Australian Government
Department of Foreign Affairs and Trade

INTERNATIONAL DEVELOPMENT PROGRAMMING GUIDE

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ABOUT THE INTERNATIONAL DEVELOPMENT PROGRAMMING GUIDE

The International Development Programming Guide (IDPG) is the key 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 and corruption, risks and safeguards, and AidWorks.

A glossary of common terms and their definitions, commonly used in Australia's development program and throughout the International Development Programming Guide, is available on the internet.

To report any errors, broken links, or confusing language in this Programming Guide, please contact *programming.guide@dfat.gov.au*.

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 and delivery framework for Australia's development program, including the role of evaluation.
- Development Partnership Plans (DPP).

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

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 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: procurement contracts and contributions (grant-like arrangements)

- 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 - procurement contracts and contributions (grant-like arrangements) - 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 procurement contracts and managing contributions (grant-like arrangements).

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 and corruption 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.

Key messages

This introductory box provides key messages covered in the chapter.

Mandatory requirements

This introductory box provides mandatory requirements covered in the chapter.

Proportionality

This box highlights where requirements vary depending on the value and nature of the specific program investment or agreement.

In practice

This box gives tips and ideas on how a process might work, together with any specific details that officers should consider in their work.

AidWorks

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 *aidworks.support@dfat.gov.au* or visit the AidWorks Learning Hub.

Key resources

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.

CHAPTER 1 BACKGROUND AND CONTEXT

Key messages

This International Development Programming Guide (IDPG) is a key resource 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, risk, and performance aspects of the development program.

1.1 OVERVIEW AND PURPOSE OF THE IDPG

Each year, the Australian Government invests over $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. More information is available in the ODA Budget Summary.

The International Development Programming Guide sets out DFAT's systems for ensuring the development program aligns with Government policy and delivers high quality and effective programming and supports greater transparency. It focuses on processes that relate to country and regional programs and includes basic information for global programs (see Chapter 3). The IDPG describes officers' policy and program management responsibilities, as well as transparency, 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 extra-territorial effect.

1.2.1 Use of public money

Commonwealth legislation and other instruments—including the *Public Governance, Performance and Accountability Act 2013* (PGPA Act); and *Commonwealth Procurement Rules*—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 that our program management is effective, efficient, economical and ethical, and that it advances Australia's national interests and achieves the Government's policy commitments.

Figure 1: Value-for-Money Principles

ECONOMY	EFFICIENCY	EFFECTIVENESS	ETHICS
Cost consciousness	Evidence-based decision-making	Performance and risk management	Accountability and transparency
Encouraging competition	Proportionality	A focus on results	
		Experimentation and innovation	

One of the Government's commitments—outlined in *Australia's International Development Policy*—is to ensure high standards of transparency. This involves publishing comprehensive, accessible, and timely information about the development program.

In practice: Transparency

DFAT's public Transparency Statement sets out Australia's commitment to improve transparency and accessibility in reporting on the international development program.

Australia's International Development Policy includes improved transparency as a key measure of organisational and operational effectiveness in delivering Australia's development program.

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

Transparency guidance is available to ensure investment managers and their managing contractors meet DFAT reporting and publishing requirements.

The department shares data through globally recognised reporting standards – The Organisation for Economic Co-operation and Development's Development Assistance Committee (OECD DAC) and International Aid Transparency Initiative (IATI). These initiatives create visibility across those who provide funds for international development assistance, those who deploy the funds and the recipients of the funds.

In 2024, the department is building a public transparency portal. The portal will increase accountability to Australians and our partners through improved transparency, making it easier to access development investment details, including performance and results data and documents. Documentation that is required to be published on the DFAT website, will be captured in the portal.

Program, Investment and Activity Managers should be aware fields within AidWorks will be used for reporting and made publicly available – most notably, investment titles and descriptions.

1.2.2 Risk and safeguards

DFAT must consider risks, including climate risks, and environmental and social safeguards at all stages of program management, regardless 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 with Australia's international agreements. Chapter 8 provides more information on risk management, safeguards, which includes child protection, preventing sexual exploitation abuse and harassment, 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 and corruption control. Under section 10 of the PGPA Rule, the Secretary must take all reasonable measures to prevent, detect and correct fraud and corruption. The Enterprise Risk Management Policy 2024, the DFAT Fraud and Corruption Control Framework and Secretary's instructions devolve these responsibilities to staff.

Under the *Criminal Code Act 1995*, DFAT officers based in Australia and overseas have legal obligations to protect children from sexual abuse and to report child sexual abuse. The obligations apply to all officers when they are 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 an obligation to report child sexual abuse, regardless of whether they are acting in an official or a private capacity.

Under the *Work Health and Safety Act 2011*, senior managers and Heads of Mission (HOMs) have legal obligations relating to the health and safety of departmental officers, volunteers, scholarship recipients and 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 law prohibits the resourcing and support of terrorism, with offences applying under the *Criminal Code Act 1995*, the *Charter of the United Nations Act 1945* and associated regulations. Prohibited offences include providing training to a terrorist organisation, getting funds to or from a terrorist organisation (directly or indirectly), providing support to a terrorist organisation, and associating with a terrorist organisation. These offences can apply to DFAT officers acting in the course of their duties, both in Australia and overseas. DFAT officers are also responsible for ensuring that any investments, including those administered through delivery partners, do not provide resources or support to a terrorist organisation or to a prohibited individual or entity.

1.3 FINANCIAL DELEGATIONS

Financial delegations give officers authority to commit funds (under section 23 of the PGPA Act) and enter into an agreement (section 32B of the *Financial Framework (Supplementary Powers) Act 1997* (FFSP Act) for ODA). 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 an agreement 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. Executive and committee members are senior managers from across DFAT.

1.4.1 Executive Board

The Executive Board makes decisions on enterprise-wide issues – including budget and resource allocation, strategic direction, performance, and risk – and monitors the department's implementation of the Corporate Plan.

The Secretary chairs the Executive Board, and the Associate Secretary and all Deputy Secretaries are members. The Executive Board meets fortnightly, and is supported by the four Tier 2 Committees:

- **Strategic Policy Committee (SPC)**: considers all policy including foreign, trade, investment and development
- **Implementation and Enabling Committee (IEC)**: ensures major departmental projects are strongly aligned with and delivering on government commitments
- **People and Culture Committee (PCC)**: provides robust consideration of the risks and opportunities associated with our people
- **Development Program Committee (DPC)**: reviews the effectiveness, risks, and quality of the international development program

The **Audit and Risk Committee (ARC)** reports directly to the Secretary.

1.4.2 Development Program Committee

The Development Program Committee (DPC) provides oversight and governance of the development program. It advises the Secretary and the Executive Board and engages with the other Tier 2 Committees of the Department as needed. It ensures the development program aligns with the Government's development, foreign policy and trade objectives and priorities and achieves maximum impact and value for money.

More specifically, the DPC:

- provides advice to the Executive Board on development program priorities, budget, policy and strategies, liaising with the Strategic Policy Committee when necessary to reinforce integration of the development program with DFAT's broader strategic and economic interests,
- reviews development program risks and performance and, when necessary, engages with the Implementation and Enabling Committee and the Annual Performance Statement Subcommittee of the ARC on these issues to inform its advice to the Executive Board, and
- provides advice to PGPA Act delegates on selected investment concepts and designs.

The DPC is chaired by a Deputy Secretary. The DPC is managed by the DPC Secretariat which sits in the Development Effectiveness and 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.

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 for managing the development program (Figure 2). The phases of the management cycle are 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 they are interrelated and mutually reinforcing.

The development program management cycle includes principles that cut across all phases: value for money, risk management, and transparency.

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, delivery, investment and agreement management, and reporting. AidWorks supports evidence-based decision-making for development programs, investments, and agreements. It also supports key business functions including pipeline planning (see 1.7.3 below); budget and financial management; procurement; and implementation of agreements, including performance management.

1.7.2 What information is in AidWorks?

AidWorks 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 International Development Programming Guide.

AidWorks contains:

- 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 and Safeguards Tool in AidWorks, which includes risk registers
- investment documents such as designs, reviews and evaluations
- details of agreements (such as contracts and contribution arrangements)
- commitments and expenditure
- Investment Management Plans
- a reporting framework to help with program monitoring and with performance and issues management.

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 accurate and regularly updated.

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.

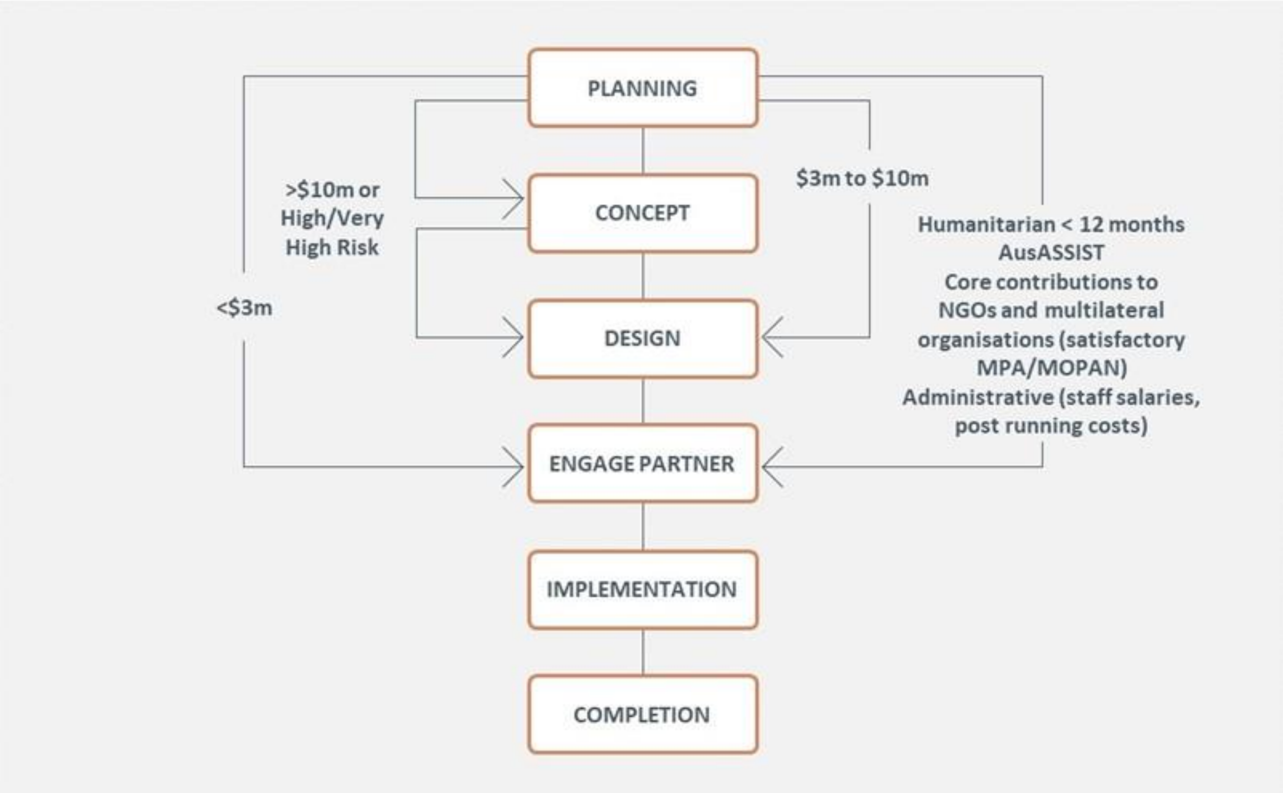
AidWorks produces summary reports so managers can see the current ‘state of play’ for individual investments.

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 data in AidWorks is critical to DFAT meeting internal and external management, accountability, and reporting requirements. These requirements include:

- the DFAT Annual Report
- the Performance of Australian Development Cooperation (PADC) report
- the annual Australian ODA Statistical Summary
- reporting to the OECD DAC and IATI
- the DFAT transparency portal
- briefings for senior officers and DFAT ministers
- publication of 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.

A variety of external stakeholders have an interest in the development program. They include our country partners and program beneficiaries, the Australian public, media, researchers, thinktanks, non-government organisations (NGOs) academics, international organisations, and other bodies. Accurate reporting to these stakeholders depends fundamentally on the quality of data in AidWorks.

1.7.4 How to get help with using AidWorks

Development Effectiveness and Enabling Division has a small team that supports training in Canberra and at Posts and serves as an AidWorks help desk: *aidworks.support@dfat.gov.au*. The AidWorks Learning Hub provides a wide range of guidance material to help with all AidWorks tasks.

AidWorks

A box at the end of each IDPG 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.

The transparency portal will enable opportunities to promote the impact of our development investments. Any questions can be directed to *aidtransparency@dfat.gov.au.*

CHAPTER 2 AUSTRALIA'S DEVELOPMENT POLICY AND PERFORMANCE FRAMEWORK

Key messages

Australia's International Development Policy and associated Performance and Delivery Framework were released in August 2023. They are the key policy documents for Australia's development efforts.

Development Partnership Plans (DPP) are currently being prepared and will be published in 2024. These will outline Australia's strategic objectives in a country or region.

Australia reports performance at all levels of the development program. This gives taxpayers confidence that the program delivers results and value for money.

DFAT's three-year Development Evaluation Plan, updated annually, outlines the evaluations that DFAT staff will conduct each year.

Mandatory requirements

Investments must be guided by *Australia's International Development Policy*, and the relevant country and regional DPPs.

Programs outlined in the Development Partnership Plan Eligibility List must have a Development Partnership Plan.

The Development Program Committee and delegates are responsible for ensuring that evaluation findings inform the development strategies and investments it approves.

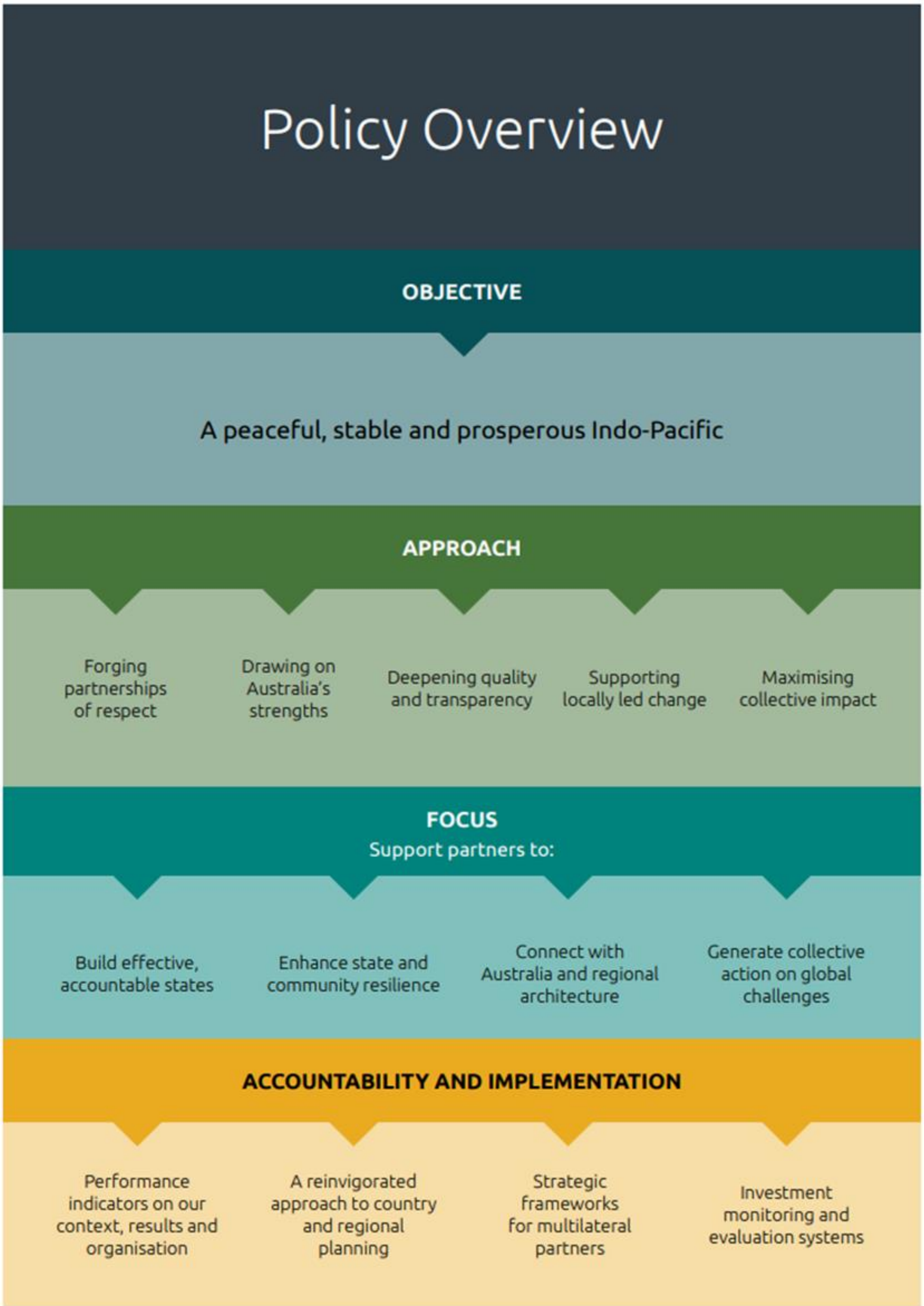
2.1 AUSTRALIA'S INTERNATIONAL DEVELOPMENT POLICY

Australia's *International Development Policy* provides the overarching framework for Australia's development program and related cooperation. It is whole-of-government and encompasses the use of official development assistance (ODA) and related non-ODA development investments, including aspects of Australia's diplomatic, economic, defence and security engagement.

The *International Development Policy* states that the objective of Australia's development program is to advance an Indo-Pacific that is peaceful, stable, and prosperous. The policy presents a long-term vision for how our development program will meet the critical needs of our partners, while also supporting Australia's national interests and the interests we share with our region. To achieve this, we support our partners to:

- build effective, accountable states that drive their own development
- enhance state and community resilience to external pressures and shocks
- connect with Australia and regional architecture
- generate collective action on global challenges that impact us and our region.

Figure 4: The international development program’s objective and focus areas



2.2 PERFORMANCE SYSTEM

The implementation of the development program is guided by the Performance and Delivery Framework. This framework is central to the objective of Australia's development program: to advance a peaceful, stable, and prosperous Indo-Pacific region.

The performance and delivery framework has four main elements:

- country and regional Development Partnership Plans setting out shared objectives, expected outcomes, and approaches to consultation, evaluation, and learning
- a set of indicators communicating our regional context, what we do, and how we work
- Strategic Partnership Agreements with multilateral organisations and implementation frameworks for global programs, and
- investment level monitoring and evaluation systems.

Figure 5: *Australia's International Development Policy* performance and delivery framework

<table>
<tr><th>Level</th><th>Policy settings</th><th>Performance assessment</th><th>Reporting</th></tr>
<tr><td>Whole of Development Program</td><td>International Development Policy</td><td>Three tier indicator framework</td><td rowspan="4">DFAT Annual Report

Annual bilateral Development Partnership talks

Annual Performance of Australian Development Cooperation Report

Online data portal</td></tr>
<tr><td>Country and Regional Programs</td><td>Development Partnership Plans</td><td>Annual reporting
Mid-cycle strategic review</td></tr>
<tr><td>Multilateral Programs</td><td>Strategic Partnership Frameworks</td><td>Periodic multilateral performance assessment</td></tr>
<tr><td>Investments</td><td>International Development Programming Guide</td><td>Investment reports
Independent evaluations
Impact assessments</td></tr>
</table>

2.2.1 Performance indicators

A three-tier framework measures our progress against the *International Development Policy* performance indicators (see Figure 6):

- **Tier 1: Indo-Pacific development context** – selected issues central to achieving sustainable development outcomes for the Indo-Pacific region
- **Tier 2: Australia's contribution to development** – annual results directly attributable to Australian efforts
- **Tier 3: How we work** – selected measures including targets of DFAT's effectiveness in delivering Australia's development program.

Figure 6: *Australia's International Development Policy* Performance Indicators

TIER 1	TIER 2	TIER 3
Indo-Pacific development context	Australia's contribution to development	How we work
• Fragility in the region • Gender equality • Political rights and civil liberties • Fiscal sustainability • Governance • Poverty in the region • Economic growth in the region • Health • Impacts of disasters • Climate change adaptation • Climate change mitigation • Regional Economic Integration	*Building effective and accountable states:* • Improved governance • Economic policy reform and management • Private sector development • Economic empowerment • Social Protection measures • Gender equality • Disability Inclusion *Enhancing state and community resilience:* • Infrastructure • Education • Health • Food security • Maritime security • Climate Adaption, Mitigation, Environment and Biodiversity *Connecting Partners with Australian and Regional Architecture:* • Strengthening Leadership • Labour Mobility • Strengthening regional architecture *Generating Collective Action on Global Challenges:* • Multilateral engagement • Trade • Emergency Assistance	• Our development cooperation is inclusive with a focus on gender equality and disability inclusion • Addressing Climate Change is central to our development cooperation • Partnerships underpin our development cooperation • Our development cooperation is effective • Our development cooperation is transparent • Our development cooperation uses local actors in design, delivery and review • Our development cooperation is informed by monitoring, evaluation and learning • Our development cooperation is enhanced by First Nations perspectives

2.2.2 *Australia's International Development Policy* reporting

Reporting on the implementation of Australia's *International Development Policy* occurs through an annual Performance of Australian Development Cooperation (PADC) Report. ODA-specific performance information is also reported via the DFAT Annual Report.

The PADC report outlines progress of the development program, as a whole, against indicators outlined in the three-tier framework and Country and Regional Development Partnership Plans performance assessment framework annual reporting and draws from country, global and multilateral program assessments.

2.2.3 Development Partnership Plans

Development Partnership Plans (DPPs) are a core element of the Performance and Delivery Framework for the development program, translating into action the *International Development Policy* and development priorities shared with our partners.

DPPs are mandatory for all country and regional programs valued at or above $15 million a year. These are whole-of-Australian-government plans and cover ODA and significant non-ODA development efforts. Prepared in consultation with partner governments, regional institutions, and non-government stakeholders, DPPs set out agreed objectives and efforts to deliver on these objectives through country and regional programs and engagement.

DPPs are prepared in consultation with partners. DPPs will be published on the DFAT website by the end of 2024.

For more resources and information about DPPs, email Program Planning *programplanning@dfat.gov.au*.

2.2.4 Global programs

We regularly assess our global programs and work with multilateral organisations to ensure they deliver against the *International Development Policy* objectives. Global programs include the Australian NGO Cooperation Program, Australian Volunteers Program and Australia Awards Program. Each program reports against specific performance frameworks. Strategic partnership agreements state the outcomes expected from our partnerships with multilateral organisations.

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 DFAT staff (i.e. country, regional, global and thematic programs). Each program must 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.

DFAT has a three-year Development Evaluation Plan, that is updated annually, which lists the evaluations to be conducted each financial year. The updated plan is approved by the Secretary each year, shared with our ministers and published on the DFAT website. A final list of completed evaluations is approved by the Secretary, shared with ministers and published annually in the PADC and on the DFAT website.

On occasion, DFAT staff may conduct rapid management reviews to help inform immediate decisions required on individual investments. Rapid management reviews are like evaluations but take 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

The objective of Australia's development program is to advance an Indo-Pacific that is peaceful, stable and prosperous. To be more effective and responsive to the priorities of our region, Australia's *International Development Policy* commits us to:

- support all people to fulfill their potential, including through new international strategies for gender equality, and disability equity and rights
- respond to the calls of our region and evidence of the accelerating climate crisis by increasing our climate investments and better addressing climate risks
- anchor our approach in our strengths, including by embedding the perspectives of First Nations Australians in our development efforts, and
- support locally led change.

For sector-specific programming guidance, see sections 2.4.1 to 2.4.6.

AidWorks

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

DAC Sector information is used to identify the purpose of the investment and the specific areas of a recipient's development the investment intends to address. Sectors are identified by 5-digit codes.

Information on the thematic component of the investment helps policy areas understand how the investment contributes to thematic or cross-cutting goals and targets and allows for early engagement to better inform the design process.

In addition, tagging themes against investments allows the department to meet its international reporting obligations through the OECD DAC reporting requirements.

Themes that should be tagged in an investment in AidWorks include Biodiversity, Climate Change, Desertification, Disability, Disaster Risk Reduction, Gender, Indigenous People, Innovation, Maternal and Child Health, Nutrition, Private Sector Development, Research, and Social Protection.

Tagging sectors and themes against investments allows the department to meet its international reporting obligations.

2.4.1 Gender equality

DFAT has reinstated a target for 80 per cent of all development investments to address gender equality effectively. This target is supported by a new requirement for new development investments of more than $3 million to include gender equality objectives (End-of-Program Outcomes or Intermediate Outcomes). This new gender equality outcome mandate will lead to the majority of DFAT development investments having a 'significant' focus on gender equality according to the OECD DAC Gender Equality Policy Marker. Together, the 80 per cent gender equality performance target and gender equality outcome mandate will ensure that Australia's development program actively works to promote the rights of women and girls.

This new approach will deepen Australia's focus on addressing gender-based violence, women's leadership and decision-making, and women's economic empowerment. DFAT takes a twin-track approach to gender equality. The first track involves action to address gender inequalities that are particularly challenging or where progress is slow (targeted measures). The second track requires integrating gender equality measures across all areas and sectors (gender mainstreaming).

Development Partnership Plans will be informed by gender equality, disability, and social inclusion (GEDSI) analysis to ensure that DFAT delivers on its commitments and targets around gender equality and disability equity and rights. GEDSI analyses will identify key structural, relational, and physical barriers to development experienced by specific groups of people and identify priority areas for action. It will be used to inform DPP objectives and outcomes, at least one of which must describe an intent to advance gender equality.

All programs, regardless of sector, must take into account the potential for development interventions to have different impacts on particular groups of people, and must take steps to maximise opportunities and results for women, men, and gender-diverse people. At a minimum, programs must ensure their investments do not increase 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 Outcomes Good Practice Note*, and *Partnerships for a Healthy Region: Gender equality, disability and social inclusion (GEDSI) and First Nations Engagement – Guidance Note*.

2.4.2 Disability equity and rights

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. This is further complicated by different identity markers such as their gender, ethnicity, and age. For development efforts to be effective, people with disabilities must be partners 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. Our work strongly emphasises the need to protect the most marginalised, such as people with disabilities, including in humanitarian settings. This reaffirms the *International Development Policy* commitment to disability equity and rights, alongside gender equality, as a cross-cutting priority for Australia's international engagement.

Our work should be informed by the experiences and expertise of people with disabilities when designing and implementing development activities. 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 Integrating Climate Change into Development Assistance

Australia's *International Development Policy* recognises climate change as the single greatest threat to the livelihoods, security, and wellbeing of Pacific peoples and the greatest shared threat to all countries. The Australian Government is committed to taking ambitious action on climate change and to working closely with our neighbours to address its many impacts. We will do this by increasing our climate investments and better addressing climate risks via efforts to mainstream climate change considerations.

The *International Development Policy* makes climate action central to our development efforts including via the following investment level target:

From 2024–25, at least half of all new bilateral and regional investments that are valued at more than $3 million will have a climate change objective, with a goal of reaching 80 percent by 2028-29.

At the country and regional levels, Development Partnership Plans (DPPs) will be informed by climate risks and opportunities and all bilateral programs will need to align with partners' Nationally Determined Contributions (NDCs) and National Adaptation Plans (NAPs). Investments must be designed to reduce existing climate risks and avoid creating new ones and must look for opportunities to support mitigation and climate adaptation and resilience. Climate-related results will be tracked via Performance Assessment Frameworks (PAFs) in DPPs and Monitoring, Evaluation and Learning Frameworks (MELFs) at the investment level. Together, these commitments will drive meaningful change in the development program.

Under the *International Development Policy,* Australia has committed to 'do more to help partners achieve their commitments under the Paris Agreement and accelerate global ambition to address the climate crisis'. Australia has strengthened its previous $2 billion climate finance commitment and is expecting to deliver $3 billion towards the global goal over 2020-25, largely through existing ODA commitments.

Investment managers should complete the AidWorks information requirements under the Climate Change Theme to accurately track Australia's performance against its development program climate targets and climate financing commitments.

For further support:

- on integrating climate change into development assistance, contact *climate.integration@dfat.gov.au*
- on integrating disaster risk reduction, contact *DRR@dfat.gov.au*
- on climate financing contact: *climatefinancereporting@dfat.gov.au*.

2.4.4 First Nations Australians

Australia's *International Development Policy* commits DFAT to embed the perspectives of First Nations Australians in our international development efforts. This is an emerging area of work, building on the existing foreign policy work of the First Nations Taskforce and the Ambassador for First Nations People. The Indigenous Diplomacy Agenda sets out DFAT's current foreign policy, development, trade, public diplomacy and corporate priorities for Indigenous Peoples in Australia and around the world. Specific guidance on ensuring greater inclusivity of First Nations Australians in our development program will be forthcoming. Resources include the *Partnerships for a Healthy Region: Gender equality, disability and social inclusion (GEDSI) and First Nations Engagement – Guidance Note*.

2.4.5 Indigenous Peoples

The Australian Government is also committed to deliver programs that improve outcomes for Indigenous Peoples globally. 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'. When writing and speaking about Indigenous Peoples, officers should use terminology that is appropriate in each country context.

2.4.6 Locally led development

Australia's *International Development Policy* commits DFAT to better support local leadership by:

- taking **a more flexible and innovative approach** to program planning and implementation, including design, contracting and delivery arrangements, and monitoring and evaluation approaches that increase participation from local actors
- providing **multi-year funding and capacity development** to local organisations, with support as needed to meet policy requirements
- taking **risk-informed opportunities to provide direct financing to partner governments** to support them in achieving their economic and social development aspirations, and
- designing **a new Civil Society Partnerships Fund.**

DFAT's ambition and approach to locally led development will need to be tailored to the context. Our approach to local actors includes national and subnational governments, NGOs and CSOs, thinktanks, academics, local businesses, and supply chains. We will promote locally led development as a cross-cutting 'method' across our programs, identifying entry points for local actors in planning, design, procurement, and implementation, and ensuring there are tools to measure and track progress. For more information, refer to *Guidance Note: Locally led development*.

2.4.7 Sectoral/thematic issues

Health

DFAT staff should consult the Global Health Division (GHD) in the design, implementation, and review of health initiatives to ensure that relevant health areas provide input. Technical health advice can be accessed through our in-house specialist health advisory unit at *healthadvisoryunit@dfat.gov.au*.

Support available through DFAT's health advisory unit includes: technical, strategic, and analytic input across health initiatives; engagement with desks and posts on program design, implementation and evaluation; responding to ad-hoc requests from partner governments across a range of public health issues; strengthening regional technical partnerships; and building capacity of staff in-country.

Technical health advice can also be accessed externally through our in-house technical health advisers or the Specialist Health Service (SHS). The SHS provides DFAT with rapid, high-quality, and evidence-based health advice and technical and operational support, and can recruit short and long-term health personnel.

Education

DFAT staff should consult the Education team in Development Advisory Services Section (DVS) for assistance with the design, implementation, and review of education initiatives.

Contact *education@dfat.gov.au* for more information or support.

Governance

DFAT staff should consult the Development Advisory Services Section (DVS) for assistance with design, implementation, and review of governance initiatives. The Governance in Development Helpdesk enables staff to source technical assistance on governance issues. For more information, contact *governance.development@dfat.gov.au*

DVS has also developed a series of practical resources to enable staff engagement, diplomacy and negotiation in governance sector relationships. These resources include the Political Economy Analysis and Adaptive Management Good Practice Note.

Water Security

The Department of Climate Change, Energy, Environment and Water (DCCEEW) is the lead agency on Australia's international engagement on water-related policy issues. DFAT leads on issues related to water and the development program.

For international water-related policy issues contact: International Water
International.Water@dcceew.gov.au

For water or water, sanitation and hygiene (WASH) development programming support contact:
climate.integration@dfat.gov.au

Social Protection

DFAT staff should consult the Social Protection team in DVS for assistance with the design, implementation and review of social protection initiatives.

The Social Protection team has also developed a series of resources to support staff working or engaging on social protection. These include DFAT Social Protection publications, including COVID-19 Gender and Social Protection Guidance Note and Guidance note on social protection and disability

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

Agricultural Development and Food Security

DFAT staff should consult the Climate Resilient Agriculture and Food Security Section (AFS) in the design, implementation and review of climate resilient agriculture, nutrition-sensitive agriculture, market systems development, food security (non-humanitarian) and biosecurity (plant and animal related) initiatives.

The Climate Resilient Agriculture 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 the Nutrition-Sensitive Agriculture and Food Systems guidance note.

Further information is also available on the Climate-resilient agricultural development and food security and Climate-resilient agricultural development initiatives sites. Contact Ag&FoodSec@dfat.gov.au for more information.

Other themes

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

- Humanitarian preparedness and response
- Domestic resource mobilisation (tax policy and administration)
- Australia Awards (scholarships and fellowships)
- Private sector development
- Public financial management.

Key resources

Policies

Australia's *International Development Policy*

Australia's International Development Performance and Delivery Framework

Commonwealth Fraud and Corruption Control Framework

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

Disability-Inclusive Development Guidance Note

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

Gender Equality Outcomes Good Practice Note

Gender Equality, Disability and Social Inclusion analysis – Good practice note

Integrating Climate Change into Development Assistance for Implementing Partners

Locally led development Guidance Note

Nutrition-Sensitive Agriculture and Food Systems Guidance Note

Partnerships for a Healthy Region: Gender equality, disability and social inclusion (GEDSI) and First Nations Engagement – Guidance Note

Political economy analysis and adaptive management good practice note

Reaching Indigenous People in the Australian Aid Program: Guidance Note

Social Protection and Disability Guidance Note

Supporting disability inclusion through DFAT health security investments

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 Development Partnership Plans.

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

Development Senior Responsible Officers (SROs) have been appointed to selected bilateral and regional development programs in Southeast Asia and the Pacific, to ensure our development effort is strategic, coherent and effective

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 and include these in DFAT's three-year Development Evaluation Plan, updated annually.

Mandatory requirements

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

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

Program risks must be reviewed regularly and escalated as appropriate.

Development Partnership Plans (DPPs) will be subject to a mid-cycle review, which will be published on the DFAT website. The timing of reviews will be at the discretion of programs.

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 align with the objectives set out in the Development Partnership Plan (DPP). 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 forthcoming DPPs.

Investment portfolios comprise investments at different stages (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 has 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 partners with 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 partners with these organisations in one of two ways: core contributions, and funding for specific activities. Both require the financial delegate to justify value for money in the selection of the delivery partner.

Core contributions support an agency's core mandate and objectives. Such contributions are normally Ministerially approved or through the annual budget such as our annual core contribution to UN Women.

Responsibility for managing core contributions is with the Development and Multilateral Group (DMG) 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 regularly in line with departmental requirements.

Funding for specific activities is targeted for a specific program, project or projects. This is typically through country, regional or sectoral programs. This usually involves project-level co-financing, contributions to single or multi-donor trust funds, or earmarking voluntary contributions for specific sectors or initiatives.

Funding for specific activities needs to be assessed for ODA eligibility like any other regular investment or project.

3.2 PROGRAM MANAGERS AND THEIR RESPONSIBILITIES

DFAT development programs are managed by divisions and Posts. The relevant First Assistant Secretary (FAS) and Head of Mission (HOM), as program managers, have overarching responsibility for all aspects of their program. They can delegate some program management responsibilities, depending on the size and risk profile of the program.

Australia's *International Development Policy* commits to establishing a cadre of Senior Responsible Officers (SROs) for bilateral and regional development programs to ensure of development effort is strategic, coherent and effective. Development SROs have been appointed for selected posts and regional programs in the Pacific and Southeast Asia.

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 on and document the responsibilities of the Post and those of the Canberra-based division.

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, accountability and transparency
- providing meaningful information to Parliament and the public
- proper use and management of public resources.

Program managers are required to design and deliver development programs that align with international official development assistance (ODA) eligibility definitions established by the OECD DAC.

3.3 KEY ASPECTS OF PROGRAM MANAGEMENT

The main elements of program management include:

- Build relationships with partner governments and other partners (including through umbrella MOU/treaty and subsidiary arrangements)
- Ensure alignment with strategy objectives
- Ensure strong risk management
- Ensure effective budget management and pipeline planning
- Collect evidence of outcomes and performance
- Prioritise, commission and manage evaluations
- Consider public diplomacy opportunities.

3.3.1 Build relationships with partner governments and other partners

Australia aims to build relationships with partner governments and organisations based on mutual accountability. This enables us to emphasise the responsibility of partner governments for planning and funding their own economic development and poverty reduction strategies. It also enables us to advocate for reforms that promote economic growth and poverty reduction.

Program 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
- other bilateral and multilateral development agencies
- local community and civil society organisations (including women's rights organisations and advocacy groups).

3.3.2 Umbrella MOU/Treaty and Subsidiary Arrangements

When DFAT enters into development-related arrangements between the Government of Australia and a partner government, we will typically use a Subsidiary Arrangement to confirm a Partner Government's commitment and contributions to the development activity. Subsidiary Arrangements are made under Umbrella Memorandum of Understanding (MOU) on Development Cooperation or under a Treaty on Development Cooperation (depending on the partner country).

Umbrella MOU/Treaty: An umbrella MOU or Treaty sets out the fundamentals of the development partnership, including the framework for developing and implementing activities. Amongst other things, these instruments will also clearly specify the role of both governments, in such areas as tax exemptions, liability, intellectual property rights, security and transportation costs.

Treaties are binding agreements, entered into between states or governments, and governed by international law. In contrast to treaties, MOUs are not legally binding.

Subsidiary Arrangements are used to confirm a Partner Government's commitment and contributions to specific development activities. Subsidiary Arrangements are made under Umbrella MOUs or under a Treaty. They are typically not legally binding.

Together, these two instruments typically determine:

- the inputs of each government to the agreed activity
- the division of implementation responsibilities between all participants
- governance structures (and their functions), such as a joint management committee, and
- the implementation and MEL roles and obligations for, the partner government's counterpart agencies, and the delivery partner.

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.

Subsidiary arrangements can take time to negotiate, so it is wise to start developing them early and engaging with CML early for a legal review of the instrument before it is sent to the partner government for comment. It is possible to start the delivery partner engagement process before a subsidiary arrangement is in place, provided there is a letter of endorsement (or similar) from the partner government.

3.3.3 Ensure alignment with strategy objectives

Managers should ensure that the portfolio of investments under their supervision delivers against the priorities set in their DPPs (see Chapter 2). For more information about DPPs, email Program Planning (*programplanning@dfat.gov.au*).

In practice: Strategic alignment

Managers can achieve maximum impact by:

- regularly adjusting the program's portfolio of investments to ensure alignment with the strategic objectives of their DPPs and Australia's *International Development Policy*
- 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
- identifying evaluation subjects for DFAT's three-year Development Evaluation Plan which is updated annually, setting clear expectations for evaluation teams, and considering and implementing evaluation recommendations.

3.3.4 Ensure strong risk management

All managers need to manage risk. Effective risk management is an integral part of any successful program. Risk management includes identifying, monitoring and reviewing risks, and determining when escalation is appropriate (see Chapter 8).

3.3.5 Ensure effective budget management and pipeline planning

Budget planning and management are dynamic and complex. They combine 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 spent in line with the intended purposes
- 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. Program managers use 'pipeline planning' to plan investments and manage budgets two or three years into the future. It enables them 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 entering into an agreement can take up to six months. New agreements for multi-phase projects should be in place six months before the old agreement ends, and agreements for new projects should be in place six months before major expenditure is required.

'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 18 to 24 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 Executive Board and the Development Program Committee
- 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.

3.3.6 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 their respective DPPs. Each DPP has a performance assessment framework (PAF) that includes indicators for assessing progress towards stated objectives. Programs without a DPP 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.

3.3.7 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, for example covering an entire country program, a single investment, a significant component of an investment, a group of investments, or a thematic or sectoral issue. 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, end-of-program evaluations and impact assessments. They must meet DFAT's Design and Monitoring, Evaluation and Learning (MEL) Standards, which include publication and a management response.

Development Evaluation Plans

The Development Evaluation and Assurance Section (EVS) in Development Effectiveness and Enabling Division coordinates the annual updates to the three-year Development Evaluation Plan and associated reporting.

Evaluation roles and responsibilities

- The DFAT Secretary approves each three-year Development Evaluation Plan and signs off on the final result.
- Development Effectiveness and Enabling Division oversees the Development Evaluation Policy; supports DFAT staff to prioritise and conduct program evaluations; provides the Evaluation Helpdesk service to support Evaluation Managers to plan, commission, manage and use their evaluations, and manages reporting against DFAT's Development Evaluation Plans.
- First Assistant Secretaries approve divisional evaluation plans each year.
- Assistant Secretaries sign off on management responses and the publication of evaluations.
- DFAT staff (including country/regional, global and sector programs) identify, manage, publish and use evaluations.

Evaluation Resources

The DFAT Design and Monitoring, Evaluation & Learning (MEL) Standards step out elements of each evaluation stage, and include:

- Standard 8: Independent Evaluation – Reference for Independent Evaluations
- Standard 9: Independent Evaluation Plan
- Standard 10: Independent Evaluation Report

DFAT's *Ethical Research and Evaluation Guidance Note* sets out the requirements for ethical practice in research and evaluation. The Guidance Note applies to all DFAT-funded activities, both ODA and non-ODA investments, that involve research or evaluation with human participants.

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 (EVS) in Development Effectiveness and Enabling Division (PRD) can also provide evaluation support. Contact *developmentevaluation@dfat.gov.au*.

The Evaluation Helpdesk can provide end-to-end and ad hoc technical support and advice to Evaluation Managers with planning, commissioning, managing and using their evaluations. 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 contractors 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, build their capacity and help embed a culture of learning.

- **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, DFAT staff should ensure the evaluation will comply with DFAT's quality, management response and publication requirements. DFAT needs to be actively involved in partner-led evaluations to ensure that the evaluation will meet our information needs and quality standards.

- **Quality**: All evaluations should apply the DFAT Design and Monitoring, Evaluation & Learning Standards, which set DFAT's expectations for quality. A peer review of the draft evaluation report is not mandatory but is often useful for quality assurance, information sharing, and ensuring gender equality is well integrated.

- **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 provide lessons for 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; review 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 are actively used to inform Australia's development planning and delivery.
- **Transparency**: Consistent with the Government's development program transparency commitments and Development Evaluation Policy, evaluation reports should be published on the DFAT website, 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.

3.3.8 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. The transparency portal will enable opportunities to further promote the impact of development investments.

3.4 PROGRAM-LEVEL PERFORMANCE REPORTING REQUIREMENTS

Country and regional DPPs will be subject to annual internal reporting via cable. Cable attachments will include progress against the DPP Consultation, Evaluation and Learning Plan, and results against the DPP Performance Assessment Framework indicators. Cable reports will feed into the annual public Performance of Australian Development Cooperation Report.

All DPPs will be required to complete a single mid-cycle review. The purpose of the review is to reflect on progress to date, identify potential adjustments to the DPP, and document and share learning with stakeholders. Reviews will be proportionate to the size and complexity of the program and will be published on the DFAT website.

For more information about DPPs, email Program Planning (*programplanning@dfat.gov.au*).

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.
- An assumption that a program may benefit all intended target groups equitably.
- 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.
- Failing to identify, consider or manage risks such as fraud or corruption which may expose the department to legislative breaches, integrity damage, and/or program failure.
- Not giving enough attention to pipeline planning. This leads to expenditure pressure, rushed design processes and, potentially, poor programming choices. The process of investment evaluation, design, delivery partner selection, mobilisation and handover can take up to 24 months.
- 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* (for reporting) 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

DFAT Design and Monitoring, Evaluation & Learning Standards

Ethical Research and Evaluation Guidance Note

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 Development Effectiveness and Enabling Division, 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, transparency and approvals. Requirements depend on the investment's size, risk profile and approach.

Investments **must** be entered in AidWorks in the planning phase.

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

Investments valued $3 million and over must include a gender equality outcome (either end-of-program outcome or intermediate outcome), regardless of sector.

All investments should consider climate and disaster risk in the design. If the investment is valued at $3 million and over, it must consider including a climate change outcome (either end-of-program or intermediate).

All investments valued over $3 million must publish investment design documentation to the DFAT website.

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

All investment concepts valued $100 million and over, and/or rated as high or very high risk, and all concepts for facilities, must go to the Development Program Committee for consideration.

All investment designs valued $100 million and over, and/or rated as high or very high risk, and all designs for facilities, that have not gone to the Development Program Committee for consideration at concept stage, must go to the QRAU to consider if the design needs to go to the DPC.

Decisions taken through design processes will often be foundational in the delivery partner chosen and the implementation arrangements used. If DFAT intends to purchase goods or services, then the resultant agreement **must** be a procurement contract (see chapter 5).

If non-competitive processes are being considered for a procurement contract worth more than $10,000, the delegate **must** seek advice from AS DVB on the justification for a non-competitive approach consistent with the requirements of the Commonwealth Procurement Rules.

DFAT staff must seek advice from admin.hybridsupport@dfat.gov.au for any planned investments that are using Administered non-ODA or Hybrid (both Administered ODA and Non-ODA) funding sources.

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 contribution (grant-like arrangement) 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.

See Figure 9 for an outline of the design pathways for DFAT-led and partner-led designs.

Decisions about delivery approaches, forms of development assistance, the agreement type, 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.

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.

Figure 7: Table showing principal development investment options

PROGRAMMING APPROACHES

Facilities
Humanitarian and disaster response
Program-based approach
Projects
Sector-wide approach

TYPES OF DELIVERY PARTNERS

Academic research institutions
Australian international and national NGOs
Managing contractors
Multilateral development organisations
Other bilateral international development agencies
Other Australian Government agencies
Regional organisations
Private sector partners

AGREEMENT TYPES

Contributions (grant-like arrangements)
Procurement agreements
Whole-of-government agreements / ROUs
Direct funding agreements with partner governments

FORMS OF ASSISTANCE

Budget support
Core funding of a partner
Non-core funding
Institutional twinning
Experts and technical assistance
Pooled funding/co-financing
Scholarships and training
Supply of goods/services, payment of costs
Volunteers

DELIVERY MODELS

Strategic in-house capability
Insourced
Outsourced
Partnership
Like-minded development partners

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.

4.2.1 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 any necessary research and/or evaluation. Insufficient attention to pipeline planning leads to expenditure pressure and, potentially, poor programming choices.

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 Development Partnership Plan (DPP), 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 contractors to participate in the design team and other assistance needed to support the design process. Consider having an early framing discussion with senior managers to clarify the focus and parameters of the investment design.

Investments **must** be entered into AidWorks during the planning phase.

Step 2— Screen for risks (including safeguards): Identify and screen for mandatory policy considerations (including child protection, sexual exploitation, abuse and harassment, environmental and social safeguards, counter-terrorism resourcing, and fraud and corruption), 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: Activities delivered through the development program need to be assessed as meeting the requirements of official development assistance (ODA). For any new DFAT-funded investment or proposal, the determination of ODA eligibility has been devolved to the relevant financial delegate, as part of their responsibility to ensure the proper use of Commonwealth funds. It is the responsibility of the delegate to determine whether the correct appropriation is being used to fund an activity.

The Administered ODA budget is appropriated to DFAT to spend on ODA eligible activities only. The ODA Eligibility Flowchart helps step through key issues to consider when assessing ODA eligibility. In some instances where specific risks are identified, a formal ODA eligibility assessment is required.

If no risks are identified, a formal ODA assessment is not required. The ODA eligibility of the activity should still be documented through existing concept/design and financial approval processes for delegate approval.

Step 4—Written Approval to Commence Minute: Get approval to start the design process from the relevant delegate in the initiating area, using the formal Written Approval to Commence Minute template. The minute should provide justification for the proposed approach (i.e. DFAT-led or partner-led design) and state 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), ODA Eligibility Flowchart and Written Approval to Commence Minute is mandatory for all investments, regardless of value or level of risk.

In practice: Adaptive Design and Procurement (ADAPt) Pathways

Development Effectiveness and Enabling Division has developed a range of adaptive design and procurement (ADAPt) pathways. These are intended to provide more flexible and responsive approaches to design and procurement. These pathways include concept to tender, design update, design extension, design-implement, multi-year strategies, and co-creation with the private sector. They 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 the Development Effectiveness and Enabling Division (Design and Program Advice Section and Development Procurement, Agreements and Systems Branch) to determine the most appropriate design and procurement pathway for your investment. ADAPt pathways must be agreed in writing by AS Development Performance and Advisory Services Branch. Failing to adequately plan for a foreseeable design process is not an acceptable rationale for proposing an ADAPt pathway. Contact *designmail@dfat.gov.au*.

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

***Step 5—Concept** (five pages maximum, plus annexes):* If an investment is valued at $10 million or more, or is assessed as high or very high risk, or is proposing a facility approach, 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. The Investment Concept template and the Concept Approval Minute must be jointly approved by the correct delegates in both the Canberra home division/desk and the Post (unless the investment is a regional or global program managed from Canberra).

If the investment is: valued at $100 million or more; is high or very high risk; or is a facility, the Investment Concept Note (ICN) must go to the Development Program Committee (DPC) for consideration. The DPC or the delegate may also request that other concepts be considered by the DPC. The concept should be endorsed by the relevant FAS (and Post if required) prior to submission to the DPC and then formally approved by the delegate following DPC consideration. Once the concept is approved, the investment proceeds to design. If the investment is co-financed by more than one budget owner, more than one Canberra approval may be required – that is, all home divisions/desks should co-sign.

Investments requiring consideration by the DPC will be subject to an assessment by the Quality Risk and Assurance Unit (QRAU). Investment Concept Notes must be submitted to the DPC Secretariat four weeks ahead of the DPC meeting to allow the QRAU time to undertake the assessment and circulate an accompanying report with recommendations to the committee.

The Investment Concept Note must indicate whether the investment will have significant or principal objectives (as per the OECD definitions) for both gender equality and climate change. It must state whether gender equality and climate change outcomes will be included in the design (either as an end-of-program outcome or intermediate outcome level).

***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 different cohorts of women, people with disabilities, indigenous peoples, and environmental advocates) is essential in the design process. The design document must set out the policy context, including climate and disaster context, 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 ODA Eligibility Flowchart 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.

If the investment seeks to program funds through existing agreements, please consult with *aid.contracts@dfat.gov.au* to see if this is possible.

If the investment is valued at $3 million and over, it must include a gender equality outcome (either end-of-program outcome or intermediate outcome). The outcome/s must be supported by the design narrative which articulates interventions and approaches to support achievement of the gender equality outcome/s. In addition, the design must meet the OECD DAC Gender Equality Policy Marker minimum criteria for gender equality to be classified as a Principal or Significant objective:

- A gender analysis was undertaken and used to inform the design.
- The program takes a 'do no harm' approach.
- The MEL Framework includes indicators that track gender outcomes.
- Data and indicators are sex-disaggregated where applicable.
- Gender equality results are monitored and reported.
- Risks to gender equality are identified and managed.

Exemptions will apply to investments in a limited number of categories (as outlined in section 4.6). Further guidance is included in the Gender Equality in Investment Design – Good Practice Note and available by contacting *gender.equality@dfat.gov.au*.

All investments should consider climate and disaster risk in the design. If the investment is valued at $3 million and over, it must consider including a climate change outcome (either end-of-program or intermediate). If the decision is made not to include a climate change outcome in the design, the reasons must be clearly stated. Where climate change outcomes are included, they must be supported by the context setting and design narrative, which articulates interventions and approaches to support achievement of the climate change outcome.

Step 7 – Quality assurance: The quality assurance process aims to improve the quality of the design and ensure the intended investment is fit for purpose. The scale of quality assurance is proportional to investment size and risk and may involve independent appraisal and peer review. See the Investment Design Quality Assurance Guidance and the Investment Design Quality Assessment Tool and Scoring Matrix. If a design is valued at $100 million, or is rated as high or very high risk, or is a facility, but does not have a concept note (for example ADAPt design update pathway), the peer-reviewed design document will need to go to the DPC Secretariat/QRAU for consideration. Based on this assessment, a recommendation will be made to the DPC Chair/Secretariat on whether it should be considered by the Committee. The DPC may also ask for designs that were considered at the concept stage to be brought back to the QRAU or the DPC for review.

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 the correct delegate in both the Canberra home division and the Post (unless the design concerns a regional or global program led by Canberra). Once approved, the document must be published to the DFAT website.

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. Following approval of the financial arrangement type (see Chapter 5), 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 inclusion of a gender equality outcome 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

Decisions about 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 can largely determine what type of agreement and partner will be used to deliver the investment, and how they will be engaged i.e. procurement contract or contribution (grant-like arrangement). Note, if DFAT intends to purchase *goods* or *services* then the resultant agreement **must** be a procurement contract (see section 5.3). This is required for compliance with the *Public Governance Performance and Accountability Act 2013* (PGPA Act), and the Commonwealth Procurement Rules (CPRs).

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

If non-competitive processes are being considered for a procurement contract worth more than $10,000, the delegate must seek advice from AS DVB on the justification for a non-competitive approach, consistent with the requirements of the Commonwealth Procurement Rules. Further details on these requirements are provided in Chapter 5.

Figure 8: Table outlining mandatory design requirements (excludes funding going through ADAPt)

		LESS THAN $3 MILLION ✢	$3 MILLION OR MORE	$10 MILLION OR MORE	$50 MILLION OR MORE	$100 MILLION OR MORE	HIGH OR VERY HIGH RISK OR FACILITIES (ANY VALUE)
PLANNING	DFAT-led Partner-led Risk factors screening tool	✓	✓	✓	✓	✓	✓
PLANNING	DFAT-led Partner-led Written approval to commence design	✓	✓	✓	✓	✓	✓
DESIGN	DFAT-led Partner-led Investment concept approved by DPC					✓	✓
DESIGN	DFAT-led Partner-led Investment concept approved by relevant delegate/s (unless finalised by partner) ⊗			✓	✓	✓	✓
DESIGN	DFAT-led Investment design document		✓	✓	✓	✓	✓
DESIGN	Partner-led Investment design summary		✓	✓	✓	✓	✓
DESIGN	DFAT-led Partner-led Independent appraisal			✓	✓	✓	✓
DESIGN	DFAT-led Partner-led Peer review				✓	✓	✓
DESIGN	DFAT-led Partner-led Design approved by DPC (only if requested at concept)					✓	✓
DESIGN	DFAT-led Partner-led Design approved by delegate/s ⊗		✓	✓	✓	✓	✓
AGREEMENT	DFAT-led Partner-led Prepare and sign agreement	✓	✓	✓	✓	✓	✓

✢ 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 risks assessment

All proposed investments must be screened for mandatory policy considerations (including social and environmental safeguard risks and impacts, counter-terrorism resourcing, and fraud and corruption 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 DPC 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 provide direct financing to a partner government, it is important to check if there is a current Assessment of National Systems in place and a current sector-level assessment of public financial management and procurement systems, and to complete or update these assessments if required (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 must complete the ODA Eligibility Flowchart to ensure their new investment is ODA eligible from the outset. By answering the questions, investment managers will determine whether the investment appears to be ODA eligible.

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

There is a separate process for determining whether the Administered Aid Budget is the appropriate funding source for an investment's staffing positions.

In some instances where specific risks are identified, a formal ODA eligibility assessment is required. If no risks are identified, a formal ODA assessment is not required. The ODA eligibility of the activity should still be documented through existing concept/design and financial approval processes for delegate approval. The current triggers include investments that:

- relate to loans, equity, guarantees, or other private sector instruments
- relate to security, including biosecurity, cyber security, policing, military, or other armed forces.

The completed ODA Eligibility Risk Assessment Tool must be uploaded to AidWorks and EDRMS. Investment ODA Assessments must also be uploaded following receipt of written approval to commence.

Questions on ODA eligibility can be directed to Development Policy Sectio*n at 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 Development Effectiveness and Enabling Division (Design and Program Advice Section and Development Procurement, Agreements and Systems 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 that the proposed investment is ODA eligible
- establish how the design aligns with priorities set out in the relevant DPPs and the development program's focus on gender equality (see the Gender Equality in Investment Design Good Practice Note)
- 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
- confirm completion of the 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 contractors; expected quality assurance; and proposed procurement or contribution 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 approved.

In practice: Who is the right delegate for dual approval?

Canberra-based First Assistant Secretaries and their delegates are accountable for verifying that the minimum standards have been met before approving investment concepts and designs.

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: The formal Written Approval to Commence Minute comes to the relevant delegate in the initiating area. This should be either the financial delegate or the relevant budget owner at SES/HOM level. This does not require joint Canberra/Post approval.

Concept and design: Concepts and 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 (plus any annexes).

4.3.5 Consult the Development Program Committee

All investments that are valued at or above $100 million and/or rated as high or very high risk, and all concepts for facilities, must go to the DPC for consideration before the program delegate can approve them. This is typically at the concept stage, but the DPC may request to see investment design documents.

The DPC also has the discretion to consider any other concepts or designs on request. DPC minutes will record any recommendations from the committee 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 DPC agenda should email *DevelopmentProgramCommittee@dfat.gov.au* at least three months in advance.

4.3.6 Select and mobilise a design team

A 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 Development Effectiveness and 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 external design expertise through its Deeds of Standing Offer with individuals and organisations. This panel should be used in the first instance when procuring design services. For more information, 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 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 a facility 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. All concept notes for facilities must go to the DPC for consideration. 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 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 DFAT Design and Monitoring, Evaluation & Learning Standards and published to the DFAT website. 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 be in the Investment Design 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 design standards (verified using the Investment Design Quality Assessment Tool and Scoring Matrix) and aligns with Australia's strategic priorities. It should justify the proposed delivery approach and delivery partner. Following approval of the financial arrangement type (see Chapter 5), 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, evaluation and learning

A robust Monitoring, Evaluation and Learning (MEL) 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 MEL system starts at the design stage with clear and measurable outcomes and theory of change.

A Minimum Sufficient MEL Framework (see the Investment Design Document template) is necessary at the design stage for all investments. This framework should align with the DFAT Design and Monitoring, Evaluation & Learning Standards. It must be annexed to the design document/summary.

It includes information on indicators, and on baseline and targets if applicable. Assumptions about data availability and collection and how information will be used by which stakeholders. Where appropriate, the indicators should be consistent with those in the current performance reporting framework. MEL should be properly resourced (4 to 7 per cent of the total investment budget is a guide).

A MEL Plan builds on and updates the Minimum Sufficient MEL Framework and outlines a plan to implement MEL. For investments implemented by a contractor-, the MEL Plan must be finalised around six months into implementation, usually at the end of the inception phase The Plan must be assessed against MEL Standard 5 and should be linked to a milestone payment.

MEL Systems operationalise the MEL Framework and Plan and are fully developed and finalised during implementation. There must be a credible baseline and an operational MEL System in place within 12 months of mobilisation. Investment MEL Systems should yield analysed data that can be used in investment performance reporting, Tier 2 results reporting and the Performance of Australian Development Cooperation report (see Chapters 2.2 and 6.5).

4.4.6 Procurement

Contact the Development Procurement, Agreements and Systems Branch (DVB) (aid.contracts@dfat.gov.au) as early as possible in the design process to discuss procurement approaches (see Chapter 5). The design team must also discuss the draft Statement of Requirements for any procurement contract with DVB before it is finalised and submitted for approval.

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 (See Section 3.3.2).

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 DPC consideration depending on the investment value and risk rating. The program area coordinates the quality assurance process.

DFAT conducts quality assurance in accordance with the Investment Design Quality Assurance Guidance. The guidance describes the requirements for and differences between informal quality assurance, independent appraisal, and formal peer review (see Tables 1 and 2 below).

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

	Under $10m *	**$10m to under $50m**	**$50m to under $100m**	**$100m and over**	**High or very high risk, or facilities (any $)**
Informal QA	Optional	Optional	Optional	**Required**	**Required**
Independent appraisal and formal peer review	Not required	Optional	Optional	Optional	Optional
DPC	Not required	Not required	Not required	**Required**	**Required**

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

Table 2: QA requirements for investment designs

	Under $10m	**$10m to under $50m**	**$50 to under $100m**	**$100m and over**	**High or very high risk, or facilities (any $)**
Informal QA	**Required**	Not sufficient	Not sufficient	Not sufficient	Not sufficient
Independent appraisal	Optional	**Required**	**Required**	**Required**	**Required**
Formal peer review	Optional	Optional	**Required**	**Required**	**Required**
DPC	Not required	Not required	Not required	At DPC direction	At DPC direction

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. The Design and Program Advice (DPA) section in PRD coordinates consolidated internal independent appraisals for all investments valued at $10 million or more (including input from relevant DFAT sectoral and thematic areas) and can provide coordinated informal QA on request. Contact *designmail@dfat.gov.au* to schedule.

For investments worth $50 million or more or assessed as high or very high risk or facilities, there must be formal peer review. Appraisers contributing to the consolidated internal independent appraisal and two other appraisers (at least one external) join the peer review to discuss the design. Other peer review participants (such as DFAT staff with relevant sectoral or geographic expertise) are invited to attend the peer review to increase contestability. Draft design documents should be provided to peer reviewers at least 10 working days before the peer review meeting.

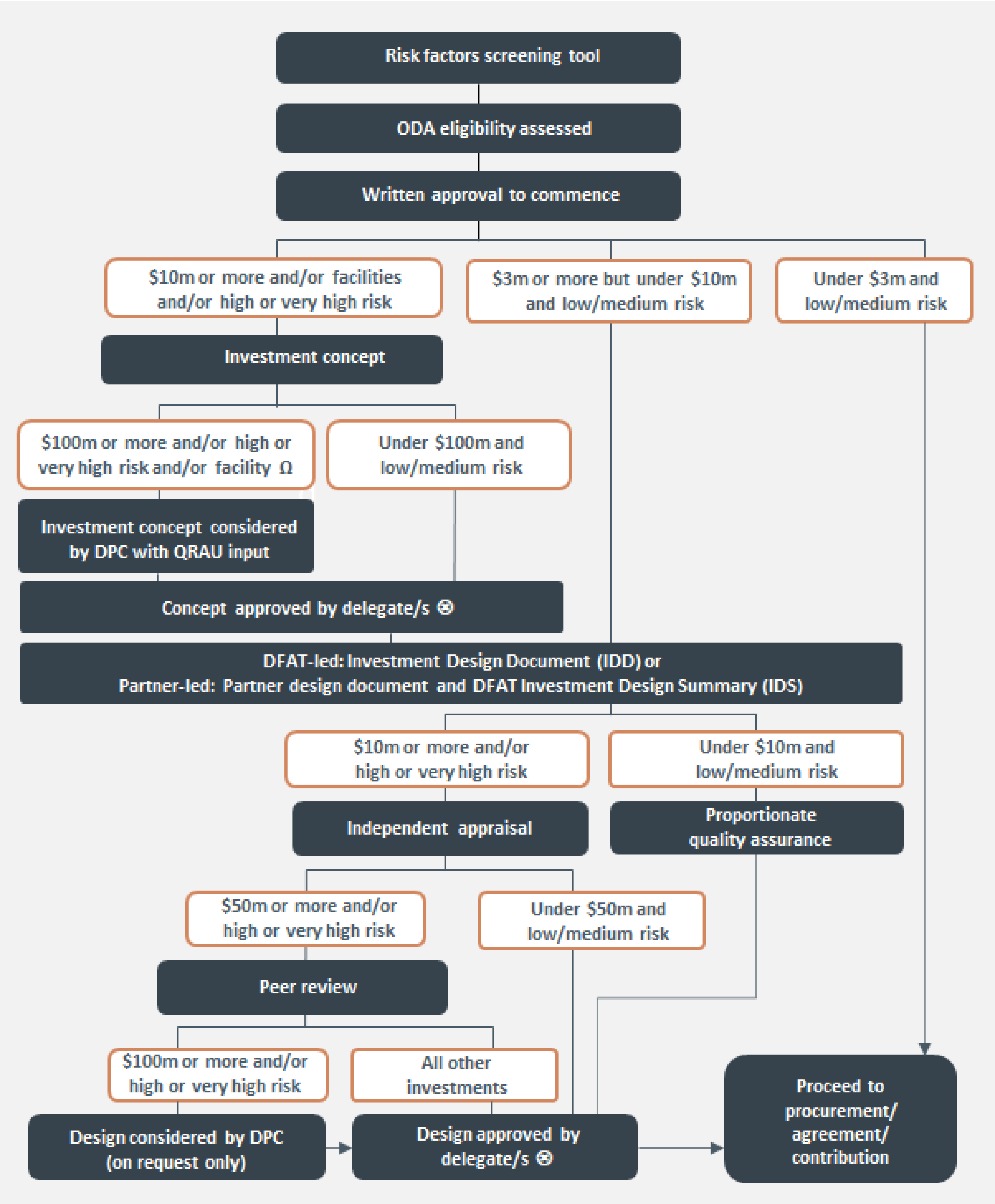
The design team should prepare a summary of the outcomes of the appraisals and peer review (a Quality Assurance Summary – see the Investment Design Quality Assurance Guidance for a template). If the DPC requested at the concept stage to review the design, the design must be endorsed by the DPC after other quality assurance processes, and before the delegate approves the design. The Quality Assurance Summary must be attached to the Design Approval Minute for the delegate to consider. The Summary and appraisals should also be uploaded to AidWorks.

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.

It is a mandatory requirement to publish approved Investment Designs on the DFAT website.

Figure 9: Design pathway



Ω Or any other investment as requested by the Development Program Committee.

⊗ 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).

4.6 EXEMPTIONS FROM MANDATORY DESIGN REQUIREMENTS

Some types of investments do not need to follow the mandatory design requirements (including the gender equality outcome mandate). These are:

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

Guided workflows for different investment pathways (such as those above) are now in AidWorks (see Section 1.7.3).

In addition to the above, the following types of ODA investments are **exempt from the gender equality outcome mandate**, in line with OECD-DAC exemption categories:

- core contributions to multilateral organisations
- imputed student costs
- debt relief
- administrative investments
- building public awareness of development
- refugee costs in Australia
- general budget support

While general budget support is included in OECD-DAC exemption categories, it can be an effective avenue to support gender equality outcomes. Please consult with the Gender Equality, Disability, and Social Inclusion Branch (gender.equality@dfat.gov.au) for advice on how to incorporate gender equality outcomes in these types of investments, or to discuss an exemption from the gender equality outcome mandate.

Consult with the Gender Equality, Disability, and Social Inclusion Branch (*gender.equality@dfat.gov.au*) before submitting a request for exemption from the gender equality outcome mandate.

In other specific circumstances, the First Assistant Secretary of the Development Effectiveness and Enabling Division (FAS PRD) may exempt an investment from the mandatory design requirements (including the gender equality outcome mandate). 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.

The adaptive design and procurement (ADAPt) pathways are intended to provide more flexible and responsive approaches to design and procurement and, depending on the ADAPt pathway chosen, are also exempt from some mandatory design requirements.

In the case of ADAPt pathways, seek written agreement from PRD (Assistant Secretary, Development Performance and Advisory Services Branch) and include this in the Written Approval to Commence Minute for delegate approval. Contact *designmail@dfat.gov.au* for more information.

4.7 MAKING CHANGES TO DESIGNS

A core element of an investment design document is the program logic or theory of change. See DFAT's Design and Monitoring, Evaluation & Learning Standards Standard 3 on Program Logic.

Reviewing and updating an investment's program logic or theory of change and making changes to intermediate outcomes, outputs and activities, particularly for flexible programs, is accepted practice. Changes should be justified with analysed data we are getting from monitoring, evaluation and learning (MEL) systems and documented in annual plans and reports.

Any proposed changes to End-of-Program Outcomes (EOPOs) must go through a formal process and should only be changed when there is clear justification and robust evidence for doing so. EOPOs are originally approved as part of design process by relevant delegates and should not be changed lightly.

For investments that are delivered by a managing contractor, a significant change to the scope of an investment can also potentially trigger a re-tender, if it could reasonably be determined that:

- other potential suppliers may have responded differently to the amended scope in the original tendering process which may have produced a different value for money outcome; or
- the changes to the scope of an investment may compromise the original procurement's value for money assessment.

Any changes to EOPOs must go through a formal process, which includes:

- Providing independent evidence (such as a mid-term review), analysed data from MEL system to support changes or justification based on a significant change in the context (for example natural disaster) that the EOPOs need to be revised.
- Appropriate robust and collaborative engagement with stakeholders in the change process.
- Revised EOPOs meet the requirements outlined in Standard 3 of the Design and Monitoring, Evaluations & Learning Standards.
- Revised EOPOs are quality assured by the Development Effectiveness and Enabling Division (designmail@dfat.gov.au)
- Revised EOPOs are approved by the financial delegate or relevant SES/HOM using the EOPO Change Approval Minute template. The approval minute should outline the justification and rationale for the change, the process for change (who was involved, quality assurance undertaken), detail the changes to EOPOs and how they will be documented.
- The EOPOs should be updated in AidWorks and program documentation, including the MEL Framework, and fed back to relevant stakeholders as soon as practicable (note agreement variations may also be required).

For further advice on changes to design documents, contact *designmail@dfat.gov.au.*

4.8 POTENTIAL PITFALLS

Beware of these common mistakes in investment design:

- **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 or medium risk, low value investment will require fewer discussions than a high-value or high or 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 $50 million or more or rated as high or very high risk. This group can include relevant DFAT experts such as sector/thematic, gender, disability, budget (if ODA sensitive), design, risk and contracting specialists.
- **Poor planning**: This is the cause of most design problems. Failing to prepare properly may lead to:
  - the expertise required to help write the design documentation being unavailable.
  - disengaged stakeholders (whole-of-government partners, partner governments, beneficiaries and DFAT officers) who are not committed to the program's implementation.
  - cursory review and quality assurance processes.
  - stress between desks, Posts and stakeholders.
- **Inadequate hands-on management by DFAT officers:** This can cause the design process to 'drift' and leave too much responsibility with design contractors. 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 timeframes 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. These must be well thought through.
  - Unclear and unmeasurable 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 template) must be annexed to the design document.
- **Not giving enough attention to pipeline planning:** This leads to programming and expenditure pressure, rushed design processes, and, potentially, poor programming choices. Procurement contracts cannot be extended beyond their originally approved total potential duration, including option periods. The delegate can extend contribution arrangements after considering risk-based advice from DVB.

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 investment 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

Guidance

DFAT Design and Monitoring, Evaluation & Learning Standards

Investment Design Quality Assurance Guidance

Gender Equality in Design Good Practice Note

Tools and templates

Investment Concept template

DFAT-led design – Investment Design Document template

Partner-led design – Investment Design Summary template

Risk Factors Screening Tool and Risk Register (in AidWorks)

Policy Dialogue Matrix

Investment Design Quality Assessment Tool and Scoring Matrix

CHAPTER 5 ENGAGING PARTNERS: PROCUREMENT CONTRACTS AND CONTRIBUTIONS (GRANT-LIKE ARRANGEMENTS)

Key messages

Delegates are personally accountable for decisions and actions in relation to procurement contracts and contributions (grant-like arrangements). They **must** operate within their delegation levels and comply with any directions issued by the Finance Minister and any instruction provided in DFAT's Secretary's Instructions and supporting procurement policy and guidance. This is required for compliance with the PGPA Act and the Commonwealth Procurement Rules (CPRs).

The Delegate **must** accurately estimate the value of an agreement. Seeking to increase the value of an agreement during implementation may not be possible if the change is deemed to be significant to what was originally approved.

Delegates **must** adopt, whenever possible, strategies that maximise competition. In developing an effective competitive strategy, a procurement will carry out market research activities that are commensurate with the scale, scope, and risk of the requirements. For example: search through available Panel Arrangements to identify potential suppliers, search through Supply Nation for suitable Indigenous Businesses, search through AidWorks for previous programs in similar sectors that may provide insight on market conditions and past performance.

If a *limited tender* is being considered for a procurement contract worth more than $10,000 (inclusive of GST), the requirement to maximise competition remains and whenever possible an approach to multiple potential suppliers should be considered. The delegate **must** seek advice from AS DVB on the justification for a *limited tender* that is consistent with the requirements of the Commonwealth Procurement Rules and DFAT practice. This is required for compliance with the PGPA Act and the CPRs.

Insufficient attention to pipeline planning leads to expenditure pressure and, potentially, poor programming choices. The process of investment evaluation, design, delivery partner selection, and mobilisation/handover can take up to 24 months.

New agreements for multi-phase projects should be in place **six months** before the old agreement ends, and agreements for new projects should be in place six months before major expenditure is required.

BuyRight contains workflows for all foreign assistance procurement contracts and official development assistance (ODA) contributions (grant-like arrangements). Following the advice in BuyRight will ensure DFAT is compliant with the PGPA Act and the CPRs.

Mandatory requirements

Agreements (including amendments to agreements) worth over $10,000 **must** be entered into AidWorks within 14 days of the agreement start date. This is to enable public reporting through AusTender within the required time frame as required by the CPRs.

Procurement contracts cannot be extended beyond their originally approved total potential period (which includes extension periods). Any subsequent services should be secured through a new procurement.

Agreements should not typically be longer than 10 years. For agreements longer than ten years, the Secretary's approval much be sought.

DFAT typically uses two types of financial arrangement to deliver development projects (see Section 5.3 below for details):

- **procurement contracts**, which involve the purchase of goods and services (including services orders such as those issued under a panel arrangement), and
- **contributions** (grant-like arrangements), which involves non-procurement financial arrangements (including Records of Understanding and Memoranda of Understanding).

Historically DFAT has called non-procurement agreements 'grants'. Use of this descriptor as a financial arrangement type is inconsistent with the Australian Government's policy on grant management given ODA is not subject to the Commonwealth Grant Rules and Guidelines. Non-procurement agreements should be referred to as **contribution arrangements**. It is important to note that while the change in language more accurately describes the financial arrangement, there has not been a change in the intent in how contributions are managed.

Note, if DFAT intends to purchase *goods* or *services* then the resultant agreement **must** be a procurement contract (see Section 5.3). This is required for compliance with the *Public Governance Performance and Accountability Act 2013* (PGPA Act), and the Commonwealth Procurement Rules (CPRs). DFAT can hold a procurement contract with many types of delivery partner, including other Commonwealth government departments, NGOs, universities and private sector organisations.

Any organisation that delivers a procurement contract for DFAT is a 'contractor'.

DFAT's processes to engage delivery 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 and reputational risks associated with delivery.

5.1 RESPONSIBILITY FOR ENGAGING A PARTNER

Financial delegates are responsible for approving the engagement of a partner. A delegate is 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.

BuyRight contains contemporary workflows and templates to support DFAT officers to engage partners for less than $500,000 (GST inclusive). Over $500,000 (GST inclusive), DVB will support DFAT officers through procurement processes.

DFAT officers should engage with DVB very early in the planning process to seek advice on the appropriate approach, to discuss the different options available and to allocate a place for the planned procurement in DFAT's procurement pipeline at least 12 months before commencing the procurement. Procurement processes typically take four to six months to complete as there are minimum requirements on how long a request must be open to the market. Often procurements can be run in parallel to the design process to ensure DFAT meets its deliverables.

If non-competitive processes are being considered for a procurement contract worth more than $10,000 (including GST) the delegate **must** seek advice from AS DVB on the justification for a non-competitive approach ("limited tender") that is consistent with the requirements of the Commonwealth Procurement Rules and DFAT practice. This is required for compliance with the PGPA Act and the CPRs.

The Delegate must accurately estimate the value of the agreement. Seeking to increase the value of an agreement during implementation may not be possible if the change is deemed to be significant to what was originally approved.

5.2 VALUE FOR MONEY

Achieving value for money is a Commonwealth requirement. Delegates must be satisfied that engaging a partner achieves value for money. They must document how value for money has been achieved.

Irrespective of value, engagements should:

- encourage competition and be non-discriminatory
- be efficient, effective, economical and ethical
- encourage appropriate engagement with risk
- 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, to ensure proper use of Australian Government resources and help with decision-making.

5.3 IS IT A PROCUREMENT CONTRACT OR IS IT A CONTRIBUTION (GRANT-LIKE ARRANGEMENT)?

Most investments will involve either a procurement and/or a contribution (grant-like arrangement). The choice will depend on DFAT's intentions regarding control and on what we are buying.

The delegate must document why the engagement is a contract or a contribution (grant-like arrangement), 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.

Procurement

The financial arrangement between DFAT and a partner is more likely to be a **procurement** - resulting in a contract or services order - if:

- DFAT (or another entity like the partner government) needs ownership of, control of, or title to the equipment, property, infrastructure, intellectual property or other asset
- DFAT is acquiring the 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)
- the services would not be provided if DFAT declined to provide financial support
- the goods or services can be quantified, described, or measured – for example:
  - a good or service or end-of-program outcome delivered to a specification requested by DFAT
  - a review and report delivered according to the process required by DFAT
  - hours, days or months of a specific service provided according to a contract.

In a procurement contract DFAT has control and directs the Contractor's activity. The Contractor must deliver on time and on budget or DFAT can, as required, terminate the contract on performance grounds. The Contractor cannot terminate the agreement. Branding and Intellectual Property belong to DFAT (representing the Commonwealth). The Contractor is paid in arrears and/or on milestones subject to DFAT verifying work has been conducted in accordance with the contract. As DFAT sets the contract and controls the delivery by, for example, agreeing to annual plans or such, the Contractor must deliver reasonable work that DFAT asks.

Contribution (grant-like arrangement)

The financial arrangement is more likely to be a **contribution (grant-like arrangement**) - resulting in a contribution (grant-like arrangement), or Record of Understanding or Memorandum of Understanding - if:

- part of the output 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 – for example, a cash gift or prize.

In a contribution, DFAT cannot direct the partner's activity. The contribution recipient should deliver on time and on budget. Both DFAT and the recipient can finish the contribution, not requiring a reason, typically by giving 30 days' notice. Branding and Intellectual Property belong to the recipient. The recipient is paid in tranches or milestones.

Officers should seek advice from the Development Procurement, Agreements and Systems Branch (DVB) (*aid.contracts@dfat.gov.au*) at an early stage of 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 both in selecting the partner and in managing the ongoing arrangement.

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.

All personnel in contracts signed before 1 March 2020 **must** continue to be engaged in accordance with the ARF and the existing contract conditions. ARF conditions must continue until the Contract end date, including when DFAT uses existing extension options within the contract.

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

5.5 ODA AND 'CONSULTANCIES'

The Department of Finance has established a whole-of-government panel for Consultancies: the Management Advisory Services Panel (MAS). The Panel is mandatory for all Departmental procurements that fall into the scope of the panel arrangements.

Procurements funded from ODA must not be procured through the MAS panel. ODA contracts do not meet the Department of Finance's definition of a consultancy.

5.6 POTENTIAL PITFALLS

Beware of these common mistakes in the process for engaging partners:

- **Failing to encourage competition in a non-discriminatory manner.** Competition is a key element of the Australian Government Procurement Framework. Competitive procurements enhance value-for-money outcomes and strengthen accountable and transparent decision making. Non-competitive limited tenders to one supplier should remain an option of last resort and only suitable for consideration once a competitive process fails to identify suitable suppliers.
- **Not selecting the most appropriate financial arrangement**. DFAT officers cannot control the actions of a delivery partner through a contribution arrangement; this needs to be a procurement contract.
- **Not spending enough time on procurement and pipeline planning.** This results in rushed or poorly considered procurements.
- **Insufficient transition or handover arrangements.** Better practice is to allow six months between a new contract being signed and the existing contract coming to an end.
- **Poorly defined contracts** that do not clearly articulate the outcomes sought or reflect the design intent. This risks a weak market response, protracted negotiations, more expensive bids, delayed mobilisation, and poor implementation.
- **Mobilisation and closure of a contract is time consuming**. A contract will typically spend less funds in its first and last year. A contract should not ask for an abundance of deliverables, plans and reports in the first 12 months – it is not realistic, not needed, and means the contract will start with deliverables not being met.
- 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, email *aid.contracts@dfat.gov.au*.

AidWorks

All procurement and contribution (grant-like-arrangement) 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.

Key resources

BuyRight provides step-by-step processes, guidance and templates in workflows to help DFAT officers conduct procurements and contributions (grant-like arrangements) 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 Development Partnership Plans (DPPs).

Investment managers are responsible for all aspects of the investment, including overseeing agreement management and financial management.

An evaluation manager oversees and manages an independent evaluation. The investment manager or another staff member can be the evaluation manager for an investment.

Mandatory requirements

Investment managers must follow DFAT's procedures and financial management policies to ensure compliance with the *Public Governance Performance and Accountability Act 2013* (PGPA Act).

Investment managers must keep investment-level and agreement-level data up to date and accurate in AidWorks.

Programs must complete investment performance reporting through Investment Monitoring Reports and Partner Performance Assessments.

Programs must complete reporting on Tier 2 indicators.

For contractor-led investments, the monitoring, evaluation and learning (MEL) framework and plan must be finalised within three to six months after mobilisation (that is, after the implementation stage begins). They must also be quality assured by an independent person or organisation (either from DFAT or a contractor) before a milestone payment.

For DFAT-led investments, within 12 months of mobilisation there must be a credible baseline and the MEL system must be operational.

DFAT manages development investments to ensure that:

- Australia's development investments produce positive outcomes
- public funds are spent effectively according to the requirements of relevant approvals and agreements
- risks are identified and actively managed.

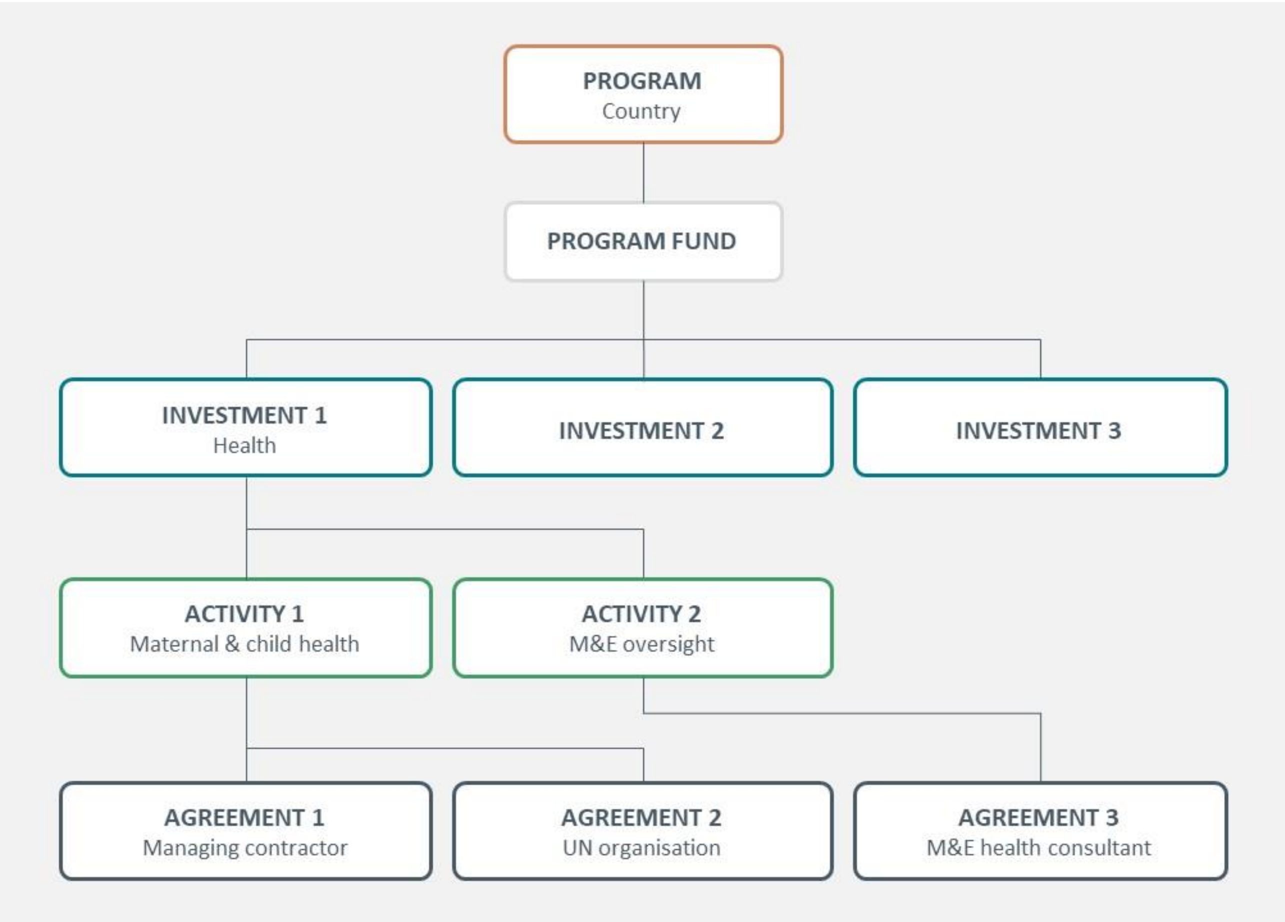
DFAT's performance framework allows the department to review and improve its investments, assess the performance of partners, report on results, and assess and report on how the whole development program is performing.

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 Development Partnership Plan. Figure 10 shows the 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 for up to 10 years.

Figure 10: Development program hierarchy



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 locally engaged staff officer. High-value or high or very high risk investments may be managed by EL 2 officers. For country and regional development programs, investments are often managed at the Post.

Investment managers are responsible for 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 complete the relevant training before granting them 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. For example, they are responsible for making sure the investment delivers outcomes, funding is spent accountably, and risks are well managed. For practical guidance on how to meet this responsibility, see DFAT's Design and DFAT's Design and Monitoring, Evaluation & Learning Standards. Where an investment is listed in DFAT's three-year Development Evaluation Plan, the investment manager will generally also be responsible for managing the evaluation (see sections 2.3 and 3.3.7 for guidance on evaluations).

6.3 KEY ASPECTS OF INVESTMENT MANAGEMENT

There is no set approach to managing a development program investment. However, the following elements are essential:

- Build and maintain relationships with key stakeholders
- Ensure alignment with strategic objectives
- Ensure strong risk management
- Monitor budgets and plan for successor investments
- Collect evidence and results
- Oversee agreement management, including financial management
- Consider public diplomacy opportunities.

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.

DFAT needs direct relationships with stakeholders, but investment managers must also support stakeholders and connect them with each other. This support may take the form of:

- talking with a partner government about policy, regulatory or budgetary constraints identified as affecting the implementation of an investment
- involving partners in scoping and conducting independent evaluations
- 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). The investment manager or someone on their team will generally lead the design process. It is important to involve more senior managers 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 using the Risk Factor Screening Tool and risk register and reviewing risks at least quarterly. They must escalate significant risks to the next level of DFAT management (see Chapter 8). Where these risks are material to DFAT at the enterprise level, escalate in line with the Enterprise Risk Management Policy 2024.

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 accurately and promptly entering:

- program delegates' decisions on investment budget allocations
- information about planned investment activities
- 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 enough evidence available to track progress, measure and report on performance, and inform decision making. Regular and systematic monitoring and evaluation allows us to assess the effectiveness and efficiency of our programs, supports responsive management, provides the basis for reporting, and informs discussions with our development partners and decision making. It also enables us to track progress against DFAT's gender equality performance target, that *80 per cent of development investments effectively address gender equality in implementation.*

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
- meet our accountability obligations under the PGPA Act 2013, which requires DFAT to assess and report on its financial and non-financial performance.

Monitoring arrangements must be planned, continuous and systematic, and documented in a monitoring and evaluation framework. The level of resources allocated to monitor implementation will depend on various factors – including risk, historical performance, complexity, size, strategic significance, and the form of development assistance being used.

For some investments, there will be an independent evaluation either part of the way through the investment or when the investment is completed (see sections 2.3 and 3.3.7).

Ethical research and evaluation

Ethical practice in research, monitoring and evaluation is crucial throughout any DFAT-funded activity that involves human participants. The DFAT website includes public information and guidance on ethical research and evaluation.

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 and deliverables. They should also give an overall assessment of progress towards end-of-program outcomes.
- **Evaluations**: See Section 3.3.6.
- **Field visits**: The investment manager should plan and conduct regular field visits, where feasible, to verify results, 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 contractors to participate in field visits, provide high-level technical advice and help with monitoring and reporting.

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 3.3.8). The transparency portal will allow opportunities to promote the impact of our development investments.

6.4 INVESTMENT PERFORMANCE REPORTING

DFAT uses investment performance reporting (IPR) 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 (IMRs)
- Humanitarian Investment Monitoring Reports (HIMRs)
- Final Investment Monitoring Reports (FIMRs)
- Partner Performance Assessment (PPAs).

Reporting the performance of both ongoing investments and investments at completion stage gives the most comprehensive and balanced assessment of performance.

The results from the annual IPR process also provide evidence to report against Performance Measure 6 in the DFAT Corporate Plan: ('The development program is effective, efficient and responsive') and provide evidence on how investments are addressing gender equality, disability equity and climate change.

For detailed information on the IPR process, see the Investment Performance Reporting Good Practice Note. The IPR Good Practice Note is updated before each reporting round to reflect any changes to government priorities, along with any changes to templates or supporting guidance.

6.4.1 Investment Monitoring Reports

Each year, programs must complete IMRs for investments valued at $3 million or higher. IMRs provide an assessment of investment and partner performance over the previous 12 months, using evidence gathered from delivery partner reports, monitoring visits, reviews and evaluations. IMRs enable investment managers to review performance against quality criteria.

In practice: Investment Monitoring Report requirements

- IMR exemptions are granted in limited circumstances and approved by the First Assistant Secretary, Development Effectiveness and Enabling Division (FAS PRD).
- IMRs are not required for administrative investments (e.g. rents, leases, locally engaged staff salaries) or for core contributions to multilateral organisations.
- IMRs are approved at EL 2 level (or above)
- FIMRs are completed for investments in their final year. Exemptions from FIMR reporting are not permitted.

Final Investment Monitoring Report

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

Completed FIMRs go through an external validation process facilitated by the Development Evaluation and Assurance Section (EVS). If during this process, the validation team finds that ratings in the report are inconsistent with the supporting evidence, or they do not accurately represent the level of performance described, then the scores assigned by an investment manager may be changed. The ratings from the validation process are the final ratings and are used for external reporting in the DFAT Annual Report.

Humanitarian Investment Monitoring Report

Reporting for humanitarian response investments is completed using a separate template with modified assessment criteria. The provisions 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 independently validated, 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.

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, Disability and Social Inclusion Branch (GEB) and other thematic and sector areas should be involved as appropriate. Development Effectiveness and 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 Development Effectiveness and Enabling Division (PRD) with an IRI Remediation Plan minute, approved and overseen by an SES officer, outlining management actions to improve performance. Development Performance and Advisory Services Branch (ADB) 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 of key delivery partners (multilateral organisations, contractors, and NGOs) is required each year to meet DFAT's reporting requirements and often the requirements of contractual arrangements. Agreement managers must complete an annual assessment of performance for the partners who are delivering their contract or contribution (grant-like arrangement).

6.5 TIER 2 RESULTS REPORTING

Tier 2 (Australia's contribution to development) is the middle level of Australia's three-tier Performance and Delivery Framework. Tier 2 results track Australia's contribution to development against Australia's *International Development Policy*.

Tier 2 reporting provides results and narrative case studies against a set of indicators across four focus areas (see Figure 6). The indicators are a mix of quantitative and qualitative measures. Tier 2 reporting is a mandatory annual requirement for all staff. Results from both official development assistance (ODA) and non-ODA must be reported, where relevant.

Each investment/project manager must consider which Tier 2 indicators they can reasonably report against each year in order to meet their Tier 2 reporting requirements. Investment managers should report against as many relevant indicators as possible.

Where indicators do not align with an investment's objectives, reporting is not required. Tier 2 reporting must be cleared by the relevant EL2 prior to submitting, with case studies requiring SES officer approval (for smaller programs at Posts this can be an EL2).

Technical notes are available for all Tier 2 indicators. Investment managers should share relevant notes with implementing partners to support the collection of Tier 2 data.

For information on Tier 2 indicator reporting contact *Development.Results@dfat.gov.au*.

6.6 POTENTIAL PITFALLS

Beware of these common mistakes in investment management:

- **Data not being kept up-to-date and accurate in AidWorks**.
- **Lack of resourcing and capacity to complete monitoring**. This means there is insufficient evidence to support investment management.
- **The investment's monitoring and evaluation system (including a monitoring and evaluation framework and baseline) failing to meet DFAT's Design and Monitoring, Evaluation & Learning 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 is contrary to the strong emphasis on locally led development in the *International Development Policy*. It compromises the enduring relevance of the investment and leads to weak and inefficient implementation. This in turn makes the investment less effective and reduces our ability to engage in policy dialogue with partner governments.
- **Poor planning for reporting** of performance and results.
- **Poorly identified or unrealistic objectives**. It is difficult to deliver strong results if the objectives are unclear or beyond the reach of an Australian investment.

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

AidWorks

The Investment Management Plan (IMP) in AidWorks is a useful tool for managing and monitoring 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 to AidWorks. 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 investment performance 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

Design and Monitoring, Evaluation & Learning Standards

Gender Equality Investment-Level Strategy Development Good Practice Note

Ethical research and evaluation

Gender Equality in Monitoring and Evaluation Good Practice Note

CHAPTER 7 IMPLEMENTATION: AGREEMENT MANAGEMENT

Key messages

'Agreement management' means the processes used to manage both procurement contracts and contributions (grant-like arrangements).

Effective agreement management is essential for mitigating risk and making sure the intended outcomes and value for money are achieved.

Investment managers seeking to program additional funds through an existing agreement **must** consult with *aid.contracts@dfat.gov.au* to see if this is possible.

Mandatory requirements

Agreements (including amendments to agreements) worth over $10,000 must be entered into AidWorks within 14 days of the agreement start date. This is to enable public reporting through AusTender within the required time frame.

Agreement managers must conduct a Partner Performance Assessment (PPA) annually on contractors, NGOs and multilateral organisations for agreements valued over $3 million.

7.1 WHAT IS AGREEMENT MANAGEMENT?

Agreement management comprises all the activities (including corrective actions) that are undertaken after the signing of the agreement (whether a contract or a contribution (grant-like arrangement) 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, and that effective communication is maintained between the parties.

7.2 AGREEMENT MANAGERS AND THEIR RESPONSIBILITIES

Agreement managers are generally investment managers, although there may be multiple agreement managers for one investment. They 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
- stakeholders are well informed

- incidents, such as fraud and corruption, are reported to the relevant areas.

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. The other agreement managers should clearly understand – and have documented – their individual roles and responsibilities. In practice, the senior agreement manager would be documented in AidWorks as the Agreement Manager, with others listed as Team Members to the agreement.

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[1] may help with determining and documenting roles and responsibilities.

Program managers should ensure that new agreement managers complete the relevant training before granting them editor access to the agreement in AidWorks.

[1] RACI stands for 'responsible, accountable, consulted, and informed'. A RACI matrix identifies the key positions/stakeholders involved in a particular task (or group of tasks) and the relationship each position/stakeholder has with the task.

7.3 PHASES OF AGREEMENT MANAGEMENT

When the agreement is being planned and the partner engaged (see Chapter 5), it is important to consider how the agreement will be managed. A well-defined contract or contribution (grant-like arrangement) with clear outcomes and expectations will result in an agreement that is easier to manage. To help with planning, DFAT defines three distinct phases of agreement management (Figure 11).

Figure 11: 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 contribution (grant-like arrangement) management plan)
- Conduct start-up meeting

Phase 2
Agreement performance

- Manage relationships (delivery partner and stakeholders)
- Establish and manage effective monitoring and evaluation system (ensure monitoring, evaluation & learning (MEL) plan is in place within the first 3 to 6 months, and MEL system and baseline within the first 12 months)
- Manage agreement risks
- Manage complaints, disagreements and disputes
- Monitor delivery of milestones (operation manuals, MEL 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 and pay close attention to the following practical considerations.

Agreement 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.

Part of the agreement manager's role is to deal promptly and effectively with any risks that arise during the life of the agreement. This includes social, financial, legal, reputational and implementation risks, such as **child protection**, **sexual exploitation, abuse and harassment, environmental and social safeguards, terrorism resourcing, fraud and corruption**. Incidents arising during the agreement must be reported to the relevant area. 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) they may have 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 payments and financial phases, all necessary approvals, and any relevant attachments. The information in AidWorks must match the details of the agreement.

The AidWorks calendar is a useful tool for agreement management. The agreement manager can enter key dates such as milestones, deliverables and tranche payments into the calendar and set it to provide reminders in advance of these 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 depend on the complexity of the agreement and will also change over the life of the agreement.

7.4.1 Agreement governance

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. Governance arrangements are listed in the investment's design and must be reflected in the contract or contribution agreement.

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

The governance arrangements for an agreement should be documented by the agreement manager in a contract management plan.

7.4.2 Performance management

Agreement managers must fully understand the agreement deliverables and make sure the delivery partner has the same understanding of these expectations. They should:

- monitor the deliverables for timeliness, quality and cost
- determine whether performance is meeting expectations
- take prompt action to correct any underperformance or variation from agreed expectations
- report incidents, such as fraud or corruption, to the relevant risk area.

Agreement managers need to be mindful that both parties have rights and obligations under an agreement, and that sometimes 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 manager must amend the agreement in writing, using the process set out in the agreement. This will avoid any misunderstanding leading to future legal or performance issues.

Reporting incidents, such as fraud or corruption, to the relevant risk area does not relieve agreement managers of their obligations to manage agreements. Agreement managers must ensure the program is compliant with legislative requirements and may still have to arrange activities such as audits, investigations, fund recovery and control improvements in dealing with an incident.

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. an individual to advise on complex program deliverables).

7.4.3 Relationship management

Relationships with partners and stakeholders should be professional and collaborative and involve regular communication. The cultures of the partners 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 if multiple people are 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 can be done through the contract terms or kept separate (e.g. as an informal attachment to the agreement management plan) so that it can evolve over the life of the agreement.

If there is a problem such as poor request response times or a misunderstanding about obligations, the agreement manager will need to consider ways to raise it with the partner and work with them to resolve it. Having a professional and courteous relationship will help mitigate such issues. If the agreement manager cannot resolve the issue, they should take it to their supervisor for advice. If this fails, they should raise it with Development Procurements, Agreements and Systems Branch (contact *aid.contracts@dfat.gov.au*).

7.4.4 Agreement administration

The agreement manager is responsible for administering the agreement efficiently.

Effective administration underpins all other aspects of agreement management. Poor administration can have serious impacts on program delivery, outcomes, scheduling and budgets.

Administrative activities include:

- validating and processing invoices after checking supporting documentation
- attending progress and decision-making meetings
- conducting performance reviews, spot checks and routine audits
- maintaining agreement documentation
- maintaining the agreement management plan (if there is one)
- monitoring key dates and objectives
- filing records in accordance with legislative requirements
- ensuring there is an adequate audit trail to meet transparency requirements.

These tasks are critical to DFAT meeting its obligations both under the agreement itself and under legislation.

An important area of agreement administration is managing and reviewing processes for the delivery, acceptance and payment of goods or services. Contract managers are expected to have managed disputes prior to authorising payment of invoices. See the 'Financial management' box below for details.

In practice: Financial management

Agreement-level financial information must be kept up to date. It is reported to the Departmental Executive and the Development Program Committee 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 as evidenced through supply of supporting documentation, and accepted by DFAT including completion of Certifying Officer training
- verifying that the invoice and supporting documentation are correct and in accordance with the agreement
- having payments authorised by an AidWorks Payment Certifying Officer (ACO)
- 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.

The agreement manager as the invoice reviewer must have sufficient evidence to support the invoice prior to ACO certification, particularly evidencing discretionary or reimbursable expenditure claimed by a supplier. This must include evidence to support any reimbursable amounts in the invoice such as actual receipts (to support the expenditure paid by a contractor/vendor) and the alignment of claimed fees with the contract.

7.5 PERFORMANCE ASSESSMENTS

7.5.1 Partner Performance Assessments

Active performance management and assessment ensures that partners are delivering the goods/services required by the agreement. Partner performance assessments (PPAs) are a key tool for managing agreement-level performance.

PPAs are mandatory for commercial suppliers, NGOs and multilateral organisations with agreements valued at $3 million or more.[2] 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 Development Effectiveness and Enabling Division.

PPAs are prepared in AidWorks using a system-generated template. Each template includes summary information specific to the assessment subject.

The PPA assesses performance against five criteria. One additional criterion could be added if it was mutually agreed by the parties in advance.

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

PPAs must be approved by the agreement manager and a relevant EL 2 and uploaded in AidWorks by the due date. They do not need to be moderated (see Section 6.4.1). We must give delivery partners 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 contribution (grant-like arrangement) evaluations.

All PPAs are stored in AidWorks. PPAs can be accessed by running an AidWorks PQ02 report. Filters in the PQ02 report allow users to enter partner details and obtain previously submitted PPAs. DFAT partners can access reference copies of the PPA template and the PPA ratings matrix on the DFAT website.

For more information, contact *supplier.engagement@dfat.gov.au*.

7.5.2 Adviser (Individual) Performance Assessments

Adviser (Individual) Performance Assessments (APAs) assess how well individual advisers are delivering the services required under agreements. They assess the adviser's performance against up to six criteria over a 12-month period. This helps to improve the contributions of advisers at the activity level.

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 their performance is unsatisfactory (or worse). This helps to ensure that value for money is being achieved.

Contractors are responsible for APAs for advisers/personnel on their books. DFAT agreement managers are responsible for APAs for individual advisers hired directly by DFAT. Each adviser must be assessed on completion of the contract or annually (such as on the anniversary of the start date) for agreements longer than one year. Performance discussions should be held at least twice a year; the APA can be part of this process.

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 an overall rating of three or lower must also be sent, along with written adviser responses, to *supplier.engagement@dfat.gov.au*.

[2] PPAs are not required for partner governments that are also implementing partners or for core contributions to multilateral organisations.

Information 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 contribution (grant-like arrangement) evaluations.

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

7.6 AMENDING 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 that affect the project's 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 diverge 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 Development Procurement, Agreements and Systems Branch (DVB) 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 reviews and approvals. Agreement managers need to be aware that the requirements for review and approval of an amendment depend on the total value and term of the amended agreement, not just the value and term of the amendment.

Note that:

- Procurement contracts cannot be extended beyond their originally approved total potential duration, including option periods
- The delegate may extend contribution arrangements after considering risk-based advice from DVB
- The Secretary's approval must be sought for any arrangement longer than 10 years
- An agreement that has ended cannot be extended. This applies to all agreements.

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.

DFAT's Quick Guide to Amendments provides detailed guidance and a checklist to help agreement managers prepare amendments. Potential pitfalls

Beware of these common pitfalls in agreement management:

- Not reading the agreement carefully and becoming familiar with all aspects of it.
- Not fully understanding (or failing to make sure the other party understands) the agreed implementation arrangements.
- Not monitoring the agreement carefully enough.
- Accepting poor-quality or delayed delivery of milestones/deliverables.
- Avoiding challenging conversations or decisions – for example, in relation to performance issues or negotiating an amendment.
- Not planning or preparing enough for an amendment/extension to the agreement.

- Not developing constructive working relationships with partners and stakeholders.
- Providing poor financial management/oversight.
- Being unclear about governance and hierarchy when dealing with consortium arrangements (multiple contracted parties).

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

AidWorks

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

The AidWorks Payment Certifying Officer (ACO) must have sufficient evidence in the form of supporting documentation to support an invoice prior to certifying the invoice in AidWorks. Supporting documentation must include evidence to support any reimbursable amounts in the invoice such as actual receipts (to support expenditure paid by a contractor/vendor) and the alignment of claimed fees with the contract. Contract managers are expected to have managed disputes prior to authorising payment of invoices.

Key resources

Guidance

Australian Government Contract Management Guide

Tools and templates

Partner Performance Assessment template

Partner Performance Assessment Ratings Matrix

APA template

APA Note

CHAPTER 8 DEVELOPMENT 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.

Development risk is managed at the investment level.

Mandatory requirements

For every investment, investment managers must screen for mandatory policy considerations (including environmental and social safeguards risks and impacts, terrorism resourcing and fraud and corruption 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).

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

Social and environmental safeguards

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, this plan must meet at least the minimum standards outlined in the relevant policy.

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 Minister for the Environment and Water (Department of Climate Change, Energy, the Environment and Water). All allegations and suspicions of SEAH or child abuse or exploitation must be reported to DFAT immediately.

Terrorism resourcing: risk assessment

Before entering a funding arrangement, DFAT officers should assess the risk that DFAT funds could be diverted to support terrorism. This includes making sure the potential partner (and any downstream partners) are not listed on Australia's List of Terrorist Organisations or Australia's Consolidated List of persons and entities subject to targeted financial sanctions.

If there is a high or very high terrorism resourcing risk, we must conduct a more intensive due diligence check of the delivery partner, and implement greater controls and treatments during the life of the investment.

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

Due diligence

Due diligence assessments of delivery partners must be completed before entering into a funding arrangement, except for partners that are excluded from the due diligence process (in accordance with the Due Diligence Framework). Section 23 Minutes must address whether an assessment has been completed, the findings and management of risks arising.

Partner government systems

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.

Fraud and corruption

Agreements with delivery partners must include mandatory fraud and corruption clauses.

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

Instances of alleged, suspected, attempted or detected fraud or corruption must be reported immediately. Appropriate follow-up actions must be taken. This includes recovery of losses, reporting to local authorities, disciplinary action and addressing any fraud and/or corruption 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 us apply better practice principles and fulfil the intent of the *Public Governance Performance and Accountability Act 2013* (PGPA Act) and the related Commonwealth Risk Management Policy. A consistent approach at the investment level facilitates proper risk analysis at the program level.

- **Transparent**: We follow documented processes that are open to scrutiny and so facilitate transparency in decision-making. 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 end-of-investment outcomes – **what** is achieved and **how** these outcomes are achieved.
- **Dynamic**: Risks can emerge, change or disappear as the external and internal context of the investment changes. Risk management helps us detect these changes and respond to them in a timely manner. This includes identifying risks and managing them before they eventuate.
- **Evidence based**: Risk management relies on historical and current information, including data, to inform future expectations – for example, the likelihood of a type of risk event occurring. Therefore we need to make sure that any information we put into our risk management processes is based on sound evidence.
- **Mature:** Risk management is continually improved by learning from experience – both successes and failures. This enables an organisation to continually adjust in response 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 leaders oversee program/portfolio risks and are responsible for maintaining a proactive risk culture in their teams.

8.3 DFAT'S DEVELOPMENT RISK MANAGEMENT PROCESSES

Development risk is managed at investment levels.

Investment-level risk management occurs throughout the investment cycle. When initiating a new investment, officers must screen for mandatory policy considerations (potential environmental and social safeguards risks and impacts, counter-terrorism resourcing, fraud and corruption 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. Risks and supporting management practices are reported on through annual Investment Monitoring Reports.

Table 3 Investment cycle and risk management shows key risk management actions in relation to the main steps in the investment cycle. Section 8.4 below details specific requirements for specialist risk policies.

Table 3: Investment cycle and risk management

Phase	Key risk management action taken by investment manager	Related actions
1. Planning	• Complete Risk Factors Screening Tool (in AidWorks) • Complete risk register to Inherent risk rating (in AidWorks), noting that not all risk factors might be apparent during planning	• 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 • Approver for Written Approval to Commence minute must be the financial delegate or relevant SES/HOM budget owner • Investment risk profile helps determine the design approval pathway (see Section 4.2)
2. Concept	• Update Risk Factors Screening Tool • Update risk register to Inherent risk rating, noting additional factors that emerge	• Concept Note (if required) is approved by the delegate • The updated Risk Factors Screening Tool identifies any further risk assessment required by specialised risk policies (see Section 8.4)
3. Design	• Update Risk Factors Screening Tool • Complete risk register entirely to reflect increased investment detail	• Investment manager ensures completion of any required detailed risk assessment during the design process (see Section 8.4) • Investment Design Document/Investment Design Summary (if required) is approved by the delegate
4. Engage partner	• Incorporate implementing partner risks into the risk register	• Investment manager completes any required due diligence (partner government assessment may occur during design – See Section 8.4.7)
5. Implementation	• Update risk register at least every three (3) months • Update Risk Factors Screening Tool at least every three (3) months • Escalate individual risks in line with Development Risk Management: Policy and Practice Notes	• 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 and management arrangements (including social and environmental safeguards)
6. Completion	• Close any risks that are no longer relevant • Identify any lessons learned for future investments	• Final Investment Monitoring Report includes relevant material on investment risks (including social and environmental safeguards)

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.

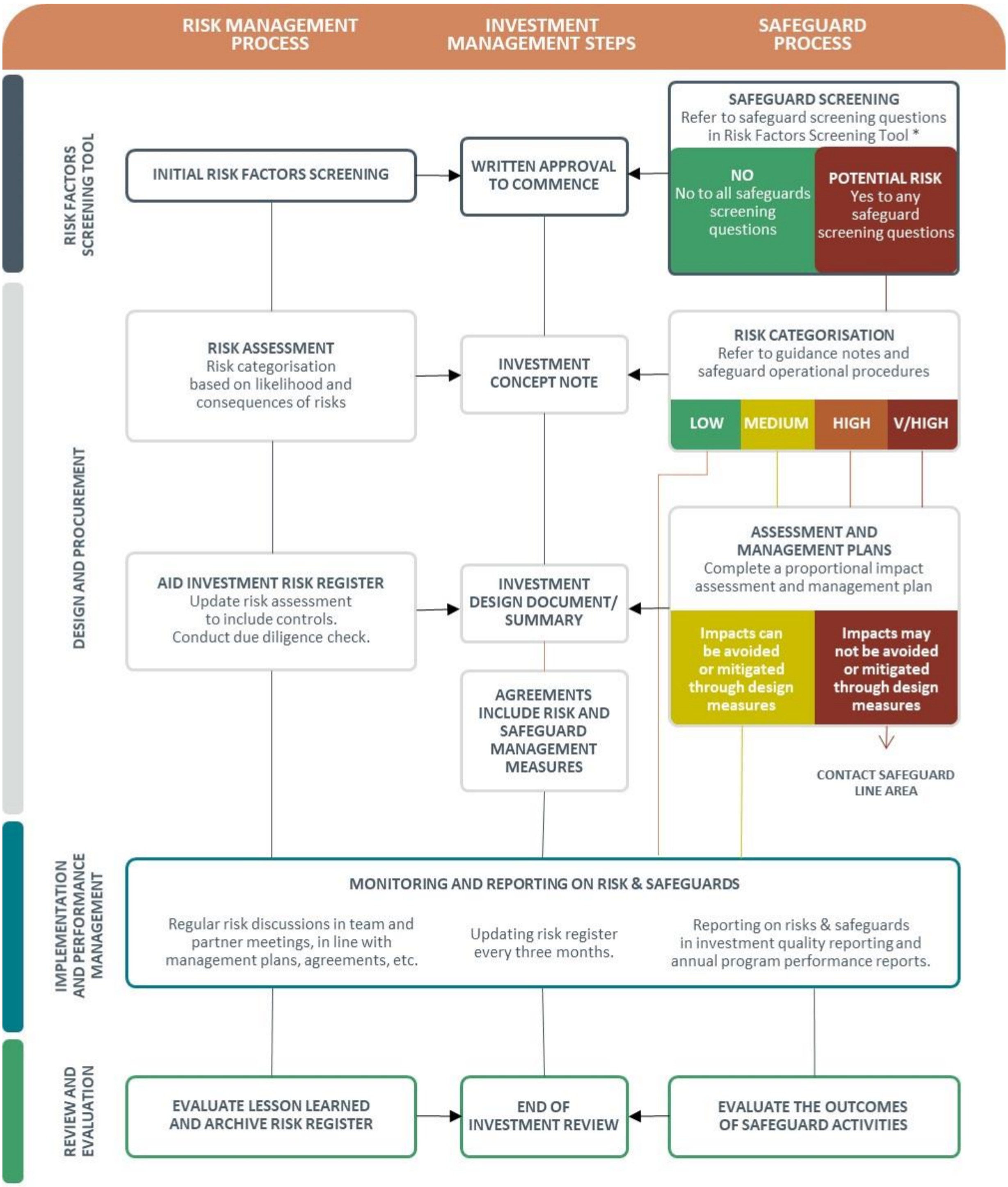
Figure 12: Risk management and mandatory safeguard processes details the mandatory risk and safeguard processes that programs must undertake when implementing a development investment.

If the completed Risk Factors Screening Tool indicates that there may be an environmental or social impact, the investment manager must ensure that the level of risk is assessed and rated (up to Inherent risk rating). If a negative environmental or social impact is likely, an environmental and social impact assessment must be completed. Impacts identified in this assessment must be managed through a management plan and must be monitored and reported as part of the investment implementation process.

Agreements with delivery partners must include provisions to manage safeguards in accordance with the Environmental and Social 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 12: Risk management and mandatory safeguard processes



* 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

Risks to children must be considered in the design and implementation phases of development investments. Child exploitation and abuse can have a serious and lasting impact on children and their families. At its core, it undermines a child's right to grow up safely. It also poses a high reputational risk to DFAT, our 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 the associated risks are not always apparent without a robust assessment. DFAT's Child Protection Guidance Note provides guidance on assessing 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, proportionate to 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. The Child Protection Policy reflects our obligations under the United Nations Convention on the Rights of the Child, the Commonwealth Child Safe Framework, and under Australian law 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 wherever gender inequality exists. 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.

Officers should consult the PSEAH Risk Guidance Note for advice on identifying and assessing SEAH risk. The guidance note prompts decision-makers to consider the contexts that magnify vulnerabilities and increase the likelihood of SEAH incidents. It outlines factors that exacerbate the risk of SEAH and examines the reputational and organisational risks that SEAH poses for DFAT.

Officers are encouraged to consult guidance on the intranet relating to DFAT PSEAH requirements. Implementing partners can access 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 and corruption control

DFAT has zero tolerance of inaction on alleged, suspected, attempted, or detected fraud or corruption. We take all allegations of fraud and corruption seriously and handle all allegations in a confidential, prompt, and professional manner. All potential instances of fraud or corruption must be reported without delay – within five business days if the possible fraud or corruption is by funding recipients and two days if it is by DFAT staff. DFAT will assess and, where appropriate, investigate allegations of fraud or corruption to determine the nature and extent of it. If DFAT establishes that fraud or corruption 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.

When DFAT 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 the Legal Division, as this could be an extraterritorial offence.

Types of fraud and corruption

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 fraud are misappropriating funds; altering documents; falsifying signatures; misusing Australian Government assets; providing false information to the Australian Government; disclosing confidential information without authorisation; theft of development program funds or assets; and bias, cronyism, and nepotism.

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

The *National Anti-Corruption Commission Act 2022* (NACC Act) defines corruption as conduct by any person if:

- they are a public official, and they breach public trust
- they are a public official, and they breach public trust
- they are a public official or former public official, and they misuse information they have gained in their capacity as a public official
- they do something that could cause a public official to behave dishonestly or in a biased way when they carry out their official duties – any person can engage in this type of corrupt conduct, even if they are not a public official themselves.

Corruption may be criminal or non-criminal in nature and may affect any aspect of public administration. For example, most people who work for, exercise the powers of, or perform functions of the Australian Government of the Australian Parliament are likely to be public officials. This includes contractor and sub-contractor who are responsible for delivering goods or services to DFAT.

Corruption does not need to involve a benefit, for example a person misusing their position to deny people access to a service.

Kickbacks are a form of corrupt conduct and may constitute a criminal office, including bribery. Australian-based organisations may be liable for foreign bribery or failure to prevent foreign bribery. Where there is an apparent risk of kickbacks being paid by funding recipients or their subcontractors using DFAT funds, the agreement must not go ahead, or funding must cease if an agreement is already in place.

Prevention and detection strategies

The best way to prevent and detect fraud and corruption is to:

- design programs and policies to consider and minimise fraud and corruption risks
- conduct detailed planning before implementation
- implement fraud and corruption mitigation and detection measures
- regularly review and adapt policies, practices, and programs to ensure effective prevention mechanisms are in place.

Fraud and corruption risk prevention and detection strategies must be considered throughout the program management cycle, in line with section 10 of the PGPA Rule 2014. All programs and investments must comply with DFAT's Fraud and Corruption Policy Statement and internal Fraud and Corruption Control Framework.

The Fraud and Corruption Control Framework and Fraud Control Plan list high-level fraud and corruption risks and strategies for mitigating them. They identify key fraud and corruption risks based on the type of delivery partner. DFAT officers must consult the plan and framework when:

- designing development investments
- reviewing fraud and corruption risks in a country or regional development program

- developing Development Partnership Plans.

Program or investment level fraud and corruption control strategies or plans must be consistent with the Commonwealth Fraud and Corruption Control Framework. Further guidance on fraud and corruption control plans and strategies can be found on the Attorney-General's Department's website.

Reporting and responding to fraud and corruption

DFAT may refer a fraud or corruption allegation to law enforcement authorities. It will seek to recover any misappropriated funds or assets and may seek to prosecute offenders or impose administrative penalties.

When a control weakness is identified, we must put mitigation measures into place. This may include changes to processes and policies.

All agreements with delivery partners must contain the mandatory fraud and corruption clauses. Program managers must be familiar with these clauses and particularly with delivery partners' obligations relating to fraud and corruption.

For more information, email the Counter Fraud and Anti-Corruption Section at fraud.corruption@dfat.gov.au.

National Anti-Corruption Commission (NACC)

The Secretary must refer any incidences of corruption to the NACC where the conduct concerns a person who is, or was, a staff member and where it is suspected the issue could involve 'serious or systemic' corruption. Funding recipients and their subcontractors can be considered to be DFAT staff for the purposes of the NACC Act and fall under NACC jurisdiction. DFAT staff (including funding recipients and sub-contractors) must report any suspected cases of corruption to the relevant internal area of the department. Matters must be reported when funding recipients become aware of them as opposed to after they have been investigated.

DFAT funding recipients will need to ensure they have appropriate corruption control mechanisms in place, and that relevant staff are being informed and receiving appropriate guidance in relation to the NACC.

In practice: Fraud and corruption reporting

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

- reporting to the Counter and Anti-Corruption Fraud Section (FCS) if the matter involves external fraud and corruption against the department (excluding passport fraud)
- reporting to the Ethics, Integrity, and Professional Standards Section (EES) if the matter involves internal fraud and corruption (against DFAT) by DFAT officers. This can include fraud or corruption committed jointly between DFAT officers and an external party. If the

fraud or corruption 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.

The cost of fraud and corruption audits, investigation, recovery, and other response activities comes from the program. Resourcing for preventing, detecting, and resolving fraud and corruption must be factored into the investment design.

Reporting a matter to the relevant line area above does not end an agreement manager's responsibility to manage the agreement. Agreement managers may still have to undertake additional activity including arranging audits, investigation, fund recovery and control improvements to ensure DFAT is compliant with relevant legislative requirements.

8.4.5 Due diligence

Due diligence assessments are risk assessments of our delivery partners. They are mandatory for any DFAT administered development funding, of any amount, except for partners that are excluded from the due diligence process (see the list below). These assessments are conducted by DFAT staff and stored online in the EDRMS. Approver signed copies of due diligence assessments should be sent to *due.diligence@dfat.gov.au* for inclusion on the Due Diligence Register.

The Due Diligence Framework and associated guidance sets out how to identify and assess the risks of using a particular partner before entering into an agreement. It includes step-by-step tools and guidance to help DFAT officers undertake the appropriate level of due diligence.

The Approval to Commit and Enter into an Arrangement Minute must include the following details for the delegate's consideration:

- a copy of the final due diligence assessment report;
- details of findings and any identified risks; and
- any proposed treatments and monitoring options.

Due diligence assessments are valid for up to three years unless there is a significant change in the partner's circumstances. The Due Diligence Register lists all completed assessments. Before conducting a new assessment, check the register to see if there is a current one.

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. They are not required for the following organisation types:

- **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 for a partner government is done through an assessment of national systems (ANS) and a sector-level assessment of public financial management and procurement systems (see Section 8.4.6).
- **Australian Government agencies:** These partner agencies meet due diligence requirements because they operate under the PGPA Act or the Commonwealth Authorities and Companies Act 1997.
- **Australian Government educational institutions**: Universities and technical colleges operating in Australia meet due diligence requirements because they operate under Commonwealth and state government supervision, oversight, policies and standards.
- **Other bilateral donors**: Due diligence is part of the process of developing a delegated cooperation agreement with these types of donors.

8.4.6 Terrorism resourcing risk

Before entering an arrangement or renewing an arrangement, DFAT officers should assess the risk that DFAT funds could be diverted to support terrorism.

Where terrorism resourcing risks are greater (for example in places where terrorist organisations are known to operate), officers need to undertake more due diligence and apply stronger precautions to control and manage the risks.

At a minimum, all funding partners and downstream partners, should be checked against Australia's proscribed lists. In general, DFAT screens the funding partner, and the funding partner should screen any downstream partners against Australia's proscribed lists. This involves verifying that funding partners and downstream partners are not on:

- Australia's List of Terrorist Organisations, or
- Australia's Consolidated List of persons and entities subject to targeted financial sanctions.

If a potential funding or downstream partner appears on either list, it should not be funded.

For support, or to report any suspected or actual acts of terrorism resourcing, email counter-terrorism.resourcing@dfat.gov.au.

8.4.7 Partner government systems assessments

Australia's *International Development Policy* states that Australia will take risk-informed opportunities to provide direct financing to partner governments to support them in achieving their economic and social development aspirations.

When a development investment may involve direct financing to a partner government, an analysis of the risks and benefits of using the partner government's public financial management and procurement systems is required. This analysis is done through a two-tier assessment process: an assessment of the country's national systems (ANS); and a detailed, sector-level assessment of its public financial management and procurement. Development Risk Management Section (DRM) supports the completion of these assessments and quality assures assessment reports prepared by external contractors. The broader investment design process is used to weigh the risks and benefits identified.

Risks associated with using partner government systems must be actively managed during investment implementation. This includes regularly reviewing and updating the national and sector-level assessments.

Assessment of national systems

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 risks of using them. The completed ANS report must be submitted to the relevant Assistant Secretary for endorsement, accompanied by a completed endorsement minute.

Generally, updates to the ANS should be completed every three years during the implementation stage of the investment. The program area may be able to delay an update beyond the three-year mark by consulting with DRM. There must be genuine reasons for delay, delays must be consistent with the level of risk, and Posts must monitor the delay closely. The program area must be able to demonstrate that they are actively monitoring and managing risks identified in the ANS.

Sector-level assessments of public financial management and procurement

If the ANS report 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 partner government organisations that will be responsible for managing Australian funds.

Sector-level assessments of public financial management need to be updated every three years, unless the program area can show DRM that it is monitoring the risks and mitigation measures regularly and has a credible mechanism for identifying emerging risks that can replace the formal three-yearly update.

Exceptions

We do not need to conduct ANS and sector-level assessments of public financial management 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. DRM can help with evaluating these assessments.

More information

For more information on preparing, implementing and monitoring investments that provide direct financing to a partner government, see the Practice Note: Assessing and Using Partner Government Systems for Public Financial Management and Procurement.

For advice on required assessments of partner government systems and the scope and timing of assessments, contact *Partner.Systems@dfat.gov.au*.

8.5 POTENTIAL PITFALLS

Beware of these common mistakes in risk management:

- **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 own and manage DFAT's risk.
- **Not resourcing integrity activity** such as fraud and corruption audits and investigations.
- **Not regularly reviewing risks** to make sure they are up to date and reviewing controls to check that they are still effective and treatments are being implemented.
- Having a **disproportionate or unrealistic view of the controls** that can be implemented with the resources available.
- **Adding risk management retrospectively** rather than considering it during program planning and development as a core integrated element.
- **Not doing enough (or any) due diligence** exposing DFAT to the risk that we engage a partner unable to implement an investment properly or comply with DFAT's policy requirements.

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.corruption@dfat.gov.au*
- *seah.reports@dfat.gov.au*
- *childprotection@dfat.gov.au*.

AidWorks

Investment managers 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. If either of these meets or exceeds the classification of Protected, it must be saved in EDRMS only and a note must be made in AidWorks of the EDRMS file reference.

Investment managers must complete the mandatory fields in AidWorks relating to safeguards and Australian Government priorities.

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

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

Key resources

Policies

Environmental and Social Safeguard Policy

Fraud Strategy Statement

Preventing Sexual Exploitation, Abuse and Harassment Policy

Child Protection Policy

Tools and templates

Risk Factors Screening Tool (including risk register)