

# AusGuide

Part  
**3A** **Identification and  
assessment of initiatives**

Scope

Associated Guidance on activity design

Part 3B *Preparing activity designs*

Part 3C *Appraisal and Approval*

AusGuideline 3.1 *Principles of activity design*

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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**Australian Government**

**AusAID**

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# 1 Introduction

## 1.1 Programs and activities

Australian Government development initiatives are called "activities". Activities involve

- all forms of aid, and
- a range of development partners, most significantly Australia's partner governments in Asia and the Pacific.

The majority of the Australian Government's international development initiatives are delivered under AusAID programs. However, significant development initiatives are also developed and delivered under the programs of other Australian agencies.

AusAID is responsible for the quality of initiatives under AusAID programs. However, other Australian Government agencies often contribute to setting the directions of those programs, or developing individual activities under them. Where activities are developed under non-AusAID programs, other Australian Government agencies will usually take the lead role, but AusAID may advise and participate.

AusAID supports innovative approaches to the design of new activities. When AusAID is developing a new initiative, AusAID staff, subcontractors and design teams must review and assess the full range of possible options for form of aid, including aid modality, type of delivery organisation and type of financing arrangement. (See AusGuideline 3.2 *Selecting forms of aid.*)

Selection of form of aid must be based on maximising the benefits of the activity relative to the policies and priorities of the Australian Government and of Australia's development partners.

## 1.2 AusAID's corporate guidance on activity design

AusGuide presents AusAID's corporate guidance on developing the design of Australian Government development activities in three successive Parts (with associated AusGuidelines)

- Part 3A, *Identification & assessment of initiatives*
- Part 3B, *Preparation of activity designs*, and
- Part 3C, *Appraisal and approval*

Part 3A, *Identification & assessment of initiatives*, presents AusAID practices and principles for developing a new Australian Government development initiative to the point where

- the preferred design option (or options) for carrying the initiative forward has been identified and adequately documented, and
- AusAID and/or other development partners have decided either to take one (or more) options forward to the next stage (preparation of an activity design), or to reject the identified option(s) and discard the initiative

Part 3B, *Preparation of activity designs*, outlines how to develop a full activity design. This preparation stage is finished at the point where a full activity specification (and justification) has been prepared and documented.

Following activity preparation, AusAID, and most other donors, undertake an additional "appraisal" stage. Appraisal independently reviews and assesses both the activity specification (and justification) and the quality of the written documentation. Part 3C, *Appraisal and approval*, describes the appraisal process and the subsequent approval step.

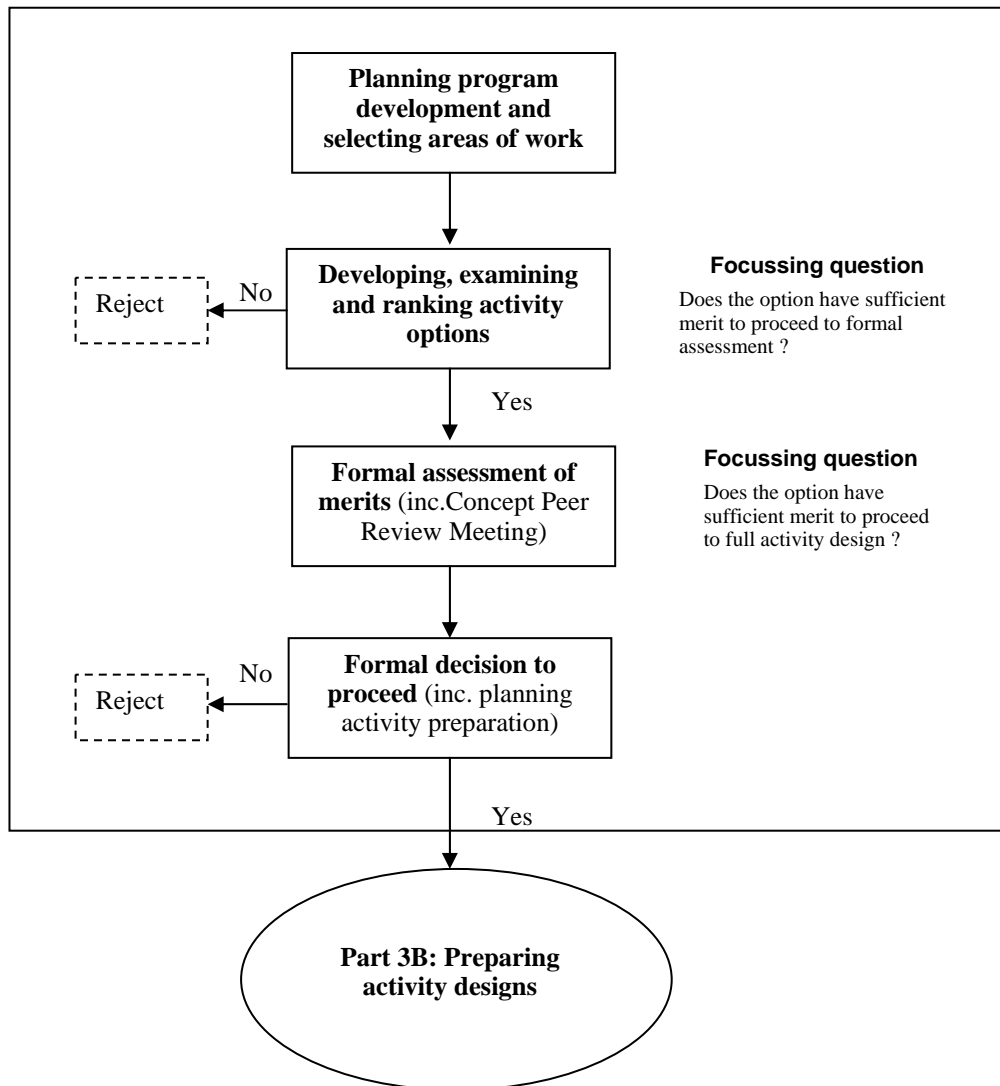
### 1.3 Key steps

There are substantial benefits from solid investment in early design, that is, what many donors call the identification stage. The thoroughness and quality of work at this stage is central to the quality of the final activity design, and the success of implementation. In addition, the basic directions of the activity are often set at this point, including *forms of aid* and *types of delivery mechanism* for a new development initiative.

Activity identification and assessment has four main steps

- planning program development and selecting a development situation or issue for development of a possible new initiative, in the light of relevant program strategies and policy priorities.
- analysis of the development problems and opportunities within that development situation (or relating to that issue) and developing, examining and ranking potential options for development activities to address those problems or opportunities
- formal assessment of a selected option (or options) to assess whether its merits warrant a decision to proceed to the subsequent activity preparation stage
- formal decision by AusAID (and other relevant development partners) whether or not to proceed to preparation of a full activity design,
  - which includes indicatively planning and scheduling the proposed main steps of activity preparation and appraisal for the activity - i.e. developing the "*Activity preparation plan*".

Chart 1



The main processes which AusAID uses in each of the above main steps are outlined in Annex A *Identification and assessment: key steps and main processes*.

The depth of analysis in each step will depend on the financial scale of the new initiative, how much is already known about the development situation, pragmatic allowance for the time and resources available for identification, and the financial costs of any identification study. It will also depend on an assessment of the complexity of the situation, the degree of likely difficulty in designing an effective and efficient development activity, and the nature and complexity of risks to implementation.

For joint activities, analysis needs to be undertaken in full consultation with the relevant Partner Government authorities. In a whole-of-government context, consultation with other Australian Government agencies is essential.

However, the process of identification varies substantially in different circumstances. For example, it is often compressed in the rapid build up situations that AusAID has faced in recent years, such as in East Timor or the Solomons. This can reduce the scope for initial analysis of a full range of options.

Nevertheless, significant basic analysis is often possible even in rapid response, particularly where AusAID (or other Australian government agencies) already have substantial knowledge of the developmental and institutional situation from previous work in the country concerned.

## 2 Using the team based approach

### 2.1 Basic framework

AusAID has a team-based approach to program development. Standard participants in AusAID activity design include

- a range of areas in AusAID: with the *internal AusAID design team* often including the program desk, the Post, an AusAID sector adviser and AusAID's Contracts area, CSG. (Other specialist areas of AusAID may make input as required)
- other Australian Government agencies, as appropriate, and
- other development partners, particularly Partner Government authorities

Private sector consultants are often used for expert input, particularly in small teams for studies and field missions. This includes local consultants mobilised by the Post.

Any activity needs to be developed and agreed with relevant implementation partners. (For a joint activity, partner government ownership is essential). For any joint activity, AusAID managers need to plan activity identification and initial assessment in a way which maximises partner engagement with, and ownership of, this early stage of design.

One key team-based input is peer review. As work is produced during identification and initial examination, both sector advisers and the post will play an ongoing peer review role, providing peer comment on (and peer input to) emerging findings, and written reports.

CSG will also comment on costings, and on design issues that relate to delivery by Contract or other written agreement. Other development partners should also provide peer comment and input, particularly relevant counterpart agencies and officials.

## 2.2 The internal AusAID design team

AusAID can only develop and deliver high quality development activities if the relevant sources of corporate experience and expertise are effectively utilised. Experience has demonstrated that major faults in activities are a common consequence of failing to draw in AusAID's specialist areas, such as CSG and the sector advisers.

For major activities, the internal AusAID team will usually include the relevant program desk in Canberra, the relevant AusAID work unit at Post (or Posts, for a multi-country program), an AusAID sector adviser(s), and CSG. Other specialised areas of AusAID may make input as required.

For each AusAID program, a specific work unit manages program development, including the development of new activities. However, it is the responsibility of that work unit to establish the AusAID team for a new initiative and organise inputs from it to ensure high quality activity design and appraisal.

For most AusAID programs, the work unit responsible for program development is the relevant program desk in AusAID, Canberra. However, AusAID senior management can agree to transfer responsibility for activity development, in whole or in part, to AusAID at Post.

The work unit responsible for managing program development within AusAID will usually designate a staff member as the design manager for a new initiative. Ideally, the design manager will manage the initiative through the entire design and appraisal process.

## 2.3 Other Australian Government agencies

The involvement of other Australian Government agencies in AusAID activity design depends on the nature of the program and the activity.

Other Australian Government agencies are consulted in the preparation of each program strategy. Where major whole-of-government objectives are at stake, other agencies may also be consulted in

- the ongoing management of an entire AusAID program, including the planning of overall program development, and

- the selection of specific areas of work for the development of new initiatives across the program as other a whole.

In addition, Australian Government agencies are regularly involved in the design and implementation of individual activities. In some cases, an Agency's own corporate mandate and responsibilities within the Australian Government will give them a role in the design and/or implementation of a particular activity. In other cases, an Agency may be involved because its technical and institutional capacities make it a valuable contributor to high quality design and/or implementation of the activity.

Many AusAID programs include major "institutional strengthening" initiatives, directed at building capacity in a public sector organisation (or organisations) in the partner country. Australian government agencies which undertake the same or parallel public sector functions in Australia are often well placed to play a central role in design and/or implementation.

Other activity designs do not directly build capacity but depend on a partner government organisation performing key tasks in an effective way. An Australian government agency with related functions and expertise may be able to make a significant contribution in design and/or in implementation.

Lastly, other Australian Government agencies may be the source or proponent of proposed new activities under AusAID programs.

## 2.4 Using local consultants

In many countries, there is substantial scope for the Post to develop expertise in identifying and contracting local consultants to make contributions to design analysis, either working independently or as part of a wider identification team.

In fields where specialist inputs are regularly required, such as gender, the environment, and social and economic analysis, Posts are encouraged to develop a knowledge of the local market for these services, including a knowledge of in-country experts with a good track record in contributing to activity design.

Similarly, where a major AusAID program works in a selected area or sector for a number of years (for example, womens' health, rural development or HIV/AIDS), Posts are encouraged to develop a knowledge of expert local consultancy services.

## 3 Initial work planning

### 3.1 Planning the main steps

As early as possible, the design manager (in consultation as necessary with their line managers) should plan and schedule the main steps of the identification and assessment stage, in consultation with any other Australian Government agencies which have an interest.

The main steps will usually involve significant consultations with potential implementation partners and stakeholders, particularly partner government authorities. They will also usually involve significant in-house work by AusAID staff (and possibly other Australian Government agencies) on setting directions and developing options.

In addition to in-house work, the Australian government and partner governments regularly use joint study teams and/or in-country missions for program development. These are major steps in the identification and assessment of a new initiative, and need to be planned as early as possible.

For activity identification and assessment, common types include

- programming missions
- sector studies
- activity identification studies, and
- prefeasibility studies

AusAID sector advisers will advise and assist the responsible desk in planning these studies, and in the preparation of study TOR.

For joint programs (particularly AusAID country programs), both the Australian and partner government are expected to participate in studies and missions. Where AusAID proposes a study, it is standard practice to invite the partner government to include members in the team. The team may also include members from other Australian Government agencies.

### 3.2 Defining roles and responsibilities

Initial work planning by the desk should also define the roles of the main participants in each of the envisaged main steps (including studies and missions). In particular, the desk should define

- the roles and functions of AusAID's internal program development team (including the design manager, the Post, a designated sector adviser(s), and CSG),

- the roles and functions of any other Australian Government agencies, and
- the roles and responsibilities of the potential development partners and stakeholders in the initiative (particularly including partner government authorities)
- any envisaged contributions by private sector consultants

The Post and desk should explicitly consider how to undertake the planned steps in a way which maximises

- partner government engagement in this early stage of activity design, and
- partner government participation in developing and ranking the activity options, and ownership of the outcomes of identification and assessment.

## 4 Planning program development & selecting areas of work

### 4.1 Program strategies and pipeline planning

#### 4.1.1 Utilising program strategies

Most Australian Government development cooperation is developed and delivered through AusAID programs, each with an agreed program strategy. Strategies for countries and regions are developed and agreed for a specified strategy period, usually of 3 to 5 years.

A fundamental role of program strategies is to provide a basis for activity prioritisation and formulation. The strategy will clearly articulate the key poverty issues to be addressed by the program, and an operational framework for addressing them.

The strategy will highlight any new initiatives in terms of implementation (e.g. sector-wide approaches, greater policy dialogue and Comprehensive Development Framework). It should also identify the key sectors or sub-sectors that the program will focus on.

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 choices between different forms of aid, including choice of aid modality, type of delivery organisation, and financing arrangement. The strategy should 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).

#### 4.1.2 Planning joint program development

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.

In major joint programs, annual reviews of work planning for activity development are common. The overall work plan is often reviewed between the two governments as part of (or as a preparation for) the periodic "High Level Consultations" on the joint development cooperation program held between Australia and a major partner government.

## 4.2 Identifying the area of work

In some cases, the agreed program strategy will nominate a quite specific situation or issue as the area of work for the development of a new activity or activities. In this instance, the development partners can proceed immediately to the development and examination of options for an activity.

However, in many cases, additional work is needed to select a specific area of work within the framework of the strategy. This may involve selection of

- a specific locality, and/or a social group,
- a social or economic problem impacting on the poor,
- an institutional or governance problem or issue within the partner country,
- a key organisation or organisations (private or public sector) whose functions are significant for development, and/or
- any other situation, issue or theme which
  - is considered significant for economic and social development and poverty reduction, and where
  - it is considered that a high value development activity might be developed that is consistent with the program strategy

For activities under a program of joint cooperation between Australia and a partner Government, there needs to be early agreement on these areas of work.

Partner governments and AusAID can identify specific areas of work for a new initiative via

- monitoring and periodic review of strategy implementation
- monitoring of and reporting from current activities (including mid term reviews),
- joint programming missions and sector studies
- program consultations between the Australian Government and partner authorities
- consultations with other donors
- consideration of completion reports or ex post evaluations (from completed activities), or
- proposals made by third parties, such as
  - local organisations or individuals (including local NGOs),
  - other donors and development agencies
  - Australian or international NGOs
  - other international organisations

### 4.3 Using studies and missions

There are two common types of studies and missions used to delineate areas of work for activity development

- programming missions, and
- sector studies

Programming missions involve an individual or team visiting the partner country (or countries) to develop approaches and work planning for the development of new initiatives under the program strategy. These missions do not usually undertake significant development of specific design options. Rather, they confirm areas of work and develop joint planning on how subsequent activity identification work will proceed.

Sector studies review and analyse a selected sector in a partner country in order to assess the scope for assistance in the sector, and to develop proposed sectoral approaches and strategies. Some sector studies also have activity identification tasks.

In particular, some sector studies are asked to review pre-existing proposals within the framework of the sector analysis. In other instances, there are no pre-existing proposals, but the sector study is asked to build on its sectoral analysis to identify some initial activity options.

## 5 Developing activity options

### 5.1 Planning and management

#### 5.1.1 The main steps

Once an area of work is identified, development of activity options can proceed. This involves

- analysis of the pattern of cause and effect in the selected development situation in order to define the relevant development problems and opportunities,
- identification of the full range of potential measures which could have a positive effect on the situation or issue
- combination of these measures into the options for possible development activities
  - where several intervention measures are combined into an option for a development activity, these measures will be the components of that activity.
- assessing and ranking alternative options, and
- selection of one or more options for formal assessment by AusAID (and other partners)

#### 5.1.2 Joint work with program partners

Both the Australian and partner government play a significant role in these processes. There are three main ways to proceed

- first, joint work by the Australian and partner governments from the earliest stages of situation analysis and the development of options. (This can involve a joint AusAID/partner government study mission.)
- second, either the Australian Government or partner authorities may undertake initial independent work to identify a potential option (or options) for consideration by both partners. However,
  - thorough consultation between the partners is needed prior to selecting an option for formal assessment.
  - for joint activities, full partner government ownership and endorsement is essential
  - where AusAID undertakes some initial independent work, it must draw other partners in as early as practicable
- third, reliance on the findings of preparatory work at an earlier date either by
  - AusAID or PG authorities/agencies, or
  - an independent third party

In this case, the preparatory work will usually be recorded in pre-existing documents.

Most partner governments have their own internal procedures for preparing activity proposals.

A common practice is for

- the relevant line ministry to prepare a proposal for consideration by the government's national planning or central aid coordinating agency, and
- the central aid coordination agency to pass this documentation to AusAID (through the Post) with partner government endorsement of the proposal.

This process may involve independent work by the counterpart authorities (before the proposal is passed to AusAID) or, alternatively, joint AusAID work with counterpart authorities in the preparation of the proposal.

## 5.2 Using studies and missions

There are two common types of study or mission which undertake activity identification

- activity identification studies, and
- prefeasibility studies

In addition, as noted above, sector studies are sometimes combined studies which incorporate

- sector review and strategy formulation
- selection (or review) of areas of work, and
- development and/or examination of initial activity options

### 5.2.1 Activity identification studies

Activity identification studies have as their primary function the identification of one or more design options for a new aid initiative.

They are used when the area of work is already known, or where only minor work is needed to refine the specific area of work, so that the main task is to identify measures and develop activity options, and to assess and rank those options. When there are pre-existing activity proposals, the study may be asked to analyse and assess these options, as well as other options identified by the study.

### 5.2.2 Prefeasibility studies

Typically, AusAID uses prefeasibility studies as the first step in activity preparation after the decision to proceed to full activity design. For this reason, AusAID's full guidance on prefeasibility studies is presented in AusGuide Part 3B "*Preparing activity designs*".

However, prefeasibility studies are sometimes also used during identification and initial assessment, when it is clear that

- a field mission by an expert study team is needed to provide the information and analysis needed for
  - desk assessment
  - concept peer review, and
  - formal decision, and
- enough is already known about the development situation to enable this initial field mission to carry its analysis and reporting through to the standard prefeasibility study level.

In this case, AusAID, and its development partners, may decide to undertake a combined field mission which

- undertakes the basic analysis and option development work of an activity identification mission, and then
- for a number of selected options, takes information gathering, design analysis and activity description, to the prefeasibility stage, and
- produces an AusAID *prefeasibility report* on the selected options

Formal assessment (including concept peer review) and formal decision are then based on the prefeasibility study.

However, there is a risk that this combined work will prove to be excessive for a single study, with a reduction in design quality. Before deciding on a combined study, the design manager should consult with the Post, an experienced sector adviser and line managers in the section, on whether a single study is realistic.

## 5.3 Basic design analysis

### 5.3.1 Cause/effect analysis

The Australian Government's international development program is results based. The commitment of funds to an international development activity is based on an assessment that the expenditure of those funds in that way will produce a difference in outcomes which

- serves the relevant objectives of the Australian Government and other development partners, and
- is sufficiently large or important to justify expenditure of the amount of funds concerned.

It is essential to contrast expected outcomes if a possible activity is implemented with those which would eventuate in the absence of the activity. This distinction is sometimes expressed in terms of the difference between the "with-activity" and the "without-activity" situation.

This is inherently a question of cause and effect. What is the effect, in the short, medium, and long term, of undertaking the activity rather than not undertaking it? What are the positive effects (benefits) and the negative effects (disbenefits) of activity implementation relative to the policies and objectives of the Australian Government and our development partners?

During the development of activity options, analysis is required in relation to

- the causality of problems - or potential areas for improvement - in the development situation where a new initiative is being considered
  - this clarifies the nature of the situation, and the pattern of causes and effects which are operative in the situation, and
  - often indicates the types of intervention which might alter those causes and effects to produce improved outcomes
- the likely effects (including both benefits and disbenefits) of each of the individual measures which could be taken,
  - this clarifies which potential interventions are most valuable in terms of potential benefits, and
  - will often assist with initial identification of risks to, and sustainability requirements of, each measure
- the likely effects (benefits and disbenefits) of the potential packages of such measures which could be put together as a development activity (i.e. the options for a new activity). This
  - assists in ranking options in terms of potential benefits, and
  - will often assist with initial identification of risks to, and sustainability requirements of, options

### 5.3.2 Impacts on policy objectives

Any direct or indirect results of a development activity which impact positively (or negatively) on poverty or sustainable development are benefits (or disbenefits). However, development activities can also have benefits or disbenefits relative to other major policy or strategic objectives of the Australian Government (or partner Government).

For development activities with Australian Government participation, results or effects which serve other policy objectives can include contributions to

- the effective working relationship between governments

- diplomatic or general intergovernmental relations, or relations with key global or regional institutions
- trade liberalisation, both regional and global
- peace, stability or security within a partner country
- global or regional peace, stability or security
- key regional objectives, such as economic integration, regional economic stability and cross-cultural understanding, or
- key cross-border or transnational issues, such as customs, quarantine (human and animal), cross-border pollution, illegal drugs, money laundering, people trafficking (including for sexual exploitation), people smuggling, or cross-border terrorism
- key whole-of-government objectives which relate to particular circumstances in a specific country, such as Australia's whole-of-government objectives in East Timor, Afghanistan, Iraq, and the Solomon Islands.

In most instances, these results will have also have a positive effect on poverty and development, whether directly or indirectly. However, they are valued by the Australian Government (and our partners) not only because of the positive developmental impact but also because of their direct contribution to other major policy objectives.

As far as is practicable, these additional types of benefit need to be explicitly identified and discussed in early design analysis as expected effects of the activity.

### 5.3.3 Key factors for analysis

During the development of options, design analysis (and associated documentation) must focus on a limited number of key factors, particularly the relevant *technical, financial, economic, institutional, social* and *relationship building* factors. In addition, *gender* and *environmental* factors and issues must be reviewed. Initial assessment of *risk* and *sustainability* issues for each activity option is also mandatory.

Annex C *Key factors for initial design analysis* presents a framework for the assessment of these factors, both in the development of the initial activity options, and in formal assessment of them.

Within this framework, an initial assessment of the economic and financial viability and benefits of activity options should be undertaken as early as possible in the identification and initial assessment stage. (Desk officers will often need specialist advice from AusAID sector advisers, or specialist contractors, to set tasks and outputs in relation to financial and economic analysis in the TOR for studies and missions.)

This focus on the key factors for design analysis will support achievement of the key AusAID objectives of *effectiveness, efficiency, impact* and *sustainability* in the development activities supported by the Australian Government.

During the development of options, alternative possible activity arrangements should be assessed with reference to the *AusAID Quality Frame*, which presents the requirements for meeting these key *effectiveness, efficiency, impact* and *sustainability* objectives, and provides criteria for assessing the degree to which each objective is met.

#### 5.3.4 The logical framework approach

One important method of activity design and documentation based on cause/effect analysis is the logical framework approach (LFA), which is outlined in AusGuideline 3.3 *The Logical Framework Approach*. This has been the core design methodology for a range of major bilateral and multilateral donors, including Australia, over the last decade.

The LFA analyses the causality of the development situation via problem and stakeholder analysis, and then develops a proposed activity design via the examination of options. As options are selected and developed, the LFA involves the development of a detailed activity design. The LFA is best started early in the activity cycle as an aid to clear thinking.

The main product of the LFA is an activity design, recorded in standardised design documentation. One well-known part of standard LFA design documentation is the so-called "logical framework matrix" (also known as the "logframe matrix" or just the "logframe").

However, the production of a logframe is only a small part of the LFA, which is an overall methodology of activity design. (Indeed, the LFA can be used to undertake a full design analysis, and produce a full activity design, without the inclusion of a logframe.)

The logical framework matrix presents a useful summary of selected elements of the activity design through short text statements organised in a tabular format. In particular, it presents very summary statements of

- what the activity is expected to achieve (its planned outputs and outcomes),
- what will be done to produce these outputs and outcomes,
- what indicators will be used to assess the successful production of the planned outputs and outcomes,
- how these indicators will be measured, and
- what the key assumptions are on which the production of the outputs and outcomes depend

The logframe does not present the activity rationale, the causal analysis, or the institutional arrangements of the activity. In addition, for a joint activity, the standard logframe is meant to

summarise the planned outputs and outcomes (and what will be done to produce these) on a whole-of-activity basis, without presenting the separate contributions of the different development partners to individual outputs and outcomes. (The specific roles and inputs of each development partner are outlined elsewhere in the design documentation.)

However, all elements of the design are presented in the full design documentation, which is the basis of agreement between the development partners, and activity implementation. (In particular, the division of labour between the development partners is a key aspect of the full design.) The logframe is just part of that full design documentation, usually presented in an annex.

Where produced, the activity logframe is important for developing and implementing the monitoring and evaluation framework of the activity - since the identified indicators (and means of verification) - are one important basis of progress monitoring. The logframe is also a useful guide in the analysis of risks, since it outlines the key assumptions on which the planned outputs and outcomes depend.

If an initial logframe matrix is produced at the identification and formal assessment stage, it would normally only include a summary of the activity's objectives and any significant planning assumptions likely to impact on further development of the proposal.

*See AusGuideline No. 3.3 "The Logical Framework Approach" for AusAID's corporate guidance on the logical framework approach and how to apply it.*

*See Annex E "The initial activity logframe" below, for a suggested structure for an initial logframe.*

## 5.4 Selecting forms of aid

### 5.4.1 AusAID policy

It is AusAID policy that when developing Australian Government aid initiatives, deliberate choices should be made amongst all the available forms of aid and/or implementation arrangements.

In particular, Australian Government development activities should not be artificially restricted to the standard models of projects or programs (including facilities and cofinancing).

In addition to the range of established types of AusAID activity, options to be considered may include

- support for policy dialogue, and partnership building

- general or targeted budget support
- sector wide approaches
- funding of Partner Government programs and/or line or semi-line positions (whether filled by national staff, Australians or third parties)
- delivering development cooperation fully through Partner Government institutions and systems, or
- delegated cooperation, in which other donors deliver aid on our behalf.

A fuller review of forms of aid in the Australian Government aid program, and specific guidance on considering forms of aid options in AusAID activity development, is in AusGuideline 3.2 *Selecting forms of aid*.

AusAID staff managing the design process, and contractors participating in early design, should review this document for fuller guidance.

#### 5.4.2 Forms of aid in identification studies

As noted, several forms of study or mission can undertake initial identification of activity options, including sector studies, activity identification missions and prefeasibility studies.

For these studies,

- the study Terms of Reference (TOR),
- AusAID's briefings for the study team, and
- the management of the team by AusAID managers (including clearance of written reports)

should all require the study team to consider and review the full range of potential types of intervention.

The TOR for a particular study should specifically note the range of forms of aid to be considered by the team in its analysis. In general, this should be the full range of forms of aid, unless some forms of aid are evidently not applicable. The team's analysis of the potential forms of aid must be fully recorded in the design report produced by the team.

The potential types of intervention should be assessed against the particular local situation, and the priorities of potential development partners, particularly the priorities of the partner government. The work of the team should give emphasis to basic institutional analysis, and to exploring the scope for utilising local institutions and systems for addressing the development situation.

### 5.4.3 Internal AusAID consideration of forms of aid

During the identification stage, forms of aid issues must be reviewed by the AusAID desk which is managing the design process. The full range of possible forms of aid must also be considered by any AusAID sector advisers working with the desk. It is desirable that Post input on activity identification include discussion of forms of aid.

The appropriate form of aid should be one of the design issues specifically reviewed by AusAID's concept peer review meeting. Forms of aid are also a consideration in formulating the Terms of Reference for the next stage of design (if any).

## 6 Formal assessment of design options

### 6.1 The purpose of formal assessment

Once the main participants in the development, assessment and ranking of options consider that this stage is finished, a selected option or options may be referred to AusAID (and other development partners) for formal assessment.

The purpose of formal assessment is to

- check that the initiative is sufficiently well defined and documented to allow the subsequent development of a detailed design for the activity, and
- assess whether
  - the likely benefits of the activity are sufficient to justify investing resources in the development of a detailed activity design, or whether, alternatively,
  - the anticipated benefits do not justify proceeding to detailed design, and, consequently, that the initiative should not be developed further

For significant activities to be funded out of AusAID programs, formal assessment is usually managed by the program desk in Canberra, but with contributions from a wide range of other participants.

The initial activity documentation on which formal assessment is based should provide sufficient information to allow the design manager and other members of the peer review team to assess the proposed option. The key points which need to be covered are outlined in *Annex C Documentation for formal assessment*.

## 6.2 Participants and roles

### 6.2.1 Overview

Assessment is a collaborative effort by the whole AusAID design team. The Post should be well placed to assess the local institutional context of the activity proposal, eg political and institutional commitment, community involvement in proposal development and local capacity to participate in further design and implementation and to maintain the flow of benefits after activity completion.

The Desk, on the other hand (with support from CSG and the sector advisers), may have the resources for a more thorough analysis of the technical aspects of the proposal, eg design issues, technical feasibility, input and/or cost requirements.

It is the design manager's responsibility to seek technical support and advice from the sector advisers and CSG as required, and provide them (and the Post) with copies of all available documentation, including any proposal documents, Post assessments or partner Government comments.

Other partners, especially partner government authorities, will also be involved. In particular, partner government authorities are likely to participate in peer review processes, including, on some occasions, participation in the concept peer review meeting in Australia. As noted earlier, other Australian Government agencies may also be involved.

In some circumstances it will be necessary to move swiftly through the assessment in order to respond to urgent needs. However, there must always be an adequate paper trail to record the basis of decisions and keep the process accountable and transparent.

### 6.2.2 Document circulation

The design manager will plan and coordinate the above processes. This includes circulating written material to the relevant participants as it becomes available. At the beginning of formal assessment, circulated material should include

- the basic proposal document (or documents) which are the basis for formal assessment,
- any reports or other written outputs of any relevant studies or missions, and
- any other relevant assessment or description of the design option which is available

If additional written information becomes available during the formal assessment period it should also be circulated, particularly the *Activity Preparation Brief* prepared within Aidworks by the program desk, and any written assessment of the proposal by sector advisers.

### 6.2.3 AusAID tasks and roles

#### (a) Basic assessment

When assessing an activity option, the design manager and other AusAID peer reviewers should review and assess

- the relevant *technical, financial, economic, institutional, social, and relationship building* factors, as well as *gender and environmental* factors.
- the adequacy of financial and economic analysis, and
- the risk and sustainability analysis

In relation to these matters, they should review

- the quality and completeness of the information and analysis forwarded for formal assessment,
- the quality of the findings and conclusions, and
- the quality of the documentation: that is, the degree to which the necessary information, analysis and findings have been clearly and fully documented in the proposal document or documents.

They will also need to take into account

- the principles and practices for developing activity options outlined earlier,
- the requirements of the program strategy, and other relevant policy priorities, and
- the TOR of any study which generated the proposal

#### (b) Tools for assessment

*Annex C Key factors for initial design analysis*, should be used as a reference document for assessment of the relevant key design factors. For major initiatives, *Annex D The initial activity document* can be used, when appropriate, as a format for a separate assessment report prepared by the design manager, sector adviser, or other member of the AusAID team.

The team is also expected to assess the proposal with reference to *AusGuideline 6.5 Activity quality standards*. Other tools that the design manager, and other members of the internal AusAID design team, could use are

- the initial Logframe matrix, and
- lessons learned from previous activities

The design manager (or a sector adviser) may prepare a summary Logframe matrix if the Post or partner government has not yet done so. This can be a useful way to summarise activity objectives and any significant assumptions likely to impact on further preparation or future

implementation. It can provide an effective framework for discussing the activity proposal and identifying shortcomings in design logic. Annex E "*The initial activity logframe*" provides specific guidance on preparing this document.

It is important to refer to AusAID's Knowledge Warehouse (AKWa) (and also those of other donor agencies where available) to ensure that past experience with similar activities is factored into the assessment. Activity review and completion reports are another source of lessons from past experience.

*See Annex C, Key factors for initial design analysis.*

*See Annex E, The initial activity document, below.*

*See Annex F, The initial activity logframe, below, for specific guidance on this document*

### **(c) Preparing the Activity Preparation Brief**

AusAID requires preparation of an AusAID *Activity Preparation Brief* (APB) for any planned new activity no later than the formal assessment stage of activity identification and assessment. The APB is an activity document which can only be created within Aidworks (or its predecessor, the AMS), AusAID's electronic program management system.

Once the design manager has completed their own personal assessment of the proposal, they enter the activity on AidWorks by preparing an initial activity preparation brief (APB). It is important to enter accurate Development Assistance Committee (DAC) sector coding details. This information will be added to, updated, and refined as more information becomes available during the preparation stage.

The APB is required for the peer review process, prior to final management consideration of whether the proposed activity should go forward. In particular,

- when a Concept Peer Review Meeting is convened, the APB must be circulated to participants as a background paper for the discussion
- if formal assessment proceeds without a Concept Peer Review Meeting, then the APB is a key reference document for the peer team

## **6.3 Referring the proposal back for further work**

If, in the course of assessment, it is found that there is insufficient information, or that the initial activity documentation requires further analysis or development, the design manager may decide, in consultation with the Program Manager and/or Director, that the option (and option documentation) is not fully ready for formal assessment.

In this case, they may refer the proposal back into the identification and initial examination phase, and

- request additional information from the partner government and/or the Post, or
- liaise with the Post to arrange the engagement of a local consultant to undertake additional investigative work in the partner country, or
- decide that a study or mission is necessary.

## 6.4 Peer review

### 6.4.1 Using peer review in early design

As noted, an AusAID work unit manages early design, typically a Canberra program desk. Key assistance under the AusAID team-based approach includes peer review.

As work is produced, both sector advisers and the post will provide peer comment on (and peer input to) emerging findings, and written reports. CSG will also comment on costings, and on design issues that relate to delivery by Contract or other written agreement. Other development partners may also provide peer comment and input - with input expected from relevant counterpart agencies and officials for significant joint activities.

During formal assessment, peer review is usually managed through the design manager in Canberra. Participation for those outside Australia may then be via video or tele conferencing, visits to Canberra, or written communication (including email). The Post may also report inputs from other development partners made in discussion.

### 6.4.2 Peer review meetings

Within the overall peer review framework, two specific "peer review meetings" are held before two key decision making points

- an activity concept peer review meeting, held before the decision on whether to proceed to full design, and
- an appraisal peer review meeting, held before the decision on whether to approve Australian Government commitment to activity implementation.

These are key events in AusAID activity design. They bring together in one venue the knowledge and expertise of

- the lateral design team (the design manager, CSG and the sector advisers - and the Post, if they visit Canberra for the meeting),
- the vertical management team (the design manager, Program manager, Director, Branch head etc.),

- where applicable, the consultancy team which AusAID hired to undertake a relevant study,
- where appropriate, representatives of other Australian Government agencies, and
- where appropriate, representatives of our in-country development partners

They are the key venue at which senior managers can contribute to the direction of a new activity, and engage with the full peer review team.

These meetings are essential for quality. It is expected that they will be held for

- all activities for which the Australian contribution is likely to exceed \$3 million, and
- smaller activities which have political implications or other sensitivities (e.g. activities in the law and justice sectors or activities in particularly sensitive countries).

However, the responsible AusAID work unit can convene a peer review meeting whenever it considers that such a meeting would make a useful contribution to design.

The concept peer review meeting is central to formal assessment. Advice and guidance on peer review meetings is presented under the Peer Review button on the Intranet home page, which includes access to the current AusAID circular on peer reviews.

## 7 Proceeding to detailed design (or not)

At the end of formal assessment, there are three basic types of decision available

- to proceed to development of a detailed design
- to decide not to proceed with further design work (i.e. to discard the proposal)
- to decide that the option is promising, but that further work is required at the identification and formal assessment stage

### 7.1 Preparing the recommendation and preparation plan

After formal assessment (including any concept peer review meeting) the design manager prepares a recommendation on the preferred course of action, in consultation as necessary with their Program Manager, Director and/or Branch Head.

If the recommendation is to proceed to detailed activity design, several other important preparatory steps will be required.

In particular, the design manager should prepare a plan (and *indicative* time schedule) for the proposed steps of the design process up to the point where the final activity design is appraised, and approved. This is called the "activity preparation plan".

The time schedule to final design, in particular, may need to be highly indicative with significant safety margins, but should be prepared to provide a planning horizon. A key planning decision is whether to seek to prepare the detailed activity design through

- two successive design studies, an initial design study and a final design study (usually called the "prefeasibility study" and "feasibility and design" study) - followed by appraisal, or
- a single design study, which is usually called a "feasibility and design" study - followed by appraisal, or
- some other, less standardised, design process adjusted to the particular circumstances of the activity

The design manager should also prepare an indicative costing of the next major step specified in the preparation plan, which is often the next design study and/or mission.

Where it is envisaged that the final activity design will be prepared prior to the initial approval to commence implementation, the activity preparation plan should extend up to the point of approval for implementation.

Where it is envisaged that the activity will be approved to commence implementation with a further significant design phase during implementation to finalise the activity design, the activity preparation plan should extend to the point where the final design will be finalised and approved.

## 7.2 Management agreement

For significant activities, the recommendation to proceed to the next step in design will need to be discussed with senior line management in the program area for their agreement. The level of senior management will depend on the significance of the activity and the nature of the issues which became evident in formal assessment.

The level of Australian Government resources envisaged to be used over the whole of implementation is a significant factor. Major activities are expected to obtain Branch head agreement to the next step of design. However, for activities that will be financially small (and simple to implement) the appropriate level for management agreement may be below Branch Head, at either Director (EL2) or Program Manager (EL1) level.

The senior manager being consulted should be provided with a copy of

- the activity preparation plan,
- the estimate of costs for the next design step
- the current estimate of total costs of implementing the proposed activity, and

- a copy of the findings of the concept peer review meeting.

If the recommended decision is inconsistent with any recommendation of the concept peer review meeting, then that divergence must be agreed by the line Branch Head (who has the overall responsibility for the concept peer review process), or a more senior manager.

Where a significant FMA 9 approval is required to proceed with the next step of the activity preparation plan, consultation with the senior manager on the recommended next step is often combined with presenting that senior manager with a written submission seeking their FMA 9 approval for the necessary expenditures on that step.

### 7.3 External commitment and FMA 9 approval

At the end of formal assessment, AusAID should normally commit itself only to undertaking the next step in the design process, with subsequent commitments to be considered in the light of the findings of that step. Only strong strategic or diplomatic imperatives should lead the Australian Government to commit itself at this early design stage to implement the type of activity under development.

If the agreed decision is to proceed to the next planned stage of activity design, then commitments to proceed to this next stage **must not** be made to third parties outside AusAID until an appropriate FMA 9 delegate in AusAID has approved the expenditure of sufficient funds to meet costs. It is important not to raise expectations in advance of formal commitment, particularly with our development partners, including partner government authorities.

The typical FMA 9 submission will be only for the next step in the planned activity preparation plan. It should go to the appropriate FMA 9 delegate, presenting the case for this expenditure of public monies. However, **it must contain a best estimate of potential total Australian Government expenditures on the whole of activity implementation** (i.e. to the point of Activity completion) so that the delegate clearly understands the possible financial magnitude of the new initiative which is under development.

Attachments to the FMA 9 submission should include

- a copy of the activity preparation brief (covering objectives, key issues and risks, justification and indicators, estimated costs and expected duration)
- a copy of the activity logframe summary (if one has been prepared at this point), and
- the indicative activity preparation plan.

If the potential activity under development involves key policy issues or sensitivities, it may be appropriate to seek guidance from the Minister or Parliamentary Secretary at an early

stage. In this case, a submission will be made to the Parliamentary Secretary or the Minister. (In rare cases, Cabinet consideration may be required.) This submission will often ask the Parliamentary Secretary or Minister to give policy agreement to, or in-principle approval of, the further development of the activity.

AusAID should also inform the Minister or the Parliamentary Secretary (or their offices) if an initiative under development provides the opportunity for a public announcement by the Minister or Parliamentary Secretary.

## 7.4 Informing other parties

If the agreed decision is to not proceed, then the program desk should take whatever steps are necessary to inform the relevant development partners of this outcome. In particular, it may be necessary to convey the decision in an appropriate way to a partner government.

Such an AusAID decision would usually be conveyed in a formal letter, but - depending on sensitivities - direct Post consultations with the partner government may be needed to supplement the letter.

A decision to proceed to the next stage of design will also be conveyed to development partners, again usually by formal letter to major partners.

The individual participants in the concept peer review meeting should also be informed of the outcome of formal assessment, to which they have contributed.

## 7.5 Preparations for next steps

The next step in activity preparation would typically be a further design study. In such cases, the country desk design manager, in consultation with the partner government, the Post and AusAID's sectoral advisers, would manage the preparation of terms of reference, and initiate team selection. The procedures for these are covered in the next Part of AusGuide, and in AusGuideline 6.1 *Preparing terms of reference*.

If the activity preparation plan involves some other major design step, that should also be planned at this point.

*See AusGuide Part 3B Preparing activity designs.*

*See AusGuideline 6.1 Preparing terms of reference.*



## A Identification and assessment: key steps & main processes

### A.1 Key steps

Activity identification and assessment has four main steps

- planning program development and selecting a development situation or issue for development of a possible new initiative, in the light of relevant program strategies and policy priorities.
- developing, examining and ranking potential activity options relating to that situation or issue
- formal assessment of a selected option (or options) to assess whether its merits warrant a decision to proceed to the subsequent activity preparation stage
- formal decision by AusAID (and other relevant development partners) whether or not to proceed to preparation of a full activity design,
  - which includes indicatively planning and scheduling the proposed main steps of activity preparation and appraisal for the activity - i.e. developing the "*Activity preparation plan*".

### A.2 Main processes

The main processes in activity identification and assessment are

#### **A.2.1 Selecting an area of work for activity development**

This usually involves

- reviewing the program strategy and other relevant policy priorities of Australia and other partners, and
- the circumstances in the partner country,

to identify a development situation or issue as an area of work for development of a new activity under the program

#### **A.2.2 Identifying, examining and ranking activity options**

This usually involves

- situation analysis (based on cause/effect analysis) of the selected development situation or issue. The situation or issue can
  - be at the national, strategic/sectoral or whole-of-governance level, or

- relate to a specific locality, specific development problem, or specific organisation(s)
- identification of the full range of development problems and opportunities evident in that situation or issue
- identification of the full range of potential measures which could have a positive effect on the situation or issue
- combination of these measures into the "options" for possible development activities, and
- assessing and ranking alternative options, and
- selection of one or more options for formal assessment by AusAID (and other partners)

### **A.2.3 Formal assessment of an option or options**

This usually involves

- review of the selected option(s) by AusAID's internal program development team, particularly the design manager in the program desk, relevant AusAID staff at Post, the designated sector adviser(s), and CSG participants
- review of and comment on the selected option(s) by any other Australian Government agencies participating in the development of the options
- comment on the option(s) by relevant development partners, particularly partner government authorities
- advice to the design manager on the merits of the selected option (or options) from other members of the AusAID team, particularly the Post, the relevant AusAID sector adviser, and CSG. For the sector adviser, in particular, this advice would normally be in writing.
- appropriate consultations with other Australian Government agencies involved in activity identification and assessment.
- a short written assessment of the selected option (or options) by the desk with management responsibility for program development
- preparation of a standard AusAID *Activity Preparation Brief* within the Activity Management System (AMS) - or within its successor system, AidWorks - by the responsible desk.
- holding an AusAID Concept Peer Review (CPR) Meeting to assess the selected option (or options) and to recommend on whether the option (or options) should go forward to preparation of a full activity design.
  - a CPR meeting is mandatory for activities with an envisaged Australian Government contribution of \$3 million or more (or a particular political or policy sensitivity)
  - however, the desk can convene an optional CPR if it considers this would be useful

#### **A.2.4 Decision whether or not to proceed to full activity design**

This would usually involve

- discussions within the responsible work unit on what decision should be recommended to the relevant senior manager(s) on whether or not to take an option (or options) forward to the next stage of activity design (given all advice and comment, and the peer review meeting),
- discussions within the work unit on the provisional plan for the main future steps of design and appraisal, up to the point of approval for implementation of the activity (i.e. formulation of the "activity preparation plan")
- a written submission to the relevant senior manager(s) on
  - whether or not to take an option or options forward to the next stage of design, and
  - outlining the planned "activity preparation plan"
- if required, discussions with the senior manager(s) concerned
- recording/filing the relevant decision or decisions of senior manager(s), and informing interested stakeholders
- commencing preparations for implementing the decision or decisions

## B AusAID's team based approach to design

AusAID's team-based approach is important throughout design. For major activities where the design process requires a number of successive steps over an extended period, the responsible work unit will allocate an officer(s) as the task manager(s) for design for that activity.

This design manager(s) will coordinate AusAID's processes for activity design and approval, but will typically draw on other parts of the AusAID team for major inputs at key points in design, particularly

- the AusAID work unit at the relevant Post (or Posts),
- AusAID's advisors
- AusAID's procurement and contracting specialists (the Contracts Services Group - CSG - within Australian Partners Branch, AUSP)

The task manager will also coordinate AusAID's wider peer review processes, including the key concept peer review meeting and appraisal peer review meeting.

### B.1 AusAID at Post

AusAID personnel at Post will continue to have a key role in design.

#### **B.1.1 Liaison and consultation with in-country partners**

They will undertake liaison and dialogue with Partner Government authorities across all steps of early activity design, including

- preparation of the operational pipeline (as a key concrete element of the program strategy)
- joint work planning from the beginning of the strategy period, on a whole of program basis
- joint work planning, at the level of an individual initiative
- selecting areas of work
- initial work planning within the area of work
- preparation of options, including studies and missions, and
- formal assessment

#### **B.1.2 Studies and missions**

Re missions and studies in particular, AusAID at Post will

- agree general approach with counterparts
- comment on draft TOR forwarded by Canberra

- once AusAID has finalised proposed TOR, seek agreement to the TOR from partner Govt authorities
- by agreement, arrange meetings and itineraries
- by agreement, undertake any necessary in-country preparatory work, possibly including
  - gathering in-country information
  - undertaking pre-mission meetings with key respondents for the mission, to make them focus on the imminent mission, explain the TOR and mission purpose to them, and, where appropriate, ask them to gather preliminary information - or undertake preparatory work - prior to the arrival of the mission in-country
  - mobilising and managing local consultants to undertake preparatory work and/or participate in the mission itself
  - forwarding information gathered through one or more of the above processes back to Australian to be utilised in pre-mission preparatory work by the in-Australia members of a design team
  - forwarding to key counterparts in-country (including partner government authorities) any preparatory discussion papers (or other written outputs) prepared by the team in any preparatory work undertaken in Australia prior to departure, and securing a response to those outputs if required
- participate in study missions, as appropriate

### **B.1.3 Analytic contributions to the design process**

The Post will provide peer comments on the work and findings of successive steps of identification and formal assessment, including studies and missions, and inputs from AusAID's development partners.

The Post will participate in in-country design work, including studies and missions, as appropriate.

### **B.1.4 Local consultants**

In some countries, the Post will

- develop its knowledge of the local consultancy market, particularly in fields regularly required in AusAID design processes, such as economic and financial analysis, gender, the environment and social analysis (including its knowledge of proven consultants in these fields), and
- as needed, select, mobilise and manage local consultants to contribute to the design process, either independently or as part of a wider design team.

## B.2 The AusAID advisers

The advisers will continue to perform a variety of functions throughout the design and approval process.

### B.2.1 Planning and design advice

The advisers will, as needed,

- provide ad hoc advice and technical assistance to design managers in relation to
  - applying AusAID's corporate guidance on design to individual cases and circumstances
  - planning and scheduling specific stages of the design process,
  - planning and scheduling the necessary studies and missions, within each stage, and
  - contributing to the subsequent preparation of written Terms of Reference (TOR) which are based on this planning and scheduling. (By agreement, the adviser can either draft the TOR, or clear draft TOR prepared by the program desk)
  - preparing (and amending) the "activity preparation plan" for the whole activity, which is first defined at the end of activity preparation

### B.2.2 Peer review and design studies

As needed, the advisers will also

- agree to serve as ongoing members of the peer review team for activity design across the design process for a particular major activity
- contribute to design analysis, and the preparation and/or clearance of mission reports and activity design documentation across the design process
- manage and/or undertake appraisal of the designs for major activities, and/or
- participate in (or lead) selected field missions at each stage of design

### B.2.3 Supporting use of consultant teams for design

The advisers also have important corporate functions in relation to determining the membership of design teams, and the individual tasks of the team members. In this regard, a long-standing function is to

- have informal discussions with the design managers to develop their thinking on the set of tasks to be done, and the type of person (or persons) to do them (and how long this might take, and what methodologies might be employed, etc).
- as noted, either preparing or clearing the Terms of reference which articulate these requirements (and preparing or clearing terms of reference, and required professional characteristics, of individual team members, as a basis of selection and contracting)

- assisting the design manager in planning the selection process (including informing them of AusAID's standard methods to identify, select and contract the necessary short term consultants).
- participating in the selection/identification process, including
  - coming up with the names of suitable people where the mode of selection makes this appropriate, and/or
  - assisting the design manager assess and rate individuals (or competing teams) in small value selections conducted by the program desk

### B.3 Contract services

The staff of AusAID's Contract Services Group (CSG) will provide advice and assistance on both

- contract and procurement related aspects of the activity design which is under development, and
- contract-related or procurement issues that arise in contracting study teams (or other specialised inputs) during AusAID's activity design processes.

CSG staff should be members of the AusAID design team for significant new Australian Government aid initiatives. CSG should be approached as early as possible to discuss its role in the design process.

#### **B.3.1 Contributions to the activity design**

During activity design, CSG will provide guidance to design managers (and design teams) on

- how to ensure that any envisaged Australian Government inputs to the activity which are planned to be delivered by way of Contract (or other written Agreement) are designed and documented so that
  - those inputs are capable of being effectively specified and delivered as services under a written agreement
  - those inputs are sufficiently clearly and fully documented to allow the effective and efficient preparation of a Scope of Services for a Contract (or other delivery Agreement)
- how to ensure that costings for the inputs to be delivered under a contract are prepared in a competent and standardised way (and adequately recorded in design documentation) so as to support
  - accurate forward financial planning for programs which may fund implementation of the activity,

- accurate cost estimates for approvals by financial delegates, particularly FMA 9 delegates,
- soundly based tendering, and assessment of the financial elements of tender proposals
- well-based contract negotiations on costs and payments with the selected supplier
- standardised and professional descriptions of cost categories, and the effective preparation of budgets, financial limits, and bases of payment, in contracts for implementation of approved activities, and
- effective implementation of the activity within the planned (and contracted) funding levels

CSG assistance and advice will include attendance at AusAID briefings and debriefings for study teams (and individual consultants) undertaking work as part of the activity design process.

CSG will also provide advice on the approaches that can be taken to developing the procurement and contracting strategy for the delivery of the Australian Government's contribution to the proposed activity.

### **B.3.2 Contracting design services and inputs**

During activity design, CSG will also provide advice on

- policy and practices for the selection and contracting of suppliers of services in the design process, including study teams and individual consultants, and
- the negotiation, preparation and management of Contracts, and other agreements, for the delivery of design services

*See the CSG site on the Intranet for a range of guidance on procurement and contracting, and the services which can be provided by CSG.*

## C Key factors for initial design analysis

In developing a new activity, it is necessary to analyse both

- the pattern of causes and effects operative in the existing development situation, which produce the existing (unsatisfactory) development outcomes, and
- the likely causes and effects that would flow from each of the measures which could be taken to improve that development situation

### C.1 Purpose

The purpose of this Annex is to outline a framework for planning and managing the *initial analysis of the key factors* for activity design: in particular, analysis of the relevant

- technical,
- economic and financial,
- institutional,
- social,
- relationship building,
- gender, and
- environmental

factors and impacts.

Initial assessment of risk and sustainability issues is also essential in early design, as soon as design options begin to emerge. Advice on these types of analysis is in

- AusGuideline 6.3 *Managing risk*, and
- AusGuideline 6.4 *Promoting practical sustainability*.

### C.2 Poverty focus

#### C.2.1 Poverty focussed analysis

At all points, the analysis must maintain a clear focus on the causes and effects that have implications for poverty: where poverty is understood in the broadest sense as encompassing not just low incomes (extremely limited capacity to command resources) but also all the associated consequences that are part of being poor - such as low health, low literacy, general disadvantage within social structures, etc.

Thus, although the analysis may initially cover a wide range of types of cause and effect it will be rapidly focussed by the fact that the purpose of analysis is to define a possible

development activity which will reduce poverty and promote sustainable development. It is causes and effects that have implications for poverty (and development) that are relevant.

Factors (and chains of cause and effect) that have implications for poverty and disadvantage in the particular situation being reviewed will be analysed in detail, and become the main focus of initial design.

Conversely, factors (and chains of cause and effect) which do not have significant implications for poverty in that situation will be set aside after initial consideration, as not relevant to the development of a new aid activity. (The exception may be where some factors are relevant to other, major, whole-of-Government objectives of the Australian Government - or our partners - and thus need to be carefully assessed in design analysis.)

Once specific options for possible new activities have been identified, the analysis of key factors will again be structured by the poverty focus. We will be interested in the effects of each measure which are relevant to poverty and sustainable development. That is, effects which tend to either reduce or increase poverty. Other types of effect will be left aside (unless, again, they relate to some major whole-of-government objective).

### **C.2.2 Poverty focussed designs**

The Post and Design manager must ensure that any activity proposal arising from initial design analysis presents an activity option which would directly or indirectly contribute to a sustainable reduction of poverty.

Poverty reduction may come about through improvements to: inclusive economic growth, the productivity of the poor, the accountability of institutions, and/or by reducing people's vulnerability to poverty. There needs to be a clear articulation of the linkages between the proposal and poverty reduction.

The proposal should include an initial poverty analysis that identifies who the poor are, where they are located and why they are poor. The initial poverty analysis could be taken from the country program strategy, or other secondary sources such as from other donor agencies.

In broad terms, the proposal should identify the key elements of the poverty situation in the partner country, partner country policies and poverty reduction strategies and the differentiated effect of poverty on men and women. It should then assess how the proposed activity will impact on poverty. If the impact is indirect the pathway should be described – and it should be plausible.

The proposal may be rejected if the impact on poverty (directly or indirectly) is considered to be insufficient.

The peer group or the Director may recommend a more comprehensive poverty analysis be conducted as part of any subsequent prefeasibility or feasibility study.

### C.3 Technical factors

Technical factors are those that arise from the particular field of work, or sector, or theme which a particular development problem is in (or which a particular activity option is in). Analysis of these factors will be case by case, and will rely on having expert persons who understand the area of work (including the technical factors) in the team of persons contributing to the analysis.

Putting together study teams, or other working groups, which contain the knowledge and expertise to assess the technical aspects of the type of development situation which is to be reviewed (and the types of development problem which are known to be present) will often provide all that is needed for initial design analysis.

However, it will sometimes become evident during early design analysis that it is necessary to draw in another type of knowledge or expertise. This can be done in a number of ways, including hiring local consultants through the Post, or drawing in local or sectoral knowledge from relevant stakeholder groups, including the local private sector or the partner Government.

### C.4 Economic and financial

The cause/effect analysis of the initial development situation should take into account relevant economic and/or financial factors. Whether, and to what degree, such factors are relevant will vary from situation to situation.

An initial assessment of the economic and financial viability and benefits of emerging activity options should be undertaken as early as possible in the identification and assessment stage.

An initial assessment of financial viability is usually the main form of financial analysis of options in initial design. Even at this stage, it is often possible to get an approximate assessment of the financial demands on various parties if they are to either

- undertake the proposed work of the activity, or
- sustain products and benefits after completion.

In particular, there is often scope to compare and contrast the likely financial demands of the activity (during and after implementation) with the financial situation and resources of the counterpart agencies which would be involved. This is the financial side of the analysis of institutional capacity.

The economic analysis in early design will vary greatly case by case. It is expected that expert advice will be needed on what is possible and desirable.

Desk officers will often need specialist advice from AusAID sector advisers, or specialist contractors, to set tasks and outputs in relation to financial and economic analysis in the TOR for studies and missions.

## C.5 Institutional

### C.5.1 Overview

The institutional context for the development of new aid initiatives includes

- the institutional characteristics of the individual institutions (i.e. organisations)
  - which may be involved in activity implementation, and/or
  - whose behaviour may affect the feasibility or benefits of a potential type of activity (including institutions whose behaviour may affect the level of benefits after activity completion - i.e sustainability.)
- broader societal arrangements and practices (social institutions) which form the context within which individuals and organisations go about their business.

Both types of factor will need to be analysed in early design where relevant to assessment of

- the underlying development situation (i.e. situation analysis), and/or
- the likely feasibility and benefits of emerging activity options.

*Stakeholder analysis* can contribute to institutional analysis. It should be commenced at an early stage of activity identification. Where undertaken to assess the effects of stakeholder characteristics and behaviour on the operations of partner organisations, and on the operations of a proposed activity as a whole, it can be regarded as an aspect of institutional analysis.

### C.5.2 Assessing individual institutions

In early design, individuals or teams will need to assess the individual institutions which may be involved in implementation of the activity, or which may affect feasibility or likely benefits (including post completion benefits, i.e. sustainability).

The team should note any possible institutional constraints on activity implementation (i.e. feasibility) and/or on likely levels of benefit which might result from the institutional characteristics of these organisations. The analysis of these constraints should always include an assessment of organisational financial capacity as outlined in section C.4 "Economic and financial analysis" above. (The degree of linkage between the development situation - and

emerging activity options - and each institution should guide the level of detail in the analysis.)

The team should review the mandate, capacities and other relevant institutional characteristics of in-country organisations that might participate in activity implementation. To the degree that available information allows, this analysis should survey

- key organisational functions, responsibilities and tasks that are significant for development
- the legal basis, institutional mandate, organisational structures, methods, systems and practices, and human and other resources needed, to carry out these functions and responsibilities
  - note any apparent gaps or shortfalls from what is needed for good performance, and
- any apparent need for change or improvement - including human resource development (including training) and other organisational development needs.

In some cases, where Australia or another donor has already worked with a key institution, a great deal may be known about institutional characteristics. In this event, it is often possible to draw detailed implications about what types of activity design would be viable (or not viable) even in the early stages of design.

Where a clear option for a new activity emerges, the team may need to assess in a summary way

- the proposed responsibilities of implementing agencies,
- the roles that any expatriate technical assistance might be expected to play, eg ‘doer’, ‘adviser’, ‘trainer’,
- whether organisational re-design/restructuring within the implementing agency(s) may be required,
- whether new corporate policies, management systems and administrative procedures may need to be developed,
- the scope and nature of staff development and training that might be required, and
- the likely commitment of local counterpart funding and staff resources to the activity.

All of these factors will impact on the effectiveness of activity implementation and the level and sustainability of benefits.

Limitations on time and available information will often limit the scope of institutional analysis. In this case, the early design team should carefully analyse and document the additional information (and additional analysis topics) that will be needed in later activity design for the identified activity options.

This additional information (and areas for additional design analysis on institutional factors) should be carefully recorded by the team, and may need to be an annex to any draft TOR for further design work.

### **C.5.3 Societal institutions and settings**

Individuals or teams undertaking early design analysis should review broad institutional features of the national context within which the activity would be implemented, including "enabling environment" factors. These may include such contextual factors as

- the rule of law, and public order
- the degree and nature of social organisation and cohesion in civil society
- political governance
- clear and effective property rights, and consistent and productive societal practices for the use of property (including for land ownership and usage)
- well-framed and enforceable commercial law
- rational investment regimes
- corruption, and anti-corruption measures
- styles of public sector governance, and private sector corporate governance
- public sector resource management capacities, and
- public sector financial management systems and practice

Early design analysis will need to involve at least preliminary consideration of these types of institutional factor, even if it quickly becomes evident that some are not relevant to the specific development situation, or to potential activity options.

Some generic "enabling environment" factors will need to be noted for most activities, since they will be either a constraint or enabling factor across a wide range of activities in that country, including donor supported development activities.

These factors, in particular, are likely to have been previously analysed by the relevant areas of AusAID at the program or country level. Key factors are reviewed in AusAID's Country Program Strategies. The relevant Program Strategy(s) should be briefly reviewed for relevant background information on the country and strategic context, and for program level decisions which may have been made on the implications for forms of aid, activity design and aid management approaches.

#### C.5.4 Stakeholder analysis

*Stakeholder analysis* can contribute to institutional analysis, and should be commenced early in activity identification. For situation analysis, it involves identifying the individuals, groups or social categories who

- are negatively impacted by the development problems in the situation under review, and/or
- themselves positively or negatively affect the severity of the development problem (and its degree of impact on others) through their own behaviour

For assessing a potential activity option, stakeholder analysis identifies the individuals or groups who

- might be beneficiaries of the activity, and/or
- may affect the implementation or benefits of the activity, either
  - because they have a role in implementation, or
  - because their own behaviour comes into play alongside the results of the work of the activity - affecting the degree of improvement in the development situation.

Where stakeholder analysis is undertaken in order to assess the impact of these stakeholders on the operations and benefits of a potential activity, it is, in part, an aspect of analysing institutional factors and impacts. (Key aspects of stakeholder analysis are also an integral part of social analysis, see section C.6 on social analysis below.)

#### C.6 Social

Based on a preliminary assessment by the Post and other available information, the teams and individuals undertaking early design should assess the relevance of social factors to the development situation, and possible activities. Amongst other things, this will require stakeholder analysis to identify, and assess the social characteristics of, relevant stakeholder groups.

During early social analysis, teams should consider the extent to which emerging activity options would

- specifically relate to the relations between men and women, or the situation of an identifiable social group, a social situation or direct poverty alleviation,
- involve the community (both men and women) as activity participants (rather than simply recipients),
- have potential to displace or disrupt social groups, or
- enhance prospects for sustainability by the participation of affected groups.

The Activity manager during design (and any peer team) should assess how clearly any activity proposal

- identifies target groups,
- identifies needs, benefits and risks in terms of specific social groups
- demonstrates the behavioural change that would be required of the target group or others to achieve its objectives, and
- demonstrates the quality of consultation that was conducted in the process of drafting the proposal.

For activities with a social dimension, further social analysis is almost always required during activity preparation. The design manager should incorporate a requirement to review social issues into subsequent terms of reference for the activity preparation stage - assuming the activity is given approval to proceed to detailed design. This will also have implications for the make-up of the study team, and the responsibilities of individual team members.

### C.7 Relationship building

As noted, the Australian Government (and many of our development partners) place a policy value on building development partnerships, including building ongoing relationships between key institutions.

Once an activity option is articulated, basic institutional analysis and the associated stakeholder analysis should make it clear whether there is potential for the implementation of the activity to make a useful contribution to building a significant relationship between development partners, including relationships between major institutions or groups in civil society.

If it appears that there is scope for relationship building, this should be defined during initial design analysis as far as the available information allows. The potential *relationship building benefits* will then be considered

- in formal assessment of the activity option, and
- in the decision on whether or not to proceed towards preparation of a design for implementation.

### C.8 Gender

#### C.8.1 Using gender analysis

Within the broad aims of the Australian aid program, the Government's Gender and Development Policy aims to provide equal opportunities for men and women to participate in

and benefit from Australian development assistance. Integrating the development needs of both women and men into all activities and at each stage of the activity cycle is critical for implementing the gender policy.

Gender roles vary across cultures, class, ethnicity, income, education and religious beliefs. Gender analysis highlights the different roles and learned behaviour of men and women. It ensures that women are not treated as a homogenous group, or gender attributes seen as immutable when planning, developing or designing aid activities.

For activities which involve intervention in a local situation or population, careful consideration should be given to including a specialist gender analyst in the team in early design (as well as in later detailed activity preparation) with specific gender analysis TOR. Basic gender analysis is essential to assess the operative causes and effects in initial analysis of the development situation.

In many cases, gender factors may significantly alter how the development activity should be undertaken and/or its likely benefits. Gender differentiation may affect

- the feasibility of key measures (or the overall combination of measures, i.e. a whole development option): that is, whether the measure, or the whole option, can be efficiently and effectively implemented.
- likely overall benefits of a measure (or a whole activity option)
- how the measure (or whole option) should be designed and implemented to maximise feasibility and benefits
  - particularly where the activity aims to introduce changes to traditional roles of men and women
  - including where there are implications for unpaid "household labour" of a type which is provided in a gender differentiated way

To assist in assessing an appropriate range of gender issues in early design, comprehensive guidelines for each sector are provided in AusAID's *Guide to Gender and Development* (which can be accessed via the AusAID Website home page: via *Aid Themes*, then *Gender and Development*).

### **C.8.2 Mobilising gender expertise**

In many countries, there are local gender analysts who can be utilised as 'local consultants' hired by AusAID within country, and added to design teams. This has the added advantage that they can undertake initial research, or field work, in-country prior to the arrival of any Australia-based members of the team. (In this instance, the local gender analyst can prepare a written report on their findings, prior to the commencement of the main study in-country.)

For a major AusAID program, with a significant volume of activity design work, AusAID at Post can compile a list of local gender analysts, able to contribute to AusAID design studies at all stages of activity development. Local educational institutions often contain relevant specialists, and other donors working in the country often have useful information on local gender expertise.

### C.9 Environmental

In many cases, environmental factors will be operative in the development situation being reviewed in initial activity design. These factors may contribute to a development problem, or be part of the development constraints which need to be overcome. The factors may have a direct negative impact on a local population.

Some of the possible options for an aid activity may have a potential negative environmental impact. Conversely, some options may improve the local environmental situation.

All of these possibilities need to be given at least initial review. Expert advice will be needed even at the initial analysis stage, if it appears there may be significant environmental issues.

AusAID officers should consult

- the *Environmental Management Guide for Australia's Aid Program* (2003): which describes AusAID's environmental management system (EMS), outlines the steps to be followed in environmental assessment of activities, and the procedures for managing potential environmental impacts, and/or
- the associated *Summary of Environmental Management in AusAID*: which provides a brief overview of AusAID's environmental management system, including the steps to be taken by AusAID environmental managers

These are readily accessed from the AusAID website: via *aid themes*, then *environment*.

As part of formal assessment at the end of activity identification, the Post and Design manager must conduct an initial environmental screening of all activity proposals. This involves answering environmental marker questions and taking further action where required. For details refer to the *Environmental Management Guide for Australia's Aid Program*.

## D Documentation for formal assessment

The initial activity documentation on which AusAID's formal assessment is based should be sufficiently comprehensive to make clear the scope of the proposal. It should provide sufficient information to allow the design manager and other members of the peer review team to assess the proposed option.

The documentation for formal assessment should include

- an analysis of the initial development situation (including a definition of any development problem/s) and identification of the causal links
- a specification of the proposed option (including its likely form of aid)
- a causal analysis of the likely results of implementing the proposed option
- a review of any lessons learned from related activities
- an outline of the envisaged counterpart participation in implementation
- a discussion of the appropriate form(s) of aid
- an initial assessment of viability – this should include an assessment of the relevant technical, financial, economic, social, institutional, gender and environmental factors
- an initial risk analysis of the proposed option
- an initial assessment of the prospects for sustainability
- if practicable, an initial statement of possible approaches to monitoring and evaluation
- if practicable, an initial discussion of the type of written agreements which would be needed to implement the envisaged activity, including
  - any written agreement between AusAID and a counterpart agency or agencies (ie an activity specific MOU between the Australian and partner government, or equivalent agreement)
  - any written agreement between AusAID and a delivery organisation for the organisation to deliver the Australian Government contribution to the activity (whether a Contract or some other form of AusAID delivery agreement)

Design is an iterative process and additional material and analysis will be generated later in the activity cycle. All that is expected at this stage is sufficient information and analysis to enable AusAID and others to decide whether there is a good case to move to the next stage.

When a prefeasibility study has been conducted prior to formal assessment, the documentation would be expected to meet the standard requirements for a prefeasibility study report.

*(See AusGuide Part 3B Preparing activity designs, and AusGuideline 3.4 Undertaking a prefeasibility study, for information on the standard requirements for a prefeasibility study report.)*

## E The initial activity document

Because of the wide variety and content of initial activity documents there is no set format. For example, the initial documentation could be prepared by the partner government using its own format, by another donor or be part of a sector study. In these cases it may be possible to assess the proposed activity using this documentation.

In some cases it may be necessary to restructure the material available to clarify the proposal. In this instance, it may be appropriate to use the format described below.

This format could also be used by identification missions, when this is consistent with the study TOR.

### A suggested format

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**Country:**

**Activity title:**

**Sector:**

**Local organisations (if any):**

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#### 1. Activity origin and rationale

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This section should provide a clear, concise analysis of the development situation to be addressed and the development context within which the activity will operate. The aim is to provide an overview of the key issues and describe how the proposed activity fits into the national development plan and the agreed program strategy. Topics that should be discussed in this section are

- The development situation that the proposed activity will address (this should be supported by a situation analysis that identifies the main issues or challenges and establishes the basic cause and effect relationships).
- Location and target group(s), if any, and identification of the intended beneficiaries, and any other groups that the activity may impact on. List those stakeholder groups already consulted in arriving at the activity concept.
- The origin of the proposal and its relationship to the national development plan, sector development goals and strategies, and the program strategy.
- The strategies or form of aid that are considered to be most appropriate, and why.
- The relationship of the proposed activity to any other development activities in the same or a related sector by either the partner government or other donors.

- Lessons learned from similar development activities, with specific consideration of their sustainability after completion.
- The reasons for proposing Australian Government support for the envisaged activity.

## **2. Description of the proposed activity**

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This section should outline the best way to respond to the development situation. It should provide a brief description of the objectives and desired outcomes of the proposed activity and a preliminary identification of the activities and resources that may be needed to achieve these.

The description of the proposed activity should be summarised in a logframe. Annex F illustrates the possible structure of a logframe at this stage.

The description of the proposed activity should include

- The activity goal – this should set the macro-level context within which the activity fits and describe the long-term policy outcome that the activity is expected to contribute towards.
- The activity purpose – what the activity is expected to achieve in terms of sustainable development outcomes.
- Component objectives – if the proposed activity is large or complex it may be necessary to have more than one component. A component is a related set of outputs that will provide a logical step towards achieving the purpose.
- Expected outputs – these are specific results and tangible products (goods and services) that the activity will produce. The delivery of an output will be under the control of the activity management.
- A preliminary identification of the inputs and resources that may be needed to achieve the outputs. This should include the possible contributions by both the partner government and Australia.
- Estimate of costs (in local currency) to be incurred by the partner government.
- Estimate of costs (in Australian dollars) to be incurred by Australia.

## **3. Proposed institutional arrangements**

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This section should provide an outline of the proposed organisation and responsibility for the activity. It should indicate the line agency and any local agencies that will be involved and any involvement of non-government stakeholders.

It should review the institutional setting (including the resources and capacities of participating partner organisations) and outline the implications for the proposed work and outputs of the activity. As far as is practicable, it should assess and outline the incentive

structure of the situation, and any likely winners and losers from any processes of change which will be initiated by the activity.

The institutional review should include an outline of

- The existing sector policy framework.
- The counterpart agency, with specific mention of the element(s) that will coordinate and execute the activity, and
  - the current institutional (and other) incentive structures which impact on their operations, and
  - the current resource and capacity constraints faced by the agency, and by those elements that are relevant to the envisaged activity
- The proposed involvement of the counterpart agency, their experience in participating in similar activities and the effect which participation might have on their ability to meet their normal role and responsibilities.
- The institutional incentives, characteristics and capacities of the counterpart agency (or other involved local organisations) and how these incentives, characteristics and capacities will facilitate or impede the envisaged implementation of the activity. This analysis should specifically consider their capacity to mobilise and manage the various resources required for implementation of the activity.
- The proposed involvement of other local institutions and systems (both government and non-government).

#### **4. Cross-sectoral impact**

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This section should provide a preliminary estimate of the likely impact of the activity, both positive and negative. Topics that should be discussed include

- Social benefits and costs to target groups and the likely impact on poverty.
- Financial and economic benefits identified for the activity. Where possible, provide an estimate of the likely economic benefit and the economic costs associated with the activity.
- Gender factors and implications. What is the gender division of labour and responsibilities in the development situation to be addressed by the activity? Does this affect the best design for the activity? Will it affect how the activity is implemented? How will activity benefits fall on men and on women?
- Environmental impacts, if any. Has the proposal has undergone an environmental review by the partner government? If so what was the outcome?
- Institutional strengthening/capacity building. Will the activity strengthen the capacity and capability of partner government institution(s) and/or community organisations?

## **5. Risk and sustainability**

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This section should examine the possible risks that could affect the outcome of the activity and outline how the benefits provided by the activity will be sustained. Topics that could be discussed include

- the chain of causes and effects which are expected to flow from the work of the activity to its outputs and then to its eventual developmental impact, and what the risks are to each of these envisaged causal steps, during and after activity implementation.
- Evidence of consultation with the target beneficiaries and their support for the proposed activity.
- A provisional assessment of stakeholders commitment to the inputs they will be required to make if the activity proceeds to implementation.
- Ways to ensure local ownership of the activity.
- Any potential constraints to activity implementation (political, institutional, social or financial).
- possible arrangements to meet recurrent cost financing requirements during implementation and after completion.

## **6. Further preparation**

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What steps are proposed to prepare the activity design? Are processes in place to facilitate participatory design processes?

## F The initial activity logframe

Narrative summary	Planning assumptions
<p>The narrative summary provides a concise summary of <i>what</i> the activity aims to deliver, rather than specifying <i>how</i> it will be delivered. The narrative summary should also clarify the causal relationships. A useful way to achieve this is to ask the question “if this” – “then what”?. (eg if the outputs are achieved then the components will be achieved, if the components are achieved then the purpose will be achieved).</p>	<p>Assumptions refer to conditions which could affect the progress or success of the activity, but over which managers have no direct control.</p> <p>An assumption is a <i>positive</i> statement of a condition that must be met in order for activity objectives to be achieved.</p> <p>A <i>negative</i> statement of what might prevent objectives being achieved is a <b>risk</b>.</p>
<h3>Development Goal</h3>	
<p>This should be a short statement that refers to the sectoral or national objectives to which the activity is designed to contribute in a sustainable way. The goal sets the macro-level context and describes the long-term impact that the activity is expected to <i>contribute</i> towards but not itself achieve or be solely accountable for.</p>	
<h3>Purpose</h3>	
<p>The purpose is the sustainable development <b>outcome</b> that the activity is expected to achieve. There should generally be only one purpose statement.</p>	
<h3>Components</h3>	
<p>If the activity is relatively large it might be necessary to have several components. Each component should have an objective statement. These statements should provide a logical link between the outputs of that component and the purpose.</p>	
<h3>Outputs</h3>	
<p>Outputs are specific results or tangible products (goods and services) that lead to the achievement of a component objective. Normally several outputs are needed to achieve the component objective. The delivery of activity outputs should be largely under activity management’s control.</p>	
<h3>Input/Cost estimate</h3>	
<p>AusAID’s contribution Partner government contribution (in cash and kind).</p>	