Australian Government
Department of Foreign Affairs and Trade

DFAT GUIDANCE NOTE: LOCALLY LED DEVELOPMENT

PURPOSE

This guidance note is intended to communicate DFAT's approach to enabling locally led development systematically across our development program, at the portfolio and investment level, and across the program cycle – design, implementation and review. The audience is primarily DFAT staff, with the secondary audience being partner governments, implementing partners, advisers and contractors. This guidance covers the 'why, what, when and how' of locally led development, with a focus on providing practical guidance on the 'how' – sharing flexible and innovative approaches that support DFAT to meet its commitments on locally led development. It does not provide prescriptive advice – strategies to support locally led development require teams to understand context, development objectives, program management modalities and risks, and make appropriate judgements. The guidance should also be read alongside DFAT's International Development Programming Guide and Design, Monitoring and Evaluation Standards.

Given locally led development is an evolving field, this note will be a living document that will be updated periodically to capture lessons, evolving taxonomy, good practice case studies and performance measurement. The content is based on extensive consultations with partner countries and local partners. Implementation of the approaches set out in this guidance note will be shaped and informed over time by the learning and experience of our DFAT Locally Led Development Focal Point Network, which positions DFAT's locally engaged staff as important interlocutors and change management leaders within DFAT, and by our External Reference Group. We will track and report on our performance in enabling locally led development through our existing development performance systems - including through the annual Performance of Australian Development Cooperation report[1] - as outlined in the International Development Policy's Performance and Delivery Framework.

POLICY RATIONALE – 'THE WHY'

Australia's International Development Policy spans DFAT, whole-of-government and whole-of-nation efforts in international development cooperation across different funding sources, including Official Development Assistance (ODA) and non-ODA. It sets out Australia's international development priorities to advance a peaceful, stable and prosperous region through supporting our partners to build effective accountable states, enhance resilience to external pressures and shocks, connect with Australia and regional architecture, and generate collective action on global challenges.

The Policy includes a commitment to locally led development and supporting local leadership across different aspects of society (government, business, academia, civil society), including that 'Australia will: take a more flexible and innovative approach to program planning and implementation, including design, contracting and delivery arrangements, and monitoring and evaluation approaches that increase participation from local actors; provide multi-year funding and capacity development to local organisations, with support as needed to meet policy requirements; take risk-informed opportunities to provide direct financing to partner governments to support them in achieving their economic and social development aspirations; and design a new Civil Society Partnerships Fund which will support local civil society organisations'2.

Underpinning this commitment is a recognition of the sovereignty of our partner governments over their development trajectories as the basis of institutional sustainability and long-term impact. Locally led development approaches will help deliver Australia's commitment to genuine partnerships, working with and listening to our partners in the region, and will create opportunities to deliver better development outcomes by:

Building effective resilient and accountable states to drive development effectiveness: Sovereign nations, state and non-state actors, drive their own development agendas through strategies, policies and programs. Locally led development approaches can leverage and empower local leadership, knowledge, networks, and cultural

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[1] See Performance of Australian Development Cooperation report 2022-2023 , Chapter 1, Table 3.

[2] *Australia's International Development Policy 2023, Department of Foreign Affairs and Trade (2023), p.21*

understanding in delivering effective development assistance. This, in turn, helps strengthen local institutions and delivery mechanisms, catalysing key reforms and their implementation, which leads to more effective and sustainable outcomes that are locally owned, embedded and institutionalised at national and subnational levels, and meet local needs and priorities.

Strengthening relationships through shared values: By investing in local capability in our partner countries, Australia strengthens diplomatic and people-to-people relationships based on shared values. A long-term commitment to locally led development approaches can help build mutual respect and trust, enabling more effective collaboration bilaterally, regionally and globally to address complex policy problems and pursue innovative partnerships for achieving the Sustainable Development Goals.

Deepening economic partnerships and cooperation: Locally led development approaches can strengthen economic partnerships and facilitate closer institutional links and economic integration between governments and private sector actors across borders. Confidence in these partnerships and two-way collaboration encourages innovation, supply chain diversification, technology transfer, access to finance, growth in employment and income opportunities, all of which contribute to broad-based economic development.

Increasing civil society engagement: Local leaders and local organisations across the breadth of civil society (civil society and community based organisations, media, faith-based organisations, academia, thinktanks, peak bodies, women's rights organisations, marginalised groups, organisations of people with disabilities, LGBTQIA+ organisations) have a critical role to play in delivering services, reaching and advocating for vulnerable groups, demanding stronger governance and accountability, working on difficult or sensitive policy issues, and addressing multidisciplinary policy problems in partnership with government, the private sector and development partners. With shrinking civic space in many parts of the world, locally led development approaches can be critical levers for amplifying civil society voices and supporting civil society actors as agents of positive change.

Delivering value for money: Locally led development approaches can maximise value for money by eliminating parallel systems, strengthening local institutions, plans and budgets, and improving delivery mechanisms. The positive impact of development assistance delivered in this way can also have a strong 'multiplier effect' through buying local goods and services in the economy.

DEFINING LOCALLY LED DEVELOPMENT – 'THE WHAT'

Locally led development is not a new concept. It has been a key feature of the international development effectiveness agenda for some time (for example, see the *Paris Declaration on Aid Effectiveness 2005*, *Accra Agenda for Action 2008* and *Busan Partnership for Effective Development Cooperation 2011*). More recently it has been identified as critical to modern development approaches such as adaptive management, developmental coalitions, community driven development, market systems development and 'thinking and working politically'.[3]

In the humanitarian sector, Australia has also been a signatory to the World Humanitarian Summit's *Grand Bargain* since 2016 and the *Sendai Framework for Disaster Risk Reduction* (2015-2030). The Grand Bargain commits Australia to support locally led humanitarian action, with a focus on ensuring quality funding is predictable, flexible and delivered more directly to local partners. DFAT's approach builds upon these commitments, along with our adoption of the *DAC Recommendation on Enabling Civil Society in Development Co-operation and Humanitarian Assistance* in 2021 and Australia's commitment to the US and Norway-led *Donor Statement on supporting Locally led development* in December 2022.

While the concept of locally led development, and the related localisation agenda, is not new, it is an evolving field of practice in both development and humanitarian action. There is no single definition of locally led development or localisation, and like-minded development partners are adopting different definitions.[4]

In this context, DFAT's working definition, which aligns with the interim global definition proposed by the OECD DAC, is as follows:

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[3] See, for example, Useful Resources – TWP.

[4] USAID: USAID defines locally led development as a "process in which local actors encompassing individuals, communities, networks, organisations, private entities, and governments set their own agendas, develop solutions, and bring the capacity, leadership and resources to make those solutions a reality."

Locally Led Development Cooperation: Sustainable and effective development co-operation that supports locally led development by respecting and enabling the agency, leadership and decision making of diverse local actors in framing, design, delivery, resourcing and accountability, in given local and operating contexts.

Consistent with this definition, DFAT's approach to locally led development will include a wide range of local actors[5], appropriate to the context and area of engagement. Local actors include partner governments (at national, subnational and local government levels), regional organisations and regional architecture, the private sector including business, small and medium enterprises, chambers of commerce, local firms, technical assistance and consultancies, and civil society. Local civil society actors may include local non-government organisations (NGOs), civil society organisations (CSOs) and community-based organisations (CBOs), women's organisations, faith-based organisations, local federations and societies, academia, local thinktanks, educational institutions, local media organisations, organisations of people with disabilities (OPDs), LGBTQIA+ organisations, trade unions, refugee-led, human rights and youth-led organisations.

Locally led approaches do not translate into 'one size fits all' solutions. Careful consideration is needed in the design, partnering and early implementation stages to ensure that locally led intent is realised through tangible localisation approaches and that performance is assessed through monitoring and evaluation.

Successful localisation relies on exercising judgements around:

- local context (including region, country, sector, conflict or crisis-affected environments),
- articulation of the development problem, and setting of overarching objectives and outcomes,
- capabilities, strengths and performance of local, regional and international organisations,
- the risk environment including ability to manage Australian legislative and policy compliance,
- differing roles of lead, intermediary and downstream partners, and supply chains,
- ability to work at scale, geographic spread and access, and DFAT's diplomatic presence.

There is no single set of requirements for Australia's implementing partners given the diversity of Australia's development assistance portfolio, across multiple objectives, sectors, countries and different regional characteristics. DFAT's approach is to consider locally led development as a way of thinking and engaging, and as a cross-cutting approach for designing and delivering effective development cooperation programs.

WAYS TO EMBED LOCALLY LED DEVELOPMENT – 'THE HOW'

The locally led development approaches outlined below may be used to support local leadership and facilitate locally led development interventions throughout the program cycle.

AT PORTFOLIO LEVEL

Regional or country level plans and sector strategies: Programs within a region or country can be mapped according to a continuum of emerging, partial, and advanced locally led development (*see Annex A*). Australia's regional and country Development Partnership Plans (DPPs) offer opportunities to set ambition and action on locally led development at this level, and also reflected in their Performance Assessment Frameworks. Thematic strategies and cross-cutting policy priorities are an important means of integrating locally led development programs (including humanitarian, gender equality, disability equity, First Nations). Once intention is established, then progress along the continuum can be tracked over time.

AT INVESTMENT LEVEL

Ideation, planning and concept stages: The intent to localise can be incorporated at ideation, planning and concept stages in the analysis of the development problem, in scoping the extent of the planned investment, analysis of the political economy and mapping local stakeholders. The concept stage articulates the policy and

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[5] The OECD DAC's working definition of local actors (as at Jan 2024) is: "individuals, businesses, communities, institutions and governments based and operating within the local context of reference, comprising citizens or lawful residents subject to local laws, and are centred on local communities", published in the OECD DAC Framing Paper DCD (2023)47

business case for an investment. How locally led development will further Australia's interests and influence can be incorporated in the *policy case* for the investment. Value-for-money and maximising local content and employment can be highlighted in the *business case* for the investment. Indicative end-of-program outcomes are drafted at this step. The extent to which outcomes reflect our efforts to support local leadership priorities, capabilities and reforms, can be outlined.

Design stage: At the design stage, the key priority is to embed localisation intent into outcomes and program logics. This can be done through codesign and partner-led design, by providing opportunities for local leaders and diverse stakeholders to construct and test reform pathways, assumptions and risks. Good practice is to include locally led development intent with an investment's theory of change, end-of-program outcomes and/or intermediate outcomes, and to ensure that development outcomes have been brokered with diverse local stakeholders to meet local priorities. Other aspects of codesign include drawing out delivery model options, partnership models and modalities, shared governance arrangements (embedding local decision making), and identification of risks and safeguards to prevent harm.

The design process itself should engage with diverse local actors (including women's organisations and OPDs). Design teams should contain local team members for both local ownership and genuine codesign (including local consultants, partner government members, DFAT locally engaged staff). *Under the International Development Policy Performance and Delivery Framework, 80% of designs of new bilateral investments must include local participation by 2026*.

The design can consider flexible funding and innovative delivery models (*see Annex B for more detail and examples*). It can also consider the complementary roles of lead partners, intermediaries and implementing local partners, with the extent of local decision making and use of local expertise. If there are enduring gaps in the local market, consider embedded strategies for the program to support local capability.

Tendering, contracting and granting stages: Australian Commonwealth Procurement Rules do not allow for discrimination in procurement outcomes. This means that DFAT cannot quarantine some contracts exclusively for local companies through centrally managed procurements. We can, however, shape the approach of contracting companies and lead partners when it comes to local content. In complex tenders over AUD500,000, DFAT can request 'Localisation Participation Plans' from bidders. There are also opportunities for lead and local partners to integrate localisation into tender or granting criteria within their supply chains (that is, when engaging in sub-contracting or sub-granting, including both partnership and competitive grants).

Contributions (or grant-like arrangements) differ from procurement contracts in that they have partnership objectives to support the mandate of the partner organisation and DFAT does not direct the partner's activity. The partner also brings their own resources to the partnership. Depending on the scope, the contribution or grant can include locally led development-related milestones to set expectations for the involvement of local stakeholders, or to monitor transitions toward increased localisation. Budgets and costings can reflect sourcing goods and services from the local market, demonstrating value for money. Agreements may also contain a mixture of core and non-core funding to support the long-term capability of local partners.

Implementation stage: During inception, a Localisation Plan can be developed as a grant or contract milestone. The plan should reflect close collaboration and engagement with diverse local stakeholders to map out their needs, priorities, broker partnerships, and outline the pathway towards enhancing localisation over the investment's duration. The plan should clarify the vision, level of ambition, governance, resourcing, as well as indicators and methods for measuring progress against the plan. DFAT staff should focus lead partners attention on implementation of the localisation plan and hold them accountable for delivering it. We should also consider opportunities to pilot and trial innovations for delivery, financial flows and shared governance, and check on the diversity and engagement of partners involved in the program at regular intervals.

Monitoring, Evaluation and Learning (MEL): MEL can provide further opportunities to promote locally led development, for example: adoption and use of local partner data sets (with or without supplementation); joint monitoring of projects with local experts and organisations; regular review and reflection exercises to generate learning, conducting reflection exercises in the local language, and through culturally appropriate methodologies.

A locally led approach to MEL would consider strengthening local MEL capability, including within local partner organisations and the local industry. Support to local partners MEL capability could include providing support for performance indicators and their collection, management information systems, and the use of local data sets for decision making and policy dialogue. Qualitative techniques such as most significant change, outcome harvesting, process tracing, and significant policy change are also important and local partners can be supported to capture these changes through case studies. Lead partners have a role to play in supporting local partners with both fit-for-purpose MEL and tailored reporting back to funding agencies on results and learning. Where evaluations are planned for an investment, these should assess progress with enhancing locally led development in line with development objectives, outcomes and targets, the investment's MEL plan itself and Localisation Plan.

MEL systems should be set up to track DFAT's Tier 2 and Tier 3 results relating to locally led development. Other quantitative and qualitative indicators for locally led development approaches can also be considered *(see Annex C)*.[6] Local personnel should be engaged in the evaluation teams and local stakeholders in the evaluative processes. *As noted above, under the International Development Policy Performance and Delivery Framework, 80% of designs of new bilateral investments must include local participation by 2026*.

Risk management and Safeguards: Approaches to locally led development need to be implemented in a way that continues to meet obligations under International Conventions, Australian and partners' legislative requirements, and DFAT policies which seek to safeguard against harm and ensure funding is not diverted from its intended purpose. DFAT's Risk Appetite Statement for the Australian International Development Program recognises that local partners are best placed to identify local challenges and propose feasible solutions to drive change in their communities. It acknowledges that shifting more ownership, decision making authority and implementation responsibilities to local partners may expose us to different implementation risks than experienced with other partners. The Risk Appetite Statement (updated and endorsed by DFAT's Development Program Committee in February 2024) indicates DFAT will commit resources to effectively manage these risks, including where necessary working with local partners to strengthen their capability to implement and meet policy requirements.

Programs should have clear governance and accountability structures in place, actively mitigate and manage risks, and ensure appropriate safeguarding measures to protect the vulnerable are in place. Programs should have an ongoing commitment of resources to effectively manage risks, including where necessary to strengthen local partners' capability to implement and monitor risk management responses, and to develop and implement their own local safeguarding policies. This resourcing can come through earmarked investment budgets, or through a combination of DFAT and intermediary partner funding and support. (*See Annex D for more detail, including a sample risk register that outlines possible risks and treatments for a localisation plan for a DFAT investment.*)

LOCALLY LED DEVELOPMENT OPPORTUNITIES – 'THE WHEN'

Approaches to support locally led development will vary to match a country or region's development objectives and priorities, as well as the country context more broadly – there is no 'one size fits all' approach. There will be different scope, opportunities and benefits depending on the overarching delivery model, an investment's modalities, sectoral or thematic focus, and country or regional context. Not all approaches will be effective in all contexts.

In DFAT's experience, there may be greater opportunities to support locally led development approaches both directly and indirectly in investments that are:

- focused on subnational service delivery, governance or policy implementation, which require a high degree of local knowledge and evidence,
- working within detailed local plans and budgets, leveraging local financing and clear sector strategies and roadmaps for reform,
- using highly adaptive, evolving or flexible pathways for change, including social accountability, 'thinking and working politically', or developmental leadership coalition methodologies,

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[6] For humanitarian programs, see for example, Humanitarian Advisory Group and the Pacific Islands Association of Non-Government Associations 2019. Measuring localisation: framework and tools. Measuring Localisation: Framework and tools - Humanitarian Advisory Group.

- supporting community development or behavioural change, particularly when being delivered by local CSOs or NGOs,
- supporting market systems, agricultural and/or private sector partnerships for local business and supply chain development.

In contrast, there may be relatively more limited opportunities for supporting locally led development approaches in investments that are:

- operating in conflict or crisis-affected circumstances with poor geographic access, or limited ability for local organisations to operate freely,
- aimed at offering access and opportunities within Australian labour markets or in Australian education and training institutions,
- building people-to-people links and relationships between Australians and people overseas,
- supporting access to specialised technical skills and expertise based on global and regional norms and standards, or international evidence,
- promoting institutional or technical interoperability between Australia and other countries, such as in security, border, airlines, critical infrastructure or trade cooperation,
- operating in contexts where there are structural barriers and shortages of local technical expertise.

Given these latter types of investments remain important for Australian international cooperation, the intent regarding localisation may be to shift over time to 'partial' localisation where practicable. As noted above, the setting of localisation intent is important at the commencement of any new investments, including at design, mobilisation and inception stages.

Even for investments at early or emerging stages of localisation, it is important to consider expanding approaches within the structures of the program – for example by setting targets (appropriate to the particular context and local labour market) for locally engaged staff and technical advisers (including in leadership and decision-making positions), or sub-contracts to local organisations; or ensuring position descriptions and objectives cover capability development, mentoring and skills transfer. Investments can also be designed to promote enabling conditions for and addressing local barriers to locally led development. For example, economic governance programs can be key enablers in shaping funding flows to local actors and supporting governments to procure from and partner with local business and CSOs.

In complex operating contexts such as countries emerging from conflict, with poor governance and high levels of corruption, or newly independent states, localisation will often be at an early stage. Opportunities to support locally led development in these environments may be limited by variable or constrained local organisational capacity, high risk operating environments or DFAT's lack of access for security reasons. DFAT often works through intermediary partners (like UN agencies, or International/Australian NGOs) or mechanisms (like UN pooled funds) in humanitarian environments or protracted crises; our role is often therefore to support intermediary partners and mechanisms – many of which have their own localisation targets - to invest in the capability and capacity of local actors.

LOCALLY LED DEVELOPMENT IS…	LOCALLY LED DEVELOPMENT IS NOT…
Building organisational systems and project mechanisms that comply with both Australian and partner country legislation and policies.	Funding partners without due diligence checks and adequate safeguards, including ongoing attention to how they will meet DFAT's expectations on key risks.
Initiatives that reflect shared values and international norms and standards (for example, gender equality, transparency, rule of law).	Sacrificing Australian values and international good practice and evidence.
Increasing the contribution and decision making by a diversity of local actors that contribute to program development design, implementation, MEL and policy dialogue.	Enabling monopoly of resources and decision making by local elites.
Enhancing equitable partnerships of mutual respect between local and international actors at all levels, including between indigenous peoples.	Implementing a donor-driven agenda and/or approaches that do not suit the local context, displace local leaders, do not have a local evidence base or have not proven successful in the past.

ANNEX A: THE LOCALLY LED DEVELOPMENT CONTINUUM

DFAT aims to progress investments along the locally led development 'continuum' over time to meet their specific objectives, informed by the local context, capabilities of local and international partners, the scale of operations, choice of modalities, and management of risks and safeguards. The continuum outlined below is designed to help DFAT staff and our implementing partners make informed decisions about defining the intent and level of ambition in relation to locally led development at portfolio and investment level, when new programs and phases are established, and to inform the monitoring of progress over time. We need to be realistic about the pace of change - it may take five to ten years to progress from one stage to another.

Dimensions of Local Agency[7]	Emerging Local actors consulted	Partial Local actors co-responsible	Advanced Local actors primarily responsible
Ideation, planning, concept and design	Consultation with partner government and diverse local stakeholders at DPP, strategy and design stages	DPPs and intermediary-led designs codesigned with local partners; local reference groups and quality assurance processes; local members on design teams.	Partner-led strategies and designs, including local partners determining outcomes, priorities, logics, governance, MEL, resourcing; alignment with local plans, budgets and systems
Implementation and delivery approach	Local organisations used for logistics and program administration	Local stakeholders have significant roles in program governance, with partial adoption of local systems	Local partners lead in key areas, including priority setting, work planning, governance, management, MEL, reporting
Decision-making and responsibility	Decision making mostly resides with donors and implementing agents; limited consultation with partner government and local stakeholders	Local actors have increased autonomy over selected components	Local actors have a high degree of responsibility for programs, including determining priorities, managing resources, and making decisions
Resource distribution	Local stakeholders, partner governments, or regional bodies receive donor funds with a narrow scope and limited timeframe; parallel systems	Local stakeholders, partner governments, or regional bodies receive funds with greater flexibility in scope and multi-year timeframe; partial use of local systems	Resources provided as directly as possible to local stakeholders, partner governments, or regional bodies, aligned with own plans and budgets; partners have autonomy in expensing funds in line with program objectives; use of partner systems
Partnership approach	Limited partnership with government and local suppliers; local stakeholders involved are often members of an elite or have well-established relationships with donors	Partnership through specific instruments, including joint steering committees, subsidiary arrangements; some partnerships with local suppliers; diverse local stakeholders involved	Equitable partnership with respectful policy dialogue, resource allocation, program co-design, co-evaluation and shared risk management, using local governance mechanisms; diverse local stakeholders empowered to drive change
Staff profile & procurement	Limited national personnel in senior positions where appropriate skills and experience can be found; limited use of local suppliers	National personnel hired by implementing partners in management roles, staffing strategies support local leadership; mix of local and international suppliers	Mostly local program team including in senior positions; junior staff mentored and supported; international staff managed by local teams; enabling HR and procurement policies; majority use of local suppliers
Technical advisers	International technical advisers/firms are substituting local capacity or international firms are delivering an end-to-end technical package	International technical advisers/firms are substituting some capacity but also playing a capability development role	If present, internationally sourced technical advisers/firms play a supporting or complementary role; majority local advisers.
MEL approach and Accountability for results	MEL system mostly designed for donor accountability and reporting, parallel indicators and data collection, with limited tailoring to local data sets	Local knowledge and expertise used to adapt and tailor systems for the local context; MEL system designed to balance a mixture of local learning with accountability; some supplementation of local systems with additional data sets.	Locally tailored MEL systems developed, aligned with local plans, using longitudinal local data sets, drawing on local expertise; donors adopt local MEL systems and harmonised reporting for shared accountability purposes; can influence international best practice.
Role of intermediaries	International project management services with limited tailoring, both capacity supplementation and substitution	Capacity and capability development; hybrid systems for planning, budgets, governance, decision making	Support and facilitation role; ongoing capacity assessment and handover, majority use of local systems for planning, budgeting, governance, decision making

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[7] These dimensions are linked to the dimensions of the OECD DAC and DFAT locally led development definition i.e. framing, design, delivery, resourcing, accountability.

ANNEX B: FLEXIBLE FINANCING AND INNOVATIVE DELIVERY MODELS

DFAT staff and implementing partners are encouraged to consider strategic opportunities to provide direct funding to partner governments and either direct or indirect funding to local organisations. Depending on context, we can explore trialling different funding models via intermediaries and directly, starting small at first and scaling up as success is demonstrated.

Varying circumstances demand different approaches and there continues to be an important role for intermediaries in DFAT's approach to locally led development. While there can be benefits in funding local organisations directly, intermediaries also offer efficiencies for both DFAT and local organisations: for DFAT in being able to operate at a more strategic level focusing on relationships, and being able to work at scale, and with multiple organisations. For local organisations, it can streamline administrative requirements and provide a layer of institutional support to manage funding requirements.

For example, it can be a challenge for local organisations to meet Australian legislative requirements and DFAT policies, which seek to safeguard against harm, such as preventing sexual exploitation abuse and harassment (PSEAH), child protection, anti-fraud and corruption, counter-terrorism financing and due diligence. Not all local organisations aspire to have the capability to meet international donor requirements directly – for example, it may be unrealistic or unnecessary for local organisations with narrower mandates or limited geographic reach, and it may have high transaction costs on both sides. Lead partners and intermediaries can play an important role in supporting DFAT to manage these risks and provide support to build local organisational capability.

Intermediaries may be managing contractors, contracted support units or program management units, INGOs, Australian NGOs, UN agencies or development banks, larger local organisations or peak bodies. They may coordinate funding and grants administration with a diversity of local partners and engagement of local personnel and firms in the supply chain. Multilateral organisations often work in sensitive contexts and can navigate access and influence in conflict-affected, high risk and politically constrained environments.

The following options can be considered both in DFAT's direct funding to local organisations and also in downstream funding by intermediaries. DFAT can encourage intermediaries and local organisations to adopt these approaches through dialogue, governance structures, funding decisions, clauses in agreements, and payment milestones. This is not an exhaustive list and will be periodically updated.

- **Direct financing of partner governments**: This modality involves ODA funds being directly channelled to partner government treasuries and line agencies through general budget support, sector budget support or program specific direct financing. This approach enables national-level impact, with efficiency gains, including by reducing parallel project systems. An Assessment of National Systems with risk mitigation is the key tool used to manage risks and policy compliance, and sector/entity level assessments of public financial management and procurement systems are also required for sector budget support and program specific direct financing. Budget support can be linked to negotiated policy reform matrices with performance financing[8] based on results, harmonised support from the multilateral banks and other donors. Examples include Australia's COVID-19 Budget Support Package and Pacific Direct Financing Fund.
- **Multi-year partnership funding:** This approach involves negotiating longer-term partnerships with funding allocated across multiple years to provide local organisations with: phased approaches to implementation; sequenced capacity assistance; greater revenue certainty; time to reach for transformational outcomes rather than transactional outputs and activities; and opportunities to build a stable workforce and invest in emerging leaders. Examples include BRAC (see Annex E), Fiji Women's Crisis Centre, Kiribati Australia Health Sector Program.
- **Core funding, or a mix of core and earmarked funding:** Core funding often funds local organisations' staff, office costs and operations. It can be linked to strategic plans, business plans or expansion, and supports delivery of local mandates. There may be earmarked non-core funding which may be dedicated to a particular service, mandate or geography, and can develop and strengthen organisational capabilities. Examples include ACCESS in Cambodia and INKLUSI in Indonesia (see Annex E), Samoa Gender Partnership Program.

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[8] See DFAT's Practice Note: Results based Financing, released in 2023, and Budget Support Framework.

- '**Pass Down' approaches**: This is where a lead partner will earmark a percentage of funds for core costs in downstream organisation(s), in recognition of local organisations' management costs. This can also be applied to particular areas, for example ensuring a set percentage for monitoring, evaluation and learning costs (for example, 4-7% in line with DFAT standards) is included in downstream partner funding. DFAT's ANCP program is currently using this approach.

- **Organisational capability development support:** This can be provided directly in funding agreements or via intermediaries. Strategies should be tailored to the local context, cultural norms, and existing organisational capability. For example, due diligence assessments of local organisations may identify gaps in child protection, PSEAH and other DFAT or partner government-required policies. Additional funding, accounting/audit support, technical assistance or volunteer placements can be provided to support development and implementation of relevant policies, including skills transfer and capacity sharing activities, to ensure there is sustainable organisational development and demonstrable change in addressing these gaps in policies and practice.

- **Supporting, facilitating and 'Start-up' contractors**: Shifting the role of managing contractors from 'doing' to 'supporting' or 'facilitating' involves careful investment design, as well as changes in organisational culture and mindset. Examples are the Balance of Power program and Vanuatu Skills Partnership (see Annex E), where the managing contractor plays a secretariat and facilitation role in supporting local leadership and decision making. 'Start-up' contractors can also help establish a service centre, unit or organisational capability and then exit after a predetermined period of time. Contract payments are sequenced around establishment and then handover of the new functions. Examples are the Pacerplus Support Unit, SEA Gender Based Violence Platform, and the Fiji Women's Fund (see Annex E), which was registered as an independent entity in 2021.

- **Local team leaders and deputy team leaders**: There are benefits to having nationals in senior positions within our programs, including to help bridge the role of our intermediaries with local organisations and actors. It also brings greater local knowledge and politically-economy expertise into senior decision-making and leadership roles. There is a growing cohort of local team leaders/deputy team leaders across DFAT's programs, who can also play a role in mentoring future leaders by providing training and on-the-job experience for junior staff. Examples are SKALA in Indonesia, Pacific Women in Fiji, Building Community Engagement in PNG.

- **Localisation-ready support hubs:** Localisation-ready support hubs could be built into designs to support local actors to build capabilities, achieve compliance and build a local market for consultancies and project management. This model is based on the private sector approach of incubating and accelerating growth of local businesses. With DFAT's support, hubs could provide a range of context-specific assistance including strengthening core management and administrative functions (financial management, procurement and contracting, safeguarding, risk assessment) or the growth of local supply chains for the development sector.

- **Support units or program management units:** These units can help strengthen local systems, including by providing technical assistance to strengthen accounting and financial reporting, embedding project implementation processes into partner government ministries, or investing in local partners' own MEL capabilities, and local datasets. These units can focus on donor/development partner requirements, while concurrent systems-strengthening activities focus on supporting local partners to meet their own country's legislative and other requirements. Examples include the World Bank Program Management Unit in the Solomons Ministry of Health, and the Pacific Women Lead Enabling Support Unit working with the Pacific Community and Pacific women's organisations.

- **Panel arrangements:** Lead partners or intermediaries can establish local panels of firms and local technical assistance panels and registers as a part of their local procurement strategies. Examples include the Australian Infrastructure Financing Facility for the Pacific (see Annex E).

ANNEX C: MENU OF KEY PERFORMANCE INDICATORS

Tier 2 Sector indicators – mandatory

- Number of organisations supported to strengthen accountability and/or inclusion, including examples of significant policy change
- Number of organisations of persons with disabilities (regional/national/state/local) receiving capacity building support
- ODA funding channelled to Women's Equality Organisations and Institutions
- Number of local people accessing jobs created by new infrastructure projects, disaggregated by gender if possible
- Total direct financing to partner governments

Tier 3 Operational indicators – mandatory

- Number of local personnel, sub-contractors and staff engaged (that is, employment created) – Managing Contractors
- Number and dollar value of local contracts and grants (that is, through local supply chains) – Managing Contractors
- Number of local partners supported through ANCP, and funding (amount and proportion) to local partners through ANCP organisations, the Australian Humanitarian Partnership and the Australian Red Cross (from 2025)
- By 2025, develop systems to track the proportion of humanitarian funding to local and national partners
- Percentage of bilateral investment designs and evaluation teams include local participation (note target is 80% by 2026)

Quantitative KPIs – optional

- Core funding ($/%) and 'pass down' grants to local partners
- Number of local organisations supported, and cumulative dollar value, cumulative % of total investment value
- Percentage and $ value of all local contracts and local grants/contributions
- Percentage of local firms in supply chains, and value of local procurement
- Percentage/numbers of national or regional technical advisers (including disaggregated by senior positions)
- Percentage/numbers of staff (including disaggregated by senior positions, presence of local team leader or deputy team leader)
- Number of investments mapped along locally led development continuum, assessing progress across the continuum and its dimensions

Qualitative KPIs9 – optional

- Development and implementation of localisation plan (including % implemented)
- Extent to which program was codesigned and/or evaluated with diverse local leaders and stakeholders
- Extent to which diverse local leadership shapes decision-making, including in governance structures (aligned with continuum)
- Evidence on extent to which diverse local leadership drives planning, budgeting, implementation, staffing, technical advice and communications (aligned with continuum)
- Evidence of progress, and contribution of locally led development to achieving program outcomes – for example, in local leadership, local organisational capability, locally led reform implementation, inclusive quality delivery, behavioural change (evidence base)
- Number of locally led reforms progressed with Australian assistance (% implemented, case studies)
- Number and reach of locally led innovations trialled, replicated and scaled
- Capturing case studies on 'most significant change' or 'systemic change' in relation to locally led development
- Increased decision making of local actors within partnerships, in line with localisation plan
- Equitable and complementary partnerships established and operating between diverse local and international actors that aim to build systems and processes, reflecting the ambition and goals and expectations of local actors
- International technical advisors operate with cultural understanding, and complement local leadership/senior management
- International actors do not undermine or displace the capacity of diverse local actors (including in emergency response)
- Extent to which local partners are managing data collection, operating relevant management information systems, using local data sets for reporting and decision making
- Degree to which the program adapts to respond to local evidence (using MEL techniques which analyse and capture both expected impacts and unintended consequences)
- Evidence of donor and partner commitment to joint monitoring of progress, reflection and learning
- Evidence of donor and partner commitment to joint monitoring of progress, reflection and learning
- Extent to which local priorities and contributions are acknowledged in reporting to donors and in public communications
- Evidence that up-to-date Assessments of National Systems are in place, with recommendations addressed in designs and workplans
- Evidence of local organisations policies, procedures, controls, process improvements that increasingly meet Australian (and complementary partner country) legislative or policy requirements (including preventing and detecting fraud and corruption, counter terrorism financing, preventing sexual exploitation abuse and harassment, child protection, environmental and social safeguards)
- Support for capacity development, addressing issues identified in due diligence and policy compliance

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9 Also consider a range of process level indicators that capture incremental changes contributing to outcomes (e.g. noting changes in relevant relationships, such as trust, among different actors) and how obstacles hindering local stakeholders' meaningful participation and leadership are eliminated (e.g. language of meetings is accessible; virtual meetings are organised on an accessible platform). Each of these indicators can be mapped to the draft OECD LLD M&E dimensions of i) quality of funding, ii) context enabling, iii) agency and leadership, iv) donor enabling in *OECD (2024) Measuring progress on locally led development: Discussion Paper 30 April 2024*. Context monitoring could include enabling central agency PFM, procurement assistance, local laws and regulatory environment, barriers and constraints such as sanctions, banking and funding restrictions, registration issues.

ANNEX D: MANAGING RISKS AND SAFEGUARDS

The realisation of the benefits of locally led development approaches takes time and requires an ongoing commitment of resources to manage risk and safeguards, both to help strengthen our local partners to carry out their operations more efficiently and effectively, and to properly monitor the implementation of risk treatments and controls. These resources can come from DFAT and/or our intermediary partners and should be built into designs, workplans, MEL and implementation budgets. In identifying and managing risks and safeguards relating to locally led development approaches it is important to:

- **Have clear governance and accountability structures in place**: Set and share expectations and reporting requirements, regularly spot-check and update key issues, controls and risks. Active management, managing up and talking about and understanding risks is key, rather than only relying on tools and registers.
- **Use the Risk Factors Screening Tool and Risk Register**: The most important way to manage risks is to identify them early, have a plan to prevent and mitigate them, and monitor the risks on an ongoing basis (at least quarterly). Buy-in from DFAT senior managers is critical to the early identification of risk, risk appetite and strategies for mitigation. Where possible, ongoing identification and monitoring of risks and safeguards should involve local stakeholders and draw on local knowledge and expertise in identifying controls.
- **Complete Due Diligence:** Completing a due diligence assessment (refer to DFAT's Due Diligence Framework) is a risk management tool to assess a delivery partner's ability to deliver in line with the policy and legislative requirements of the Australian development program. Identified risks are managed through a combination of existing controls and proposed treatments. A due diligence assessment can be actively used as a tool and a basis for providing capacity development support to address findings and help build capabilities of local organisations.
- **Resource capability**: Locally led development is not only a method for implementing programs, but is also a development outcome, and should be resourced as such. Investing in local capability to take ownership of and lead development programs can include providing supplementary resources and technical assistance to support compliance, financial management, business systems, assurance, risk management, safeguarding measures, monitoring, evaluation and reporting. Consider the use of local accounting firms and audit firms for financial risk management and reporting accountabilities.
- **Measure capability growth**: Measuring capability growth (that is, by way of an assessment framework, spot-checks and audits) helps DFAT, intermediaries, and local stakeholders to a) know what is expected in terms of risk management, safeguarding and compliance, b) formulate pathways from early learning, to practice, to uptake and management c) develop progress markers that signal movement between the stages of capability development and increased locally led development.
- **Manage shared risks:** A number of investment-related risks are 'shared risks'. Shared risks are those extending beyond a single entity and require shared ownership and management. Some investment risks will be shared with local organisations. However, as DFAT is ultimately responsible for the use of Australian public funds, the accountability for any shared risks in connection with the investment ultimately rests with DFAT. Where a local organisation is solely responsible for a risk, investment managers should maintain oversight to seek assurance that they are adequately managing risks.
- **Safeguarding is integral:** While DFAT aims to support locally led development, preventing sexual exploitation abuse and harassment of adults and children must remain an integral part of the design and implementation of Australia's development cooperation. Achieving outcomes depends on our safeguarding approach, enhances accountability of local partners, and promotes compliance with DFAT's policies. These policies protect the vulnerable from harm and intersect with other thematic priorities such as gender equality, environmental protection and disability inclusive development. DFAT will always prioritise applying its safeguarding policies to uphold its zero tolerance to sexual exploitation, abuse and harassment of adults and children, and expect policy compliance by its partners. This includes mandatory reporting of incidents which aims to strengthen support for victims/survivors and take necessary steps against perpetrators, to mitigate further harm.

SAMPLE RISK REGISTER FOR ENABLING LOCALLY LED DEVELOPMENT

Risk Factor	What risks may arise from this risk factor?	Risk Management Strategies
Local project team	Lack of written products in English for aggregating reporting of investment progress against outcomes to funders. Capacity for taking on multiple roles across leadership, project management, and implementation	• Project team and DFAT to select short term consultants with demonstrated writing, data or financial skills to support or synthesise QA reporting before submission. • Provide senior team members with access to mentoring and other support.
Timing of localisation	Localisation slows or regresses because the timeframes allowed are too short. Forward plans are constantly changing, impacting budget and progress predictions, impacting contracted milestones.	• Utilise a best case, medium case and low case scenario for achievement of progress markers and milestones. • Re-visit and update the plan regularly. • Monitor implementation of the plan. • Testing capacity through assessments (including performance audits) throughout implementation and before handover of responsibilities. • Ensure back-up from an intermediary or STAs where necessary.
Partner governments, national companies and NGOs managing investments	Unsupportive local regulatory environment for organisational agency and/or funding flows. Variable implementation and oversight of investments. Changes in leadership or key positions. Acquittals and reporting may be delayed due to weaker record keeping or financial systems. Lack of compliance with DFAT due diligence, counter terrorism, safeguard, fiduciary controls, etc.	• Policy dialogue with key policy makers to support reform and consider alternative arrangements where necessary. • Dialogue on priorities, funding for planning processes, potential adaptations to programs. • Assessment of national systems, and/or sector level assessments (for sector programs), and plan to strengthen systems and address key risks with partner governments. • Provide back-up support for targeted internal operational functions either through advisory support, a local firm or through an intermediary with a plan for progressive handover. • Resourcing provided for external audits on a regular basis. • Training and mentoring for key staff provided. • Role of intermediary and/or technical assistance decreases over time as systems and processes are proven.
Intermediary (for example, lead contractor, NGO), is resistant	Intermediary invests poorly in building local capacity and hence local capacity is not growing. The intermediary resists changing their role to enable the local partner greater responsibility.	• Incentivise localisation in the investment design and through the relevant implementing partner agreement (including performance payments against the localisation plan). • Redefine the role of the intermediary to a facilitation or support function. • Ensure localisation is resourced and pathways are well-defined. • Develop progress markers for progressive localisation.
Resourcing	Resourcing localisation requires resources to be re-directed from direct delivery towards capacity development and support. This reduces likelihood of achieving progress against outcomes.	• More frequent tranches and spot-checking of acquittals. • Plan for early resourcing of localisation to be reduced overtime. • Include and measure the benefits of localisation as an outcome from the investment.
Local supply chains	Variable quality or quantity of supplies and/or unethical supply chains, or more expensive compared with imported options.	• Open and competitive sourcing with value-for-money assessments • Output-based payments or performance payments used in contracting/contributions. • Back-up suppliers in place, or consortia of a mix of international and local suppliers.
Lack of regulatory enforcement, governance (e.g. in complex operating environments), accountability and oversight	Decreased transparency and increased opportunities for fraud or for corruption to occur.	• Ongoing support from the intermediary or support hub – capacity building and capacity supplementing. • Due diligence reviews and compliance spot checks conducted on a regular basis. • Reporting from intermediary to DFAT. • Monitor and review fraud and corruption risk on an ongoing basis, with updated controls and treatments relevant to the context.

ANNEX E: CASE STUDIES

SHARED LOCALISATION COMMITMENT: VANUATU SKILLS PARTNERSHIP

The *Vanuatu Skills Partnership* (VSP) is a joint initiative by the Governments of Australia and Vanuatu and aims to support the development of technical and vocational education and training (TVET) sector in Vanuatu. Australia has been supporting Vanuatu's TVET sector since 2005. VSP is intentionally localising through mutual agreement and commitments between the Governments of Australian and Vanuatu. The Program is a strong example of how innovations can be achieved when programs are localised. It is led and implemented by an all ni-Vanuatu national team who have been catalysts in influencing the implementation of key government strategies and policies. VSP takes an inclusive approach to stakeholder engagement and has shifted local partners' attitudes and behaviour from being largely Australian aid reliant to actively contributing towards their partnership objectives. International contractors and advisers support implementation at reduced costs. Key success factors include:

- *Redefined roles of international advisers*: The shift to locally led management roles required rethinking of international adviser roles that previously led in-country program implementation. International advisers now provide technical support to the program team as needed, quality assuring program deliverables to meet contractual obligations, and leading contract management and negotiations with DFAT. Adviser engagement costs have reduced to an estimated 18 percent of total program costs as opposed to pre-localisation when they represented more than half of the program costs.
- *Increased commitment from the Government of Vanuatu*: The Government of Vanuatu (GoV) has assumed more active roles within the TVET system over the last 15 years as the program continues to support the GoV in policy planning and regulation, coordination, and quality assurance. The Governments of Australia and Vanuatu have signed a subsidiary agreement that is based on principles of mutual accountability. The agreement outlines mutual investments in the TVET sector including structural reforms milestones in the transition of personnel salary to the GoV and performance-based payments to support skills sector reforms that are in line with Vanuatu's Post-School Education and Training Policy (2016-2020) implementation plan.
- *Adaptive Management approach encourages sustained results*: Program milestones were previously externally defined. The current management approach allows for flexibility, innovation, and experimentation, using monitoring and evaluation for accountability, risk management and learning. The program works through local structures and promotes local leadership to ensure sustainable reforms are driven by coalitions for change within the Vanuatu social and political context. Over the long-term, the approach encourages sustainability and ownership of results by local actors.
- *Locally led implementation*: VSP recognises the value of Vanuatu nationals leading the program – they speak the local language and understand the diverse local culture and power dynamics, which better positions them to think and work politically with local partners. The current team leader is ni-Vanuatu and is supported by long-term national team who together have ensured the program strengthens local leadership within the TVET sector, including changing the way local partners engage with VSP.
- *Engaged a 'support contractor'*: A managing contractor was initially engaged to manage the program. While the contractor demonstrated its capacity to manage, its systems and processes were inflexible and the working arrangements and dynamics between the international and local staff did not work well in the Vanuatu context. A new 'support contractor' was engaged with more flexible systems and technical staff capable of empowering the local team, providing access to technical support in priority areas, as determined by the local team.

SUPPORTING LOCAL WOMEN'S LEADERSHIP: BALANCE OF POWER IN THE PACIFIC

The *Balance of Power* program is a multi-country initiative in the Pacific aiming to contribute to women's increased representation as leaders, particularly in the political sphere. The investment is informed by lessons from donor support to women's political leadership in the region, and the fact that deep-seated social norms around women's leadership legitimacy are the primary barrier to women accessing roles of formal power and decision-making, not a lack of technical skills. The program is currently operating in Fiji, Tonga and Vanuatu.

Key success factors include:

- **Intentionally designed to be locally led**: The Balance of Power design recognises that local actors are the best positioned to understand culturally embedded norms, attitudes, and behaviours related to leadership legitimacy. Critically, they are the most skilled in navigating the 'under the iceberg' enablers and blockers of the local context to identify and maximise entry points and drivers of change. For this reason, Balance of Power has been designed to be led by Pacific Islanders, with all activity guided by their ongoing political economy analysis and their access to formal and informal networks and avenues of influence.

- **Roles of non-local personnel reconceptualised:** As the work of Balance of Power is premised on the need for strategic local leadership, non-local personnel are not considered appropriate to determine the direction of program implementation. Rather, international consultants are engaged to provide inputs in specific technical and support areas, under the guidance of, and reporting to, the local leadership team. This includes drafting assistance to meet DFAT reporting requirements, given it is not expected that local drivers of change in Pacific Island political economies will necessarily be experienced in this area, nor that they should be investing their limited time in this administrative function. Other technical areas include Research, Communications, and Monitoring and Evaluation. Wherever possible, Balance of Power seeks to engage Pacific Islander consultants in technical support roles.

- **'Support Contractor' mechanism established to support local leadership:** From the outset, the managing contractor put in place administrative mechanisms that would enable strong local leadership of the investment. This included recruitment criteria for the local leadership team that prioritised intrinsic motivation to drive change, networks and relationships in the target political economies, and local credibility and respect. It also involves customised and locally informed operational systems that best meet the needs of each country office, while simultaneously ensuring compliance with DFAT requirements and standards. The term 'Support Contractor', rather than 'Managing Contractor', is used to emphasise that the role of the contractor is to respond to the needs of the local leadership team and not impose external, pre-determined 'solutions'.

- **Demonstrative effectiveness of local leadership model**: Because of the credibility and status of its local leadership, Balance of Power is not perceived to be a foreign project interfering in sensitive cultural and political issues - a key risk for donor-funded investments working to promote gender equality. Through its access to power bases and networks within each operating environment, Balance of Power has established strong relationships across national and sub-national governments, churches, traditional chiefs, the media, and regional institutions to increase focus on influencing social norms. It is convening and strengthening these coalitions of actors who are now stimulating demand for and making changes in thinking and practice around women's right to leadership.

CIVIL SOCIETY PARTNERING WITH GOVERNMENTS TO DRIVE CHANGE: INKLUSI IN INDONESIA

The Australia-Indonesia Partnership Towards an Inclusive Society (INKLUSI) is Australia's flagship gender equality, disability, and social inclusion (GEDSI) program in Indonesia. INKLUSI seeks to strengthen the contributions of civil society to equality and inclusion for marginalised people, in partnership with government and other stakeholders.

The principles of locally led development have been central in all program stages, including design, contracting, and implementation. Key to this is working through local civil society organisations (CSOs) and supporting their engagement with national and sub-national government to achieve stronger development outcomes. Eight CSOs were selected as INKLUSI's first-round CSO partners. Between the eight lead CSOs, they engaged more than 60 sub-partners across 31 of Indonesia's 37 provinces to design and deliver activities in line with each organisation's mandate, local community needs, and their experiences, strengths and networks.

The program governance arrangements enable the Indonesian and Australian governments and CSOs to come together to set the priorities for INKLUSI, endorse annual workplans, review progress and adjust the approach as needed.

Operating as a multi-stakeholder partnership, the implementation of INKLUSI is supported by a Secretariat, which undertakes program quality assurance, cross-partner learning, capacity building, contribution management, risk management and monitoring functions. A core Secretariat role is to facilitate collaboration among CSOs, and

between CSOs and government, to achieve agreed program objectives. Most INKLUSI Secretariat staff are Indonesian, enabling the program to benefit from their local knowledge, relationships, and leadership.

FUNDING LOCAL ORGANISATIONS: FIJI WOMEN'S FUND

The Fiji Women's Fund (the Fund) partners with diverse local organisations to reach women in rural and remote areas, as well as women who are marginalised. It was established in 2017 with the intention of transitioning to independence by the end of 2022. Following successful implementation of its localisation strategy, the Fund successfully registered as a Fijian independent entity in July 2021. The Fund is governed by a local Board of Trustees and Governance Board. The Governance Board provides strategic direction on the Fund's operations and programs. The Fund also has a Grants Committee tasked with assessing funding proposals. A Managing Contractor initially provided enabling support before exiting, setting up organisational systems and processes and helped to position the Fund to meet donor requirements.

The Fund adopts a partnership approach working with organisations with varying levels of experience in managing donor grants - from grassroot women's community groups with minimal grant management experience, to well-established local organisations. Partners can access a combination of project grants, contributions to core organisational costs, and tailored capacity development support. Capacity development support has focussed on enabling partners to strengthen their own systems and processes so they meet compliance requirements; deliver impactful grants efficiently; and position local organisations to mobilise other financial and non-financial resources to deliver their work.

Direct funding is a crucial aspect of the Fund's efforts towards the realisation of women's, girls', and gender non-conforming communities' rights, through the different grants offered through the Fund to feminist and women's rights organisations: *Sustainability Grant, Movement Building Grant, and Resilience Grant*. Through movement building and advocacy, the Fund influences and contributes to the transformation of the whole funding ecosystem to secure more and better resources for feminist and women's rights work.

STRATEGIC LOCAL NGO PARTNERS: BANGLADESH RURAL ADVANCEMENT COMMITTEE (BRAC)

Australia's Strategic Partnership Arrangement (SPA) with BRAC, Bangladesh's largest NGO, is a stand-out example of how development partners can harness innovation by using flexible core funding approaches and collaborative governance to achieve shared objectives. BRAC adopts a community-led, holistic approach to poverty reduction, with national reach, proving itself as a credible and effective partner in delivering outcomes. Entering its third 5-year phase, the trilateral strategic partnership continues to yield exceptional results, with DFAT (and Canada) contributing non-earmarked core funding to support the implementation of the BRAC Strategic Plan 2021-2025.

DFAT and BRAC have negotiated a unique and innovative financing mechanism, with local ownership and trust at its core. Allowing BRAC to take the lead on determining funding of program priorities in consultation with SPA partners demonstrates a shift to a more equitable, strategic partnership. This financing mechanism allows for more flexibility than project-based funding, creating an operating environment conducive to innovation.

The trilateral arrangement recognises that BRAC is well positioned to develop tailored and adaptable strategies that are responsive to the needs of the local community. Australia and Canada work with BRAC to establish shared goals, collaborate, and exchange ideas and support mutual accountability, with a joint steering committee and working group. The Strategic Plan has a comprehensive results framework linked to the 17 programs delivered in multiple sectors. DFAT is measuring success via its contribution to BRAC's overall development results, rather than establishing parallel and separate 'partnership' objectives with a separate design and results framework.

LOCAL INDUSTRY PARTICIPATION: AUSTRALIAN INFRASTRUCTURE FINANCING FACILITY FOR THE PACIFIC (AIFFP)

Localisation is central to Australian Infrastructure Financing Facility for the Pacific (AIFFP) infrastructure financing and a core feature of the AIFFP Social Procurement Policy. The Policy aims to maximise the proportion of AIFFP infrastructure investments that is spent on local employment, local industry participation and improving local capabilities and skills.

Each AIFFP investment includes a detailed assessment of the local labour market, locally available materials and supply chains. This analysis informs the planning of AIFFP infrastructure projects to optimise local participation in project designs. At procurement stage, AIFFP ensures each project has a Local Content and Industry Participation Plan (LCIPP), which calls for services and works contractors to prioritise the use and upskilling of the local workforce, contractors and suppliers. For example, AIFFP became the first sovereign lender in PNG to support a State-owned Enterprise, PNG Ports Corporation Limited, establish local content planning obligations. This included setting a local expenditure target of 30% to support local jobs and skills acquisition for new ports infrastructure in PNG.

AIFFP also seeks ways to structure tenders to remove barriers to local industry participation, for example by right-sizing bid packages in reach of local industry capabilities or ringfencing training budgets to address skill gaps. In addition to creating jobs, this approach helps keep the capital costs of projects low and ensure projects are contextually appropriate and responsive. This approach has also been adopted by other DFAT infrastructure programs, such the Solomon Islands Infrastructure Program, which has resulted in around 71% of total program procurement to date directly going to local companies.

BUILDING NATIONAL SOCIETIES: DFAT–AUSTRALIAN RED CROSS HUMANITARIAN PARTNERSHIP

The DFAT–Australian Red Cross (ARC) Humanitarian Partnership is one of DFAT's flagship humanitarian partnerships. The Partnership enables Australia to respond to humanitarian crises in a way that supports local leadership nationally and at the community level in nine countries in the Asia-Pacific region. By supporting trusted National Societies, it aims to build stronger, more resilient communities with increased capacity to prepare for, anticipate, respond to and recover from disasters and crises.

The Partnership's multi-year funding model enables longer-term National Society preparedness and organisational strengthening by facilitating integration of robust strategic and business planning, financial sustainability and accountable governance structures to better respond and prepare for disasters and crises. Pacific National Society leaders are supported in financial decision making through the Pacific Core Cost Initiative. The legitimacy of partner National Societies, as well as their access to local networks to deliver supplies, their ability to factor in local cultural practises into disaster planning and the promotion of local accountability, all play key roles in realising the benefits of localising disaster preparedness and response.

Through the Partnership, Australia has supported Community-based Surveillance systems established by Fiji Red Cross in partnership with the Fiji Ministry of Health to detect and respond to communicable disease outbreaks including climate sensitive diseases. Red Cross staff and volunteers provided community prevention messaging, referring cases of illness to zone nurses and health inspectors. The Fiji Ministry of Health described this as "the missing link" in their disease surveillance approach and a "value add" for its potential to complement and extend the formal surveillance system, support earlier detection and response to disease threats. This approach has also been piloted in Mongolia and Solomon Islands by Red Cross National Societies.

LOCAL SAFEGUARDING IN PRACTICE: ANCP 'SAFE CHILDREN' PROJECT

ANCP project, Protektim En Mekem Oketa Pikinini Lo Solomon Aelan Seif (Safe Children), is managed by Save the Children in the Solomon Islands. The project works in 12 schools and 36 communities in Guadacanal, Western, Malaita and Choiseul provinces in to ensure children are safe, protected, and resilient. The project works with families, delivering Safe Families training and works with schools to strengthen disaster preparedness and climate change adaptation. Save the Children have developed and contextualised information that is socialised in all project sites.

Community Feedback and Reporting Mechanism posters have been contextualised and translated from English to the local national language, Pidjin. Values are translated into Pidjin – Accountability, Ambition, Collaboration, Creativity and Integrity - which reflect ways of working, helping community members understand what to expect from a Save the Children worker. Efforts are also underway to adapt the child friendly UNCRC Articles version to Pidjin and developing a child friendly version of the Solomon Islands Governments' National Child Protection Referral Pathway process. The aim is to raise awareness about child protection and safeguarding and create contextually appropriate ways for community members including children to act on concerns and issues they have.