



Australian Government

Department of Foreign Affairs and Trade

AID PROGRAMMING GUIDE

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ABOUT THE AID PROGRAMMING GUIDE

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

The guide can be read in full, or readers may choose to focus on individual chapters. Contact details for responsible areas are provided in each relevant chapter and on the intranet. Training is available for key topics including agreement management, investment design, monitoring and evaluation, sectoral and thematic issues, fraud, risks and safeguards, and AidWorks.

WHAT THE GUIDE COVERS

Chapter 1

Background and context

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

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

Chapter 2

Australia's development policy and performance framework

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

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

Chapter 3

Development program management and performance reporting

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

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

Chapter 4

Investment design

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

This chapter is for officers involved in designing investments or approving investment designs.

Chapter 5

Engaging partners: procurements and grants

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

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

Chapter 6

Implementation: investment management, evaluation and quality reporting

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

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

Chapter 7

Implementation: agreement management

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

This chapter is for delegates and officers who have responsibilities for managing agreements.

Chapter 8

Development program risk management

- Managing risk in the development program, including due diligence, and DFAT requirements for fraud control, and using partner government systems to deliver development assistance funding.
- Meeting safeguard obligations on environmental protection, children, vulnerable and disadvantaged groups, preventing sexual exploitation, abuse and harassment, displacement and resettlement, indigenous peoples, and health and safety.

This chapter is important for officers at all levels who have development program management responsibilities.

FEATURES OF THE GUIDE

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



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

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

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

1.1 OVERVIEW AND PURPOSE OF THE APG

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

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

1.2 LEGISLATIVE BASIS FOR THE DEVELOPMENT PROGRAM

The development program operates in accordance with Australian law, including legislation that has 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); *Commonwealth Procurement Rules*; and *Commonwealth Grants Rules and Guidelines*—require appropriate use of public money. Investments may be subject to internal audit and to Australian National Audit Office (ANAO) review.

Value for money is a key consideration in decision-making for all aspects of the development program. DFAT's Value for Money Principles (Figure 1) seek to ensure 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.

One of the Government’s commitments—outlined in *Partnerships for Recovery: Australia’s COVID-19 Development Response*—is to ensure high standards of transparency. This involves publishing comprehensive, accessible, and timely information about the development program.



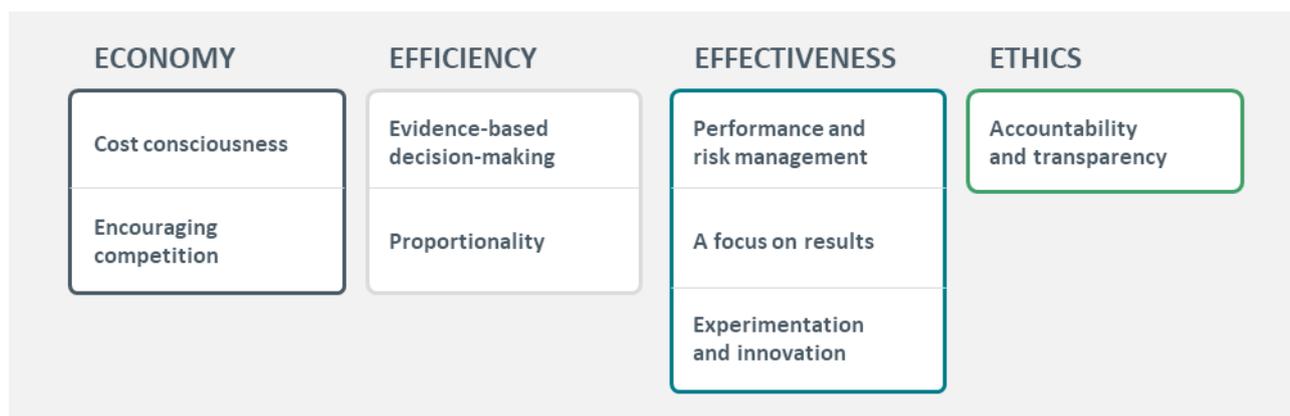
In practice: Transparency

DFAT’s public [Transparency Statement](#) sets out Australia’s commitment to high standards of transparency in reporting on the international development program.

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

Figure 1: Value for Money Principles



1.2.2 Environmental and social safeguards

DFAT must consider 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 and environmental and social safeguards.

Under section 16 of the PGPA Act, the Secretary is responsible for establishing a system of risk and control for the department, including fraud control. Under section 10 of the PGPA Rule, the Secretary must take all reasonable measures to prevent, detect and correct fraud. The DFAT Fraud Control Plan and Secretary’s instructions 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 laws, including the *Criminal Code Act 1995* and the *Charter of the United Nations Act 1945*, prohibit terrorism resourcing and the provision of assets to a sanctioned (prohibited) entity. DFAT has a series of legal obligations to ensure it does not provide resources, directly or indirectly, to prohibited entities. This includes ensuring that any investments, including those administered through delivery partners, do not provide resources to a prohibited entity.

1.3 FINANCIAL DELEGATIONS

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

Delegations are determined and approved by the DFAT Secretary.

1.4 DFAT'S GOVERNANCE ARRANGEMENTS FOR THE DEVELOPMENT PROGRAM

The Departmental Executive and departmental committees oversee the strategic direction and quality of Australia's development program. Executive and committee members are senior managers from across DFAT.

1.4.1 Departmental Executive

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

The Secretary chairs the Executive Committee, and the Associate Secretary and all Deputy Secretaries are members. The Executive Committee meets fortnightly, and is supported by five subcommittees:

- Trade and Investment Subcommittee
- Operations Subcommittee
- Strategic Policy Subcommittee
- Implementation Subcommittee
- Aid Governance Board

1.4.2 Aid Governance Board

The Aid Governance Board (AGB) oversees and governs the overall development program. It supports the Secretary, the Executive Committee, and PGPA Act delegates to exercise their decision-making authority under the development program.

The AGB:

- advises the Strategic Policy Subcommittee on development program priorities, budget, policy and strategies
- reviews development program risks and performance, and reports to the Executive Committee
- advises PGPA Act delegates on investment concepts and designs.

The AGB is chaired by a Deputy Secretary. The AGB Secretariat is 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.

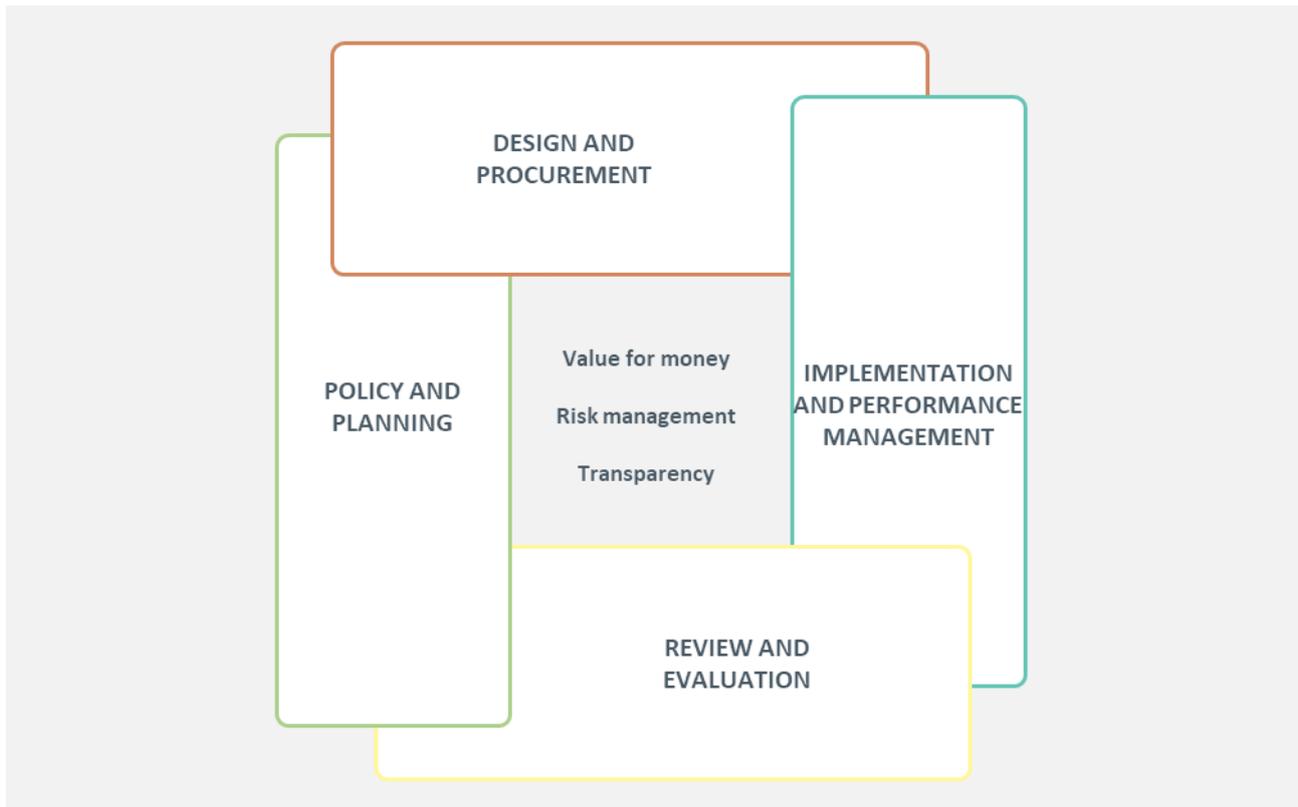
Divisions and Posts must establish processes and contact points to review data accuracy in AidWorks regularly and ensure that the data in AidWorks is accurate and up-to-date. Divisions and Posts should run the AidWorks Data Quality reports (DQ01 and DQ02) at the beginning of each month and rectify issues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

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

1.6 THE DEVELOPMENT PROGRAM MANAGEMENT CYCLE

DFAT uses a standard program management cycle 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.

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 and analysis. 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.

Information in AidWorks provides the basis for reporting to the Departmental Executive, the Australian Government, the Australian public, and the Development Assistance Committee of the Organisation for Economic Co-operation and Development (OECD-DAC). It must be accurate and up to date at all times.

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 Aid 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 grants)
- 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.

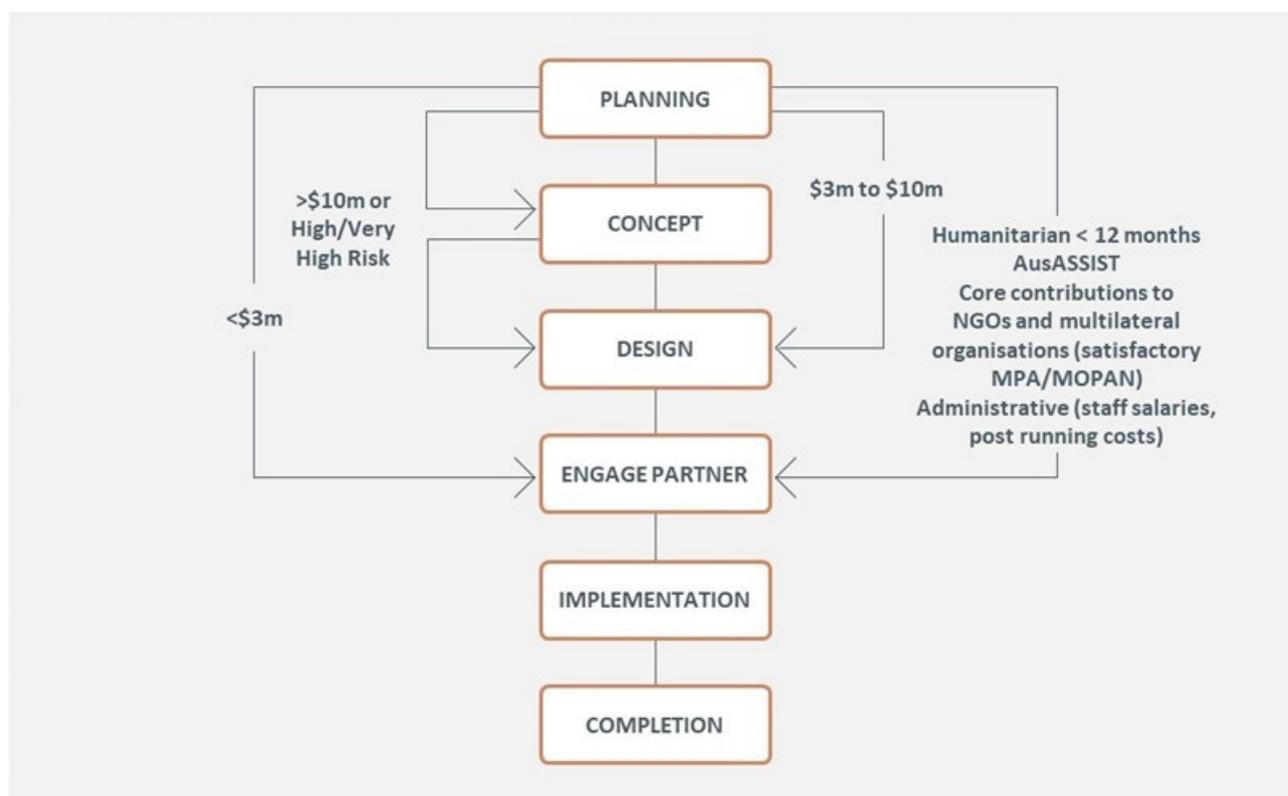
AidWorks includes investment-level Risk Factors Screening Tools and risk registers. These integrated tools support management oversight and decision making throughout the investment cycle and facilitate better data analysis and more robust reporting on risks across the development program.

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 annual Australian ODA Statistical Summary
- 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 the Australian public, NGOs and academics, international organisations such as the OECD-DAC, and other bodies and initiatives such as the International Aid Transparency Initiative. Accurate reporting to these stakeholders depends fundamentally on the quality of data in AidWorks.

1.7.4 How to get help with using AidWorks

Most geographic divisions have a central coordination unit that can provide AidWorks support. 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. The Global Support Centre provides support relating to user access.



AidWorks

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

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

1.8 PUBLIC DIPLOMACY AND THE DEVELOPMENT PROGRAM

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

For details of key contacts, see the [contacts list](#).



Key resources

Policies

[Development Evaluation Policy](#)

CHAPTER 2 AUSTRALIA'S DEVELOPMENT POLICY AND PERFORMANCE FRAMEWORK



Key messages

Partnerships for Recovery: Australia's COVID-19 Development Response is the key policy document for Australia's development efforts. These efforts focus on health security, stability and economic recovery, and protecting the most vulnerable, especially women and girls.

COVID-19 Development Response Plans 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 *Annual Development Evaluation Plan* outlines the evaluations that program areas will conduct.

The government has commissioned DFAT to work on a new development policy and associated performance and delivery framework. These are expected to be finalised and rolled out in 2023.



Mandatory requirements

Investments must align with the development program's strategic framework, *Partnerships for Recovery: Australia's COVID-19 Development Response*.

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

2.1 AUSTRALIA'S DEVELOPMENT POLICY

Partnerships for Recovery: Australia's COVID-19 Development Response guides Australia's whole-of-government development response to COVID-19 and provides the overarching structure for all our development efforts. It encompasses Official Development Assistance (ODA); other elements of Australia's economic, diplomatic, trade, security and migration policies; and our advocacy in multilateral forums.

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

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

Figure 4 shows the program’s objective and its priority areas for investment.

Figure 4: Strategic framework for the development program

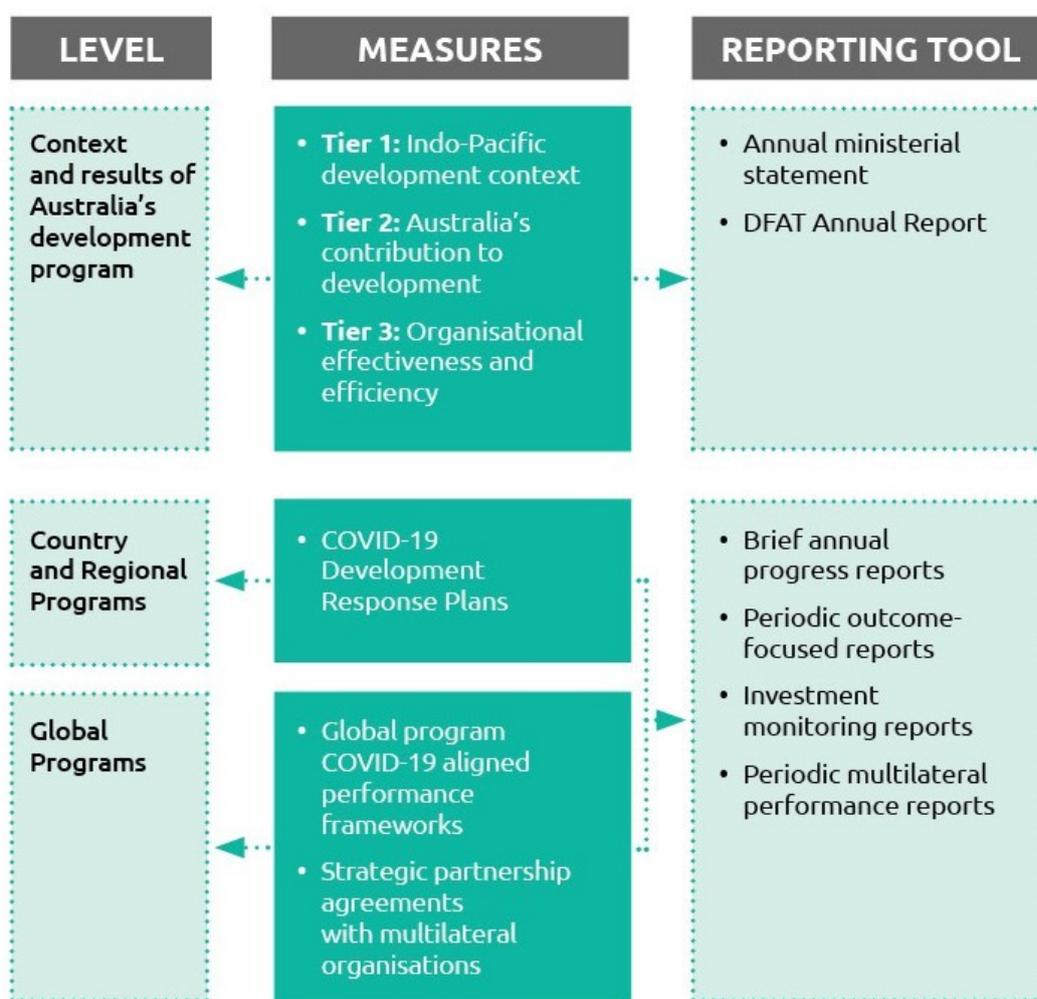


2.2 PERFORMANCE SYSTEM

The performance system that supports *Partnerships for Recovery* has three central elements (see Figure 5):

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

Figure 5: *Partnerships for Recovery* Performance System



2.2.1 Performance indicators

A three-tier framework measures our progress against the *Partnerships for Recovery* performance indicators (see Figure 6):

- **Tier 1: Indo-Pacific development context** – selected development outcomes critical for the region’s recovery from COVID-19, reflecting efforts by countries including Australia
- **Tier 2: Australia’s contribution to development** – results directly attributable to Australian efforts
- **Tier 3: Operational and organisational effectiveness** – selected measures of DFAT’s effectiveness in delivering Australia’s development program.

Figure 6: *Partnerships for Recovery* Performance Indicators

TIER 1	TIER 2	TIER 3
Indo-Pacific development context	Australia's contribution to development	Operational and organisational effectiveness
STABILITY	HEALTH SECURITY	<ul style="list-style-type: none"> • Planning • Effectiveness • Responsiveness • Gender equality and social inclusion • Transparency
<ul style="list-style-type: none"> • Fragility in the region • Political rights and civil liberties • Fiscal sustainability 	<ul style="list-style-type: none"> • Health systems and preparedness • Infectious disease outbreak response • Medical products • Immunisation • Sexual and reproductive health • Emergency assistance 	
PROSPERITY	STABILITY	
<ul style="list-style-type: none"> • Poverty in the region • Export volumes • Economic growth in the region • Education • Remittances • Tourism 	<ul style="list-style-type: none"> • Improved governance • Social protection measures • Violence against women • School enrolments • Food security 	
RESILIENCE	ECONOMIC RECOVERY	
<ul style="list-style-type: none"> • Pandemic spread • Health • Disaster risk reduction • Climate change adaptation • Violence against women 	<ul style="list-style-type: none"> • Economic policy support • Economic empowerment • Supply chain support • Budget support 	

2.2.2 *Partnerships for Recovery* progress reporting

Reporting on Australia's implementation of *Partnerships for Recovery* occurs through an annual ministerial statement. ODA-specific performance information is reported in the DFAT Annual Report. This reporting is based on the three-tier framework and draws from country, global and multilateral program assessments.

- Reporting on Tier 2 (Australia's contribution to development) is based on quantitative and narrative results, uploaded through a SmartyGrants portal, against 15 Tier 2 indicators (see Section 6.5).
- Reporting on Tier 3 (operational and organisational effectiveness) is based on various sources including investment performance reporting (see Section 6.4).

2.2.3 COVID-19 Development Response Plans

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

CRPs are structured according to the three priorities of *Partnerships for Recovery*: health security, stability, and economic recovery. They have an emphasis on protecting the most vulnerable, especially women and girls. Annual reporting is done through Country and Regional Progress Reports.

2.2.4 Global programs

We regularly assess our global programs and work with multilateral organisations to ensure they deliver against the *Partnerships for Recovery* 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 program areas (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 an [Annual Development Evaluation Plan](#) listing the evaluations to be conducted each year.. This is approved by the Secretary, shared with our ministers and published on the DFAT website. The Secretary receives a mid-year update on progress against the plan. At the end of the year the Secretary approves a final list of completed evaluations, which is shared with ministers and published on the DFAT website.

On occasion, program areas 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

Australia's development efforts focus on health security, stability and economic recovery. There are four policy priorities that must be considered for all investments:

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

For sector-specific programming guidance, see sections 2.41 to 2.45.



AidWorks

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

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.

2.4.1 Gender equality

The Australian Government has reinstated a target that 80 per cent of DFAT's development investments promote gender equality. Progress towards this target is supported by a new requirement that DFAT's development investments valued at \$3 million or above include a gender equality objective (outcome). This new gender equality outcome mandate will lead to the majority of DFAT aid 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).

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.

Support for integrating gender equality in design is available by contacting gender.equality@dfat.gov.au.

More detail is in DFAT's [Gender Equality and Women's Empowerment Strategy](#), [Gender Equality and Women's Empowerment in DFAT's Aid Program—Good Practice Note](#), [Gender Equality Investment-Level Strategy Development Good Practice Note](#) and [Health Security Initiative Guidance Note: Supporting Gender Equality through DFAT Health Security Investments](#).

2.4.2 Disability-inclusive development (Nothing about us, without us)

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 and beneficiaries on an equal basis with others.

Australia has ratified the United Nations Convention on the Rights of Persons with Disabilities, which requires international cooperation and humanitarian action to be inclusive of and accessible to people with disabilities. Our work strongly emphasises the need to protect the most vulnerable, including people with disabilities, especially within the humanitarian setting. This reaffirms the Foreign Policy White Paper commitment to disability inclusion, alongside gender equality, as a cross-cutting priority for Australia's international engagement.

Throughout the development management cycle - including in policy and planning - programs should engage with people with disabilities and their representative organisations to identify and address barriers to inclusion.

More detail is available in DFAT's [Development for All 2015–2021: Strategy for Strengthening Disability-Inclusive Development in Australia's Aid Program](#) and [Disability-Inclusive Development Guidance Note](#), and [Supporting disability inclusion through DFAT health security investments](#).

2.4.3 Building resilience: climate change action and disaster risk reduction

Climate change and disasters threaten development gains in the Indo-Pacific. The region is the most disaster prone in the world and facing an increase in the frequency and severity of natural hazards, with disadvantaged communities impacted the most. COVID-19 has compounded the impacts of climate change and disasters, highlighting the interconnected nature of the risks we face. Taking climate action and reducing disaster risks is critical for a resilient future for our region. Building resilience encompasses action including mitigation, adaptation, preparedness and disaster risk reduction

Australia has committed AUD 2 billion over 2020-2025. This commitment reinforces the importance of mainstreaming climate action across the development program.

International commitments

The 2015 Paris Agreement: through which we contribute climate finance so that developing countries have the resources needed to mitigate and adapt to the impacts of climate change.

The Sendai Framework for Disaster Risk Reduction 2015-2030: which commits Australia to a multi-hazard approach to disasters and inclusive risk-informed decision-making, with seven global targets including reducing mortality, economic loss, damage to critical infrastructure, and increasing international

cooperation. The [National Emergency Management Agency \(NEMA\)](#) leads Australia's action domestically, with DFAT leading on our commitment to increase international cooperation.

Strategy and Guidance

DFAT's Climate Change Action Strategy outlines the objectives of integrating climate change and disaster risk reduction through the development program and drives both targeted climate-specific investments across the development program and mainstreaming of climate action and risk reduction in key sectors.

With an increased climate finance commitment, all investment managers should consider how to integrate climate change and disaster risk reduction into their programs. They should complete the AidWorks climate change and disaster risk reduction theme to assist us to track programs that include climate finance.

Detailed guidance is available in the Climate and Disaster Risk Reduction Guidance Note. A step-by-step guide to filling in the theme page, and a climate finance calculator are available in the Climate Finance Reporting Guidance Package.

The following guidance documents are relevant sector notes:

- Climate change and DRR in Agriculture and Food Security
- Climate Resilient Infrastructure Early Recovery - Humanitarian Strategy Guidance Note
- Climate Resilient Infrastructure
- Health and Climate change
- Water, Climate Change and DRR

[Prevention Web](#) and the [Australia Pacific Climate Partnership](#) are useful knowledge hubs with case studies and examples of climate action DRR integration in action.

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

2.4.4 Indigenous peoples

The Australian Government is committed to delivering programs that improve outcomes for Indigenous peoples. Indigenous peoples have their own diverse concepts of development, based on their traditional values, visions, needs and priorities, which may differ from those of the broader population. Indigenous peoples are also at greater risk of exclusion, marginalisation, and discrimination. For example, social, economic, political, and power imbalances may prevent Indigenous peoples from achieving equal access or benefits, or may actively cause them harm.

DFAT officers should use the DFAT operational guidance [Reaching Indigenous People in the Australian Aid Program: Guidance Note](#) to ensure the development program is effectively reaching—and not inadvertently harming—indigenous peoples in partner countries. The guidance note also applies to ethnic minorities and other minority groups.

There is no universally accepted definition of 'indigenous'. When writing and speaking about indigenous peoples, officers should use terminology that is appropriate in each country context. The [Indigenous Diplomacy Agenda](#) sets out DFAT's foreign policy, development, trade, public diplomacy and corporate priorities for indigenous peoples in Australia and around the world.

2.4.5 Sector priorities

Health

Program areas should consult Global Health Division in the design, implementation, and review of health initiatives to ensure that relevant health areas provide input. For more information or to access health technical advice, contact health.policy@dfat.gov.au or chs@dfat.gov.au for health security initiatives.

Water Sanitation and Hygiene (WASH) is important for health stability by providing equitable access to clean water, sanitation and hygiene services to improve health and prevent disease outcomes.

For more information contact water@dfat.gov.au.

Education

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

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

Contact education@dfat.gov.au for more information

Governance

Program areas should consult the Governance Contact in the Development Advisory Services Section (DVS) for assistance with design, implementation, and review of Governance initiatives. For more information contact governance@dfat.gov.au.

Development Advisory Services has also developed a series of practical resources to enable staff engagement, diplomacy and negotiation in Governance sector relationships.

The Governance Helpdesk enables staff to quickly source Governance technical assistance. To contact the helpdesk, email governancehelpdesk@abtassoc.com.au

Water Security

Program areas should consult the Water Security Section in the design, implementation and review of water security programming. This includes water resource management and water, sanitation and hygiene (WASH) initiatives.

The Water Security Section approaches water as a development, foreign policy and security issue. Besides programming, it is also available to provide advice on policy, advocacy and international engagement. For more information, contact water@dfat.gov.au.

Social Protection

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

The Social Protection Section has also developed a series of resources to enable staff engagement, diplomacy and negotiation in social protection sector relationships. These include [DFAT Social Protection publications](#), including [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

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

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

- [gender equality and women's economic empowerment in agriculture](#)
- [nutrition-sensitive agriculture](#)
- [market systems development](#)

Further information is also available on [Agriculture and food security](#) and [Agricultural food security initiatives](#). 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 assistance and partnerships](#) and [humanitarian preparedness and response](#)
- [Domestic resource mobilisation \(tax policy and administration\)](#)
- [Australia Awards \(scholarships and fellowships\)](#)
- [Private sector development](#)
- Public financial management.



Key resources

Cross cutting strategies

[Partnerships for Recovery: Australia's COVID-19 Development Response](#)

[Australia's development program – performance assessment](#)

[Development Evaluation Policy](#)

[Development for All 2015–2021: Strategy for Strengthening Disability-Inclusive Development in Australia's Aid Program](#)

[Gender Equality and Women's Empowerment Strategy](#)

[Governance Guidance Note](#)

[Climate Change Action Strategy](#)

[Indigenous Diplomacy Agenda](#)

Guidance

[COVID-19 Gender and Social Protection Guidance Note](#)

[Disaster Risk Reduction and Climate Change Guidance Note](#)

[Disability-Inclusive Development Guidance Note](#)

[Early Recovery—Humanitarian Strategy Guidance Note](#)

[Gender Equality and Women's Empowerment in DFAT's Aid Program—Good Practice Note](#)
[Framework for Supporting Tax Policy and Administration through the Aid Program](#)
[Guidance Note: COVID-19 Development Response](#)
[Guidance Note on social protection and disability](#)
[Gender Equality and Women's Economic Empowerment in Agriculture Guidance Note](#)
[Nutrition-Sensitive Agriculture Guidance Note](#)
[Market Systems Development Guidance Note](#)
[Political Economy Analysis Guidance Note](#)
[Poverty and Social Analysis 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 COVID-19 Development Response Plans.

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

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

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



Mandatory requirements

Programs must comply with the *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.

Country and regional Progress Reports must be produced annually by country and regional programs that have an annual allocation of \$15 million or more. They must be approved by the relevant FAS and published on the DFAT website.

All evaluations and management responses must be published on the DFAT website within three months of an evaluation report being completed.

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

3.1 WHAT IS A DEVELOPMENT PROGRAM?

A development program is a set of strategic investments chosen as a portfolio and designed to generate specific outcomes. A program may cover a country (country program) or a region (regional program). The investment choices are guided by strategic objectives set out in COVID-19 Development Response Plans.

They are influenced by partner country preferences, opportunities (particularly the presence of reformers) and experience.

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

Australia normally channels funding to these organisations in two ways: non-core funding and core contributions. Both ways require the financial delegate to justify value for money in the selection of the delivery partner.

Non-core funding is targeted for a specific program, project or projects. Australia generally provides non-core funding through country, regional or sectoral programs. This typically involves project-level co-financing, contributions to single or multi-donor trust funds, or earmarking voluntary contributions for specific sectors or initiatives.

Core contributions support an agency's core mandate and objectives.

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

Responsibility for managing core funding sits with the Global Cooperation, Development and Partnerships Group (GPG) and the Humanitarian, NGOs and Partnerships Division (HPD).

Core contributions are exempt from many of DFAT's investment design and management processes. Performance is assessed through periodic Multilateral Performance Reports (MPRs), prepared for organisations to which we provide over \$7 million in core funding per year.

For more information, see:

- [Australia–Asian Development Bank Partnership Framework](#)
- [World Bank Group Partnership Framework](#)
- [Strategic Partnership Framework UNICEF](#)
- [Strategic Partnership Framework UNDP](#)

3.2 PROGRAM MANAGERS AND THEIR RESPONSIBILITIES

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.

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 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 and accountability
- 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 Development Assistance Committee (OECD-DAC).

3.3 KEY ASPECTS OF PROGRAM MANAGEMENT

The main elements of program management include:

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 involved in delivering Australia's development program
- other bilateral and multilateral development agencies
- local community and civil society organisations (including women's rights organisations and advocacy groups)

3.3.2 Ensure alignment with strategy objectives

Managers should ensure that the portfolio of investments under their supervision delivers against the priorities set in COVID-19 Development Response Plans (CRP) (see Chapter 2).



In practice: Strategic alignment

Managers can achieve maximum impact by:

- regularly adjusting the program's portfolio of investments to ensure alignment with the strategic objectives of the COVID-19 Development Response Plan and *Partnerships for Recovery*
- being well informed of changes in the development context that may affect the continuing relevance of programs and their alignment with partner government interests
- regularly examining program-level performance indicators, such as investment performance reporting, risk exposure, expenditure levels (current and projected), management capability and resourcing levels
- formally reviewing the risk profile each quarter as a management team
- identifying evaluation subjects for DFAT's Annual Development Evaluation Plan, setting clear expectations for evaluation teams, and considering and implementing evaluation recommendations.

3.3.3 Ensure strong risk management

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

3.3.4 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 making an agreement can take up to six months. 'Programmed expenditure' reports enable managers to see how much of their budget is committed in agreements, and to start planning for agreements that will be needed in 12 to 18 months. Managers should generally look two years ahead and aim to have around 50 per cent of their indicative budget already committed (with agreements in place).

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

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

3.3.5 Collect evidence of outcomes and performance

Reliable performance information is needed to check that programs remain relevant and continue to meet overall strategic directions as set out in the COVID-19 Development Response Plans (CRPs). Each CRP has a performance assessment framework (PAF) that includes indicators for assessing progress towards stated objectives. Smaller programs should also have a PAF; otherwise, they must use the monitoring and evaluation frameworks developed at the investment level as the key tools for assessing progress towards program-level objectives (see Chapter 4).

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

3.3.6 Prioritise, commission, and manage evaluations

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

Over time, programs should evaluate all significant investments. Evaluations can be conducted at any stage of the program cycle that best suits program needs and can include mid-term reviews. They must meet the department's evaluation standards, which include publication and a management response.

Annual Development Evaluation Plans

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

Evaluation roles and responsibilities

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

Evaluation Resources

The [DFAT Monitoring and Evaluation Standards](#) step out elements of each evaluation stage, and include:

- Standard 4: Independent Evaluation Terms of Reference
- Standard 5: Independent Evaluation Plan
- Standard 6: Independent Evaluation Report

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.



In practice: Ensuring evaluation quality, independence, and transparency

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

- **Independence:** To ensure objectivity, evaluation teams should be led by an independent person who is not directly involved in the management of the program/investment being evaluated. Independence is important for credibility and often adds a useful alternative perspective. Evaluation conclusions may be debated, and recommendations accepted or declined, but no undue influence should be exercised over the process or findings of an evaluation.
- **Expertise:** A team leader with evaluation expertise should lead all evaluations. If the team leader does not have the requisite sector, country or program knowledge, other team members should be engaged to provide this. Evaluation teams may include consultants and/or DFAT officers from outside the immediate program area. Involving DFAT staff will ensure evaluation teams understand DFAT's context and have insight into whether evaluation recommendations are appropriate and feasible. It will also give DFAT staff strong ownership of the evaluation and build their capacity.
- **Early engagement with partners:** All evaluations should involve partner governments and implementing partners, to the extent and as early as possible. This gives them ownership of evaluation design and implementation, grounds the evaluation contextually, and ensures that partners understand DFAT's evaluation requirements. Where DFAT participates in joint evaluations or allows evaluations to be led by development partners, program areas should first ensure the evaluation will comply with DFAT's quality, management response and publication requirements.
- **Quality:** A peer review of the draft evaluation report is not mandatory but is often useful for quality assurance and information sharing. This may also ensure that gender matters are well integrated.
- **Ethical conduct:** Evaluation teams should adhere to the [Australasian Evaluation Society's Guidelines for the Ethical Conduct of Evaluations](#).
- **Senior management oversight:** Evaluations can help incorporate analysis of past performance and lessons learned into DFAT's decision-making and planning processes. Senior management oversight of independent evaluations helps ensure this. An EL 2 should be responsible for financial and procurement approvals; clearance of terms of reference and evaluation plans; and ensuring quality assurance processes are applied. Senior managers (e.g. Assistant Secretaries and Minister Counsellors) are responsible for approving the evaluation report and management responses for publication. All relevant SES delegates are responsible for ensuring evaluation findings inform Australia's development planning and delivery.
- **Transparency:** Consistent with the Government's aid transparency commitments and [Development Evaluation Policy](#), evaluation reports should be published, with a management response, within three months of completion. Senior managers should encourage appropriate staff handover, record keeping and back-end planning to ensure follow-through to publication of the evaluation report and management response. The relevant FAS may grant exemption from publication in exceptional circumstances. In such cases, there must be a formal minute providing the rationale for non-publication.

3.3.7 Consider public diplomacy opportunities

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

3.4 PROGRAM-LEVEL PERFORMANCE REPORTING REQUIREMENTS

Country and regional development programs report on their performance through annual Progress Reports (see Chapter 2). Progress Reports are prepared for all programs with total ODA flows of greater than \$15m. Final Progress Reports are approved for public release by the relevant FAS. The relevant HOM should endorse the final document before it is published on the DFAT website.

3.5 POTENTIAL PITFALLS

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

- Weak line of sight between strategy objectives, investments and the activities being implemented. This results in a loss of clarity.
- 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.
- Not giving enough attention to pipeline planning. This leads to expenditure pressure and, potentially, poor programming choices.
- Not publishing evaluations. This reduces DFAT's ability to learn from its own programs and the Government's ability to meet its transparency commitments.

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

[Australia–Asian Development Bank Partnership Framework](#)

[DFAT Monitoring and Evaluation Standards](#)

[Good Practice Note on Gender Equality in Monitoring and Evaluation](#)

[Strategic Partnership Framework UNICEF](#)

[Strategic Partnership Framework UNDP](#)

[Australia-World Bank Group Partnership Framework](#)

CHAPTER 4 INVESTMENT DESIGN



Key messages

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

The design process should begin well before the investment is due to start. Quality designs allow enough time for analysis, review, field consultations, partnership brokering and quality assurance. Each design needs to be tailored to fit the specific context and desired outcome.

There are adaptive design and procurement (ADAPT) pathways intended to provide more flexible and responsive approaches to design and procurement. These must be discussed with 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 and approvals. Requirements depend on the investment's size, risk profile and approach.

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

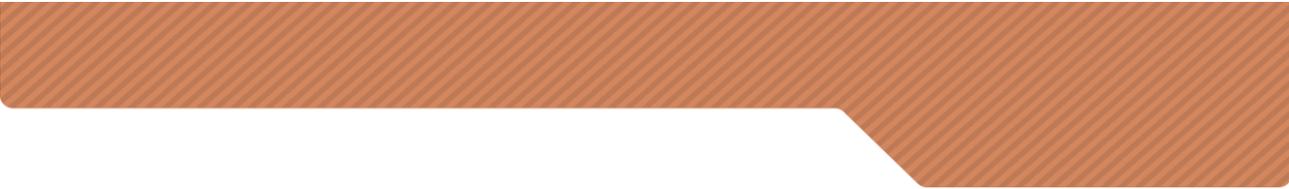
Programs must screen all investments for risks and environmental and social safeguards (including child protection and sexual exploitation, abuse and harassment).

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

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

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

Investment designs are the mechanism DFAT uses to translate intended objectives to impact on the ground. Designs set out the logic between the desired outcomes, intended activities and implementation arrangements, and how progress will be measured. The Investment Concept Note and/or the Investment Design Document is usually the basis of a procurement or grant process.



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

4.1 TYPES OF DESIGN

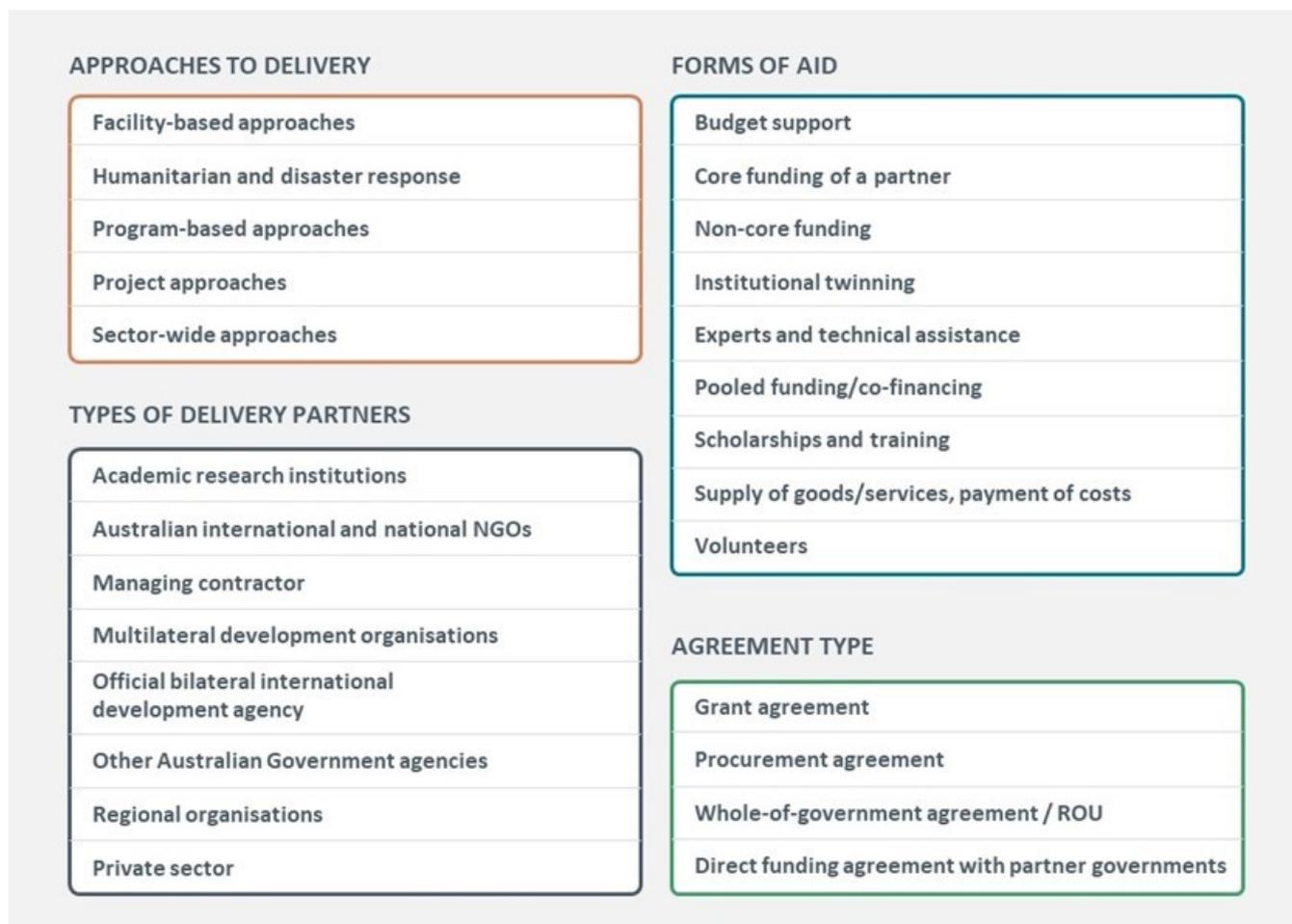
In DFAT there are two approaches to design:

DFAT-led design: DFAT manages the design process and draws on external expertise as needed. An Investment Design Document (IDD) of no more than 25 pages (plus annexes) should be prepared. See Figure 9 for an outline of the DFAT-led design pathway.

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 10 for an outline of the partner-led design pathway.

Decisions about delivery approaches, forms of aid and the type of delivery partner are made through the design process. The IDD or IDS must provide justification for the proposed approach. See Figure 7 below for more detail.

Figure 7: Principal aid investment options





In practice: DFAT-led design processes

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

4.2 MAIN STEPS IN A DESIGN PROCESS

There are two phases and eight steps in a standard design process. The requirements at each step are proportional to the size and risk of the investment and vary depending on whether the design process is DFAT-led or partner-led. Figure 8 lists the mandatory requirements for both approaches.

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. 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 COVID-19 Development Response Plans, the Program Fund Plan, and any policy shifts or programming imperatives. They should consider commissioning research and/or a review or evaluation of existing investments to inform the new design. Managers should identify independent consultants to participate in the design team and other assistance needed to support the design process.

Step 2— Screen for risks (including safeguard): Identify and screen for mandatory policy considerations (including potential environmental and social safeguard risks and impacts, counter-terrorism resourcing, and fraud), and for other risk factors that are common across investments. Screening must be completed for all investments. The level of risk and the value of the investment determine the quality assurance process and approval requirements. See the Risk Factors Screening Tool and risk register in AidWorks for each investment.

Step 3 – Assess ODA eligibility: 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 Preliminary ODA Checklist 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), Preliminary ODA Checklist, ODA Eligibility Risk Assessment Tool and Written Approval to Commence Minute is mandatory for all investments, regardless of value or level of risk.

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

Step 5—Concept (*five-page maximum*): If an investment is valued at \$10 million or more, or is assessed as high or very high risk, or is identified as requiring an adaptive design and procurement (ADAPt) pathway, an investment concept (five-page maximum) 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/desk¹ 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, it must go to the Aid Governance Board (AGB) for consideration. The concept should be endorsed by the relevant delegate prior to submission to the AGB and then formally approved following AGB consideration. Once the concept is approved, the investment proceeds to design.

If the investment is valued at \$3 million or over the Investment Concept Note must indicate whether the investment will have gender equality as a significant or principal objective (as per the OECD definitions), and/or state that a gender equality outcome will be included in the design (either at 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 objectives, program outcomes, policy dialogue and reform opportunities, and how progress will be measured.

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

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

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.

¹ 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.

- 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.

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. It involves independent appraisal and peer review and may require consideration by the AGB. See the [Investment Design Quality Assurance and Scoring Guidance](#) and the [Investment Design Quality Assessment Tool and Scoring Matrix](#).



In practice: Adaptive Design and Procurement 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, including in light of COVID-19. These pathways include concept to tender, design update, design extension, design-implement, multi-year strategies, and co-creation with the private sector. 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 with 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.

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).



In practice: Partner-led design processes

Partner-led design processes are typically less burdensome for DFAT but may provide less opportunity to influence the investment. The best time for DFAT to influence a partner-led design is at the concept phase. Early engagement can ensure that the design meets Australian requirements (such as 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 – commencement, concept, design – can largely determine what type of partner will be used to deliver the investment, and how they will be engaged (procurement or grant).

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

If non-competitive processes are being considered at any stage of a design process – commencement, concept, design – justification should be provided to the delegate as to why this approach is preferred and how the requirements of the *Commonwealth Procurement Rules* or *Commonwealth Grants Rules and Guidelines* will be achieved through the planned approach. Further details on these requirements are provided in Chapter 5.

Figure 8: Proportionality—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 (ANY VALUE)	
PLANNING	DFAT-led Partner-led Risk factors screening tool	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
	DFAT-led Partner-led Written approval to commence design	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
DESIGN	DFAT-led Partner-led Investment concept approved by AGB	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
	DFAT-led Partner-led Investment concept approved by relevant delegate/s (unless finalised by partner) ⊗	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
	DFAT-led Partner-led Investment design document	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
	Partner-led Investment design summary	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
	DFAT-led Partner-led Independent appraisal	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
	DFAT-led Partner-led Peer review	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
	DFAT-led Partner-led Design approved by delegate/s ⊗	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
	AGREEMENT	DFAT-led Partner-led Prepare and sign agreement	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>

† 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 risks). The investment manager should do this using Risk Factors Screening Tool and risk register; these are both in AidWorks under the 'Risk' tab for each investment. If an investment is assessed as high or very high risk, regardless of dollar value, the investment manager must prepare an investment concept, which must go to the AGB for consideration. If an investment triggers safeguard concerns (see Chapter 8), DFAT must ensure appropriate management strategies are in place during the design and implementation phases.

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

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

4.3.2 Assess ODA eligibility

All proposed investments must be assessed for ODA eligibility. Investment managers must complete the Preliminary ODA Checklist 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:

- includes non-grant financing, such as loans, equity, guarantees or other private sector instruments
- relate to security, including biosecurity, cyber security, policing, military or other armed forces.

The completed formal ODA Eligibility Assessment (if required) must be uploaded to AidWorks and EDRMS.

The ODA intranet page includes guidance on how to complete the formal ODA assessment. Questions on ODA eligibility can be directed to Development Policy Section 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. 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 COVID-19 Development Response Plan, and the development program's focus on gender equality
- 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 consultants; expected quality assurance; and proposed procurement or granting processes.

For high and very high risk investments and investments of \$10 million or more, an investment concept must be prepared once the Written Approval to Commence has been granted.



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

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

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

Planning phase: The formal Written Approval to Commence Minute comes to the relevant delegate in the initiating area. This does not have to be the financial delegate but should be at least at the EL 2 level and the relevant budget owner. 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.

4.3.5 Consult the Aid Governance Board

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

4.3.6 Select and mobilise a design team

A 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 facilities should consult the [Guidance Note: Facility Investments](#) and the [Delegate Checklist for Approving Facilities](#). Officers must contact the Design and Program Advice Section before commencing concept/design processes for a facility investment. Programs are encouraged to appoint a Senior Responsible Officer (SRO) in the early stages of the design process for a facility. Facility designs must align with and report against the overarching facility performance assessment framework (PAF).

4.4.2 Documentation

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

4.4.3 DFAT-led designs

For DFAT-led designs, an [Investment Design Document](#) (maximum 25 pages, plus annexes) explains what the investment will achieve and how it will be implemented and measured. The design must clearly identify roles, responsibilities and accountabilities for delivery, and specify clear outputs and outcomes for inclusion in a contract or agreement. Design documents must 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 investment design quality criteria and aligns with Australia's strategic priorities. It should justify the proposed delivery approach and delivery partner. It must explain what will be gained through the partnership and how DFAT will engage with and manage the investment. Key priorities for the design summary are to maximise the performance of the partner(s), ensure DFAT participation in governance and decision-making, and manage risk.

4.4.5 Monitoring and evaluation

A robust monitoring and evaluation system is critical. It is essential for measuring the performance and progress of an investment, as well as for managing risk, learning, and decision-making. A good monitoring and evaluation system starts at the design stage with clear and measurable outcomes and theory of change.

A Minimum Sufficient Monitoring and Evaluation Framework (see the [Investment Design Document template](#)) is necessary at the design stage for all investments. This framework must be annexed to the design

document/summary. It includes broad information on indicators, on targets and on data collection methodology to measure the investment outcomes and outputs. Where appropriate, the indicators should be consistent with those in the current performance reporting framework. Monitoring and evaluation should be properly resourced and allocated (in general, 4 to 7 per cent of the total investment budget).

The monitoring and evaluation framework and system are generally fully developed and finalised during implementation. For contractor-led investments, the framework must be finalised within three to six months after mobilisation (that is, after implementation begins) and it must be independently quality assured before a milestone payment. There must also be a credible baseline and an operational monitoring and evaluation system in place within 12 months of mobilisation. Investment monitoring and evaluation frameworks should yield data that can be used in investment performance reporting, Tier 2 results reporting (see Chapter 2.2) and annual Progress Reports.

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 delivery and procurement approaches that add value to the process (see Chapter 5). The design team must also discuss the draft Statement of Requirements for any tender or grants approach with DVB before it is finalised and submitted for approval.



In practice: Subsidiary arrangements

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

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

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

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

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

4.5 FINALISING A DESIGN

4.5.1 Quality assurance

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

DFAT assesses and scores the quality of concepts, designs and investment design summaries in accordance with the [Investment Design Quality Assurance and Scoring Guidance](#). All investments of \$10 million or more must be scored using the [Investment Design Quality Assessment Tool and Scoring Matrix](#) before implementation can start.

Table 1: QA requirements for investment concepts

	Under \$10m *	\$10m–\$50m	\$50m–\$100m	\$100m+	High or very high risk (any \$)
Informal QA	Optional	Optional	Optional	Required	Required
Formal peer review and independent appraisal	Not required	Optional	Optional	Optional	Optional
AGB	Not required	Not required	Not required	Required	Required

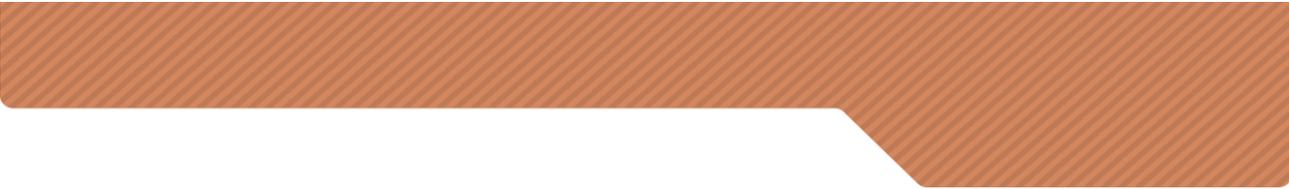
* Investment concepts are optional for low or medium risk designs under \$10 million.

Table 2: QA requirements for investment designs

	Under \$10m	\$10m–\$50m	\$50–\$100m	\$100m+	High or very high risk (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
AGB	Not required	Not required	Not required	Required	Required

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

For investments worth \$50 million or more or assessed as high or very high risk, there must be formal peer review. Two external appraisers and at least two highly experienced and technically skilled DFAT staff are required to act as peer reviewers. Sector specialists and representatives from Development Effectiveness and Enabling Division and the relevant sectoral policy division must be invited to the peer review. Draft design documents (and any completed independent appraisal) should be provided to peer reviewers at least



10 working days before the peer review meeting. The design team must prepare accurate minutes of this meeting and a summary of the peer review findings, and upload them to AidWorks as soon as possible. The peer review summary must be attached to the Design Approval Minute for the delegate to consider.

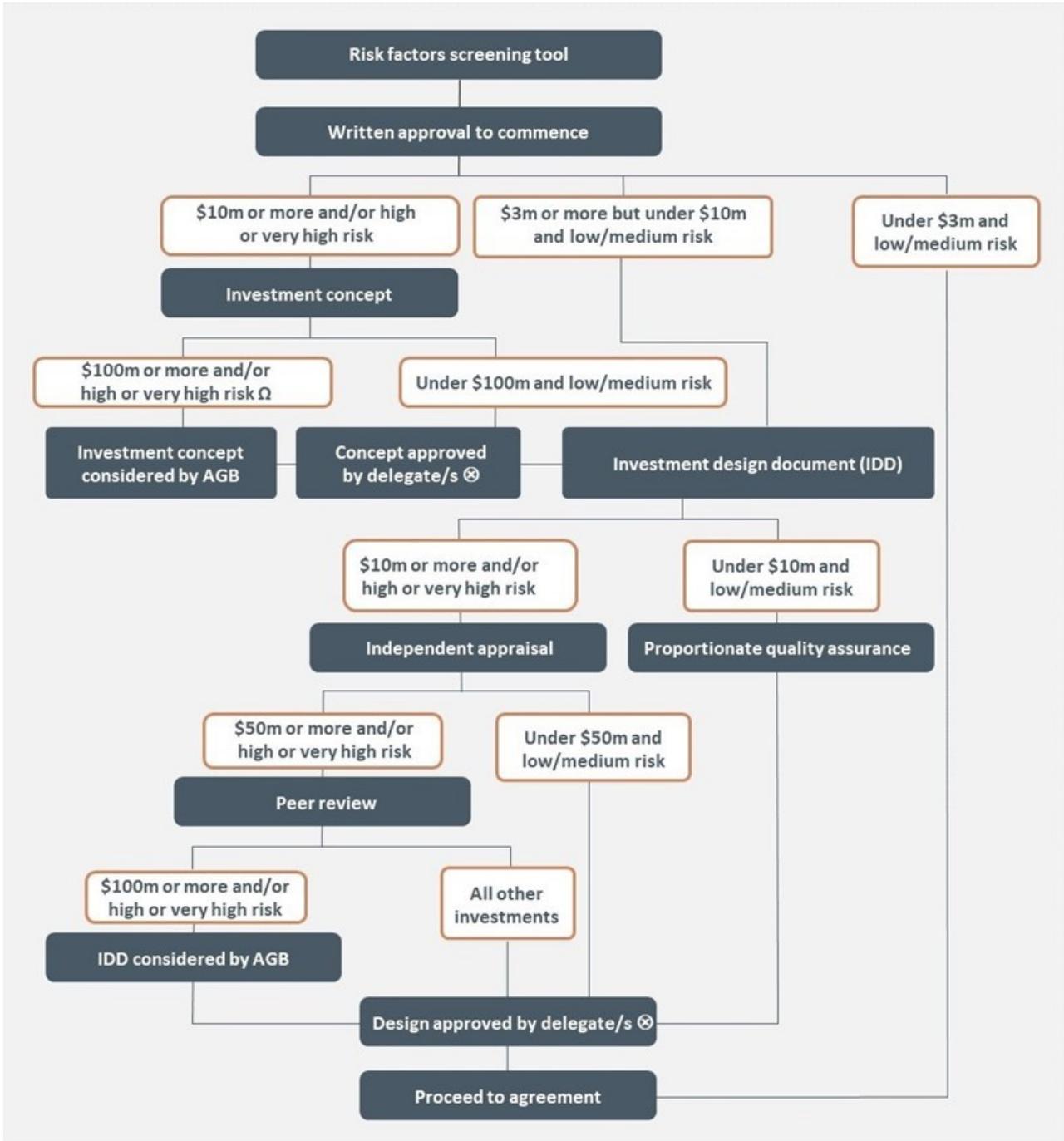
See the [Investment Design Quality Assurance and Scoring Guidance](#).

4.5.2 Design Approval

The relevant delegate(s) need to approve the investment design using the Design Approval Minute template. Design approval is informed by the quality assurance process but is ultimately the delegate's responsibility.

Investment design documents for the approved design are published on the DFAT website.

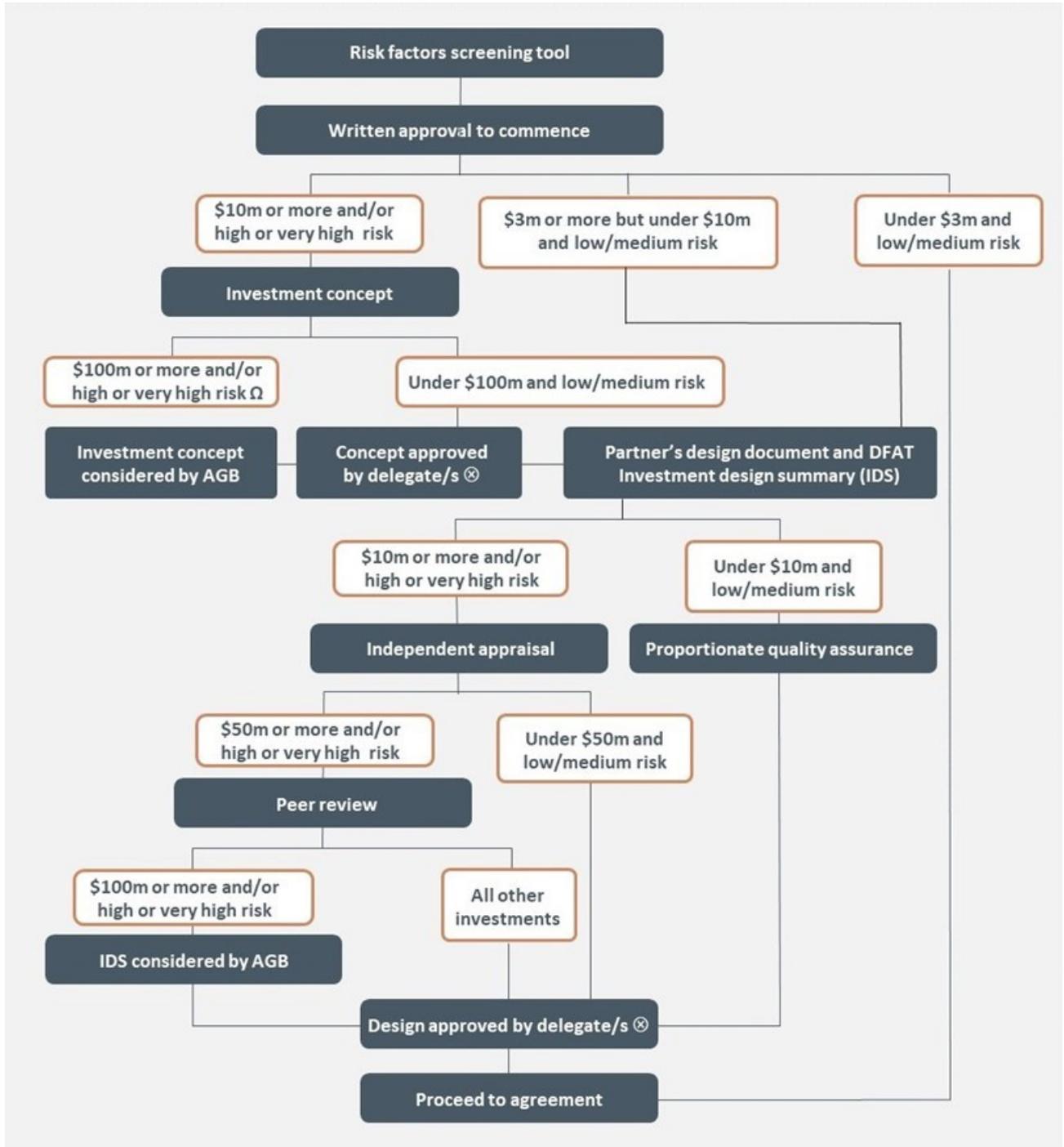
Figure 9: DFAT-led design pathway



V 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).

Ω Or any other investment as requested by the Aid Governance Board.

Figure 10: Partner-led design pathway—design not yet finalised by partner [■]



■ When partner-led design is already underway, start at the stage of preparing the IDS and annex proposal (i.e. skipping the concept stage).
 ⊗ 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).
 Ω Or any other investment as requested by the Aid Governance Board.

4.6 EXEMPTIONS FROM MANDATORY DESIGN REQUIREMENTS

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

- investments using ADAPt pathways
- humanitarian and disaster assistance investments of less than 12 months duration
- deployments under the Australia Assists program
- annual contributions made to NGOs under the Australian NGO Cooperation Program
- core contributions to multilateral organisations that have been reviewed (and found to have performed satisfactorily) through a DFAT Multilateral Performance 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:

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

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.

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.

4.7 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 \$100 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'. Design processes need strong, active management to help keep them on track and within budget.
- **Analysis paralysis:** Adequate information and analysis are essential factors informing an investment design, and development program investments must be sensitive to context. However, there should be clear parameters and discipline around time frames and ensuring appropriate return for effort.
- **Designs that are too complex or impractical:** This makes it difficult to draft contracts/agreements.
 - A weak Statement of Requirements can lead to weak contracting arrangements that do not fulfil the design intention and/or confuse roles and accountabilities. 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 and, potentially, poor programming choices. It is DFAT policy that agreements cannot be extended beyond their originally approved total potential period, including extension periods. Any subsequent services must be agreed through a new procurement or grant process. All unspent funds at the end of a grant's total potential period must be returned to DFAT. If DFAT appropriated the funds before the current financial year, we must return the funds to consolidated revenue.

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



AidWorks

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

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



Key resources

Guidance

Summary Note – DFAT Approach to Localisation (contact designmail@dfat.gov.au)

Practice Note – Localisation (contact designmail@dfat.gov.au)

Tools and templates

[DFAT-led design – Investment Design Document template](#)

[Partner-led design – Investment Design Summary template](#)

Risk Factors Screening Tool (in AidWorks)

Risk Register (in AidWorks)

[Policy Dialogue Matrix](#)

[Investment Design Quality Assurance and Scoring Guidance](#)

[Investment Design Quality Assessment Tool and Scoring Matrix](#)

CHAPTER 5 ENGAGING PARTNERS: PROCUREMENTS AND GRANTS



Key messages

When deciding how to approach potential partners, and in signing an agreement with the preferred partner, the delegate **must** ensure value for money. Open and competitive merit-based selection processes are recognised as achieving value for money. If non-competitive processes are followed, justification should be provided as to why.

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

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



Mandatory requirements

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

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

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

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

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

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

DFAT's processes to engage partners are set up to:

- get the best outcomes for DFAT, beneficiaries and the taxpayer
- ensure any organisation with the potential to deliver some or all of a project is aware of the opportunity
- strengthen processes while ensuring accessibility
- ensure taxpayers' money is well spent in a way that complies with Commonwealth legislation
- manage significant commercial, project, legal and reputational risks associated with delivery.

5.1 RESPONSIBILITY FOR ENGAGING A PARTNER

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

Development Procurement, Agreements and Systems Branch (DVB) leads processes for engaging partners over \$500,000 (GST inclusive) via procurements, in close collaboration with the relevant program area. Program areas lead processes for engaging partners via grant processes following the relevant steps in BuyRight, with support from DVB. Additionally, DVB manages development program functions in BuyRight and supports program areas to engage partners for less than \$500,000 (GST inclusive) via BuyRight.

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

Investment and agreement managers should engage with DVB early in the process to seek advice on the appropriate approach and to discuss the different options available. Procurement processes typically take four to six months to complete. It takes time to develop procurement documentation that asks potential bidders the right questions. Opportunities are then open to the market for at least 45 days, consistent with the minimum recommendation from the OECD Development Assistance Committee (OECD-DAC). An evaluation committee will then consider all aspects of bidders' responses and make a recommendation to the delegate. Following the delegate's decision on an outcome, an agreement will be negotiated, approved and signed.



Key resources

Development Procurement, Agreements and Systems Branch provides online learning and face-to-face training courses (enrol through PeopleSoft) on officers' obligations for engaging partners and managing contracts.

5.2 VALUE FOR MONEY

Achieving value for money is the core of the CGRGs and the CPRs. Delegates must be satisfied that engaging a partner achieves value for money. They must document how value for money has been achieved.

Engagements should:

- encourage competition and be non-discriminatory
- be efficient, effective, economical and ethical

- encourage appropriate engagement with risk
- entail collaboration and partnership
- have an outcomes orientation
- be accountable and have transparent decision-making.
- DFAT's Value for Money Principles build on the requirements of the PGPA Act, CPRs and CGRGs, to ensure proper use of Australian Government resources and help with decision-making.

5.3 IS IT A CONTRACT OR IS IT A GRANT?

Most development program investments will involve either a procurement or a grant. The choice will depend on DFAT's intentions regarding control and on what we are buying.

The delegate must document why the engagement is a contract or a grant, why a particular partner has been selected and how this represents value for money. The Department of Finance's [Resource Management Guide No. 411: Grants, Procurements and Other Financial Arrangements](#) is a useful guide.

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

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

The financial arrangement is more likely to be a **grant** (resulting in a grant agreement or Record of Understanding (ROU) if:

- part of the services would be provided without a contribution from DFAT
- the financial assistance is provided through a co-contribution.
- the financial assistance is to help an organisation to purchase an asset for its own control and use
- the financial assistance is provided as a payment with no conditions that is not covered by specific legislation – for example, a cash gift or prize.

Officers should seek advice from the Development Procurement, Agreements and Systems Branch (aid.contracts@dfat.gov.au) at an early stage of investment planning to determine which type of agreement is most appropriate. Processes and approvals vary according to the agreement type, as each involves different legislative and departmental requirements.

5.4 ADVISER REMUNERATION FRAMEWORK

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

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

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

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

5.5 POTENTIAL PITFALLS

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

- Not spending enough time on procurement and pipeline planning. This results in rushed or poorly considered procurements.
- Poorly defined contracts that do not clearly articulate the outcomes sought. This risks a weak market response, protracted negotiations, more expensive bids, delayed mobilisation, and poor implementation.
- Not obtaining or documenting key delegate approvals (including the basis of a decision on value for money).
- Information in AidWorks not matching the corresponding agreements.

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



AidWorks

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

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

Key resources



BuyRight simplifies development program grants and procurements. It provides step-by-step processes, guidance and templates in workflows to help line areas conduct development program grants and procurements in accordance with Commonwealth legislation and DFAT policy.

CHAPTER 6 IMPLEMENTATION: INVESTMENT MANAGEMENT, EVALUATION, AND QUALITY AND RESULTS REPORTING



Key messages

Investments are designed to achieve specific outputs and outcomes and contribute to the overall objectives of the relevant COVID-19 Development Response Plan.

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 and evaluation (M&E) plan and M&E framework 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 M&E 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.

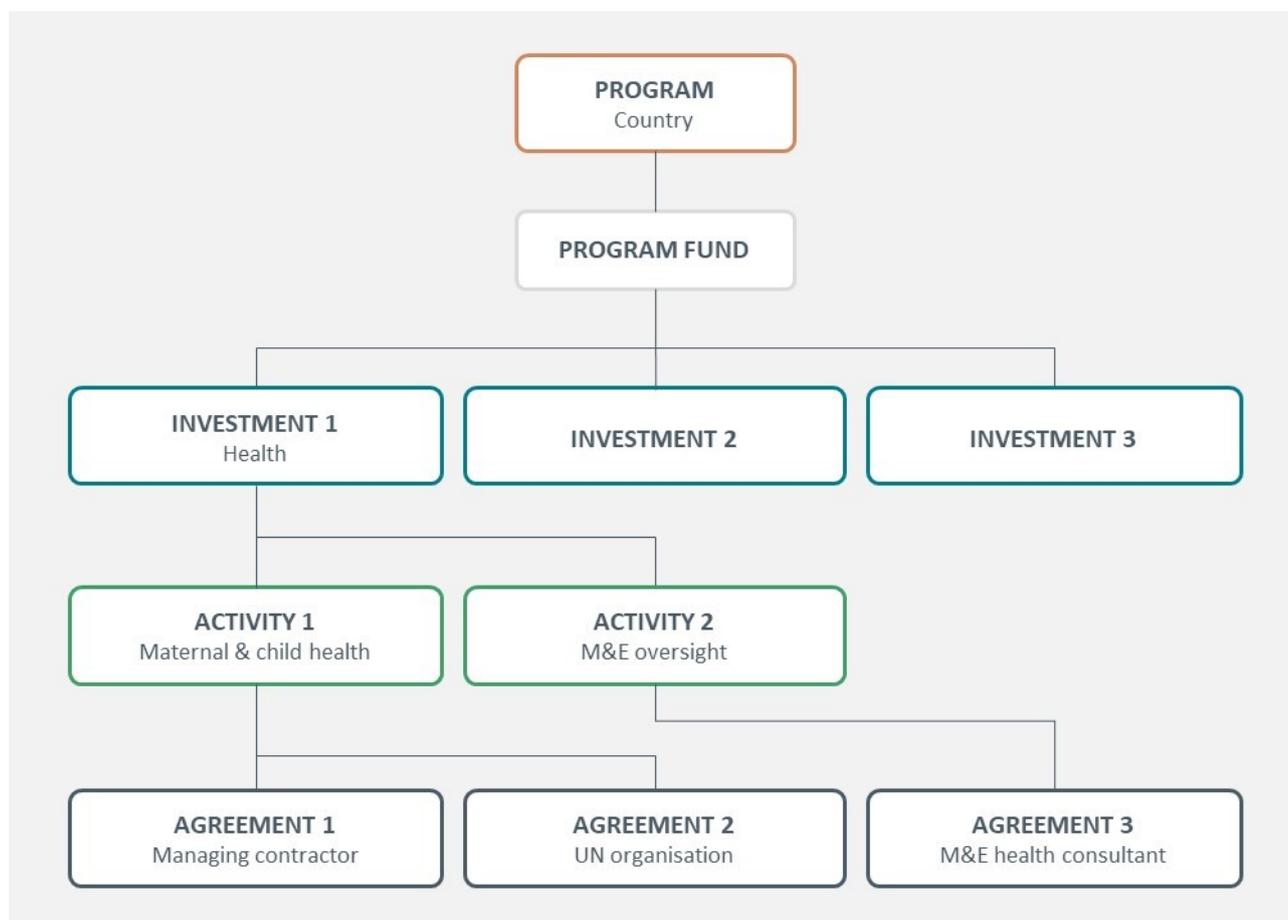
DFAT's performance framework allows the department to review and improve its investments, assess the performance of partners, report on results, and assess and report on how the whole development program is performing.

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 COVID-19 Development Response Plan. Figure 11 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 11: 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 [Monitoring and Evaluation Standards](#).

If an investment is listed in DFAT's [Annual Development Evaluation Plan](#), the investment manager will generally also be responsible for managing the evaluation (see sections 2.3 and 3.3.6 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.

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 in a risk register using the Risk and Safeguards Tool and reviewing risks at least quarterly. They must escalate significant risks to the next level of DFAT management (see Chapter 8).

6.3.4 Monitor budgets and plan for successor investments

Sound management of overall country and regional program budgets relies on accurate investment-level data being entered into AidWorks. Investment managers are responsible for 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 and to measure and report on performance. Regular and systematic monitoring and evaluation allows us to assess the effectiveness and efficiency of our programs, supports responsive and adaptive management, provides the basis for reporting, and informs discussions with our development partners. 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
- credibly account for the investment of taxpayers' money.

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 aid being used.

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

Ethical research and evaluation

Ethical practice in research, monitoring and evaluation is crucial throughout any investment – especially, but not only, for official development assistance (ODA) funded research. 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 3.36.
- **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 consultants 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 3.3.7).

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).

This process provides DFAT with an overall assessment of the effectiveness and achievements of the Australian development program.

6.4.1 Investment Monitoring Reports

Each year, programs must complete IMRs for investments valued at \$3 million or higher. IMRs are in two parts – an assessment of progress against quality criteria, and the Partner Performance Assessment (see Section 6.4.2). 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 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, commercial suppliers and NGOs) is required each year to meet DFAT's reporting requirements and often the requirements of contractual arrangements. Agreement managers complete an annual assessment of performance for the partners who are delivering their grants and agreements. These assessments are part of the IMR document (see Section 7.5).

6.5 TIER 2 RESULTS REPORTING

Tier 2 (Australia's contribution to development) is the middle level of the three-tier framework used to track the progress of our development efforts in addressing the challenges of COVID-19 through *Partnerships for*

Recovery (see Section 2.2). Tier 2 reporting comprises the results for 15 indicators relating to the action areas (health security, stability, and economic recovery) in *Partnerships for Recovery*.

Nine of the Tier 2 indicators require quantitative information, five require narrative information, and one requires both (see Section 2.2 and Figures 5 and 6).

- For the quantitative indicators there is also the option of providing narrative examples of assistance provided and outcomes achieved.
- For the narrative indicators, give narrative examples and state the number of countries/areas provided with assistance.

Tier 2 reporting is required for each investment/project, regardless of its value or previous results history. All relevant results should be reported.

Reporting is through a customised SmartyGrants portal.

An individual investment/project may report results against multiple indicators. It may also provide quantitative data under one indicator and additional narratives under another.

Tier 2 results should be cleared by an SES officer or, in smaller programs, by an EL 2 HOM.

6.5.1 Reporting results

The principles for reporting quantitative results and narrative examples are as follows.

Quantitative results

- *Evidence based:* Be clear about how the results were obtained. Include the data sources and the methodology used to calculate the results in the calculation sheet in the SmartyGrants portal. If partner databases are the source of the data, add a note confirming that the data is constructed in a way that complies with the requirements of the Tier 2 Technical Notes.
- *Attributable to Australian funding:* Where an investment is co-funded by other parties – such as partner governments, other donors, or multilateral organisations – the reporting should indicate how much of the result is attributable to Australian funding. This means calculating results as a pro-rata share of Australian funding relative to the total funding (expressed in the same currency). This can be based on either the total investment value or the investment value in the reporting year, and the approach should remain consistent. Where investments/projects are jointly funded by DFAT and other Australian Government agencies, DFAT will report any quantitative data and include the whole Australian Government share as the basis of calculating the result.
- *Limited to the reporting year:* Only include results reported for (and ideally achieved in) the latest available 12-month reporting period, not over the life of the project/investment. Where 12 months of data is not available, a shorter time period can be provided.
- *Disaggregated by sex and persons living with a disability:* Where an indicator is reporting numbers of people, always disaggregate the results by sex if the numbers of people of specific sexes (female, male, other/non-binary gender identification) who have received assistance under the investment have been counted. **Using census data or other estimates to determine the ratio of women/girls to men/boys is not acceptable.** If it is not possible to provide sex-disaggregated reporting, use the field 'Sex Unknown' and explain the data limitations in the calculation sheet. Data on people living with a disability should also be reported, and partners should be encouraged to report on this too.
- *Consistent and defensible:* The approach used to identify a pro-rata share of results attributable to Australian funding should remain consistent over the life of the performance framework. The results

must be defensible, so it is important to explain all the steps and assumptions in the calculations. Make all reasonable efforts to avoid double-counting.

Narrative examples

- *Concise*: Keep within the limit of 200 words.
- *Include key information*: Examples should focus on key outcomes or strategic activities in the reporting period, not on describing the project/investment. Identify the Australian Government department or agency reporting; any other known donors or partners; and the relevant country or countries (including regions/global). State the relevant objectives and the modality. Summarise the key outcomes or outputs and their relevance to the COVID-19 response. Identify any known data lags. Agency funding and any other technical data can also be included.

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 Monitoring and Evaluation Standards. This means there is insufficient data to measure performance and progress against investment outcomes.
- A tendency for monitoring reports to look for the positives and downplay the negatives rather than making objective judgements about performance based on progress against expected results.
- Weak engagement with the partner government. This compromises the enduring relevance of the investment and leads to weak and inefficient implementation. 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

[DFAT Monitoring and Evaluation Standards](#)

[Gender Equality Investment-Level Strategy Development Good Practice Note](#)

[Gender Equality in Monitoring and Evaluation Good Practice Note](#)

CHAPTER 7 IMPLEMENTATION: AGREEMENT MANAGEMENT



Key messages

‘Agreement management’ means the processes used to manage both contracts and grants. Effective agreement management is essential for mitigating risk and making sure DFAT delivers the intended outcomes and value for money.



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 an Adviser Performance Assessment (APA) annually for each external adviser engaged.

7.1 WHAT IS AGREEMENT MANAGEMENT?

Agreement management comprises all the activities (including corrective actions) that are undertaken after the signing of the agreement (either a contract or a grant) to ensure the agreement delivers the intended outcome. The aim of agreement management is for all parties to obtain the intended benefits and meet their obligations under the agreement.

7.2 AGREEMENT MANAGERS AND THEIR RESPONSIBILITIES

Agreement managers are generally investment managers. 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.

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.

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 matrix² may help with determining and documenting roles and responsibilities.

² 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.

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

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 procurement/grant process 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 12).

Figure 12: Agreement management activities by phase





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 (contract/grant) management plan

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

Risk management

Agreement managers are responsible for managing risk and identifying emerging issues related to the agreement. Risks related to the agreement may be documented in an agreement-level risk register or recorded in the investment risk register that was developed during the design and procurement phase. The agreement and/or investment manager should update the risk register at the start of the implementation phase and must review this at least quarterly. Reviews should ensure that controls are still in place and effective, treatments are implemented, and any new or emerging risks are documented.

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 financial, legal, reputational and implementation risks, such as **fraud, child protection, terrorism resourcing, environmental and social safeguards, and sexual exploitation, abuse and harassment**. 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.

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

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.

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.

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

7.4.3 Relationship management

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.

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
- 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 processes for the delivery, acceptance and payment of goods or services. 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 Aid Governance Board and is critical to internal decision-making.

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

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

7.5 PERFORMANCE ASSESSMENTS

7.5.1 Partner Performance Assessments

Active performance management and assessment ensures 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 more³. 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.

The PPA assesses performance against five criteria. Additional criteria can be added if they are mutually agreed by the contracting 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.

³ PPAs are not required for partner governments that are also implementing partners or for core contributions to multilateral organisations.

PPAs must be approved by the agreement manager and a relevant EL 2 and uploaded in AidWorks by the due date. They do not need to be moderated (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 grant evaluations.

All PPAs are stored in AidWorks. For more information, contact contractor.performance@dfat.gov.au.

7.5.2 Adviser Performance Assessments

Adviser 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. Agreement managers must complete APAs for all specified advisers, as defined in the agreement, regardless of agreement value.

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

Managing contractors are responsible for APAs for advisers on their books. DFAT agreement managers are responsible for APAs for advisers hired directly by DFAT. Each adviser must have an APA each year (such as on the anniversary of the start date) and on completion of the contract. 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 a rating of three or lower must also be sent, along with written adviser responses, to supplier.engagement@dfat.gov.au.

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 grant evaluations.

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 about proposed amendments to scope, duration or price that are significant or complex.

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

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

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



AidWorks

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

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

7.7 POTENTIAL PITFALLS

Beware of these common pitfalls in agreement management:

- Not reading the agreement carefully and becoming familiar with all aspects of it.
- Not setting clear expectations early between the parties.
- Not fully understanding (or failing to make sure the other party understands) the agreed implementation arrangements.
- Micromanaging rather than focusing on the big picture and the critical pathway to success.
- 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).
- Accepting poor-quality or delayed delivery of monitoring and evaluation milestones.
- Not monitoring the agreement carefully enough.
- Not organising independent progress assessments and follow-up.

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

For details of all other key contacts, see the [contacts list](#).



Key resources

Guidance

[Australian Government Contract Management Guide](#)

Tools and templates

[Partner Performance Assessment template](#)

[APA template](#)

[APA Note](#)

CHAPTER 8 DEVELOPMENT PROGRAM RISK MANAGEMENT



Key messages

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

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



Mandatory requirements

For every investment, investment managers must screen for mandatory policy considerations (including environmental and social safeguards risks and impacts, terrorism resourcing and fraud risks) as well as other common risk factors; analyse risk; and document these processes in the Risk Factors Screening Tool and risk register. (These tools are both available in AidWorks on the 'Risk' tab for each investment).

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

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

If there is a medium, high or very high terrorism resourcing risk, we must conduct a more intensive due diligence check of the delivery partner.

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

Fraud

When DFAT channels funds through partner government systems, we must undertake and regularly update assessments of national and sector-level public financial management and procurement systems, and ensure that their recommended risk treatments are reflected in designs and funding arrangements.

Agreements with delivery partners must include mandatory fraud clauses.

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 must be reported immediately. Appropriate follow-up actions must be taken. This includes recovery of losses, reporting to local authorities, and addressing any fraud control weaknesses identified.

8.1 PRINCIPLES OF GOOD RISK MANAGEMENT

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

- **Systematic:** A structured and comprehensive approach to risk management helps us apply better practice principles and fulfil the intent of the *Public Governance Performance and Accountability Act 2013* (PGPA Act). 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 managers oversee program risks and are responsible for maintaining a proactive risk culture in their teams.

A Senior Responsible Officer model is in place for major programs.

8.3 DFAT'S DEVELOPMENT PROGRAM RISK MANAGEMENT PROCESSES

Investment-level risk management occurs throughout the investment cycle. When initiating a new investment, officers must screen for mandatory policy considerations (potential environmental and social safeguards risks and impacts, counter-terrorism resourcing and fraud risks) and for other risks that are common across investments; analyse the risks; and document these processes in the Risk Factors Screening Tool and risk register. Risks are recorded throughout the design process as part of the design documentation. They are monitored throughout the implementation phase, with the risk register and Risk Factors Screening Tool updated at least quarterly. Risks 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	<ul style="list-style-type: none"> • Complete Risk Factors Screening Tool (in AidWorks) • Complete risk register to Inherent risk rating (in AidWorks) 	<ul style="list-style-type: none"> • 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 EL2 or above • Investment risk profile helps determine the design approval pathway (see Section 4.2)
2. Concept	<ul style="list-style-type: none"> • Update Risk Factors Screening Tool • Update risk register to Inherent risk rating 	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • Update Risk Factors Screening Tool • Complete risk register entirely 	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • Incorporate implementing partner risks into the risk register 	<ul style="list-style-type: none"> • Investment manager completes any required due diligence (partner government assessment may occur during design)
5. Implementation	<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • Delegate reviews updated risk register and escalated risks when requested by investment manager • Investment or agreement manager ensures that all delivery partners have a risk register in place, additional to DFAT’s investment risk register; incorporate any shared risks into DFAT’s investment risk register • Implementation Monitoring Reports include relevant material on investment risks (including social and environmental safeguards)
6. Completion	<ul style="list-style-type: none"> • Close any risks that are no longer relevant • Identify any lessons learned for future investments 	<ul style="list-style-type: none"> • Final Investment Monitoring Report includes relevant material on investment risks (including social and environmental safeguards)



Risk definitions

Risk: The effect of uncertainty on objectives.

Risk control: Measures in place to manage a risk.

Risk treatment: A process to modify or mitigate a risk.

Risk management: Identifying and analysing potential risks and opportunities, then developing proportionate, defensible management strategies that balance risk and treatment against benefits.

Risk escalation: Raising awareness of risk with higher forums or decision-makers.

8.4 DEVELOPMENT RISK MANAGEMENT REQUIREMENTS

8.4.1 Environmental and social safeguards

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

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

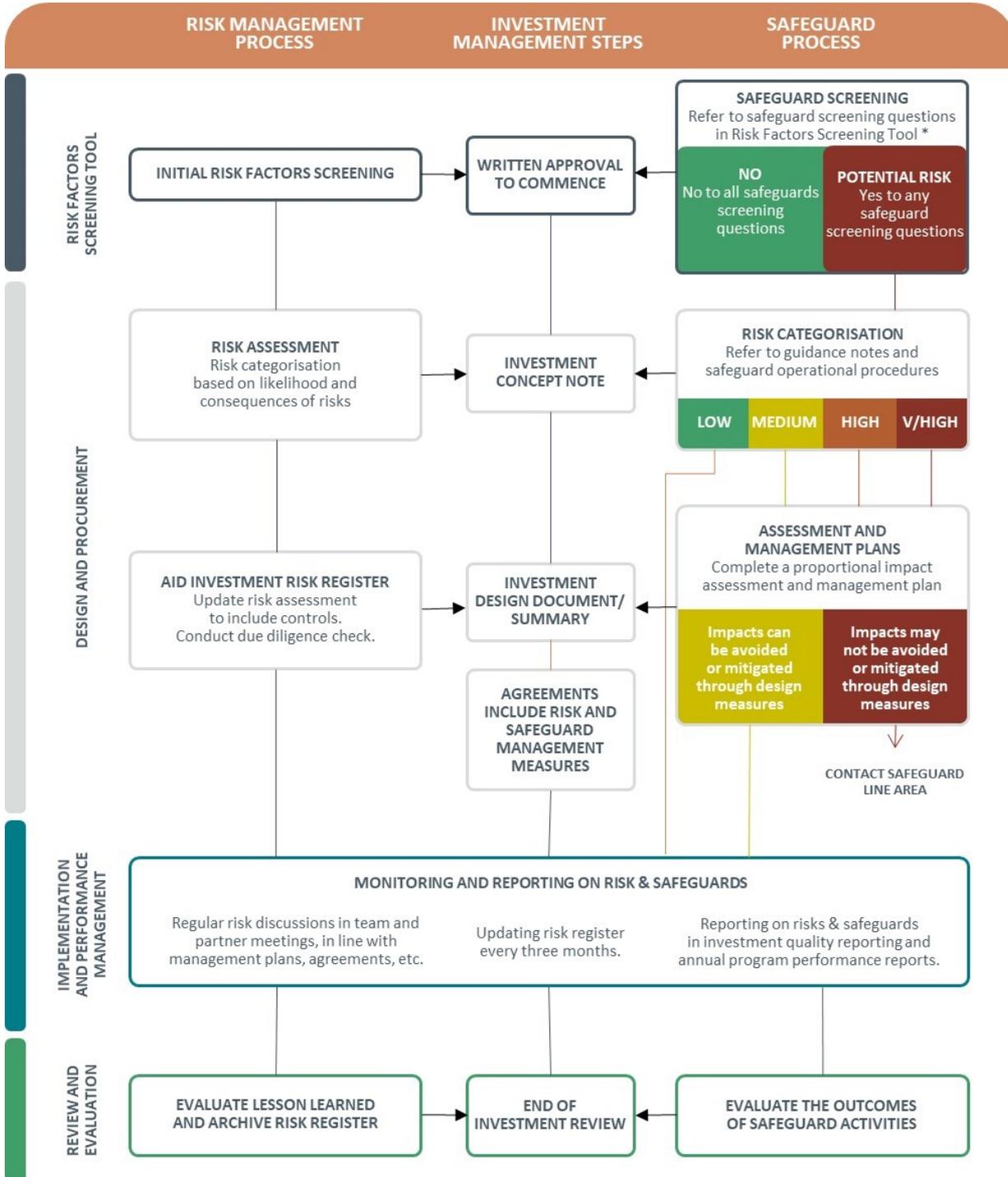
Figure 14: Risk management and mandatory safeguard processes details the mandatory risk and safeguard process that programs must undertake when implementing a development investment.

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 14: 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

Direct and indirect 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 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. In other words, the higher the risk, the higher the control.

Officers are encouraged to consult guidance on the intranet relating to DFAT PSEAH requirements. Implementing partners can assess this guidance on the DFAT website's [PSEAH page](#).

Posts and divisions can contact the Human and Environmental Safeguards Section (seah.reports@dfat.gov.au) for advice on or help with establishing, maintaining and reporting on PSEAH measures.

8.4.4 Fraud control

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

This policy applies to all DFAT employees and contractors. It also applies to NGOs, civil society organisations, third-party service providers and other recipients of Australian development funding.

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

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, iPads 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.

Prevention and detection strategies

The best way to prevent and detect fraud is to:

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

Fraud 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 Strategy Statement](#) and internal Fraud Control Plan.

The Fraud Control Plan lists high-level fraud risks and strategies for mitigating them. It identifies key fraud risks based on the type of delivery partner. DFAT officers must consult this plan when:

- designing development investments
- reviewing fraud risks in a country or regional development program
- developing COVID-19 Development Response Plans.

Reporting and responding to fraud

DFAT may refer a fraud 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 clauses. Program managers must be familiar with these clauses and particularly with delivery partners' obligations relating to fraud.

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



In practice: Fraud reporting

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

- reporting to the Counter Fraud Section (FCS) if the matter involves external fraud against the department (excluding passport fraud)
- reporting to the Ethics, Integrity and Professional Standards Section (EES) if the matter involves internal fraud (against DFAT) by DFAT officers. This can include fraud committed jointly between DFAT officers and an external party. If the fraud has an external element, EES and FCS will liaise to ensure an appropriate investigation
- reporting to the Passports Fraud and Compliance Section (PFS) if the matter concerns the passport application process or use of Australian passports
- reporting to the Transnational Crime Section (TNC) if the matter involves an Australian extraterritorial offence.

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

8.4.5 Due diligence

Due diligence assessments are risk assessments of our delivery partners. They are mandatory for any 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 program areas and stored online in the EDRMS.

The [Due Diligence Framework](#) 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.

Due diligence assessments are valid for up to three years unless there is a significant change in the partner's circumstances.

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 organisations:

- **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) (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.

Terrorism resourcing risk

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

- [Australian National Security List of Terrorist Organisations](#)
- DFAT Consolidated List.

As part of the investment risk assessment, officers should assess the level of terrorism resourcing risks. Do more due diligence and apply more precautions if a delivery partner operates in places that are susceptible to terrorism.

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

8.4.6 Partner government systems assessments

When a development investment may involve using partner government public financial management systems to deliver, an analysis of the risks and benefits of using the systems is required. This analysis is done

by Development Risk Management Section 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.

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 the public financial management staff in Development Risk Management Section (DRM). There must be genuine reasons for delay, delays must be consistent with the level of risk, and Posts must monitor the delay closely.

Assessment of public financial management 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 SRS 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 public financial management assessments if Australia is providing finance to a partner government through other development partners that have done their own assessments, as long as DFAT judges their assessments to be adequate. Public financial management staff in DRM can help with evaluating these assessments.

More information

For more information, see the [Assessing and Using Partner Government Systems for Public Financial Management and Procurement](#) guideline.

For advice on these requirements 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 manage DFAT's risk.
- Not ensuring that controls continue to be used or that treatments are implemented.
- Not regularly reviewing risks to make sure they are up to date and reviewing controls to check that they are still appropriate and effective.
- 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. A minimum requirement is to assess risks against the eight baseline due diligence criteria, as defined in the Due Diligence Framework. These include the partner's identity and performance record, sanctions and debarments, and capacity to comply with DFAT policies and safeguards.

For more about the issues raised in this chapter, email the relevant area:

- developmentriskmanagement@dfat.gov.au
- aidsafequards@dfat.gov.au
- due.diligence@dfat.gov.au
- Partner.Systems@dfat.gov.au
- fraud@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 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

[Due Diligence Framework](#)

[Environmental and Social Safeguard Policy](#)

[Fraud Strategy Statement](#)

[Preventing Sexual Exploitation, Abuse and Harassment Policy](#)

[Child Protection Policy](#)

Guidance

[Due Diligence Framework](#)

[Guideline for Assessing and Using Partner Government Systems for Public Financial Management and Procurement](#)

Tools and templates

[Risk Factors Screening Tool \(including risk register\)](#)

[Fraud Control Toolkit for Funding Recipients](#)