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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 management of the development program. It sets out mandatory processes and recommended approaches for development program 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. Contact details for responsible areas are provided in each relevant chapter and on the intranet. Training is available for key topics including agreement management, investment design, monitoring and evaluation, sectoral and thematic issues, fraud, risks and safeguards, and AidWorks.

A glossary of common terms and their definitions, commonly used in Australia’s development program and throughout the Aid Programming Guide, is available on the intranet.

WHAT THE GUIDE COVERS

**Chapter 1**

**Background and context**

- Background, legislative and policy framework, and governance arrangements for the development program.
- An introduction to AidWorks, DFAT’s IT system supporting the management of the development program.

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

**Chapter 2**

**Australia’s development policy and performance framework**

- The policies and strategies that guide development program planning and delivery.
- The performance framework for Australia’s development program, including the role of evaluation.
- Requirements for COVID-19 Development Response Plans (CRPs).

This chapter provides officers with an overview of the policy framework for the development program, as well as the performance framework, the evaluation policy, and individual sector and thematic guidance. It also sets out how the policy architecture is implemented, including in CRPs.
Chapter 3
Development program management and performance reporting

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

This chapter is relevant to senior managers and delegates who manage country-specific or regional development programs. It 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 are undertaken prior to implementation.

This chapter is for officers 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, who must ensure that the selection method for and the outcome of selecting a delivery partner meets legislative requirements and represents value for money.

Chapter 6
Implementation: investment management, evaluation and quality reporting

- Management of individual investments, specifically the tools required to implement and maintain quality control.

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

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

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

• Managing risk in the development program, including due diligence, and DFAT requirements for fraud control, and using partner government systems to deliver development assistance funding.

• Meeting safeguard obligations on environmental protection, children, vulnerable and disadvantaged groups, preventing sexual exploitation, abuse and harassment, displacement and resettlement, indigenous peoples, and health and safety.

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

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

<table>
<thead>
<tr>
<th>Feature</th>
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<tbody>
<tr>
<td><strong>Key messages</strong></td>
<td>This introductory box provides key messages covered in the chapter.</td>
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<td><strong>Mandatory requirements</strong></td>
<td>This introductory box provides mandatory requirements covered in the chapter.</td>
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<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 development program. It outlines policy and program management responsibilities, legal and financial obligations, and quality and accountability requirements.

Legislation underpins the development program and places obligations on those who manage it. Delegates need to understand the costs and impacts of their spending, as well as the risks involved, and must also be able to demonstrate that it represents value for money. All officers are responsible for ensuring that outcomes specified in agreements are achieved to the required standard, within the agreed time frame.

AidWorks enables officers to effectively manage budget, financial, procurement, agreement, and performance aspects of the development program.

1.1 OVERVIEW AND PURPOSE OF THE APG

Each year, the Australian Government invests around $4 billion in official development assistance (ODA) to promote sustainable economic growth and poverty reduction in developing countries, primarily in the Indo-Pacific region. This is delivered through a series of country, regional, global, and thematic development programs.

The APG sets out DFAT’s systems for ensuring the development program aligns with Government policy and can demonstrate results and value for money. It focuses on processes that relate to country and regional programs and includes basic information for global development programs (see Chapter 3). The APG describes officers’ policy and program management responsibilities, as well as legal and financial obligations and quality requirements. It provides links to supplementary resources and support, including technical advice, guidance, and templates.

1.2 LEGISLATIVE BASIS FOR THE DEVELOPMENT PROGRAM

The development program operates in accordance with Australian law, including legislation that has extraterritorial 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. 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 development program. DFAT’s Value for Money Principles (Figure 1) seek to ensure the effective, efficient, economical and ethical management of the development program, 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 commitments—outlined in *Partnerships for Recovery: Australia’s COVID-19 Development Response*—is to ensure high standards of transparency. This involves publishing comprehensive, accessible, and timely information about the development program.

**In practice: Transparency**

Australia’s commitment to high standards of transparency in reporting on the international development program is stated in DFAT’s public Transparency Statement. *Partnerships for Recovery: Australia’s COVID-19 Development Response* includes improved transparency as a key measure of organisational and operational effectiveness in the delivery of Australia’s development program.

Transparency in reporting requires publishing comprehensive, timely and accessible information on the DFAT website including detailed project information.

**Figure 1: Value for Money Principles**

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<tr>
<th>ECONOMY</th>
<th>EFFICIENCY</th>
<th>EFFECTIVENESS</th>
<th>ETHICS</th>
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<tr>
<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 program 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. Chapter 8 provides more information on risk management and environmental and social safeguards.
- Under section 16 of the PGPA Act, the Secretary is responsible for establishing a system of risk and control for the department, including fraud control. Under section 10 of the PGPA Rule, the Secretary must take all reasonable measures to prevent, detect and correct fraud. The DFAT Fraud Control Plan and Secretary’s instructions devolves these responsibilities down to SES and APS staff.
- Under the *Criminal Code Act 1995* (Cth), DFAT officers based in Australia and overseas have legal obligations to protect a child from, and/or to report, child sexual abuse, when acting in an official capacity and when a child is under their care, supervision, or authority. Similar obligations exist under legislation in the Australian Capital Territory (ACT). Under the *Crimes Act 1900* (ACT), DFAT officers based in the ACT and overseas have a general obligation to report child sexual abuse, regardless of whether they are acting in an official or private capacity.
- 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.

- Australian laws, including the *Criminal Code Act 1995* and the *Charter of the United Nations Act 1945*, prohibit terrorism resourcing and the provision of assets to a sanctioned entity. DFAT is required to meet a series of legal obligations to ensure it does not provide resources, directly or indirectly, to prohibited entities. This includes ensuring any investment, including those administered through delivery partners, do not provide resources to a prohibited entity.

### 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 development 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 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 DEVELOPMENT PROGRAM

The Departmental Executive and departmental committees oversee the strategic direction and quality of Australia’s development 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 development 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 development program. It reports directly to the Secretary.

#### 1.4.3 Aid Governance Board

The Aid Governance Board (AGB) provides oversight and governance of the overall development program. The AGB supports the Secretary, the Departmental Executive, and PGPA Act delegates to exercise their decision-making authority under the development program.
The AGB:
- provides advice to the Strategic Policy Committee on development program priorities, budget, policy and strategies;
- reviews development program risks and performance and reports to the Performance, Risk and Resourcing Committee; and,
- provides advice to PGPA Act delegates on investment concepts and designs.

The AGB is chaired by a Deputy Secretary. The AGB Secretariat is in the Program Enabling Division (PRD).

1.5 DIVISIONAL RESPONSIBILITIES AND EXPERTISE

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

There is flexibility in how development program management responsibilities are divided between Posts and geographic divisions, taking into account the scale and level of engagement required, balanced with costs, resourcing, security and other factors.

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

Divisions and Posts must establish processes and contact points to review data accuracy in AidWorks regularly and ensure that the data in AidWorks is accurate and up to date. It is recommended that Divisions and Posts run the AidWorks Data Quality reports (DQ01 and DQ02) at the beginning of each month and rectify issues found in a timely manner.

A number of other DFAT divisions are engaged in development-related work—e.g. as managers of global, sectoral or thematic programs, or as centres of development policy or development program management expertise.
1.6 THE DEVELOPMENT PROGRAM MANAGEMENT CYCLE

DFAT uses a standard program management cycle as a conceptual framework for managing the development program (Figure 2). The phases of the 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 management steps but are interrelated and mutually reinforcing.

Figure 2: The development program management cycle

1.7 AIDWORKS

1.7.1 AidWorks

AidWorks is DFAT’s IT system for managing the development program. It is integral to development 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 development programs, investments and agreements. It holds comprehensive information on country, regional and global programs including program pipelines, planned and current investments, and agreements. This allows DFAT to manage, track and report on the development 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
- markers relating to gender equality, disability, child protection, climate change and other issues
- investment quality reports and other performance information
- investment risk management tools such as Risk Factors Screening Tools and risk registers
- investment documents such as designs, reviews and evaluations
- details of agreements (such as contracts and grants)
- commitments and expenditure
- investment management plans
- a 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, the Australian public, and the Development Assistance Committee of the Organisation for Economic Cooperation (OECD-DAC). It must be accurate and up to date at all times.

1.7.3 How AidWorks supports program management

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

Pipeline planning

Effective program management and delivery requires planning for expenditure in future years—generally the current year plus the following three financial years. This is known as ‘pipeline planning’. AidWorks Program Fund Plans give senior managers in Canberra and at Posts an overview of a program’s portfolio of current and planned investments.

Investment and agreement management

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

AidWorks includes investment-level Risk Factors Screening Tools and risk registers. These integrated tools support management oversight and decision making throughout the investment cycle and facilitate better data analysis and more robust reporting on risks across the development program.

AidWorks produces summary reports so managers can see 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.

The AidWorks system guides users down a specific pathway depending on the nature of the investment (see Figure 3).

**Figure 3: Investment phases**

Reporting and data accuracy in AidWorks

The quantitative and qualitative data in AidWorks is critical to DFAT meeting internal and external management, accountability, and reporting requirements. Internal and domestic reporting includes:

- the DFAT Annual Report
- the annual Australian ODA Statistical Summary
- briefing for senior officers and ministers
- legislative requirements to publish all contracts above $10,000 on AusTender within 42 days of entering into or amending the contract, and
- responding to Senate Estimates questions and Questions on Notice.

There are a variety of external stakeholders with an interest in the development program, including the Australian public, NGOs and academics, international organisations such as the Organisation for Economic Co-operation and Development’s Development Assistance Committee (OECD-DAC), and other bodies and initiatives such as the International Aid Transparency Initiative. Accurate reporting to these stakeholders depends fundamentally on the quality of data in AidWorks.
1.7.4 How to get help with using AidWorks

Most geographic divisions have a central coordination unit that can provide AidWorks support. PRD 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 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 expenditure must be recorded in AidWorks, and information must be accurate and regularly updated.

1.8 PUBLIC DIPLOMACY AND THE DEVELOPMENT PROGRAM

The development program provides many opportunities to build public understanding of Australia’s international activities, increase influence and promote Australia as a reliable partner. Staff should refer to DFAT’s Public Diplomacy Strategy and Posts’ annual public diplomacy priorities for overall guidance.

Key resources
Policies
Development Evaluation Policy

Guidance
Aid Programming Guide Glossary
CHAPTER 2  AUSTRALIA’S DEVELOPMENT POLICY AND PERFORMANCE FRAMEWORK

Key messages

*Partnerships for Recovery* provides the overarching framework for Australia’s development efforts. These efforts focus on health security, stability and economic recovery, and protecting the most vulnerable, especially women and girls.

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

COVID-19 Development Response Plans outline Australia’s strategic objectives in a country or region.

The Annual Development Evaluation Plan outlines the evaluations that program areas will conduct.

Mandatory requirements

Investments must align with the development program’s strategic framework - *Partnerships for Recovery*.

COVID-19 Development Response Plans (CRPs) are required for those programs outlined in the CRP guidance note.

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

2.1 AUSTRALIA’S DEVELOPMENT POLICY

The Minister for Foreign Affairs launched *Partnerships for Recovery* on 29 May 2020. This strategy guides Australia’s whole-of-government development efforts in responding to COVID-19. This encompasses both Official Development Assistance (ODA) and other elements of Australia’s economic, diplomatic, trade, security and migration policies, and our advocacy in multilateral fora.

*Partnerships for Recovery* is an interim development policy, spanning about two years, specifically addressing how Australia will work with our partners to tackle the challenges presented by the pandemic in our region and globally.

The purpose of the development program is to promote Australia’s national interests by contributing to a stable, prosperous and resilient Indo-Pacific in the wake of COVID-19. The program focuses on health security, stability and economy recovery with a strong emphasis on protecting the most vulnerable, especially women and girls.

The framework in Figure 4 sets out the objective and priority areas for investment.
Figure 4: Strategic framework for the development program

**VISION**

A stable, prosperous, resilient Indo-Pacific in the wake of COVID-19

**FOCUS**

- The Indo-Pacific, particularly the Pacific, Timor-Leste and Southeast Asia
- An effective global response and recovery

**OBJECTIVE**

Australia will partner with the Indo-Pacific in responding to and recovering from COVID-19, in support of our region’s—and our own—security and economic recovery

**ACTION**

- Health security
- Stability
- Economic recovery
- Protecting the most vulnerable, especially women and girls

**PRINCIPLES**

- Whole-of-government
- Flexible and responsive
- Effective partnerships
- New approaches and instruments
- Evidence-based interventions
2.2 A CONTEMPORARY PERFORMANCE SYSTEM

The performance system that supports the Partnerships for Recovery strategy has three central elements:

- A three-tier framework for reporting on the overall context, annual results and effectiveness of Australia’s COVID-19 development response efforts
- Whole of government COVID-19 Development Response country and regional plans setting out expected outcomes, key results and supporting investments
- Performance indicators for global programs and strategic partnership agreements with multilateral organisations.

Figure 5: Partnerships for Recovery Performance System

A three-tier framework tracks progress against the Partnerships for Recovery strategy (see Figure 6):

- **Tier 1: Indo-Pacific Development Context** – selected development outcomes critical for the region’s recovery from COVID-19. These reflect efforts by countries and their development partners, including Australia.
- **Tier 2: Australia’s Contribution to Development** – results directly attributable to Australian efforts.
- **Tier 3: Operational and Organisational Effectiveness** – selected measures of DFAT’s operational and organisational effectiveness in delivering Australia’s development program.
**Figure 6: Partnerships for Recovery Performance Indicators**

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<tr>
<th>TIER 1</th>
<th>TIER 2</th>
<th>TIER 3</th>
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<tr>
<td>Indo-Pacific development context</td>
<td>Australia’s contribution to development</td>
<td>Operational and organisational effectiveness</td>
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**STABILITY**
- Fragility in the region
- Political rights and civil liberties
- Fiscal sustainability

**HEALTH SECURITY**
- Health systems and preparedness
- Infectious disease outbreak response
- Medical products
- Immunisation
- Sexual and reproductive health
- Emergency assistance

**PROSPERITY**
- Poverty in the region
- Export volumes
- Economic growth in the region
- Education
- Remittances
- Tourism

**RESILIENCE**
- Pandemic spread
- Health
- Disaster risk reduction
- Climate change adaptation
- Violence against women

**STABILITY**
- Improved governance
- Social protection measures
- Violence against women
- School enrolments
- Food security

**ECONOMIC RECOVERY**
- Economic policy support
- Economic empowerment
- Supply chain support
- Budget support

- Planning
- Effectiveness
- Responsiveness
- Gender equality and social inclusion
- Transparency
2.2.1 COVID-19 Development Response Plans

COVID-19 Development Response Plans (CRPs) outline a country or regional program’s whole-of-government strategy to respond to COVID-19. They incorporate ODA and significant non-ODA development activities. There is also a global CRP outlining how Australia is engaging with international organisations in responding to COVID-19.

CRPs are set out in the CRP template. They are of two years duration (2020-21 and 2021-22) and are structured against the three priorities set out in Partnerships for Recovery: health security, stability, and economic recovery, with an emphasis on protecting the most vulnerable, especially women and girls.

Our global programs and work with multilateral organisations will be regularly assessed to ensure they deliver against the Partnerships for Recovery objectives. Global programs include the Australian NGO Cooperation Program, Australian Volunteers Program and Australia Awards. Each will report against specific performance frameworks. Strategic Partnership Agreements will drive outcomes expected from our partnerships with multilateral organisations.

2.2.2 Reporting on Partnerships for Recovery

Reporting on Australia’s implementation of Partnerships for Recovery will occur through an annual ministerial statement. ODA-specific performance information, drawn from the three tiers and country, global and multilateral program assessments, will be reported in the DFAT Annual Report.

- Reporting on Tier 2, Australia’s Contribution to Development, will be drawn from quantitative and narrative results uploaded against 15 Tier 2 indicators (see section 6.5)
- Reporting on Tier 3, Operational and Organisational Effectiveness, will be drawn from a number of sources including Investment Performance Reporting (see section 6.4)

2.3 INDEPENDENT EVALUATION

Independent evaluations give DFAT credible and robust performance information to support program management, accountability, and learning. In accordance with DFAT’s Development Evaluation Policy, independent evaluations are initiated and managed by program areas (i.e. country, regional, global and thematic programs). Programs are required to complete and publish a minimum number of evaluations each year proportionate to program size and risk profile. Programs have flexibility to determine the highest priority issues their evaluations should focus on.

The evaluations to be conducted each year are included in an Annual Development Evaluation Plan that is approved by the Secretary, shared with Ministers and published on the DFAT website. The Secretary receives a mid-year update on progress against the Evaluation Plan. A final list of completed evaluations is approved by the Secretary, shared with Ministers, and published on the DFAT website.

On occasion, program areas may wish to undertake rapid management reviews to help inform immediate decisions required on individual investments. Rapid management reviews are like evaluations but involve less time and resources and are generally less rigorous. The requirements of the Development Evaluation Policy do not apply to these reviews.
2.4 SECTOR AND THEMATIC POLICY DIRECTION AND GUIDANCE

*Partnerships for Recovery* focuses Australia’s development efforts on health security, stability and economic recovery. Following an August 2021 stocktake of strategies, policies, guidance, and tools a decision was made on four policy priorities that must be considered by all investments:

- Gender equality
- Disability-inclusive development
- Building resilience: climate change and disaster risk reduction
- Indigenous peoples

To inform strategic choices and assist to develop and assess the progress of development program investments, staff should continue to refer to more detailed guidance on sector-specific development programming through the links and contacts below.

### AidWorks

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

Themes that should be tagged in AidWorks investments are Biodiversity, Climate Change, Desertification, Disability, Disaster Risk Reduction, Gender, Indigenous People, Innovation, Maternal and Child Health, Nutrition, Private Sector Development, Research, COVID-19, 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 Gender equality

*Partnerships for Recovery* commits to ongoing investment in gender equality and maintains Australia’s strong support and advocacy for initiatives to address gender-based violence, women’s leadership and engagement in decision-making, and women’s economic empowerment. DFAT takes a two-track approach, firstly involving 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 (gender mainstreaming).

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 investments do not exacerbate gender inequality; where possible, the development program should actively work to close gender equality gaps. More detail is in DFAT’s *Gender Equality and Women’s Empowerment Strategy, Gender Equality and Women’s Empowerment in DFAT’s Aid Program—Good Practice Note, Gender Equality Investment-Level Strategy Development Good Practice Note* and *Supporting gender equality through DFAT health security investments.*
2.4.2 Disability-inclusive development

Australia recognises that development cannot occur effectively if the most disadvantaged people are left behind. People with disabilities comprise approximately one in seven of the global population and are the largest and most disadvantaged minority in the world. For development efforts to be effective, people with disabilities must be partners in and beneficiaries on an equal basis with others.

Australia has ratified the United Nations Convention on the Rights of Persons with Disabilities, which requires international cooperation and humanitarian action to be inclusive of and accessible to people with disabilities. *Partnerships for Recovery* is underpinned by a strong emphasis on protecting the most vulnerable, including people with disabilities. This reaffirms the Foreign Policy White Paper’s commitment that disability inclusion, alongside gender equality, is a crosscutting priority for Australia’s international engagement.

Throughout the development management cycle - including in policy and planning - programs should engage with people with disabilities and their representative organisations to identify and address barriers to inclusion. More detail is available in DFAT’s *Development for All 2015–2021: Strategy for Strengthening Disability-Inclusive Development in Australia’s Aid Program* and *Disability-Inclusive Development Guidance Note*, and *Supporting disability inclusion through DFAT health security investments*.

2.4.3 Building resilience: climate change and disaster risk reduction

Climate change and disasters pose significant threats to development gains in the Indo-Pacific. Climate and disaster impacts are felt most acutely by marginalised communities. Climate and disaster impacts can be sudden (e.g., tropical cyclones, earthquakes) or slow (e.g., sea-level rise, drought) – addressing both of these risks is essential for all Australian development programming and must be considered at the design phase of all development investments.

The Prime Minister has committed Australia to building climate and disaster resilience in vulnerable countries and sectors in our region. At COP26 he formally committed to doubling our commitment (to $2 billion over 2020-25) in the development dollars we spend on climate adaptation, resilience and mitigation as well as disaster risk reduction in the Indo-Pacific. At least $700 million will be spent assisting the Pacific in these areas. The 2015 Paris Agreement is premised on Australia and other donors transparently contributing these funds (as measured by the ‘Rio Markers’) so that developing countries have the resources needed to adapt to the serious impacts of climate change.

The Sendai Framework for Disaster Risk Reduction calls for a multi-hazard approach to disasters and inclusive risk-informed decision-making, with seven global targets including reducing mortality, economic loss, damage to critical infrastructure, and increasing international cooperation.

Development investments should seek to maximise the integration of climate and disaster risk through the early and ongoing consideration of climate adaptation and mitigation, disaster risk reduction, preparedness, and resilience-building opportunities as well as the impacts of climate change on their activities.

These considerations are particularly important in highly vulnerable sectors like agriculture; water, sanitation and hygiene (WASH); health; and infrastructure. Sectors such as governance, economic governance, social protection, and education can also directly or indirectly contribute to building climate and disaster resilience.

DFAT’s *Climate Change Action Strategy* outlines the objectives of integrating climate change through the development program and drives both targeted climate-specific investments across the development programme and mainstreaming of climate action in key sectors. Further information on DFAT’s humanitarian assistance and partnerships are online.
With an increased climate finance commitment, all investment managers are urged to both consider how to integrate climate change within their programs and also to complete the AidWorks climate change theme to assist us to track programs that include climate finance.

For further information and support on: integrating climate change (including impact stories), contact climate.integration@dfat.gov.au; integrating disaster risk reduction, contact DRR@dfat.gov.au; and, reporting climate change related expenditure, contact climatefinancereporting@dfat.gov.au.

2.4.4 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 development 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 terminology that is appropriate in each country context. The Indigenous Diplomacy Agenda sets out DFAT’s foreign policy, development, trade, public diplomacy and corporate priorities for indigenous peoples in Australia and around the world.

2.4.5 Sector priorities

Key documents and contacts for advice and messaging on development thematic and sectoral policy direction can be found on the DFAT website and below.

Health

Program areas should consult Global Health Policy Branch in the design, implementation, and review of health initiatives to ensure that relevant health areas (including Centre for Health Security) provide input. For more information contact health.policy@dfat.gov.au.

The Specialist Health Service (SHS) enables staff to quickly source health technical assistance. To contact the SHS call the advice desk on 02 6191 6400 or email advisedesk@shsglobal.com.au.

Water Sanitation and Hygiene (WASH) is important for health stability by providing equitable access to clean water, sanitation and hygiene services to improve health and prevent disease outcomes. For more information contact water@dfat.gov.au.

Education

Program areas should consult the Education Section in the design, implementation, and review of education initiatives.

The Education Section has developed a series of resources to enable staff engagement, diplomacy and negotiation in education sector relationships.

Contact education@dfat.gov.au for more information.
Social Protection

Program areas should consult the Social Protection Section in the design, implementation and review of social protection initiatives.

The Social Protection Section has also developed a series of resources to enable staff engagement, diplomacy and negotiation in social protection sector relationships. These include DFAT Social Protection publications, including a COVID-19 Gender and Social Protection Guidance Note.

Contact povertyandsocialtransfers@dfat.gov.au for more information.

Agricultural Development and Food Security

Program areas should consult the Agricultural Development and Food Security Section in the design, implementation and review of agricultural development and food security initiatives.

The Agricultural Development and Food Security Section has also developed a series of resources to support staff engagement, diplomacy and negotiation in agricultural development and food security relationships. These include guidance notes in relation to:

- gender equality and women’s economic empowerment in agriculture
- nutrition-sensitive agriculture
- market systems development

Further information is also available on Agriculture and food security and Agriculture and food security initiatives. Contact Ag&FoodSec@dfat.gov.au for more information.

Other areas

Staff can access more detail on development thematic policy priorities and guidance through the links below:

- water
- humanitarian assistance and partnerships and humanitarian preparedness and response
- domestic resource mobilisation (tax policy and administration)
- Australia Awards (scholarships and fellowships)
- private sector development
- public financial management.
Key resources

Cross cutting strategies

*Partnerships for Recovery: Australia’s COVID-19 Development Response*

Australia’s development program – performance assessment

Development Evaluation Policy

Development for All 2015–2021: Strategy for Strengthening Disability-Inclusive Development in Australia’s Aid Program

Gender Equality and Women’s Empowerment Strategy

Climate Change Action Strategy

Indigenous Diplomacy Agenda

Guidance

COVID-19 Gender and Social Protection Guidance Note

Climate and Disaster Risk Reduction Guidance Note

Disability-Inclusive Development Guidance Note

Early Recovery—Humanitarian Strategy Guidance Note

Gender Equality and Women’s Empowerment in DFAT’s Aid Program—Good Practice Note

Framework for Supporting Tax Policy and Administration through the Aid Program

Guidance Note for Engaging the Private Sector

Gender Equality and Women’s Economic Empowerment in Agriculture Guidance Note

Nutrition-Sensitive Agriculture Guidance Note

Market Systems Development Guidance Note

Political Economy Analysis Guidance Note

Reaching Indigenous People in the Australian Aid Program: Guidance Note

Social Protection and Disability Guidance Note
CHAPTER 3 DEVELOPMENT PROGRAM MANAGEMENT AND PERFORMANCE REPORTING

Key messages
DFAT’s country and regional programs comprise a portfolio of investments designed to generate specific outcomes and deliver on strategic priorities set out in COVID-19 Development Response Plans.

The relevant First Assistant Secretary (FAS) and Head of Mission (HOM) are responsible and accountable for all aspects of their development program.

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.

Divisions decide on program evaluations that will be conducted as part of DFAT’s Annual Development Evaluation Plan.

Mandatory requirements
Programs must comply with the 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.

Country and regional Progress Reports must be produced annually by country and regional programs that have an annual allocation of $15 million or more. They 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.

Development program management ensures that a program’s portfolio of investments is coherent and will achieve the objectives set out in the COVID-19 Development Response Plans (CRPs). It ensures that resources (staff and budget) are allocated according to agreed strategic priorities, and that expenditure fully complies with the law.

3.1 WHAT IS A DEVELOPMENT PROGRAM?
A development program is a set of strategic investments 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 strategic objectives set out in CRPs. They are influenced by partner country preferences, opportunities (particularly the presence of reformers) and experience.
Portfolios comprise investments under design and procurement, implementation and nearing completion and of different duration, 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, extend our reach, access expertise and pursue 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 delivery partner.

**Non-core funding** is targeted for a specific program, project or projects. Australia generally provides non-core funding through country, regional or sectoral programs. This 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.

**Responsibility for managing non-core funding** generally sits with the relevant country, regional or sectoral program. Officers should follow the processes detailed in this guide to engage with multilateral organisations through non-core funding.

**Responsibility for managing core funding** 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. Performance is assessed through periodic Multilateral Performance Reports (MPRs), prepared for organisations to which we provide over $7 million in core funding per year.

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
3.2 PROGRAM MANAGERS AND THEIR RESPONSIBILITIES

In DFAT, development programs are managed by divisions and Posts. The relevant FAS and HOM have overarching responsibility for all aspects of their program. They can delegate responsibility for certain elements as appropriate, depending on the size and risk profile of the program.

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 is important to agree and document respective responsibilities.

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
- proper use and management of public resources.

In addition to PGPA Act financial responsibilities, program managers are required to design and deliver development programs that align with international Official Development Assistance (ODA) eligibility definitions established by the Organisation for Economic Co-operation and Development Assistance Committee (OECD) Development Assistance Committee (DAC).

3.3 KEY ASPECTS OF PROGRAM MANAGEMENT

Key aspects of program management include:

3.3.1 Build relationships with partner governments and other partners

Australia aims to build partnerships with partner governments and organisations based on principles of mutual accountability. 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 reforms that promote economic growth and poverty reduction.

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 development program
- other bilateral and multilateral development agencies
- local community and civil society organisations.

3.3.2 Ensure alignment with strategy objectives

Managers should ensure that the portfolio of investments under their supervision delivers against the priorities set in COVID-19 Development Response Plans (CRP) (see Chapter 2).
In practice: Strategic alignment
Managers can achieve maximum impact by:
• regularly calibrating the program’s portfolio of investments to ensure alignment with the strategic objectives of the CRP and Partnerships for Recovery
• being well informed of changes in the development context that may affect the continuing relevance of programs and their alignment with partner government interests
• regularly examining program-level performance indicators, such as investment performance reporting, risk exposure, expenditure levels (current and projected), 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 Development 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. Effective risk management is integrally linked to program performance and effectiveness. 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 differing investment preparation lead times. HOMs, SES officers and Directors should put in place mechanisms that enable them to:
• have a strong understanding of how administered development assistance funds are appropriated and their responsibilities for ensuring funds are expensed in line with the purposes for which that funding has been provided
• have a strong understanding of the status and sequencing of existing investments
• effectively plan (in terms of budget and staff) for the preparation of new investments and agreements
• regularly review the program’s budget and expenditure to ensure that they can meet annual expenditure targets and that there is enough funding for current and planned investments.

Effective development 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 for managing development program allocations and commitments and for planning and facilitating 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, SES officer or Director 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.

Development 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, SES officers and Directors 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 to keep AidWorks program data up to date. This enables accurate reporting of budget use to 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, selective ‘over-programming’ in case of delays to implementation and expenditure, or scheduling a potential payment (at DFAT’s discretion) at the end of the financial year.

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 CRP. CRPs have a Performance Assessment Framework (PAF) that includes indicators for assessing progress towards 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, commission, and manage evaluations

Evaluations should be designed to maximise the use of their findings and recommendations to improve Australian development assistance. Evaluations can focus on any topic of relevance to a program and vary in scope from an entire country program to evaluation of a single investment, or significant component thereof. They may target areas where there are significant evidence gaps, risks, high-profile interventions, or investments of high financial value.

Over time, programs should evaluate all significant investments. Evaluations can be conducted at any stage of the program cycle that best suits program needs— and can include mid-term reviews— if they meet the department’s evaluation standards, which include publication and a management response.
Annual Development Evaluation Plans

The Development Evaluation and Assurance Section (EVS) in Program Enabling Division will contact programs towards the end of each calendar year to request programs identify the evaluations they will finalise and publish the following year. A consolidated list of evaluations for relevant Divisions must be approved by respective SES Band 2 officers. All evaluations to be conducted each year are included in an Annual Development Evaluation Plan that is approved by the Secretary, shared with Ministers and published on the DFAT website. The Secretary receives a mid-year update on progress against each Evaluation Plan. Completing the annual cycle, a final list of completed evaluations is also approved by the Secretary, shared with Ministers and published on the DFAT website.

Evaluation roles and responsibilities

- **The DFAT Secretary** approves the annual Development Evaluation Plan, reviews progress against it and signs off on the final result.
- **Program Enabling Division** oversees the Development Evaluation Policy; supports program areas to prioritise and conduct program evaluations; and manages reporting against Annual Development Evaluation Plans.
- **First Assistant Secretaries** approve divisional evaluation plans each year.
- **SES Band 1 officers** sign off on management responses and the publication of evaluations.
- **DFAT program areas** (including country/regional, global and sector programs) identify, manage and publish evaluations.

Evaluation Resources

The DFAT Monitoring and Evaluation Standards step out elements of each evaluation stage, and include:

- Standard 4: Independent Evaluation Terms of Reference
- Standard 5: Independent Evaluation Plan

DFAT’s Good practice evaluation examples webpage provides examples of evaluation terms of reference, evaluation plans, evaluation reports and management responses.

The DFAT 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 Design and Program Advice Section (designmail@dfat.gov.au).

The Development Evaluation and Assurance Section (DVS) in Program Enabling Division (PRD) can also provide evaluation support. Contact developmentevaluation@dfat.gov.au.

In practice: Ensuring evaluation quality, independence, and transparency

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/investment 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 and/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 and as early as possible. This gives them ownership of evaluation design and implementation, grounds the evaluation contextually, and ensures that partners understand DFAT’s evaluation requirements. Where DFAT participates in joint evaluations or allows evaluations to be led by development partners, program areas should first ensure the evaluation will comply with DFAT’s quality, management response and publication requirements.

• **Quality**: 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 and DFAT Ethical Research and Evaluation Guidance.

• **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 development planning and delivery.

• **Transparency**: Consistent with the Government’s aid transparency commitments and Development Evaluation Policy, evaluation reports should be published, with a management response, 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.

### 3.3.7 Consider public diplomacy opportunities

Good program management includes identifying opportunities for public diplomacy. Development program managers should refer to DFAT’s Public Diplomacy Strategy and Posts’ annual public diplomacy priorities for guidance on encouraging support for the development program and contributing to our public diplomacy goals.
3.4 PROGRAM-LEVEL PERFORMANCE REPORTING REQUIREMENTS

Country and regional development programs report on their performance through annual Progress Reports (see Chapter 2). Progress Reports are prepared for all programs with total ODA flows of greater than $15m. Final Progress Reports 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.

3.5 POTENTIAL PITFALLS

There are a number of common weaknesses in program management, evaluation and performance reporting.

- Weak line of sight between strategy 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.
- 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 qualityreports@dfat.gov.au or developmentevaluation@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.

HOMs and SES officers must have in place processes to ensure that the data in AidWorks is accurate and up-to-date. Data accuracy in AidWorks refers to the accuracy and timeliness of data entered into AidWorks. Everyone who uses AidWorks is responsible for data accuracy in some way, from a staff member creating a new investment or agreement to a delegate recording an in-system approval.
Key resources

Policies
Development Evaluation Policy

Guidance
Australia–Asian Development Bank Partnership Framework
DFAT Monitoring and Evaluation Standards
Good Practice Note on Gender Equality in Monitoring and Evaluation
Strategic Partnership Framework UNICEF
Strategic Partnership Framework UNDP
World Bank Group Partnership Framework
CHAPTER 4  INVESTMENT DESIGN

Key messages

High-quality investment designs underpin the effectiveness of Australia’s development efforts.

The 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 adaptive design and procurement (ADAPt) pathways intended to provide more flexible and responsive approaches to design and procurement. These must be discussed with PRD and approved by the Assistant Secretary, Development Performance and Advisory Services Branch.

Mandatory requirements

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

Decisions taken through design processes will often be foundational in the delivery partner chosen and the implementation arrangements used. If non-competitive processes are being considered at any stage of a design process, justification should be provided to the delegate as to why this approach is preferred and how the requirements of the Commonwealth Procurement Rules will be achieved through the planned approach.

Programs must screen all investments for risks and environmental and social safeguards (including child protection and sexual exploitation, abuse and harassment).

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

All investments valued at $100 million and/or rated as high or very high risk, and all facilities, must go to the Aid Governance Board for consideration.

Investment designs are the mechanism DFAT uses to translate intended objectives to impact on the ground. Designs set out the logic between the desired outcomes, intended activities and implementation arrangements, and how progress will be measured. The Investment Concept Note and/or the Investment 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 no more than 25 pages (plus annexes) should 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 no more than 15 pages (plus annexes) must be prepared. If a partner-led design is being pursued, the delegate must ensure that there is adequate justification for why that partner was selected, including why this represents value for money.

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 7 below for more detail.

**Figure 7: Principal aid investment options**

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<thead>
<tr>
<th>APPROACHES TO DELIVERY</th>
<th>FORMS OF AID</th>
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<td>Facility-based approaches</td>
<td>Budget support</td>
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<td>Humanitarian and disaster response</td>
<td>Core funding of a partner</td>
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<td>Program-based approaches</td>
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<td>Project approaches</td>
<td>Institutional twinning</td>
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<td>Sector-wide approaches</td>
<td>Experts and technical assistance</td>
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<td>Pooled funding/co-financing</td>
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<td>Scholarships and training</td>
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<td></td>
<td>Supply of goods/services, payment of costs</td>
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<td></td>
<td>Volunteers</td>
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<tr>
<th>TYPES OF DELIVERY PARTNERS</th>
<th>AGREEMENT TYPE</th>
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<tr>
<td>Academic research institutions</td>
<td>Grant agreement</td>
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<tr>
<td>Australian international and notional NGOs</td>
<td>Procurement agreement</td>
</tr>
<tr>
<td>Managing contractor</td>
<td>Whole-of-government agreement / ROU</td>
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<tr>
<td>Multilateral development organisations</td>
<td>Direct funding agreement with partner governments</td>
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<tr>
<td>Official bilateral international development agency</td>
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<tr>
<td>Other Australian Government agencies</td>
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<td>Regional organisations</td>
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<td>Private sector</td>
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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 development 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 eight steps in a standard design process. The requirements at each step are proportional to the size and risk of the investment and vary depending on whether the design process is DFAT-led or partner-led. Figure 8 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. 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 relevant CRPs, 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 independent consultants to participate in the design team and other assistance needed to support the design process.

Step 2—Screen for risks (including safeguard): Identify and screen for mandatory policy considerations (including potential environmental and social safeguard risks and impacts, counter-terrorism resourcing, and fraud), and for other risk factors that are common across investments. 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 Factors Screening Tool and risk register in AidWorks for each investment.

Step 3—Assess ODA eligibility: Administered appropriations represent funding provided to Australian government departments for a specific purpose and can only be spent on that purpose. Our Administered Aid Budget is appropriated to DFAT to spend on ODA eligible activities only. Investment managers must confirm the new investment they intend to fund from the Administered Aid Budget aligns to the ODA eligibility definitions established by the OECD DAC. The Preliminary ODA Checklist will confirm if the investment is ODA eligible or requires further assessment to establish ODA eligibility. If the investment is ODA eligible, investment managers should use the ODA Eligibility Risk Assessment Tool to determine if a formal ODA assessment needs to be completed. (See section 4.3.2)
**Step 4—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) and include confirmation of the level of ODA assessment completed. This approval moves the investment into the design phase.

A record of the completed Risk Factors Screening Tool and risk register (completed to the Inherent risk level), Preliminary ODA Checklist, ODA Eligibility Risk Assessment Tool and Written Approval to Commence Minute is mandatory for all investments, regardless of value or level of risk.

**Design Phase: Concept, design, quality assurance and approval**

**Step 5—Concept (five-page maximum):** If an investment is valued at $10 million or more, is assessed as high or very high risk, or is identified as requiring an ADAPt pathway, 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. If the investment is valued at $100 million or more, or is high or very high risk, or is a facility, it must go to the Aid Governance Board (AGB) for consideration.

**Step 6—Design:** Producing a design may take several months. The timing depends on its complexity, context and implementation requirements, and the investment design pathway. Meaningful and early engagement with DFAT stakeholders, partner governments, the private sector, 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, policy dialogue and reform opportunities, and how progress will be measured.

ODA eligibility is an integral part of development program design. Managers must review ODA eligibility again once the design is complete by reviewing their responses to the Preliminary ODA Checklist, the ODA Eligibility Risk Assessment Tool and, if required, the formal ODA assessment.

Investment managers must ensure the correct ODA checks are undertaken prior to seeking the delegate’s approval of the design.

**Step 7—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.

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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.
In practice: Adaptive Design and Procurement Pathways

PRD has developed a range of Adaptive Design and Procurement (ADAPt) pathways, intended to provide more flexible and responsive approaches to design and procurement, including in light of COVID-19. These pathways include concept to tender, design update, design extension, design-implement, multi-year strategies and co-creation with the private sector. These flexible pathways aim 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 just on their capacity to implement
- allow more flexible contracting, including a design-implement approach after mobilisation.

Contact PRD (Design and Program Advice Section and Development Procurement and Agreements Branch) to determine the most appropriate design and procurement pathway for your investment. ADAPt pathways must be agreed in writing with AS MPB. A failure to adequately plan for a foreseeable design process is not an acceptable rationale for proposing an ADAPt pathway. Contact designmail@dfat.gov.au.

Step 8—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 development policy and meets DFAT standards.

In practice: Considering delivery partners in the development of investments
Determining the objectives, scope and mechanisms for the delivery of an investment are important parts of the design process. In practice, the decisions taken at each stage of this process – commencement, concept, design – can be foundational in determining what type of a partner will be used to deliver the investment, and how they would be engaged (procurement or grant).

Government expenditure should be: efficient and effective; value for money; accountable and transparent; encourage competition; manage procurement risks; and, wherever possible, encourage competition. Competitive processes are a widely acknowledged means of ensuring accountability requirements are met.

If non-competitive processes are being considered at any stage of a design process – commencement, concept, design – justification should be provided to the delegate as to why this approach is preferred and how the requirements of the CPRs or CGRGs will be achieved through the planned approach. Further details on these requirements are provided in Chapter 5: Engaging Partners.
Figure 8: Proportionality—mandatory design requirements (excludes funding going through ADAPt)

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+ Investments of less than $3 million that are low or medium 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 initial risk assessment

All proposed investments must be screened for mandatory policy considerations (including social and environmental safeguard risks and impacts, counter-terrorism resourcing and fraud risks). The investment manager should do this using Risk Factors Screening Tool and risk register; these are both in AidWorks under the ‘Risk’ tab for each investment.

If an investment is assessed as high or very high risk, regardless of dollar value, 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 and a current sector fiduciary risk assessment (see Chapter 8).

Low or medium risk investments valued at less than $3 million do not require a design document. They can go directly to financial approvals once the Risk Factors Screening Tool and risk register have been completed.

4.3.2 Assess ODA eligibility

All proposed investments must be assessed for ODA eligibility. Investment managers are to complete the Preliminary ODA Checklist to ensure their new investment is ODA eligible from the outset. The checklist has been set up as a question-based flow chart. By answering the questions, investment managers will determine whether the investment appears to be ODA eligible. Where ODA eligible, the investment can proceed for further ODA assessment if needed.

Where an investment is assessed as not ODA eligible or includes non-ODA components (i.e. partially ODA eligible), alternate sources of funding (Administered non-ODA or DFAT Departmental Budget) will need to be found for the non-ODA components.

For investments looking to fund staffing positions using the Administered Aid Budget, there is a separate process for determining whether the Administered Aid Budget is the appropriate funding source.

Where an investment appears to be ODA eligible, investment managers must complete the ODA Eligibility Risk Assessment Tool. This tool uses selective investment characteristics to identify strategic, operational, or reputational risk to DFAT. If a risk alert is triggered, the investment manager must complete a formal ODA assessment using the Investment ODA Assessment template.

The current investment triggers include:

- partners with another government department
- includes private sector investment with regards to equity, loans, mezzanine finance or guarantees
- security, law and/or justice-related investments
- investments that establish facilities, centres, or research schools
- investments identified as high or very high risk in the Risk and Safeguard Tool.

The completed ODA risk assessment must be uploaded to AidWorks and EDRMS. Investment ODA Assessments must also be uploaded following receipt of written approval to commence.

The ODA intranet page includes guidance on how to complete the formal ODA Assessment, case studies to support investment managers to apply ODA overarching principles and ODA core values, and a training presentation on how to undertake an assessment. It is the investment manager’s responsibility to ensure the correct ODA checks are undertaken prior to seeking written approval to commence. For more information, contact ODAEligibilityQueries@dfat.gov.au.
4.3.3 Get written approval to start the design process

All investments 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.

When drafting the minute consult with PRD (Design and Program Advice Section and Development Procurement and Agreements Branch) on your planned design and procurement pathway, including consideration of adaptive design and procurement pathways (contact designmail@dfat.gov.au).

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

- confirm the proposed investment is ODA eligible
- establish how the design aligns with priorities set out in the relevant CRP
- 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, based on the completed Risk Factors Screening Tool and risk register (completed to Inherent risk rating)
- 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 or granting processes.

For high and very high risk investments and investments of $10 million or more, an investment concept must be prepared once the Written Approval to Commence 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 delegate from the initiating area. This does not have to be the financial delegate, but should be at least at the EL2 level and the relevant budget owner. 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 or very high risk must have joint approval from both Canberra and Post program fund owner(s) at the correct financial 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.

For concept and design approvals 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).

4.3.4 Prepare the investment concept

An investment concept details 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.

4.3.5 Consult the Aid Governance Board

All investment concepts and designs that are valued at $100 million and/or rated as high or very 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.

4.3.6 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 Program Enabling Division (PRD) Design and Program Advice 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, and should be used in the first instance when procuring design services. For more information on the panel, contact 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 PRD Design and Program Advice 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, 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 7.

**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 Australia is trying to achieve. It should provide an analysis of the situation; determine an approach to delivery; and give delegates confidence that the intended investment is fit for purpose.

#### 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 Design and Program Advice 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. Facility designs must align with and report against the overarching facility performance assessment framework (PAF).

#### 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, as well as for managing risk, learning, and decision-making. 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 and outputs. Where appropriate, indicators should be included that are consistent with those in the current performance reporting framework. Monitoring and evaluation should be properly resourced and allocated (in general, 4 to 7 per cent of the total investment budget).

The monitoring and evaluation framework and system are generally fully developed and finalised during implementation. For managing contractor-led investments the framework must be finalised within 3-6 months of mobilisation and it must be independently quality assured prior to a milestone payment. There must also be a credible baseline and an operational monitoring and evaluation system in place within 12 months of mobilisation. Investment monitoring and evaluation frameworks should yield data that can be used in investment performance reporting, Tier 2 results reporting and annual Progress Reports.

4.4.6 Procurement

Officers must contact the Development Procurement and Agreements Branch (DVB) (aid.contracts@dfat.gov.au) as early as possible in the design process to discuss delivery and procurement approaches that are a value add to the process (see Chapter 5). The design team must also discuss the draft Statement of Requirements for any tender or grants approach with DVB before it is finalised and submitted for approval.
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.

Contact pcl@dfat.gov.au for advice on Subsidiary Arrangements.

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. 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

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*Investment concepts are optional for low or medium risk designs under $10 million.
Table 2: QA requirements for investment designs

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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.

For investments worth $50 million or more or assessed as high or very high risk, there must be formal peer review. Two external appraisers and two formal DFAT peer reviewers are required. Sector specialists and representatives from PRD 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 for the delegate’s consideration.

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.

See the Checklist for Delegates Approving Design Documents.

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

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.
4.6 EXEMPTIONS FROM MANDATORY DESIGN REQUIREMENTS

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

- investments using ADAPt pathways
- 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 Report (or the former Annual 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 Program Enabling Division (FAS PRD) may exempt an investment from the mandatory design requirements. Discuss any request for exemption from the mandatory design requirements with the Design and Program Advice Section, then submit a formal minute seeking FAS PRD 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 ADAPt pathways, seek written agreement from PRD (AS ADB) 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/medium risk, low-value investment will require fewer discussions than a high-value or high/very 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/very 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 (whole-of-government partners, partner governments, beneficiaries and DFAT officers) who are not committed to the program’s implementation
  - result in cursory review and quality assurance processes
  - cause stress between desks, Posts and stakeholders
• 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 development program 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 can cause delays in establishing monitoring and evaluation systems. A Minimum Sufficient Monitoring and Evaluation Framework (as outlined in the Investment Design Document template) must be annexed to the design document.

• Not giving enough attention to pipeline planning. This leads to programming and expenditure pressure and, potentially, poor programming choices. It is DFAT policy that agreements cannot be extended beyond their originally approved total potential period, including extension periods. Any subsequent services must be agreed through a new procurement or grant process. All unspent funds at the end of a grant’s total potential period must be returned to DFAT. If DFAT appropriated the funds earlier before the current financial year, then DFAT must return the funds to consolidated revenue.

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
- Approved concept note
- Concept approval minute
- Approved design document
- Independent appraisal document(s)
- Peer review minutes
- Design approval minute
- Section 23 Minute
- Agreements associated with the investment.
Key resources

Tools and templates

- Investment Concept template
- DFAT-led design—Investment Design Document template
- Partner-led design—Investment Design Summary template
- Risk Factors Screening Tool (in AidWorks)
- Risk Register (in AidWorks)
- 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. Open and competitive merit-based selection processes are recognised as achieving value for money. If non-competitive processes are followed, justification should be provided as to why.

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

BuyRight contains workflows for all ODA spending (grants and procurements).

Mandatory requirements

Officers must comply with DFAT’s procurement and grants policies when engaging a partner. This is required for compliance with the PGPA Act, the CPRs and the Commonwealth Grant Rules and Guidelines (CGRGs).

Partners and potential partners now have greater ability to challenge DFAT’s selection processes for a partner. DFAT has a Complaints Handling process for procurement related issues. For more information, email aid.contracts@dfat.gov.au.

DFAT must publish all contracts above $10,000 on AusTender within 42 days of entering into or amending the contract. This is a legislated obligation under the Commonwealth Procurement Rules.

Agreements cannot be extended beyond their originally approved total potential period, including extension periods. Any subsequent services must be agreed through a new procurement or grant process. All unspent funds at the end of a grant’s total potential period must be returned to DFAT. If DFAT appropriated the funds earlier, before the current financial year, then DFAT must return the funds to consolidated revenue.

Agreements that are longer than 10 years need to go the Secretary for approval.

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

5.1 WHAT IS VALUE FOR MONEY?
Achieving value for money is the core of the CGRGs and the CPRs. Delegates 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 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 agreement 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) via procurements, in close collaboration with the relevant program area. Program areas lead processes for engaging partners via grant processes following the relevant steps in BuyRight, with support from ABB. Additionally, ABB manages development program functions in BuyRight and supports Program areas to engage partners for less than $500,000 (GST inclusive) via BuyRight.

For Procurements, ABB has a range of options available to provide the best fit-for-purpose approach to your procurement.

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. Procurement processes typically take 4 to 6 months to complete. Time is required to ensure procurement documentation asks potential bidders the right questions. Opportunities are then open to the market for at least 45 days, consistent with the minimum recommendation from the OECD DAC. An evaluation committee will then consider all aspects of bidders’ responses and make a recommendation to the delegate. Following the delegate’s decision on an outcome an agreement will be negotiated, approved, and signed.
5.3 IS IT A CONTRACT OR IS IT A GRANT?

Most development program 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.

The delegate must document why the engagement is a contract or a grant, why a particular partner has been selected and how this represents value for money. 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 (resulting in a contract or services order etc.) 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 (resulting in a grant agreement or Record of Understanding (ROU)) 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 provided as a payment with no conditions that is not covered by specific legislation—e.g. a cash gift or prize.

Officers should seek DVB (aid.contracts@dfat.gov.au) 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 ADVISER REMUNERATION FRAMEWORK

The Adviser Remuneration Framework (ARF) applies to all contracts signed before 1 March 2020 and all new services orders created under period offers/panels established before 1 March 2020 (with the exception of the Design, Review and Monitoring and Evaluation Panel).

The ARF defines DFAT’s policies and procedures for determining the remuneration of commercially contracted advisers engaged in development program investments. All advisers under these contracts—whether funded through administered funds or departmental funds—must be engaged in accordance with the ARF with ARF conditions continuing to operate until the Contract end date.

As of 1 July 2021, the rates for advisers engaged under the ARF were revised to reflect the increase in superannuation contributions following changes to the *Superannuation Guarantee (Administration) Act 1992.*

The ARF does not apply to contracts signed after 1 March 2020.

5.5 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 contracts that do not clearly articulate the outcomes sought. This risks a weak market response, protracted negotiations, more expensive bids, delayed mobilisation, and poor implementation
- not obtaining or documenting key delegate approvals (including the basis of a decision on value for money)
- information in AidWorks not matching the corresponding agreements.

For more information relating to departmental funding, email contracts@dfat.gov.au. For more information relating to administered/ODA funding, email aid.contracts@dfat.gov.au.
**AidWorks**

All procurement and grant approval documents and agreements must be uploaded into AidWorks (both the signature page and full agreement or amendment).

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

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**Key resources**

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

Key messages
Investments are designed to achieve specific outputs and outcomes and contribute to the overall objectives of the relevant COVID-19 Development Response Plan (CRP).
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 PGPA Act.
Investment managers must keep investment-level and agreement-level data up to date and accurate in AidWorks.
Programs must complete investment performance reporting: Investment Monitoring Reports, Partner Performance Assessments
Programs must complete reporting on Tier 2 indicators.
For managing contractor-led investments: The M&E plan and M&E framework must be finalised within 3-6 months of mobilisation and must be externally quality assured by an independent entity (i.e. DFAT or contractor) prior to milestone payment.
For all DFAT-led investments: A credible baseline must be established within 12 months of mobilisation), and the M&E system must be operational.

Effective management of investments ensures that:
• Australia’s development investments produce outcomes
• Public funds are spent effectively according to the requirements set out in relevant approvals and agreements
• Risks are identified and actively managed.
DFAT’s performance framework allows the Department to review and improve its investments, assess the performance of partners, report on results, and assess and report on how the whole development program is performing.
6.1 WHAT IS AN INVESTMENT?

An investment is an intervention designed to achieve specific outputs and outcomes and contribute to the overall strategic 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 COVID-19 Development Response Plan. Figure 11 illustrates this program hierarchy.

DFAT development 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 can run up to 10 years.

![Development 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 and evaluation. 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/very high risk investments may be managed by EL 2 officers. For country and regional development programs, development program investments are often managed at the Post.

Investment managers are responsible for the ensuring the data entered into AidWorks is accurate and kept up to date throughout the life of the investment.
Program managers should ensure that new investment managers undertake relevant training before they are granted editor access to the Program in AidWorks.

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. For practical guidance on how to meet this responsibility, please see the Monitoring and Evaluation Standards.

If an investment is included in DFAT’s Annual Development Evaluation Plan, the investment manager will generally also be responsible for managing the evaluation (refer to Sections 2.3 and 3.3.6 for evaluation guidance).

### 6.3 KEY ASPECTS OF INVESTMENT MANAGEMENT

There is no set approach to managing a development program investment. However key aspects include:

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

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 be engaging partners in scoping and conducting independent evaluations. 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).

#### 6.3.2 Ensure alignment with strategic objectives

During the design phase of an investment, it is crucial to make sure investments align with strategic objectives (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

Effective risk management is integral to achieving investment outcomes. 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 and timely evidence available to track progress and to measure and report on performance. Regular and systematic monitoring and evaluation allows us to assess the effectiveness and efficiency of our programs, supports adaptive management, provides the basis for reporting, and contributes to dialogue with our development partners. Information from monitoring and evaluation 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 managers and delegates
- credibly account for the investment of taxpayers’ money.

Strong monitoring arrangements 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.

Facilities must align with and report against the overarching facility performance assessment framework.

For some investments, there will be an independent evaluation either part of the way through the investment or when the investment is completed (see Section 2.3 and Section 3.3.6).

Ethical research and evaluation

Ethical Practice in Research, Monitoring and Evaluation is crucial for the lifecycle of any investment - specifically, but not exclusively, for ODA funded research. DFAT acknowledges that like research more generally, evaluation is an investigation that is undertaken systematically to gain knowledge and insight into the success and impact of humanitarian aid or development programs. Ethical Research and Evaluation sets out DFAT’s internal processes for ethical practice.
In practice: Sources of information in the monitoring process

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.

- **Evaluations**: See Section 3.36.

- **Field visits**: The investment manager should plan and conduct regular field visits, where feasible, to verify results and compliance with DFAT requirements, and that processes and controls are in place to adequately manage risk. 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 operational monitoring and evaluation systems and baselines, investment progress reporting, DFAT investment manager monitoring and evaluation products.

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 PERFORMANCE REPORTING

Investment Performance Reporting (IPR) is used to assess the performance and collect results of individual investments and their delivery partners during implementation and on completion. The IPR process includes:

- Annual Investment Monitoring Reports (IMR)
- Humanitarian Investment Monitoring Reports (HIMR)
- Final Investment Monitoring Reports (FIMR)
- Partner Performance Assessment (PPA)

6.4.1 Investment Monitoring Reports

Each year, programs must complete IMRs for investments valued at $3m or higher. IMRs comprise two parts – an assessment of progress against quality criteria and the partner performance assessment. Evidence is gathered from implementing partner reports, monitoring visits, reviews and evaluations to provide an assessment of investment and partner performance over the previous 12 months. IMRs enable investment managers to review performance against quality criteria. Collectively this process provides DFAT with an overall assessment of the effectiveness and achievements of the Australian development program.

**Proportionality: IMR requirements**

- IMR exemption is granted in limited circumstances and approved by First Assistant Secretary, Program Enabling Division (PRD).
- FIMRs are completed for investments in their final year. Exemptions from FIMR reporting are not permitted.
- IMRs are not required for administrative investments (e.g. rents, leases, LES salaries etc.) or for core contributions to multilateral organisations.
- IMRs are approved by a relevant EL2 (or above).

**FIMR**

FIMR are completed for investments valued at $3m or higher in their last year of implementation. FIMR provide an assessment of overall achievement against the planned outcomes for an investment. The report reflects on the performance of the investment over its lifetime. FIMR also record lessons learned to inform the strategic directions of subsequent or follow-on investments, or in the design of future similar investments.

Completed FIMRs undergo a validation process led by EVS. If during validation, ratings are found to be inconsistent with the supporting evidence, or do not accurately represent the level of performance described, EVS may change the rating. The EVS ratings are the final ratings and are used for external reporting in the DFAT Annual Report.

**HIMR**

The primary aim of humanitarian response investments is to save lives, to alleviate suffering and to protect human dignity during and after disasters and other crises. Reporting for humanitarian response investments is completed using slightly different assessment criteria. The provisions made for seeking exemptions, moderations and approvals are the same as those for an annual IMR.
Moderation

Moderation ensures that investment performance reporting is robust, contested and that suitable management responses are identified if required. Moderation should be proportional to the investment’s value, risk and complexity. As FIMR ratings are validated by EVS, moderation is optional for all FIMRs. A moderation process can range from a moderator providing comments by email on a draft IMR through to meetings that involve a range of staff expertise. Advice on moderation requirements is part of the Aid Investment Performance Reporting Good Practice Note.

Where a moderation meeting is held, the chairperson is usually the relevant EL2. However, if an investment is high value, high/very high risk, sensitive, complex or underperforming, the moderation meeting should be chaired at SES level if possible. Moderators are trained, experienced staff (usually EL1 or higher) and independent of the direct management of the program. Gender Equality Branch and other thematic and sector areas should be involved as appropriate. Program Enabling Division (PRD) moderate all facilities investments and all investments requiring improvement (IRI).

Investments requiring improvement

Strict procedures are in place for managing underperforming development program investments. These investments require remediation plans with steps aimed at turning performance around within one year. If the required level of improvement is not achieved within one year, funding may be redirected to other investments with a greater chance of success.

Investments with unsatisfactory ratings in their IMR (scores of 3 or below) for effectiveness and efficiency criteria are designated as investments requiring improvement (IRI). These programs must provide PRD with an IRI Remediation Plan minute, approved and overseen by an SES officer, outlining management actions to improve performance. PRD moderates the next IMR 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 should be cancelled, with a minute to FAS PRD outlining their decision. Summary IRI numbers are included in DFAT’s Annual Report.

6.4.2 Partner Performance Assessments

An assessment of performance for key delivery partners (multilateral organisations, commercial suppliers and NGOs) is required each year to meet DFAT’s reporting requirements and often to meet the requirements of contractual arrangements. Agreement Managers complete an annual assessment of performance for the partners who are delivering their grants and agreements. These assessments form part of the overall IMR document. See Section 7.5.
6.5 TIER 2 RESULTS REPORTING

The Tier 2 indicators form the middle level of a three-tier framework which reports on the overall context, annual results, and effectiveness of Australia’s development efforts in addressing the challenges of COVID-19.

Tier 2 results are selected indicators of Australia’s contribution to development. They comprise 15 indicators that are organised against the action areas (health security, stability, and economic recovery) in Partnerships for Recovery.

Of the 15 Tier 2 indicators, nine are quantitative, five are narrative, and one is both:

- The nine quantitative indicators include the option of providing narrative examples of assistance provided and outcomes achieved.
- The narrative indicators count the number of countries/areas provided with assistance in addition to the provision of narrative examples.

There are no minimum reporting thresholds in relation to either project/investment value or previous results history, and all relevant results should be reported. This will enable results of smaller catalytic investments to also be reported as appropriate.

- Reporting is through a customised SmartyGrants portal.
- An individual investment/project may report results against multiple indicators and/or have quantitative data under one indicator and additional narrative(s) under another.

Tier 2 results should be SES-cleared or by EL2 HOMs in smaller programs.

6.5.1 Reporting results

The reporting of Tier 2 results is based on the principles of quantitative results and narrative examples.

Quantitative results

- **Evidence-based**: Officers reporting results should be clear about how the results were obtained and should include the data sources and methodology used to calculate the results in the calculation sheet. If partner databases are the source of the data, then confirmation that the way the data is constructed or confirmation that the data complies with the requirements of the technical notes should be included.
- **Attributable to Australian funding**: Where an investment is co-funded by other parties — such as partner governments, other donors, or multilateral organisations — the result should reflect a pro-rata share of Australian funding relative to the total funding (expressed in the same currency). This can be based on either the total investment value or the investment value in the reporting year, and the approach should remain consistent. Where investments/projects are jointly funded by DFAT and other Australian Government agencies, DFAT will report any quantitative data and include the whole Australian Government share as the basis of calculating the result.
- **Limited to the reporting year**: Results should only be those reported for (and ideally realised in) a twelve-month reporting period and not over the life of the project/investment.
- **Disaggregated by sex and ability**: Where an indicator is reporting numbers of persons, it is a requirement that results be sex-disaggregated. However, disaggregated figures should only be included where the number of persons of specific sexes (female, male, other/non-binary gender identification) and who have received assistance under the investment has been counted. Using census data or other estimates to determine the ratio of females to males is not acceptable. Where it is not possible to provide sex disaggregated reporting, the field ‘Sex Unknown’ should be used, and data limitations should be
explained in the calculation sheet. Data on persons living with disability are also required and partners should be encouraged to report on this.

- **Consistent and defendable**: All reasonable efforts should be made to avoid double-counting. Once adopted, the approach used to identify a pro-rata share of results attributable to Australian funding should remain consistent over the life of the Performance Framework. The results need to be defendable, and it is important that all the steps and assumptions in the calculations be explained.

**Narrative examples**

- **Concise**: A limit of 150 words is set.
- **Include key information**: Examples should focus on key outcomes or strategic activities in the reporting period and not solely comprise the objectives or a description of the project/investment. The names of the Australian Government department or agency reporting, other known donors or partners, the country(ies) (including regions/global), relevant objectives, modality, key outcomes or outputs and relevance to the COVID-19 response as appropriate. Agency funding and any other technical data can also be included. Any known data lags should be identified.

### 6.6 POTENTIAL PITFALLS

Effective investment management is most commonly undermined by:

- data not being kept up to date and accurate in AidWorks
- 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 monitoring reports 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, and negatively impacts our ability to engage in policy dialogue with partner governments
- poor planning for performance and results reporting
- 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 IPR reports can be completed in 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 internal and public reporting.

Key resources

Policies
Development Evaluation Policy

Guidance
DFAT Monitoring and Evaluation Standards
Gender Equality Investment-Level Strategy Development Good Practice Note
Gender Equality in Monitoring and Evaluation Good Practice Note
CHAPTER 7 IMPLEMENTATION: AGREEMENT MANAGEMENT

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

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 to enable public reporting through AusTender, within the required timeframe.

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) 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 generally investment managers and are the main point of contact for the delivery partner on all agreement matters. They are responsible for ensuring the agreement objectives are achieved, financial management and legislative requirements are met, partner performance is satisfactory, AidWorks data is accurate, recorded in a timely manner and kept up to date, and stakeholders are well informed.

For larger or higher risk agreements, agreement management may be split between several people. If this is the case, one person should be the senior agreement manager. Others should clearly understand – and have documented – 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.

Program managers should ensure that new agreement managers undertake relevant training before they are granted editor access to the Program in AidWorks.

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2 RACI stands for 'Responsible, Accountable, Consulted, and Informed'. A RACI matrix aims to identify the key stakeholders involved in a particular task (or group of tasks) and to identify the nature of the relationship each position/stakeholder has with the task(s).
7.3 PHASES OF AGREEMENT MANAGEMENT

It is important to consider the management of the agreement while the agreement is being planned and the partner engaged (see Chapter 5). A well-defined procurement/grant process 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 12: 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)
- 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)
- 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**
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 resourcing, environmental and social safeguards, sexual exploitation, abuse and harassment) that arise during the life of the agreement. For more information about 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 Ethics, Integrity and Professional Standards Policy Manual for information and guidance.
AidWorks

Agreement managers must keep agreement-level data accurate and up to date in AidWorks. This includes all payment events and financial phases, all necessary approvals, and relevant attachments, so that AidWorks matches the details of the agreement.

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. 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.

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.

Agreement managers must also ensure compliance with departmental governance requirements such as the financial management framework, fraud control framework, internal reporting and audit 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 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).
7.4.3 Relationship management

Effective relationship management underpins successful agreement management. 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), 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 Development Procurements and Agreements Branch (DVB).

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 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 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.
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 agreements.

PPAs are mandatory for commercial suppliers, NGOs and multilateral organisations with agreements valued at $3 million or more. They are also recommended as a sensible performance management tool for agreements of lower value but of 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 are not required for partner governments that are also implementing partners or for core contributions to multilateral organisations.
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, delivery partners must have at least 15 working days to review and respond to PPAs.

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 provides a list of PPAs. 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 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 completed for each adviser annually (such as on the anniversary of the start date) and on completion of the contract. Performance discussions should be held at least biannually; the APA can form part of this process.

Managing Contractors are responsible for APAs for advisers on their books. DFAT agreement managers are responsible for APAs for advisers hired directly by DFAT. APAs should be filed with program documentation in EDRMS. All APAs (even electronic ones) must be endorsed with a date and a name before filing. All APAs with a rating of three or below, along with written adviser responses, must also be sent to supplier.engagement@dfat.gov.au.

Information contained in APAs may be used for official Australian Government purposes to inform DFAT’s operations, and for internal and public reporting. DFAT may also use past performance information from APAs during tender and grant evaluation processes.

More details of how to complete the APA template can be found in the Adviser Performance Assessment (APA) Note.

### 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.

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 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 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 apply to the total value and term of the amended agreement, not just the value and term of the amendment.

Agreements cannot be extended beyond their originally approved total potential period, including extension periods. Agreements also cannot run for more than 10 years, unless with Secretary approval. This applies to all agreements. An agreement that has ended cannot be extended. Grant agreements can be extended before the agreement end date. Unspent funds at the end of a grant’s total potential period must be returned to DFAT. If DFAT appropriated the funds earlier before the current financial year, then DFAT must return the funds to consolidated revenue.

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.

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**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 of an active agreement in AidWorks (either up or down) without a signed written amendment unless the agreement has been completed.

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### 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 agreed implementation arrangements.
- 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
- 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.
For details of all other key contacts, see the contacts list.

**Key resources**

**Guidance**
Australian Government Contract Management Guide

**Tools and templates**
PPA template
APA template
APA Note


CHAPTER 8  DEVELOPMENT PROGRAM RISK MANAGEMENT

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

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

Mandatory requirements
For every investment, officers must screen for mandatory policy considerations (including environmental and social safeguards risks and impacts, terrorism resourcing and fraud risks) as well as other common risk factors; analyse risk; and document these processes in the Risk Factors Screening Tool and risk register. (These tools are both available in AidWorks on the ‘Risk’ tab for each 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, an impact assessment and management plan must be developed, approved and implemented with effective compliance monitoring. For sexual exploitation, abuse and harassment (SEAH) or child protection risks, the relevant minimum standards (outlined in the relevant policy) must be applied.

Agreements with delivery partners must include standard clauses requiring compliance with DFAT’s Safeguarding Policies. Any investment that is likely to cause significant impact on the environment, will be referred to the Department of Agriculture, Water and Environment (DAWE) Minister. All allegations and suspicions of SEAH or child abuse or exploitation must be reported to DFAT immediately.

Investment risk registers and Risk Factors Screening Tools must be updated at least quarterly during investment implementation.

Due diligence assessments of 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 resourcing risk, there must be more intensive due diligence check of the partner.

Any suspected or actual acts of terrorism resourcing must be reported immediately.

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, and ensure that their recommended risk treatments are reflected in designs and funding arrangements.

Agreements with delivery partners must include mandatory fraud clauses.
Consideration of fraud risks must be taken into account throughout the life cycle of the program. Fraud risks must be considered during the program design phase to ensure programs are designed to limit fraud opportunity. Fraud risks must be reviewed at least annually, or when there are significant changes to a program’s design, operations, or objectives.

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

Instances of alleged, suspected, attempted, or detected fraud must be reported immediately. Appropriate follow up actions must be taken including recovery of losses, reporting to local authorities, and addressing any fraud control weaknesses identified.

8.1 PRINCIPLES OF GOOD RISK MANAGEMENT

Development risk management aims to minimise the impact of uncertainty on delivering the development program’s objectives, in line with the following principles:

- **Systematic**: A structured and comprehensive approach to risk management helps ensure better practice principles are applied, and the Program fulfils the intent of the PGPA Act. A consistent approach at the investment level facilitates proper risk analysis at the Program level.

- **Transparent**: A documented process that is open to scrutiny and so, facilitates transparency in decision-making. Departmental officers should be able to demonstrate that decisions, and the ensuing actions, have been made with appropriate consideration.

- **Integrated**: Risk management is an integral part of managing investments and is always viewed in relation to the achievement of end of investment outcomes (‘what’ is achieved), or how end of investment outcomes are achieved (‘how’ it is achieved).

- **Dynamic**: Risks can emerge, change or disappear as an organisation’s external and internal context changes. Risk management helps detect and responds to those changes in a timely manner. This includes the identification and management of risk, so they are managed before they eventuate.

- **Evidence-based**: The inputs to risk management are based on historical and current information, including data, as well as on future expectations. The information should have sound origins, and be used to inform, for example, the likelihood of a risk event occurring.

- **Maturity**: Risk management is continually improved by learning from successes and failures, as well as experience. This lends to an organisation that is continually adjusting itself to respond to the ever-changing context.

8.2 RESPONSIBILITY FOR RISK MANAGEMENT

All officers are responsible for both managing risk and ensuring our delivery partners do likewise. 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 in place for major programs.
8.3 DFAT’S DEVELOPMENT PROGRAM RISK MANAGEMENT PROCESSES

Investment-level risk management occurs throughout the investment cycle. When initiating a new investment, officers must screen for mandatory policy considerations (including potential environmental and social safeguards risks and impacts, counter-terrorism resourcing and fraud risks, and for other risks that are common across investments); analyse the risks; and document these processes in the Risk Factors Screening Tool and risk register.

Risks are recorded throughout the design process as part of the design documentation. They are monitored throughout the implementation phase, with the risk register and Risk Factors Screening Tool updated at least quarterly. Development Risk Management: Policy and Practice Notes provides detailed instructions on this process. Risks are reported on through annual Investment Monitoring Reports.

Figure 13: Investment cycle and risk management shows key risk management actions in relation to the main steps in the investment cycle. Section 8.5 below details specific requirements for specialist development risk policies.

Figure 13: Investment cycle and risk management

<table>
<thead>
<tr>
<th>Phase</th>
<th>Key risk management action taken by investment manager</th>
<th>Related actions</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Planning</td>
<td>Complete Risk Factors Screening Tool (in AidWorks)</td>
<td>Investment manager includes key risks and investment risk profile in Written Approval to Commence minute and attaches/references Risk Factors Screening Tool and risk register</td>
</tr>
<tr>
<td></td>
<td>Complete risk register to inherent risk rating (in AidWorks)</td>
<td>Approver for Written Approval to Commence minute must be EL2 or above</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Investment risk profile helps determine the design approval pathway (see Section 4.2)</td>
</tr>
<tr>
<td>2. Concept</td>
<td>Update Risk Factors Screening Tool</td>
<td>Concept Note (if required) is approved by the delegate</td>
</tr>
<tr>
<td></td>
<td>Update risk register to inherent risk rating</td>
<td>The updated Risk Factors Screening Tool identifies any further risk assessment required by specialised risk policies (see Section 8.4)</td>
</tr>
<tr>
<td>3. Design</td>
<td>Update Risk Factors Screening Tool</td>
<td>Investment manager ensures completion of any required detailed risk assessment during the design process (see Section 8.4)</td>
</tr>
<tr>
<td></td>
<td>Complete risk register entirely</td>
<td>Investment Design Document/Investment Design Summary (if required) is approved by the delegate</td>
</tr>
<tr>
<td>4. Engage partner</td>
<td>Incorporate implementing partner risks into the risk register</td>
<td>Investment manager completes any required due diligence (partner government assessment may occur during design)</td>
</tr>
</tbody>
</table>
### 5. Implementation

<table>
<thead>
<tr>
<th>Task</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Update risk register</td>
<td>at least every three (3) months</td>
</tr>
<tr>
<td>Update Risk Factors Screening Tool</td>
<td>at least every three (3) months</td>
</tr>
<tr>
<td>Escalate individual risks</td>
<td>in line with Development Risk Management: Policy and Practice Notes</td>
</tr>
</tbody>
</table>

Delegate reviews updated risk register and escalated risks when requested by investment manager.

Investment or agreement manager ensures that all delivery partners have a risk register in place, additional to DFAT’s investment risk register; incorporate any shared risks into DFAT’s investment risk register.

Implementation Monitoring Reports include relevant material on investment risks (including social and environmental safeguards).

### 6. Completion

<table>
<thead>
<tr>
<th>Task</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Close any risks</td>
<td>that are no longer relevant</td>
</tr>
<tr>
<td>Identify any lessons</td>
<td>learned for future investments</td>
</tr>
</tbody>
</table>

Final Investment Monitoring Report includes relevant material on investment risks (including social and environmental safeguards).

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**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.

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**8.4 DEVELOPMENT RISK MANAGEMENT REQUIREMENTS**

### 8.4.1 Environmental and social safeguards

The Environmental and Social Safeguard Policy consolidates DFAT’s approach to managing safeguard risks in the development program. All investments must be screened for environmental and social impacts, by completing the Risk Factors Screening Tool, which covers the following mandatory policy considerations:

- Environmental protection
- Children, vulnerable and disadvantaged groups
- Displacement and resettlement
- Indigenous peoples
- Health and safety.
Figure 14: Risk management and mandatory safeguard processes details the mandatory risk and safeguard process that programs must undertake when implementing a development program investment. If the completed Risk Factors Screening Tool 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 environmental and social impact assessment must be completed (up to inherent risk rating). 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 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 14: Risk management and mandatory safeguard processes**

<table>
<thead>
<tr>
<th>RISK FACTORS SCREENING TOOL</th>
<th>INVESTMENT MANAGEMENT STEPS</th>
<th>SAFEGUARD PROCESS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>INITIAL RISK FACTORS SCREENING</strong></td>
<td><strong>WRITTEN APPROVAL TO COMMENCE</strong></td>
<td><strong>SAFEGUARD SCREENING</strong></td>
</tr>
<tr>
<td>Refer to safeguard screening questions in Risk Factors Screening Tool.*</td>
<td>No to all safeguards screening questions</td>
<td>Refer to safeguard screening questions in Risk Factors Screening Tool.*</td>
</tr>
<tr>
<td><strong>NO</strong></td>
<td><strong>POTENTIAL RISK</strong></td>
<td>Yes to any safeguards screening questions</td>
</tr>
<tr>
<td><strong>RISK ASSESSMENT</strong></td>
<td><strong>INVESTMENT CONCEPT NOTE</strong></td>
<td><strong>RISK CATEGORISATION</strong></td>
</tr>
<tr>
<td>Risk categorisation based on likelihood and consequences of risks</td>
<td></td>
<td>Refer to guidance notes and safeguard operational procedures</td>
</tr>
<tr>
<td><strong>LOW</strong></td>
<td><strong>MEDIUM</strong></td>
<td><strong>HIGH</strong></td>
</tr>
<tr>
<td><strong>V/HIGH</strong></td>
<td><strong>ASSESSMENT AND MANAGEMENT PLANS</strong></td>
<td><strong>CONTACT SAFEGUARD LINE AREA</strong></td>
</tr>
<tr>
<td>Complete a proportional impact assessment and management plan</td>
<td>Impacts can be avoided or mitigated through design measures</td>
<td></td>
</tr>
<tr>
<td><strong>AGREEMENTS INCLUDE RISK AND SAFEGUARD MANAGEMENT MEASURES</strong></td>
<td></td>
<td>Impacts may not be avoided or mitigated through design measures</td>
</tr>
<tr>
<td><strong>MONITORING AND REPORTING ON RISK &amp; SAFEGUARDS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Regular risk discussions in team and partner meetings, in line with management plans, agreements, etc.</td>
<td>Reporting on risks &amp; safeguards in investment quality reporting and annual program performance reports.</td>
<td></td>
</tr>
<tr>
<td><strong>EVALUATE LESSON LEARNED AND ARCHIVE RISK REGISTER</strong></td>
<td><strong>END OF INVESTMENT REVIEW</strong></td>
<td><strong>EVALUATE THE OUTCOMES OF SAFEGUARD ACTIVITIES</strong></td>
</tr>
</tbody>
</table>

* Refer to safeguard screening questions in Risk Factors Screening Tool: All questions in the Environment and Social categories; questions 5-12 and 14-15 in the Legal category; and questions 2-6 in the Infrastructure category.
8.4.2 Child protection compliance

Direct and indirect risks to children must be considered in the design and implementation phases of development investments. A child protection incident can have a serious and lasting impact on a child and their family. At its core, child exploitation and abuse undermines a child’s right to grow up safely. It also poses a high reputational risk to DFAT, DFAT’s partners and the Australian Government. It is mandatory to consider child safety and protection risks as part of any safeguard assessment.

Many of our development investments have direct or indirect contact with children. This contact and associated risks are not always immediately obvious without a robust assessment. Guidance to establish the child protection risk context is provided to assess the level of child protection risk. If child protection risks are identified, the level of risk must be assessed and rated and the minimum standards must be applied, consummate with the level of risk. It is not possible to eliminate all risks of child exploitation, endangerment and abuse. However, careful management can reduce the risks to children.

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

Officers are encouraged to 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 Human and Environmental Safeguards Section (childprotection@dfat.gov.au) for advice on or help with establishing, maintaining and reporting on child protection measures.

8.4.3 Preventing sexual exploitation, abuse and harassment

Sexual exploitation, abuse and harassment (SEAH) is prevalent and pervasive: it occurs in every sector and country around the world and its impacts are devastating. SEAH flourishes where gender inequality exists, DFAT works in many such places. SEAH is experienced disproportionately by women, young women and girls, and perpetuated disproportionately by men. It is, however, also experienced by men, young men, boys and others based on their gender identity or sexuality. Any person of any gender can experience or perpetrate SEAH. Direct and indirect SEAH risks must be considered in the design and implementation phases of development investments.

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.

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

Staff are directed to the SEAH Risk Guidance Note for advice on identifying and assessing SEAH risk. The SEAH Risk Guidance Note prompts decision makers to consider the contexts that magnify vulnerabilities and heighten the likelihood of SEAH incidents. It outlines a number of factors that exacerbate the risk of SEAH occurring, and explores reputational and organisational SEAH risk factors.
Officers are encouraged to consult guidance on the intranet relating to DFAT PSEAH requirements. Implementing partners can assess this guidance on the DFAT website’s PSEAH page. Posts and divisions can contact the Human and Environmental Safeguards Section (seah.reports@dfat.gov.au) for advice on or help with establishing, maintaining and reporting on PSEAH measures.

8.4.4 Fraud control

DFAT has a zero-tolerance approach to inaction on alleged, suspected, attempted or detected fraud. DFAT’s Fraud Control Plan outlines DFAT’s approach to managing fraud. All investments must be designed with evidence of fraud risk mitigation in mind. Fraud risk should be considered in relation to the following spheres of impact:

- Personal/human impacts
- Environmental impacts
- Resource impacts
- Reputational impacts
- Financial impacts

DFAT expects fraud risk mitigation practices to be appropriate and proportional to the perceived fraud risk. All agreements with delivery partners must contain mandatory fraud clauses, determined by the type of agreement being entered into.

All agreements between DFAT partners and sub-partners must have fraud clauses equivalent to and granting the same rights as those between DFAT the delivery partner.

In practice: Types of fraud

The Australian Government defines fraud as “dishonestly obtaining a benefit, or causing a loss, by deception or other means”. This definition includes tangible and intangible benefits, meaning it encompasses more activities or behaviours than the misuse or misappropriation of money or assets.

Examples of where fraud can occur 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 development program funds or assets; and bias, cronyism and nepotism.

DFAT does not require cases of stolen portable and handheld devices (such as mobile phones, iPads and laptops) to be reported as fraud. If the theft is not specifically targeting DFAT property or information, such incidents should be dealt with by the DFAT project/program manager.

Prevention and detection strategies

Fraud risk prevention and detection practices must be built into a program’s design to minimise the chance of fraud occurring. Roles and responsibilities in relation to fraud risk management must be clearly defined and governance structures should have a clear line of sight to fraud risk and mitigation practices. Fraud risk must be considered at the design phase, when conducting detailed planning before implementation, and
regularly throughout the program lifecycle, including at regular review points. 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 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 development investments or reviewing fraud risks in a country or regional development program. They must also consult the plan when developing CRPs.

Reporting and managing fraud matters

DFAT takes all allegations of fraud seriously and handles all allegations in a confidential, prompt, and professional manner. All potential instances of fraud must be reported without delay – within five (5) business days for funding recipients and two (2) days for DFAT staff. DFAT will assess referrals and where appropriate investigate allegations of fraud to determine the nature and extent. 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 development funding.

Where departmental officers suspect serious misconduct such as bribery of foreign public officials by an Australian citizen, permanent resident, or corporation overseas, they must advise the Transnational Crime Section in Legal Division, as it could constitute an extraterritorial offence.

When a control weakness is identified, mitigation measures must be put into place to remediate the risk identified. This may include changes to processes and policies to address the risk identified.

For more information, email the Counter Fraud Section at fraud@dfat.gov.au.

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**In practice: Fraud reporting**

Any instance of alleged, suspected, attempted or detected fraud related to a development program investment must be immediately reported. This involves:

- reporting to the Counter Fraud Section (FCS) if the matter involves external fraud against the department (excluding passport fraud)
- reporting to the Ethics, Integrity and Professional Standards Section (EES) 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, EES and FCS will liaise to ensure an appropriate investigation
- reporting to the Passports Fraud and Compliance Section (PFS) if the matter concerns the passport application process or use of Australian passports
- reporting to the Transnational Crime Section (TNC) if the matter involves an Australian extraterritorial offence.

DFAT assesses all allegations and where appropriate investigates in accordance with policies and procedures.
8.4.5 Due diligence

Due diligence assessments are risk assessments of our delivery partners. They are mandatory for any administered development 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 by program areas and stored online in the EDRMS. A list of completed assessments is collated centrally on the Due Diligence Register.

For more information and advice about due diligence, email due.diligence@dfat.gov.au.

Partners excluded from the due diligence process under the Due Diligence Framework

Due diligence assessments are mandatory before entering into an agreement with most development delivery partners. Due diligence assessments applying the process under the Due Diligence Framework are not required for the following organisations, because alternative processes are in place that satisfy DFAT’s due diligence requirements:

- **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 8.5.6).
- **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.

**Terrorism resourcing 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 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, or to report any suspected or actual acts of terrorism resourcing, email counter-terrorism.resourcing@dfat.gov.au.
8.4.6 Partner government systems assessments

When a development investment may involve using partner government public financial management systems to deliver, an analysis of the risks and benefits of using the systems is required. This analysis is based on a two-tier assessment process, starting with an assessment of national systems (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, 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.

National and sector-level assessments must 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 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 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.

For advice on these requirements and the scope and timing of assessments, contact Partner.Systems@dfat.gov.au.

Risks associated with using partner government systems must be actively managed during investment implementation.

8.5 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 for currency and reviewing controls to check that they are still appropriate and effective
• 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:

developmentriskmanagement@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 the Risk Factors Screening Tool and the risk register at the investment planning phase, and update them as required during the design phase.

The completed or updated Risk Factors Screening Tool and risk register must be saved in AidWorks and in EDRMS, unless either meets or exceeds the classification of ‘Protected’ when it is only saved in EDRMS and a note is made in AidWorks of the EDRMS file reference.

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.

During investment implementation, officers must update investment risk registers and Risk Factors Screening Tools after each regular (at least quarterly) risk review.
Key resources

**Policies**

- Due Diligence Framework
- Environmental and Social Safeguard Policy
- Fraud Strategy Statement
- Preventing Sexual Exploitation, Abuse and Harassment (PSEAH) Policy
- Child Protection Policy

**Guidance**


**Tools and templates**

- Risk Factors Screening Tool (available in AidWorks)
- Risk Register (available in AidWorks)
- Funding Recipient Fraud Control Toolkit