

AusGuideline

Activity design

3.1 Principles of activity design

Associated guidance on 'Activity design'

Part 3A *Identification & assessment of initiatives*

Part 3B *Selecting forms of aid*

Part 3C *Appraisal and approval*

AusGuideline 3.2 *Selecting forms of aid*

AusGuideline 3.3 *The logical framework approach*

AusGuideline 3.4 *Undertaking a prefeasibility study*

AusGuideline 3.5 *Undertaking a feasibility and design study*

AusGuideline 3.6 *Preparing draft scope of services and basis of payment*

AusGuideline 3.7 *Preparing activity schedules*

AusGuideline 3.8 *Designing and using Flexible Funding Accounts*

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1 Introduction

1.1 What is an activity design?

An activity is the generic name used by AusAID to describe any ‘package’ of aid resources provided by the Government of Australia. An activity may take a number of ‘forms’, including once-off technical assistance, ongoing project support, support to a partner program or providing macro-policy support to a partner government (or a mix/hybrid of the above).

An activity design is the product of the activity design process. It provides the basis on which a decision is made to commit funding. Amongst other things, it provides

- the justification for the investment (analysis of relevance and feasibility)
- an assessment of risks and a risk management plan
- the basis on which an implementation agreement(s) or contract(s) is prepared and then entered into
- a plan to guide implementation
- the framework within which monitoring and evaluation of performance can take place, and
- a key documented record which supports effective management, accountability and transparency.

The level of detail contained in an activity design will vary depending on circumstances and needs – sometimes providing a broad framework, and sometimes providing significant detail of planned outputs, work programs and inputs.

The process of activity design may be undertaken in a variety of ways (and require the commitment of more or less resources) depending on the scope, scale and complexity of the planned activity. The main variations in approach include

- the number of steps taken prior to implementation (e.g. how many successive studies and/or field missions are scheduled for the pre-implementation design process, from initial identification to appraisal and approval to implement)
- the timing and duration of the steps
- where the work is undertaken, and
- who is involved, and their respective responsibilities.

Another key aspect of the design approach is the choices made about whether the design analysis will be fully finished prior to the AusAID decision to commit to implementation, or

whether the activity will be approved for implementation as an evolving design, with substantive further design work planned for implementation.

AusAID may lead the activity design process and take primary responsibility for preparing the final design documentation – or this may be undertaken by another agency such as another Australian Government agency, another donor, a partner government, a regional agency or a non-governmental organisation.

The activity design process and options are described in more detail in the sections of AusGuide on activity identification, preparation and appraisal and approval. In particular, AusGuideline 3.2 *Selecting forms of aid* provides specific advice on selecting forms of aid during design.

1.2 Design issues and lessons learned

Over past years, the experience of both AusAID and other donors has highlighted the following issues and lessons for activity design.

- **Partner ownership.** This has often not been effectively supported, particularly when the activity preparation process is externally driven, involves short ‘fly-in fly-out’ visits, and results in designs which focus primarily on the external technical assistance inputs that ‘we’ can provide, rather than the broader needs of the partner institution(s). Partner ownership is widely viewed as a key to promoting sustainable benefits.
- **Poverty and sustainability analysis.** These two critical development issues are not always adequately addressed during activity preparation. Every activity design must consider and establish: (i) how it will make a contribution to poverty reduction; and (ii) how sustainability of benefits will be promoted.
- **Activity scope.** Many activity designs have been overambitious with respect to the scope of objectives and the timing of implementation, particularly where complex policy and/or institutional change processes are being supported. Overambitious Terms of Reference for feasibility and design studies have sometimes been a causal factor.
- **Separating feasibility and design.** There has been a tendency to roll the feasibility study and activity design steps into one – with the consequence that inadequate time (and ‘space’) is given to assessing feasibility (and options) prior to preparing the design.
- **Flexibility and timing.** Activity designs have often been too prescriptive in scope, and more focused on specifying inputs and activities than on establishing a framework of desired outcomes (results) towards which all stakeholders can work. Phased approaches and designs which provide more flexibility during implementation (and yet assure the quality of the evolving design) are required. There has also been a problem with

- discontinuity between design and implementation (time taken, different people involved, etc). Design and implement approaches are therefore being increasingly used.
- **Costing and contracting issues.** This is a critical area of design. If the costings are inaccurate or inappropriate, and/or if the details of the contract or agreement are not supportive of the scope and thrust of the design, then effective implementation can be seriously compromised.
 - Problems that have been experienced include: (i) inadequate involvement of contracts personnel early enough in the design; (ii) contracts with an MC which are highly prescriptive and based on large numbers of relatively inconsequential milestones ('milestone madness'); (iii) contracts which focus exclusively on the MC's accountability to the GOA, and not to the partner or beneficiaries; (iv) prescriptive contracts which then require numerous ongoing contract variations as circumstances and needs change on the ground; and (v) inadequate attention given to PG obligations, including the recurrent cost implications of the investment. As a result, more innovative and flexible contracts and agreements are now being developed.
 - **Peer reviews and appraisal.** In response to a concern that the quality of all activity designs was not being appropriately scrutinised and 'tested', a peer review process is required for most Activities (at Concept and Appraisal stages) as well as an independent professional appraisal.
 - **AusAID role and personnel skills.** AusAID has traditionally used contractors to help design and implement the bulk of its activities. While contractors can play a vital role, there is a better balance that needs to be struck, particularly in the context of ensuring that AusAID personnel themselves have adequate understanding and ownership of activity design, and that they benefit from the learning opportunities that more direct involvement presents. The shift from stand-alone projects to more programmatic and policy-based activities also requires greater direct government to government engagement – rather than relying primarily on contracted intermediaries.
 - **Analytical and design tools.** AusAID has used the Logical Framework Approach (LFA) as a core activity design tool for the past 20 years. However, this tool is often not well understood or applied, either by AusAID personnel or contractors. As a result, the elements of a quality design that the use of LFA should support (including clear analysis of the problems and stakeholder interests, establishing a logical hierarchy of objectives, identifying risks and establishing a monitoring and evaluation framework) are not always being produced to a satisfactory standard.
 - **Whole of Government (WofG).** Starting with the Regional Assistance Mission to the Solomon Islands (RAMSI) in 2003, the Australian Government is adopting a more whole-of-government approach to elements of its aid program. AusAID is adjusting its principles and practices for activity design to support this new way of working.

- **New forms of aid.** The international concern about aid effectiveness, and the broad consensus that there needs to be some change in the way that aid resources are provided (particularly in terms of management and financing arrangements) requires that AusAID explicitly consider FOA options during activity preparation, rather than using a stand-alone project as the 'default' option. (See AusGuideline 3.2 *Selecting forms of aid.*)

2 Generic design principles

AusAID's Strategic Plan clearly states that there are to be changes in the way in which we develop activity designs. In particular it notes that

- activity designs will be less prescriptive, more focused on key outcomes and outputs, and more flexible, and
- personnel in Canberra and post, including senior managers, will play a more active role in design.

It also notes that there is an emerging international consensus that there should be '*Less reliance on stand-alone projects...*'.

While keeping these points in mind, and recognising that different circumstances and contexts will often require some difference in approach to activity preparation and design, the following sub-sections highlight some generic design principles that should be applied in most, if not all, circumstances.

2.1 Scope of Analysis

Any activity design, whether for a stand-alone project or facility, support to a sector program or for macro-policy support, should address the following 10 questions.

1. What is the policy and/or program context within which the proposed Activity is set – both for the partner government and the GOA?
2. What is the development situation to be addressed, including key needs and problems and the nature of underlying problems/constraints?
3. Who are the key stakeholders (including institutions), their interests and capacity to address identified needs or problems?
4. What lessons have been learned from past experience?
5. What is the most appropriate strategy for providing Australian assistance, including form of aid?
6. What are the desired results (benefits), and how are these to be achieved?

7. What are the likely resource/cost implications, duration and phasing?
8. What are the most appropriate coordination, management and financing arrangements for using Australian aid?
9. How will performance (achievement of results) be assessed?
10. What are the risks to successful implementation and to sustainability of benefits and how will they be managed?

As part of answering these questions, all activities must also incorporate an explicit analysis of

- poverty issues
- social factors
- institutional and stakeholder factors
- financial and economic factors (including costs and benefits)
- technical issues, including questions of appropriate technology
- environmental and gender issues, and
- risk and sustainability issues.

Each of these topics may be more or less critical in the context of an individual activity. Some factors may require significant original research/analysis and comprehensive treatment in the design documentation, while others may need no new analysis and limited specific treatment in the design. AusAID managers should look for opportunities for joint analysis with other donors may also be useful. These approaches are a matter of context and professional judgement, not prescription.

This design analysis can utilise the Logical Framework Approach (LFA). The LFA is a long established activity design methodology used by a range of major multilateral and bilateral donors, including Australia. Technical guidance on using the LFA is provided in AusGuideline 3.3 *The logical framework approach*.

2.2 Design documentation

For major activities, AusAID has traditionally required that a substantial design document (sometimes called a Project Design Document - PDD - or Activity Design Document - ADD) be produced in the final part of the activity preparation process. In the move to more flexible designs, the nature of the required documentation is changing, and the design document is now sometimes presented as a less prescriptive 'design framework'.

Some Activities will nevertheless continue to require more detailed specification than others. For example, a bridge building project will still require detailed engineering design, and the

detailed specification of activities, inputs and costs. On the other hand a health sector program support activity will likely be less prescriptive, and rather focus on the outcomes/results to be achieved and the framework within which support will be provided, including the management, financing and monitoring arrangements.

Despite such activity specific differences - there are nevertheless important general principles behind producing good quality design documentation for any activity, namely that the documentation

- demonstrates adequate analytical rigour
- is clear and appropriately concise
- provides a clear guide for activity implementation
- provides a basis on which performance assessment (M&E) can be carried out, and
- supports transparency and accountability objectives.

Two other important points to make about design documentation is the importance of version control and filing/archiving. Key documents must be clearly referenced/dated, quality assured and accessible.

2.3 Contracts and agreements

Different types of activity will require different types of contract or delivery agreement. For example, stand-alone projects using an implementation contractor will require a service contract, a GOA co-financing contribution to a UN agency will require an inter-agency agreement, collaboration with a WofG partner will require a Record of Agreement, and direct financing to a partner government's sector program will require a Government-to-Government Agreement. Contracts Services Group can provide advice on the options and implications.

Nevertheless there are some common quality principles that can be applied to almost any contract or agreement.

- **Is consistent with and serves the design.** Contracts/agreements must be consistent with the activity design, and provide the mechanism by which the intent of the design can be implemented. Services to be provided and roles and responsibilities must be clearly articulated. Involving contracts officers early in the activity design process is critical.
- **Promotes partnership and local ownership.** With a few exceptions, most activities should be promoting partner ownership of the use of the aid/external resources. The contract/agreement conditions can have a huge influence on this – either positive or negative. For example, a contract between AusAID and the MC – and which focuses only on the MC's obligations to AusAID (not to the partner), can effectively exclude the

partner from any meaningful decision making role regarding use of the available resources.

- **Suitably focused on results.** The contract/agreement should ensure that the parties to the agreement keep an appropriate degree of focus on the agreed medium to longer term results that the activity is designed to deliver or contribute to. While input and/or activity focused contracts/agreements may be the most appropriate approach in some circumstances, they should not require micro-management.
- **Allows flexibility.** The contract/agreement should allow adequate flexibility, so that delivery organisations (be they GOA agencies, an MC, a partner government, a multilateral agency or NGO) can respond to changing needs and circumstances without undue delay (e.g. caused by the need for ongoing contract variations).
- **Provide appropriate incentives.** Contracts/agreements should provide appropriate performance incentives, giving focus to achievement of meaningful results, not just the delivery of goods and services. This applies equally to contracts with commercial organisations and agreements with Partner Governments (such as Memoranda of Understanding). They should all clearly specify what the incentives are and how they are to be applied.
- **Specifies ongoing QA processes.** There is a need to clearly specify the obligations of all parties to ensure the quality of the design as it ‘evolves’. While some designs will evolve more than others – all designs should be open to review and revision as circumstances change and needs become more apparent through lessons learnt ‘on the ground’.

2.4 Managing design

In the process of preparing an activity design, the way in which the work is carried out should

- **Promote partner ownership.** With only a few exceptions (e.g. rapid emergency response or short-term stand-alone TA or training) – the process of activity design should promote partner participation and ownership. This is likely to include consideration of: (i) adequate time allowed in-country for design work; (ii) appropriate phasing of the design process; (iii) joint preparation and approval of TOR and workplans; (iv) inclusion of partner representatives on design teams; (v) design and delivery of participatory workshops; (vi) joint appraisal and approval of design documentation; and (vii) clear specification of partnership principles and working arrangements.
- **Engage WofG partners.** AusAID is committed to delivering aid as an integrated part of overall Australian Government operations and policy. Other Australian Government agencies often work as partners with AusAID in the development of program strategies, in the design of aid initiatives, and in activity implementation. AusAID works closely and

collaboratively with those agencies and promotes their participation in ways similar to those noted above under "partner ownership".

- **Ensure coordination with other development partners.** Donor coordination and harmonisation of systems is high on the aid effectiveness agenda. It is not enough that we know what other donors are doing – concrete actions need to be taken to ensure that donors are working together for a common purpose, and that they do not contribute to policy incoherence or increased transaction costs for the partner government. AusAID managers should actively seek opportunities to work with other donors in joint analysis and joint interaction with partner authorities, including through joint consultations with, and missions to, partner countries.
- **Consider different forms of aid.** The default must not be to ‘design in our own image’ – by using a project intervention based primarily on providing advisory inputs, managed by a contractor. This may be an appropriate response – but it must be justified, having considered other options.

2.5 Quality assurance

2.5.1 Peer review and peer review meetings

For any significant aid activity where AusAID participates in design, the design process will usually involve the participation of the program desk, the relevant Post (or Posts), a sector advisor (or advisor) and a representative of CSG. Personnel from other areas may be involved as relevant.

This AusAID design team will usually be complemented by the participation of partner organisations and/or individuals who are likely partners (or stakeholders) in the implementation of the activity. Other Australian Government agencies may also contribute. The AusAID team and the other participants will make periodic peer inputs in relation to analysis, emerging findings, and draft documentation, at relevant points in the design process.

In addition, for most activities over \$3 million expected value, it is mandatory to convene (and document) two formal Peer Review Meetings (PRMs) - the Concept Peer Review Meeting (CPRM), and the Appraisal Peer Review Meeting (APRM) unless the line ADG agrees to an exemption. The requirements for holding PRMs and the grounds for exemptions are explained in the relevant AusAID Circular on PRMs. (There is also a Peer Review button on the home page of the Intranet).

Similarly, AusAID's Quality at Entry surveys will continue to select a range of activities for assessment of quality at commencement.

2.5.2 Independent appraisal

All activities of significant size and scope funded by AusAID must have an independent and professional appraisal prior to the decision to commence to implement that activity. Where AusAID is a partner in the design process, AusAID should play a significant role in appraisal of the proposed design. This applies to evolving designs, as well as to activities where all major design work has been completed prior to the decision to implement.

An appraisal is considered *independent* if the individual or team undertaking the appraisal has not played a significant direct role in developing the proposed activity which is under appraisal. An appraisal is considered *professional* if

- a careful choice is made between a field appraisal (which includes a field visit to the relevant development situation) and a desk appraisal (conducted without field work), with adequate time allowed for the appraisal
- there are clear Terms of Reference (TOR) for the field or desk appraisal - which involve a systematic assessment of
 - the main elements of the activity rationale (including the main types of analysis)
 - the proposed institutional and management arrangements of the activity, and
 - the proposed work of the activity during implementation, and
- the selected appraisal team or individual have the combination of design and specialist knowledge and expertise needed to meet the requirements of the TOR (and adequately assess the type of design under consideration).

2.5.3 Design during implementation

Where an activity involves significant design during implementation, the additional design requirements should be defined when approval for implementation is given. In particular

- the key steps or processes for the necessary design work should be specified in outline, with a clear delineation of roles and responsibilities within AusAID and between AusAID and other partners, and
- the peer review and any other quality assurance processes for post-commencement design should be indicatively planned (and documented). This could include planning for an independent appraisal (and AusAID peer review meeting) for major design work.

It might also involve the use of such mechanisms as a Quality Assurance Panel (as has been used within the Philippines Country Program) and/or using Technical Advisory Groups (TAGs) which have a specific QA role during implementation.

2.5.4 Aid quality indicators

Generic quality attributes and indicators against which any activity can be assessed are shown in Table 1 below.

Table 1 - Quality attributes and indicators for any activity

RELEVANT: <i>The activity meets clearly demonstrated and high priority development needs</i>	FEASIBLE: <i>The activity is well designed and will deliver clearly identified development benefits</i>
<ol style="list-style-type: none"> 1. is consistent with the GOA's development cooperation policies and relevant program strategies 2. is consistent with our development partners' policies, priorities and programs and has clear partner ownership 3. is based on an appropriately rigorous analysis of the development issues and priority needs – including situation/poverty, stakeholder and institutional analysis 4. incorporates lessons learned from past experiences 5. considers alternative solutions to the development problem(s), including options for using different forms of aid 	<ol style="list-style-type: none"> 6. has relevant and realistic objectives which address identified needs 7. has resource and cost implications justified in relation to the anticipated benefits 8. has clearly stated and sound coordination, management and financing arrangements which support partner ownership objectives 9. has a suitable monitoring & evaluation framework that meets management information & accountability needs 10. has a realistic analysis of risks, a risk management plan and appropriate analysis of sustainability issues

3 Designing different forms of aid

3.1 Overview of forms of aid

3.1.1 Why is the form of aid important?

Considering FOA is important because **how** you deliver a 'package' of assistance can be as important as **what** you deliver. Different forms of aid represent different options/ways of achieving objectives – some of which may be more efficient and effective than others in particular situations.

For example, different forms of aid can impact on, *inter alia*

- varying levels of local ownership
- the management and administration costs (transaction costs) incurred by different parties/agencies
- the effectiveness of aid coordination arrangements

- the coherence between partner government policies, budgets, spending and results, and
- who can be held accountable for achieving results.

Each of these can in turn significantly influence the overall effectiveness of aid, and thus the contribution made to promoting sustainable benefit streams.

3.1.2 Definition of forms of aid

‘Forms of Aid’ can be broadly defined as *‘the arrangements used to channel Australian aid resources to support approved activities’*.

To support the analysis of FOA options, consideration is first given to the nature of the problem to be addressed and then the type of partnership strategy the GOA wishes to pursue with the partner government to address these problems.

Making a choice about the form(s) of aid is then further guided by looking at the most appropriate mechanism, management and financing arrangements.

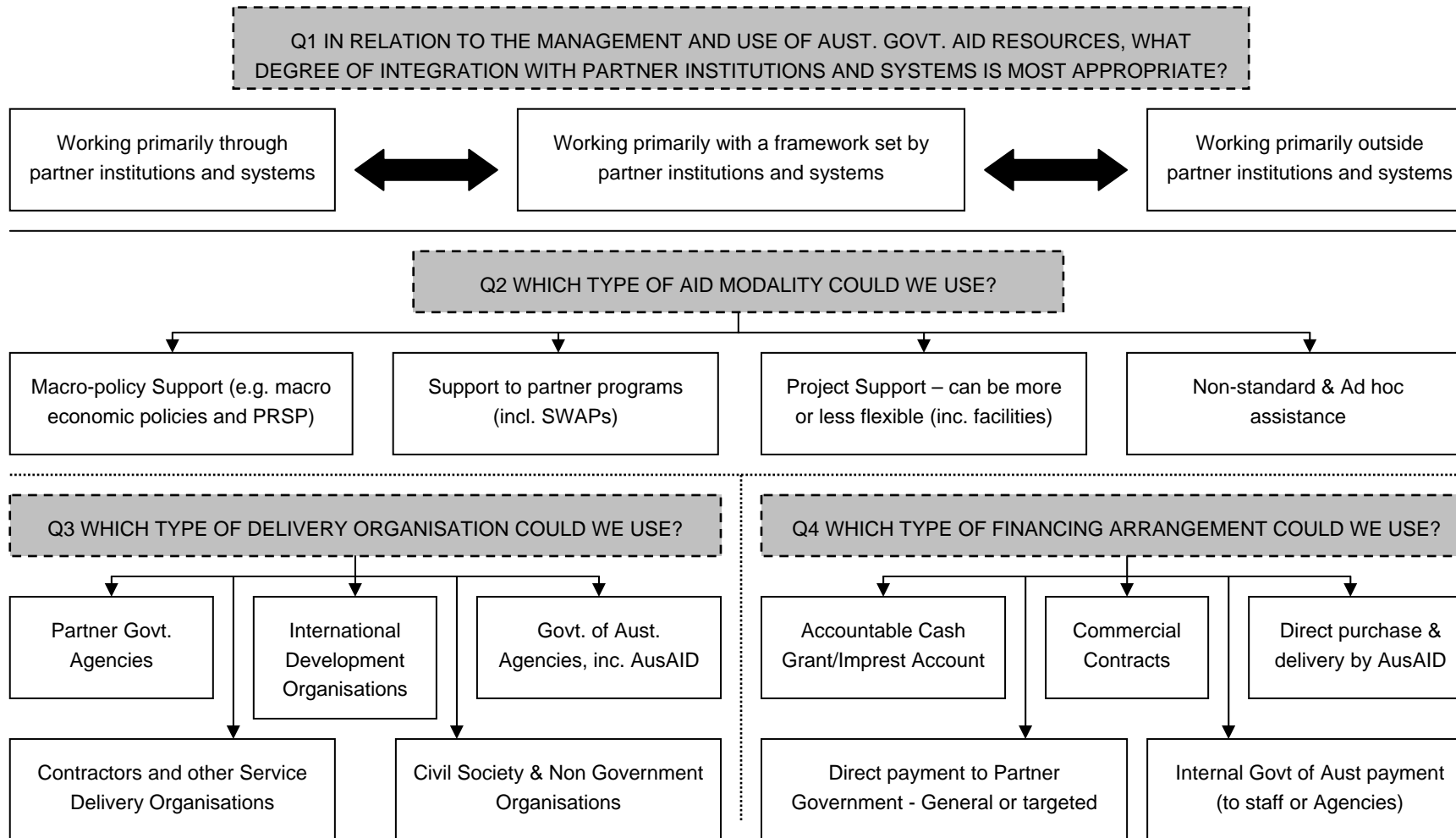
- **aid modality** – a general descriptor of the relation between the delivery of the Australian resources and Partner Government programs, systems and institutions;
- **delivery organisation** – who has primary responsibility and accountability for managing the delivery of Australian government aid resources, and
- **financing arrangement** - how the funds are made available.

The analytical framework is summarized in Figure 1 below.

Further explanation of the criteria used to help select between different FOA is provided in AusGuideline 3.2 *Selecting forms of aid*.

Figure 1: Analytical framework

Identifying Appropriate Forms of Aid



3.2 What are the four aid modalities?

Table 2 below outlines the defining characteristics of the four aid modalities noted in Figure 1 above. A fuller discussion of each modality can be found in AusGuideline 3.2 *Selecting forms of aid*.

Table 2: Aid modalities

Macro-policy Support	
<i>What is it?</i>	<p>A Macro-policy Support activity is when aid is provided to directly support the implementation of a partner government's macro-economic and/or social policies (including for example an agreed Poverty Reduction Strategy), working primarily through partner systems and institutions.</p> <p>It is not generally targeted at any particular Institution, Sector or Program – and is provided primarily in the form of a direct resource transfer to the partner's budget, which is then managed in accordance with that state's budget procedures.</p> <p>Developing and maintaining high-level policy dialogue with the partner government, and using government systems to the maximum extent possible is a central feature of policy based and programmatic approaches. It is a fundamentally different approach from a traditional project, which is based more on addressing specific technical problems, using external expertise and parallel management and financing systems.</p> <p>Nevertheless – a Macro-policy support activity can (and usually should) incorporate other financing arrangements apart from just direct payments to the partner government budget (i.e. direct payment to GOA agencies/staff, or a commercial contract, to provide necessary TA).</p> <p>It could therefore also use other management arrangements apart from exclusive use of PG agencies and staff (such as direct GOA involvement and/or contractor involvement in providing TA).</p>
Support to Partner Programs	
<i>What is it?</i>	<p>Program support is when GOA provides resources to support a defined partner program. The partner program may be sector-wide (e.g. Health Sector Program) or more 'thematic/issue-based' (e.g. HIV program).</p> <p>In this case, the Australian aid activity:</p> <ul style="list-style-type: none"> ▪ Supports only objectives/activities clearly identified as policy priorities within the partners' sector or program plan. ▪ Is coordinated and given strategic direction through established partner-led arrangements. ▪ Provides financial support in line with the partners' established expenditure framework/forward budget; and ▪ Is monitored primarily through the partner's systems, using an agreed set of performance indicators. <p>As with all Forms of Aid, Program support can be managed and financed in a number of ways – however given that the aim is to maximise partner government ownership, ensure coherence between the partners policies, spending and results achieved, and to reduce transaction costs – arrangements which use PG systems to as large extent as possible are generally preferred.</p> <p>Nevertheless it is still possible to provide Program Support using some external management and financing arrangements (e.g. having a contractor manage AusAID's inputs, using a mix of contractor finance and trust-fund monies) – as long as the criteria listed above (in dot point) are substantially met.</p>

Project Support	
What is it?	<p>A donor supported development project is an activity that has defined development objectives, a defined time-line and budget, and management and financing arrangements which are 'additional' to the PG's systems. These additional arrangements can be either completely freestanding or operate as an add-on to PG systems. This allows the donor to maintain a significant degree of control over the allocation and management of 'their' resources.</p> <p>Projects may be more or less flexible in their design – and can be structured as 'Facilities'. A facility provides responsive and flexible funding for a range of developmental needs, as they emerge and are identified as priorities. The mechanism may be highly focused on a particular sector or theme (e.g. village water supplies, agriculture) or be more broadly based (e.g. Capacity Building).</p> <p>Project support also includes traditional, long term, AusAID scholarships programs, and any ongoing program of short course or specialised training.</p>
Non-standard & Ad hoc Assistance	
What is it?	<p>This would include development activities which cover:</p> <ul style="list-style-type: none"> ▪ the provision of once-off Technical Assistance (contracted, in-house or from another GOA agency) which is not part of a larger program of technical assistance. This includes stand-alone long term training, and once-off short-term/specialised training, which is not part of a broader program of support; ▪ the once-off purchase of supplies or equipment or other ad hoc provision of capital goods; and ▪ any activity which does not fit any of three main FOA aid modalities noted above.

3.3 Differences in design requirements for different FOA

As already noted in Section 2.1, all designs should adequately answer a basic set of 10 questions, irrespective of the form of aid. However, there are some differences in design requirements for different forms of aid that are worth noting in terms of the technical focus, process and responsibilities, and product. These are summarised below in Table 3.

Table 3 – Main differences in design requirements (macro vs micro)

	<i>Macro-policy and programme support activities</i>	<i>Project and stand-alone TA activities</i>
<i>Technical focus</i>	<p>Main technical focus is usually on such issues as:</p> <ul style="list-style-type: none"> ▪ Overall macro-economic framework ▪ partner government institutional capacity and systems – central and relevant line agencies ▪ policy level and sector-wide development issues 	<p>Main technical focus often more specific, for example:</p> <ul style="list-style-type: none"> ▪ Identifying sub-program needs of a specific technical nature, for specific groups and/or in particular geographic areas ▪ Institutional capacity of PG agencies directly relevant to the focus of a specific project or TA activity ▪ Specific assessment of staffing, equipment, material & capital works requirements (including counterpart inputs)

	<i>Macro-policy and programme support activities</i>	<i>Project and stand-alone TA activities</i>
<i>Process and responsibilities</i>	<p>Characteristics of the design process are generally that GOA/AusAID is less in 'control', given that:</p> <ul style="list-style-type: none"> ▪ Partner government must lead ▪ Requires close collaboration with other involved donors (harmonisation) ▪ Often significant reliance on information from partner or other donor sources ▪ AusAID may take lead role from donor side, or may be simply a co-contributor 	<p>GOA/AusAID usually more 'in control' given that:</p> <ul style="list-style-type: none"> ▪ Issues/problems being assessed are often more 'discrete/focused' ▪ Although design work is generally undertaken on a joint basis, it can if necessary be undertaken largely independently of partner government and other donors. (Joint design is strongly preferred.) ▪ There is often greater reliance on using Australian design experts, and using GOA specific design procedures
<i>Design product</i>	<p>The activity design and documentation may be produced primarily by the PG and/or other donors – not AusAID</p> <p>Design product generally less prescriptive than for project support</p>	<p>The activity design and documentation may be produced primarily by GOA agencies and/or their contracted delivery organisations (although usually a joint process)</p> <p>Design often more specific and/or prescriptive. It may also require elaboration of separate management, financing and contracting arrangements that meet Commonwealth requirements.</p>

3.4 Scope of design documentation for different FOA

A guide to the type of information that needs to be documented for each of the main types of aid activity (macro-policy, program, project and stand alone support) is provided at Annex A.

In summary, topics that should be covered in the final design documentation are listed in Table 4 below

Table 4: Design documentation topics

1	Situation Analysis
1.1	Policy and program context
1.2	Analysis of the development situation (including needs or problems)
1.3	Lessons learned from past experience
1.4	Options considered and proposed strategy for Australian assistance
2	Activity Description
2.1	Results, presented at both the outputs and outcomes level
2.2	Resource and cost implications, duration and phasing
3	Management and Financing arrangements
3.1	Coordination and management

3.2	Financing
3.3	Performance monitoring and evaluation
4	Feasibility, sustainability and risk
4.1	Feasibility, risk and sustainability analysis
4.2	Risk management strategies

It is worth remembering that for macro-policy and program support Activities, much of the required information may not need to be generated and documented separately by AusAID. By its very nature – a macro-policy or program support activity is focusing not so much on what AusAID/GOA will do – but what the partner government (and other stakeholders, including other donors) plan to do.

The GOA/AusAID role in design may therefore not be a lead role, but rather one of a co-contributor. Nevertheless AusAID must still ensure that its requirements for quality assurance and risk assessment are appropriately met before any financing decisions are taken.

In the process of assessing the status and quality of partner government systems, there will of course always be areas of weakness (just as there are within our own!). The point is then to consider how serious these weaknesses are, make a judgment about whether or not there is scope for improvement, and if so to then dialogue with the partner about opportunities to address problems as part of the macro-policy or program support package. The aim is to support the ongoing development of improved partner systems and capacity – which are locally owned and driven, and which will benefit from external ideas and support.

3.5 Note on improving the design of project support

Where project support is being used, there is considerable scope to improve the quality of design and implementation, by ensuring that projects

- are clearly consistent with the partner's policy framework and plans
- have a clearly articulated partnership strategy
- have specific and agreed (and well-documented) joint management arrangements, with the respective roles and responsibilities of each partner to implementation clearly defined.
- integrate with and support local planning/budgeting, management, financing and monitoring systems (rather than creating parallel systems)
- are better coordinated with other donors
- build local capacity and rely less on expatriate technical assistance
- take a longer-term (and more realistic) perspective of the process of change; and

- allow greater flexibility to allow the project scope to adapt to changing circumstance and needs during implementation

These principles are consistent with the *Paris Declaration on Aid Effectiveness* (2005).

A Indicative information requirements for design documentation

A.1 Situation analysis

1.1 Policy and program context			
<i>Macro-policy support</i>	<i>Program support</i>	<i>Project support</i>	<i>Stand-alone TA, training etc</i>
<p>This section would focus on providing a profile and some analysis of the macro-economic and poverty reduction policy context, including:</p> <ul style="list-style-type: none"> ▪ Analysis of the national development strategy (clarity, logic, feasibility) – including extent to which national policy reflects a credible commitment to poverty reduction and growth, and to addressing critical governance issues ▪ Basic soundness of national macro-economic policy ▪ The status of the macro-economic framework, based on such variables as: (i) Rate of consumer price inflation; (ii) Primary and overall fiscal balances; (iii) Tax burden as a % of GDP; (iv) Real interest rate; (v) Debt servicing as % of exports; (vi) External indebtedness ; (vii) Variation in real exchange rate; (viii) Real GDP growth rate; (ix) Current account balance in the BoP; (x) Unemployment rate; and (xi) Levels of poverty. ▪ Role of government vis a vis the private sector and civil society. 	<p>This section provides the broad context within which the program is set, including:</p> <ul style="list-style-type: none"> ▪ Analysis of the national development strategy (clarity, logic, feasibility) including the general quality of macro-economic management. ▪ Assessment of the quality of the sector policy – quality and consistency with national development objectives – including issues related to the legal and regulatory framework ▪ Analysis of proposed program’s contribution to poverty reduction ▪ Role of government in the sector and opportunities for civil society and private sector participation 	<p>This section provides the broad context within which the project is set, including:</p> <ul style="list-style-type: none"> ▪ Analysis of relevant PG policies and ongoing programs – primarily to demonstrate that the proposed project is consistent with/supportive of these ▪ Consistency with the GOA country program and/or other thematic strategies (including poverty reduction) 	<p>This section would briefly provide the context within which the TA or training activity is set, focusing on:</p> <ul style="list-style-type: none"> ▪ Consistency with GOA country program and/or other thematic development strategies

1.2 Analysis of needs or problems			
<i>Macro-policy support</i>	<i>Macro-policy support</i>	<i>Macro-policy support</i>	<i>Macro-policy support</i>
<p>This section identifies the macro-level problems to be addressed – both developmental and institutional. Analysis might include assessment of:</p> <ul style="list-style-type: none"> ▪ Causes of identified problems in macro-economic management (cause and effect analysis) and constraints to resolution ▪ Institutional and legal framework and responsibilities of key stakeholders, including central and line ministries, donors/development partners, civil society organizations, and private sector organisations. ▪ Key institutional capacity issues – particularly in relation to: (i) policy formulation, (ii) expenditure planning and budgeting, (iv) public finance management and accountability systems – including procurement; and (v) status of performance monitoring and client consultation systems. 	<p>This section should provide an assessment of the status and quality of the partner's sector strategy and/or action plan, including the extent to which there is clear:</p> <ul style="list-style-type: none"> ▪ Identification of core development problems in the sector, their underlying causes (cause-effect analysis) and constraints to resolution ▪ Profile of the key stakeholders in the sector, including central and line ministries, donors/development partners, civil society organizations, and private sector organisations. Analysis of respective roles and interests in addressing identified sector-wide problems. ▪ Identification of key institutional capacity issues – particularly in relation to: (i) sector policy formulation, and the legal and regulatory framework, (ii) medium-term expenditure planning and budgeting, (iii) donor coordination mechanisms, (iv) public finance management and accountability systems – including procurement; and (v) status of performance monitoring and client consultation systems. 	<p>This section describes the existing situation within which the proposed project is set, and in particular the:</p> <ul style="list-style-type: none"> ▪ Identified needs or problems that need to be addressed – including their underlying causes and constraints to resolution ▪ The interests of key stakeholders - including those affected by the problem, those causing the problem and those who have an interest or role in providing a solution ▪ Institutional and organisational setting – including issues of organizational capacity 	<p>This section would briefly describe the problem or need to be addressed, namely :</p> <ul style="list-style-type: none"> ▪ Nature of the core problem(s) and underlying causes, including constraints to resolution ▪ Who is affected by the problem and how ▪ The nature of the organizational context

1.3 Lessons learned from past experience			
<i>Macro-policy support</i>	<i>Macro-policy support</i>	<i>Macro-policy support</i>	<i>Macro-policy support</i>
<p>This section would likely include:</p> <ul style="list-style-type: none"> ▪ Profile of past experience in the country in question, namely the history of Partner Government reforms, plus GOA and other development partner macro-policy support activities ▪ Lessons learned from relevant international experience 	<p>This section would likely include:</p> <ul style="list-style-type: none"> ▪ Profile of past experience in the country and sector in question – history of Partner Government reforms, GOA and other development partner sector based activities ▪ Ongoing programs or projects in the sector – current lessons ▪ Lessons learned from relevant international experience 	<p>This section would provide a description of:</p> <ul style="list-style-type: none"> ▪ Past experience in the country and sector in question – with a particular focus on relevant technical and institutional issues ▪ Ongoing programs or projects – current lessons ▪ International experience relevant to the proposed project 	<p>This would include a description of:</p> <ul style="list-style-type: none"> ▪ Past experience with the provision of TA and/or training in the country or organization concerned

1.4 Options considered and proposed strategy for Australian assistance			
<i>Macro-policy support</i>	<i>Macro-policy support</i>	<i>Macro-policy support</i>	<i>Macro-policy support</i>
<p>This section provides the link between the analysis provided in the previous sections and the activity description that follows. It should describe the:</p> <ul style="list-style-type: none"> ▪ Rationale for choice of macro-economic support, which might be for such reasons as to (i) support an agreed program of economic reforms and poverty reduction; or (ii) provide ad-hoc complementary support in event of external shocks to a partner government economy ; or (iii) provide emergency aid for stabilization or rehabilitation. 	<p>This section provides the link between the analysis provided in the previous sections and the activity description that follows. It should describe the:</p> <ul style="list-style-type: none"> ▪ Partnership strategy – namely the degree to which GOA support to the sector/program should be provided through, within or outside partner government systems ▪ Options considered in terms of mechanism, management arrangements and financing arrangements, and rationale for preferred choice. 	<p>This section provides the link between the analysis provided in the previous sections and the activity description that follows. It should describe the:</p> <ul style="list-style-type: none"> ▪ Rationale for the choice of a project based approach ▪ Technical options considered and rationale for the choice of strategic focus ▪ Options considered in terms of management and financing arrangements, and rationale for preferred choice 	<p>This section would briefly describe the:</p> <ul style="list-style-type: none"> ▪ Rationale for providing stand-alone TA or training, rather than another form of aid ▪ Options considered in terms of how the TA, training etc is to be provided

A.2 Activity description

Note: The following sections are presented in two columns only – highlighting general differences between policy/program and project/TA type Activities.

2.1 Results hierarchy	
<i>Macro-policy Support or Program Support</i>	<i>Project or stand-alone TA and Training</i>
<p>Based primarily on the Partner's Macro or Program Policy and Strategy documents (and using the analytical structure of the Logframe's objective hierarchy as appropriate), this section should provide a:</p> <ul style="list-style-type: none"> ▪ Statement of expected development impact (i.e. improvements in relevant macro or sector based poverty indicators/MDGs) and outcomes (e.g. changes in behaviour and/or use of or access to services) drawn from, or referenced to, the partner's Macro or Sector Policy and Strategy ▪ Description of expected outputs (e.g. improved service functions such as expenditure planning, budget execution, expenditure management and accounting, performance monitoring mechanisms, client consultation systems, etc) and any relevant indicative priority activities (drawn from, or referenced to, the PG's Macro-policy or Sector Action Plan) 	<p>Based on the analytical and presentational framework provided by the Logframe Matrix, this section should include a:</p> <ul style="list-style-type: none"> ▪ Statement of the expected development impact that the project or TA/training is expected to contribute to in the longer term, and the expected outcomes (e.g. changes in behaviour and/or increased use of or access to services) expected by the end of the project/TA activity. ▪ Description of expected outputs (e.g. goods and services to be delivered including, training, policy advice, improved systems, capital works, etc) and relevant priority activities

2.2 Resources and cost implications, duration and phasing	
<i>Macro-policy Support or Program Support</i>	<i>Project or stand-alone TA and Training</i>
<p>This section should provide information on:</p> <ul style="list-style-type: none"> ▪ Anticipated total costs of the policy or program implementation – partner, other donors and GOA contributions. ▪ Expected duration of donor funding requirements – including from GOA ▪ Description of any specific GOA financed and managed (targeted) inputs – including TA, equipment, supplies, etc ▪ Phasing issues – in relation to local capacity, logical steps in building capacity, partner resource requirements, recurrent cost implications, etc ▪ Summary of any relevant cost-benefit or cost-effectiveness analysis 	<p>This section should provide information on:</p> <ul style="list-style-type: none"> ▪ Profile of specific GOA inputs – including TA, equipment, supplies, etc ▪ Anticipated total costs of the project or TA/training activity – GOA, partner and other donors ▪ Expected duration of GOA financial support ▪ Recurrent cost implications ▪ Phasing issues – in relation to local capacity, logical steps in building capacity, partner resource requirements, etc ▪ Summary of relevant cost-benefit or cost effectiveness analysis

A.3 Management and financing arrangements

3.1 Coordination and management arrangements	
<i>Macro-policy Support or Program Support</i>	<i>Project or stand-alone TA and Training</i>
<p>This section would describe:</p> <ul style="list-style-type: none"> ▪ Coordination mechanisms – between partner government, other involved donors and non-government stakeholders. Provide details of how the coordination mechanisms will work, and how government will lead. ▪ Management responsibilities – within Government and among donors. Who is responsible and accountable for what? Role of central and line ministries, harmonization of donor management requirements, etc 	<p>This section would describe in an appropriate level of detail:</p> <ul style="list-style-type: none"> ▪ Coordination mechanisms – between partner government, GOA agencies, delivery organisations contracted by the GOA, other involved donors and non-government stakeholders. ▪ Management responsibilities – who is responsible and accountable for what? This would generally focus on the role of the partner, GOA agencies and any contracted GOA delivery organisations.

3.2 Financing arrangements	
<i>Macro-policy Support or Program Support</i>	<i>Project or stand-alone TA and Training</i>
<p>This section provides a description of how the activity will be financed, including:</p> <ul style="list-style-type: none"> ▪ Mechanism(s) to be used for providing donor resources, such as direct payment to PG (budget support – targeted or general), accountable cash grant to a common-pool fund, or commercial contract to separately manage Australian contributions. ▪ Who has authority to approve budgets and expenditures – and which systems are being/will be used? ▪ How will release of donor resources be approved – i.e. performance related payment arrangements, timing and size of payment tranches, performance criteria to be used (see also below), etc 	<p>This section provides a description of how the project or TA activity will be financed, including:</p> <ul style="list-style-type: none"> ▪ Mechanism(s) to be used for providing GOA resources, such as commercial contracts to manage Australian contributions, direct payments to other GOA agencies, and/or accountable cash grants to multilateral development agencies ▪ Who has financial authority – to approve budgets and expenditures ▪ How will GOA payments be approved and made – i.e. based on inputs and/or outputs, performance related payment arrangements, timing and size of payments, etc

3.3 Performance monitoring and evaluation	
<i>Macro-policy Support or Program Support</i>	<i>Project or stand-alone TA and Training</i>
<p>Based on agreements reached with the Partner Government (and using Logframe Matrix principles as appropriate), this section should clearly describe:</p> <ul style="list-style-type: none"> ▪ Key performance indicators that will be used to jointly assess progress towards achievement of objectives (i.e. activities and outputs) and results achieved (outcomes and impact) – using an appropriate balance of quantitative and qualitative indicators. Primary focus should be on results, but some indicators of input/activities may be useful to assess interim steps towards achieving results. ▪ Relevant targets attached to those indicators – including Quantity, Quality and Time ▪ Means of Verification – including specification of how the information will be collected, by whom and how often (based on existing or developing PG systems). Assessing achievement of results may only be possible over the medium to longer term. ▪ What, if any, independent verification is required (i.e. working outside partner government systems – such as using a Technical Review and Monitoring Group) ▪ How client/beneficiary views will be appropriately captured and reported ▪ How the information will be presented and used to improve management decision making, including the process/format for regular reviews and/or evaluations 	<p>Using Logframe Matrix principles, this section should clearly describe:</p> <ul style="list-style-type: none"> ▪ Key performance indicators that will be used to assess progress towards achievement of objectives (i.e. activities and outputs) and results achieved (outcomes) – using an appropriate balance of quantitative and qualitative indicators. ▪ Relevant targets attached to output and outcome indicators – including Quantity, Quality and Time ▪ Means of Verification – including specification of how the information will be collected, by whom and how often. ▪ Requirements for any independent verification (i.e. such as using a Technical Review and Monitoring Group or TAG) ▪ How client/beneficiary views will be appropriately captured and reported ▪ How the information will be presented and used to improve management decision making, including the process/format for regular reviews and/or evaluations ▪ The system for assuring/assessing the quality of the major contract deliverables

A.4 Feasibility, sustainability and risk management

4.1 Feasibility, sustainability and risk	
<i>Macro-policy Support or Program Support</i>	<i>Project or stand-alone TA and Training</i>
<p>This section should clearly summarise the results of feasibility and sustainability analysis, namely in relation to such issues as:</p> <ul style="list-style-type: none"> ▪ Consistency with the Policy framework ▪ Participation and ownership (primarily of partner government) ▪ Management and organization, including institutional capacity ▪ Technical issues/appropriate technology ▪ Environmental impact ▪ Economic and financial analysis ▪ Social and cultural feasibility 	<p>This section should clearly summarise the results of feasibility, risk and sustainability analysis, namely in relation to such issues as:</p> <ul style="list-style-type: none"> ▪ Consistency with the policy and program framework ▪ Participation and ownership (of local stakeholders) ▪ Management and organization, including institutional capacity ▪ Technical issues/appropriate technology ▪ Environmental impact ▪ Economic and financial analysis ▪ Social and cultural feasibility

4.2 Risk management	
<i>Macro-policy Support or Program Support</i>	<i>Project or stand-alone TA and Training</i>
<p>Building on the feasibility/sustainability analysis - this section should clearly describe planned arrangements for managing key risks. Risk management strategies might cover such issues as:</p> <ul style="list-style-type: none"> ▪ Political commitment and partner ownership ▪ Incentives and disincentives for PG officials and staff to participate ▪ Dealing with corruption and fiduciary risk ▪ Donor cooperation, coordination and funding commitments ▪ Flexibility of program to respond to changing circumstances 	<p>Building on the feasibility/sustainability analysis - this section should clearly summarise planned arrangements for managing key risks. Risk management strategies might cover such issues as:</p> <ul style="list-style-type: none"> ▪ Changes in the policy and program environment ▪ Promoting partner ownership ▪ Incentives and disincentives for target groups to participate/engage ▪ Promoting flexibility to respond to changing circumstances and needs ▪ Dealing with technical risks – including cost increases