



Australian Government

AusAID

AUSAID - NGO COOPERATION PROGRAM (ANCP)

GUIDING PRINCIPLES

Australian Agency for International Development

AusAID-NGO Cooperation Program (ANCP) Guiding Principles

The ANCP Guiding Principles should be read in conjunction with the ANCP Guidelines and Annual Development Plan (ADPlan) Manual.

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What is the ANCP?

- a) Under the ANCP, AusAID partners with Australian professional development NGOs which have met rigorous accreditation standards to implement their own development and poverty alleviation programs overseas. To become accredited, NGOs are required to undergo a rigorous assessment of their organisational structure, systems and philosophies. The accreditation process aims to provide AusAID, and the Australian public, with confidence that the Australian Government is funding professional, well managed, community based organisations that are capable of delivering quality development outcomes. More information on the accreditation process is available on the AusAID website.
- b) The goal of the ANCP is to subsidise Australian NGO community development activities which directly and tangibly alleviate poverty in developing countries. The ANCP is designed to supplement NGOs' own activities. NGOs are responsible for the design, delivery, monitoring and evaluation of activities, submission of reports and acquittals and for fully accounting for funds provided by AusAID.
- c) ANCP funding is provided on an annual basis in July/August of each year. The allocation provided to Full Accredited NGOs is calculated by apportioning the available ANCP funding for the year based on the relative Recognised Development Expenditure (RDE) levels for that NGO. The subsidy for Base Accredited NGOs is calculated in the same way, however the subsidy is capped at \$150,000. (More information about RDE is available from the ANCP page). NGOs are advised what the volume of their annual subsidy will be (their Indicative Planning Figure) in May/June of each year.
- d) To receive their subsidy each year, NGOs are required to submit an Annual Development Plan (ADPlan) outlining proposed activities. To be eligible for funding, activities put forward in the ADPlan must conform to the ANCP Guidelines and be in developing countries as declared by the Minister for Foreign Affairs.
- e) NGOs sign a Head Agreement with AusAID when they become accredited. The Head Agreement remains valid for a five year period and is issued upon the next accreditation. NGOs sign a Services Order outlining particular implementation, accountability, funding, reporting and evaluation requirements.
- f) AusAID may from time to time monitor, review and/or evaluate activities funded under the ANCP. This will be undertaken in consultation with relevant organisations.

Annual Reporting Timetable for the ANCP

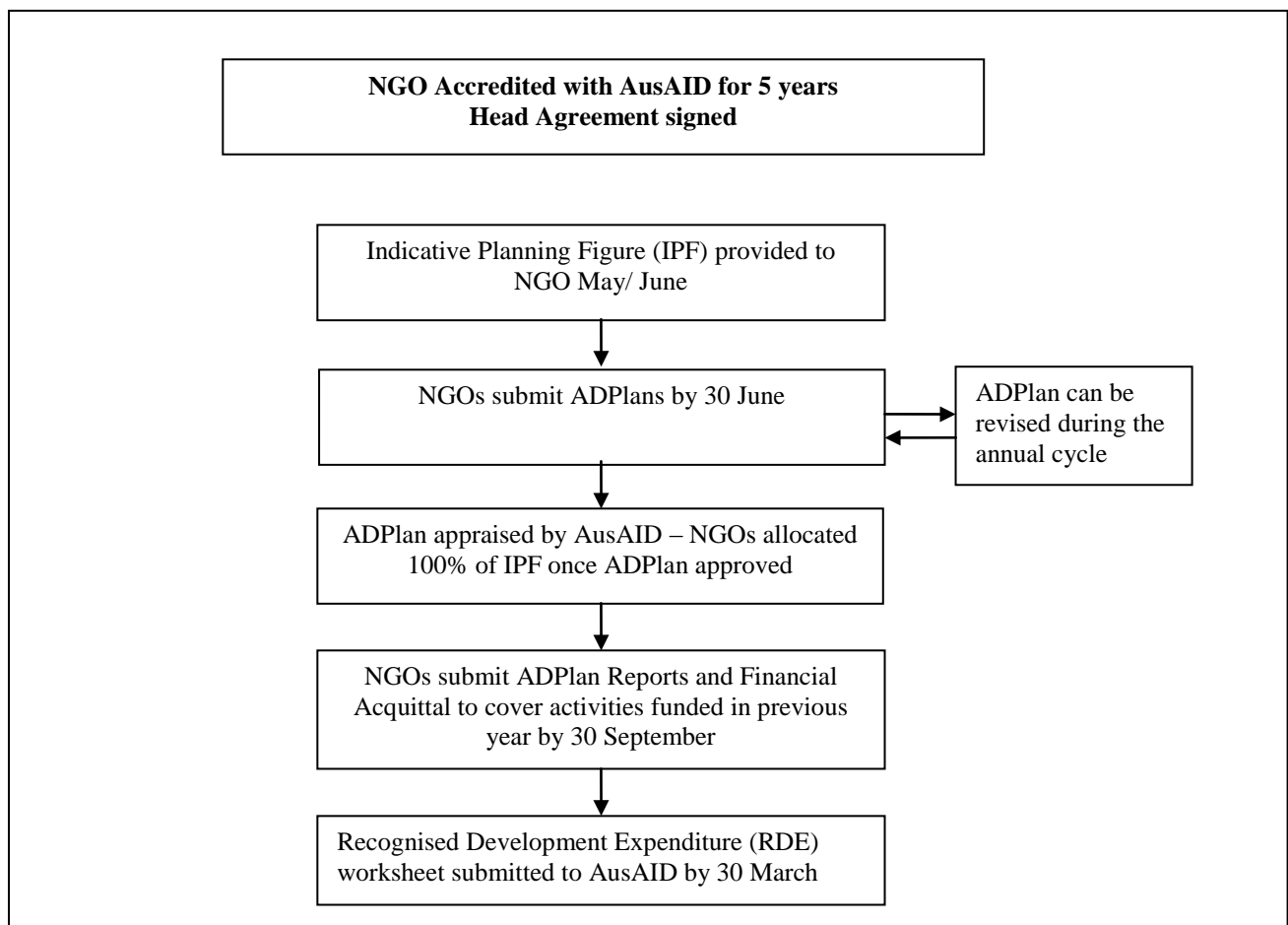
The allocation of funding for accredited NGOs runs according to the following funding cycle for any given financial year.

May / June – AusAID advises each NGO of their annual subsidy entitlement (Indicative Planning Figure) is for that financial year.

30 June – Due date for NGOs to submit an ADPlan to AusAID. NGOs are allocated 100% of their IPF on the basis of an acceptable ADPlan.

30 September – Due date for NGOs to submit ADPlan Reports and Financial Acquittals for the financial year ending on the preceding 30 June.

31 March – Due date for NGOs to submit RDEs to AusAID. The RDE will be used to calculate the IPF for the following financial year.



Annual Development Plans (ADPlans)

To receive funding, NGOs are required to submit an Annual Development Plan (ADPlan) to AusAID by 30 June each year. ADPlans outline the ANCP development activities that will be implemented in the Commonwealth Government financial year (1 July to 30 June). The ADPlan is a “snapshot” of targets and milestones amongst a variety of projects and programs over a twelve month period.

The ADPlan approach is supported by the accreditation system and risk management process for NGOs. Having successfully passed the rigorous accreditation process, the ADPlan does not seek to contain detailed information on individual activities. Rather, the ADPlan provides performance information on the expected achievements of ANCP funded development activities, while giving NGOs considerable flexibility to manage the implementation and funding of their activities.

An ADPlan may consist of one or more development projects or programs. It is important to note that annual ANCP funding is not tied to the implementation schedule of any particular development project or program within an ADPlan. Where a project or program will continue to be implemented past the end of the annual funding period (i.e. beyond 30 June), then the Australian NGO may propose to use funding from the next year’s allocation to provide continued support to that project.

If an NGO is implementing several projects in an ADPlan with varying implementation schedules crossing Commonwealth Government financial years (e.g. one project might be implemented from May to February, another from December to November), then the ADPlan would identify only what targets and milestones (e.g. outputs) will be addressed or delivered in the twelve month ANCP funding period (i.e. July to June). Activities for projects which are implemented or completed after 30 June would not be recorded as being achieved for this ADPlan, and would need to be funded out of the following year’s ANCP allocation.

Although the ADPlan template forces NGOs to present information by project, AusAID expects that NGOs are planning their development activities on a much broader geographic or thematic basis. The project emphasis is purely an administrative requirement. AusAID expects NGOs to select and manage projects according to their own strategic development programs.

It is possible for parts of programs to be captured in the ADPlan as ‘projects’. For example, included in the ADPlan may be the nutrition component of a broader health program, or the Vietnam component of a Mekong Water and Sanitation program.

AusAID assesses each ADPlan to ensure consistency with the ANCP Guidelines and will contact the NGO if further information or feedback on their proposed activities is required. When an ADPlan is approved by AusAID, 100% of the annual funding allocation is provided.

If Australian NGOs choose to collaborate on an AusAID funded project, the partnership should be clearly acknowledged in the ADPlan including the role of each partner, contributions, an accountability framework and clear performance information showing what each partner will achieve.

The following documents are to be used in the preparation of funding proposals: AusAID’s Health in Australia’s Aid Program, Guide to Gender and Development, Environmental Management Guide for Australia’s Aid Program and Promoting Practical Sustainability. NGOs are also encouraged to consider advice provided in the marketplace by people such as financial forecasters when preparing a proposal.

Further instructions on completing an ADPlan are contained in the ADPlan Manual.

Revised ADPlans

The ADPlan submitted in June may be amended during the year. NGOs must submit to AusAID for approval any revisions to the ADPlan if there have been major changes in planned activities, budgets, project locations or a change of project partner. NGOs do not need to resubmit the whole ADPlan if only a limited number of activities are impacted, only the ADPlan summary sheet and relevant appendices should be submitted. The revised documentation must be approved by AusAID in writing before changes may be implemented.

For example, revised documentation would be required if:

- project activities are going to be delayed by 6 months due to flooding and the NGO wishes to nominate new activities in an area not affected by the floods; or
- a NGO has made significant exchange rate gains and has decided it is unable to fully expend them on the project on which they were earned. The NGO may choose to submit project revisions outlining new activities in a different project.

Revised documentation would **not** be required if:

- targets have changed but core activities remain the same. For example, if the ADPlan specified that 100 workshops on nutrition would be held but only 50 will be achieved. Written notification of this project revision is not necessary, the NGO should notify AusAID of this change in the ADPlan Report.

AusAID would normally expect AusAID-funded activities to start on the commencement date given in the proposal for an activity. If a NGO does not disburse funds to start the AusAID-funded part of an activity within three months of that date, AusAID would consider that to be a significant proposed change about which the NGO should advise AusAID. In such a case the NGO should advise why there is a delay, when disbursement is expected and confirm whether project services will be delivered within the financial year. When delays are likely to be encountered in forwarding funds to the activity delivery organisation, the funds must be put in a secure, interest bearing account.

NGOs should exercise their judgement when considering whether a matter needs to be brought to AusAID's attention.

Reporting

ADPlan Report

NGOs are required to provide an ADPlan Report three months after the funding period has finished (ie. by 30 September). The ADPlan Report provides details of the annual achievements of the activities listed in the ADPlan and a financial acquittal.

A link to the ADPlan Report template is available from the ANCP page and instructions on how to complete the report are contained in the ADPlan Manual.

Design, Monitoring and Evaluation

Design, monitoring and evaluation are normal parts of the project management cycle and NGOs may use up to 10% of their annually allocated ANCP funding for evaluation. Evaluation activities must be proposed as per the normal project/ADPlan proposal format. NGOs are required to provide a copy of the ANCP Metaevaluation Report (available from the AusAID website) to staff and contractors tasked with organising or carrying out evaluative exercises. AusAID requires a copy of the full report of any evaluation conducted on an ANCP activity.

Evaluations must have a useful purpose in terms of future project design and analysis and therefore may not be appropriate for all NGO activities. Evaluation costs are available to assist the NGO to conduct feasibility studies, baseline surveys and evaluations of similar activities, where the lessons learnt can be readily adapted and incorporated into the existing project or activity.

NGOs may include the cost of evaluations of AusAID funded activities in their ANCP activity budgets subject to the following principles:

- Evaluations should be undertaken only when the cost and complexity of a project so warrant. For example, evaluation of small projects costing up to \$100,000 per annum would typically be unwarranted, whereas an evaluation of a larger activity could be appropriate. Nevertheless, evaluations may be legitimate for small projects where particular problems were experienced or where such projects were innovative or otherwise of interest to the NGO community or where a project is being replicated in a new area.
- Evaluations may be undertaken as reviews during the course of a multi-year activity (usually half-way through the activity) or on conclusion (such reviews are not monitoring activities, which are normal parts of project activity).
- The financial limitation on evaluation costs is \$10,000 or 5% of the AusAID funding of the activity, whichever is the greater.
- AusAID funds used to evaluate activities should come from the same funding source which funded the activity (ie. ANCP activities are evaluated using ANCP funds).

In developing an evaluation proposal appropriate for ANCP funding, NGOs should consider the following:

- Why is this activity being evaluated?
- What are the objectives and outputs of this evaluation?
- How will the evaluation contribute to poverty alleviation?
- What lessons can be usefully applied from this evaluation?
- How will the results of the evaluation be distributed?

When ANCP funds have been used to support a project or program for more than 5 years, AusAID would encourage NGOs to evaluate these projects, using their own funds or the ANCP subsidy.

Finances

Matching funds

The ANCP provides funds to accredited NGOs on a 1:5 matching basis. That is, for every dollar contributed to the projects by the NGO, AusAID will provide five dollars, up to the annual limit.

The NGO match/contribution to ANCP projects will consist of funds raised from the Australian community. Up to 50% of the match can be in-kind contributions from Australian volunteers and non-monetary sources. Counterpart NGO and other donor contributions cannot be counted as matching funds.

Under the matching funding arrangements of the ANCP, agencies may not match against the proportion of the AusAID subsidy utilised for administrative costs. Therefore, any agency claiming up to 10% of the AusAID subsidy for administration will need to provide a greater than 1:5 match for project expenses to meet the 1:5 match overall. For example:

Agency X has an IPF of \$500,000 for this year. To receive the full \$500,000 Agency X is required to contribute \$100,000. Agency X also wishes to use the full 10% (\$50,000) admin costs allowance. Therefore, AusAID's contribution will be \$450,000 to the projects and \$50,000 for administration costs, Agency X's contribution to the projects will be \$100,000.

NGOs may wish to consider contributing more than the required matching amount. By over-matching NGOs build flexibility into their ANCP suite of activities. For example, if an emergency situation develops in PNG, NGOs working in PNG can divert excess matching funds away from disrupted ANCP development activities into emergency relief activities that cannot be funded through the ANCP.

Acquittal

An acquittal is a periodic accounting to AusAID for the use of AusAID funds, supported by the NGO keeping records which show all spending related to every payment made from AusAID. The acquittal is part of the ADPlan Report and is therefore submitted to AusAID by 30 September each year. **To be accurate, acquittals must be a record of how and where money has been expended on a program, not simply a record that money has been sent from the Australian NGO to the partner organisation.**

NGOs must be able to fully account for all Australian Government funding provided. Project and ADPlan reporting enables AusAID to be confident that all Australian Government funds provided have been applied and acquitted as was agreed in the Service Order. AusAID may request NGOs provide additional financial details for projects where questions arise.

The amount of interest earned on AusAID funds must be reported as part of the financial acquittal. Interest earned should include interest earned in Australia and overseas. Where interest has to be estimated, the NGO must state the method of estimation. Any interest earned is to be used exclusively for the approved activity, or returned to AusAID. Any interest earned must be expensed and acquitted during that financial year or refunded to AusAID together with any outstanding reports.

Currency fluctuations during the course of an activity may affect activity budgets devised at the time the activity was designed. **NGOs should take account of the possibility of such fluctuations when preparing budgets.** Where there is a gain from exchange rates, that gain should be used for project

purposes or refunded to AusAID. NGOs may need to contact AusAID about additional activities proposed if the gain is significant. Exchange rate losses need to be factored into project design and implementation where practicable. In cases where an unexpected exchange rate loss occurs, NGOs should contact AusAID to negotiate any required adjustments to project or ADPlan activities.

To obtain the following year's ANCP funding, 100% of ANCP and matching funds need to be acquitted. Where an NGO is aware that there will be unused allocations they are strongly encouraged to bring this to the attention of AusAID as early as possible, ideally no later than 30 April. **ANCP funding not expended by 30 June each year will need to be refunded to AusAID.** The only exception is for NGOs that receive an IPF of \$200,000 or less, these NGOs are permitted to roll the 5% evaluation component into a second year.

Multi-Year Funding

It should be noted that a positive appraisal of an ADPlan does not imply a forward financial commitment by AusAID for those activities. Funding will depend on the availability of funds for the ANCP in the coming financial years, the number of accredited NGOs and on each NGOs RDE.

Further funding for multi-year projects is also subject to review if an NGO fails to maintain its accreditation status. For ANCP purposes, NGOs must also maintain an appropriate level of IPF to receive further multi-year payments. Accredited NGOs are required to draw down a minimum of 50% of their total ANCP allocation over a two-year period to maintain accreditation. The draw down rule seeks to ensure accredited NGOs are maintaining their capacity to develop and implement development activities. An additional year is available to NGOs in their first year of accreditation.

Administration Costs

NGOs are able to use up to 10% of their annual AusAID subsidy for administrative costs.

Administration costs are charges associated with the overall operational capability of an NGO including staff-related social charges, rent, financial audit and/or legal fees, general administrative fees, membership fees (but must not include ACFID membership), insurance, staff support (e.g. secretarial), utilities, bank charges and office supplies. These are more specifically listed in the administrative costs table reproduced below.

Preparation of Annual Development Plans, Performance Reports, RDE Worksheets and Annual Reports are considered to be administrative costs.

Project-related administrative costs may be charged to project budgets. However, NGOs should remember that value for money is a significant aspect of the assessment of activities for funding. AusAID funding is designed to fund or to supplement the development of NGOs. As a consequence, general overheads and pre-project costs (such as recurrent expenses at headquarters, membership costs [e.g. ACFID] or administration fees and maintenance costs of basic operations such as appraisal and design mechanisms) would not normally be charged to project operations, whether they occur in Australia or elsewhere. Please note that fundraising costs are not administration costs.

NGOs will be required to have auditable records of their actual expenditure against the approved list of items covered by the admin percentage, but will not be required to acquit them. The expenditure will be signed off by the NGO's auditor as part of their annual audit of financial affairs thus forming part of their financial statement.

If an NGO's actual expenditure is less than 10%, they can use the balance of the funds for capacity building for staff assigned to development program implementation within the agency or with partner agencies in development projects, but they must be able to document use of the funds in an audit.

| Administrative Costs attributable to Overseas Development Program | |
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| Administrative & Support Costs | The salaries and associated overheads of annual leave, long service leave, payroll tax, superannuation and workers compensation payments for administrative, clerical and other support personnel not involved in chargeable project/program work, but who support AusAID related activities such as ADPlans, Annual Reports, Performance Reports and RDE calculations. |
| Management Costs | The salaries, bonus payments and associated overheads of annual leave, long service leave, payroll tax, superannuation and workers compensation payments for any management personnel not involved in chargeable project/program work, but who support AusAID related activities such as ADPlans, Annual Reports, Performance Reports and RDE calculations. |
| Office Accommodation | Office rental payments, power and light and leased office furniture, depreciation of office furniture and equipment, but excluding any capital costs, to cover management, technical, support and other personnel |
| Office Expenses | Printing and stationary, leasing or depreciation costs for computers, photocopiers and other office equipment which are not directly chargeable to project work, to cover management, technical, support and other personnel |
| Operating Expenses | Includes items such as audit fees, legal fees, fees for other professional services, bank charges, bank interest, membership of various associations (excluding ACFID) advertising (not fundraising), brochures, staff recruitment costs, repairs and maintenance, office cleaning, staff amenities |
| Communication Costs | Telephone, facsimile rentals and operating costs, internet connection and operating costs, courier costs, air freight costs and postage to cover management, technical, support and other personnel |
| Travel Expenses | Air, land and sea travel costs which are not directly chargeable to a project/program, to cover management, technical, support and other personnel |
| Insurance & Professional Indemnity | The costs of any general insurance, public liability and professional indemnity cover |

CONTACT US

The ANCP is administered by the NGO Policy and Programs Section of AusAID. Any queries on the Scheme should be directed to:

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