy
Fraud Control Plan
Preventing Sexual Exploitation, Abuse and Harassment (PSEAH) Policy
Child Protection Policy
Guidance
Risk Management intranet page

Due Diligence Framework
Managing Terrorism Financing Risk intranet page
DFAT Guide to Better Risk Management

Risk Management for Aid Investments Guide
Environmental and Social Safeguards intranet page
Public Financial Management Advice intranet page


Child Protection intranet page
PSEAH intranet page
PSEAH: Risk Guidance Note

Senior Responsible Officer Guidance

Tools and templates
Risk and Safeguard Tool