

MINISTRY OF FOREIGN AFFAIRS OF DENMARK

DANIDA | INTERNATIONAL
DEVELOPMENT COOPERATION



GUIDELINES FOR COUNTRY PROGRAMMES

Ministry of Foreign Affairs of Denmark

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Country Programmes: Important principles and tools – from design to finalization

1. The specific context is the point of departure for a country programme. Based on analysis of the context and previous experience, the aim of the country programming is to secure a solid focus on selected development challenges where Danish comparative advantages can be brought into play. **This is our value added.**
2. With the investment we are ready to make, we will clearly describe the changes we aim to accomplish, for whom, and how. Focus is on describing the cause-effect links; what assumptions must be made to establish the link, what risks are there and can they be mitigated, and last but not least, what is the evidence for the link. **This is our theory of change.**
3. Based on 1 and 2, we will define the results we expect to achieve, in the short, medium, and longer term. We will establish measurable indicators with baselines making it possible to document, report and communicate our results. **This is our results framework.**
4. We will identify those risks which may significantly influence our theory of change and our results framework and plan how to manage them. **This is our risk management framework.**
5. We will continuously throughout implementation assess the results, the context, and the assumptions for our programme by using the tools above. When the need arises we will adjust our approach to how reality unfolds and our experience of what works and what does not work. Adjustments are structured through the use of the tools above. **This is our monitoring framework.**
6. The number of development engagements must be realistic compared to our capacity, experience, and the complexity of the engagements. We can have a maximum of 25 engagements. This means a maximum of 25 partners. A focused programme is necessary to ensure that we have the necessary resources to manage and monitor as well as to ensure that we deliver planned results, while at the same time having the time to pursue other priorities as well. **This is our focus.**
7. The guidelines allow much flexibility in many areas. For programmes in countries affected by fragility and conflict, flexibility can be accommodated based on an assessment of the specific needs in a given context. This must always be balanced against the need for a solid foundation for all appropriations based on principles 1-4. Programmes in fragile states should have long-term goals but with the option to adjust during implementation. **This is our flexibility.**

“However beautiful the strategy, you should occasionally look at the results.”

Winston Churchill

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Abbreviations

CEDAW	Convention to Eliminate All Forms of Discrimination against Women
CSO	Civil Society Organisation
DAC	Development Assistance Committee (OECD)
DKK	Danish Kroner
EIA	Environmental Impact Assessment
EU	European Union
EVAL	Department for Evaluation
GCP	Guidelines for Country programmes
GUS	Centre for Global Development and Cooperation
HRBA	Human Rights-Based Approach
IAS	International Accounting Standard
ISA	International Standards on Accounting
IFRS	International Financial Reporting Standards
INGO	International Non-governmental Organisation
INTOSAI	International Organisation of Supreme Audit Institutions
IPSAS	International Public Sector Accounting Standards
JFA	Joint Financing Agreement
KVA	Department for Quality Assurance and Financial Management in Development Cooperation
MFA	Ministry of Foreign Affairs
MIS	Management Information System
MT-RAM	Mid-term Review Aide Memoire
NAMA	Nationally Appropriate Mitigation Action
NAPA	National Adaptation Programme of Action
OECD	Organisation for Economic Co-operation and Development
PAP	Process Action Plan
PDB	Danida's Project Data Base
PEFA	Public Expenditure and Financial Accountability
PIU	Programme Implementation Unit
PRS	Poverty Reduction Strategy
PRSP	Poverty Reduction Strategy Paper
SEA	Strategic Environmental Assessment
SPR	Strategic Management of Priorities and Resources
ToR	Terms of Reference
ToC	Theory of Change
TAS	Technical Advisory Services
UGS	Department for Development Policy and Global Cooperation
UN	United Nations
UNFCCC	United Nation Framework Convention on Climate Change
UPR	Universal Periodic Review

BOX: Key Concepts in Country Programmes

Context – The Strategy for Denmark’s Development Cooperation

The Strategy for Denmark’s Development Cooperation “The Right to a Better Life” with its dual objective of reducing poverty and promoting human rights - expressed through four strategic priority areas: Human Rights and Democracy, Green Growth, Social Progress, Stability and Protection - is the overarching framework for the country programmes. All projects and programmes are to be evaluated against one or both of these objectives.

Context – Country Policy Papers

The Danish Ministry of Foreign Affairs prepares Country Policy Papers for the cooperation with each of Danida’s priority countries. The Country Policy Paper provides a single integrated presentation of Denmark’s policy towards the priority country concerned. The Country Policy Paper encompasses foreign and security policy, development cooperation, climate policy and commercial relations. As an important subset of this, the Country Policy Paper sets the strategic direction for the Danish development cooperation, specifying the key areas and main strategic objectives for the Danish development cooperation with the priority country. The strategic direction will be guided by the Danish Strategy for Development Cooperation and national priorities of the priority country. The Country Policy Paper outlines how links and synergies between Danish development cooperation and other Danish political instruments will be pursued. It also specifies possible synergies between bilateral and multilateral cooperation.

Country Programme

A Country Programme is a Danida programme with a maximum of 3 thematic programmes and in some countries a development contract (general budget support) in support of the strategic objectives for development cooperation outlined in the Country Policy Paper. Based on the specific context and lessons learned, a Country Programme focuses on a few selected development challenges faced by the priority country. The Country Programme should be formulated with the aim to be complementary to overall engagements in the relevant sectors by other development partners and stakeholders. The development challenges are addressed in thematic programmes, where a concise and measurable thematic objective should be defined. In the Country Programme document, the point of departure will be the thematic objectives.

Thematic programme

A thematic programme consists of a cluster of programmed and budgeted development engagements that each contribute to the fulfilment of the specific thematic objective. There are no separate thematic programme documents; instead the thematic programmes are described in the country programme document. A thematic programme has one thematic objective, and a clear theory of change will describe what changes the Danish support aims for and how each of the development engagements contribute to the achievement of the thematic objective. As far as possible, the individual development engagements should be mutually reinforcing in achieving the thematic objective.

Development Engagements

A development engagement is defined at partner level and specifies the agreed results, activities and the budget for the cooperation between Danida and the partner concerned. An engagement can only have one partner, one partner agreement, one recipient of funds, and one entry in PDB. There can be an absolute maximum of 25 active engagements in a country programme, although, normally, the number should be considerably lower. For each development engagement, there will be defined one development engagement outcome. In some cases several development engagements can support the same outcome,

and only in rare instances can a development engagement support two outcomes. The outcome should contribute to the achievement of the thematic objective. Based on this outcome, a number of development engagement outputs will be defined.

Busan

The development effectiveness agenda, including the four core principles in the Busan Outcome Document: ownership of development by development countries, results focus, inclusive development partnerships and transparency and accountability, remain central to Danish development cooperation. Denmark supports the broadening of focus from effective aid to a focus on cooperation for effective development with a strong emphasis on results and efficiency in all forms of cooperation.

LEAN documentation

The documentation throughout the planning process should be kept consistent and lean. Therefore, the Country Policy Paper, Country Programme document, and development engagement documents are complementary documents. Together, the documents form one coherent package with as little duplication as possible.

The Country Programme document is subject to appraisal. It is the core document for grant proposals submitted to Danida's External Grant Committee and for programme support and agreement with a government institution in the priority country. Development engagement documents are subject to appraisal as well together with partner documents. Development engagement documents include the implementing partner agreement and are available to the External Grant Committee on request.

Furthermore, the structure of the Country Programme concept note and the structure of the Country Programme document will be almost identical. An increasing level of details is expected as the preparation process unfolds. The same logic of gradual detailing will be applied in developing the results framework and the risk management matrix.

Overall monitoring and strategic dialogue

The unit responsible for the programme must ensure regular and substantive monitoring to follow programme performance.

Country programme mid-term reviews and an annual strategic dialogue between the Head of Mission and the senior management in Copenhagen will include progress and prioritization. The annual strategic dialogue is part of the SPR process.

Reporting requirements for the responsible unit

The entire results framework of the country programme document is entered in PDB. Annual targets are entered for output indicators (max. 5 per engagement outcome) and reported on annually. For outcome indicators an "on/off track" indication is given annually. Impact indicators are reported on at the end of programme implementation. At the end of programme implementation the responsible unit submits a Final Results Report, based as much as possible, on partners' results reports, summarizing the achievements of the programme against the results framework.

Fragility considerations

The Guidelines for Country Programmes are applicable to all priority countries, including countries and regions affected by fragility and conflicts. Throughout the Guidelines, guidance is provided as to how flexibility can be applied in these situations within the overall framework of the guidelines. The guidance given is not meant to be exhaustive but rather to provide ideas and examples.

CHAPTER 1: INTRODUCTION

The Guidelines

The Danida Guidelines for Country Programmes (GCP) apply to country programmes in the priority countries for Danish development cooperation. In the interim period until development cooperation with all priority countries has been synchronised to the country programme cycle, new “stand alone” programmes should also, to the extent possible, be prepared and implemented according to Guidelines for Country Programmes. On-going programmes that have been approved according to the Guidelines for Programme Management will continue to be administrated under the Guidelines for Programme Management. However, to the degree possible, the implementation of the programmes should be according to the current set of guidelines.

The GCP provide the overarching methodological framework for preparation, implementation and completion of bilateral Danish development cooperation in priority countries. Furthermore, it defines the requirements for approval processes and administrative procedures and includes links to all relevant complementary guidelines for Country Programmes. The guidelines are to a large degree focused on Danish procedures and requirements in development cooperation. However, the focus on Danish procedures does not entail disregard of partners’ procedures and requirements - on the contrary, the GCP facilitates alignment to partners’ strategies and procedures.

Templates and tools

A number of templates and tools are available at the AMG Country Programme page. Templates for a number of mandatory documents in the process cycle are available from the grey box in the right column. The yellow box contains a number of tools that provide more detailed guidance for sub-processes in the preparation and implementation of country programmes. In some cases a tool also contains a template.

Complementary guidelines and strategies

The overall approach to Denmark’s development cooperation is outlined in the Strategy for Development Cooperation “The Right to a Better Life”.

The GCP and Danida’s “Guidelines for Priority Country Policy Papers” supplement one another and should be seen as complementary. The “Guidelines for Priority Country Policy Papers” for example list requirements for background analyses (13 areas are included) to be conducted and/or applied during the preparation of the Country Policy Paper. The GCP take these background analyses as a point of departure for the further preparation of the Country Programme in cooperation with partners. Ideally, since the Country Policy Paper sets out the strategic direction and objectives for the Danish development cooperation, the Country Programme should only be in early stages of formulation when the Country Policy Paper is finalized.

Other guidelines and strategies (for green growth, democracy and human rights, stability and protection, social progress etc.), tools and technical notes for Danish bilateral development cooperation should be applied together with the GCP in developing the Country Programme. These are available on the Danida website AMG.um.dk.

Regional programmes

Preferably, the GCP should apply to regional programmes like the Danish-Arab Partnership Programme and the Neighbourhood Programme. In these cases, the Country Policy Paper is replaced with the relevant regional strategy and the GCP should be applied with necessary adaptation. If a deviation from GCP is necessary due to the nature of the programme, this deviation should be clearly described when presented to the Programme Committee.

For other regional activities, the responsible department in the Danish Ministry of Foreign Affairs will initiate the preparation process in close cooperation with the relevant Danish Missions and within the framework provided by the relevant Country Policy Papers. The department will aim at aligning the regional activities to the activities already on-going under the relevant Country Programmes and will as much as possible, if resources allow, leave preparation and implementation of regional programmes to the relevant Danish Missions in order to benefit from synergies and reduce administration costs.

The Country Programme

A country programme can consist of maximum 3 thematic programmes in support of the strategic objectives of the Country Policy Paper. If Denmark enters into a development contract (general budget support) with a priority country it is in addition to the 3 thematic programmes. The selection of the thematic programmes will be guided by the Danish Strategy for Development Cooperation and national priorities of the priority country. For each thematic programme, a concise and measurable thematic objective should be defined.

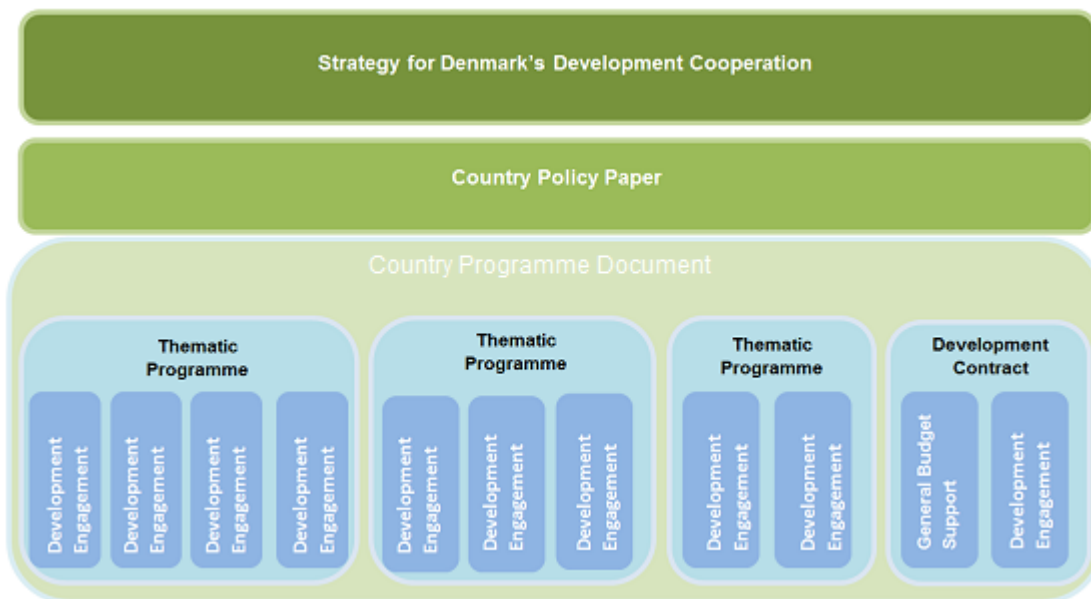
In the Country Programme document, the point of departure will be the thematic objectives. The thematic programme with its thematic objective consists of a cluster of development engagements that contribute to the fulfilment of the specific thematic objective. Thus, there is no thematic programme document included in the country programme documentation. For the whole Country Programme, the absolute maximum number of development engagements cannot be more than 25, although normally the number should be much lower. A Country Programme should normally be of 5 years duration.

Key principles for Country Programme

Preparation

- Key documents should form a coherent package without duplications.
- Alignment to national frameworks and complementarity with work of other donors take precedence over internal synergies in Danish support.
- Background analysis and studies prepared during the preparation of the Country Policy Paper should be applied during the formulation stage. It is envisaged that additional analysis might be required.
- To keep the Country Programme at a manageable level, the number of engagements/partners should not exceed 25. This will allow the Danish Mission to be able to maintain an informed and focused policy dialogue with partners and follow developments relevant for results in each of the partner institutions.

Fig. 1 Key elements of a country programme

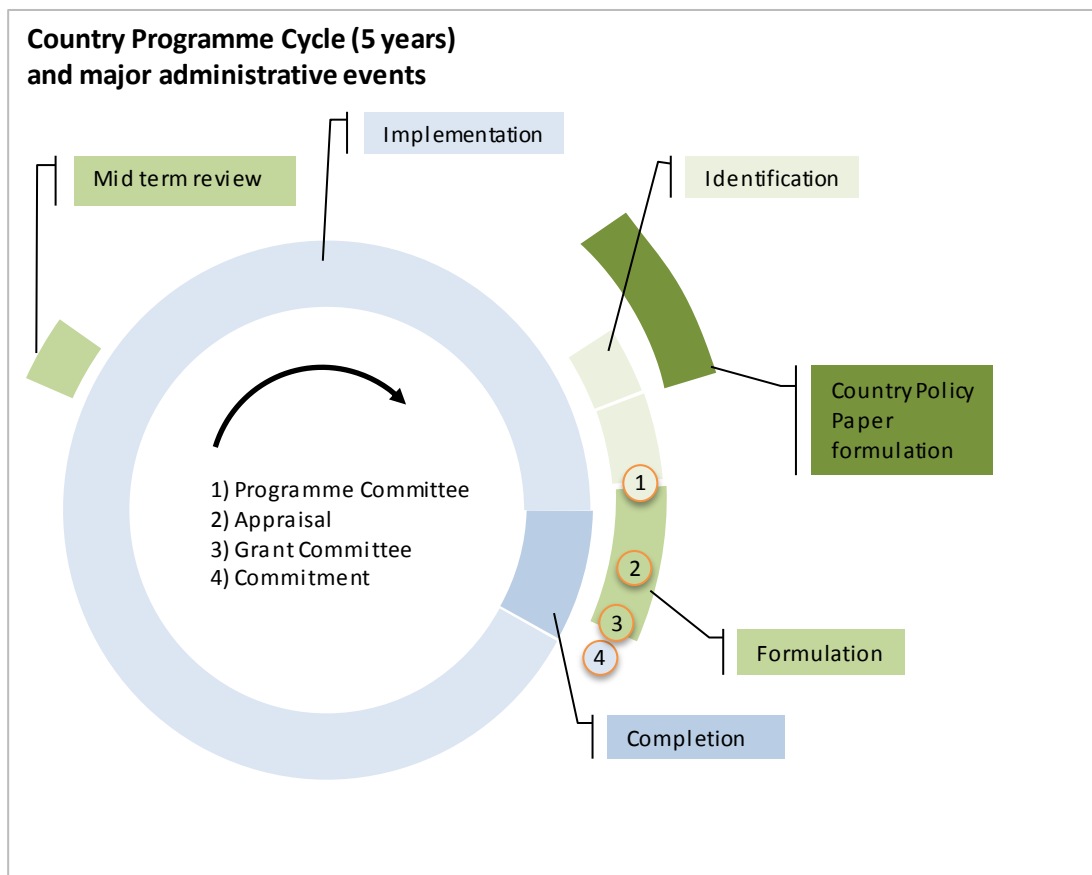


Relation to country policy

The priority countries for Danish development cooperation are diverse¹. Some are fragile, others more stable developing countries and some are graduating into middle income countries. The Danish overall engagement with the priority countries is, therefore, equally diverse in terms of objectives, partnerships and modalities for support. The Danish overall engagement with a specific country will depend on Danish political priorities, including priorities stipulated in the Strategy for Denmark's Development Cooperation, and the specific context and priorities of the country concerned and will to varying degrees encompass foreign and security policy, development cooperation, climate policy and commercial relations. The country policy paper sets out the overall strategic direction and objectives for the Danish foreign policy engagement with the priority country, including for Danish development cooperation. A policy paper should cover a five-year period. Only in exceptional circumstances the duration may be shorter. The country policy paper also defines how links and synergies between Danish development cooperation and other Danish political instruments will be pursued. It also specifies possible synergies between bilateral and multilateral cooperation. The Country Policy Paper reflects joint strategy processes, including where relevant drawing on the EU Joint Framework Document and building on Joint Programming Documents.

¹ An overview of the current Danish priority countries can be found in the Finance Act § 06.32.

Fig. 2: Major steps in a Country Programme



Within the strategic direction and objectives given by the country policy paper, the bilateral cooperation will be tailored to match the priorities and development challenges of the priority country concerned. The country programme document will take key national priorities and policy documents, as defined by the priority country and the Danish country policy paper, as the starting point, and will present the total bilateral Danish development cooperation with the priority country in the form of a Country Programme.

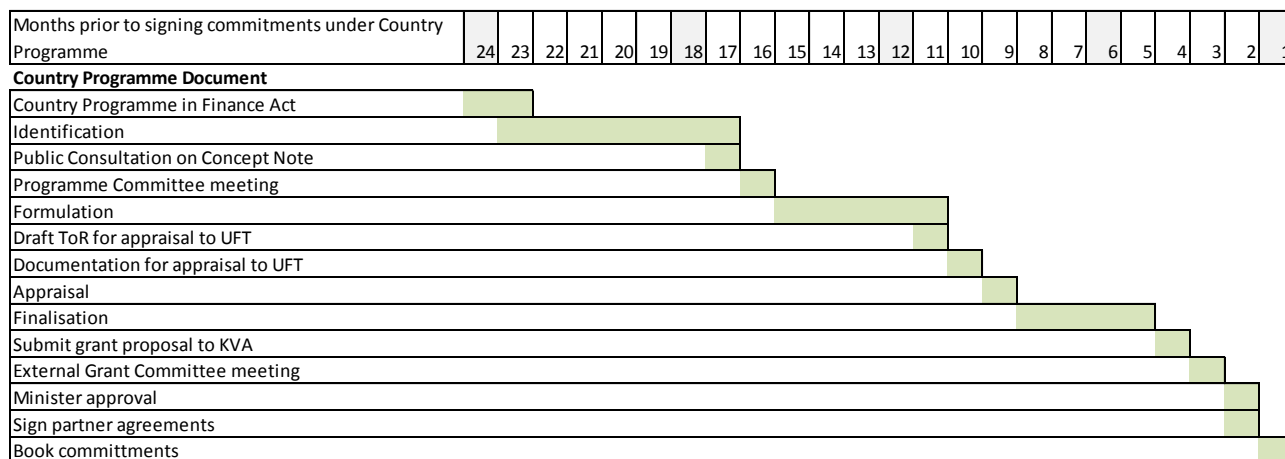
The Danish Country Policy Paper sets strategic objectives and determines in which thematic areas Denmark will engage through development cooperation, whereas the Country Programme document will operationalize the objectives based on thematic priorities and determine how, with whom and with what level of funding the objectives will be pursued.

The Country Policy Paper should preferably be in an advanced stage before the country programme preparation begins. If significant changes in the country context occur between the finalization of the country policy paper and the preparation of the country programme there are two options for handling this situation: (i) Either the Country Policy Paper can be revised; (ii) or the Country Programme document should include a presentation of the changes in the country context and explain how this has influenced the interpretation of the strategic direction and objectives given by the Country Policy Paper.

Key steps in the preparation process

The process of formulating the Country Programme is lengthy and complex and involves a broad range of actors. Timely attention to planning of the process is crucial to complete the process and begin implementation as expected. Fig. 3 provides an overview of the Country Programme preparation process. A template for the mandatory Process Action Plan to be annexed to the concept note is available from the templates box on AMG.

Fig. 3 Key elements in the country programme preparation process



Fragility considerations

Even in contexts with a likely risk of substantial change occurring within the programme period, the programme period should be of 5 years duration. In such instances it is preferred to develop a programme framework which can be adjusted during programming, rather than opting for shorter programme periods, which will result in near-constant programming. Adjustments can be planned through scenarios and utilise the available flexibility measures in programming.

Quality standards

Regardless of the characteristics of the individual priority country, the specific objectives of the overall Danish cooperation with the country, the form of the relationship between Denmark and the priority country, or the choice of modalities and partners, Danish development cooperation maintains its high quality standards. There is no blueprint for what is the best programme design suitable for all circumstances. But there is a universal requirement for quality.

Moreover, Denmark adheres to the Busan Partnership for Effective Development Cooperation, other international declarations on aid effectiveness and to the principles laid down in the “[New Deal](#)” for fragile and conflict affected states. Ownership, alignment, results focus, inclusive partnerships, division of labour, efficiency, transparency and accountability characterize Danish development cooperation amidst the diversity of the engagements and should be demonstrated by the Country Programme.

Decentralised responsibility

The Danish Missions are responsible for all parts of the Country Programme cycle. This includes preparation and presentation of a concept note to the Danida Programme Committee, preparation of country programme documentation for appraisal by Technical Advisory Services (TAS) and for the finalization of the country programme document and its presentation to the Danida External Grant Committee. The Danish Mission is also responsible for implementation of the Country Programme and they are, together with partners, accountable for the achieved results of all development engagements. Finally, the Danish Missions are responsible for completion of the Country Programme, including for collecting lessons learnt that will be fed into the next cycle of preparation of a Country Policy Paper and Country Programme.

The Danish finance act and the Country Programme

The Danish Finance Act determines the overall allocation of resources to bilateral and multilateral development cooperation. The finance act process will allocate funds for all Danish development cooperation instruments as well as give the overall financial frames for Country Programmes in priority countries. These are summarized for the next four year period in the publication "[Priorities of the Danish Government for Development Cooperation](#)".

Given these overall frames, Country Programmes are developed by the Danish Missions and responsible departments in the Ministry of Foreign Affairs (MFA). The Country Programme gathers and consolidates all parts of Danish bilateral development cooperation with a priority country in one coherent framework, and includes also earmarked multilateral contributions that are part of the thematic programmes, funds from thematic finance act accounts etc. The responsibility for coherent programming with contributions from different budget lines in the finance act rests with the Danish Mission in the priority country. How to handle the different budget lines is presented in the box on the next page.

Strategic levels for the annual average disbursements of priority countries are once a year revisited by the Centre for Global Development and Cooperation and the Centre for Global Politics and Security in collaboration with the Danish Mission. The strategic levels should be part of the annual strategic dialogue meeting between the Danish Mission and the MFA Management. Subsequently, this strategic level will influence the commitments in the Finance Act. The strategic level is made up of funds from: The Country Frame (06.32.01./02.); 06.32.08.60. Stabilisation and Conflict Prevention; 06.32.08.70. Democracy and Human Rights; 06.34.01.70. The Climate Envelope; 06.34.01.80. Other environmental contributions; 06.32.08.80. Peace and Stability Fund, and; funds from regional programmes that are transferred to the country frame. The Danida Business instruments, humanitarian aid, research and aid to civil society organizations in Denmark are not part of the annual funding strategic level except for the case of Afghanistan where all Danish contributions are included.

Regarding the Local Grant Authority, the Mission can chose between two options:

1. If the Mission deems it possible to include the LGA as part of one or more thematic areas and include the funds in the government agreement or agreement with other partners, this will be the preferred model. It requires that the necessary flexibility to prioritise the funds from the Mission can be agreed between the Mission and the partner.

2. If it will not be possible to include the LGA into the existing activities and agreements about these, it is still a possibility to have a separate LGA-frame. In this case it should be considered whether the Mission has the resources available to administer the LGA grants. The level of funding available for the LGA will be a maximum of DKK 5 million annually and maximum two projects per year.

Box: Funds from various Danish Finance Act accounts

As far as possible, all funding to a priority country should be programmed together with the Country Programme or in close connection hereto. However, the funds will remain at the thematic Finance Act account. This does not prevent that the funds are programmed together, presented to the Programme Committee appraised and presented to the External Grant committee and to the minister in one package:

- § 06.32.01.23. Other initiatives in Africa***
- § 06.32.02.15. Other initiatives in Asia***
- § 06.32.02.18. Other initiatives in Latin America***
- § 06.32.05.12. Danida Business Partnerships
- § 06.32.05.18. Danida Business Finance
- § 06.32.08.60. Stabilisation and conflict prevention*
- § 06.32.08.70. Democracy and Human Rights *
- § 06.32.08.80. Peace and Stability Fund
- § 06.33. Assistance through Danish civil society organisations
- § 06.34.01.70. The Climate Envelope
- § 06.34.01.80. Other environmental contributions**
- § 06.35.01.14. Cultural cooperation
- § 06.35.01.10. Research projects in Denmark
- § 06.35.01.11. Research activities
- § 06.36. Multilateral assistance through UN etc., (when earmarked)
- § 06.39. Humanitarian Assistance

*Most of the contributions at these accounts are to specific organisations and trust funds. Hence, it will only be in very few situations that funds from these accounts will be programmed as part of the country frame.

**The majority of contributions from this account are to multilateral organisations and initiatives. Hence, it will only be in few situations that funds from the account will be programmed as part of the country frame.

***If regional programmes and other initiatives financed under the regional finance act accounts contain elements that are directed to a priority country, the funds should be programmed as part of the country frame.

CHAPTER 2: THE PREPARATION PHASE

The preparation phase comprises a number of key steps: Identification, presentation of the concept note to the Programme Committee, formulation of Country Programme and Development Engagement Documentation, appraisal by TAS, finalization of Country Programme document and development engagement documentation and presentation to the Danida External Grant Committee. The Danish Mission is responsible for all steps in the preparation phase apart from undertaking appraisal, which is the responsibility of TAS.

Central issues in the preparation phase

Technical Sparring

The Danish Mission may request technical sparring from TAS during the preparation of the Country Programme. TAS will prioritize such requests according to available resources and considering the complexity of the country programming task in the particular priority country, and the technical capacity of the Danish Mission itself. Likewise, during the entire process, KVA stands ready assisting in the understanding and application of the guidelines for country programming ([KVA focal points](#)).

Fragility considerations

For fragile situations there could be a need for a flexible approach to specific elements of the programming. On request, TAS and KVA will provide early sparring to missions/departments preparing such Country Programmes. The point of contact will be the focal point in KVA performance and results team.

Framework contracts available for identification, formulation and embassy initiated appraisal and reviews.

HCP has entered into a framework contract with six consortiums each with one lead company ([contact information](#)). The companies have been selected on a basis that they possess adequate capacity to engage in all four priority areas of Danish development assistance; Human rights and democracy, Green growth, Social progress and Stability & protection.

The framework contracts modality eliminates the need for a full tender process and will enable missions and departments to engage in larger assignments at a relatively short notice. The framework contract can be used to engage a multi-sectoral team of consultants to assist the embassy in identification and/or formulation of a country programme. The procedures are outlined in the [procedures for selecting and contracting consultants](#) (page 18).

There is no upper limit on the contract amount for the framework agreements, but please note that the contract under the framework agreement are short-term contracts therefore HCP recommend maximum one year period of contract. Assignments below 500,000 DKK will usually be done under the single sourcing (up to 250,000 DKK) or limited competitive bidding (250,000 - 500,000 DKK) modalities.

Lean documentation

Throughout the preparation process, the documentation should be kept consistent and lean. Therefore, the structure of the concept note and the Country Programme document must to the extent possible be identical. The difference will be the increased level of details as the preparation process unfolds. For example, in the concept note, the Country Programme budget will only be specified as a split between the chosen thematic programmes, including amounts of unallocated funds whereas the budget will be fully detailed down to development engagement level within each thematic programme in the Country Programme document.

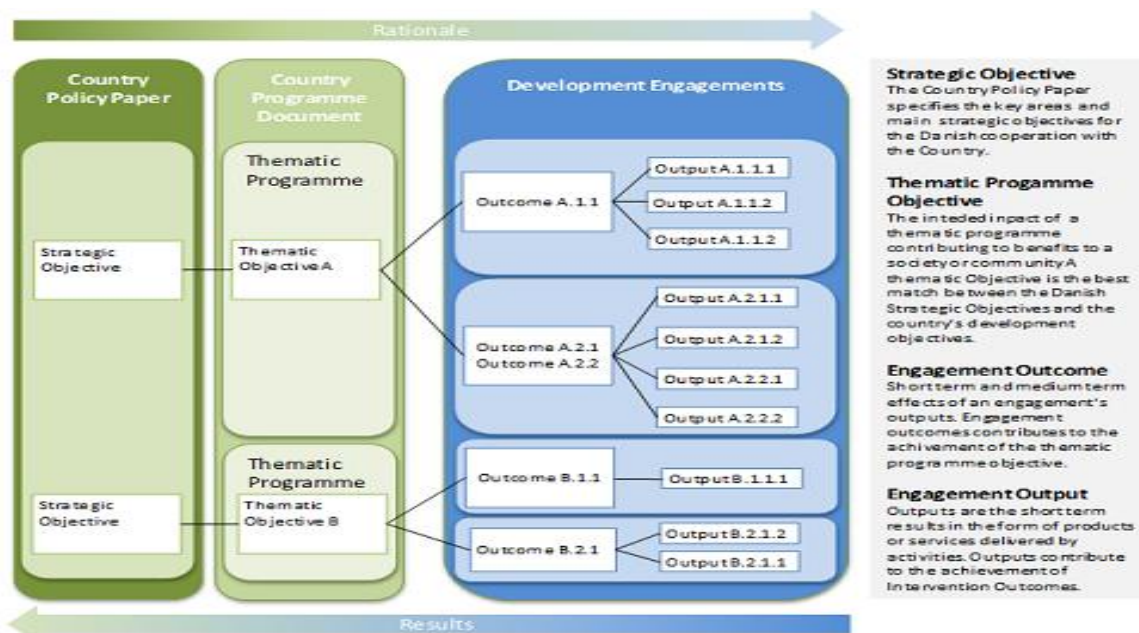
Theory of Change Approach

Preparation of a Country Programme in support of the strategic direction and objectives given by the Country Policy Paper and by national objectives and strategies is a complex and iterative process. There is no blueprint for what is the best programme design in all situations. Therefore, the Danish Mission will have to assess the pros and cons of various options for achieving the given objectives. The options will both reflect the specific circumstances and priorities in the country concerned and the specific elements of Danish development policies and strategies.

For any Country Programme and thematic programmes clear intervention logics must be established for the Danish engagement. The links between the development challenges that the programme is going to address, the objective for the intervention, the inputs provided by Denmark, and how this input is translated into outputs, outcomes and eventually impact on the development objective must be made clear. When describing the theory of change, the main emphasis is on the thematic programme level.

Theory of change is an approach to test whether it is likely that the input we provide into a development process will deliver the change we expect. Theories of change take as a starting point an analysis of the situation and context for the intervention. It then describes the intervention links – contribution pathway – between the input, output, outcome and impact. In most cases the contribution pathway has several levels of outcomes. These should be further explained as part of the theory of change analysis and later simplified for presentation purposes in the results framework. Focus is on describing the cause-effect links; what assumptions must be made to establish the link, what risks are there and can they be mitigated, and last but not least, what is the evidence for the link. Hence, a theory of change explains the contribution story of the Danish input by linking inputs to impact in support of the results framework. Given the identified development challenges: what is it the intervention will change, for whom, and how?

Fig. 4 Schematic Results Framework



An overall schematic illustration of a country programme is provided in Fig. 4. Reading from the left-hand side of the figure towards the right-hand side, the figure highlights the overall rationale for the country programme by linking the strategic objectives of the country policy paper to the thematic objectives of the thematic programmes (defining what changes the Danish assistance will contribute to achieve) and to the various outcomes and outputs of the development engagements (necessary subsidiary goals contributing to achieving the wanted changes). Reading the other way around, from the development engagement outputs the figure illustrates the results chain where the results created at one level are linked to achieving results at the next level. Put simply, the theory of change explains the links between the outputs, outcome and impact, as illustrated by the black lines between the boxes (e.g. how output A 1.1.1 is linked to outcome 1.1 and how outcome A 1.1 contributes to achieving thematic objective A). The boxes (outputs and outcome) are the intended short and medium-term results of the Danish support which are all necessary for and contribute to the achievement of the thematic objective (impact).

The Country Programme document will in the form of both narrative and tables (results framework and risk management matrix) present the thematic objectives Denmark will pursue through the Country Programme, how the design is based on evidence/experiences and explain why the planned engagements are expected to deliver the stated results. What is important for appropriation decisions and accountability is not a listing of all background findings leading to the programme design. It is rather to communicate the changes that the Danish assistance is intended to make taking into consideration the assumptions made, the risks identified, and illustrating the linkage to the priorities outlined in central strategies and guidance notes for Danish development cooperation (available at AMG), including the principles and standards of Human Rights Based Approach (HRBA), outlined in the [Guidance Note on HRBA](#).

It is important to stress that there is no template for making a theory of change narrative. The narrative will form part of the justification for each of the thematic programmes and reflect the context and challenges that the thematic programme seeks to address.

To sum up, the theory of change approach is used as a tool to guide design, implementation and evaluation of the thematic programmes in a Country Programme. The theory of change approach will be applied to:

- Define what changes Denmark wants to support based on an analysis of the context, Denmark's comparative advantage and what role Denmark can play.
- Define a clear intervention logic describing the linkages between the thematic objectives and the activities we fund as well as define assumptions and risks for this to realistically be achieved.
- Define the results framework.
- Form a reference point for the implementation as the theory of change will have to be revisited at regular intervals during implementation to adjust implementation to be able to reach the desired results.
- Form the basis for the evaluation to identify attributions at the output level and contributions at outcome and impact levels.

Reference is made to the guidance note "[How to apply a theory of change in country programmes and, programmes and projects](#)".

Identification



The identification stage spans from the start of the planning of a new (phase of the) Country Programme and lasts until presentation of the Country Programme concept note to the Danida Programme Committee. The purpose of the identification phase is, together with partners and relevant stakeholders, to identify thematic programmes and objectives in support of the strategic objectives of the Country Policy Paper and national objectives. Moreover, based on the development of the theory of change for each thematic programme to identify the most relevant, effective, efficient and sustainable development engagements with the best impact towards meeting the thematic objectives (and hence towards meeting the overall strategic objectives of the country policy paper).

Fragility considerations

In order to ensure a coordinated approach in programming and implementation in a fragile context, the Embassy or responsible unit can constitute and chair a task force consisting of representatives from the departments responsible for managing engagements in the country and/or region. The purpose of the task force is to ensure that all necessary contextual issues are taken sufficiently into consideration and that complementarity between all Danish engagements are ensured in order for the intervention logic and theory of change of the programme to be realistic and operational for programme management and the partners to the programme. The members could be from other ministries and services with relevant activities. The task force is not a steering committee but an informal forum.

The identification will take key national policy documents, the work of other development partners, and the Country Policy Paper as its point of departure and will to a large extent be based upon analysis and studies applied as part of the preparation of the Country Policy Paper. In addition, evidence for what works and what does not work from studies and evaluations and lessons learnt from previous Danish and other development partners' cooperation with the country concerned will be taken into account. This should also include, where relevant, experience and knowledge gained from humanitarian and civil society activities. A Country Programme will include a maximum of three thematic programmes. If Denmark enters into a development contract (general budget support) with the priority country, this will be in addition to the three thematic programmes. The thematic programmes consist of a cluster of development engagements that contribute to the fulfilment of the specific thematic objective. A development engagement is defined at partner level and specifies the agreed results, activities and the budget of the cooperation between Danida and the particular partner. A Country Programme can as a maximum include 25 development engagements. It is important to focus development activities on a limited number of areas, taking into consideration the size of the Country Programme and the resources available at the Danish Mission to implement the programme.

Fragility considerations

Use of scenario planning can be useful in situations where multiple options for implementation may exist due to significant shifts in context etc. during the programme period. In order for the scenario planning to allow practical flexibility it should outline; i) up to four overall potential scenarios, ii) process/monitoring in order for determining shifts between scenarios iii) possible responses in terms of programme design to each scenario, including whether this entails shifts in objectives (should generally be avoided) and/or outcomes (Development Engagements).

Scenario planning is closely linked to the risk assessment framework and scenarios need to be linked to the mitigating actions taken to reduce risks.

Scenario planning should be specific and structured enough to enable the External Grant Committee to make an informed decision, while not so elaborate as to multiply the programming burden on the responsible mission/department.

The identification stage will provide the first outline of the Country Programme document. The guidance note on "How to apply a theory of change in country programmes and programmes and projects" as well as "Guiding Questions for the Country Programme Preparation Process" from the toolbox provides guidance to the identification process.

Steps in the identification phase

The identification phase encompasses the following steps:

1. **Elaboration of a Process Action Plan** containing all steps until a legally binding document is signed with a partner and the commitment is booked in MFA's financial system. Depending on the coverage and depth of analysis undertaken to inform the Country Policy Paper, it might be necessary to identify additional, preferable existing analyses (political economy analyses, human rights assessments,

capacity assessments, drivers of change analysis including an analysis of the role played by the business community, civil society actors etc.) to inform the preparation of the Country Programme. If so, the collection or preparation of these additional studies should also be scheduled in the Process Action Plan.

2. **Identification of thematic objectives for a maximum of three thematic programmes.** The thematic objectives must contribute to meeting the strategic objectives and themes for the development cooperation defined in the Country Policy Paper, and must, where possible, achieve synergies and coherence with other Country Policy Paper objectives. The thematic objectives should be concise and measurable objectives for Danish development cooperation in each of the thematic programmes. Each thematic objective must be the best match between the development strategies of the priority country in question and Danida's current development strategies. Preferably, the thematic objective will be identical to an objective defined in a key policy document by the priority country. If this is not possible, clear links to a well-defined national objective should be established or it should be explained why no national objective is considered relevant or legitimate as might be the case in a fragile state context.

3. **Analysis of the thematic programme areas and apply theory of change for how best to achieve the thematic objectives through development engagements.** Use the guidance note on how to apply a theory of change in Country Programmes, and programmes and projects as well as "Guiding questions for Country Programme preparation" (from toolbox) to start the analysis. This will include:

- Use the "Assessment according to the five budget support principles" (from toolbox) to assess if a development contract (general budget support) is an option.
- Consider if links between multilateral and bilateral development cooperation should be pursued.
- Consider how lessons learned should be integrated into programme design.
- Use the Risk Management Guidelines (from toolbox) to integrate risk assessments in your considerations of what is the most suitable design.
- Analyse how best to achieve development effectiveness (alignment, coordination etc.).
- Use the HRBA / Gender screening note (from toolbox) to assess how the four principles of HRBA – non-discrimination, accountability, participation and transparency and the human rights standards – can be integrated into the Country Programme.
- Use the Climate change and green growth screening note (from toolbox) to assess climate change, environment and green growth aspects.
- Outline the management set-up and assess the expected number of partners.
- Outline the monitoring and evaluation system and responsibilities of the thematic programmes and overall reporting on the Country Programme as a whole.
- Prepare the indicative budget for the Country Programme broken down to thematic areas, if possible indicating the approximate division between state and non-state actors.
- Establish the expected amount of unallocated funds in the country programme and how they are distributed under the thematic programmes.

Presentation of concept note to the Danida Programme Committee

The Danish Mission will present overall strategic considerations in the outline of the country programme in a concept note and request the Danida Programme Committee to provide strategic guidance on key questions. Prior to the meeting in the Danida Programme Committee, the concept note will be subject to public consultation on the internet. The Programme Committee will comment on the strategic direction and proposed overall composition of the Country Programme; assess, among others, the proposed budget, including amount and distribution of unallocated funds in the Country Programme, assess the number of partners, and make recommendations and requests to the continuation of the preparation of the programme. Key issues raised in the public consultation will be taken into account by the Programme Committee.

Fragility considerations

The concept note should outline if the mission or responsible unit have considered the implications in terms of security and personnel resources required to implement the proposed programme in a context affected by conflict or fragility. If substantial implications are identified, the programme committee can request RD and SIK to undertake an analysis of the feasibility of the proposed set-up.

The chair's main points of conclusion from the discussion, including key observations and recommendations are presented in a short summary of conclusions. The summary will direct the subsequent formulation of the Country Programme, and the appraisal will assess the follow-up to the Danida Programme Committee's recommendation by the Danish Mission. The summary from the Danida Programme Committee meeting is published on the [Danida transparency website](#).

Detailed information about the content of a concept note is found in the ["Guidelines for Presentations to the Programme Committee, Danida Grant Committees and Council for Development Policy"](#), which also includes a template for the concept note.

Documentation for the Programme Committee

Concept Note (max. 15 pages)

Annexes:

- Process action plan for the whole Country Programme preparation process
- Assessment according to the 5 budget principles
- HRBA / Gender Screening Note
- Climate Change and Green Growth Screening Note
- Results Framework
- Risk Management Matrix

Fragility considerations

In situations where there is a possibility that the collaboration with the government will be discontinued, or engagement with government could materialise during the programme period, it is important to ensure the objectives do not tie the programme to any one particular modality or partner. The focus of objectives should be on the desired change and leave mention of modality and partner at Development Engagement level.

Formulation



The formulation stage of the preparation phase spans from the approval of the programme concept note in the Danida Programme Committee to the appraisal by TAS of the proposed Country Programme and development engagements.

The formulation will take the concept note as its point of departure. The basic structure and content of the concept note will be further elaborated in the Country Programme document by including more details on the theory of change, rationale for the choice of development engagements, partners, management set-up, results framework, monitoring and evaluation (including potential third party monitoring in conflict and fragile affected situations), risk management, budget etc.

The Country Programme document will summarize the final design for each thematic programme, including the theory of change (the overall objectives of the programme, the planned results of engagements to contribute to these objectives, past results built upon, and the possible influence of risks and assumptions on the programme), the results framework, monitoring and evaluations, risk management matrix, and budget. The main focus will be on providing the rationale for the design decisions made for each thematic area. During the formulation stage, the development engagement documentation for each engagement will be prepared. A thematic programme is made up of a cluster of development engagements. Within a thematic programme each development engagement outcome must contribute to the fulfilment of the thematic objective. If relevant, the individual development engagements can be mutually reinforcing. A development engagement document is defined at partner level and specifies the agreed results, activities, management arrangements and the budget for the cooperation between Danida and the particular partner. A development engagement can only have one partner, one partner agreement, one recipient of funds, and one entry in PDB.

The country programme document and in particular the development engagement documentation is made in close collaboration with the relevant stakeholders in the priority country.

Country Programme document outline

The Country Programme document will be a maximum of 35 pages and will further build on the Concept Note. “Contents of Country Programme document” (in toolbox) presents an outline of the document. The country programme document will consist of the following main sections:

- i) **Country level context:** This section introduces the national context including the contextual risk assessment and sets the scene for the maximum of three thematic programmes and their respective development engagements, and if relevant the development contract (general budget support). It refers to the strategic direction and objectives of the Country Policy Paper, provides the inter-linkages with other Danish foreign policy, human rights, commercial, humanitarian or security instruments and Danish multilateral development cooperation, and summarises the application of the human rights-based approach. This section may refer to background analysis undertaken as part of the preparation of the Country Policy Paper (i.e. within the 13 areas specified in the [“Guidelines for Priority Country Policy Papers”](#)) and findings from development of screening notes, especially where it is relevant to elaborate on national level policy developments, systems and structures as context for the thematic programmes.

- ii) **Presentation of thematic programmes** (the section will be repeated for each of the maximum three thematic programmes) plus potentially a development contract. The section will expand on the presentation in the programme concept note. This includes the justification for the selected design of the thematic programme, including theory of change, choice of development engagements and lessons learned. It should be clearly described how the chosen development engagements contribute to the objectives of the thematic programmes.

The section should include:

- Thematic programme objective
 - Summary of selected development engagements and how the results chain will lead to the desired change
 - Choice of development engagement partners, modalities, capacity development and technical assistance to engagement partners
 - Outcome for each of the development engagements
 - Assumptions made for change to happen
 - Summary of risk analysis and risk response to programmatic and institutional risk factors.
 - Application of a Human Rights-based approach
 - Monitoring mechanisms
 - Budget at outcome level
- iii) **Overview of management set-up at country programme level:** this section will present the overall organization and handling of the management of the programme across the thematic programmes. The presentation should demonstrate how management and administration of the Country

Programme will be effective, lean, and support alignment and division of labour with other development partners.

- iv) **The Country Programme budget:** this section will summarize the budget across the Country Programme, including a budget break-down of thematic areas by development engagements. It should also present the unallocated funds, including earmarking to thematic area and if possible to engagements. As the Country Programme document forms the basis for the appropriation, unallocated funds can only be used for the objectives and thematic areas presented in the document. Unallocated funding should not be planned for a whole thematic area.

There is a number of mandatory annexes to the Country Programme document (please refer to the section on finalization and appropriation)

Development engagement documentation

For each development engagement, the documentation consists of three elements:

- i) **A draft agreement** (Bilateral agreement with implementing partner) outlining the legal and administrative framework for the collaboration between Denmark and the engagement partner (a template is found on [this page](#) on AMG). ii) and iii) are annexes to the agreement. This document is signed by the mission and the partner;
- ii) **The development engagement document** stipulating the specific obligations of the two parties to the agreement, and defining the substance of the collaboration, including the objective of the support, rationale for the interventions, results and monitoring framework, activities, risks management budgets and financial management, management arrangement, etc. This document is also signed by the mission and the partner;
- iii) **The partner's own documentation.** The Partner's documentation can have various forms and contents ranging from sector plans, thematic strategies, organization strategies, programme descriptions, project descriptions, etc. In special situations where the partner documentation is inadequate and it is not possible to make the required improvements before appraisal, a short description can be formulated.

Key elements in country programme formulation

Management set-up

The Danida Country Programmes will be implemented together with a number of partners. For each development engagement there will be one partner. These partners range from government institutions, civil society, multilateral organizations, private sector etc. In order to keep the strategic overview of the Country Programme and its progress and results and in order to maintain policy dialogue and keep the management burden lean, the absolute maximum number of partners included in a Country Programme can be no more than 25 partners (and should generally be considerably lower). In general, development engagements with a budget below DKK 5 million should be avoided.

Alignment

The fundamental principle is that to the extent possible Danish support aligns to partner plans, procedures, budgets, monitoring frameworks and organizational set-up. This principle applies to public sector, private sector and civil society partners. This means that Danida supported activities to the extent possible should be integrated into the partner's plan and results framework, incorporated into the partner's budget and, in the case of public institutions, reflected in the national budget (or, if relevant, in the budgets of involved local governments). Budget support, basket funding or core funding are preferred modalities. When Danida provides budget support or basket funding to the overall budget line of a sector ministry or the ministry of finance in the national finance act, full alignment to government plans, procedures, results monitoring, organizational set-up should be pursued. Likewise, core funding to the entire strategy of an organization is the preferred modality when Danida supports multilateral organizations, civil society, trust funds etc. In case more alignment becomes an option during the implementation phase, this possibility should be pursued. If partner capacity is low or technology transfer in demand, technical advisers can be an option.

Intermediates in programme implementation

With the priority areas given by the Danish Development Cooperation Strategy, e.g. human rights and democracy and green growth, most Country Programmes will include a number of development engagements with civil society organizations and private sector players and associations. Development engagements may aim at reaching out to a large number of private sector actors with for example technical assistance or funds, or at supporting civil society actors in working to strengthen government accountability towards its citizens. When the thematic objective aims at strengthening the private sector or civil society at large this requires the Danish Mission to engage with many partners but only on a narrow part of the partners' operations or for a short time-period. If there is no national public or private institution with the mandate, legitimacy or capacity to act as partner in this situation, the option could be to work through an intermediate management set-up in the form of a fund manager, umbrella organization, implementation unit or the like may enhance outreach and quality of development cooperation. If other development partners are supporting similar activities, joint set-ups are always preferred. When the use of an intermediate set-up is anticipated for a Country Programme, this should be highlighted in the Concept Note for the Programme Committee.

Fragility considerations

Fragile contexts are often characterized by a weak public sector with limited capacity or legitimacy to fulfil their obligations such as providing services to the population. The use of intermediate set-ups specialized in effective programme implementation could be considered in such situations, including support to partners with weak capacity for reporting and monitoring. Intermediate set-ups, including technical assistance, could be in the form of UN organizations, civil society organizations, private sector providers, fund managers etc. Capacity development of government institutions could be supplemented by working with intermediate set-ups in an interim period of time.

No blueprint

With the diversity of the priority countries, themes and partners, there is no blueprint for what is the best management set-up for the country programme. However, it is important to ensure that the management set-up is robust for the Country Programme as well as for each development engagement taking capacity and administrative requirements into consideration. The management set-up should clarify the structures for day-to-day management of the Country Programme and for each engagement (authority, responsibility, tasks, formal procedures for joint consultation and decision-making), key administrative procedures, financial management, procurement and also decision-making and approval procedures for revision and adjustment of the Country Programme, each thematic programme and the development engagements, including procedures and scope for budget adjustments.

Day-to-day management at development engagement level should be the responsibility of the relevant partner. Danida should to the largest extent possible align to the partner's governance structures. To decide on issues of specific relevance to the Danish support, joint management arrangements should be established and is the preferred option. "Joint management arrangements" (in toolbox) outlines the principles of joint management arrangements.

Country Programme Results Framework

The Country Programme Results Framework derives from the theory of change and is a simplified logical framework² that builds on objectives and selected indicators from partner's results frameworks. The framework provides an overview of objectives, outcomes, outputs and key indicators for the Danish Country Programme and is part of the theory of change envisaged in the programme. It will be used to focus the dialogue with partners on progress towards achieving the agreed results and possible changes to the implementation and for reporting progress of the development cooperation to the public.

The emphasis on alignment to partners' results framework requires an early attention to establishment of concrete and measurable objectives and indicators in the preparation process with partners. The Country Programme results framework is a mandatory part of the country programme document and is part of the country programme documentation that is submitted to the Danida External Grant Committee (template in toolbox).

Partners' results frameworks may differ considerable from the Country Programme results framework in terms of i.e. used terminology, level of detail, logic hierarchy etc. Hence, when selecting objectives and indicators from a partner's results framework, pay careful attention to the content rather than the terminology when applying to the country programme results framework. It is underlined that the intended use of the Country Programme results framework is not to dictate the design of partner's result frameworks.

In cases where partners have developed extensive results frameworks, key elements from this will have to be extracted for the Country Programme results framework for Danida reporting purposes. For the Country Programme results framework 1-2 outcomes and maximum 5 outputs are selected for each engagement.

Definitions and relations in the results framework are defined in fig. 5.

² Terminology is based on "Glossary of Key Terms in Evaluation and Results Based Management" (OECD/DAC, 2010)

Fig. 5 A graphical illustration of the results framework

Country Policy Strategic Objective		Thematic Programme Objective		Results Framework for a Country Programme	
Denmark's strategic objectives for the cooperation with a priority country are defined in the Country Policy Paper. The strategic objectives reflects Denmark's entire cooperation with the country.		The intended impact contributing to physical, financial, institutional, social, environmental, or other benefits to a society or community via a thematic programme.			
Impact	Impact	Outcome	Engagement Output		
Is the long-term effects contributed to by the country programme and any other cooperation between the priority country and Denmark, directly or indirectly. Desired results are defined in the Country Policy Paper and may be a combination of Danish policy goals and the priority country's development objectives.	The long-term effects contributed to by a thematic programme, directly or indirectly. Achievement of the priority country's thematic objectives will be the result of a very broad range of activities and factors that go far beyond the activities supported by Denmark.	The short-term and medium term effects of an engagement's outputs on the target group. Engagement outcomes contributes to the achievement of the thematic programme objective.	Short-term result in the form of capital goods and services which result from an engagement's activities. May also include changes resulting from the engagement which are relevant to the achievement of engagement outcomes. Outputs contribute to the achievement of engagement Outcomes.		
Impact indicator	Impact indicator	Outcome indicator	Output indicator		
Impact is measured at national level.	Impact is measured at national level according to the national monitoring schedule.	Outcomes are measured end of programme or end of programme phase. Outcome indicators are drawn from the engagement partner's results framework.	Outputs are measured annually by quantitative indicators and process indicators. Output indicators are drawn from the engagement partner's results framework.		

The strategic objectives

In the Country Policy Paper three to four strategic objectives reflects Denmark's entire cooperation with the country, i.e. foreign and security policy, development cooperation, and commercial relations and sets the strategic direction for the cooperation with the priority country for the entire Ministry of Foreign Affairs.

The thematic objectives

The objective of a thematic programme is the best match between the Danish strategic objectives given by the Country Policy Paper and national objectives for the theme as defined in a key policy document by the government of the priority country, for example, an overall growth and development strategy, a poverty reduction strategy (PRSP), a New Deal Compact of a conflict and fragile affected state or similar, and national commitments on fulfilling human rights (Universal Periodic Review (UPR) report). The thematic objectives should contribute to the overall objectives of Danish development assistance, i.e. poverty reduction or human rights. Achievement of the priority country's national objectives will be the result of a very broad range of activities and factors that go far beyond the activities supported by Denmark. It will usually not be possible to document the Danish contribution or attribution to achievement of a national objective at this level. Nevertheless, the thematic objectives provide the overall purpose and rationale for the engagements by Denmark within each theme. There should be one objective per thematic programme in a Country Programme. While the thematic objectives are outlined in the Country Policy Paper, they can be further elaborated and refined in the Country Programme document.

Development Engagement Outcome

The engagement outcome (or a few outcomes) is drawn from the engagement partner's programme documentation. If this is not feasible, the outcomes should be defined together with the partner in the development engagement document. In some cases, the outputs of several engagements can support the same outcome. The outcome must support the achievement of the objective of one or several thematic programmes. Outcomes may stem from factors both within and beyond control of the engagement. Results at outcome level are reported at the latest at the end of an engagement phase but more frequently if possible. 1-2 indicators at outcome level should be chosen which can inform on quantity and quality of the achievement.

Development Engagement Outputs

The engagement outputs are drawn from the engagement partner's programme documentation. The outputs must support the achievement of the engagement outcome. Progress on output indicators is reported annually. In the programme document's results framework a maximum of five output indicators per outcome must be chosen.

An indicator has to be measured against a baseline, end of programme targets, and for output indicators also annual targets. Indicators should be used to enable monitoring on both quantitative and qualitative aspects of the engagement. Process indicators may also be important for assessing if a certain approach³ or initiative is progressing as planned in terms of contributing to the change(s) envisaged by programme.

It is important to revisit indicators on a regular basis, and assess whether the identified assumptions are still valid and adjust activities as needed.

For the purpose of reporting on progress to the public, output indicators are reported on whenever new data is available through the programme database (PDB). Should the allocation of funds for the various engagements change (due to use of unallocated funds, reallocations etc.), this will influence the results framework which will have to be adjusted accordingly.

Indicator examples

- At output level a quantitative indicator could be 'number of persons trained' with annual targets of 10.000 persons in year 1, 25.000 in year 2, etc.
- A qualitative indicator could be degree of satisfaction with a service provision; degree of cleanliness of water etc.
- A process indicator could be 'establishment of an independent election commission' with targets being 'new law for the commission defined in year 1', 'commission members appointed in year 2', etc.
- At outcome level a quantitative indicator could be 'number of persons with access to safe drinking water'.
- A qualitative indicator could be 'performance of independent election commission rated as satisfactory by international election observers'.

³ The application of HRBA is an example where process indicators could be applied in terms of monitoring whether the principles of; Participation, Accountability, Non-discrimination and Transparency are being applied.

Budget

The Country Programme budget will reflect the thematic programmes, the development engagements within each thematic programme and the unallocated funds. The budget should be presented for the full Country Programme period and be detailed down to annual sequences (half-year sequences when necessary). The budget must be presented at outcome level for budget support/basket funding/core funding and at output level when Danida is partly financing elements of a partner's budget of a wider partner programme and when Danida is working with implementing partners such as civil society funds, trusts, fund managers etc.

The budget must show partner funds and other sources, as well as Danish and other donor funds, any technical assistance, and contingencies. The contribution from each source should be easily distinguishable.

Risks management

Risk management is an integrated part of the Country Programme cycle, which implies that a preliminary assessment of potential risks and risk responses is presented to the Danida Programme Committee in the concept note. A risk management matrix is annexed to the Country Programme grant proposal to the External Grant Committee, and the risk assessment and responses are assessed regularly during implementation and discussed during the annual strategic dialogue between the Danish Missions and senior management in Copenhagen. Danida's Risk Management Guidelines provides the standard tools for assessing and managing risk including the risk management matrix. Description of risks in the programme document must be consistent with the description of risks in the risk management matrix.

The Risk Management Guidelines operate with three main categories of risks: Contextual risk concerning the general risk factors in the country, programmatic risk concerning risk in regard to achievement of thematic programme outcomes and institutional risks in relation to the interest of Denmark and its partners. Consult the Guidelines for Risk Management ([link in toolbox](#)).

Fragility considerations

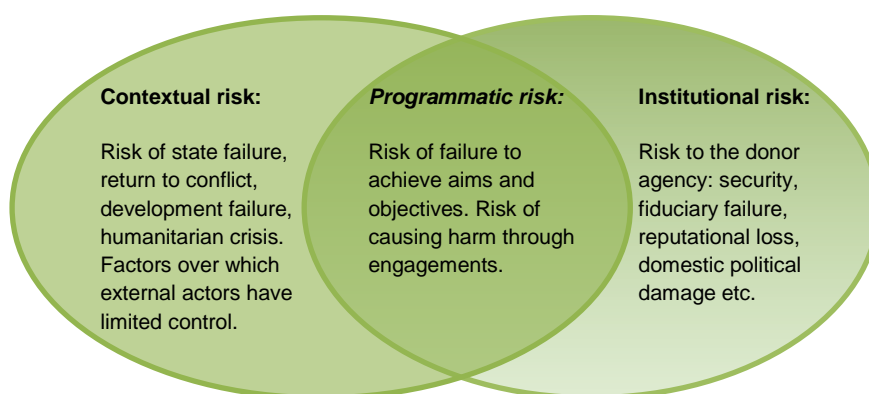
Active use of risk management can be used to enhance flexibility in fragile contexts. The risk management framework outlines the need to develop risk responses. Risk responses can be formulated to encompass alternative implementation methodologies in case certain risks materialize. Thereby the risk framework can function as a basis for certain adjustments to the programme which have already been part of the original approval process. Thereby approval of subsequent changes can, depending on the quality of the risk framework, happen at administrative level, without being resubmitted to the External Grant Committee. See also box on scenario planning above.

The likelihood and impact of identified risks are assessed and risk response measures identified. Based on the expected effect of the risk responses an estimation is made of the combined residual risk.

Risk management is not only about minimising risk but also includes balancing the risks against opportunities and potential results, or alternatively the negative results of not providing support. Risk

management should be seen as an iterative process where e.g. implementing risk responses influence programme design and vice versa. Risk responses can result in changes to partners, outputs, outcomes and shift in the use of resources. The responses can be briefly outlined in the risk framework during formulation.

The Risk Management Matrix should be re-assessed and revised annually. Monitoring of risks during implementation is important in order to identify whether developments require adjustments to the programme is required. Developments in risks could e.g. require adjustments to the results framework or to generally revisit the theory of change to ensure the relevance of the intervention logic.



Appraisal



Purpose, responsibilities and practical arrangement for the appraisal

The overall purpose of an appraisal is to provide quality assurance of the Country Programme design and documentation, at a strategic as well as at a technical level and thereby provide the basis for the granting authorities' funding decision⁴. The appraisal comprises the whole country programme package (including country programme document and development engagement documentation), and an assessment of partner strategies, analytical background documents and national policy documents. The appraisal will assess to which extent the Country Programme fulfils the strategic direction and objectives of the Country Policy Paper, including linkages between development cooperation and the broader engagement in the

⁴ As a general rule, appraisal should be undertaken on all use of development funding. Various guidelines exist for different modalities; however, quality assurance before final funding decision is a basic requirement.

country concerned, and national policies, strategies and development plans. In fragile and conflict affected countries New Deal Compacts or similar documents taking inspiration from the New Deal 5 Peace and State Building Goals⁵ will be central. It will also assess the theory of change, and the rationale provided for the layout of the Country Programme, and whether the Country Programme is technically sound by focusing on, among other things, its management, monitoring, and risk management set-up. It will also assess how the Danish Mission has integrated recommendations from the Danida Programme Committee into the design.

It should be noted that every appraisal will take its point of departure in the local context and assess the design of the programme against the five OECD/DAC criteria of relevance, effectiveness, efficiency, impact and sustainability.

The Danish Mission schedules and designs the appraisal process in close consultation with TAS through the rolling semi-annual planning calendar and the Process Action Plan. To allow time for finalisation of the Country Programme after the appraisal, the appraisal should take place no later than 4 months before the presentation to the External Grant Committee. For Country Programmes that will have to enter a commitment in a given calendar year, the presentation to the External Grant Committee should at the very latest be done in October, and preferable before.

Appraisal of Country Programmes will be conducted by a cross-sectoral team from TAS supported by external consultants. In addition to leading the team, the Team Leader (from TAS) will have special responsibility for the strategic assessment of the Country Programme in relation to Danish foreign and security policy, climate policy and commercial cooperation as outlined in the Country Policy Paper. The assessment will take the Danish development cooperation as its starting point and assess to which extent synergies across instruments are reflected.

As part of the preparation for the appraisal mission, the Team Leader will also act as a point of contact for the Danish Mission. Likewise, the Danish Mission

Country programme documentation to be forwarded to TAS 8 weeks prior to appraisal;

Draft country programme document with annexes:

- a. Country policy paper
- b. Partners – brief descriptions
- c. Results Framework at output level
- d. Budget
- e. Risk Management Matrix
- f. List of supplementary materials.

Other documentation:

- g. Development engagement documentation (draft engagement documents and partner's programme documents for all programmed development engagements)
- h. HRBA / Gender Screening Note
- i. Climate Change and Green Growth Screening Note
- j. Assessment according to the five budget support principles
- k. National partner strategies (final or draft versions)
- l. Background analyses, including sub-sector analysis, capacity assessments etc.
- m. Other relevant national documentation like legal framework, public sector management framework, and donor led analysis etc.
- n. Updated PAP covering the period from the appraisal until signing of an agreement
- o. Minutes of the meeting from the Danida Programme Committee

⁵ The 5 Peace and State Building Goals focus on 1) Inclusive (legitimate) politics, 2) Security, 3) Justice, 4) Economic foundations and 5) Revenues and services.

should appoint a senior staff to coordinate the preparations across thematic areas at the Danish Mission prior to the fielding of the appraisal.

The appraisal includes a field visit to the country in question. The Danish Mission will draft ToR and submit these to TAS eight weeks before the arrival of the team. The “Appraisal Guide” (in toolbox) outlines the focus of the appraisal.

The aim is to appraise and subsequently present the total Country Programme, including all proposed thematic programmes and development engagements to the External Grant Committee in one step. The appraisal of this package will be undertaken by TAS in one step. However, if not all development engagements are programmed and hence not ready for appraisal, an appraisal can proceed with a certain percentage of the total budget unallocated. The acceptable level of engagements not programmed at the time of appraisal, and hence the amount of the unallocated part of the Country Programme budget, is defined by the Danida Programme Committee in each case. The amount of unallocated funds can only in exceptional cases reach 25% of the total country programme, and it cannot constitute an entire thematic programme. In some cases the appraisal of a Country Programme package may be followed by a desk appraisal of specific development engagements or parts thereof in agreement with TAS.

If joint appraisal has been undertaken of one or more development engagements, TAS will assess whether further appraisal is necessary.

The final appraisal report must be completed within two weeks after the end of the appraisal mission. A standard “Summary of Recommendations of the Appraisal Report” (from toolbox) is prepared by the appraisal team and completed by the implementing MFA unit. The appraisal mission can recommend that an inception review will be carried out for the entire Country Programme or for one or more of the thematic programmes, if deemed necessary. The Danish Mission assumes full responsibility for the follow-up on the appraisal report. In case an appraisal recommendation is not followed, the Danish Mission must justify the decision and specify the reasons in the standard Summary of Recommendations of the Appraisal Report. The Head of the Mission must forward the completed summary report to TAS with the under-secretary for Global Development and Cooperation in copy at least four weeks prior to the Country Programme being submitted to KVA for the External Grant Committee. If no comments have been received within two weeks from submission, the response can be considered as approved. The completed summary will be an annex to the grant note.

Subsequent appraisal of engagements funded by unallocated funds

For an unallocated budget, approved by the External Grant Committee, the modality for appraisal of development engagements will follow the general Danida appraisal rules, which state that all new grants above DKK 37 million must be appraised by TAS, while appraisal of grants with a budget below this limit is the responsibility of the Mission. For appraisal of activities with a budget between 5 and 37 million DKK, the appraisal must be carried out by external consultants using the standard appraisal guide found in the tool box. The external appraisal should produce an appraisal report and a summary of recommendations to which the Mission has to contribute with responses to the recommendations. Minor activities below 5 million should be appraised by the staff of the Mission, which must be done by using the standard checklist (see toolbox).

In cases where funds are allocated to already existing engagements, the assessment of which type of appraisal is necessary should be based on the total accumulated amount allocated over time.

Finalization of design and appropriation



The finalization and appropriation phase is when the full Country Programme documentation is finalized and the Country Programme document with mandatory annexes is presented to the External Grant Committee. One of the key tasks in this phase is to revise the Country Programme design based on the recommendations of the appraisal. This process should include relevant partners to ensure agreement on possible changes in the Country Programme design.

Presentation to Danida External Grant Committee

The Country Programme document with mandatory annexes will be submitted to the External Grant Committee for approval. Development engagement documentation and other documentation on the development engagements will be made available to the External Grant Committee upon request.

In cases where the programme document cannot provide specific information, for reasons of confidentiality in relation to Danish foreign relations, other countries or organisations, a brief note (max. three pages) outlining this information can be presented in connection with the submission of the programme to the External Grant Committee. KVA draws up minutes of the External Grant Committee meeting based on contributions from the Danish Mission. The minutes will include the Chairman's summary and conclusions. The minutes are published at the [Danida transparency website](#). KVA will present the Grant Committee's recommendation to the Minister for Development Cooperation for final approval. When the minister has approved the grant, KVA will inform the Danish Mission.

Country programme documentation

The following should be submitted:

Country programme document with cover sheet and the following annexes:

1. Country policy paper
2. Partners – brief descriptions
3. Results Framework at output level
4. Budget
5. Risk Management Matrix
6. Approved response by representation to summary of appraisal recommendations
7. List of supplementary material

To be made available upon request:

1. Development engagement documentation (draft engagement documents and partner's programme documents for all programmed development engagements)
2. HRBA / Gender Screening Note
3. Climate Change and Green Growth Screening Note
4. Assessment according to the five budget support principles
5. National partner strategies (final or draft versions)
6. Other documents as deemed relevant

Detailed information regarding presentation to the External Grant Committee is outlined in [“Guidelines for presentations to the Programme Committee, Danida Grant Committees and Council for Development policy”](#).

Planning of commitments and follow-up

The Danish budget law places the MFA under a budget ceiling that is equivalent to the allocation on the Finance Act. The MFA is obliged to report follow-up to the Danish Ministry of Finance on an annual commitment budget distributed on a quarterly basis. Consequently, strict planning at the time of entering the commitment is required from the Danish Missions. The commitment should be made as early as possible in the Danish financial year. In connection with the development of the finance act for the following year, Missions and MFA departments are asked to distribute the annual commitment budgets on quarterly commitments. If the commitment is not made in the quarter it is budgeted, the responsible unit will have to provide an explanation that will be forwarded to the Danish Ministry of Finance.

Also, the budget ceiling means that transferring commitments from one year to the next is as a general rule not possible. If a very special situation forces the Danish Mission/MFA department to consider this option, dialogue with the finance act team in the Department for Development Policy and Global Partnerships will have to be initiated as early as possible.

CHAPTER 3: THE IMPLEMENTATION PHASE



Implementation arrangements and requirements to partners

Agreements

An overall Programme Support Agreement covering the entire Country Programme is signed with the Ministry of Finance when applicable. In that case, the Programme Support Agreement with the Country Programme document annexed serves as the commitment document for the entire Country Programme budget. If a comprehensive Programme Support Agreement cannot be entered into, commitment agreements can be signed at the level of thematic programme or the implementing partner agreement with a development engagement partner can be used as commitment document. For all development engagements, the agreement consists of a signed standard legal agreement (bilateral, joint or delegated), a signed development engagement document and relevant partner documentation. In the case of joint (sector) budget support or pooled funding, Joint Financing Agreements are made.

Templates and instructions in regard to various agreements are available from ["The guidelines for agreements on development cooperation"](#).

Dialogue and consultation

At national level

The Danish Missions will – where relevant in the country context – have annual dialogue meetings regarding the overall implementation of the Country Programme, with the leading ministry for donor coordination, often the Ministry of Finance or Ministry of Planning. This dialogue will more specifically address political, economic, social and human rights developments, progress in the Country Programme, overview of disbursement during the past year, budgets for the coming year, possible reallocation of funds between development engagements, use of unallocated funds and other decisions at overall Country Programme level.

In addition to the country dialogue, the Danish Mission will conduct at least one annual consultation with each partner at development engagement level. The consultation will include dialogue on progress towards agreed results, planning and budget aspects. In cases, where Danida works with multi-donor implementation set-ups or intermediaries including more partners, the dialogue will take place with the board of the intermediary or similar set-up. When Danida cooperates with a number of individual partners within a thematic programme and the partners have a joint interest in commonly pursuing an objective, a joint steering committee could be established.

Daily implementation is the responsibility of the national partner or the implementing unit adhering to its own procedures to the extent possible and as agreed with donors. The Danish Mission is responsible for ensuring that maximum alignment is pursued and potential additional demands by Danida are met. Regular contact with each partner is a crucial element for ensuring an effective dialogue.

At engagement level

At development engagement level, the decision making body often varies a lot in terms of size and participation, ranging from a joint government-donor set-up to a one-on-one dialogue with a small CSO. A guiding principle is that the decision making procedures at development engagement level should involve all participating donors and partners, be transparent and formalised and records of decisions taken should be kept. The joint decision making will normally address:

- Approval of work plans and budgets, reviewing annual (progress) reports against indicators and targets.
- Monitoring of programme implementation, including on outcome.
- Approval of ToR for audits and audit reports as well as monitoring of audit follow-ups.
- Approval of ToR for reviews or evaluations, and endorsements of review recommendations.
- Decisions regarding deviation from plans, including reallocations, changes in output, indicators, activity plans, etc.
- Planning of possible future collaboration.

Refer to “Joint Management Arrangements” (from toolbox)

Planning, budgeting and reporting

Alignment

The annual planning and reporting process should be aligned with or fully integrated into the planning and reporting cycles of partner institutions responsible for implementing the development engagement. In the case of public institutions, such planning will normally be linked to the national budget preparation process.

A single plan and budget for the entire partner organization, encompassing all external funding sources and own contributions is the preferred option. When a national agency covers development engagements of several institutions, a complete plan and budget composed of the various institutions’ contributions are recommended at an aggregate level.

The budget items of the Danish appropriation must be consistent with work planning and budgeting of partners. Therefore, to be able to align planning, budgeting and reporting to national systems, it is important to aim for such a match already at the conception stage of the Danish support.

Responsibilities

Work planning and budgeting at activity level is primarily of concern to the partner institution responsible for day-to-day implementation. The Danish Mission in its capacity to oversee Danish funds should primarily focus on key activities, outputs and outcomes in both planning and reporting. Work plans, budgets and progress reports at output level should be submitted for endorsement in joint decision-making fora. Separate planning and reporting documents should be avoided if partner procedures cover Danish-funded activities and are of an acceptable standard. If the partner is unable to produce financial reporting based on outputs, Danida should consider assisting the partner in developing the reporting capacity.

Funding of each development engagement will be governed by an agreement between the Danish Mission and the partner. The management of the partner institution is responsible for planning, budgeting and

reporting. The Danish minimum requirement of a development engagement agreement is one annual plan and budget, as well as one annual progress and financial report. It may, however, in some cases be necessary to request semi-annual planning and progress reports or quarterly financial reports. The exact requirements should be agreed with partner institutions and stated in the development engagement document.

Reporting by the partner

The day to day monitoring is done by the partner. The management arrangement agreed between Danida, the implementing partner and other partners, if any, is responsible for overseeing that activities lead to the expected outputs and outcomes. Progress reporting should always be assessed and balanced against the resources spent. It is the responsibility of the Danish Mission to follow-up on deviations and to agree upon mitigating measures during the implementation phase.

The specific format of the progress report may vary. Separate planning and reporting documents should be avoided if partner procedures cover Danish-funded activities. In joint arrangements, the contents indicated below should serve as a reference in negotiations with partners and other donors about a format for joint reporting. If joint arrangements cannot be established and the reporting is separate for Denmark, the contents indicated below should be used, or adapted to the partner institutions' own reporting. Progress reports must be based on and clearly reflect the agreed documentation for the programme, i.e. country programme documentation or development engagement documentation, and, if applicable, approved annual work plans, decisions of the joint management arrangement, recommendations of reviews, etc.

The annual progress report should preferably include:

- An assessment of the development of the national framework during the past year (This issue may be covered in other national documents (PRS annual reports or similar), in which case they may not be included in progress report)
- Progress as compared to the defined (original and revised) output targets for the reporting period, including brief explanations of problems encountered and how these have been handled
- Progress to date compared to output targets for the entire programme period
- Reporting on expenditure as compared to budgets
- Reporting on the linkage between output and expenditure
- Problems encountered and specification of recommended changes and adjustments (including budget re-allocations) for approval by the relevant authorities
- Followup to prior rekommandations

Reporting by Danida

1-2 outcome indicators and maximum 5 key output indicators, drawn from the results framework in the partner programme documentation, are stipulated in the development engagement documents. The indicators are defined by a baseline, end of programme targets, and for output indicators also annual targets. The same indicators are used for Danida's reporting on development cooperation to the public.

Missions should ensure that;

- All programme/projects are captured in the relevant systems, PDB, etc.,
- That adequate descriptions of activities are present, relevant, and updated when needed,
- All indicators are developed and entered into the systems as part of the result frameworks,
- Indicators are continuously updated with latest available data on performance,
- Status on performance according to the indicators is included in Annual Country Report.
- Ensure quality control of the data entered

Monitoring and learning

In order to ensure achievement and documentation of results in the programme monitoring must be prioritised in the design of the programme and during programme implementation.

Programmes are not assessed on whether the planned engagements have been carried out, but on whether the intended results have been achieved.

An important aspect of the monitoring is therefore to enable programme management to learn what works best and adapt the programme to the best suited options. Effective monitoring includes both monitoring of outputs and outcomes as well as monitoring of financial management.

Monitoring is the responsibility of the Mission. If relevant, technical assistance can be engaged to assist partners with the development of, -and implementation of adequate monitoring frameworks, collection of data and reporting on progress towards agreed results of the engagements or programmes as a whole, including financial aspects.

Funds to assist partners and monitoring expertise to compile data and information across the programme can be allocated in the budget to increase the quality of monitoring.

Dimensions of monitoring

- **Results monitoring**; to assess the efficiency and effectiveness of the programme and whether performance is as expected.
- **Monitoring of assumptions**; to assess if the ToC is still valid, or whether the programme must adapt to new intervention Logic
- **Risk monitoring**; to assess to what extent the programme is in danger of being compromised, needing adjustment of ToC or implementation modality

Especially in **fragile situations** it is important to maintain a good monitoring framework to assess if there has been a shift in the planning scenarios, and whether this will have consequences for implementation modality, choice of partner, resource allocations and focus of the programme.

Monitoring of results framework

The Missions are directly responsible for maintaining adequate monitoring of the result framework for the country programme. This includes continuous assessment of the progress and whether the programme is on track to achieve the intended results.

The theory of change is useful as a tool also in the implementation phase to assess whether the programme is on track, implications of changes in assumption and risks. Hence, it is suggested that the Mission regularly revisits the theory of change that underpin the programme.

The Missions are also responsible for the dialogue with the partners on the result framework in the individual development engagements. While the Mission is not in direct control of the monitoring, the expectations and requirements must be communicated clearly and the results of the engagement must be followed in order to assess whether the engagement is progressing as expected.

The Missions are also responsible for adequate reaction to the information gathered as part of the monitoring. If engagements or other parts of the programme are not progressing, analysis, i.e. through reviews, should assess how the engagement should be adjusted or whether the programme needs to change its approach to achieving the results.

Monitoring assumptions and risk

As part of the theory of change and justification of the programme, some assumptions have been made. It is important for the Mission to monitor whether the fundamental assumptions for the programme are still valid. This may not entail a specific monitoring framework, but the Mission must regularly undertake an analysis on whether the underlying assumptions in the programme are valid, and whether the programme need to change, perhaps substantially, in order to achieve the desired objectives. This includes the assumptions that form part of the scenario planning approach, if applied, in order to determine the need for individual engagement of thematic areas to shift to other scenarios for implementation.

Similarly, a number of risk factors have been identified in the risk framework, these should also be subject to structured and regular analysis, in order to determine whether some or part of the mitigating actions should be triggered.

The conclusions of the analysis of both assumptions and risks are rarely clear and conclusive. The important aspect is to assess if it is necessary to make adjustments. Conclusions can lead to a variety of possible adjustments.

Real-Time evaluation

To strengthen implementation and learning as the programme is being implemented, real-time evaluation is being piloted in a few countries. Based on the experiences this instrument may be applied across country programmes in the years to come.

The real-time evaluation is an evaluation process, which from the start of implementation of an aid programme defines an independent, external evaluation that follows the programme and regularly make evaluation findings at outcome and impact level available for the on-going adjustment and improve implementation of the programme. The real-time evaluation uses monitoring data which are nearly at the output level to provide insight into how programmes are contributing to outcomes and impacts. The expectation is that real-time evaluations will provide quick learning and will allow for early adjustment in programmes to allow for better achievement of results. Real-time evaluation will also help identify gaps in knowledge on causal links and contribute to remedying this. The real-time evaluation can only make suggestions for revision of a programme.

Real-time evaluations are currently organised and financed by the evaluation department.

Revision of programme during implementation

The general principles for revision of the programme, reallocation and use of unallocated funding during implementation are as follows:

1. **Changes anticipated as part for the programming** at the level of outputs and outcomes can be implemented by the Mission according to the plans. Anticipated changes can include outlining different scenarios or risk responses with identified partners and outcomes.
2. Changes in **outputs** under the DED formulated outcomes can (in agreement with implementing partner) be approved by the implementing Mission, provided the change fit within the formulated outcome.
3. **Changing an implementing partner** (DED) can be approved by the Mission if the outcome remains identical to the old DED and no substantial change is done to the resource prioritisation in the thematic area of the programme.
4. Changes in **outcomes** should be approved by Under-Secretary for Global Development and Cooperation (GUS) or the State Secretary for Development Policy. In case it is assessed, that the changes in outcome(s) change the programme substantially in substance or in prioritisation of funding, it can be decided to refer the decision to the External Grant Committee. The changes in outcome(s) must under all circumstances fit within the thematic objectives already approved in the programme document.

5. Changes in **thematic objectives** should always be approved by the External Grant Committee.
6. For allocations of **unallocated funds above DKK 37 million**, the decision to use unallocated funds must be approved by either the Under-Secretary for Global Development and Cooperation (GUS) or the State Secretary for Development Policy.
7. In case the proposed changes involves **reallocations between thematic programmes**, it should be referred to Under-Secretary for Global Development and Cooperation (GUS) based on an assessment and recommendation from the Mission confirming that the changes do not contradict the basis for appropriation or whether the changes require re-submission to the External Grant Committee and/or whether notification should be given to parliament. Reallocations between thematic programmes should always be referred against the basis for the appropriation, i.e. finance act and approved Country Programme document.
8. All **new engagements** not included in the approved Country Programme document are subject to appraisal, either by the Mission itself, external consultant or TAS. Appraisal of development engagements financed from the unallocated funds will follow standard appraisal procedures (ref. appraisal section).

Financing decisions

Unallocated funds

The aim is to have all development engagements under all thematic programmes of the country programme formulated, appraised and approved by granting authorities as one coherent programme. However, there will be situations where some development engagements will not be ready to be fully formulated and appraised in time for the presentation to the External Grant Committee. Furthermore, with a Country Programme including all development engagements over a 5 year time span, the need to react to new situations can necessitate reservations of funds to be programmed later. Hence, a part of the budget could be kept for activities not programmed at appropriation. All funds not programmed and appraised at the time of presentation to the External Grant Committee are regarded as unallocated funds.

The acceptable level of engagements not programmed at the time of appraisal and hence the maximum amount of the unallocated part of the Country Programme budget is defined by the Danida Programme Committee in each case after assessment of the Danish Mission's proposal in the concept note. The amount of unallocated funds can only in exceptional cases reach 25% of the total Country Programme budget and not constitute an entire thematic programme or development contract.

In the country programme document presented to the Danida External Grant Committee, it has to be indicated which thematic objectives and if possible also which development engagements the unallocated funds are intended for.

A Danish Mission has the mandate to approve allocations of maximum DKK 37 million from unallocated funds in a financial year. This can be done in the case the use of the unallocated funds follows the indication in the grant document presented to the External Grant Committee. If the Mission intends to use the unallocated funds for thematic objectives (and engagements if this has been specified in the grant document) different from what has been indicated in the grant document, the Mission will have to go back to the External Grant Committee for approval. For allocations above DKK 37 million, the decision to use

unallocated funds must be approved by either the Under-Secretary for Global Development and Cooperation (GUS) or the State Secretary for Development Policy. Again, should the new activities suggested by the Mission differ from the indication in the grant document; the Mission will have to present the case for the External Grant Committee for approval.

At the mid-term review most unallocated funds should be programmed and a plan for the remaining unallocated funds prepared.

Appraisal procedures have to be followed (see appraisal section).

Reallocations

Reallocations concern adjustment of already approved budgets for thematic programmes.

A Danish Mission may each year during the programme implementation period approve accumulated reallocations between development engagements within a thematic programme of up to 10 pct. of the average annual disbursement budget of the thematic programme (as specified in the approved grant document). Reallocations must be approved by Head of Mission.

Example:				
Consider a 5-year Country Programme of DKK 1,2 billion consisting of three thematic programmes of DKK 400 million, DKK 300 million, and DKK 500 million respectively. The Head of Mission may then each year approve reallocations within the thematic programmes of maximum 8 million, 6 million and 10 million respectively:				
DKK	Total country prog. budget	Thematic prog. 1	Thematic prog. 2	Thematic prog. 3
Total programme disbursement budget	1,2 billion	400 million	300 million	500 million
Average annual disbursement budget (5-yr prog.)		80 million	60 million	100 million
Maximum annual accumulated reallocations within a thematic programme (10%)		8 million	6 million	10 million

Beyond these limits, the Under-Secretary for Global Development and Cooperation (GUS) has the mandate to approve reallocations. The request should clearly outline between which development engagements the reallocation is requested, the size of the reallocation (percentage of the total disbursement budget of the thematic programme in that year) and that the reallocation will not lead to changes in the thematic programme objective.

Proposals regarding reallocations and use of unallocated funds should always be discussed with the Ministry of Finance in the priority country, a joint decision-making body or similar.

Use of contingencies

In the budget, it is recommended to provide a budget line for contingencies – also called budget margin - in development engagement budgets. Contingencies can only be used to cover unforeseen expenses for planned activities (budget margin for extraordinary price increases, money exchange losses, unforeseen expenses etc.). In the dialogue between the Danish Mission and the Ministry of Finance in the partner country or joint decision-making body (or other management arrangement) it can be decided to cover unforeseen expenses, losses etc. Contingencies can only be used within the same development

engagement without limits. Should this be insufficient, the rules of reallocations between development engagements, as described above, must be adhered to.

Other appropriation-related issues during implementation

The Danish Mission is authorized to approve changes in programme implementation up to the level of outputs, but not to alter the outcomes of a development engagement or the thematic objective of the thematic programmes.

The Danish Mission has the mandate to change aid modality if the change leads to better alignment and harmonisation. However, a move towards general budget support has to be approved by the External Grant Committee and the Minister for Development Cooperation. Other changes in modalities can only be agreed by the Danish Mission if these have been anticipated in the time of formulation and mentioned in the appropriation note to the Danida External Grant Committee. If this is not the case, such a decision can be taken by the Under-Secretary for Global Development and Cooperation or the State Secretary for Development Policy either at the annual strategic dialogue meeting or after the mid-term review.

If significant changes in the country context occur during the implementation of the Country Programme that warrant changes to the thematic programme objectives, approval must be obtained from the External Grant Committee based on recommendation from annual strategic dialogue meeting and/or the mid-term review.

Accounting

International standards

In order to produce reliable work plans and budgets, proper financial management must take place. The partner's procedures for budgeting, accounting and financial management are used insofar as they comply with internationally acceptable principles and standards⁶. In cases of shortcomings, the partner's procedures must be strengthened as needed to ensure acceptable fiduciary standards.

Fragility considerations

Where partners are operating in difficult environments, e.g. where record keeping can be a security issue, or has exceptional low capacity, it can be considered to engage an external agent to undertake the accounting and financial reporting duties on behalf of partner.

The accounts must be kept in accordance with international standards, ensuring:

- That the Danish grant is entered into the accounts as income.
- That reporting on expenditures is of at least the same level of detail as in the grant budget.
- That all expenditures are documented by vouchers, original invoices and original, signed receipts.
- That a register is maintained of equipment and other assets.

⁶ International Public Sector Accounting Standards, IPSAS or – for non-public partners – International Accounting Standards (IAS)

- That acceptable control procedures are put in place, and that accounts are signed by responsible institution's management.
- That the administration adheres to established written procedures.

The priority country's financial year should be followed. If the partner's accounting period is different from that of the priority country, the Danish Mission and partner can agree to use the accounting period of the partner. This may entail that the first or last reporting period of a particular development engagement is shorter than 12 months.

Accounting as well as financial reporting should be conducted in the currency of the priority country. Any payments made in other currencies will be converted into local currency in the accounts at the time of transaction. It is important to note, however, that the Danish appropriation is in DKK, and the Danish Mission should monitor currency fluctuations' influence on commitments and disbursements insofar these are made in other currencies. Currency fluctuations will result in increased or decreased expenditures within the funded, on-going engagements, but the balance of the grant will always be measured in DKK.

In the case of (sector) budget support or pooled funding, Danish funds are not kept separate from other donor funds, and hence there is no requirement of separate bank accounts. If there is earmarked funding, it is recommended to keep Danish funds (or pooled donors funds) in a separate bank account unless otherwise agreed.

Conditions for transfer of funds

In the case of (sector) budget support, the Joint Financing Agreement (or other agreement with the partner) will specify the conditions under which funds will be transferred.

For earmarked funding, the conditions for transfer are:

- Satisfactory financial reporting has been submitted on previous periods.
- No other accounts are unsettled with the same partner.
- There is an approved work plan and budget for the period to be financed.

The transfer of funds to the partner institution will be carried out on the basis of a written request from the partner institution to the Danish Mission. The transfer can cover foreseen expenditures for up to six months. The transfer request must include information on the amount and the bank account into which the funds are to be deposited. A receipt should be submitted by the implementing partner to the Danish Mission as soon as the funds have been received.

If it is agreed that Danish funds are kept in a separate bank account, a copy of the bank statement with a reconciliation of the bank account will be attached to the request.

Whenever it is possible to calculate, interest accrued from bank holdings are returned to the Danish Mission on an annual basis, immediately following the end of the foregoing fiscal period, for onward transfer to the Danish Ministry of Finance.

The accounting documents and records must be kept for five years after the completion of the development engagement. The documents and records shall be made available for control purposes to the Danish Auditor General and/or to the Ministry of Foreign Affairs or their representatives, upon request.

More guidance on requirements for accounting and auditing can be found in the [“General Guidelines for Accounting and Auditing”](#).

Auditing

Danish contributions to public sector institutions should preferably be audited by the supreme national audit institution. If that is not possible due to resource or capacity constraints, or if the recipients are non-public organizations, the steering committee or similar body may appoint an external auditor of international repute (the cost will be covered by the commitment). In some cases, there could also be a combination of the two. The supreme audit institution should preferably be involved in formulating the terms of reference and in selecting the external auditor.

International standards

The accounts must be audited annually in accordance with either International Standards of Auditing (ISA) or audit standards issued by the International Organization of Supreme Audit Institutions, [INTOSAI](#).

The annual audit must encompass – but not be limited to – inspection of accounting records, including examination of supporting documentation of the transactions, confirmation of cash and bank holdings, checking of bank reconciliation, direct confirmation of accounts receivables, and verification of physical inventories and fixed assets. The audit will also test compliance with the accounting manual and examine the procurement function.

DAC’s [Guidelines on Harmonising Donor Practices for Effective Aid Delivery](#) include guidance on selection of a private sector audit firm and specimen terms of reference for external auditors of donor-supported projects and sector programmes. These should be used as a reference when selecting the auditor and preparing the audit terms of reference. The joint decision-making body or similar must approve the specific terms of reference as well as the appointment of the auditor.

Other audit tools could be included, such as value-for-money audits, procurement audits and tracking studies. Such studies look beyond financial audits, and can be used to assess whether outputs and outcomes were achieved efficiently and effectively. Such audit tools are considered most effective when they are partner-led and undertaken jointly with other donors. Value-for-money audits of special areas should always be conducted sometimes during the programme period.

The implementing partner must forward the final annual audit report, including a financial statement for the period audited and a memorandum of examination (management letter) to the Danish Mission no later than six months after the end of the accounting period. It should be ensured that the financial audit includes a performance audit (detailed management letter).

Reviews

The purpose of a review is to undertake a periodic assessment of programme performance (either at Country Programme level, thematic programme level or for one or more development engagements). This

includes assessment of whether programmes are implemented according to plans, whether expected results are achieved, whether the engagement is still relevant in accordance with the theory of change, challenges, developments in risk factors, aspects of efficiency and effectiveness and need for adjustment due to developments in the programme context. The review also serves as a quality assurance of the overall monitoring. Against this background, the review provides recommendations on further programme implementation. The scope and procedures of a review depends on its character.

There are two distinct types of periodic reviews:

- A mid-term Country Programme review by TAS.
- A technical review, typically annually, at development engagement level or thematic programme level, which could be in the form of an annual joint review of e.g. health sector led by the national Government, joint review of a basket fund, Danida specific technical review, etc.

Mid-Term Reviews

It is mandatory to undertake a TAS led mid-term review of the entire Country Programme. The Danish Mission is responsible for initiating the mid-term review, for logistics and for planning the review in cooperation with TAS. The mid-term-review should be initiated after the completion of the second yearly technical review(s) undertaken by the Mission, and no later than 2½ years after the commencement of the first engagements.

The TAS led mid-term review will be conducted by a cross-thematic team headed by a TAS Team Leader. The Danish Mission will appoint a coordinator being responsible for the Danish Mission's preparation of the mid-term review. Technical reviews of thematic programmes and/or development engagements organised by the Danish Mission in cooperation with partners and other donors and conducted by external consultants will feed into the mid-term review. It has to be assessed whether there is a need for technical reviews of all development engagements before the arrival of the mid-term review team. This will depend on how recent a technical review has been undertaken and the size/complexity of the development engagement and its progress.

Draft ToR for the mid-term review must be prepared by the Danish Mission. These draft ToR should detail the input expected from TAS (and possibly TAS-recruited consultants) and outline the main issues to be reviewed from a Danish and Partner perspective, including issues at Country Programme and development engagement level. The ToR should be forwarded to TAS no later than eight weeks before the commencement of the review in order to allow time for contracting consultants. The ToR will be finalised by TAS.

The mid-term review will assess progress against the five DAC criteria; relevance, efficiency, effectiveness, sustainability and impact. The mid-term review will include the following elements;

- The political, social, economic and human rights developments relevant for the implementation of the Country Programme. This should include national developments in relation to poverty reduction, human rights, gender equality, climate change, environment, green growth, the role of civil society etc. It should also include major changes in political-economy and drivers of change.

- An assessment of the development in the strategic linkages between the overall objectives as defined in the Country Policy Paper and the objectives at the thematic level.
- Assessment of theory of change and related assumptions.
- Assessment of developments in relevant partner strategies.
- Assessment of the application of a human rights-based approach in the thematic programmes.
- Thematic developments including progress in relation to key thematic indicators.
- Assessment of assumptions and risks
- Assessment of sustainability considerations and if relevant exit strategies
- Disbursements and expenditures, as well as the relationship between physical and financial progress.
- Aid modalities applied and possibilities for further alignment.
- Programme management, including financial management.
- Assessment of the results framework.
- Progress in capacity development, including possible Danida advisors.
- Use and recommendation on unallocated and re-allocated funds based on a proposal from the Danish Mission and Partners.

Documentation for mid-term review

- Relevant documents on the national programme, partner documents and other relevant studies e.g. PEFA reports etc.
- The Annual Country Reports (draft for current year and final for first year(s) of implementation)
- Result reports for each thematic programme, based on indicators in PDB
- Progress reports from engagements (including, where relevant, an assessment by the mission in relation to the partner's performance assessment framework)
- Financial Management and Disbursement form for Country Programmes/programme and projects above 37 mill.
- Up-dated risk management matrix
- Overview of unallocated funding and plan for utilization.
- Technical reviews.

The Danish Mission is responsible for providing documentation to the mid-term review (see box). The documents should be uploaded in PDB at least eight weeks prior to the review. Furthermore, a prioritised list with a reader's guide to the available documentation in PDB should be sent to TAS at least eight weeks before the review.

The mid-term review team will prepare a mission preparation note prior to commencement of the mid-term review. The mission preparation note will be discussed with the Danish Mission on a video conference. The mission preparation note outlines the key issues to be addressed by the mid-term review

based on documents reviewed and ToR. The mission preparation note will remain an internal document, unless otherwise agreed.

Mid-term review outputs and process

The mid-term review team will prepare a Mid-term Review Aide Memoire (maximum 20 pages) which will be presented in a draft form at the end of the mission. The draft will inform the team's debriefing with the Danish Mission and partners.

- The final Mid-term Review Aide Memoire will be forwarded to the Danish Mission no later than two weeks after the field mission.
- The summary of recommendations will be signed by the team leader.
- The Head of the Danish Mission will agree on follow-up activities on the recommendations with partners.
- The Danish Mission will present the follow-up activities in the template for summary of recommendations template and forward it to the Under-Secretary for Global Development and Cooperation and TAS no later than four weeks after the final Mid-term Review Aide Memoire has been received from TAS.

The mid-term review of the country programme can be combined with High Level Consultations between Denmark and the priority country.

Technical reviews

Review at development engagement level or of thematic programmes is the responsibility of the Danish Mission together with national partners and other development partners (in case of joint funding). There will be no participation from TAS, unless this is specifically agreed e.g. with the purpose of having a specific thematic expertise, or Danish representation in a multi-donor review.

The Danish Mission may recruit external consultants to undertake reviews. Development engagement reviews will vary a lot in scope and substance depending on the size and complexity. In many cases the development engagement or thematic programme review will take place annually, e.g. large joint sector reviews. In other cases the development engagement follows joint governance structures, e.g. a board for UN managed funds or a specific implementation unit basket fund, where regular reviews are undertaken. In some cases the governance structures replaces reviews as such.

The Danish Mission will evaluate if a specific Danida review is needed at development engagement level or whether joint reviews or governance structures are sufficient. Specific development engagements which have not been reviewed before the mid-term review will be prioritised during the mid-term review.

If partner-led or nationally-led joint reviews are not established, Denmark will work for this. At development engagement level, the ToR is prepared jointly by the Danish Mission and the partner, possibly together with other donors. The regular joint decision-making forum, board meeting or the like will usually approve the ToR for the review.

If a review reveals major problems or indicate that monitoring is insufficient, the Danish Mission must ensure adequate follow-up, which may include an in-depth review or specific focus during the mid-term review.

Annual Country Report and Annual Strategic Dialogue

Based upon an Annual Country Report on implementation of the Country Policy, an annual strategic dialogue will be held between the Danish Mission and senior management in Copenhagen. The annual meeting will be integrated with the SPR process and should cover Danish development cooperation as well as other policy areas presented in the Country Policy Paper.

The Danish Mission will produce a narrative report of maximum 5 pages, called an Annual Country Report, prior to the dialogue. The report will provide an overview of annual progress and recommendations for annual disbursements. If flexibility measures like allocation of unallocated budget, budget reallocations, strategic decisions etc. in the coming year are requested these should be clearly flagged. The Annual Country Report will include the following;

Part 1: A short narrative presentation of the following issues:

1. Political, economic, social and human rights developments.
2. High-lights of inter linkages between country programme and other policy priorities.
3. An overview of changes to the risk assessment and changes to other preconditions for successful country programme implementation, including assessment of the criteria for budget support where relevant.
4. Progress in country programme implementation, including an update on results.
5. MFA internal administrative issues (including issues from the Management Information System (LIS)).
6. Commitment and disbursement budgets, including from framework accounts, use of unallocated funds and reallocations.
7. Suggested prioritization of tasks and staff resources at the Danish Mission in the coming year.

Part 2: Annexes consists of standard reports drawn from the administrative systems: Annex 1: Result reporting; Annex 2: LIS reporting; Annex 3: Disbursements and budgets.

Fragility considerations

The need for changes in a programme is likely to occur in a fragile context. While changes should be kept at a minimum, the yearly strategic dialogue can be an opportune moment to have changes approved. The report should clearly outline the desired changes, the rationale and the consequences. The changes could be discussed with KVA/UFT in order to clarify any procedural or thematic dilemmas before inclusion in the annual report.

CHAPTER 4: THE COMPLETION PHASE

Towards the end of a Country Programme cycle, and in conjunction with the planning of a new country policy and a new programming cycle, it is important at an early stage to revisit the theory of change to continuously define what changes Denmark wants to support based on context analysis, Denmark's comparative advantage and what role Denmark can play. This will also be decisive for whether Denmark in the next Country Programme cycle should continue to work with the same partners in development engagements as in the previous cycle, and whether Denmark should exit from one or more of the development engagements, perhaps even thematic areas.

Preparation of exit strategy



When a decision is made to enter into a development engagement, considerations about sustainability and ultimately the exit of Danish support should be part and parcel of the development engagement strategy. The earlier the issues related to a phase-out are addressed by the Danish Mission, the better the chances are of ensuring sustainability of the achievements. The scope of the exit strategy should match the volume of support provided, and a realistic timeframe should be set for the phase-out. The note "[Exiting from Bilateral Development Cooperation](#)" outlines general considerations related to phase out.

As stipulated in the EU Code of Conduct on Complementarity and Division of Labour, an exit of a sector or thematic area should always be undertaken in a responsible manner, including full participation of the priority country and institutions and active communication with all stakeholders throughout the process. Considerations relating to sustainability and, if relevant, exit strategy should be discussed during the mid-term review. It is considered good practice to actively promote that other donors take over the cooperation in case there is a need for this.

In some cases, the exit amounts to a transition of the cooperation with the country or within a development engagement area from being primarily aid-related to becoming, for instance, more trade-related. In those cases, a strategy for the exit should take into consideration how best to pave the way for the new type of cooperation between Denmark and the priority country.

The issues to consider in the preparation of an exit strategy include:

- What are the alternative resources available for activities to continue (user fees, revenue, grants etc.)?
- If the sustainability is jeopardized by phasing out the cooperation, can some activity areas be supported with funding from other sources?
- What are the human resource implications of a phase out for the partner?
- How should the partner ensure or strengthen capacity to sustain the activities supported or to sustain achievements?

- Is there a need to refocus capacity development support in the remaining funding period?
- Is there a need to undertake reallocations within the programme in order to ensure certain results or to sustain these before completion?
- Focus on the last part of the results chain from outputs and outcomes for beneficiaries to potential impacts in society
- Whether specific communication efforts should be considered, including to partner staff concerned, to facilitate dissemination of lessons learned and results obtained, to counter any potential reputational risk issues that may arise from a decision to exit.
- Should an evaluation of development engagements or thematic programmes be promoted to document results and collect lessons learned for use in future development cooperation?

It is recommended that the Danish Mission ensures that an actual exit strategy note is prepared as early as possible once a decision has been made to discontinue engagements and to take up discussions with partners in relevant forums.

Finalisation and closure of Country Programme



All activities which have a Danish bilateral contribution of more than DKK 500.000 must undergo a formal completion process. This applies to all bilateral and multilateral activities funded under country programmes.

The purpose of the completion phase is to ensure:

- That development results are documented.
- That documentation for the use of Danish funds in accordance with general principles for financial management of public resources is provided.
- That lessons learned are generated, discussed and integrated in partner's activities.
- That the process contributes to the overall Danish reporting on results.
- That the administrative, financial and technical closure of an engagement support is completed in a coherent work flow.
- A transfer process to a next phase.

Financing agreements can be extended up to a maximum of 50 pct. of the original planned time frame. All extension arrangements shall be confirmed by letter of exchange between the signatories of the original agreement.

New phases of support to a development engagement will always be considered as new support, which requires new documentation, and a new appropriation. Normally simultaneous implementation of support to two phases of the same development engagement should be avoided.

The completion phase includes the following:

- Implementing partners submit final reports on results and lesson learned to joint management arrangement or the Danish Mission.
- Based on implementing partners final reports/thematic results reports, the decision making arrangement assess the overall results and lesson learned. The Danish Mission/unit makes a financial closure of accounts including final audit.
- The Danish Missions uploads the final thematic Programme Results Reports in PDB.

It is mandatory for the Danish Mission to ensure that the implementing partners' final reports, the minutes from the decision making arrangement and the Final Results Report are available in the PDB.

Implementing partner's final report

The partner's final report including the assessment of effectiveness and efficiency obtained by the donor's investment (Danish or joint) is measured against the results framework in the development engagement document. The report must generate lessons learned and evaluate the prospects for continued sustainable progress. The format for the final report should follow the format of the partner's own report format. The final report is submitted to the management arrangement and the Danish Mission three months before the letter of commitment expires (e.g. Programme support agreement).

Danida Final Results Report

The Final Results Report summarizes the achievement of the results framework, the outputs and outcomes resulting from the investments, how these have contributed to the achievement of the thematic and strategic objectives, and highlights main lessons learned and the financial status of the support. The results report is made at the level of thematic programme.

It is the responsibility of the Danish Mission to upload the Final Results Report in PDB and submit to KVA. The Final Results Report is based on the implementing partners' final reports and assessments of the development engagement provided by the management arrangement. [Guidelines for completion of programmes](#) are available on AMG.

Closure of accounts

When support to a development engagement is about to end, a final audit must be conducted. The audit will normally cover the latest year, but the period can in some cases be extended with a few months. When the audit has been received, the Danish Mission must register the received accounts in PDB (accounting module) and fill out the cover note. Unspent funds must be returned before the account can be closed.

When interests and unspent funds have been returned and the final audited accounts have been received and approved, the support can be closed in financial terms. Prior to the closure, it must be ensured that no more expenses (advisor salaries, audit fees etc.) will occur. The termination is done by cancelling the remaining provision (as it appears in FMI).

Evaluations

To promote learning across the entire organisation and as part of Danida's accountability to the public, a number of evaluations are carried out each year. Evaluations may cover an entire Country Programme, or thematic area, programmes or particular topics relevant to Danida. Evaluations are in-depth analyses of results and processes focusing on what works and what does not work and why. Evaluations should cover

aspects related to relevance, effectiveness, efficiency, impact and sustainability of the activities supported (see the separate Danida Evaluation Guidelines at the [evaluation website](#)).

As a new tool real-time evaluations have been introduced (see section on monitoring)

Evaluations serve to provide learning and document results (not least at outcome and impact level), but are also used as inputs to adjustment of on-going activities; and as preparation of new activities or the preparation of new phases of support and as such they can take place at all stages of the development engagement support. To help ensure that evaluations are useful, relevant and timely, the Danish Missions should discuss possibilities for (joint) evaluations with their partners and suggest topics and thematic programmes/development engagements for (joint) evaluations to the Evaluation Department (EVAL). This can be done either in connection with the annual hearing on EVALs rolling evaluation programme (two year coverage) or on an ad-hoc basis.

Evaluations are conducted by independent, external consultants with EVAL acting as the commissioning body and evaluation manager. Where relevant, evaluations are conducted jointly with partner countries and/or other donors/development agencies. Evaluations commissioned by Danida are published at the evaluation website mentioned above, in [DEReC](#) (the OECD/DAC database on evaluations) and on other relevant web-sites e.g. of partners in the development process.

When an evaluation has been finalized, a Follow-up Note is usually prepared and discussed in the Danida Programme Committee. The discussion of the evaluation in the Danida Programme Committee serves a dual purpose: Firstly, to help promote internal knowledge sharing regarding findings, conclusions and recommendations of the evaluation and secondly to discuss the draft Danida/MFA responses to the evaluation's recommendations (including the more specific implications and follow-up actions) as prepared by the Danish Mission and/or responsible department. Management will follow-up on the implementation of the recommendations from the evaluation after 1-2 years.