

# AusGuide

Part

# 2

## Program Strategies

### **Associated AusGuidelines**

*AusGuideline 2.1 Program Strategies Toolkit*

*AusGuideline 2.2 Using the Results Framework Approach*

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# 1 Introduction

A Program Strategy is one of the most important strategic documents prepared by AusAID. A strategy should clearly articulate the key poverty issues to be addressed by the Australian aid program to a particular country or region, the rationale for focussing on these particular issues, and an operational framework for addressing them.

This Part 2 of AusGuide provides guidance on the development of Program Strategies for the different AusAID programs. It discusses the full program 'cycle' - formulation, negotiation, approval, implementation, monitoring and review, and ultimately replacement by a new strategy, for a new strategy period.

Part 2 relates primarily to AusAID's country and regional programs. Some adjustments may be required in applying its advice to other AusAID programs.

The focus of program strategies is on "total aid flows", including bilateral, regional, humanitarian, emergency and community aid flows, rather than just bilateral program aid.

This Part 2 of AusGuide is supported by

- AusGuideline 2.1 *Program Strategies Toolkit*, and
- AusGuideline 2.2 *Using the Results Framework Approach*

## 2 Preparing for a new strategy

### 2.1 Start with a "strategic" mindset

The whole idea of a Program Strategy is to ensure that the aid program is 'strategic' in the way it engages with a particular country or region. It recognises that the Australian aid program cannot do everything that is required to address poverty in a particular place – that choices need to be made to ensure that Australia's aid efforts are concentrated and targeted to ensure that they are as effective as possible. A Strategy should provide a clear analytical basis for deciding what to do and what not to do.

Decisions on what to do and not do, and therefore on what to include in a Strategy, will be influenced by a number of key factors, in particular

- the 'big picture' of the development context of the country/region

- the size of the Australian program relative to the size of the need
- Australian expertise and capacity to assist, and
- what others are doing – eg donors, NGOs, government – and what gaps remain.

Don't start out the Strategy process trying to fit all your existing activities in. Instead focus on what you would like to achieve in the future – and build a program around these future objectives.

The AusAID Strategic Plan (2001) places enhanced program strategies at the core of AusAID's efforts to be more strategic, analytical and effective. The Strategic Plan provides that program strategies will be the mechanism through which AusAID will

- enhance the strategic directions of programs
- make programming choices more selective, and
- facilitate greater integration between AusAID's engagement with the International Financial Institutions, and multilateral, humanitarian and non-government organisations (NGOs), and our country/regional programs and corporate priorities.

Be aware from the start that AusAID programs vary significantly in terms of their strategic significance – and that this will affect the type of strategy required in a particular instance. The Strategic Plan emphasises selectivity in the approach to program strategies, including in the depth of analysis, and the level of consultation and engagement.

In this connection, the Plan identifies three groups of partners

- Group 1 - Comprising PNG, the Pacific, Indonesia and East Timor. Strategies for these programs should be underpinned by an original poverty analysis and should identify opportunities for Australia to play a leading role among donors in assisting partner governments to improve national development planning frameworks and/or engage more effectively and strategically at the sectoral level
- Group 2 - Comprising those programs other than the South Asia, Africa and Group 1. Strategies for these programs should draw either on existing or original analysis as appropriate, depending on availability of relevant and recent poverty, economic and social assessments from partners, and
- Group 3 - Comprising the South Asia and Africa Programs. These programs should, wherever possible, draw on existing analysis and consider options to focus the programs largely on multilateral/bilateral cooperation, NGOs and scholarships.

## 2.2 Do a plan before the work starts

An essential first step in developing a new Program Strategy is to plan the process in advance. Such a plan would outline the management steps ahead, but would not attempt to prejudge the substantive outcomes.

Elements of a Plan might include

- timeframes for reaching key points along the way to Strategy completion (eg dates for in-country mission, research/background papers, consultation with stakeholders, peer review meetings, Poverty Analysis, Issues Paper, Strategy etc)
- staff responsibilities, including the division of labour between staff at the desk in Canberra, staff at relevant in-country post(s) and other staff in Canberra
- external consultants (if any) – roles, tasks and deadlines
- the Peer Review Team – its make-up, role and responsibilities
- developing country partners
- whole of government partners
- other Australian partners – NGOs, contractors, academics, and
- processes for information gathering – primary research, face-to-face consultation, secondary research etc.

This Plan should be tested and refined through consultation in your work area, the relevant overseas post and other useful contacts – including the Peer Review Team, if it is already established.

## 2.3 Put together a team

A successful strategy is usually one that has been developed within a strong teamwork framework. Teamwork is important in harnessing the input of a range of people, in providing a context for honest feed back and critique, and in ensuring a wide base of ‘ownership’ of the strategy - with team approaches important at a number of levels.

### 2.3.1 Within AusAID

A Strategy should never be left to a single staff member to look after. Ideally, all staff with a stake in the implementation of the Strategy should have a role in its preparation. Make sure everyone in the team has a role that is clear and that they have time allocated to perform this role. Make sure that Posts are deeply engaged in a continuing way. Also make sure that useful knowledge and expertise from non-program areas of the Agency is effectively mobilised into the teams.

### 2.3.2 With whole-of-government partners

The aid program is just one element in Australia's whole-of-government engagement with a country, region or issue. Program strategies should therefore

- explicitly highlight whole-of-government issues, including any relevant engagement by other Australian Government agencies, and
- identify the contribution of the development cooperation program to the achievement of broader Australian interests.

Other agencies with a stake in the Strategy should be invited to be part of the 'team' developing the Strategy.

### 2.3.3 With partner Government authorities

With developing country partners, bilateral strategies should be based on the principle of assisting countries build their own capacity to achieve development objectives, and should consider national planning frameworks or sectoral initiatives that Australia can support. As much as possible, strategies should be developed as joint exercises with partner governments, usually with the key aid coordination agency or a responsible central agency.

For regional programs, this is more difficult as there is usually not a single key entity that coordinates all Australian aid, so judgements will need to be made about 'team' approaches with regional strategies on a case-by-case basis.

### 2.3.4 With other development partners

Engagement with international financial institutions, multilateral and donor partners is an important part of the strategy development process. Articulating the Australian aid program's role in supporting country partner development efforts requires consideration of our role vis-a-vis other development agencies and institutions.

It will be important to analyse options to work in a more coherent way with partners, through broader planning efforts, integrated systems or combined resourcing. Partnerships with the Australian and local aid community and civil society groups are important, including opportunities to engage NGOs and other groups on more effective means of aid delivery.

## 2.4 Record lessons from the previous strategy

An important starting point for a new Strategy is to undertake a review of the previous strategy. This can be a large, formal process or a more streamlined assessment, depending on the circumstances of the program. Either way, it is crucial that the strategy team has access to

quality information about the successes and failures of the previous strategy, and their relevance to the future.

## 2.5 Harmonise and align with partners & other donors

It is important to take into account the way in which the Australian program harmonises with other donors and aligns with the country or region's development plans.

Where there is an agreed overall development plan for a country - such as a Poverty Reduction Strategy Paper (PRSP) or similar document – Australia's strategy should be linked to it. In other cases, it can be a useful exercise to map out the big picture priorities of the country/region and the known efforts already under way. Developing an Objective Tree can be helpful at this stage. (See AusGuideline 2.2 *Using the Results Framework Approach*).

Further information on harmonisation and alignment is available in the *Paris Declaration on Aid Effectiveness* (2005).

## 2.6 Be up-to-date on corporate policies

All program strategies must take into consideration AusAID's policy on Gender and Development and the Environmental Management Guidelines. Consideration should also be given to program responses to natural disasters, conflict and other crises, in line with AusAID's Humanitarian Action Policy (2005), Peace, Conflict and Development Policy (2002) and Counter-terrorism policy.

Strategies should also identify the scope to incorporate important program-wide initiatives and areas of focus such as HIV/AIDS, the use of information and communications technologies and trade-related assistance.

Program strategies with an education and training component must consult with the Director, Scholarship Management Section (SMS) in order to meet AusAID's obligations to inform other Government Departments of significant education and training initiatives.

## 2.7 Think about performance management early

Strategies must also incorporate frameworks for performance measurement, addressing risk and improving quality of aid. The framework for performance measurement should include performance criteria, indicators or standards. All programs are required to report on their success in future years – not just in terms of the progress of individual activities, but the overall performance of the program in achieving the program-level objectives set at the time of strategy development.

The AusAID results framework has been identified as a useful tool for assessing program performance. It is a systematic approach to documenting the logic of a strategy and its subsequent management, monitoring and measurement to ensure that intended results have the greatest opportunity of being achieved. See AusGuideline 2.2 *Using the Results Framework Approach*.

The Office of Review and Evaluation (ORE) provides guidance on using the results framework approach. Information on risk assessment and management can be found in AusAID's risk policy (Circular No 29 of 8 November 1999, *AusAID Risk Management Policy* (expected to be updated in early 2006)).

The best time to start thinking about managing performance is before any work on the Strategy has started. In this way, objectives and outcomes can be tested for their appropriateness and reality before they are locked in.

AusAID's poverty reduction framework should be consulted in identifying broad directions for aid assistance. Practical consideration should also be given to incentive-based approaches and how they can be applied in the program being developed.

## 2.8 Be conscious of resource constraints

Strategies need to reflect Australia's resources, capacity, skills and experience in delivering aid. This goes beyond issues of comparative advantage for Australia's aid industry. Agency resources are a primary determinant of possible options available for delivery and will also influence the range of activities and sectors programs seek to engage in.

Strategies should articulate approaches to limiting the number of sectors or activities, carefully defining the geographic focus of the program, exploring direct links with other key donors, and/or adopting less resource-intensive delivery mechanisms.

## 3 Steps in developing a strategy

AusGuideline 2.1 *Program Strategies Toolkit* should form the central guidance for the development of a program strategy.

There is no single process for developing a strategy. However, program areas must engage SES peers and seek Executive endorsement of the issues paper and draft strategy. Ministerial/Parliamentary Secretary approval of the final draft strategy is then needed. The following steps are a suggested approach to strategy development.

### 3.1 Peer review team

The PRT is the central mechanism for consultation within AusAID during the development of a strategy. The PRT should be consulted throughout the strategy development process: i.e. consulted on the poverty analysis, issues paper, draft strategy and subsequent review(s). The role of peers is to assist the program area in formulating and steering the strategy. Ultimate responsibility for the strategy rests with the program area.

Two members of the SES are allocated to each program's PRT. The allocated SES officers should be available throughout the strategy development process for informal support, advice and feedback. (Note that given work pressures, reasonable timeframes need to be set to ensure adequate time is allowed for SES engagement.)

Program areas should select additional members for the PRT. This could include sector advisers, and/or representatives from the ORE, contract services, humanitarian, multilateral, and country program areas. External peer reviewers can provide a different perspective, as well as provide an opportunity to engage more broadly with stakeholders to programs. The program will fund external inputs.

Where possible, PRT membership should have continuity throughout the development and implementation of the strategy.

### 3.2 Poverty analysis

Fundamentally, a Program Strategy should be about addressing the problem of poverty in the country or region in question. A Poverty Analysis is undertaken to

- establish the causes of poverty (and of economic and social development) in the country or region
- prepare a poverty profile of the country/region, and
- outline the existing approaches to poverty reduction of the partner government(s) and other major donors.

It is a crucial piece of work which looks at questions like

- who are the poor?
- where are they located?
- why are they poor?
- what is being done to address poverty?
- what still needs to be done?

More detailed guidance on poverty analysis is provided in AusGuideline 2.1 *Program Strategies Toolkit*.

### 3.3 Objective tree

In light of the poverty analysis, an assessment should start to emerge about the needs of the country/region in question, and a narrowed-down series of options for the Australian aid program. It can help at this point to put down these provisional findings story in a visual form, such as an Objective Tree. See AusGuideline 2.2 *Using the Results Framework Approach* for more detail on Objective Trees.

This stage of articulating objectives is crucial in terms of the final strategy, as it presents an opportunity for substantive consultation with key counterparts in the country or region in question around a fairly simple, universally understood, document, the Objective Tree.

If an Objective Tree, or several options for an Objective Tree, can be agreed by key players, it makes the task of preparing an Issues Paper and a Strategy much easier and enhances the prospects for a sensible, sustainable strategy.

### 3.4 Issues paper

With a poverty analysis and an Objective Tree in hand, a brief issues paper - 3-6 pages plus attachments if required - should be prepared. The issues paper should succinctly describe the proposed program strategy and indicate the context within which Australia's development cooperation program is being delivered (e.g. pledges, political commitment, aid levels, trends).

Issues to consider include

- whole-of-government considerations
- nature, causes and distribution of poverty
- policy environment within the partner country
- flagship sectors/themes
- partnership with other donors, civil society and government agencies
- delivery modes
- risk management
- performance monitoring and assessment
- expenditure issues/considerations/constraints
- resource management opportunities and/or constraints, and

- timeframe (usually 3-5 years, but could be longer or shorter depending on context).

The paper should identify the main issues and choices to be addressed in more detail in the draft strategy itself, including any significant pieces of analytical work on emerging issues, development needs and priorities in support of the strategy. The issues paper should also attach an outline of the proposed consultation process to be undertaken in formulating the strategy, both within AusAID and externally.

### 3.5 Draft strategy

The draft strategy expands on the approach presented in the issues paper, informed by consultation and further analysis of key issues. AusGuideline 2.1 *Program Strategies Toolkit* provides detail on the topics to be covered, and presents a possible format for the strategy paper.

The draft strategy paper should be discussed with the PRT and then submitted to the Executive for approval. The two SES PRT members will participate as peers in the Executive meeting when the draft strategy is discussed. Representatives of the program areas directly involved in strategy preparation - for example at CPM, Director and Branch Head level - should also attend these meetings.

### 3.6 Attachments to the strategy

There are a number of proposed attachments to a strategy, each of which has the potential to add significantly to the overall quality of the strategy. The main attachments are

- poverty analysis
- summary of economic analysis
- operational plan
- relevant aid flow data, and
- list of key documents and studies used in Strategy preparation.

### 3.7 Final strategy

Once the strategy paper is approved and final consultations concluded it is necessary to seek Ministerial/Parliamentary Secretary endorsement. Ideally, formal partner endorsement of the strategy should also be obtained, through such forums as High Level Consultations.

## 4 Implementing and monitoring the strategy

### 4.1 Using the strategy in program development

One key part of the Strategy Paper will outline an approach to implementing the strategy. This section will identify what the strategy and related program will actually do to achieve its objectives. This will include key operational areas or themes on which the strategy will focus.

A standard strategy will discuss the choice between different forms of aid, including aid modality, type of delivery organisation, and financing arrangements. The strategy may also identify key lessons learned from the existing program that influence implementation choices. These lessons may relate to both the partner country's environment/situation, and management/implementation issues (particularly institutional issues in the partner country).

Program strategies for country or regional programs will have attached an operational pipeline, which presents all existing activities, activities under development, and planned new activities. The operational pipeline will form the basis for developing a joint work program for overall activity development over the strategy period. This work program will be periodically reviewed and updated between the two partner governments.

### 4.2 Monitoring strategy implementation

#### 4.2.1 What is to be monitored

There are three questions that need to be considered during the life of a Strategy

- whether the agreed program strategy remains the most appropriate strategy over the agreed period
- whether the strategy is being successfully implemented at the activity level, and
- whether the overall program has had an impact that is wider than the outputs/outcomes of the individual activities.

It is important to consider these questions together to ensure that the correct assessment of the Strategy is made.

As well as monitoring the success of activity development and implementation, it is also important to watch for changing circumstances in the partner country or with Australian Government policy which could alter the principles underpinning the strategy. High Level Consultations are an appropriate point at which to consider these issues.

#### 4.2.2 Monitoring through general program management

The correctness of any strategy is partly tested through the development and implementation of a program of specific activities designed to meet the strategy's objectives. This often yields clear lessons of experience about development circumstances, and the suitability of differing strategic approaches adopted by Australia, by the partner government, by other donors and by other participants in development.

Both the AusAID officers managing program implementation and their partners in the design and delivery of program activities, should be aware of the main elements of the program strategy. If they are, they will find that many aspects of program implementation put the assumptions and conclusions of the strategy to the test.

Sometimes, program implementation will confirm the soundness of key aspects of the strategy's analysis and approach. Sometimes, significant aspects of a strategy may be called in question, and either Australian or one of its partners may call for the strategy to be adjusted.

Thus, the lessons of program implementation are an important aspect of monitoring and assessing the appropriateness and success of a Strategy. This is complementary to the types of formal review and assessment outlined in the next section.

#### 4.2.3 Specific reviews and studies

There are three main purposes of the formal reviews that AusAID undertakes at the program level

- to assist in reporting on the performance of the program to Ministers, partner governments etc
- to assess and, if necessary, adjust the manner in which the strategy is being implemented by Australia and by our development partners, and
- to provide input into future strategies – both with the same program and, potentially, other programs

AusAID has three types of formal strategy Review, as follows.

##### **(a) The basic strategy review**

The basic Program Strategy review is conducted annually. It is not intended as a major re-think or revision of the strategy, but rather an update for the PRT and the Executive on progress with achieving the strategy. It also provides an opportunity to assess whether the objectives and broad approach of the original strategy are still appropriate. As such the review

should be integrated within, and be useful for, central program management tasks such as High Level Consultations, Budget preparation, the Annual Report etc.

**(b) Mid-term strategy review**

For strategies with timeframes beyond three years, a Review in the middle of the strategy period can be used for a more in-depth 'mid-term' review exercise. This review will determine whether the current strategy is still an appropriate basis on which to deliver an aid program to the partner country or region.

It would assess the appropriateness of the original strategy's objectives, the risks and assumptions underpinning the strategy, and key approaches and delivery mechanisms. This assessment would factor in relevant economic, social and political developments in the partner country or region, and any key lessons learned from program implementation to date. In some cases, it may require revisiting the findings of the original poverty analysis.

**(c) Final strategy review**

The final strategy review - approximately 12 months from the end of the current strategy's timeframe - should identify, aside from the above, the consultation and forward-looking analytical work on emerging issues, development needs and priorities that may be required for the development, and/or support of the next generation strategy.

4.2.4 Reviews as part of the program strategy "cycle"

Reviews should not only be given prominence at the end of a strategy period, they should be highlighted at the very beginning. As part of the Program Strategy "cycle", a strategy review should not just be seen as one of the final steps in a completed strategy, but also one of the first steps in the development of the new strategy.