



Australian Government  
Department of Foreign Affairs and Trade



# Evaluation of the Australian NGO Cooperation Program Final Report

Office of Development Effectiveness  
August 2015



# Foreword

The Australian NGO Cooperation Program (ANCP) has stood the test of time - it is DFAT's longest running NGO program, and celebrated its 40<sup>th</sup> anniversary earlier this year. The ANCP is a partnership between DFAT and NGOs with activities spanning many countries and regions, and individual projects numbering in the hundreds. The Program's longevity speaks to its flexibility; its ability to adapt and evolve across changing contexts ensuring ongoing relevance to the department and its diverse NGO membership. It also speaks to the enduring contribution achieved over decades to alleviating poverty amongst some of the world's poorest people.

Just as partnership is fundamental to ANCP, ODE conducted the evaluation of this program guided by the principles of openness and collaboration. ODE established a reference group from the NGO sector, using it to obtain feedback at each step in the process culminating in a recommendations workshop. DFAT's NGOs and Volunteers Branch also participated in this workshop where all recommendations were thoroughly explored and debated before being finalised.

This evaluation confirms that the ANCP is a successful and highly valued program. It identifies positive features which might usefully inform the Australian Government's approach to a number of other development programs and partnerships. The ANCP extends the reach of the Australian aid program; supporting activities, building relationships and developing capacity in sectors and geographic areas beyond the foot print of DFAT's regional and bilateral aid programs. The strong relationship between DFAT's NGOs and Volunteers Branch and the ANCP NGOs underpins effective cooperation and program delivery. However it also highlights areas for improvement, such as the need to address the complexity and limited transparency associated with funding allocations or the opportunities for greater sharing of knowledge and learning across the partnership.

It is hoped that the findings of this evaluation, and the recommendations developed in consultation with program stakeholders, will help inform the ongoing management and improvement of the ANCP.

I commend this evaluation to all, and look forward to seeing progress in response to the findings and recommendations, developed in consultation with Australian NGOs.



Jim Adams  
Chair, Independent Evaluation Committee

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**Cover:** Vomboe Molly, World Vision Vanuatu Area Program Manager Sanma AP, speaking with the village Chief on Malo Island. Credit DFAT/Julie Hart

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The Independent Evaluation Committee (IEC) was established in mid-2012 to strengthen the independence and credibility of the work of the ODE. It provides independent expert evaluation advice to improve ODE's work in planning, commissioning, managing and delivering a high-quality evaluation program.

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# Abbreviations

ACFID	Australian Council for International Development
ANCP	Australian NGO Cooperation Program
AFP	Australian Federal Police
ANGO	Australian Non-Governmental Organisation
APAC	ANCP Partner Agency Collaboration
APPR	Aid Program Performance Report
CDC	Committee for Development Cooperation
CSEF	DFAT's Civil Society Engagement Framework
DAC	Development Assistance Committee
DAR	Development Awareness Raising
DFAT	Department of Foreign Affairs and Trade
DPC	Development Practice Committee (Australian Council for International Development)
EQ	Evaluation question
FGD	Focus group discussion
HOM	Head of Mission
MELF	Monitoring, Evaluation and Learning Framework
NGO	Non-Governmental Organisation
NVB	NGOs and Volunteers Branch (DFAT)
IDG	International Deployment Group
IEC	Independent Evaluation Committee
INGO	International Non-Governmental Organisation
ODA	Official Development Assistance
ODE	Office of Development Effectiveness
OECD	Office for Economic Cooperation and Development
RDE	Recognised Development Expenditure
QAI Report	Quality at Implementation Report
ToC	Theory of Change

# Executive Summary

## Introduction and rationale

As a significant area of aid program expenditure, an evaluation of the Australian NGO Cooperation Program (ANCP) was added to Office of Development Effectiveness's (ODE) work plan three years ago. The integration of AusAID and the Department of Foreign Affairs and Trade (DFAT) in November 2013 and the launch of the Australian Government's new aid policy in June 2014 provided a further rationale for an evaluation of this long-standing program. ODE commissioned this evaluation in September 2014 with the objective, inter alia, of assessing the ongoing relevance of the ANCP.

The ANCP is an annual grants program that provides matched funding to accredited Australian NGOs to support their work in developing countries. Funding supports projects across a range of sectors including education, health, water and sanitation, governance and economic development. Established in 1974, the ANCP is DFAT's (and formerly AusAID's) longest running NGO program. It also represents the largest program for Australian NGOs, with a 2014–15 allocation of \$134 million constituting approximately one-fifth of all funding provided to NGOs and 2.7 per cent of Australia's Official Development Assistance budget.<sup>1</sup> As a large global program, ANCP activities span multiple countries and regions with individual projects numbering in the hundreds.

Evaluating a program of this scale and diversity is challenging. Assessing the impact of the ANCP on individuals and communities in developing countries across the globe is well beyond the scope of this evaluation. Rather the approach this evaluation takes is to assess the effectiveness of the ANCP mechanism to assist NGOs to reduce poverty and support sustainable development. The evaluation's objectives are to:

1. Assess the relevance, effectiveness and efficiency of the ANCP.
2. Assess the results of delivering aid through the ANCP.
3. Make recommendations for improvements to the management of the ANCP.

In recent years many of the ANCP's component parts have been reviewed and important reforms introduced, such as a comprehensive monitoring and evaluation framework. The evaluation takes stock of this work but also draws heavily upon primary data gathered in line with a carefully considered and clearly structured evaluation plan.

It is hoped that the findings of this evaluation, and the recommendations developed in consultation with all program stakeholders, will help inform the ongoing management and improvement of the ANCP. The intended audience for the evaluation is primarily DFAT staff with aid-management responsibilities, Australian NGOs and the Australian Council for International Development.

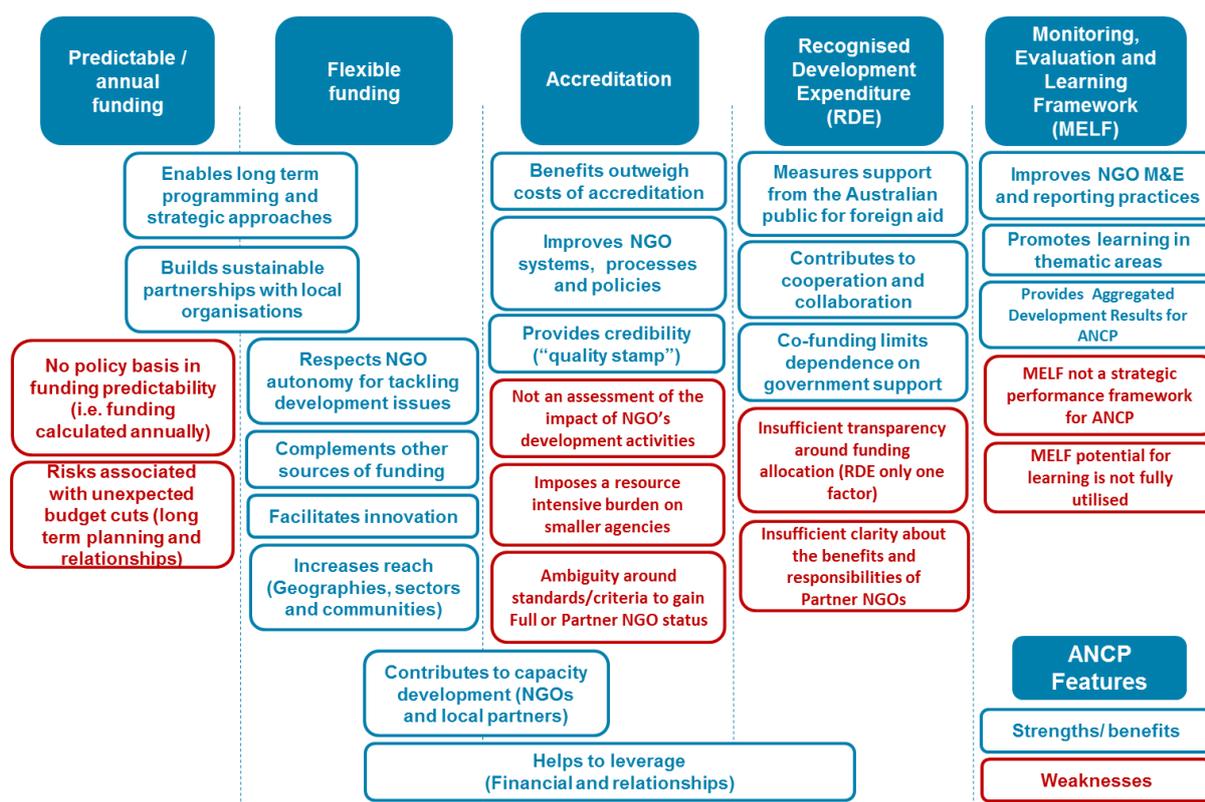
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<sup>1</sup> The 2015–16 budget for ANCP is \$127 million, representing more than 3% of Australia's Official Development Assistance.

## ANCP strengths and weaknesses

There are many unique features of the ANCP including: the approach to providing consistent year-to-year funding based on accreditation, the calculation of Recognised Development Expenditure (RDE), the requirement for NGOs to match funding, flexibility in the use of funding, respect for NGOs' organisational autonomy, online reporting systems and the Monitoring, Evaluation and Learning Framework (MELF) introduced in 2012. The strengths and weakness of these program features are depicted in the diagram below and are elaborated on throughout the report and in Annex 14.

Figure 1 Features, strengths and weaknesses of the ANCP funding modality



The original evaluation questions are structured around the areas of relevance, implementation, institutional arrangements, monitoring and evaluation, and results. These have been slightly reorganised into chapters on relevance, effectiveness and efficiency, and monitoring and evaluation. Illustrative program results are captured in results snapshots throughout the report.

## Relevance

The ANCP is a partnership approach to development which respects the organisational autonomy of NGOs, adheres to the principles of development effectiveness and addresses cross-cutting issues such as gender and disability. The accreditation process identifies effective organisations with public support and provides them with flexible funding to contribute to their efforts to tackle poverty. This approach is in line with international best practice and complements DFAT's other programs and initiatives. While it is not an explicit requirement of the program, ANCP activities are largely in step with DFAT's other programs and strategies. The ANCP both complements these and extends the reach of the Australian aid program: supporting activities, building relationships and developing capacity in sectors and geographic areas beyond the foot print of DFAT's regional and bilateral aid programs.

Finally, one of the notable features of ANCP is the strength of the relationships between DFAT's NGO and Volunteers Branch (NVB) and ANCP NGOs, which underpin effective cooperation and delivery.

ANCP NGOs are contributing to partner-government development priorities particularly in terms of service delivery. Evaluation fieldwork in Bangladesh and Papua New Guinea found that NGOs are held in high regard by partner-country governments who recognise that the front-line services provided by NGOs are critical to the wellbeing of their citizens. The Australian Government and its developing country partners alike also recognise the importance of policy dialogue with ANCP NGOs and their local partners, and the constructive influence that NGOs can have in helping set the development agenda. The ANCP helps NGOs effectively bridge the two roles of working in partnership with government on the one hand and challenging it on the other.

## Effectiveness and efficiency

There is a high level of awareness amongst most stakeholders of what the ANCP is and how it operates: *a mechanism providing annual funding to accredited Australian NGOs*. DFAT NVB and NGOs have a consistent understanding of the program objectives (although these have never been fully articulated) based on their long and intimate involvement in the program. On the other hand, the level of understanding of ANCP objectives and benefits within the rest of DFAT varies greatly, with some stakeholders holding certain misperceptions and misgivings. It is envisaged that the Theory of Change process, embarked upon in late 2014, will provide clarity by linking ANCP funding and management activities with a set of well-defined program objectives.

The accreditation process is an effective means of identifying strong partners, leading to management efficiencies for DFAT and contributing to the organisational development of NGOs. The accreditation criteria target organisational characteristics which influence an agency's ability to be effective and deliver results. While the accreditation process is time consuming and resource intensive, all ANCP NGOs stated that the process was worthwhile as it enhanced their organisational capacity and represented a better investment of time and resources than competing for funding through other mechanisms. The accreditation process is regarded in the NGO sector and within DFAT as an indicator of organisational sophistication and strong performance: a number of other programs within DFAT rely on accreditation status to streamline due diligence; and NGOs use their accreditation status as leverage in gaining further support from the public, private sector and other donors. However it should be noted that while the accreditation process has proven to be very effective in assessing and enhancing organisational capacity, this is very different to testing the effectiveness of activities delivered. Complementing accreditation with strong results and performance assessment processes would further strengthen the ANCP's framework for ensuring effectiveness.

The use of Recognised Development Expenditure (RDE) as both a measure of support from the Australian public and the basis of funds allocation between agencies is a long-standing and well-accepted practice. The evaluation found that whilst there is general consistency between RDE and the allocation of ANCP funds, some significant discrepancies exist. It is evident that over time the funding formula and calculations have become increasingly complex with a deleterious effect on transparency. Whilst this approach has worked throughout the recent years of a growing aid program and ANCP budget, it is apparent that the introduction of new NGOs into the program, a decline in budget, or a combination of both has rendered the current practice unsustainable. This has unfortunate, but unavoidable, implications for funding predictability, in that funding allocations cannot be guaranteed year on year.

**Recommendation 1:** That DFAT revise the current approach to allocating funds across ANCP member agencies with a view to formalising funding arrangements through a transparent funding allocation policy. The policy should retain key elements of the established model, such as the use of Recognised Development Expenditure (RDE), but also enable DFAT performance assessments to impact on allocations. A scalable approach is required to ensure adaptability to changes in budget or other circumstances.

## Program management

The value of the current ANCP membership structure, with two levels of accreditation and three tiers of funding, is unclear and the language used to distinguish between the different tiers (Base, Full and Partner) is unhelpful. The lack of transparency surrounding the selection of Partner-tier NGOs, their responsibilities and the associated advantages is a source of frustration for Base and Full-tier NGOs. The distinction between tiers, levels and progressions between them is not clear or transparent. While the Partners provided strong evidence on the benefits of the ANCP Partner Agency Collaboration (APAC) group there is little evidence of corresponding benefits to DFAT and the non-Partner NGOs.

**Recommendation 2:** That DFAT explain the relationship between accreditation levels (currently two) and funding tiers (currently three) and detail how NGOs qualify for, and progress through, these. Any difference in obligation or benefit associated with each tier or level should be clearly articulated. DFAT should also ensure that the principle of partnership applies across all ANCP members and that this is reflected in a suitable naming convention.

The quality of ANCP program-management systems and processes is variable. While the accreditation process and online grant-management system are effective and efficient, the systems in place to manage relationships with grantees and risk in the portfolio are weak. For example, there is no centralised record capturing the history of relationships and decisions in relation to funding and management of individual NGOs. Although NVB is able to draw upon the extensive knowledge of a pool of consultant accreditation reviewers, some of whom have been involved with the ANCP for almost 20 years, there is a risk associated with having elements of DFAT's corporate memory sitting outside the department. These issues, combined with the lack of an overarching policy framework, challenge the consistency and objectivity of decision-making. Such circumstances are further complicated in the event of NVB staff turnover.

There has been a notable increase in awareness of ANCP at posts since the integration of AusAID and DFAT, presumably in recognition of the numerous public diplomacy opportunities the program presents. Nevertheless, although information about the ANCP is readily available to DFAT posts and desks alike, engagement levels across the department are highly variable. Furthermore the understanding of ANCP roles and responsibilities across DFAT is largely dependent on the individuals involved. Interaction between all areas of DFAT and the ANCP NGOs might be improved if this was more tightly focused on specific issues or contexts of mutual interests. NVB also acknowledged that the value of partnerships would be greatly increased if all parts of DFAT cooperated to determine the department's key areas of mutual interest with specific NGOs.

**Recommendation 3:** Whilst maintaining the central role of NGO and Volunteers Branch in managing the program, DFAT should clarify the role of posts in the ANCP with a view to establishing a consistent and minimum level of resourcing and engagement between DFAT posts and ANCP members in-country.

## Results and value for money

While there is currently no performance framework for ANCP as a whole, the strengths (or high-level results) associated with the ANCP funding modality are captured in Figure 1.

DFAT's aggregate development results (ADR) provide a measure of aid program results for beneficiaries in a range of key human development areas. Based on ADR figures alone, ANCP is one of DFAT's best-performing programs: in 2013–14 ANCP represented around 2.7 per cent of the aid budget and delivered 18.2 per cent of the department's output-level aggregate development results. In comparative terms the ANCP reported the largest number of aggregate development results<sup>2</sup> of any program in DFAT while being the eighth largest program by value.

From a management perspective the checks and balances imposed on NGOs through accreditation go a long way to demonstrating that ANCP is delivering on this aspect of value for money. However NGOs should also show how they make informed investment decisions that consider relative costs and development benefits, and how they manage operational and project costs for efficiency.

ANCP is leveraged to gain support from the Australian public, the private sector and other donors. A key principle of ANCP is that NGOs are able to demonstrate and harness financial support from the Australian community for their development activities. Many NGOs raise well in excess of the minimum matching funds required by the ANCP. NGOs have demonstrated that ANCP funding is leveraged to access funding from other parts of their organisations, from the private sector and from other donors. A significant factor in the ability of NGOs to access funding from other sources is their accreditation status.

## Monitoring and evaluation

The ANCP Monitoring, Evaluation and Learning Framework (MELF)<sup>3</sup> represents a significant improvement on ANCP M&E initiatives and has positively influenced the M&E systems of many organisations. It rates well against other comparable systems within the DFAT aid portfolio. The reporting framework presents a clear and consistent way of reporting program outputs (facilitated through the online grant-management system), though there were some issues identified with the strength of data. Common issues relate to the distinction between direct and indirect beneficiaries and disaggregation of data.

The MELF is highly regarded by NGOs, who have used the system to improve their own practices and procedures while working within a common framework – this is particularly the case for the smaller Full and Base NGOs. All ANCP NGOs were complimentary towards the value and quality of the thematic reviews that have been conducted, and to a lesser extent the meta-evaluations. The thematic studies were identified as being very useful to organisations and presented a good opportunity for engagement and shared learning.

The MELF effectively captures the outputs of ANCP funding but does not adequately capture development outcomes. While the MELF has undergone significant enhancements there is still a way to go in order to maximise its utility and reflect the actual impact of ANCP. The MELF is considered

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<sup>2</sup> It should be noted that the evaluation has raised issues with the quality of MELF aggregate development results data which should be taken into account when considering aggregate development result reporting.

<sup>3</sup> The MELF is the primary reporting mechanism for ANCP. It was launched in the context of improvements to M&E across DFAT (i.e. the introduction of the Comprehensive Aid Policy Framework).

appropriate for reporting of headline indicators (largely at output level), including range and scope of the program. However beyond the thematic studies, there is limited reporting on development outcomes across the portfolio.

**Recommendation 4:** That DFAT build upon the ANCP Monitoring, Evaluation and Learning Framework (MELF) in order to strengthen the role of qualitative, quantitative and geographic data in generating evidence for learning, policy and program improvement. This should include;

- a. Development of a performance assessment framework, based upon the forthcoming ANCP Theory of Change, to aid reporting of outcomes at a program level.
- b. Clear links to the Australian aid program's high-level targets and other performance-reporting processes.
- c. Introduction of a system of independent review and validation of the performance management and results-reporting systems used by the larger ANCP members.

The evaluation identified significant scope for improving sharing and learning across the ANCP. The MELF, inclusive of all its related activities and reports, is a valuable source of information for learning, policy development and program improvement but currently this information is underutilised. The thematic reviews in particular represent a valuable vehicle for driving learning, however, these are limited in scope and frequency. There is also scope for the evaluations conducted by NGOs to be shared more widely.

**Recommendation 5:** That DFAT, ACFID and the ANCP NGOs commit to testing new approaches to improve the sharing of lessons between Australian and local NGOs and DFAT aid staff. This could be largely undertaken within existing resources, harnessing opportunities to bring people together through learning events and using available technology to make existing evaluations and other studies more readily available. The ANCP Theory of Change could be used to help define a focused learning agenda.

## Overall conclusion

This evaluation found that there are aspects of the ANCP that have room for improvement. However it also identified in the ANCP a successful and highly valued program with some strong features which could usefully inform a number of the Australian Government's other development partnerships. Good progress is being made against the program's objective: *'To support accredited ANGOs to implement their own programs and strategic directions consistent with the Australian aid program's strategic goals and objectives of poverty alleviation and sustainable development.'*<sup>4</sup>

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<sup>4</sup> This stated objective reflects part of the wording in the redefined objective in the 2006 ANCP Review.

# Management Response

The Office of Development Effectiveness (ODE) commissioned the evaluation of the Australian NGO Cooperation Program (ANCP) in September 2014 to consider the effectiveness of the ANCP mechanism to assist NGOs to reduce poverty and support sustainable development.

The Evaluation considered questions around results, relevance, implementation, institutional arrangements, monitoring and evaluation. The Evaluation found the program has many strengths including respect for NGOs' organisational autonomy, flexibility in funding allocation and a good program monitoring, evaluation and learning framework (MELF).

The Evaluation noted ANCP as one of the department's best performing programs against the Aggregate Development Results (ADR). In comparative terms the ANCP reported the largest number of ADRs of any program in DFAT while being the eighth largest program by value. It also found the program to be an effective modality and DFAT has strong and deep engagement with the ANCP NGOs.

DFAT's NGOs and Volunteers Branch (NVB) agrees with the recommendations as areas to improve and strengthen program management.

## DFAT's management response to recommendations

Recommendation	Response	Details
<p><b>Recommendation 1</b></p> <p>That DFAT revise the current approach to allocating funds across ANCP member agencies with a view to formalising funding arrangements through a transparent funding allocation policy. The policy should retain key elements of the established model, such as the use of recognised development expenditure, but also enable DFAT performance assessments to impact on allocations. A scalable approach is required to ensure adaptability to changes in budget or other circumstances.</p>	Agree	<p>In 2015-16 DFAT will consult with the Australian NGO sector through the Australian Council for International Development (ACFID) on funding principles to inform a funding policy. The policy will form part of an overarching framework which will articulate program level outcomes (see also Recommendation 4).</p> <p>DFAT supports a transparent, risk based funding model that continues to offer the program flexibility and predictability, during periods of both budget expansion and contraction.</p> <p>The policy will build on the existing use of Recognised Development Expenditure (RDE), be able to manage new entrants to the ANCP and draw on performance information where applicable to confirm allocations.</p>

Recommendation	Response	Details
<p><b>Recommendation 2</b></p> <p>That DFAT explain the relationship between accreditation levels (currently two) and funding tiers (currently three) and detail how NGOs qualify for, and progress through, these. Any difference in obligation or benefit associated with each tier or level should be clearly articulated. DFAT should also ensure that the principle of partnership applies across all ANCP members and that this is reflected in a suitable naming convention.</p>	Agree	<p>DFAT notes the Evaluation report acknowledged accreditation of Australian NGOs was an effective means to identify strong partners, contribute to NGO organisation development and manage risk for the Australian Government.</p> <p>DFAT will work closely with the Committee of Development Cooperation (CDC), of which ACFID attends as an observer, to ensure the accreditation process maintains its integrity as an up-front risk management tool.</p> <p>The accreditation criteria will continue to reflect two levels: base and full.</p> <p>DFAT notes that any changes to the current accreditation processes need to balance these strengths with improved program efficiencies to manage a larger group of NGOs receiving funding under the ANCP.</p> <p>DFAT agrees the ANCP is a strong partnership model of engagement and wishes to capitalise on NGO strengths where partnership principles could be applied to all ANCP NGOs. This would extend the effectiveness of the program and link to key priority areas for the Australian aid program as a whole.</p>
<p><b>Recommendation 3</b></p> <p>Whilst maintaining the role of NGOs and Volunteers Branch (NVB) in managing the program, DFAT should clarify the role of Posts in the ANCP with a view to establishing a consistent and minimum level of resourcing and engagement between DFAT Posts and ANCP members in-country.</p>	Agree	<p>DFAT notes the role NVB has taken to engage Posts in monitoring the ANCP recognising it is subject to Head of Mission (HoM) decisions regarding Post priorities.</p> <p>In addition to the detailed briefing already available to country programs and Posts, NVB will provide succinct briefing to programs (Canberra desk and Post) on ANCP projects detailing Australian NGOs, local partners, funding and sectoral breakdowns.</p> <p>NVB will work with key country Posts to establish a recommended minimum level of Post resourcing for engagement and monitoring of the program. This will include maintaining regular visits to Posts by NVB and regular briefing to HoMs prior to and during deployment.</p> <p>We also think there is a role for NGOs to actively engage with Posts where they have significant programming to improve linkages with both the bilateral program and other in-country partners who receive Australian aid program funding and identify public diplomacy opportunities.</p>

Recommendation	Response	Details
<p><b>Recommendation 4</b></p> <p>That DFAT build upon the ANCP monitoring, evaluation and learning framework (MELF) in order to strengthen the role of qualitative, quantitative and geographic data in generating evidence for learning, policy and program improvement.</p> <p>This should include:</p> <ul style="list-style-type: none"> <li>a. development of a performance assessment framework, based upon the forthcoming ANCP Theory of Change, to aid reporting of outcomes at a program level;</li> <li>b. clear links to the Australian aid program’s high-level targets and other performance reporting processes; and</li> <li>c. introduction of a system of independent review and validation of the performance management and results reporting systems used by the larger ANCP members.</li> </ul>	Agree	<p>DFAT will finalise the ANCP Theory of Change in 2015-16 and develop an associated Performance Assessment Framework (PAF) which captures program outcomes.</p> <p>DFAT will consult with ANCP NGOs to identify the aid program high level targets that the ANCP can contribute and articulate these in the PAF.</p> <p>DFAT will formalise the validation of performance management and results reporting through existing MELF and accreditation systems.</p>
<p><b>Recommendation 5</b></p> <p>That DFAT, ACFID and the ANCP NGOs commit to testing new approaches to improve the sharing of lessons between Australian and local NGOs and DFAT aid staff. This could be largely undertaken within existing resources, harnessing opportunities to bring people together through learning events and using available technology to make existing evaluations and other studies more readily available. The ANCP Theory of Change could be used to help define a focussed learning agenda.</p>	Agree	<p>DFAT notes some sharing of lessons is happening through biennial ANCP meta-evaluations and thematic reviews.</p> <p>DFAT is supportive of continuing to share lessons learnt amongst ANCP NGOs, and the broader NGO sector, as well as within the Department. In addition to our response to Recommendation 3, DFAT will encourage Posts to hold regular roundtables with NGOs in-country, noting this is current practice for some programs.</p> <p>DFAT will work with ACFID to test new ways to share information on design, monitoring and evaluation and lessons learnt amongst ANCP NGOs.</p> <p>DFAT agrees the ANCP Theory of Change will help identify a planned learning agenda including the introduction of annual reflection workshops (see also Recommendation 4).</p>

# 1 About the ANCP

## 1.1 Overview of the ANCP

### History

The Australian Non-government organisation Cooperation Program (ANCP) has supported poverty alleviation projects in developing countries through funding to Australian NGOs since 1974. Australian NGOs (ANGOs) engaged in international development provide a distinctive capability to further the achievement of Australia's international development goals. Included within this capability is their ability to mobilise support from the Australian public, their grass-roots connection with local organisations and communities, and their ability to operate in conflict-affected and complex environments to reach the poor.

The 2014 ANCP Aid Program Performance Report (APPR) states the ANCP objective as: *'To support accredited ANGOs to implement their own programs and strategic directions consistent with the Australian aid program's strategic goals and objectives of poverty alleviation and sustainable development.'*<sup>5</sup>

### Accreditation

To receive funding under ANCP, ANGOs must be accredited. The accreditation scheme was first introduced in 1996 and has undergone continuous improvement in response to independent, management and administrative reviews. A pre-condition for accreditation is being a signatory to the Australian Council for International Development (ACFID) Code of Conduct.

Accreditation includes an assessment of ANGO structures, systems and principles to verify their capability and the effectiveness and quality of their aid delivery. A key aspect of the accreditation is the calculation of Recognised Development Expenditure (RDE). This is the *'total eligible contribution that each NGO receives from the Australian community for the organisation's own development assistance, emergency relief or rehabilitation activities overseas and development education in Australia'*.<sup>6</sup>

There are two levels of accreditation, Base and Full. Small organisations or organisations new to accreditation applying for Base accreditation are not expected to have as comprehensive a capacity, as extensive a track record, or as robust a set of systems as larger, more established NGOs applying for Full accreditation.

### Funding tiers

While there are two levels of accreditation within ANCP, there are three tiers of funding: Base, Full and Partner. There are currently 11 Base-tier ANGOs receiving \$150,000 a year, 28 Full-tier ANGOs

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<sup>5</sup> This stated objective reflects part of the wording in the redefined objective in the 2006 ANCP Review.

<sup>6</sup> [http://aid.dfat.gov.au/ngos/anpc/Documents/rde\\_notes.pdf](http://aid.dfat.gov.au/ngos/anpc/Documents/rde_notes.pdf)

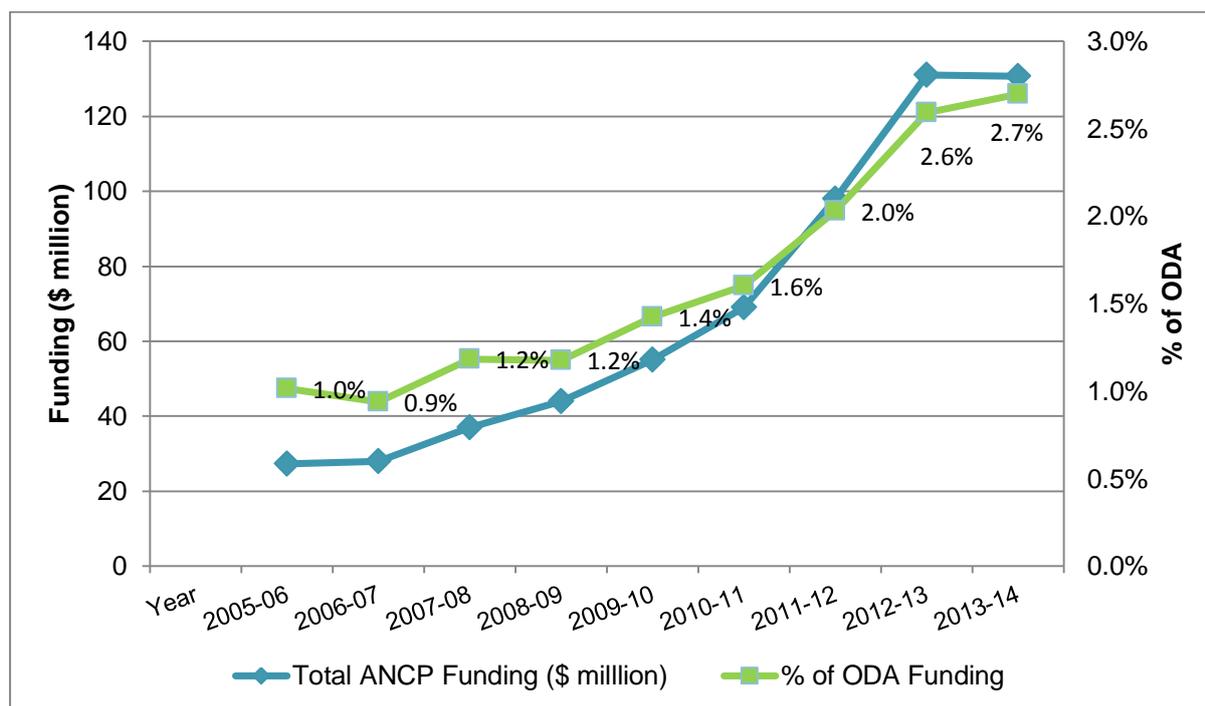
receiving a minimum of \$300,000 a year, and 10 Partner-tier ANGOs receiving a share of funds set aside in a separate pool. In 2009 DFAT determined that certain NGOs would be considered Partners based on the extent of their engagement across the Australian aid program, their ability to engage in dialogue and exercise influence politically, and their capacity to promote better practice and the sharing of lessons across the aid sector.

## 1.2 Trends in ANCP funding

### Official Development Assistance (ODA) and ANCP funding to NGOs

On average ANCP funding has represented 1.5 per cent of total ODA funding since 2005. In the 2014–15 financial year, it stood at 2.7 per cent of total ODA funding. The budget for ANCP has increased significantly over the previous eight years. Funding remained steady between 2003 and 2007 then rose from \$28m to \$69m in 2010 (representing a 146 per cent increase). The funding increased again from \$69m in 2010–11 to \$130.7m in 2013–14 (representing an 89 per cent increase).<sup>7</sup> From 2002 to the present, the number of activities funded under the ANCP has increased from 350 to 670, representing a 91 per cent increase. While the budget and number of activities have increased significantly over the last eight years, the number of accredited ANGOs has grown by around 23 per cent from 40 to 49.

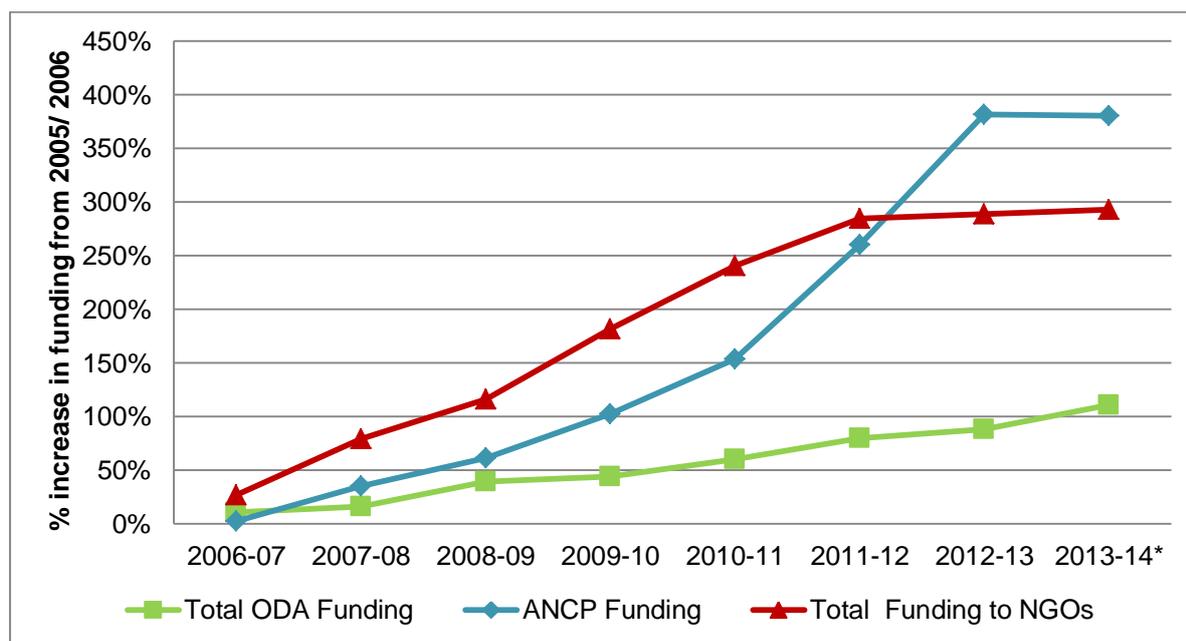
Figure 2 ANCP funding as a percentage of Official Development Assistance (ODA)



Source: Coffey analysis based on DFAT statistics

<sup>7</sup> The 2015–16 Federal Budget was announced around the time of writing this report. The allocation to ANCP is \$127m, representing 3.0 per cent of total ODA.

Figure 3 Trends in ODA, NGO and ANCP funding



\* Based on budget allocation

Source: Coffey analysis based on DFAT statistics (excludes funding through the DFAT Direct Aid Program)

Figure 3 illustrates the growth in Australia’s funding to Official Development Assistance (ODA) and the NGO sector over the last nine years. From 2005 to 2013 total Australian ODA and funding to NGOs grew 111% and 293% respectively. Over the same period ANCP funding increased 381%. As a proportion of total ODA, NGO funding has doubled from 5% in 2005 to 11% in 2013. This growth has taken place in a context where the Australian aid program was ‘scaling up’ to meet the commitment to spend 0.5 per cent of Gross National Income on foreign aid by 2015–16. Given the current fiscal environment it appears unlikely that the ANCP budget will continue to increase by the same magnitude in the years to come.

### DFAT and ANCP grants as a proportion of NGO funding

This section presents trends in DFAT grants and ANCP funds received by the three funding tiers of ANCP NGOs as a proportion of NGOs total revenues and as a proportion of RDE.

Table 1 DFAT funding as a percentage of NGO’s total revenue

	ANCP NGOs by funding tier	2011–2012	2012–2013	2013–14
DFAT grants as a percentage of NGO’s total revenue (including ANCP)	Base	25%	27%	23%
	Full	33%	32%	30%
	Partner	25%	26%	27%

Source: Coffey analysis based on ANCP NGO Annual Reports and data provided by DFAT on NGO funding allocations

DFAT funding (including ANCP) is significant to all ANCP NGOs. As can be observed in Table 1, the share of DFAT funding as a proportion of ANCP NGO’s total revenue has been relatively constant for

all tiers since 2011. It also highlights that DFAT funding makes up approximately a quarter of NGO revenues.

**Table 2 ANCP funding as a percentage of DFAT funding to ANCP NGOs**

	ANCP NGOs by funding tier	2011–2012	2012–2013	2013–14
<b>ANCP grants as a percentage of the total DFAT funds received by NGOs</b>	Base	60%	56%	53%
	Full	47%	61%	61%
	Partner	52%	60%	65%

Source: Coffey analysis based on ANCP NGO Annual Reports and DFAT data on NGO funding allocations

ANCP funding makes up the largest portion of DFAT funding provided to ANCP NGOs. For every \$10 NGOs receive from DFAT, approximately \$6 comes from the ANCP modality.

### 1.3 Recent reviews and reforms

Although the ANCP has undergone incremental reforms during the course of its 40-year history (see Annex 12 – ANCP event timeline), the most significant series of reforms followed reviews in 2006,<sup>8</sup> 2008<sup>9</sup> and 2009,<sup>10</sup> corresponding with significant budget increases. These reforms were implemented to enhance accessibility and engagement between ANGOs and the Australian Government; simplify accreditation and administration; increase the focus on monitoring, evaluation and learning; provide greater support for small and emerging ANGOs to access accreditation; establish Partnership agreements with larger NGOs; and establish an Innovation Fund.

One of the more significant changes emanating from these reviews was the establishment of ANCP Partnership agreements, which provided multi-year grants designed to improve funding certainty. In December 2009 Partnership agreements were signed with five ANGOs that had high levels of community support: World Vision Australia, Plan International Australia, Oxfam Australia, Caritas Australia and ChildFund Australia. The aim of these strategic partnerships was to promote policy dialogue, enable the Australian Government and ANGOs to share lessons, and jointly identify the most effective ways to help reduce poverty. Between 2010 and 2013 agreements were also signed with CBM Australia, CARE Australia, TEAR Australia, The Fred Hollows Foundation and Save the Children Australia. These organisations, which have a large Australian community support base, receive the greatest portion of the ANCP budget.

In 2012 a Mid-Term Review<sup>11</sup> was conducted on the Partnership agreements. This review found that for Partnership to realise its full potential there are a range of areas that could be improved such as

<sup>8</sup> ANCP Review (2006) – this was a consultative review of the ANCP between 1995 and 2006, a meta-evaluation of NGO evaluations conducted under the ANCP (2006) by Colin Reynolds.

<sup>9</sup> <http://www.oecd.org/dac/peer-reviews/australia2008dacpeerreviewofaustralia-mainfindingsandrecommendations.htm>

<sup>10</sup> Review of Accreditation Documentation and Tools (2009) by Jo Thomson, ANCP Streamlining and Reform Agenda, May 2009.

<sup>11</sup> AusAID NGO Cooperation Program Partnership Agreements – Mid-Term Review Report, 2013 <http://aid.dfat.gov.au/publications/Pages/ancp-partners-midtermreview.aspx>

better impact assessment, wider sharing of lessons learned, more systematic and dedicated resources and better understanding of Partnership purpose, scope and responsibilities. The ANCP Partner Agency Collaboration (APAC), established in 2013, facilitates collaboration and shared learning among Partner ANGOs and complements the work of other organisations such as ACFID.

In 2012 a Monitoring, Evaluation and Learning Framework (MELF) was launched in the context of improvements to M&E across DFAT (i.e. the introduction of the Comprehensive Aid Policy Framework). The MELF was introduced to standardise reporting against 20 core headline indicators (initially 30) and 70 non-core indicators.<sup>12</sup>

The MELF was reviewed in 2013 and found that the reports developed by ANCP NGOs *'provide a good summary of achievements but that the templates required editing and clarification; and that ANGOs need to provide additional information to communicate more fully the scale of their work'*.<sup>13</sup> ANGOs reported that using the MELF had promoted improvements in their internal monitoring and evaluation systems.

In 2013 an online reporting system (ANCP Online) was introduced. This system allows ANGOs to report online, streamlining the process and allowing more efficient online data capture and reporting for DFAT.

Also in 2013 a meta-evaluation was conducted on nine ANCP evaluations.<sup>14</sup> It was noted that ANGO evaluations had improved since the last meta-evaluation in 2006. However, it was also noted that less than 2 per cent of funds were spent on evaluation. Although the report found that overall the evaluations were adequately evaluating and reporting on ANCP project objectives, some recurring gaps in quality and the need for greater investment in M&E were also highlighted. ANGOs are allowed to use up to 10 per cent of annual ANCP funds for designing, monitoring and evaluating their own activities.

The 2012–13 Aid Program Performance Report (APPR) examined results and expenditure and found that the ANCP continues to deliver tangible results against its overall objective. It also noted that engaging ANGOs through Partnership agreements is integral to the success of ANCP. It found ANCP to be an effective tool for high-level policy dialogue between the ANGO sector and DFAT.

To improve the ANCP, the APPR recommended establishing a program logic to inform the development of a performance assessment framework which would measure the impact of ANCP as a whole. Theory of Change workshops were undertaken during October and November 2014 to begin the process of building and communicating a coherent program theory for ANCP. The purpose is to ensure the program remains relevant and is able to measure progress against higher level objectives.

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<sup>12</sup> NGOs report against the indicators that are relevant to their programming.

<sup>13</sup> Report on the Review of the Monitoring, Evaluation and Learning Framework for the AusAID NGO Cooperation Program (2013).

<sup>14</sup> Meta-evaluation – an evaluation of ANCP evaluations – focusing on the quality and range of outcomes in the implementation of ANCP activities as well as lessons learned and impact.

## 2 The Evaluation

### 2.1 Purpose and objectives

The purpose of the evaluation is to assess the ANCP as a mode to assist NGOs to reduce poverty and support sustainable development in developing countries. The objectives are to:

1. Assess the relevance, effectiveness and efficiency of the ANCP.
2. Assess the results of delivering aid through the ANCP.
3. Make recommendations for improvements to the management of the ANCP.

The focus of enquiry is on ANCP as a funding mechanism. Therefore, an assessment of results at the level of communities or primary beneficiaries is beyond the scope of the evaluation. Consistent with this approach, overseas data collection is modest and is used primarily to verify findings from fieldwork in Australia relating to ANCP monitoring and evaluation, and ANGO relationships with relevant in-country actors.

The evaluation will be used to inform the management of the Australian NGO Cooperation Program going forward. The intended audience for the evaluation is primarily DFAT staff with aid-management responsibilities, Australian NGOs and the Australian Council for International Development.

### 2.2 Approach

The approach to this evaluation has incorporated both process and theory-based elements to satisfy the three evaluation objectives as outlined in the table below.

**Table 3 Evaluation objectives and general approach**

Evaluation Objectives	Evaluation Approach
1. Assess the <b>relevance, effectiveness and efficiency</b> of the ANCP	<p>A process-evaluation approach has been taken to assess how ANCP has been delivered, examining its implementation, the institutional arrangements surrounding the program and to what extent the monitoring and evaluation processes and systems<sup>15</sup> are appropriate and adequate. There has also been an assessment of the extent to which ANCP represents value for money.</p> <p>The process evaluation has also examined strategic added value. For example, strategic influence and leverage (the extent to which the ANCP influences, raises awareness and contributes to broader policy development) and synergies and engagement (the extent to which the ANCP increases coordination, alignment and partnership among NGOs to either</p>

<sup>15</sup> ANCP Monitoring, Evaluation and Learning Framework (MELF) including performance reporting, biennial meta-evaluations and thematic reviews, in-country monitoring visits and SmartyGrants online grant management system.

Evaluation Objectives	Evaluation Approach
	work together towards shared strategic objectives and/or in a more effective way that builds capacity).
2. Assess the <b>results</b> of delivering aid through the ANCP	The theory-based element of the evaluation has been framed and guided by the Theory of Change for the ANCP <sup>16</sup> and examines the extent of its contribution to achieving results. The evaluation examined the extent to which accredited NGOs are able to demonstrate the difference ANCP funding has made to their work; their results will form the basis for the assessment of the ANCP's performance as a whole. Additionally, evidence has been generated through comparisons with alternative funding sources by examining their respective contribution to results.
3. Make <b>recommendations</b> for improvements to the management of ANCP	Drawing on evidence from both process and theory-based elements detailed above, the formative part of this evaluation will be to provide a clear direction for management of ANCP going forward. The current reform environment and policy context will be considered in the development of recommendations on the future management of ANCP. It is envisaged that a workshop will be held with DFAT NVB, DPC ACFID and ODE to discuss and agree on a set of recommendations.

## 2.3 Evaluation framework

For each area of ANCP under assessment (Relevance, Implementation, Institutional arrangements, M&E and Results), the terms of reference posed a series of evaluation questions. The table below presents the high-level evaluation questions and the methods and tools used to collect evidence to respond to these. A full set of evaluation questions and the evaluation framework is presented in Annex 4. Responses to all evaluation questions were developed by triangulating findings from more than one source of evidence, making use of both qualitative and quantitative data. To identify priority questions, the evaluation team used input from the evaluation reference group (the ACFID Development Practice Committee), the DFAT Independent Evaluation Committee (IEC), DFAT NGO and Volunteers Branch and preliminary interviews with a small sample of NGOs during the inception phase..

**Table 4 Evaluation questions and sources of evidence**

EQ no.	Evaluation Question (EQ)	Desk research <sup>17</sup>	Online survey	Interviews / focus groups	In-country field visits
R1	<b>Relevance: Is the ANCP a relevant mechanism for the delivery of effective aid to reduce poverty and support sustainable development?</b>				
I1	<b>Implementation: Are the management and implementation arrangements fit for purpose and can they be improved?</b>				
IN1	<b>Institutional arrangements: Are the institutional arrangements underpinning the development and implementation of the ANCP program sound?</b>				

<sup>16</sup> DFAT commissioned a piece of work to develop and articulate the ANCP Theory of Change in late 2014. The ANCP evaluation has used the output of this exercise as the basis for assessing results.

<sup>17</sup> Desk research captures an extensive review and analysis of qualitative and quantitative secondary data.

EQ no.	Evaluation Question (EQ)	Desk research <sup>17</sup>	Online survey	Interviews / focus groups	In-country field visits
ME1	Monitoring and evaluation: Is ANCP supported by robust and appropriate monitoring & evaluation processes?	✓	✓	✓	✓
RS1	Results: What have been the results of delivering aid through the ANCP?	✓	✓	✓	✓

Note on Table 4: The size of the ticks in the table provides an indication of where the bulk of evidence has been derived.

## 2.4 Evaluation methodology

The following diagram and table present the evaluation phases and the extent of the qualitative and quantitative data collection. Full details of the data collection can be found in Annex 6.

Figure 4 Summary of evaluation phases

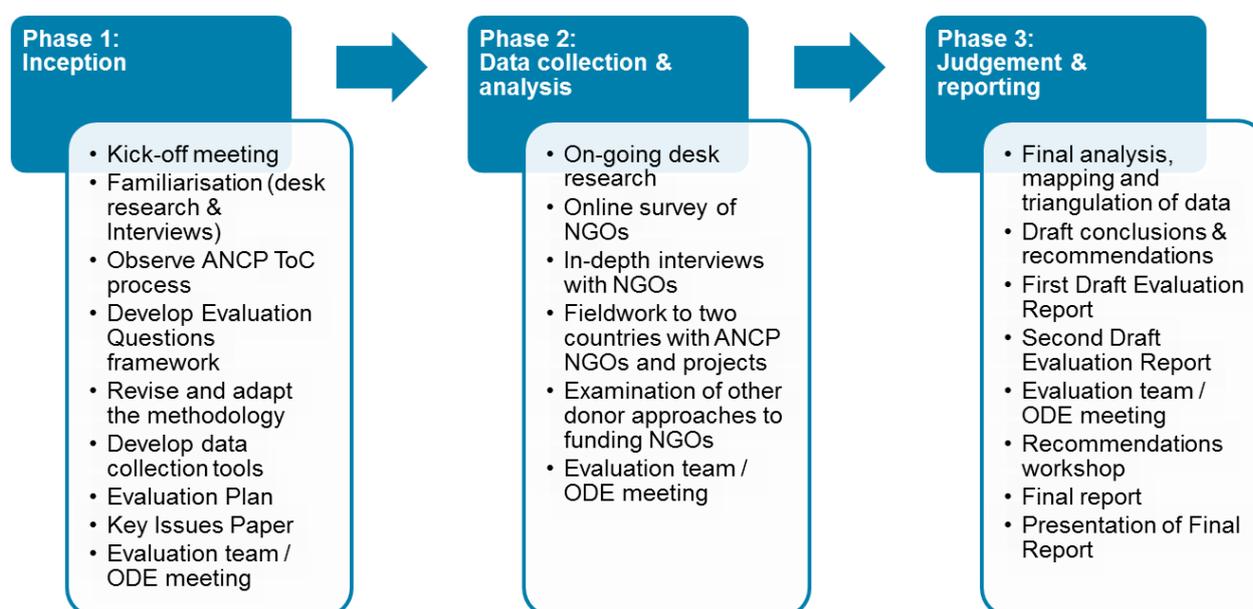


Table 5 Data collection summary<sup>18</sup>

Data collection method	Stakeholders / data consulted
Familiarisation interviews	DFAT NVB, ACFID, sample of 6 NGOs
Survey of Australian NGO sector	43 responses from ANCP NGOs (90% response rate) 18 responses from non-ANCP NGOs (Approximately 20% response rate)
Face-to-face interviews	All 10 Partner ANCP NGOs DFAT Policy Teams, Accreditation Reviewer
Focus groups	33 (out of 39) Base and Full NGOs

<sup>18</sup> Please note ANCP NGOs were given many opportunities to contribute their views and comment upon the approach.

Data collection method	Stakeholders / data consulted
	4 focus groups (3 in Sydney and 1 in Melbourne)
Telephone interviews	5 Non-ANCP NGOs
Fieldwork in PNG & Bangladesh	Interviews with DFAT Posts, partner governments, other donors, ANCP NGOs and local partners (covering 8 ANCP projects)
Secondary data	<p><u>DFAT</u>: Full ANCP data set (including breakdown of funding between Partner, Full and Base, accreditation documentation, annual performance reports, MELF data), ANCP APPRs, biennial meta-evaluations and thematic reviews, in-country monitoring Reports, SmartyGrant reports</p> <p><u>NGO</u>: Annual reports, ANCP Annual Development Plans, ANCP Annual performance reports, M&amp;E reports</p> <p><u>Other</u>: Other donor documentation on NGO funding (Models in existence, research and evaluation studies undertaken), independent research on NGO funding models throughout the world and trends in donor funding</p>

## Limitations

The evaluation team believes that the approach and methodology employed has made for a robust evaluation of ANCP. However, several limitations in the data have been identified and are presented below:

- › **Challenge of collecting ‘objective’ data:** The evaluation included a significant amount of qualitative/perception-based enquiry including the online survey, interviews and focus groups, and many of the stakeholders consulted as part of the evaluation have a close association with ANCP. In an attempt to be more objective a number of other stakeholders were consulted who are not directly linked to ANCP. For example, non-ANCP NGOs, local NGO in-country partners, partner-government representatives and staff at DFAT posts. Additionally, where possible the evaluation team sought data from more than one source, has drawn on secondary data and attempted to collect quantitative data to support perception-based findings.
- › **Limited sample size associated with fieldwork in Bangladesh and Papua New Guinea:** Given that there are over 600 ANCP projects implemented in over 50 countries, the in-country fieldwork was never intended to be fully representative of ANCP. However, the fieldwork did elicit the views and perceptions of stakeholders (for example, ANCP NGO in-country staff, local NGO partners, in-country NGO bodies, DFAT Post, partner governments, beneficiaries) not so directly linked to ANCP, which brought some further objectivity to the evaluation. Another major benefit of the fieldwork visits was that they provided an opportunity to validate data collected through the online survey, interviews and group discussions in Australia.
- › **ANCP Theory of Change work ongoing:** The evaluation was not in a position to make use of a finalised ANCP Theory of Change (ToC) as a reference point when making judgements about ANCP’s results compared with its objectives. However, the evaluation team did benefit from observing the ANCP ToC consultations in late 2014. Participating in these sessions provided useful insights into how NGOs and DFAT view ANCP in terms of its purpose and objectives. The evaluation plan and data collection tools were developed with this context in mind.

# 3 Relevance

## 3.1 Introduction

This chapter examines the relevance of the ANCP relative to three key considerations:

- › The relevance of ANCP to the Australian aid program and to the broader priorities of DFAT.
- › How ANCP contributes to development in partner countries. This includes exploring both the service delivery and advocacy roles of ANCP and local NGOs, and their relationships with government.
- › How ANCP adheres to international aid-effectiveness principles on partnership, mutual accountability, managing for results and knowledge and learning. This also includes an assessment on the effectiveness of the ANCP in addressing cross-cutting issues.

## 3.2 ANCP relevance to the Australian aid program

The objective of ANCP is *'To support accredited ANGOs to implement their own programs and strategic directions consistent with the Australian aid program's strategic goals and objectives of poverty alleviation and sustainable development.'*<sup>19</sup> The evaluation looks at how ANCP has been able to deliver on strategic aid priorities in terms of geographical and sectoral focus. In this context it should be noted that there is no requirement for ANCP NGO programming to align with DFAT's strategies at a country level given ANCP is a partnership and that ANCP NGOs contribute their own human and financial resources.

### DFAT development policy alignment

**ANCP's flexibility aids alignment with DFAT's broad development goals:** The ANCP explicitly recognises NGOs' organisational independence. This includes their discretion in programming such as working in the countries and sectors of their choice, and their right to comment on government policy and advocate for change. Funding is approved through the submission of annual project plans, which fall within a broad range of sectors. This feature gives flexibility to ANCP NGOs and their partners to respond to beneficiary needs and use their comparative advantage. Over three-quarters of ANCP NGOs consulted as part of the evaluation survey believe that the program can adapt to changes in Australian Government policy due to its flexibility. This view is consistent with that held at DFAT NVB. The branch considers ANCP well placed to support the Government's new aid policy and effectively contribute to the priorities of Australia's aid program (based on evaluation interviews and as presented in the narrative of the 2014 APPR).

**ANCP extends the reach of the Australian aid program:** All respondents to the online survey agreed or strongly agreed that ANCP increases the reach of the Australian aid program. The majority of respondents also mentioned 'reach' in response to the question *'What does ANCP enable your NGO to do that would not be possible in the absence of this funding?'* Furthermore, 74 per cent specified that ANCP extends the reach of their program portfolio either geographically or sectorally, often

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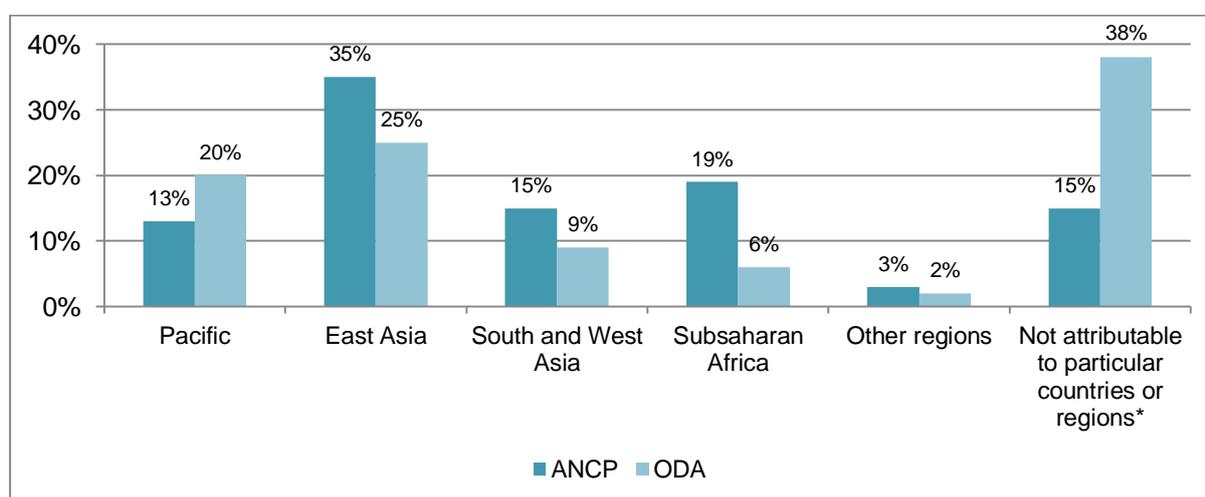
<sup>19</sup> This stated objective is in the 2014 APPR and reflects changes recommended in the 2006 ANCP Review.

through partnerships with in-country civil society organisations and NGOs. In this way ANCP funding complements DFAT's other funding mechanisms, demonstrating results in areas that are not as well served by other DFAT programs. This perception was supported by DFAT NVB and by evidence stemming from secondary data (including Theory of Change workshop notes, NGO evaluations, NGO Annual Development Plans and performance reports).

**There is consistency between the focus of ANCP funding and Australia's overall Official Development Assistance (ODA) funding<sup>20</sup>:** However, there are also some notable differences which are highlighted in the sections below and which support the view that ANCP extends DFAT's reach.

- › **Geographical focus:** Figure 5 below shows a greater than 10 per cent difference in the proportion of ANCP funds spent in Sub-Saharan Africa compared with total ODA funding in 2013–14, and a 10 per cent difference in East Asia. Countries in the Indo-Pacific region received an estimated 86 per cent of DFAT country and regional program funding in 2013–14 (compared to 77 per cent of ANCP funding) to promote prosperity, reduce poverty and enhance stability. In 2014–15 country and regional program funding to the Indo-Pacific region will increase to 92 per cent.

**Figure 5 Proportion of total ODA and ANCP expenditure by region**



\*includes core contributions to multilateral organisations in the case of total ODA.

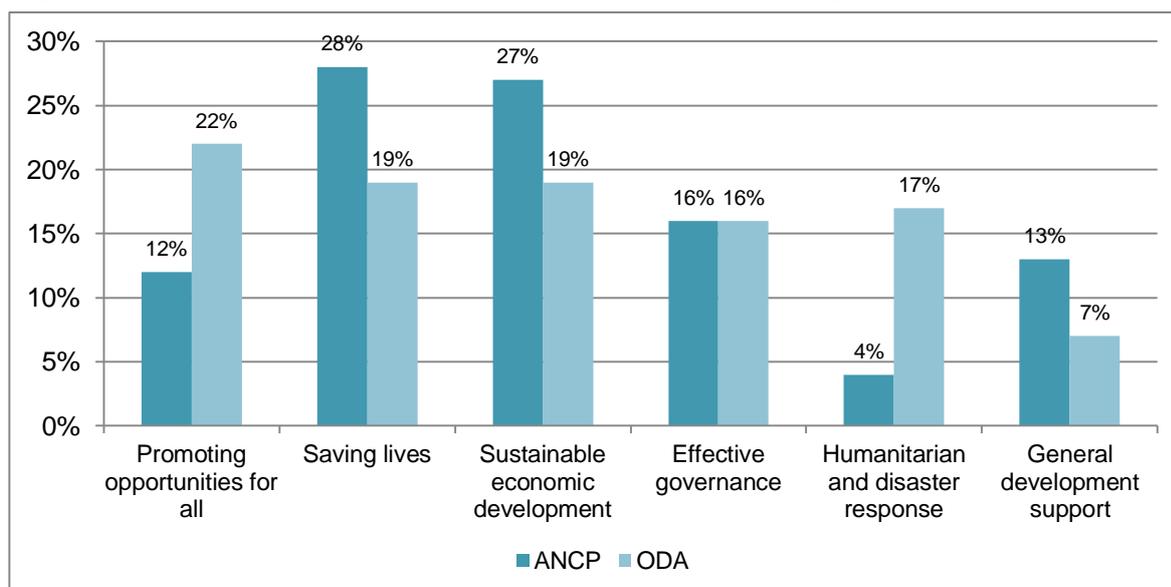
Source: 2013–2014 International Development Assistance Program Budget

- › **Sector focus:** In relation to the strategic goals of the Australian aid program, a larger percentage of ANCP expenditure is spent on saving lives, sustainable economic development and general development support as compared with ODA allocation. A larger share of total ODA funding is spent on humanitarian and disaster response<sup>21</sup> and promoting opportunities for all. Please refer to Figure 6.

<sup>20</sup> [http://www.budget.gov.au/2013-14/content/ministerial\\_statements/download/AusAid\\_MS.pdf](http://www.budget.gov.au/2013-14/content/ministerial_statements/download/AusAid_MS.pdf)

<sup>21</sup> ANCP funds cannot be used to fund humanitarian programs.

**Figure 6 Proportion of ODA and ANCP expenditure by strategic goal**



Source: 2013–2014 International Development Assistance Program Budget

**ANCP is promoting economic diplomacy and private sector development:** The 2014 ANCP APPR reports that ANCP is supporting DFAT’s economic diplomacy and private sector objectives: at least 24 per cent of ANCP funding was invested in projects that promote Aid for Trade and 35 per cent of ANCP funding was invested in projects that promote economic growth. The report also provides a number of examples of projects which have supported private sector growth through increasing access to micro-finance, providing financial literacy training and investment in infrastructure.<sup>22</sup>

### DFAT country strategy alignment

**DFAT posts’ level of awareness of, and engagement with, ANCP is variable:** Historically, ANCP has not been considered a priority at DFAT posts due to the fact that it is managed from Canberra and posts have no ANCP management or reporting responsibilities. It also generally represents a small proportion of funding when compared to bilateral programs. The integration of AusAID and DFAT has led to increased levels of engagement in some locations, due to a stronger emphasis on public diplomacy opportunities and different risk appetite.

**There are benefits and risks associated with non-alignment to country strategies:** While ANCP-funded interventions are broadly consistent with the Australian aid program’s strategic goals, this is not always the case at the country strategy level. For example, in Bangladesh the Australian Government’s policy is not to intervene in the health sector but there are numerous ANCP health projects.

Given ANCP NGOs contribute their own financial and human resources to ANCP, alignment with Australian country strategies is not a requirement of the program. The evaluation has uncovered several benefits of non-alignment through interviews with ANCP NGOs, DFAT NVB and posts. Working in areas outside the Australian Government’s country strategy allows NGOs (and by extension the Australian aid program) to take a long-term approach to both programming and building in-country partnerships. It extends the aid program’s reach (including into areas that would be difficult to intervene directly) and offers increased public diplomacy opportunities for DFAT.

<sup>22</sup> Australian Government, Department of Foreign Affairs and Trade (2014b). Aid Program Performance Report 2013–14. Australian Non-Government Organisation Cooperation Program (ANCP).

There are also some risks. For instance, if Australia's primary focus in the health sector of a country is on supporting the public health system and an ANCP health activity of a different nature appears without the DFAT post's knowledge, it can look like the Australian Government is operating outside the system it is supporting, and that the approach is not coordinated. This does not serve Australia's interests particularly well. Improved communication and coordination will certainly mitigate such risks and in this vein, the High Commissioner in PNG initiated an ANCP NGO round-table meeting in late 2014. The intention is for this to continue on a regular basis. There also appears to be an appetite at the Australian High Commissions in PNG and Bangladesh for a clear and concise overview of ANCP in-country activities on an annual basis – for example, a two-to-three page ANCP country summary including details of NGOs, contact names, project titles, geographies and sectors. Currently, DFAT posts are sent Annual Development Plans and are notified when performance reports are available on the DFAT intranet. These can be lengthy documents that do not appear to be widely distributed, or consulted in detail, at DFAT posts (based on in-country interviews and observations).

**Some officers in DFAT would like to see closer alignment with country strategies:** While there have not been a significant number of objections to ANCP projects and awareness of ANCP activities is variable, there are some in DFAT (in Canberra and at post) who would favour ANCP aligning more closely with DFAT country strategies, taking the view that limited resources would have more impact within a country strategy. During the focus groups discussions, also, several NGOs stated that DFAT posts had expressed this view. However, this would almost certainly require much greater involvement of post staff in reviewing Annual Development Plans and consulting with ANCP, and an accompanying level of dedicated resources at post.

### Promoting the aid program and public diplomacy

Promoting Australia's aid program has been one of the core objectives for ANCP over the past 40 years and has influenced the way the program has been implemented. For example, part of the rationale for linking funding allocations to Recognised Development Expenditure (RDE) is to ensure that ANCP activities have the support of the Australian public. This section assesses the extent to which the program has been successful in promoting the aid program within Australia and at the partner-country and community level.

**ANCP encourages a positive relationship between Australian NGO constituencies and the Australian aid program:** In focus group discussions and interviews in Australia several NGOs referred to ANCP facilitating 'people to people diplomacy'. Feedback suggests that ANCP is looked on favourably by NGO boards and that Australian NGOs are likely to promote the fact that they receive ANCP funding amongst their constituencies. In some countries, ANCP has facilitated linkages between in-country partner organisations and the bilateral aid program.

**ANCP is emerging as a public diplomacy tool for the aid program:** Evidence from the field visits to PNG and Bangladesh suggest that ANCP projects present good public diplomacy opportunities for Australia, and that Heads of Missions (HOMs) are increasingly aware of the benefits of ANCP's presence in-country. This supports the 2013–2014 APPR narrative that *'The ANCP provides an excellent public diplomacy opportunity for DFAT and Heads of Missions to engage with NGOs in-country and for our overseas missions to draw on NGO expertise to develop or refine policy and country strategies'*. NGOs suggested that more could be done with the data they provide to promote the program within DFAT and more broadly (discussed further in section 5.3).

### Results in-country attract interest in the aid program

ANCP funding is used to support several of World Vision Australia's long-standing, highly innovative programs. A good example of this is WVA's support to Farmer Manager Natural Regeneration using ANCP funding, which has significant country-level impacts as well as receiving media and public attention in Australia.

**ANCP projects operate at a variety of levels:** The flexible nature of ANCP funding enables NGOs to take an integrated approach to delivery, complementing grass-roots community development with contributions to areas including cross-border partnerships, high-level advocacy processes or partner-country government strategy. While it cannot all be attributed solely to ANCP, many of the ANCP NGOs are represented in forums, taskforces or groups that interact with partner-government departments. For instance, World Vision Australia participates in an inter-governmental process around child trafficking, which grew out of ANCP-funded work in this area. Several other accredited NGOs have provided examples of constructive engagement with country governments building on ANCP funding initiatives. In interviews with partner-government staff and non-ANCP NGOs in-country, it was clear to them that the Australian Government was funding many of the projects that ANCP NGOs are responsible for.

**ANCP projects actively promote the Australian aid program:** DFAT sets out clear branding and communication requirements for ANCP-funded projects. Fieldwork in PNG and Bangladesh demonstrated that adherence to these guidelines provides high levels of visibility for the aid program. On the project sites visited for this evaluation, in-country ANCP NGOs and local partner NGOs demonstrated that efforts are made to highlight in a variety of formats the fact that ANCP projects are funded by the Australian Government. This included through written documents, visual signage on billboards or marketing material and through community consultations and project launch meetings. Most of this promotion takes place in the communities where the ANCP projects are working.

**There are mixed views on effects of Development Awareness Raising (DAR) reform:** Prior to 2013 ANCP NGOs were able to spend up to 10 per cent of ANCP funds on development awareness raising activities (DAR). While Base, Full and Partner NGOs viewed DAR positively they noted that DFAT guidelines for how DAR funding could be used had become increasingly restrictive. DFAT NVB explained that the narrowing of policy and the eventual withdrawal of DAR was the result of it being difficult to ascertain the extent to which DAR activities were promoting the aid program and strengthening public support for aid. There were mixed views among ANCP NGOs regarding the change in DAR policy. Most did not raise it as a significant issue during focus groups and interviews, although several NGOs reported being adversely impacted by the DAR reform. For example, a successful (independently evaluated) DAR activity run by ChildFund called 'Connect'<sup>23</sup> would need to be funded differently if maintained as an ongoing program.

### ANCP's ability to contribute to DFAT's strategic targets

In June 2014 a new performance framework for the Australian aid program was launched. ANCP's ability to contribute to these strategic targets is considered to be an important indicator of its relevance. The framework, *Making Performance Count*, includes 10 strategic targets to ensure the aid

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<sup>23</sup> ChildFund Connect is a global education program for children in their last years of primary school in Australia, Laos, Timor-Leste, Sri Lanka and Vietnam. The program's objective is to provide children around the world with an opportunity to connect and learn from each other. See the Connect Program Evaluation, 2014, ChildFund, Sydney.

program is effective and delivering on the Australian Government’s policy priorities. The performance framework operates at all levels of the aid program: for the department as a whole, at the country and regional program level, and at the partner level. Progress is reviewed each year and reported publicly in a Performance of Australian Aid Report. Not all of the strategic targets listed below are relevant to ANCP reporting. Existing information generated by ANCP will contribute to Departmental reporting against the bolded targets<sup>24</sup>:

- |   |  |
|---|--|
| <b>1. Aid for Trade</b>                       | 6. Delivering on commitments                       |
| 2. Engaging the private sector                | <b>7. Working with the most effective partners</b> |
| 3. Reducing poverty                           | <b>8. Ensuring value for money</b>                 |
| <b>4. Empowering women and girls</b>          | 9. Increasing consolidation                        |
| <b>5. Focusing on the Indo-Pacific region</b> | 10. Combating corruption                           |

**MELF data could be supplemented with existing information in DFAT to provide information against the five relevant strategic targets:** The online reporting system contains details of activities funded through ANCP which are easy to search and report against. However, NGOs noted during interviews that they had good examples of value for money, leveraging, innovation, partnerships and impact that are not captured by the online reporting system. Providing a detailed narrative against these performance measures would require an analysis of evaluation reports and integration of qualitative and quantitative information. Building on NGO reporting, thematic reviews have the potential to report on specific strategic targets, such as empowering women and girls, to provide a richer perspective on ANCP achievements.

- › **Aid for Trade:** Expenditure data in DFAT’s Datamart combines aid-management data in Aidworks with other government funding under each DAC sector, including trade policy and regulations (DAC Code 331). This can be used to provide a complete picture of Australia’s ODA including any ANCP investments in relation to Aid for Trade. Any causal relationships between aid for economic development and improved trade will need to rely on narratives in project descriptions, evaluation reports or through specific thematic reviews.
- › **Empowering women and girls:** The online performance reporting tool allows for sex and age disaggregated data to report on women and girl beneficiaries of investments. Gender equality and women’s empowerment is also explicitly identified. The link to project evaluation reports in the MELF provides the narrative to support the indicators.
- › **Focusing on the Indo-Pacific region:** All monitoring and evaluation data in the MELF is geo-coded (with latitude and longitude) or can be geo-coded by linking data and reports to geographic locations (named places). Therefore the type and size of investments in ANCP can be mapped to indicate the distribution of investments globally and for the Indo-Pacific region.
- › **Working with the most effective partners:** The ANCP accreditation system enables DFAT to identify effective NGO partners based on existing systems and processes. Audit evidence to date indicates that the ANCP NGOs are generally a lower risk compared to non-accredited NGOs. The new Partner Performance Assessment (PPA), to be implemented for larger NGOs, will be able to assess how accredited systems and processes translate into effective aid delivery. PPAs could

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<sup>24</sup> The relevance of targets was assessed based on DFAT internal technical notes. Targets are not relevant where departmental reporting will be based on bilateral or regional program information, new program designs or centrally held corporate information.

potentially be used in conjunction with the MELF to strengthen the relationship between performance and funding for key partners.

- › **Ensuring value for money:** While each NGO has adopted various methods to demonstrate value for money, the program will be assessed as a single investment. Value for money will be measured through the Aid Quality Check process and rely on aggregation of data from annual performance reporting.

Any requirement for NGOs to report against strategic targets for each project as the basis for overall performance assessment, and potentially funding allocations, may lead to goal displacement. The requirement to report against these strategic targets needs to be considered in relation to the overall goals of the program to ensure the objectives of ANCP remain relevant.

### 3.3 Contribution to partner-country development priorities

#### Supporting partner-government priorities

**There is a high level of consistency between ANCP projects and partner-government priorities:** NGOs consider aligning projects with partner-government priorities to be a principle of effective development and an important aspect of sustainability. The accreditation process is a first step to ensuring that NGOs have experience in working effectively with partner governments. NGOs are asked to demonstrate that their relationships (directly or through partners) with primary stakeholders including partner governments are effective and consistent with good development principles.

The fieldwork conducted in Bangladesh and PNG as part of this evaluation confirmed that there is a strong correlation between ANCP projects and partner-government priorities. ANCP projects align with partner-government development priorities and, where effective, are making a contribution to them. Table 6 below provides a concrete example of how ANCP NGOs align with the development priorities of the Government of Bangladesh.

**Table 6** NGOs in Bangladesh align with government's five-year development plan

**NGOs ensure alignment with the Government of Bangladesh's (GoB) five-year development plan and play a role in delivering on the targets:** All ANCP NGOs consulted in Bangladesh spoke about the importance of ensuring their programming is consistent with the priorities laid down in the GoB's five-year development plan. There is a GoB approval process that development projects have to go through and ANCP projects are no exception. Several interviewees (including those with non-ANCP NGOs such as BRAC and Manusher Jonno Foundation) confirmed that NGOs play a role in delivering on GoB five-year strategic targets. The GoB is receptive to working with NGOs and aware of its own limitations in certain areas. In this context, the GoB has created space for the NGO sector to play a key role in delivering public services. A good example is the tuberculosis program, where the GoB has handed over responsibility for implementation to NGOs, demonstrating the importance the government places on the involvement of NGOs.

**ANCP NGOs are engaging constructively with partner governments at all levels:** Interviews and focus group discussions with ANCP NGOs and the fieldwork in PNG and Bangladesh suggest that there is significant engagement with partner governments at local, district, provincial and national levels. ANCP NGOs and their local partners mentioned that it would be impossible to deliver their projects without such engagement, particularly at the local level. World Vision PNG reports working closely with government at provincial, district and local level and ensuring that their programming aligns with the

country's development priorities – and it is increasingly encouraging district and local level governments and communities to contribute to its programs. This finding is consistent with a 2013 ANCP meta-evaluation which found that ANCP NGOs have engaged effectively with partner governments at all levels and that this has been critical in ensuring the success and sustainability of their interventions.<sup>25</sup>

## Service delivery and advocacy

**ANCP NGOs and their in-country partners are recognised as playing a critical role in service delivery:** All stakeholders consulted as part of the evaluation agree that NGOs play a critical role in supporting partner-country governments, particularly in terms of the delivery of services. During the fieldwork conducted, officials from PNG's Department of National Planning and Monitoring, the Department of Community Development and the Department of Health made it clear that NGOs are considered key development partners in PNG.

**Results snapshot – service delivery:** The Australian Himalayan Foundation's flagship Teacher Training Quality Education Program received public government endorsement from the Nepalese Ministry of Education, who cited it as an example of national best practice. The Burnet Institute was awarded the Labour Medal by the Prime Minister of Laos in 2013 for its maternal child health program, which included work under ANCP.

**ANCP NGOs are also recognised for their advocacy work in influencing and holding government to account:** All ANCP NGOs consulted in Bangladesh and PNG mentioned their interaction and sway with government at the local, regional and national level. NGO staff talked about how they participate in government committees and taskforces. They also provided convincing examples of how they have been able to provide input to and influence government policy – see results snapshot box. In Bangladesh this was corroborated by other stakeholders including donors and non-ANCP NGOs who spoke positively about the active advocacy role played by civil society in Bangladesh.

**It is widely recognised that working with partner governments can be challenging:** A key role of NGOs is to hold governments to account, and in environments where governments are repressive rather than responsive, advocacy efforts can frustrate relationships between NGOs and government systems. The evaluation fieldwork uncovered numerous examples of ANCP NGOs and their local partners working hard, remaining patient and approaching issues with sensitivity when attempting to influence government policy.

### Results snapshot – influencing partner governments:

**Caritas** Bangladesh highlighted its efforts in raising awareness of the plight of Adivasi communities with the Bangladeshi Government. As a result the interests of this marginalised community are now on the government's development agenda. While it cannot be attributed entirely to ANCP funding, the **Fred Hollows Foundation** has influenced the National Eye Care policy in Bangladesh as part of an International NGO forum including Orbis, Sight Savers and CBM.

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<sup>25</sup> Australian Government, AusAID (2013f). *AusAID NGO Cooperation Program Meta Evaluation*. Conducted by Deb Hartley. <http://aid.dfat.gov.au/Publications/Documents/ancp-meta-evaluation-2013.pdf>.

## Building the capacity of local civil society actors

ANCP's flexibility and reliability enables ANCP NGOs to engage effectively with local actors to achieve results.<sup>26</sup> The 2011 ANCP Thematic Review<sup>27</sup> and 2013 ANCP Meta-Evaluation<sup>28</sup> highlighted partnership with local organisations as a critical factor in the success of NGO interventions and noted the effective and often innovative partnership approaches adopted by many of the ANCP ANGOs. ANCP NGOs engage extensively with local NGOs and are making a significant contribution to building the capacity of in-country partners. Based on interviews and focus group discussions with ANCP NGOs and in-country fieldwork, a two-way flow of benefits has been identified.

- › ANCP NGOs provide in-country partners with training and support. This was confirmed in the survey, focus groups, interviews and secondary data review. According to ANCP NGOs, capacity-building has been particularly focused in operational areas such as financial management, monitoring and evaluation and human resource management. Cross-cutting issues such as gender, child protection and disability have also been a strong focus of capacity-building efforts. During fieldwork in PNG and Bangladesh, all ANCP NGO country office staff cited the importance of ANCP and ANGOs supporting capacity development. More specifically, capacity development was mentioned in terms of support for concept development, proposal writing, inclusion of cross-cutting issues and development of systems and processes for the local context.
- › In return, local NGO partners share their deep understanding of the communities in which they operate / are embedded, which enhances project design and enables effective implementation on the ground. Field research in PNG and Bangladesh provided strong evidence of the benefits of partnership experienced by both parties. Local NGO partners spoke of an open relationship with ANCP NGOs in-country. When experiencing problems or when mistakes had been made, country offices were described as supportive, practical and constructive.

### Results snapshot – partnership approaches:

**TEAR** report that they have been able to work more closely with a number of smaller civil society organisations. They have appointed an Emerging Partners Development Officer whose entire focus is on strengthening the skills of smaller agencies and ensuring a respectful and accountable relationship is developed with local implementing agencies. This officer works with seven existing partners across the three regions of Africa, South Asia, and South-East Asia and the Pacific. Emerging evidence suggests that this is changing the way these partners relate to local communities, as well as enhancing the influence the civil society organisations can have in broader policy and decision-making.

**World Vision Australia** have a pilot program, Channels of Hope (CoH), where ANCP funding is used to address HIV and more recently issues of gender-based violence in Africa and in the Pacific. WVA was able to use ANCP funding to build on WVA's core approach under CoH (working with faith-based leaders), adding other programming elements such as working with police and health systems to improve the relevance and impact of the programming approach in different contexts.

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<sup>26</sup> See Australian Government, AusAID (2012h). *AusAID NGO Cooperation Program Partnership Agreements Mid Term Review Report*. These cover the four-year partnership agreements in 2009 with World Vision Australia, Oxfam Australia, Plan International Australia, Caritas Australia and ChildFund Australia. <http://dfat.gov.au/about-us/publications/Pages/ausaid-ngo-cooperation-program-partnership-agreements-mid-term-review-report.aspx>. See also Australian Government, Department of Foreign Affairs and Trade (2014g). *Theory of Change for the Australia NGO Cooperation Program (ANCP)*.

<sup>27</sup> Australian Government, AusAID (2012f). *AusAID NGO Cooperation Program (ANCP) 2011 Thematic Review*. Final Report September 2012. <http://aid.dfat.gov.au/ngos/Documents/ancp-successful-innovations-fund-projects-2011.pdf>

<sup>28</sup> Australian Government, AusAID (2013f). *AusAID NGO Cooperation Program Draft Meta Evaluation* – Deb Hartley. <http://aid.dfat.gov.au/Publications/Documents/ancp-meta-evaluation-2013.pdf>

### 3.4 Adherence to international aid-effectiveness principles

International frameworks<sup>29</sup> on development effectiveness set out a number of principles and priority areas for development activity. These principles are reflected in DFAT's Civil Society Engagement Framework (CSEF), the ACFID Code of Conduct and ANCP accreditation criteria. These documents play a key role in shaping the design and implementation of ANCP. The evaluation nominated five key effectiveness principles against which ANCP would be assessed: partnership, multiple/mutual accountabilities, managing for results, knowledge-sharing, and learning and mainstreaming of cross-cutting issues. The findings of this assessment are presented below.

#### Partnership

The assessment considers how and to what extent the ANCP enables and encourages partnerships at several different levels that are based on trust, build capacity and promote organisational autonomy.

**ANCP NGOs and DFAT NVB:** The relationship between ANCP NGOs and DFAT NVB is strong and can be described as cooperative, open and transparent. All ANCP NGOs who responded to the evaluation's online survey stated that they maintain a productive relationship with DFAT NVB. During the evaluation focus groups and interviews, ANCP NGOs expressed appreciation for the support provided by NVB and recognised that the branch could not do much more with the current level of resources. Staff at DFAT NVB also spoke very positively about their relationship with ANCP NGOs, although NVB noted some instances where ANCP NGOs have prematurely raised issues to the political level before working them through at the operational level.

While the relationships between NVB and NGOs are strong, the extent to which the relationship represents a partnership of mutual benefit is highly variable depending on the specific NGOs. The arrangements in place to support the nominated Partner NGOs help to institutionalise the Partnership arrangements: the Memorandum of Understanding (MOU) sets out expectations for both parties of the requirements and benefits of partnership, the APAC group represents an opportunity for learning and knowledge-sharing, and annual partnership reports encourage NGOs to report on the impact of the partnership. Similar arrangements do not exist for Base and Full NGOs and so any 'partnership' activity is reliant on the relationships between individuals within the NGO and DFAT.

**ANCP NGOs and other parts of DFAT:** One of the key objectives of ANCP is to enhance relationships between NGOs and DFAT, however the evaluation found that many NGOs have existing relationships with DFAT that are independent of ANCP. While some Base and Full NGOs reported that ANCP is their main avenue for engaging with DFAT, many organisations noted that their relationships with DFAT policy teams and posts are unrelated to ANCP. Staff within NVB and DFAT noted that there is scope for better coordination within DFAT in order to maximise the benefits from NGO engagement.

**ANCP NGOs (including country offices) and local NGO partners:** Discussed in Section 3.3 – Building the capacity of local civil society actors.

#### Mutual accountability

NGOs are not only accountable to private and public donors, but also to their partners and to the beneficiaries who they seek to serve and represent. The evaluation has considered the extent to which the ANCP recognises and accommodates these multiple accountabilities through its design and implementation.

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<sup>29</sup> For example, Paris Declaration, Busan Partnership and Istanbul Principles for CSO Development Effectiveness.

DFAT has demonstrated accountability to NGOs by providing funding as predictably as possible between 2005 and 2014, given the annual nature of the federal budget cycle. Cuts to the aid program in financial year 2014–5 meant that DFAT was unable to maintain these principles of consistency and predictability. NGOs are accountable to DFAT through the accreditation process and annual reporting. However there remains scope to strengthen reporting to capture the effects of ANCP funding on organisations and to focus more on development outcomes and assessing the effectiveness of activities. Accountability mechanisms between ANGOs, local partners and beneficiaries are assessed through the accreditation process and influenced by requirements set out in the ACFID Code of Conduct.

While the evaluation was not in a position to engage with many direct beneficiaries, staff from ANCP NGOs in-country and local NGO partners described mechanisms in place to capture feedback from beneficiaries. A local partner of Save the Children in Bangladesh spoke about ‘information/idea boxes’ placed in the community that enable beneficiaries to provide feedback, comments and ideas on the work that is being carried out. They talked about receiving positive and negative feedback in writing and through drawings. Community forums were also mentioned as a way of gauging opinion and perception from beneficiaries.

## Managing for results

The evaluation has considered the extent to which ANCP monitoring and evaluation arrangements are focused on desired results and use information to inform decision-making. The evaluation narrative and evidence on this is provided in Sections 5.1 and 5.2. In summary, ANCP monitoring and evaluation systems and processes are focused on desired results at the output/activity level. However, the evaluation has found that there is potential for a deeper assessment of results at the outcome level (of the ANCP fund as a whole).

## Knowledge-sharing and learning

A more recent objective of ANCP is to promote learning to inform policy dialogue between DFAT and NGOs. The evaluation has assessed the extent to which this is taking place (refer to Section 5.4 for further detail). Based on interviews and focus group discussions with ANCP NGOs and DFAT NVB, there is scope for more sharing and learning between NGOs but also between NGOs and DFAT (Canberra and posts). The fieldwork confirmed that there is little knowledge-sharing across ANCP NGOs (as a group) or with DFAT (Canberra and posts) although there is knowledge-sharing and learning within the NGO sector, particularly driven by the APAC group of NGOs.

## Addressing cross-cutting development policy priorities

To ensure the Australian aid program is not exposed to any major risk that may adversely affect the effectiveness of the aid program or the reputation and integrity of DFAT, a number of cross-cutting policies have been put in place. The evaluation looks at a number of issues including gender equality and the empowerment of women, disability-inclusive development and environmental management.

ANCP’s effectiveness in addressing cross-cutting issues is particularly relevant in the current political context as the current aid policy framework<sup>30</sup> includes a target requiring that at least 80 per cent of investments, regardless of their objectives, effectively address gender issues in their implementation. ANCP aims to promote good development practice through the high standards set in the accreditation process as well as through ongoing management and reporting arrangements. There have been a

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<sup>30</sup> See Australian aid: promoting prosperity, reducing poverty, enhancing stability, June, 2014. DFAT, Canberra.

number of reviews of the program's effectiveness in addressing cross-cutting issues and these have been assessed alongside data emerging from the online surveys, interviews and focus group discussions. The evaluation data did not include enough evidence for judgement of progress on environmental issues. The key findings are presented below.

**ANCP has directly influenced the way organisations address cross-cutting issues:** While the accreditation process has always focused on organisational policies in relation to gender and other cross-cutting themes, and many Partner NGOs have clear policy frameworks and implementation strategies in these areas, several ANCP projects and programs (outside gender and disability-focused interventions) have been found to lack a gender focus.<sup>31</sup> The 2012–13 ANCP Performance Report highlighted that only 37 per cent of activities addressed gender equality, and noted limitations in the MELF report templates. Improved guidance to ANCP NGOs on collecting data for the MELF reporting framework, as well as more sophisticated NGO-level processes around defining outcomes and measuring development effectiveness, has enabled progress in this area for certain NGOs.

For the smaller NGOs, ANCP guidelines have been instrumental in enabling prioritisation of gender, disability and environmental protection. Responses to the online survey re-enforced the positive influence of ANCP for all NGOs – 88 per cent of ANCP NGOs agreed or strongly agreed that the way in which their organisations address issues such as gender, disability and environmental protection is informed by ANCP policies. ANCP NGO interviews, focus group discussions and NGO documentation suggest that ANCP NGOs are increasingly likely to report on gender and disability-related programming outcomes. The evaluation has also identified progress in terms of sector-level sharing of learning and outcomes in the area of disability, particularly among (but not limited to) the APAC group.<sup>32</sup>

**Results snapshot – cross-cutting issues:**

Many NGOs have developed sophisticated approaches to addressing gender inequality and assessing the effect of their activities on gender and gender regulations specific to the contexts they work in. **Plan Australia** has developed a Gender WASH Monitoring Tool, which aims to support the engagement of women and men in WASH communities.

**Oxfam Australia** has adopted and developed a sophisticated approach to promoting gender justice, which is also an organisational 'change goal'. While not limited to ANCP projects and programs, organisational strategies of this nature do strengthen the implementation, monitoring and evaluation of cross-cutting themes in ANCP.

**The focus ANCP and Australian NGOs place on cross-cutting issues (particularly gender and disability) has elevated the profile of these themes amongst in-country partner organisations and some partner-government systems:** Several NGOs have reported improvements in the capacity of local partners to recognise and address gender and disability issues as a result of ANCP funding requirements. This is supported by evidence from interviews with in-country partners in PNG and Bangladesh. There are early indications (albeit through anecdotal accounts) that these issues are being addressed by country government systems as ANCP projects are replicated or scaled up.

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<sup>31</sup> See for example the ANCP Meta-Evaluation, DFAT, 2013 or the 2014 ANCP Thematic Review on Gender Equality and Women's Empowerment, DFAT, 2014.

<sup>32</sup> See for example, ANCP Learning Event Paper, APAC, 2013.

**There are limitations to reporting disability indicators:** This is largely related to the capacity of local NGOs and partner governments to collect disaggregated data.<sup>33</sup> ANCP has demonstrated success in building the capacity of local partners (see Section 3.3) and engaging with partner governments (see Section 3.3), however a coordinated approach within the aid program is required to ensure that cross-cutting themes are adequately prioritised and addressed in partner-country systems.

## 3.5 Conclusions

ANCP is relevant to DFAT's current strategic aid priorities, including the economic diplomacy and private sector objectives, and has the flexibility to deliver aid consistent with these priorities. There is a high level of alignment between ANCP interventions and the Australian aid program strategic goals. For example, 77 per cent of ANCP funding is currently spent in the Indo-Pacific region. This is achieved without explicit direction from DFAT. Given that the ANCP represents a small percentage of total aid program funding, it offers a significant benefit in maintaining residual capacity to scale up or respond to future shifts in the aid program's sectoral or geographic focus. ANCP is a joint-funded partnership arrangement between DFAT and NGOs who are able to demonstrate high levels of organisational effectiveness and legitimacy with the Australian public. Any attempt to narrow the program to current priority areas risks undermining ANCP's flexibility and the principle of respect for NGOs' organisational autonomy, and the benefits that flow from these key features.

ANCP plays a role in promoting the aid program domestically and internationally. ANCP is contributing positively to the overall brand of the Australian aid program and the work of Australian NGOs because of its scope and distinctive funding model. There is evidence to suggest that ANCP funding gives credibility to agencies and is leveraged to access additional funding within Australia and internationally. Internationally, ANCP has expanded DFAT's reach to beneficiaries and enabled NGOs to deliver effective development activities from the grass roots through to the institutional and policy levels.

ANCP NGOs and their in-country partners are making a significant contribution to partner-government development priorities particularly in terms of service delivery. Evidence from Bangladesh and PNG suggests that partner-country governments view NGOs as critical development partners. First and foremost they provide essential services where government is unable to. ANCP NGOs are also recognised for their advocacy efforts in contributing to and influencing government policy and playing an important role in holding government to account.

ANCP adheres to the international aid-effectiveness principles of partnership, mutual accountability, managing for results and to some extent sharing and learning. Genuine partnership requires an investment in long-term relationships, capacity development and respect for partner organisations' autonomy and priorities. ANCP is delivering on each of these aspects. ANCP NGOs have provided convincing examples of effective working relationships and capacity-building of local partners.

With regard to the partnership between ANCP NGOs and DFAT NVB, the relationship can be described as strong although NVB noted difficulty in sometimes balancing NGOs' advocacy to the Australian Government with DFAT's role in managing the program. DFAT has demonstrated accountability to NGOs by providing consistent and, to some extent, predictable funding. NGOs are accountable to DFAT through the accreditation process and annual reporting, however there is an opportunity to

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<sup>33</sup> There are some concerns around the robustness of the disability data presented in ANCP reporting. This is discussed further in Section 5 – Monitoring and evaluation.

strengthen reporting to capture the effects of ANCP funding on organisations and to focus more on development outcomes and assessing the effectiveness of activities.

ANCP monitoring and evaluation systems and processes are focused on desired results at the output/activity level but there is potential for a deeper assessment of results at the outcome level (of the ANCP fund as a whole). There is knowledge-sharing and learning within the sector though only some of it can be attributed to ANCP. This is largely led through ACFID working and reference groups as well as the APAC group of NGOs. The evaluation has found that there is scope for more sharing and learning to come out of ANCP, particularly when taking into account the volume of data that is submitted to DFAT on ANCP activities. There is demand for this among ANCP NGOs and recognition that this could also benefit DFAT (Canberra and posts). Please refer to Section 5 on monitoring and evaluation for more detail.

Finally, ANCP is addressing DFAT's cross-cutting development policy priorities particularly in gender and disability. The focus on cross-cutting themes (particularly as part of the accreditation process) distinguishes ANCP from other funding models and has a positive effect on the sector as a whole. ANCP has also elevated the profile of these themes amongst in-country partner organisations, which could potentially have far-reaching effects. While there are examples of ANCP funding positively influencing partner-government systems, a coordinated approach with other DFAT programs would be required to make significant progress in this area.

## 4 Effectiveness and Efficiency

### 4.1 Introduction

This chapter focuses on the implementation and management of the program. It includes an examination of the ANCP objectives and the suitability of accreditation and funds management processes. It considers the appropriateness of ANCP management systems, staffing arrangements, institutional and governance structures. An assessment of efficiency and value for money is provided in addition to a comparison of ANCP against other DFAT NGO programs and those of a number of other donors.

### 4.2 Clarity of ANCP objectives

The present political and economic climate heightens the importance of all stakeholders clearly understanding the objectives of the ANCP, the benefits the program brings to all parties and how the funding mechanism helps to deliver these benefits. This imperative results from recent budget cuts, such as those in 2014–15, that have placed increased pressure on all development actors to justify the value of their activities. In addition, there is an expectation that programs will contribute to DFAT's new performance targets and the implications of this need to be carefully considered.

Without a clear and common understanding about ANCP's objectives, there is a risk that funding and program-management decisions will undermine the principles of the program or lead to goal displacement. For example, DFAT NVB expressed concern that some NGOs have been told by other divisions within DFAT that they should use ANCP funding to cover shortfalls in bilateral programs. In effect this would be a subsidy to the bilateral program and is inconsistent with one of the key principles of the ANCP, which is that NGOs have a high level of discretion over how and where ANCP funds are used.

#### Refining ANCP objectives

DFAT NVB recently commissioned a consultant to develop a Theory of Change for ANCP through engagement with various stakeholders. The Theory of Change process was intended to refine program objectives and detail how ANCP activities and the funding mechanism itself contribute to these objectives. At the time of writing this report the ANCP Theory of Change had not been finalised.

The current articulation of program objectives does not provide sufficient detail on how DFAT benefits from institutional relationships with organisations or the connection to the Australian public that ANCP gives the Government. These objectives are at a high level and not clearly defined or measurable. While the ADPlans provide data on the projects funded through ANCP, there is no performance assessment framework to facilitate collection, analysis and reporting as to the high-level outcomes achieved by the program. In order to justify the program, it is important that NVB be able to articulate the benefits of ANCP to the Australian Government, the NGO sector and the broader public. The Theory of Change, once complete and operationalised, should enable this.

## NGO understanding of objectives

**NGOs have a good understanding of the ANCP program objectives:** In the online survey, 95 per cent of ANCP NGOs and 69 per cent of non-ANCP NGOs reported that the program objectives were clear to them. Interviews and focus groups with NGOs confirm that there is a strong appreciation of the way that flexible and (reasonably) consistent year-to-year funding helps organisations to deliver their organisational priorities in line with ANCP objectives. NGOs noted that the current budget uncertainty means they cannot rely on ANCP funding.

## DFAT understanding of objectives (NVB, posts, other)

**DFAT NVB staff have a good understanding of the ANCP program objectives:** Consultations with NVB and a wide range of NGOs provide strong evidence that the NVB staff have a deep understanding of the program's objectives and the strategic rationale that underpins ANCP. Base, Full and Partner NGOs noted that the NVB team are supportive and constructive and this is important because ANCP relies heavily on strong relationships and goodwill between DFAT and NGOs.

**DFAT staff (outside NVB) have a mixed understanding and perceptions of ANCP objectives:** While there is a general awareness of the features of the funding model – especially that it is unrestricted funding – there is not a consistent appreciation of the program objectives and how the funding mechanism contributes to the achievement of these objectives. Three main perspectives emerged through the research conducted:

- › That the long-term unrestricted funding represents good donor practice and an effective means of supporting poverty alleviation while strengthening civil society in Australia and internationally.
- › That ANCP serves an imperative to maintain good relationships with influential ANGOs and that this contributes strongly to its design and structure.
- › That ANCP should align more closely with the Government's aid policy and individual country strategies.

## 4.3 Management arrangements

NVB are responsible for the day-to-day management of ANCP. Duties include oversight of the accreditation process which acts as the selection mechanism for NGO entry into the ANCP. NVB manages the annual funding allocation, planning and reporting processes whilst also facilitating liaison between NGOs and other parts of DFAT (including posts), helping to resolve issues and explore opportunities. The ANCP Committee for Development Cooperation (CDC) provides a governance and advisory mechanism to assist NVB in its management of the program. A number of NVB staff occupy dedicated ANCP management positions and are supported by a larger number of staff from across the branch.

### Effectiveness of the accreditation process

DFAT describes accreditation as '*a front-end risk management tool that assesses Australian NGOs' governance, program management capacity, and partner management*'. NGOs that meet accreditation criteria are eligible to receive funding under ANCP.

**Accreditation criteria align with organisational qualities required to deliver effective results:** In 2004, ACFID identified seven qualities which are crucial for overall effectiveness: high-quality relationships, long-term engagement, learning, adaptation, working together, risk-taking and quality of staff/volunteers. There are several criteria in the accreditation process that align with the qualities of effective organisations listed above, including the organisation's overall development strategy, their

approach to undertaking project design with specific reference to the participation of partner and primary stakeholders, and how they ensure sustainability of development outcomes and address cross-cutting issues.

**The accreditation process is held in high regard and is leveraged by NGOs to gain support:** There is a general view that accreditation improves the credibility of an NGO in the eyes of the public and private sector as well as partner governments and international donors. In the online survey, 72 per cent of the ANCP NGOs surveyed agreed that the ANCP accreditation process is a reliable mechanism which channels government funding to the most effective NGOs. Fourteen out of eighteen (78 per cent) of non-ANCP NGOs suggested that accreditation would boost perceptions about the effectiveness and professionalism of their organisation. A number of NGOs noted that their accreditation status helped them to secure additional funds from the private sector, foundations and other donors. Several ANCP NGOs commented that accreditation helps their relationships with partner governments and other donors as much as it helps with the DFAT Canberra and post relations.

Accreditation is also a capacity-building tool: accreditation provides NGOs with an incentive to review and make genuine improvements to their systems and processes – particularly in relation to cross-cutting themes. For many NGOs, accreditation is not a three-day process but a year-long exercise in examining, refining and making changes to their systems and processes in order to meet the necessary quality standard. One hundred per cent of Base, Full and Partner NGOs stated that accreditation was a worthwhile process in helping to improve their organisations.

**ANCP NGOs agree that the benefits associated with accreditation outweigh the costs:** While accreditation is time consuming and expensive for NGOs, there was general agreement, particularly among Base and Full ANCP NGOs, that the costs associated with the exercise are lower than the costs associated with applying for numerous grants amounting to a similar level of funding. Accreditation represents a significant investment for all NGOs and is considered a major exercise. However, once complete, ANCP funding is secured for five years. One issue raised by a number of NGOs in focus group discussions and interviews was the level of overlap between the ACFID Code of Conduct and accreditation. Partner NGOs also mentioned concerns about potential duplication between accreditation and what is covered in the Partner Performance Assessment.

**Organisational size and readiness were cited as the main reasons for NGOs not applying for accreditation:** The diversity of the ANCP NGOs demonstrates that the accreditation process is accessible to a range of organisations of different sizes, with different ways of working and sectoral foci.

However, NGOs on the brink of applying, or that have recently applied for accreditation, suggested that for small NGOs it is difficult to find funding and resources (including a dedicated staff member) to undertake the significant amount of work required at the front end of the accreditation process. Forty per cent of the non-ANCP NGOs state that they find accreditation too costly for the potential benefits. Indeed, of the ANCP NGOs, 33 per cent of the Base NGOs, 26 per cent of Full and 22 per cent of Partner NGOs stated in the online survey that the costs of obtaining accreditation are excessive. One NGO for instance estimated that the costs associated with accreditation would be around AUD\$200,000 for their organisation.

The major reason offered by the NGOs who have little or no intention of applying for accreditation was the organisational readiness required to perform as an accredited NGO. Important themes within this include the nature of their relationship with in-country partners and challenges they experience in articulating their work on cross-cutting themes.

**The accreditation process enables NVB to streamline their management approach:** For NVB, the upfront due diligence undertaken during the accreditation process gives them assurances that

accredited NGOs have the systems and processes in place to manage and administer funding responsibly and enables them to place more trust in partners.

This position is supported by the findings of audits conducted by DFAT's Internal Audit Branch. The audit findings of ANCP-accredited NGOs have shown there is generally a good level of compliance with the contractual and accreditation requirements in the ANCP and accreditation manuals. Evidence to date indicates that ANCP NGOs are generally a lower risk compared to non-accredited NGOs. This is not surprising given the DFAT oversight mechanisms and strong assurance controls mandated in the accreditation process. The implementation of safeguards such as child protection and fraud control is also improved in ANCP NGOs.

It should be noted that while the accreditation process has proven to be very effective in assessing and enhancing organisational capacity, it purposely focuses on policies and procedures and does not give significant attention to the quality of projects being delivered and the results they are achieving. It was noted by a number of stakeholders that systems at head office-level do not always translate into results 'on the ground'. As such, the accreditation process needs to be complemented with strong results and performance assessment processes to enable effective management.

*'Accreditation is good at answering 'did this funding go where it was supposed to and are there appropriate systems in place?' It also assesses whether the systems are in operation. However, it assumes that the operation of these systems perhaps guarantee effectiveness, which I don't think is the case. I think the M&E systems provide more insight into effectiveness than accreditation does.'* (Online Survey, 2015)

**The accreditation process is useful for other parts of DFAT:** Several other program areas and funding mechanisms within DFAT use ANCP accreditation as a pre-selection mechanism or in place of due-diligence checks. For example, accreditation is sought as a prerequisite in the tendering process for Australia Africa Community Engagement Scheme (AACES) and only accredited NGOs are funded under the Humanitarian Partnership Agreement (HPA). This creates substantial administrative efficiencies for DFAT in the contracting and procurement processes.

However, the widespread recognition and use of the accreditation process does present some issues. There is a risk that the demands of the accreditation process preclude 'effective' organisations from accessing funding – indeed 56 per cent of the non-ANCP NGOs surveyed think that non-accreditation limits their organisation's access to other DFAT funding. NVB noted that in some cases they have advised DFAT colleagues against requiring accreditation for small, discrete funding projects where the demands of accreditation are disproportionate to the proposed funding.

#### **Accreditation is valued at post**

Interviews with DFAT staff in Papua New Guinea suggest that increasing emphasis is being placed on accreditation and that accredited NGOs will be favoured partners going forward. DFAT post in Papua New Guinea views accreditation as a reliable due-diligence process and an efficient way of selecting partners.

#### **RDE and the link to ANCP funding allocations**

In order to be eligible for ANCP funding, Australian NGOs must demonstrate that they have support from within the Australian community. NGOs do this by providing figures for Recognised Development Expenditure (RDE)<sup>34</sup> on an annual basis. RDE is derived through a robust process with reference to detailed guidelines and the audited financial statements of each NGO. These guidelines stipulate that

<sup>34</sup> <http://dfat.gov.au/about-us/publications/Pages/recognised-development-expenditure-worksheet-explanatory-notes.aspx>

'RDE is used to calculate the annual level of funding available to each accredited Non-Government Organisation (NGO) through the Australian NGO Cooperation Program (ANCP).'<sup>35</sup> They also indicate that calculations are subject to a desk-based audit prior to application of the funding formula.

Most ANCP NGOs consulted as part of this evaluation are of the view that allocation of ANCP funding is transparently based upon RDE. Interviews with ANCP NGOs suggest that aside from a few questions raised about annual changes in funding allocations, there is little NGO scrutiny of funding calculations. As one Partner NGO put it: *'We do not scrutinise the funding allocation because the RDE principle is clear and we trust that it is applied accordingly'*.

Financial analysis undertaken by the evaluation team and interviews conducted with both current and former DFAT NVB staff show that, contrary to what is implied by the guidelines and the perceptions of many NGOs, RDE figures do not form the sole basis for determining funding allocations.

### **Current allocation methodology**

Outlined below is an overview of the calculation methodology applied in 2014–15 to determine each individual NGO's funding allocation.<sup>36</sup> The resulting allocation for individual agencies is known as the Indicative Planning Figure (IPF).

**Step one:** A pool of funds is set aside for the 10 Partner NGOs. There is no direct link between accreditation level or RDE and the volume of funds allocated to the Partner pool. The process for distributing funds between the Partners is discussed in further detail below.

**Step two:** Non-Partner status Full and Base NGOs are required to maintain a minimum three-year rolling average RDE of \$100,000 and \$50,000 respectively. They are allocated a fixed amount of funding known as the 'accreditation factor'. For Full NGOs this is \$300,000 and for Base \$150,000.

**Step three:** Deduct figures relating to steps one and two from the total ANCP budget allocation to determine the remaining funds, referred to as the 'volume allocation pool'.

**Step four:** For Full NGOs distribute the remaining funds (volume allocation pool) in proportion to average RDE. This is known as the 'volume factor'.

**Step five:** Where necessary revise calculations to ensure a guaranteed minimum allocation. This is either the level of 2013–14 funding or the 'accreditation factor' for NGOs whose RDE is less than the minimum three-year rolling average.

### **ANCP funding to Partner NGOs**

Since 2009 DFAT has maintained a partnership arrangement with some of the larger NGOs. The 2013 Memorandum of Understanding (MOU) between (then) AusAID and 10 Partner NGOs sets an indicative annual allocation of ANCP funds for three years: 2013–14 through to 2015–16. It stipulates that funds will be split between Partners, with 35 per cent of the Partner pool allocated to the largest Partner, then 40 per cent divided equally among the other partners with the remainder (25 per cent) then distributed proportionate to their three-year average RDE figures. In 2014–15 Partners generated 86 per cent of total RDE and received 74.5 per cent of available ANCP funding, however it

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<sup>35</sup> <http://dfat.gov.au/about-us/publications/Pages/recognised-development-expenditure-worksheet-explanatory-notes.aspx>

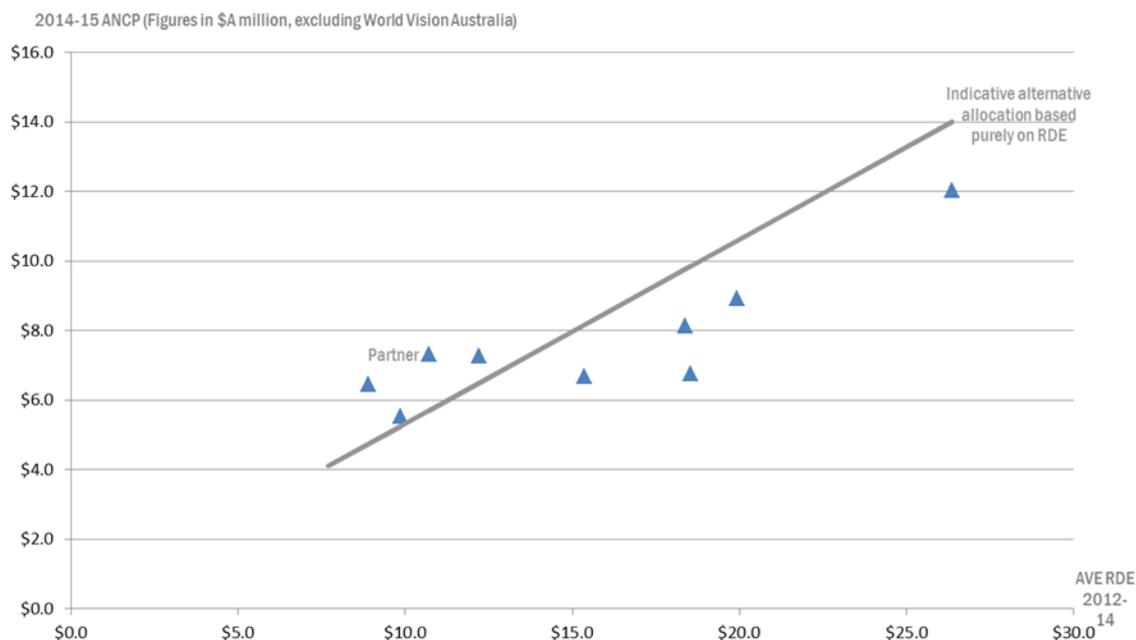
<sup>36</sup> The evaluation team reviewed DFAT's 2014–15 ANCP funding allocations worksheet. Distributions made in earlier years may have followed a slightly different method.

is important to note that almost half (48 per cent) of the RDE across all ANCP NGOs is attributable to a single Partner agency.

The MOU stipulates that Partners are required to maintain a minimum average RDE of \$8 million and ensure that DFAT funding (excluding humanitarian) does not exceed 50 per cent of their total development income. The MOU does not specify what should happen if partners are no longer able to meet these criteria. It is also evident that there are neither the systems in place, nor the necessary definitions, to enable DFAT to monitor what proportion of an NGO's total development income is derived from the department.

In theory the principal benefit associated with the Partnership arrangement, at least for Partners, is that it provides predictable multi-year funding. In practice this predictability has not eventuated as funding levels are indicative only, with figures in the MOU revised regularly in line with annual budget allocations. The arrangement also tends to 'flatten' the funding distribution between Partner agencies, with only 25 per cent of total Partner funding subject to the RDE calculation. Figure 7 below demonstrates that some Partner NGOs receive more, and others less, than what would result from a simple RDE calculation.

**Figure 7 ANCP funding against average RDE: Partner tier**

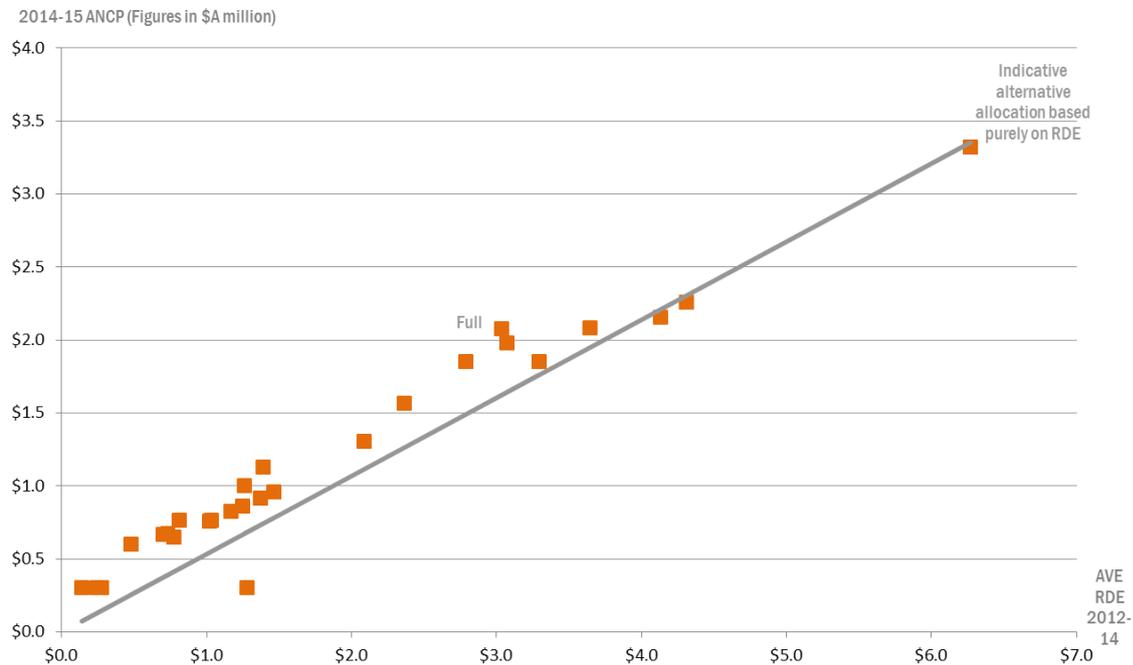


### Absorptive capacity and guaranteed minimum allocations

The partnership arrangement and the application of both funding guarantees and limits are additional factors which influence the funding allocation formula. The guaranteed minimum allocation applied in recognition of the unwritten principle that 'no one goes behind' appears to significantly affect the current allocation for some NGOs. This essentially provides NGOs with a guarantee that funding levels will be maintained even if their other (RDE) income falls, meaning that in some cases ANCP funding exceeds RDE. On the other hand a small number of NGOs with a new or upgraded accreditation status have had their ANCP funding restricted in response to concerns raised by accreditation assessors and the Committee for Development Cooperation (CDC) as to their ability to effectively absorb funding increases. The restriction of funding on this basis is not reflected in the allocation methodology

outlined above. Figure 8 below demonstrates the impact of both the absorptive capacity limit and the minimum allocation guarantee relative to a simple RDE formula.

**Figure 8 ANCP funding against average RDE: Full tier**



Analysis demonstrates that a simple relationship between RDE and ANCP funds received appears to hold for each of the three funding tiers. That is to say for the Base, Full and Partner tiers, ANCP funding is broadly proportionate to average RDE. However within these groups some significant disparities exist, as a result of the Partners multi-year funding agreement, the ‘no one goes behind’ principle and to a much lesser degree absorptive capacity limits. Analysis also reveals that for a number of NGOs, ANCP funding is more predictable than funds raised from the Australian public. For many NGOs, RDE year to year can be highly volatile with variances approaching plus or minus 100 per cent or more of the previous year’s figures evident at each of the ANCP funding levels. It is also noteworthy that increases in the ANCP program budget have not always been shared amongst all NGOs. The minimum allocations for NGOs with Base and Full accreditation have not changed in at least the last five years; meanwhile increases in the allocation for Partner NGOs are apparent in most.

A key finding of this evaluation is that the application of the RDE principle is impacted significantly by a number of other factors. This is consistent with the findings of the independent review on the use of RDE in the ANCP which was commissioned by DFAT in 2013. The review found:

*Whilst the general principle of the use of RDE in the calculation of IPF is understood, the calculation is not effectively transparent to NGOs. This process has become increasingly complicated. It is determined through the use of an Excel model subscribing to a number of rules and also now takes into consideration other factors including IPF guarantees.*

**Table 7 Irish Aid's Strategic Program Grants**

### **Funding allocation system for Irish Aid's Strategic Program Grants<sup>37</sup>**

Irish Aid adopted a transparent approach to fund allocation for their Strategic Programme Grants. The model combines many of the features of RDE with provisions for performance-based funding. Funding allocations are determined based on the following procedure:

- › Organisations are appraised against base eligibility criteria which consider: evidence that the organisation operates from a sound strategic and policy basis, where the organisation is based and its reliance on Irish Aid funding.
- › Organisations who meet the eligibility criteria are then allocated a base amount which takes into account their size and funding track record with Irish Aid.
- › There are also a number of performance areas against which organisations are appraised. Irish Aid stipulates that performance against standards is an increasingly strong determinant of funding allocations. The performance standards consider factors such as the quality of an organisation's contextual analysis, links with local actors (including the government), specific areas of expertise, results achieved and the quality of the proposed program of work.
- › Organisations are scored in each of the performance areas, and this score is translated into a percentage allocation for funding.
- › The base amount and performance amount is translated into a percentage allocation for each NGO. The weighting between the base amount and the performance allocation is 2:3.

### **Fund structure**

As outlined above, the ANCP is structured according to two accreditation levels and three funding tiers. During the course of this evaluation a number of issues with the funding structure were raised by DFAT and NGOs and these are summarised below.

**The absence of clear policies and procedures for selecting Partners presents a risk to the program:** In 2009 DFAT determined that five NGOs would be considered Partners<sup>38</sup> based on the extent of their engagement across the Australian aid program, their ability to engage in dialogue and exercise influence politically, with the department and the general public, and their capacity to promote better practice and the sharing of lessons across the aid sector. While these eligibility criteria are set out in the Partnership MOU, there is no documentation of how these criteria are applied.

The lack of clear criteria for how organisations progress through the different membership and funding tiers presents a possible source of contention for certain Full NGOs who potentially fulfil the criteria to be considered as Partners. Given the differences in the funding allocation to the three tiers, increasing the number of Partners would have a significant effect on the availability of funding to the portfolio as a whole.

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<sup>37</sup> From Programme Funding, Overview Document

<https://www.irishaid.ie/media/irishaid/allwebsitemedia/20newsandpublications/publicationpdfsenglish/irish-aid-programme-grant-overview.pdf>

<sup>38</sup> This was increased to 10 Partners in 2013.

**Transparency and the Partnership arrangement:** Issues with the lack of clarity around selection of Partners are aggravated by a lack of understanding of the benefits and responsibilities associated with Partner status. Feedback from the focus group with Full and Base NGOs revealed that many NGOs were critical about the lack of transparency and communication in relation to Partner NGOs. NVB noted that the Partnership selection and arrangements could have been more clearly conveyed to non-Partner NGOs and that current arrangements were not always helpful.

**Partners noted the value of the APAC Group but other benefits of Partnership were not so evident:** All partners interviewed were very complementary of the APAC group and the opportunities it provided to engage with other Partners and DFAT on a range of policy and operational areas.<sup>39</sup> However concern was raised by Base and Full NGOs that the APAC group was not necessarily representing the full portfolio of ANCP grantees in its engagement with DFAT.

Beyond the benefits of increased funding levels and participation in the APAC group, Partners were not able to provide strong evidence of the benefits of Partnership with DFAT. NVB confirmed that a clear and common understanding between DFAT and Partners of the mutual benefits and obligations of Partnership was lacking. It was also noted that the Partner organisations are involved with DFAT in many different areas and that this needed to be taken into account to ensure that the Partnership is relevant and meaningful for both parties.

**Collaboration between Partners and other NGOs:** While the Partnership MOU sets out a requirement for Partners to work closely with Full and Base NGOs, the evaluation found very few instances of such cooperation. Partner NGOs noted that they had made offers to DFAT NVB to mentor smaller organisations but that they had not been called upon. Efforts to encourage collaboration between NGOs need to take into account the maturity of existing relationships between NGOs, the priorities of individual organisations and the resource requirements of cooperation.

**The terminology used to distinguish between the different categories of NGOs is unhelpful:** The ANCP funding model is based on trust, mutual respect and organisational autonomy. ANCP takes a partnership approach to development, and so it is unhelpful to distinguish only some NGOs as Partners within the ANCP portfolio. This nomenclature causes confusion and potentially influences stakeholder perceptions of what should be expected of the various ANCP NGOs.

## Program management – governance arrangements

NVB's management of ANCP is supported by the Committee for Development Cooperation. It includes senior staff from a number of NGOs and ACFID and is responsible for overseeing the accreditation process.

**NGOs are satisfied with the ANCP governance arrangements but their awareness of the roles and responsibilities of the Committee for Development Cooperation (CDC) varies:** Responses to the online survey suggest that the majority of NGOs found ANCP governance arrangements to be appropriate, effective and representative of their needs – this was especially the case for Partners and to a slightly lesser extent for Full and Base NGOs. Focus group discussions with Full and Base NGOs revealed that NGOs' understanding of the role of the Committee for Development Cooperation varied greatly depending on their history with the committee. NGOs also discussed their understanding of the role of the ACFID Development Practice Committee and the Monitoring Evaluation and Learning Framework (MELF) reference group, and noted that it would be helpful if there was greater outreach and clearer communication of their roles and responsibilities.

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<sup>39</sup> Further discussion on the learning arising from the APAC group is provided in section 5 – Monitoring and evaluation.

**The Committee for Development Cooperation is valued by DFAT and NGOs:** The CDC is highly regarded by NGOs and DFAT for their role in advising and quality-assuring the accreditation process. It was noted by a number of organisations that the scope of the CDC's role and their influence seems to have narrowed over time. There was some suggestion by NGOs and DFAT that it would be timely to review the Terms of Reference for the CDC to ensure that the value they bring to the program is being maximised.

## Program management – systems and processes

Beyond the selection and funding allocation systems, this evaluation considered the robustness of systems in place to manage the delivery of grant funds and the performance of NGOs. While the online grant-management system is proving to be effective, there are several weaknesses in performance management systems.

**There are weaknesses in the management systems and processes for ANCP:** NVB have a number of management systems and processes in place to support the delivery of ANCP,<sup>40</sup> however the quality of these tools and the extent to which they are adhered to is variable. For example, while there are guidelines for monitoring visits and templates for reports, there are issues with the consistency, quality and utility of information produced in the monitoring-visit reports. NVB maintain a risk matrix, however the information included in the matrix is very high level and does not capture many of the risks that NVB staff identified during interviews. There are also issues with NGOs' use of guidelines. For example NVB noted that the quality of case studies varies greatly across the portfolio and that staff are required to provide continuous training in the guidelines to compensate for the turnover of staff within organisations. Finally, the current systems do not seem to capture certain pieces of information which are critical for effective management. For example, there is no centralised record capturing the history of relationships and decisions in relation to funding and management of NGOs.

**The online grant-management system is user-friendly and efficient:** The online grants system (ANCP Online) utilises the 'SmartyGrants' grant-management software, allowing for online entry of information/data about projects and automated performance report generation. It has improved the capacity for data analysis and information use with a focus on disaggregated headline indicators and case-study summaries from projects. The system has created highly significant efficiencies in grant-management. For instance, grant payments in 2013–14 were two to three months earlier than the previous year, reducing potential delays in program delivery. Further, approximately 90 per cent of NGOs were able to submit reports on time compared to 58 per cent the previous year.<sup>41</sup> NGOs reported that the clarity of the online system means that they do not have to go to DFAT so often to seek clarification on processes.

The system is widely used by the NVB for performance reporting and has succeeded in providing timely information for promoting the work of ANCP. Information is extracted for ministerial briefings, public diplomacy, presentations, academic linkages and public promotion of the aid program. Despite this level of use, it is not utilised by DFAT as much as it could be. NVB reported that it is not used for informing strategy and policy and has the potential to be of greater use.

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<sup>40</sup> Examples of guidelines and tools include the ANCP manual, ANCP management guidelines, RDE explanatory notes, fraud matrices, risk matrices, ADPlan and performance report review guidelines, information guidelines for desks and posts, draft monitoring visit guidelines, templates for M&E visits, etc.

<sup>41</sup> ANCP APPR 2013-14

ANCP NGOs provided positive feedback on the system. Based on the online survey, approximately 70 per cent of ANCP NGOs found the online reporting tools to be simple to use. During the focus group discussions NGOs confirmed that they have appreciated the shift to the online system, consider it user-friendly, and appreciate the support they are receiving through online instructions, webinars and support provided by DFAT. NGOs also commented that it is constantly improving and adapting to requirements.

**There is scope to enhance the online reporting system:** The online grant-management system is used extensively for quantitative reporting, however there is very little qualitative data analysis undertaken. Using the system for qualitative data analysis would be more labour intensive due to the unstructured nature of case-study data, however, it is a valuable source of information for validation of results and providing context. Currently, the system can be used to search for keywords such as ‘gender’ to generate thematic reports, but enhancements would be required to enable NVB to extract information on key indicators such as innovation. Furthermore, while the system is collecting detailed geographic data, this is not being used for performance reporting. Automated mapping tools could provide distribution maps of interventions and beneficiaries. This would be invaluable in communicating the range and scope of ANCP funding activity in relation to other initiatives and would also enhance reporting. Finally, the ongoing management, upgrading and report generation from the system is undertaken by an individual contractor. NVB noted that their reliance on the contractor and lack of a business continuity plan was a significant risk to the program.

## Program management – staffing arrangements

A team within DFAT’s NGO and Volunteers Branch (NVB) is responsible for the overall management of ANCP. However the ANCP roles and responsibilities of DFAT staff at posts, closer to where most ANCP activities are actually implemented, are unclear. This is similarly true for other DFAT staff in Canberra, such as those working in thematic areas. Interviews with non-NVB DFAT staff suggest that their involvement is largely limited to commenting on the Annual Development Plans. The engagement of staff varies greatly across the department and is often linked to individuals’ experience and interest.

**NVB faces challenges engaging other parts of DFAT in the technical review of Annual Development Plans:** NVB rely on posts and country offices to help identify and manage risks associated with individual activities. While this is a reasonable management approach, NVB often have trouble engaging stakeholders and getting their feedback. The key issues identified include:

- › Communication difficulties – the staff churn within DFAT in conjunction with the integration process has created challenges for NVB in accessing the appropriate people.
- › Comments provided are not always consistent – while NVB provide guidance on the nature and format of comments they are seeking, this is not always adhered to. At times input may be too specific (i.e. changes to wording of Annual Development Plans) or overly directive – for example recommending that activities must align with country strategies.

Problems with obtaining technical commentary on ADPlans are seen as a low risk by NVB because the rigorous accreditation process assesses organisations’ competency and approach. However, the accreditation process is focused on organisational policies and systems and does not set out to appraise the technical quality of activities or their effectiveness. Nor is this captured in the MELF. Some individuals within DFAT’s policy teams expressed concern that there was inadequate technical quality assurance of projects, whilst NGOs in focus groups and the online survey noted that assessing organisations’ systems was very different to testing the effectiveness of activities delivered.

**Levels of engagement across DFAT with the ANCP are highly variable:** NVB have undertaken a number of initiatives to improve the visibility of ANCP, including through cables, fact sheets and publishing project and performance reports on the intranet site. The communication on ANCP is largely descriptive and focused on what is happening or being achieved. The extent to which other areas engage with NVB is linked to their capacity as well as to their perceptions of the relevance and importance of ANCP to their work. NVB have strong relationships with many areas, which call upon them regularly to provide information or comments on specific NGOs, approaches or issues, but interactions with some areas is minimal.

**There has been an increase in posts' awareness and interest in ANCP since integration:** There was feedback from NGOs, NVB and posts that the integration of DFAT has raised the profile of ANCP, as it is increasingly seen by HOMs both as an opportunity for public diplomacy and a risk area. NVB is in a good position to observe and capitalise on this during the monitoring visits that they undertake. The APAC group reported that they have approached the HOMs in several locations to discuss their work through ANCP.

**NVB relies heavily on the external accreditation reviewers:** There are a number of external consultants who have been involved in the accreditation process for nearly 20 years and who work very closely with DFAT to manage the accreditation process. NVB benefit from these individuals' knowledge and experience and often involve them in decision-making on individual accreditation processes and at the policy level. NVB noted the risk of having so much knowledge outside of DFAT without systems or processes to institutionalise this knowledge or policies to document the approaches taken.

**Table 8 Sweden's Umbrella Framework Agreements**

### Sweden's International Development Agency (Sida)

**Sida Umbrella Framework Agreements:** Sida contracts out the management of funding to NGOs using Umbrella Framework Agreements (2014: 1.6 billion SEK / AUD\$301 million). Sida has contracted 16 organisations to receive funding and manage development work directly, via member NGOs and through local in-country partners. Funds are administered based on an evaluation of grant applications which adheres to Sida procurement guidelines.

#### Key features of the program

- › **Core funding:** Sida provides multi-year funding agreements (with no geographical or thematic restrictions). The agreements are reviewed every five years and funding is provided over a three-year period.
- › **Eligibility criteria:** The criteria for applicants include: non-profit-making or cooperative objectives, a democratic structure, open membership, proven track record of development activities overseas and in Sweden, presence in Sweden for a minimum of two years evidenced through annual reports and accounts, having cooperated with an organisation in the recipient country for at least one year, and having fulfilled all reporting obligations for any previous grants from Sida.
- › **Due diligence:** Organisations that meet the eligibility criteria are then required to demonstrate independence and well-anchored operations, systems for the internal management and control, and capacity to achieve and report relevant results.
- › **Working with local partner organisations:** One of the distinct goals of the Sida program is working with and strengthening the capacity of local CSOs in developing countries. Local partner organisations are assessed by the umbrella organisations against a set of requirements including: democratic structure, non-profit-making, working in the field of social development, operations documented for at least one year, proven ability to assume responsibility for the proposed project

## Sweden's International Development Agency (Sida)

(including personnel and financial resources). In addition, the proposed project must be deemed cost-effective, promote the advancement of local skills and knowledge and have the capacity to mobilise local resources.

- › **Co-funding:** The program has a co-funding requirement of 10 per cent. Many of the organisations also receive other Sida funding which translates into some receiving well over 90 per cent of their total funds from Sida.<sup>42</sup>
- › **Reach:** The Swedish Government is able to engage with around 500 Swedish NGOs through this framework, who in turn work with over 2000 organisations in more than 100 countries.
- › **Policy dialogue:** Working with umbrella organisations in Sweden is reported to have provided an effective platform for policy dialogue between NGOs and the government. For example, the 200 NGOs that form part of Forum Syd (the largest of the Swedish framework organisations) use the organisation to channel their advocacy efforts.
- › **Evaluation:** Sida have experienced challenges in evaluating their support to NGOs, particularly as there are often several degrees of separation between the government department and the organisation delivering a program (Pratt et al, 2006).

### 4.4 Value for money and leverage

While there is no requirement to date for ANCP NGOs to demonstrate a value-for-money (VfM) approach around an agreed definition, the evaluation examines the extent to which ANCP demonstrates VfM in terms of how the program is managed and its results are measured.

#### VfM – management approach

**Accreditation is the first step in NGOs demonstrating their VfM proposition:** Accreditation checks that organisations use value-for-money approaches, and assesses how the organisation weighs up potential delivery approaches against costs and anticipated outcomes. Whilst there is no set ANCP definition of value for money, NGOs must demonstrate that investment decisions take account of efficiency, effectiveness and economy.

**Staffing of DFAT NVB relative to size of program compares favourably:** In regard to DFAT staff resources to manage ANCP, the full time equivalent (FTE) allocation in NGOs and Volunteers Branch is eight. This level of staffing, relative to the size of the program and number of partners, compares favourably with other DFAT programs delivered through partnerships with NGOs such as the Humanitarian Partnership Agreement (FTE 2.0), the Australia Africa Community Engagement Scheme (FTE 2.5) and the Civil Society Organisation (CSO) WASH Fund (FTE 2.0), all of which are a quarter or less the size of ANCP in terms of funding. These other programs also benefit from the ANCP accreditation process as outlined in Section 4.3.

**Process improvements in recent years:** DFAT NVB has increased the efficiency of ANCP management in recent years, reducing Annual Development Plan (ADPlan) approval times and streamlining

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<sup>42</sup> UNDP (2013). Sweden Case Study (C3): Swedish CSOs and relationships with the government of Sweden in development cooperation, Pontus Modéer and Henrik Alffram, *Working with civil society in foreign aid: Possibilities for South-South cooperation?*

reporting requirements through a new ANCP Online system. Between 2012–13 and 2013–14, ADPlan approval rates and timeframes went from 54 per cent in four months to 95 per cent in two months. Feedback from NGOs regarding the online system was positive. DFAT staff estimate the improved efficiency delivered savings in their staff time of almost 2 FTE positions.

**Introduction of MELF (and subsequent refinements) has improved ANCP reporting:** The ANCP Monitoring, Evaluation and Learning Framework (MELF) was introduced in 2012 to streamline NGO reporting and Annual Performance Reports for 2011–12 using a standardised reporting template and common indicators that could be aggregated. Over time, indicator definitions and calculation methodology have been clarified, allowing for a more robust and consistent means of reporting results. This also means less need for queries and advice back and forth between NGOs and DFAT. Results can be both compared and aggregated across the ANCP and across DFAT programs. The reported information was entered into a newly developed database, and this has allowed DFAT to make better use of the information provided. For example, information on ANCP projects and beneficiary numbers can be quickly retrieved based on sector or country focus for DFAT reporting, briefing and other communications. Please refer to Section 5 for further details.

### VFM – measurement approach

**Aggregate development results (ADRs) are a useful measure of aid program results at output level:** Aggregate development results are a select group of indicators used as a proxy for tracking the overall achievements of the Australian aid program. ADRs are pitched at the output level, and lend themselves to capturing easy-to-measure, short-term achievements. They do not capture long-term investments made by the aid program such as strengthening partner-government systems, nor do they capture more difficult to measure development outcomes such as the impact of important legislative reforms or policy development. However the results captured by ADRs are often generated by long-term program activity and are a useful measure of aid program results in a range of key human development areas.

**Based on aggregate development-results reporting, ANCP is one of DFAT's best-performing programs:** Since its introduction, the ANCP has consistently outperformed many other DFAT programs on the reporting of output-level aggregate development results. In 2013–14, the ANCP reported the largest number of aggregate development results of any program (18.2 per cent of all results reported) in DFAT while being the eighth largest program by value (2.7 per cent of ODA budget).<sup>43</sup> Within this figure, ANCP is delivering the majority of the department's outputs in relation to number of people provided with disability services (88.7 per cent), number of poor women and men with increased access to financial services (61.8 per cent) and number of civil society organisations supported to track service provision (53.7 per cent). Other indicators where ANCP is delivering very strong outputs are the number of poor women and men who gain access to agricultural technology (49.9 per cent), number of people with increased access to basic sanitation (39.6 per cent), increased knowledge of hygiene practices (33.2 per cent), increased access to safe water (26.3 per cent), number of women survivors of violence receiving services such as counselling (29.8 per cent) and number of poor women and men with increased incomes (26.9 per cent). See Annex 13 for a detailed breakdown of all ANCP aggregate development results.

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<sup>43</sup> See Section 5.3 for a discussion on some of the limitations associated with aggregate development results.

## The degree to which ANCP is leveraged to access other resources

Leverage has been considered by examining the extent to which ANCP NGOs have been able to use it to access funding from other sources and/or establish relationships with donors, partner governments and local NGO partners. ANCP NGOs' ability to leverage is mainly attributed to the fact that they have been through the DFAT accreditation process. In terms of background it is important to note that there is already evidence that ANCP NGOs have for some time now been leveraging ANCP funds to broaden and deepen their impact (based on findings in the ANCP Partnership 2012 Mid-Term Review and in ANCP APPR reporting).

**ANCP projects provide leverage in getting funding from other sources:** Evaluation fieldwork identified many positive instances of NGO projects attracting additional funding or in-kind contributions from local sources such as corporate social-responsibility funds, government funds and local-community financial and in-kind contributions. Interviewees cited factors such as NGOs' demonstrated efficiency and effectiveness, good relationships with local communities and compelling development practice models and policies as instrumental in attracting additional in-country contributions. Analysis of 2013–14 figures reveals that although the required ratio of NGO to DFAT funds is 1:5, the actual ratio achieved is closer to 2:3. However these figures do not reflect the tax-deductible status of donations to NGOs, which if taken into account serve to increase the Australian Government's contribution relative to that of NGOs.

**ANCP leverages support from the Australian public:** The draft ANCP Theory of Change suggests that the requirement for matched funding allows accredited ANGOs to gain financial support from the Australian public.<sup>44</sup> According to the 2013 QAI report,<sup>45</sup> with the large increase in funding in the last five years, a substantial number of NGOs continue to provide in excess of the required matched funds. In the interviews, some NGOs argued that the matched funding requirement could be increased while others indicated an increase to matched funds would be difficult for them to meet given economic pressures. An international comparison of similar funding models suggests that the 1:5 co-funding requirement of ANCP is at the lower end of the spectrum amongst DAC members, which range greatly from a 1:9 ratio to a 4:1 ratio (NGO funds versus grant funds).

**ANCP's flexible nature helps with leveraging:** The majority of Partner NGOs indicated that the flexibility of ANCP funding allowed it to be used strategically to gain additional funding from other sources. ANCP NGOs documented several examples of using ANCP assistance to access funding from other sources (see Table 9 for an example from Plan Australia). While Base NGOs argued that they find it somewhat hard to quantify leveraging ANCP, the majority mentioned that they have been able to consistently go beyond the requirement of at least 1:5 matched funding.

**Leverage in establishing relationships with partner governments and local partners:** ANCP NGOs indicated that they have been able to develop partnerships with local and national governments due to ANCP's focus on long-term commitment and relationship-building. Thanks to ANCP's funding predictability, ANCP NGOs are able to invest in their local partners long term, building trust among them, which then feeds back to development effectiveness.

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<sup>44</sup> Australian Government, Department of Foreign Affairs and Trade (2014g), *Draft Theory of Change for the Australia NGO Cooperation Program (ANCP)*.

<sup>45</sup> Australian Government, Department of Foreign Affairs and Trade (2014d). *Quality at Implementation Report for Australian NGO Cooperation Program (ANCP)*. ANCP Program Funding 2013–14 onwards, ANCP Program and Policy Support, CSO Risk Management Initiative, CSO Performance and Quality Initiative.

**Table 9 Leveraging ANCP to gain support from others**

Plan Australia, for their projects in FY15,<sup>46</sup> was able to demonstrate additional funding from other donors in 10 out of 24 ANCP projects, and funding from other parts of Plan in 8 out of the 24 ANCP projects. In four cases Plan was able to access additional resources both from other donors and from other parts of the organisation. For example, Plan Australia supported a ‘food security through sustainable agriculture’ project in Zimbabwe using ANCP funding. It has successfully secured an additional US\$810,000 from UNDP and US\$250,000 from Plan Spain. The additional funds trebled the ANCP investment and are enabling the program to scale up.

## **4.5 ANCP in comparison with other DFAT programs**

In 2012–13 DFAT provided \$564m of direct funding to NGOs. ANCP represented 19 per cent of that funding. Of the 43 ANCP NGOs that responded to the online survey, 76 per cent receive other funding from DFAT. On average, ANCP funding represents over half of the funding ANCP NGOs receive from DFAT. While ANCP is unique in its scale and long history, DFAT has other funding arrangements that are comparable to ANCP in their characteristics and benefits. The evaluation reviewed a selection of funding mechanisms including: the Africa Australia Community Engagement Scheme (AACES), the Humanitarian Partnership Arrangement (HPA) and the Civil Society Water, Sanitation and Hygiene Fund (CSO WASH Fund). This section focuses on a review of program benefits that go beyond the results of funded projects and cannot be quantified – intangible benefits.

Table 10 lists some of the key intangible benefits of ANCP (presented in Figure 1 – Strengths and weaknesses), sets out how other DFAT programs achieve the same benefits, and considers their relevance to ANCP.

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<sup>46</sup> Plan Australia (2015) ANCP Fund Leverage: Status Update FY15.

**Table 10 Appraisal of intangible benefits of ANCP**

Intangible benefit	Comparison with other DFAT-funded programs	Relevance to ANCP
<p>Enables long-term programming and strategic approaches</p> <p>Respects NGO autonomy for tackling development issues</p>	<p>DFAT have institutional arrangements with other organisations such as the Asia Foundation which enable long-term planning in much the same way as ANCP.</p> <p>The HPA provides \$500,000 to each partner on an annual basis to use for disaster risk-reduction activities – NGOs have discretion as to how this funding will be used.</p> <p>As part of AACES and CSO WASH Fund NGOs have a role in designing the projects that they are planning to implement.</p> <p>There are DFAT challenge funds and competitive grant-funding mechanisms where NGOs also develop the approach.</p>	<p><b>Somewhat relevant:</b> The flexible and reliable nature of ANCP funding is what enables long-term planning and respect for organisational autonomy. This is a core part of the ANCP program. Nonetheless, it is worth noting that there are other approaches which also value the expertise and independence of NGOs.</p>
<p>Builds sustainable partnerships with local organisations</p> <p>Contributes to capacity development (NGOs and local partners)</p>	<p>AACES places emphasis on the role of local delivery partners and ensures that they are visible within the program. Local partners participate in partnership activities.</p>	<p><b>Highly relevant:</b> One of the main benefits of ANCP is reported to be its use to build the capacity of local partners, and yet this is not a prominent feature of program management and reporting arrangements. The respective roles of INGOs and local NGOs is debated globally, however there is no evidence of this influencing ANCP management arrangements.</p>
<p>Contributes to cooperation and collaboration</p>	<p>The AACES program governance arrangements require cooperation between agencies. The Program Steering Committee has been identified as playing an important role in underlining the equality of partnership.<sup>47</sup></p> <p>The role of HPA director rotates through the partner agencies and is responsible for coordinating communication between partners and DFAT in relation to the program. This appears to be an innovative way of sponsoring cooperation while creating management efficiencies for DFAT.</p> <p>Working groups (such as the WASH working group) have been reported to be very effective on facilitating cooperation between NGOs on specific issues.</p>	<p><b>Highly relevant:</b> While many NGOs suggested that the non-competitive nature of ANCP funding facilitates cooperation, there was limited evidence (outside the APAC group) of cooperation that was attributable to ANCP.</p>
<p>Promotes learning in thematic areas</p>	<p>The CSO WASH program has a dedicated knowledge and learning manager who coordinates learning events and maintains a central information repository.</p> <p>The Governance section of DFAT noted that the institutional relationship with The Asia Foundation (managed through the South-West Asia Division) has been effective in promoting policy dialogue and sharing knowledge between the organisations.</p> <p>AACES aims to promote learning within agencies and in the 2013 survey, 81 per cent of organisations reported that learning and sharing knowledge with AACES partners was one of the main benefits of the partnership.<sup>48</sup> AACES also seeks to strengthen DFAT policies and programs in Africa, though the 2014 Mid-Term Review suggested that more needed to be done to ensure that DFAT benefits from sharing of knowledge and lessons learned.</p>	<p><b>Highly relevant:</b> Outside the APAC group there is limited evidence of shared learning or policy dialogue between DFAT and NGOs that is attributable to ANCP. Other DFAT support presents a range of different approaches to improving engagement for the purposes of learning.</p>

<sup>47</sup> AACES Mid-Term Review, 2014

<sup>48</sup> The 2014 AACES MTR did note that learning could be enhanced by identifying further resources to facilitate learning and by developing a detailed learning strategy.

While there are many anticipated intangible benefits of ANCP for both DFAT and NGOs, it is important to note that a number of these benefits are not being fully realised due to issues with program implementation. Additionally, analysis of other DFAT funding mechanisms suggests that some of the benefits are not unique to ANCP and can be achieved through other funding modalities.

**Table 11 DFID’s Program Partnership Arrangements**

### Comparing ANCP to UK Department for International Development’s (DFID) Program Partnerships Arrangements (PPAs)

Program Partnership Agreements exist between DFID and 41 civil society organisations with global reach and expertise, representing £120m (AUD\$232m) in funding per year.<sup>49</sup> The most recent call for PPAs was in 2010, and funding will be provided until 2016 subject to the ongoing performance of organisations. NGOs have the discretion to use funding to invest in whichever internal or external capacities they deem to be strategic. Some organisations use funding for organisational strengthening, others for program delivery – in most cases it is a combination of both.

#### **Key similarities**

- › Both programs provide unrestricted funding to NGOs with the goal of strengthening the organisations and enabling them to express their comparative advantage.

#### **Key differences**

- › ANCP is for Australian NGOs only whereas the PPAs are open to international NGOs.
- › ANCP is available to all accredited NGOs and funding allocation is notionally linked to RDE, whereas PPA NGOs were selected through a competitive tendering process and there was not a clear mechanism to determine funding amounts.
- › ANCP NGOs report on annual ADPlans against a series of common indicators, whereas PPA NGOs each have a logframe that they report on. In some cases this represents what organisations are doing with PPA funding; in other cases (particularly where funding is being used for organisational strengthening) the logframe is illustrative of the performance of the NGO as a whole.
- › ANCP requires organisations to report on specific activities and only Partners are required to report on the effect of institutional relationships, whereas PPA grantees report on the overall performance of the organisation and the effect of PPA funding on both organisational strengthening and specific project delivery.
- › ANCP relies on ACFID, APAC and informal relationships to facilitate learning between NGOs and DFAT and within the sector, whereas formal learning groups have been established as part of the PPAs.
- › While the objectives of the two programs are very similar, there are significant differences in the way that they are delivered and managed. The lack of transparency of PPA funding has been criticised by NGOs, but the development of learning groups proved to be successful in facilitating sectoral learning and engagement with DFID and promoting cooperation despite the competitive nature of funding. While there have been challenges with reporting against the program theory under both mechanisms, DFID have recently developed a reporting and performance assessment framework which provides a more holistic assessment of the impact of funding.

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<sup>49</sup> £600m over 5 years

## 4.6 Conclusions

This chapter has examined the implementation arrangements surrounding the ANCP, the extent to which these are fit for purpose and, where appropriate, how these can be improved. The evaluation identified some room for improvement in relation to clarity of objectives, suitability of the funding model and broader engagement across DFAT. Nonetheless, the accreditation process, efficiency and value for money were all identified as enduring and important strengths. Another finding is that in recent years there have been impressive improvements in the systems used to support management of the ANCP, although scope for further enhancements remains.

At present there is not a clear and uniform understanding among all parties as to the objectives of the ANCP. Whilst DFAT NVB and participating NGOs have a consistent understanding of the program objectives based on their long and intimate involvement in the program, across DFAT this varies greatly with some interviewees expressing certain misperceptions and misgivings. It is anticipated that the forthcoming ANCP Theory of Change will for the first time articulate these objectives and thus play a major role in addressing some of the misunderstanding that exists around the program. It will be important to ensure the Theory of Change provides sufficiently detailed objectives to enable better performance assessment and communication of achievement against objectives. The Theory of Change should also articulate how ANCP benefits DFAT as well as the NGOs.

The accreditation process provides an efficient means of selecting capable NGOs with well-established systems and processes. Moreover it also provides a number of important, indirect benefits for NGOs and DFAT alike. Whilst accreditation is time and resource intensive, ANCP NGOs were unanimously of the view that the process strengthened their organisational capacity and, given the non-speculative nature of ANCP funding, provided a good return on investment. Within DFAT, ANCP accreditation is regarded as an indicator of organisational sophistication and superior performance and a number of other programs rely on accreditation status to streamline due-diligence processes. The evaluation also found evidence of NGOs using their accreditation status as leverage to gain further support from the Australian public, the private sector and other donors.

The value of the current funding structure (two accreditation levels and three funding tiers) is unclear and the language used to distinguish between the different tiers is unhelpful. Base and Full NGOs expressed frustration about what they perceived as a lack of transparency surrounding arrangements with the 10 Partners. The evaluation found that the distinction between tiers could be clearer. While the Partners provided strong evidence on the benefits of the Partnerships and the APAC group, there is little evidence of benefits to DFAT or Full and Base NGOs.

**Recommendation:** That DFAT explain the relationship between accreditation levels (currently two) and funding tiers (currently three) and detail how NGOs qualify for, and progress through, these. Any difference in obligation or benefit associated with each tier or level should be clearly articulated. DFAT should also ensure that the principle of partnership applies across all ANCP members and that this is reflected in a suitable naming convention.

The use of RDE as both a measure of support from the Australian public and as a basis for the allocation of funds across agencies is a long-standing and well-accepted ANCP practice. While there is general consistency between RDE levels and funding allocations to the three tiers, some significant discrepancies also exist. NGO consultations undertaken in the course of this evaluation revealed a degree of nervousness about the possible impact of aid budget cuts on the ANCP. The evaluation found that whilst the current funding arrangements and calculations have been adequate to date, this

has been within the context of an expanding program. The introduction of new NGOs into ANCP, a decline in funding or a combination of both presents a challenge to DFAT and the NGOs alike.

The RDE process is complemented by an accreditation system and the MELF, which provides DFAT with confidence about the organisational effectiveness of member organisations. However, there are no systems or resources in place to rank NGOs based on their development-effectiveness performance. Such an approach would be costly and complex, most likely both highly technical and highly contested. Whilst the principle of linking community support to government funding through RDE remains sound, this could be modified to allow assessments on organisational performance to also influence individual funding outcomes.

At present there is no overarching DFAT policy documenting the procedure for determining funding allocations for individual NGOs. As a result NVB staff at times must rely upon precedent, ministerial briefs and meeting minutes when making funding and management decisions. NVB acknowledged that the absence of a complete and internally consistent policy framework represents a significant risk to the ANCP.

**Recommendation:** That DFAT revise the current approach to allocating funds across ANCP member agencies with a view to formalising funding arrangements through a transparent funding allocation policy. The policy should retain key elements of the established model, such as the use of Recognised Development Expenditure (RDE), but also enable DFAT performance assessments to impact on allocations. A scalable approach is required to ensure adaptability to changes in budget or other circumstances.

There has been a notable increase in awareness of ANCP at posts since the integration of AusAID and DFAT. NVB provides DFAT posts and desks with ready access to information on ANCP-funded activities and tailored communications on specific issues and areas of particular interest. However the level of engagement across DFAT with the ANCP is highly variable and to a significant degree is dependent on the individuals involved. NVB acknowledged that the ability to clearly articulate key areas of mutual benefit between the greater DFAT and individual NGOs could increase the value of partnerships substantially.

**Recommendation:** Whilst maintaining the role of NGO and Volunteers Branch in managing the program, DFAT should clarify the role of posts in the ANCP with a view to establishing a consistent and minimum level of resourcing and engagement between DFAT posts and ANCP members in-country.

This evaluation found that the ANCP is leveraged effectively to attract support from the Australian public, the private sector and other donors. The key and underpinning principle that ANCP NGOs must demonstrate the support of the Australian community remains relevant and is uniformly upheld. A significant factor in the ANCP being able to access funds from the Australian public and other sources rests with NGOs having accreditation status. From a management perspective, the checks and balances imposed on NGOs through accreditation go a long way to demonstrating that ANCP is delivering on value for money. NGOs must show how they make informed investment decisions that consider relative costs and development benefits, and how they manage operational and project costs for efficiency.

Aggregate development results provide a measure of aid program results for beneficiaries in a range of key human development areas. In 2013–14 ANCP represented around 2.7 per cent of the aid budget and delivered 18.2 per cent of the department's output-level aggregate development results

(ADRs). In comparative terms the ANCP reported the largest number of ADRs of any program in DFAT while being the eighth largest program by value.

The strength of ANCP program-management systems is variable. The systems in place to capture institutional knowledge and manage relationships with grantees are less than optimal, as are the current arrangements for managing risk. The lack of an overarching policy framework threatens the consistency of management decisions particularly in the event of staff turnover. Nevertheless the online grant-management system is providing useful reporting for DFAT that has translated into real and significant efficiency gains. It has had positive impacts on program delivery and reporting, with NGOs providing positive feedback. The system is widely used by the NVB in DFAT and has succeeded in providing timely information for ministerial briefings, public diplomacy and presentations promoting ANCP's work. As previously stated, the accreditation systems are another highly valuable asset.

# 5 Monitoring and Evaluation

## 5.1 Introduction

This chapter focuses on monitoring and evaluation processes and systems that have been developed to support ANCP. It will examine the extent to which they are appropriate, whether the evidence generated is sufficiently robust and how far it is used to drive learning and policy and program improvement.

## 5.2 Appropriateness of ANCP M&E

The objectives of the Monitoring, Evaluation and Learning Framework (MELF) are: to provide accountability of government funding in line with the objectives of ANCP; to provide information about the overall performance of ANCP programs, highlighting further improvement and development; to provide information about the range and scope of ANCP-funded work; to provide information about high-level outcomes achieved; and to provide an opportunity to share learning about development effectiveness.<sup>50</sup>

The MELF currently comprises:

- › An online annual performance reporting system that allows for the capture of MELF indicators for direct and indirect beneficiaries by age cohort, sex and disability. They are aggregated across all ANCP NGO projects for reporting purposes.
- › An annual Aid Program Performance Report (APPR) – DFAT’s self-assessment of performance of the program.
- › Field visits conducted by DFAT to ANCP NGO project localities.
- › ANCP NGO evaluation reports on activities, conducted at least once every three years.
- › A meta-evaluation report on NGO evaluations, conducted every two years.
- › Thematic reviews on topics agreed in consultation with stakeholders. To date there have been two thematic reviews, conducted on gender and working with the poorest of the poor.

The appropriateness of the way the MELF is used to collect, analyse, disseminate and use performance information is judged against its objectives and expressed in terms of validity and reliability (discussed below).

**The MELF is a significant improvement over previous monitoring and evaluation initiatives for ANCP:** It was developed with input from NGOs to ensure the system contributes to NGO practice without significant additional burden. This is well recognised by stakeholders who have used the system to improve their own practices and procedures while working within a common framework. While it does

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<sup>50</sup> ANCP MELF, 2012

not necessarily suit the requirements of all NGOs, it has provided a systematic approach to reporting across the program, with standard indicators, case studies, thematic reviews and regular evaluations. For further enhancements of the system to be successful, they would need to be done in collaboration with NGOs to ensure it continues to support and enhance NGO systems.

**The importance and appropriateness of collecting information for the MELF is well recognised by stakeholders:** There is a general consensus that the MELF enhances the effectiveness of NGOs work and has led to continuous improvement and better reporting from field-based partners. It has had a positive influence on NGO M&E systems. Approximately 90 per cent of NGOs agreed that the MELF had led to improvements in their systems and 80 per cent of NGOs said that the MELF had improved the way they report on results (ANCP Evaluation Online Survey).

**The MELF represents a well-documented set of agreed processes to collect, analyse, disseminate and use performance information:** The MELF efficiently systematises processes which help showcase ANCP's achievements. However, despite its comprehensive nature, focus group discussions with NGOs revealed that the MELF was still not perceived by some as an integrated framework that can be used to fully support strategic performance improvement.

**In focus group discussions with NGOs, the issues raised with the MELF mainly focused on indicator reporting and the aggregation and use of headline indicators:** Some considered these too 'reductionist' and not sufficiently 'context specific'. Participants believed they do not adequately help judge the strength of programs and do not inform lessons learned overall. It is evident that some NGO perceptions of the MELF are based largely on the annual performance reporting, rather than a holistic view of all MELF components. Other parts of the MELF such as field visits, NGO evaluations, meta-evaluations and thematic reviews were not raised with the same level of prominence as indicator reporting.

**There is a perception that the MELF, particularly ANCP headline indicators, is used mainly for public communication purposes:** During focus group discussions with NGOs, there was a perception that ANCP indicator reporting is used by DFAT mainly for public communication to promote the reach and the number of individuals benefiting from the program. The perception is that these are used as proxy indicators for outcomes and impact to promote the effectiveness and efficiency of the program both within DFAT and externally.

**The MELF is limited in its ability to capture and articulate the value of the NGO approach and its benefits:** Focus group discussions with NGOs revealed that there are significant social returns not being captured. The strengthening of partner capacity, and indeed of civil society, is part of the added value of NGOs and what distinguishes them from other actors. It is crucial that this is not overlooked.

**The MELF provides a consistent approach that supports accountability for results:** A detailed review of the MELF was conducted in 2013 which recognised the practicalities of implementing a system that could provide standardised information across ANCP NGOs. It found that it provides a consistent approach to reporting which supports greater accountability and performance coverage than existed previously. It generally meets the needs of DFAT but not necessarily those of NGOs, with some NGOs reporting only limited utility.

**The MELF is suited to larger organisations and some smaller NGOs struggle with reporting requirements:** Some NGOs reported during discussions that only a few indicators in the MELF are relevant to their work and hence much of it is not appropriate to their needs. So while the online annual performance reporting system meets the needs of most NGOs, some find it limited for their own purposes. However, this is supplemented by the requirement for NGOs to carry out regular evaluations as part of the MELF.

Some NGOs do not feed all results into the online performance reporting, although attempts are made to capture information from progress reports, field visit reports and three-yearly evaluations: While some find the annual performance reporting flexible, others find the structure restrictive in conveying the full impact their programs are having. Qualitative information is captured in a limited way. There is limited space for NGOs to report on topics such as innovation, policy influences or leveraging ANCO to gain additional resources to go to scale. There are no guidelines for case-study analysis and reporting, so case studies tend to be human interest stories rather than examples of good development practice from which DFAT and NGOs can draw lessons. Guidelines in this area could also provide consistency and quality assurance.

### 5.3 Quality of evidence from ANCP M&E

Robust evidence stands up against scrutiny and is verifiable. The MELF generates evidence through a variety of sources including indicator reporting, evaluations and field visits. Different collection methods are used depending on the intervention. Results are expressed as total numbers of beneficiaries, either direct or indirect, and broken down by sex, age group (child, adult) and disability. Thematic reviews and evaluation reports use these numbers with qualitative analysis to summarise findings. The evaluation findings in relation to quality of evidence are discussed below.

**The MELF continues to improve on its ability to provide evidence of results:** ANCP uses project evaluations, online reporting of results, meta-evaluations, field visits and thematic reviews to provide evidence of results. It is seen as introducing a greater level of consistency and reliability in reporting. During focus group discussions with NGOs it was widely recognised that it is a learning process and an evolving system.

**While most results are regarded as reliable and fit for purpose, there is little evidence that data are validated or verified through independent sources:** Apart from regular field visits to selected sites, there is little evidence of triangulation with independent sources of evidence.

**In focus group discussions with NGOs it was revealed that in some instances indicator values are based on 'best guesses', while other figures provided by NGOs were validated and regarded as very accurate:** During field visits it was stated that the accuracy of reported results has continued to improve. However, where estimates are provided, particularly with indirect beneficiaries and disaggregated results, there is a level of error in the estimate but no place in the report to note this. These errors become significant when results are aggregated. Aggregating data masks some of the inaccuracies by representing whole numbers instead of rounding to levels of precision<sup>51</sup> that reflect the estimates.

**The evaluation identified a range of approaches to counting beneficiaries:** The most robust method is through recording transactions at the point the beneficiary receives the service, for instance training, vaccinations or surgical procedures. The least reliable are estimates based on a catchment or area of influence such as with infrastructure improvements (e.g. road users or beneficiaries of water supply systems) or awareness raising. The method or processes used to collect information as inputs to the online reporting system also appears to vary significantly between NGOs. Being able to record the

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<sup>51</sup> For instance, the figure 35,011 (where an estimate of 35,000 beneficiaries from one intervention is combined with an accurate count of 11 from a different intervention). The error is still plus or minus 1000 and should probably be represented as 35,000 beneficiaries to convey this.

process<sup>52</sup> used to determine beneficiaries and disaggregated data would provide some indication of internal validity and the inherent accuracy of results.

**Interpretations of MELF indicators vary:** Focus group discussions suggested that definitions need further clarification to ensure a more common and consistent understanding of reporting requirements (for instance disabled people; urban and rural). While the current system acknowledges the difficulty in developing common definitions, it may be better in some instances to use context-specific meanings that can be interpreted by location. The other factor to consider is expanding the definition of beneficiary to include the impact the beneficiary can have on others (multiplier effects). For instance, training a teacher or doctor (as direct beneficiaries) to help others is different from providing direct assistance to help meet someone's immediate needs. Both are beneficiaries but with different investment profiles and long-term impacts.

**It was widely acknowledged during focus group discussions that reported results are focused at the output level:** It was recognised that these should not be directly equated to reporting on programmatic outcomes or impacts, although they can represent lead indicators.

## 5.4 Learning, policy and program improvement

An important objective of ANCP is to facilitate learning to drive program improvement, influence policy dialogue and support evidence-based decision-making for all stakeholders. This needs to be supported by clear learning objectives, a learning and dissemination strategy involving all key actors, and appropriate institutional arrangements. The learning objectives and strategy need to be founded on clearly defined user needs. The evaluation findings are discussed below.

**The MELF is a valuable source of information for learning, policy development and program improvement, but its potential is not used:** Feedback from NGOs and DFAT NVB suggests that information is underutilised and use is overly focused on headline reporting to support accountability and promote the program. The online survey revealed that less than 50 % of NGOs agree that the MELF effectively facilitates sharing of learning across the Australian NGO community. There was also no evidence from the literature, interviews and focus group discussions to suggest that the MELF currently supports policy development. The extent to which the MELF drives learning, policy and program development is therefore currently limited. In addition, NGOs produce evaluation reports of programs (there were 32 submitted in 2012–13 covering 125 activities), however, DFAT do not fully review or analyse the wealth of information available that may be used to promote learning or support policy development.

## 5.5 Conclusions

DFAT, in conjunction with ANCP NGOs, has developed robust and appropriate monitoring and evaluation processes for ANCP. The ANCP MELF is a rich source of evidence and an excellent foundation on which to develop outcome-level reporting and to further sharing and learning across the sector.

The MELF represents a significant improvement over previous M&E initiatives for ANCP. The MELF is highly regarded by certain NGOs, who have used the system to improve their own practices and

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<sup>52</sup> A meta-data record should be associated with each data set (e.g. project level indicators) which outlines the methods, dates, format and types of data being collected.

procedures while working within a common framework. This is particularly the case for the smaller Full and Base-tier NGOs. All NGOs were complimentary towards the value and quality of the thematic reviews that have been conducted, and to a lesser extent the meta-evaluations. While the reporting framework does not necessarily suit all NGOs, it has provided a systematic approach to reporting across the program, including standard indicators. There is a general consensus that the MELF enhances the effectiveness of NGOs' work and has led to continuous improvement, some shared learning and improved reporting from field-based partners.

The MELF effectively captures the outputs of ANCP funding but does not adequately capture development outcomes. While the MELF has undergone significant development with inputs from NGOs, there is still a way to go in order to maximise its utility and reflect the actual impacts of ANCP. The MELF is considered appropriate for reporting headline indicators (largely at output level), including the range and scope of the program. Further investment is required in the MELF to inform its improvement and development and enable it to report on high-level outcomes such as sustainable and systemic change.

**Recommendation:** That DFAT build upon the ANCP Monitoring, Evaluation and Learning Framework (MELF) in order to strengthen the role of qualitative, quantitative and geographic data in generating evidence for learning, policy and program improvement. This should include;

- a. Development of a performance assessment framework, based upon the forthcoming ANCP Theory of Change, to aid reporting of outcomes at a program level.
- b. Clear links to the Australian aid program's high-level targets and other performance-reporting processes.
- c. Introduction of a system of independent review and validation of the performance management and results-reporting systems used by the larger ANCP members.

There is limited learning, policy and program development utilising the MELF. The MELF and the thematic reviews in particular are a valuable source of information for learning, policy development and program improvement. Information from the MELF is not being used optimally, and thematic reviews are limited in scope and frequency. Recent prioritisation of agency-level objectives might help to focus engagement between DFAT and NGOs.

The knowledge and learning generated through the APAC group is valuable to Partners but does not benefit other NGOs as much as it could. Partners were very positive about the Partnership arrangements and the opportunities for joint learning and collaboration that they present. Partners particularly noted the outreach underway by the APAC group in several posts and the work undertaken by CBM Australia to support NGOs in Australia to reflect and learn from their own and each other's engagement on disability-inclusive development.

Many recognise the useful information that comes out of the MELF and ANCP, however, it is also recognised that learning could be better facilitated. During focus group discussions and interviews with NGOs it is apparent that evaluations conducted by NGOs could be better shared. ACFID was viewed as possibly having a greater role in supporting learning events or providing online access to resources.

**Recommendation:** That DFAT, ACFID and the ANCP NGOs commit to testing new approaches to improve the sharing of lessons between Australian and local NGOs and DFAT aid staff. This could

be largely undertaken within existing resources, harnessing opportunities to bring people together through learning events and using available technology to make existing evaluations and other studies more readily available. The ANCP Theory of Change could be used to help define a focused learning agenda.