Guidelines for Programmes & Projects

Ministry of Foreign Affairs of Denmark

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Abbreviations

AMG	Aid Mangement Guidelines
APD	Department for Africa, Policy and Development
APPR	Annual Portfolio Performance Report
CEDAW	Convention to Eliminate All Forms of Discrimination against Women
CDP	Council for Development Policy
CSO	Civil Society Organisation
DAC	Development Assistance Committee (OECD)
DED	Development Engagement Document
DKK	Danish Kroner
EIA	Environmental Impact Assessment
EU	European Union
EVAL	Department for Evaluation
GUS	Centre for Global Development and Cooperation
HRBA	Human Rights-Based Approach
ISA	International Standards on Auditing
INTOSAI	International Organisation of Supreme Audit Institutions
IPSAS	International Public Sector Accounting Standards
JFA	Joint Financing Agreement
KPPI	Key Portfolio Performance Indicators
MFA	Ministry of Foreign Affairs
MIS	Management Information System
MPN	Mission Preparation Note
MT-RAM	Midterm 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
PC	Programme Committee
PDB	Danida's Project Data Base
PEFA	Public Expenditure and Financial Accountability
PIU	Programme Implementation Unit
PPP	Public Private Partnerships
PRS	Poverty Reduction Strategy
PRSP	Poverty Reduction Strategy Paper
RFI	Results Framework Interface
SDG	Sustainable Development Goals
SEA	Strategic Environmental Assessment
ToR	Terms of Reference
ToC	Theory of Change
TQS	Department for Technical Quality Support
UN	United Nations
UNFCCC	United Nation Framework Convention on Climate Change
UPR	Universal Periodic Review
QA	Quality Assurance

CHAPTER 1 Introduction

The most recent versions of these and other guidelines can always be found on http://amg.um.dk/.

These Guidelines outline the requirements and procedures for the preparation, implementation and completion of bilateral programmes and projects, including country-, thematic- , and regional programmes. The guidelines apply to programmes and projects of all financial sizes, complexities and duration. There are different requirements, quality assurance processes as well as approval processes for country programmes, for programmes and projects above DKK 39 million, for programmes and projects up to DKK 39 million and for projects up to DKK 10 million, which will be reflected throughout these guidelines.

All interventions with only one partner are defined as projects. All interventions up to DKK 10 million are only allowed to have one partner and are therefore referred to as projects. All interventions above DKK 10 million with more than one partner are defined as programmes.

These guidelines also apply for other funding modalities, such as earmarked contributions to multilateral organisations and (bilateral) core or institutional support to organisations, funds, including challenge funds, investment arrangements or facilities. Allocation of development assistance through fund structures is often a complex and diverse issue in terms of legal and institutional structure etc. which is why a focal point is established (BVB) to be consulted in the preparation phase. More specific guidelines on support through fund structures are available at http://amg.um.dk/en/Tools/fund-structures/. Specific guidelines also exist for other initiatives such as the strategic sector cooperation and the fund for peace and stabilisation.

The focus of these guidelines is on Danish procedures and requirements in development cooperation. The responsible MFA unit (Danish Mission or department in the Ministry of Foreign Affairs) must ensure that these procedures and requirements are adhered to and, to the extent possible, aligned to partners' strategies and procedures as well as harmonised with engagements of other international development partners, including through joint programmes and projects, delegated cooperation, etc.

The guidelines clearly state when processes, formats and other requirements are mandatory. When this is not the case, they indicate a flexibility to assess relevance vis-à-vis the specific project or programme and to use possible alternatives to the described guidance. If in doubt, please contact TQS.

1.1 the standard annexes, templates and tools
The standard annexes and a number of templates and tools are available at amg.um.dk

1.2 How to use the guidelines
The guidelines are structured in accordance with the main phases of the programme management cycle; identification, formulation, implementation and completion. For each phase, the relevant chapters outline; what are the mandatory requirements and the product to be delivered, followed by guidance on how to deliver the product. Further, each chapter will explain key concepts relevant for the particular phase of the programme management cycle. Annexes further detail key concepts and elements, which are developed and detailed throughout the entire programming process, operationalized in the implementation and documented during the completion phase, such as theory of change and risk management.

1.3 Danish Policies and key strategic orientations for programmes and projects

These guidelines offer guidance on the operational aspects of Danish development cooperation. The guidelines do not give specific guidance on how to implement policy and strategic priorities. Key Danish policies and strategies can be found through the AMG-website (http://amg.um.dk/), including the strategy for Danish development and humanitarian cooperation (the World 2030), the Danish government's political priorities vis-à-vis development cooperation, and country policy papers for priority countires.

The strategy for Danish Development and Humanitarian Cooperation is oriented towards addressing four overall strategic priorities: (i) security and development – peace, stability and protection, (ii) migration and development, (iii) inclusive sustainable growth and development, and (iv) freedom and development – democracy, human rights and gender equality.

The Country Policy Papers provide a single integrated presentation of Denmark's policy towards a given priority country which encompasses Denmark's entire engagement and strategic direction in a country, i.e. foreign and security policy, development cooperation, humanitarian aid and commercial relations. The Country Policy Paper provides the strategic direction for all parts of Danish development cooperation. The draft Country Policy Paper will normally be prepared in parallel with the concept note for the country programme, and the two documents will be presented to the Programme Committee as a package. The Country Policy Paper reflects joint strategy processes, including where relevant drawing on the EU Joint Framework Document and building on Joint Programming Documents, where applicable. The guidelines for the development of policy papers for Denmark's relations with priority countries are found here.

The UN Sustainable Development Goals (SDGs) constitute the overall frame for international development cooperation towards 2030. The Strategy for Danish Development and Humanitarian Cooperation, the World 2030, emphasizes the ambition for Denmark to contribute to the realisation of the SDGs through support to the countries' own ambitions and plans to combat poverty and conflict as well as to promote sustainable growth and development. The strategy recognizes that it is necessary to focus Danish support to certain SDGs. The priority SDGs relate to the geographical focus, which falls in three categories of priority countries and regions. Danish development assistance will, however, still be open to innovative partnerships with the private sector pursing business opportunities across the SDG spectrum with the aim of promoting sustainable growth and employment.

All programmes and projects must support the objectives of the Strategy for Danish Development and Humanitarian Cooperation, the World 2030. In many instances, a country policy, regional strategy, thematic policy or strategy, has also been prepared to guide interventions. Equally important are the strategic frameworks on the partner's side. Through the descriptions of the rationale, theory of change and the results frameworks for programmes and projects, it must be clear how they will contribute to achieving the goals of these strategic frameworks.

The Danish Priorities

Poor, fragile countries and regions with fragility

Poor, stable countries

Transition and Growth Economies

Global public goods – key issues for Denmark

Youth is a key priority for Denmark. Both development for youth and the involvement of youth in the design of programmes is important.

Creating linkages and interaction between humanitarian engagements and development engagements will be a priority for country policies and country programmes in fragile states and situations. In these countries and areas, the analysis of the country situation should strive to integrate the analysis of humanitarian and developmental aspects when identifying and designing the programme.

1.4 Focus on areas where Denmark can make a difference

The development cooperation programmes and projects are important and visible contributions to the Danish commitment to engage constructively and substantially in the international development agenda and the achievement of its goals. It is an integral part of the Danish foreign and security policy and aims at making the world a safer, freer, wealthier, fairer and more sustainable place to live for future generations. Thus, the strategy underlines that Danish development cooperation will prioritize areas where:

- Danish interests and/or values are at stake,
- Denmark has a position of strength, expertise and experience that can be used strategically, and
- Denmark can play a role or take lead to move agendas forward through active partnerships.

These priorities should be reflected in geographic and thematic focus and choice of partnerships when identifying and designing engagements and programmes.

1.5 Focus on results

A key principle guiding the identification, formulation and implementation of all development engagements is to focus on achieving the planned results. The guidance, tools and templates in these guidelines have as their main purpose to ensure that programmes and projects are designed to:

- **produce results** by ensuring that the development engagements achieve the stated outcomes and that adjustments are made according to learning and developments throughout implementation, including to changes in context and risk,

- **document and monitor results** to ensure the foundation for management, learning and accountability,

- **communicate results** to ensure visibility and transparency towards, stakeholders, appropriating authorities and the Danish public.

The results framework constitutes the core of project, programme and development engagement documents. It defines indicators, targets and baseline to allow regular and continuous monitoring of progress and reporting on the gradual achievement of the objectives.

Define results. The results framework is based on the theory of change that provides the logic explanation for how the engagement(s) of a programme or project will achieve the defined objectives through the hierarchy of planned results.

Measure results. When developing the results framework, it is important to consider how the subsequent measuring of results, outcome and impact will take place. Here it should be considered to what degree it is likely that the expected change will occur as the direct result of the (Danida) intervention – in other words if the change can be *attributed* to Danida's support - or whether Danida's support is only one of many factors that *contributes* to the change observed.
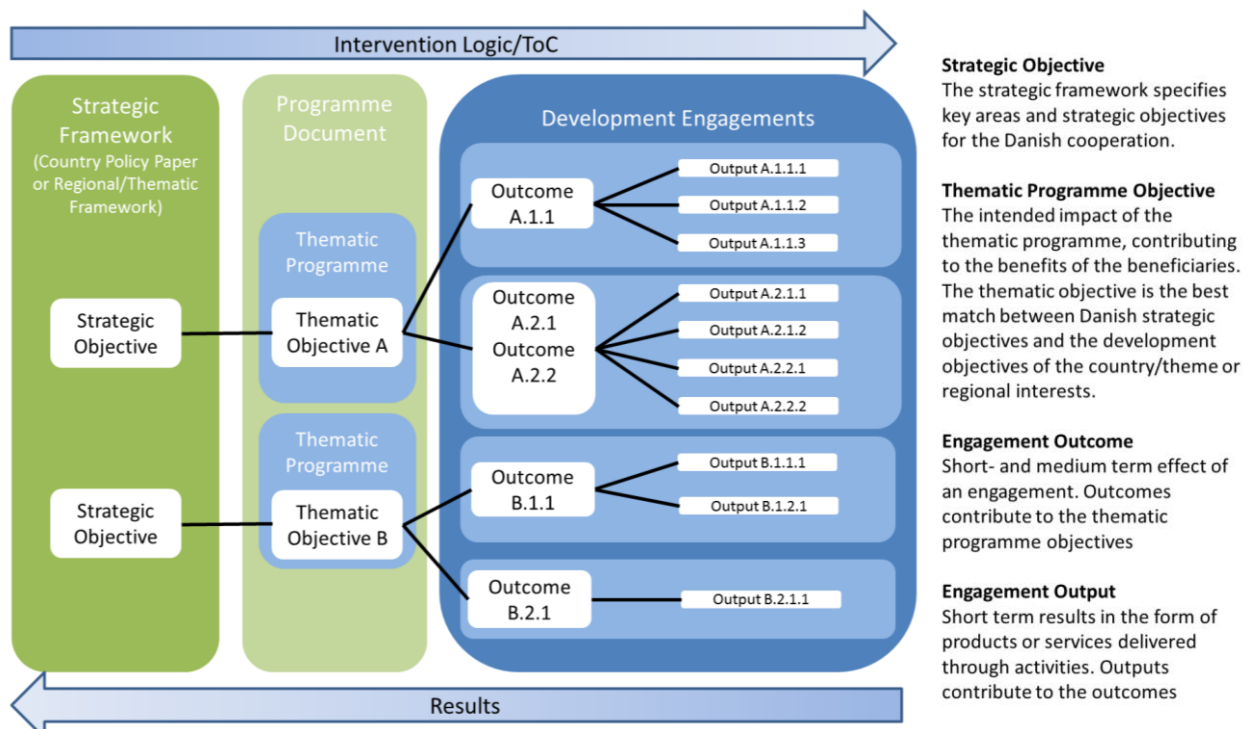
For projects the same elements apply although only one strategic objective is included and thematic objectives become immediate objectives.

MFA units reporting on results will be done in the digital format for results reporting that is in coherence with the standard format used in the programme/project document. Reporting through the digital format should take place continuously as progress reports are received from partners and be used by the responsible MFA units themselves to keep track of progress. MFA units will need to take stock of whether all data is being updated regularly. This should ideally take place well ahead of the annual results dialogue between the respective MFA unit and the Under-Secretary for Development Policy.

1.6 Development effectiveness
The global partnership for effective development cooperation focuses on four overall principles as a means to achieve the SDGs;

- National/institutional ownership
- Focus on results
- Inclusive partnerships
- Transparency and accountability

Countries and institutions taking responsibility for their own development through policies and strategies as well as immediate partners taking ownership to projects and development engagements continues to be important priorities in all development cooperation.

1.7 Use of country/partner systems.
In pursuit of long-term results it is the priority, to the extent possible, to support development of partner's capacity by using partner plans, procedures, budgets, monitoring frameworks and organizational set-ups. This principle applies to public sector, private sector, multilateral- and civil society partners. This means that 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). Adjustments in the degree to which partner systems can be used can be done during the implementation of the programme to achieve results most effectively. In many cases, partners' systems are not developed to a sufficient degree, why more detailed description of the intervention and the results framework is needed. If partner capacity is low or technology transfer is in demand, technical advisers can be considered. If risk factors are considered particularly high (e.g. the risk of corruption), the degree of support and control as well as the modality of cooperation must be carefully considered.

1.8 Anti-Corruption
Corruption is an obstacle for achieving development goals, both in terms of ensuring that development assistance reaches the target group and in terms of creating an environment conducive for economic development and good governance.

There is zero tolerance towards corruption. This means that no form of corruption is accepted. Zero tolerance does not mean that the risk of corruption is not tolerated. Programming is based on awareness of calculated risks and means of mitigation. Measures of anti-corruption are strategically integrated in the planning of development programmes for all phases of a programme cycle, including measures of prevention, control and sanctions.

Representations with country programmes appoint a focal point for anti-corruption who is responsible for the overall anti-corruption work of the representation. The Ministry of Foreign Affairs has signed a Memorandum of Understanding on Anti-Corruption Cooperation with the World Bank that opens up for sharing experience and consulting on operational matters.

1.9 Innovation

New technologies, new partnerships, and new business models are disrupting normal practises, also in development. Any attempt to describe models for innovation will almost by definition be outdated by the time it is published. Innovation in programming can take place at several levels; overall programme design and within individual engagements. The focus on innovation is to find new, better and more efficient solutions to challenges. Whereever we work there will be entrepreneurs and innovators. At times, they will be far removed from the normal interlocutors in traditional development work such as line ministries etc. In identification, formulation and implementation of development engagements it should be a priority to engage these innovators who can inform our programming and motivate new types of engagements.

1.10 New types of partnerships

Mutually engaging partnerships and political dialogue with countries and their authorities, private sector and civil society actors are the foundation of the Danish development cooperation. The basic criteria for choosing partners include their relevance for achieving the objectives of the project or programme, the assumed effectiveness and efficiency of the partners and assumed capacities for achieving results and impacts and ensuring the longer-term sustainability of the results. It will also be important to look for those that drive innovation, change and transformation. There should be a willingness to take risks and enter into engagements with new types of partners, including private sector, academia and non-state actors. At the same time, a thorough and honest risk assessment of new types of partnerships should always be made. The justification for the choice of partner(s) and the criteria used should be documented in the standard Annex 2: Partners.

Involving relevant Danish actors to build on specific Danish strengths and competences and capitalise on opportunities for mutual benefits and interests is another important consideration in the choice of partners. This may be through involvement of Danish private companies, investors and financial institutions, through involvement of Danish public institutions or through engagement with Danish civil society organisations. Likewise, synergies between bilateral and multilateral cooperation should be pursued. When relevant, Denmark should work through multilateral agencies - UN organisations, development banks, and other international organisations – or through the EU Delegations or other bilateral development partners also in our bilateral programmes and projects. Working through other development partners, such as through delegated cooperation, may also be a way to reduce administration and transaction costs and it may be the only option in countries where Denmark is not present or where the security situation makes direct implementation particularly difficult.

1.11 Transparency and accountability

All programmes presented to the Programme Committee undergo public consultation.

Denmark is committed to high transparency standards and strengthens public access in line with the [Danida Transparency Initiative](#).

Apart from statistical reporting to the DAC, Denmark has embarked on digital, and daily updated publication of management data in compliance with the IATI standard. Many partners have themselves become IATI-reporters, and mutual benefits should be pursued in the areas of traceability and communication of results.

Denmark's data is visualised in the portal www.OpenAid.dk.

1.12 Definition of programmes and projects

A project consists of one development engagement (i.e. one partner) whereas a programme consists of several development engagements (several partners). In most cases, projects and programmes follow the same principles and guidelines and are managed according to similar procedures (see table 1).

- A country- or regional programme[1] consists of maximum three thematic programmes and a maximum of 15 development engagements.
- Programmes above DKK 39 million can consist of up to 8 development engagements
- A programme between DKK 10-39 million will normally consist of two development engagements, and only in exceptional cases of a maximum of three development engagements.
- All appropriations between DKK 0-10 million can only have one partner.
- All interventions with only one partner are referred to as projects in this guideline.
- Projects above DKK 10 million should follow the format for "Contents of Project Document for single-partner projects", which take the relevant aspects of a programme format adjusted to cater for a single partner scenario.[2]

The ceiling on the number of development engagements is established primarily to ensure that programmes and projects are designed in a lean way that is balanced with available human resources to administer and monitor engagements. Often it will be of great strategic value to have cooperation with smaller partners. In such cases, the best design may be to work through existing umbrella organisations or support facilities or, if needed, to establish such instruments.

A Programme consists of several engagements and provides the overall context for the DEDs. For some country- and regional programmes, the concept of thematic programmes is used to provide a framework for DEDs that are expected to contribute to a thematic objective. This thematic programme description is an integrated part of the programme document.

A development engagement is an agreement with a partner in which a concise and measurable outcome is defined.

For resource considerations, it is always relevant to consider the duration of programmes and projects to avoid having to initiate a new programming cycle every few years. Even in contexts with a likely risk of substantial change occurring within the programme/project period this is a relevant consideration.

For country programmes and for other larger interventions the programme period even in situations affected by conflict and fragility should be of a 5-year duration. In such instances it is preferred to develop a programme that can be adjusted, including planning according to scenarios and utilisation of flexibility measures in programming, rather than opting for shorter programme periods, which will result in near-constant programming mode. For some large, complex programmes it could, in some

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[1] E.g. the Climate Envelope
[2] Even if only one partner is supported, the considerable size of the support necessitates a more thorough description of the envisioned support.

exceptional cases, be found appropriate to approve the full appropriation, but allow for substantial additional programming to take place at a later stage. Additional programming could be to determine the specific partners within a thematic area, determine precise outcomes, based on preliminary outcomes or overall objectives of the programme. Such cases will have to be individually agreed upon in the Programme Committee and must be presented with a plan for the full QA of the programme, i.a. for appraisal of later developed areas, reviews and a midterm discussion in the Council for Development Policy.

1.13 Overview of the grant approval processes
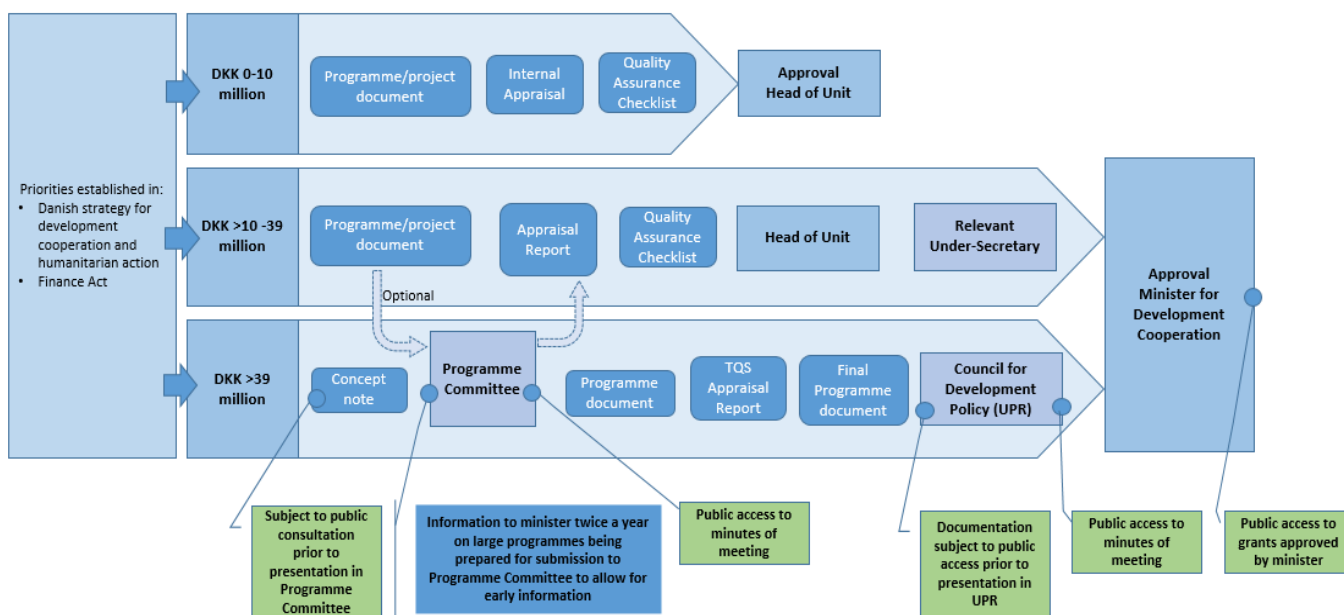
Quick guides for each of the above three processes can be downloaded from the AMG-website.

1.14 Key procedural issues for programmes and projects.

Process, documentation	Programmes and Projects			Projects
	Regional and Country programmes	Programmes/Projects above DKK 39 million	Programmes/Projects DKK 10-39 million	Projects up to DKK 10 million
Concept note to Programme Committee	✓ Max. 15 pg.	✓ Max. 8 pg.		
Presentation to Programme Committee	✓	✓	Only if requested by MFA unit	
Appraisal	By TQS	By TQS	Responsible MFA unit - By external consultant QA Checklist to be signed	Responsible MFA unit - QA Checklist to be signed
Number of Development Engagements/partners	Max. 15	Max. 8 for programmes; only 1 for projects	Max. 3 for programmes; only 1 for projects	Max. 1
Programme/Project document	Max. 35 pages +DEDs	Max. 25 pages +DEDs if more than 1 engagements	Max. 15 pages +DEDs	Max. 8 pages (DED format)
Results framework	✓ Concept note (preliminary) & Programme document	✓ Concept note (preliminary) & Programme/Project document	✓ Programme/Project document	✓ Project document
Risk management framework	✓ Concept note (preliminary) & Programme document	✓ Concept note (preliminary) & Programme/Project document	✓ Programme/Project document	✓ Project document
Analysis of programme context.	✓ Annexed to concept note & Programme document	✓ Annexed to concept note & Programme/Project document	[✓] Relevant elements annexed to the Programme/Project document	
Appropriation	Minister through Council for Development Policy	Minister through Council for Development Policy	Minister through relevant Under-Secretary	Head of MFA unit
Annual results reporting and at completion	✓	✓	✓	✓
Mandatory midterm review by TQS	✓	✓		
Unallocated funds	Max. 25%	Max. 10%		
Possible TQS support	Identification, formulation, implementation & completion	Identification, formulation, implementation & completion	On request and if resources are available, advisory services	Advisory services
Inception Review	If requested or assessed necessary	If requested or assessed necessary		
Midterm review	By TQS	By TQS		
Final results report	✓	✓	✓	✓

1.15 The programming cycle

The programming cycle basically consists of four phases:

1) **identification** where the overall themes and engagements are defined in general terms,

2) **formulation** where the documentation is developed, partners are identified and the concrete engagement(s) are described in the relevant documentation,

3) **implementation**, including monitoring, review(s), documentation and communication of results, learning and adjusting according to experiences and/or changing circumstances, and, finally,

4) **completion and closing**, including a final consolidation of results achieved and a final closure of accounts. The completion phase will very often overlap with the following phase of the programme, if any. This overlap should always be used to build on the lessons previously learned.

Development of a Process Action Plan (PAP) is a critical element, at the initiation of any programming activity, to establish a realistic picture of the activities and time[3] required to prepare the programme or project. The PAP should be discussed with partners and other MFA units involved in the process. Examples of standard PAPs for programmes and single partner projects can be found on the AMG website.

Programmes or projects which have a series of subsequent allocations for the same organization/purpose may accumulate to a level of funding which requires a different quality assurance and approval process. This **accumulation principle** means that: An appropriation to the same partner, or objective, which receives a number of subsequent appropriations, must follow the procedures for grants according to the accumulated amount having been appropriated over the last five years, including the proposed new appropriation.

> **Accumulation principle.**
>
> If a project/programme receives annual appropriations of 8 million over a period of 4 years and a fifth year or a new phase is considered for approval, the combined size (DKK 40 million) means that the extension/ new Phase of the project/programme is subject to the procedures of grants above DKK 39 million.

MFA units are responsible for all parts of the programme/project cycle. For programmes/projects above DKK 39 million, this includes preparation and presentation of a concept note to the Programme Committee, preparation of programme/project documentation for appraisal by Technical Quality Support (TQS) and for the finalization of the programme/project document and its presentation to the Council for Development Policy. For programmes/projects up to DKK 39 million, the documentation should be quality assured by external consultants while projects up to DKK 10 million are quality assured by the responsible MFA unit and the QA process described in the Quality Assurance Check List.

Quality assurance is an integral part of all phases of the programming cycle. The MFA units have the overall responsibility for the quality assurance process, including for involving Ministry development specialists, Ministry financial management specialists, partners and/or external consultants as relevant and as required. Support and counselling from Ministry development/financial specialists can take

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[3] In preparing the PAP, a realistic estimate should be made of time needed. The process requires much time for commenting, tendering, public hearings, diversion created by other tasks etc.

place during all phases of the programming cycle including during identification and formulation, as well as during implementation through different types of reviews and types of implementation support.

The QA modalities applied should always be proportionate to the size and complexity of the project or programme. If in doubt, the QA modalities should be discussed and agreed with TQS.

1.16 Types of quality assurance

Early support by development specialists in programme preparation either before the PC submission (in the form of thematic or more general identification missions; conceptualization missions; scoping missions; repeated consultations and discussions through video; etc.) or afterwards (in the form of participation in formulation) may be requested from TQS and can improve the quality of the subsequent phases of the preparation and make them easier to handle for the responsible MFA unit. Usually, this type of support can only be made available for programmes above DKK 39 million.

The Programme Committee (PC) meeting discussing the programme concept note (for programmes above DKK 39 million) is the first mandatory QA event in the programme cycle. The role of the PC is to provide strategic guidance and advice to the responsible MFA unit, to be incorporated into the continued preparation of the programme. The PC will also in some cases indicate its recommendation/expectation as to the subsequent QA process, in particular the form of the appraisal.

Programmes and projects below DKK 39 million may also be submitted to the PC for strategic advice at the request of the responsible Head of Unit/Under-Secretary.

Regarding the formulation phase, support may be requested from TQS in the form of a mission to join the embassy's formulation consultants or through video conferences, informal exchanges, etc. TQS involvement in this phase will make it possible for development specialist(s) to get acquainted with the context and engagement partners. The role of the TQS should be clearly defined. In case of substantial TQS involvement in the formulation, TQS management will have to decide how to conduct the appraisal. Like for identification support, usually only programmes/projects above 39 million will be considered for formulation support.

Towards the end of formulation, with most programme documentation being available, a final decision on the appraisal format will be taken by TQS management. TQS will either confirm the earlier PC recommendation on the type of appraisal to be carried out, or decide on another appraisal format. The decision will be based on the quality of the programme documentation at this point in time as well as on other parameters such as possible outstanding issues regarding partners' implementation capacity, newly emerged issues affecting the feasibility of the programme, risk levels, complexity of the programme/project etc. This applies to all programmes/projects that have been through the PC.

Appraisals may take various forms depending on the size and complexity of the programmes and certain other variables, as outlined in the section "Appraisal" below.

During the implementation phase, a midterm review is mandatory. For all programmes and projects above DKK 39 million, midterm reviews are carried out by TQS. Midterm reviews are important quality assurance checks at a point where major implementation-related issues have become visible and may be addressed with a view to improving programme performance. In some cases, primarily for larger programmes and projects, it may be relevant to undertake one or more technical reviews during

implementation to get more detailed information about certain technical or operational aspects or as a precursor to a substantial midterm review.

In some cases, it may prove insufficient to wait until 2 to 3 years into implementation before carrying out a review. Unexpected problems (e.g. in programme design, due to changes in the environment, or for other reasons) may emerge earlier and call for a review or other technical support. An early review may also in certain cases be directly connected to the appraisal, e.g. where a positive appraisal is made contingent on an <u>inception review,</u> e.g. in order to help make decisions following important developments in the environment that were expected at the time of appraisal but could not be taken into account. For all Programmes and Projects, a review placed at an appropriate time can provide valuable input to a possible new phase or phasing out/exit of the programme/project, and make the formulation of the new phase more efficient.

1.17 The Danish Finance Act

The Danish Finance Act determines the overall allocation of resources for all Danish development cooperation programmes and instruments. Given these overall frames, programmes are developed by the MFA units.

All funding to a priority country or funding based on a regional or thematic frame should as far as possible be captured within one programme, alternatively with a close connection between programmes. However, the funds may be sourced from various Finance Act accounts and will remain at these thematic Finance Act accounts. This does not prevent the funds from being programmed together, presented to the Programme Committee, appraised, and presented to the Council for Development Policy for the minister's approval in one package. Also, a government-to-government agreement can be signed for an entire programme with the reservation that commitments falling in later financial years are subject to parliamentary approval. When a single, comprehensive programming process of all Danish support to a country or area is not possible, the country programme or regional/thematic programme should mention the other types of engagements that are funded outside of this, and describe how these contribute to the overall strategic approach of Danish development cooperation for the country/area in question.

Below is an example of a country programme, programmed as one, but split up on both themes and years in the Finance Act.

Commitment
DKK Million

	2016	2017	2018	2019	2020
Peace and Reconciliation		125,5	49,5	35	
Good governance		150	145	145	
Growth and job creation..............................			310		
Other	1	5	5	5	5
Total	**1**	**280,5**	**509,5**	**185**	**5**

Consultancy contracts (below the threshold for EU tenders)

Consultants to assist responsible units with the identification, formulation, appraisal, and review of programmes and projects are selected following the Danish Public Procurement Act, the Circular on announcement of public procurement and the Danish Public Administration Act. Principles of good administrative practice and rulings on administrative practice also apply and must be adhered to during the tender process and award of contract. Practical guidance on how to use these procedures is provided here (*intranet link, only available for MFA employees*): link to Danida Business Contracts.

When acquiring a consultant, an assessment must be made whether or not a contract has certain cross-border interest. In the assessment consideration must be given to the Terms of Reference, the estimated Contract value, the conditions in the industry, including market size, structure and trade practices, the geographic location where the Contract is to be performed, the duration of the Contract and any other relevant circumstance. The assessment of clear cross-border interest must be made using the template; 'Note on procurements by units and representations below the thresholds for EU tenders'.

The below bullets can be used as a guideline:

• Contracts with a value below DKK 250,000 are considered not to have certain cross-border interest.

• Contracts with no certain cross-border interest with a budget below DKK 500,000 shall be procured by using Administrative law principles.

• Contracts with no certain cross-border interest with a budget above DKK 500,000 shall be procured by using Market terms.

• All contracts with clear cross-border interest shall be advertised on Udbud.dk

• Contracts under the Framework Agreement - value above DKK 500,000 to no upper limit - concerning country programmes covering technical assistance to identify, formulate, appraise, and review development programmes and projects.

More information and updates can be found on Procurement and Contract's Intranet site at this link (*intranet link, only available for MFA employees*): Contracts for Consultancy Services with a value up to DKK 1,072,094.

Chapter 2 – Identification, concept note and Programme Committee

The identification phase contains important elements for all projects and programmes irrespective of size and complexity.

For programmes and single partner projects above DKK 39 million, the identification stage spans from the start of the planning of a Programme and lasts until presentation of the concept note to the Programme Committee. The purpose of the identification phase is to identify potential partners and together with these and relevant stakeholders, to identify overall themes and objectives in support of the strategic objectives set out in the relevant policy or strategic documents, such as for example country policy papers, regional- or thematic strategic frames, etc. Moreover, the identification seeks to identify the most relevant, effective, efficient and sustainable development engagements with the best impact towards meeting the overall objectives.

For projects and programmes below DKK 39 million, there is no requirement for a concept note. However, some programmes and projects, which require early quality assurance due to novelty of approach, high risk or new type of engagement, can in agreement with TQS be submitted to the Programme Committee by the responsible MFA unit for strategic advice. Projects and programmes below DKK 39 million should make equal use of the elements of the identification phase. Although these elements will normally not be presented to the Programme Committee in the form of a concept note, they will be an important part of the project or programme document. These elements will most importantly include a context analysis, justification of the choice of partner, the Theory of Change, the Results Framework and the Risk Management Framework.

Content and format of the concept note:
For Country Programmes the concept note must not exceed 15 pages, for other programmes it must not exceed eight pages, excluding annexes.

Context
- Introduction to the context
- Reference to background analyses
- Description of priorities, policies, systems and structures
- Relation to other relevant partners and actors
- Considerations on Danish interests

Presentation of the programme/thematic programmes for country programme.
- Objectives and outcomes
- Lessons learned from previous engagements.
- Rationale/Theory of Change, including assumptions and risks
- Short summary of development engagements, choice of partners, modalities, capacity development and technical assistance.
- Application of human rights-based approach
- The focus of the programme seen in the context of the number of development engagements.
- Monitoring mechanisms.
- Communication on results (overall considerations)

Management set-up
- Organisation and management of the programme, including whether administration of the programme is effective and manageable within available resources. Must include description of possible programme support mechanisms, if applicable.

Budget
- Preliminary budget with breakdown by engagements.
- Unallocated funds envisaged and the purpose of these.

Annexes to the concept note:
1. Context Analysis
2. Partner Considerations
3. Preliminary Results Framework, at least defined at outcome level;
4. Preliminary budget, with focus on breakdown by outcome and engagements and possible unallocated funds
5. Preliminary Risk Management Matrix outlining contextual, programmatic and institutional risk, with risk mitigation on programmatic and institutional risks only.
6. Prelimininary list of supplementary materials
7. Preliminary reflections on opportunities for communicating results
8. Process Action Plan

2.1 The Concept Note

The responsible MFA unit must **present a concept note** to the Programme Committee. The Programme Committee quality assures the concept note and provides strategic guidance and recommendations for the detailed formulation process.

Prior to the Programme Committee meeting, **the concept note will be subject to public consultation** on the Transparency website. Key issues raised in the public consultation will be taken into account by the Programme Committee.

The key observations and recommendations of the Programme Committee are presented in **a short summary and are taken into consideration in the subsequent formulation** of the Programme or Project, and are validated during the appraisal. The summary from the Programme Committee meeting is published on the [Transparency website](#). The summary from the Programme Committee meeting concludes the identification phase.

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 MFA unit, the better the chances of ensuring sustainability of the achievements. This does not mean that all projects and programmes need to develop an exit strategy from the outset, but due consideration on sustainability must always be made. Consult chapter 5 for further details.

Key deadlines to observe:

- Respond to biannual hearing from TQS (the VPA hearing) on request for technical assistance to programming and implementation of programmes, appraisals and reviews.
- Respond to biannual hearing from TQS regarding upcoming presentations to the Programme Committee
- As early as possible register agenda item for the Programme Committee [here](#)
- 7 weeks before the Programme Committee meeting: agenda items must be confirmed
- 17 working days before the Programme Committee meeting: Concept notes incl. annexes must be submitted to TQS
- Specific meeting dates and deadlines can be found [here](#)

2.2 How to write the concept note.

During the identification phase, **engagement opportunities and objectives** should be identified together with relevant stakeholders and potential partners, which support the relevant Danish policy / strategy objectives. Moreover, in development of the theory of change, **the aim is to identify the most relevant, effective, efficient and sustainable development engagements** with the best

potential to achieve impact towards meeting the programme or project objectives (and hence towards meeting the overall strategic objectives of the relevant policy framework).[4]

The following steps must be undertaken in the preparation of the concept note:

2.3 Process Action Plan

Elaboration of a PAP containing all steps until an agreement is signed with a partner and the commitment is booked in MFA's financial system. Key elements include: context analysis (including stakeholder analysis), relevant studies, TOR for external inputs, contracting of possible external consultants, drafting of concept note with annexes and later programme and engagement documents, consultation with key partners (meetings, workshops, hearings, etc.,), appraisal and possibly other types of quality assurance, as well as key milestones and decision points, such as submission to the Programme Committee, the Council for Development Policy and possibly the Finance Committee of the Danish Parliament. The PAP should also propose the timing and type of support required from Ministry development specialists and/or external consultants during identification and formulation as well as the quality assurance process foreseen, including type of appraisal proposed. Possible tender requirements and procedures need to be considered at this stage.

The PAP should be seen as a living document that may be revised during the identification and formulation process. For this reason, it is important to ensure that the date of the version is clearly marked on the front page. Examples and Templates for PAP for different types of programmes are provided under [Tools and Templates](#) at the AMG-website. The examples indicate the elements to be considered during preparation of a programme/project and indicate the time required. It is important to make a realistic assessment of time requirement. Consultation, commenting, tendering processes etc. take time! The PAP should be consulted with the partner(s) and the involved MFA units.

For country programmes, a shared PAP is made for the Country Policy Paper and country programme. Up to the Programme Committee, these are prepared in parallel and presented as a package. After the Programme Committee, the approval process of the draft Country Policy Paper continues while the country programme is formulated in detail guided by the policy paper. Refer to PAP for the parallel process in the guidelines for the development of policy papers for Denmark's relations with priority countries [here](#).

2.4 Analysis of the programme context

The analytical framework constitutes the first substantial step of the identification process. The main goal of the context analysis is to ensure that decisions on programme design are made on as informed a basis as possible. This is achieved by analysing the environment in which a programme will operate through a special lense of Danish policies, values, existing activities, and strategic priorities. A crucial element in this process is the development of a robust stakeholder analysis that maps out the interests, strengths and weaknesses of key stakeholders as well as possible opportunities and threats in the event Denmark were to pursue a partnership with one or more of these key stakeholders.

The comprehensiveness of the analytical process depends on the type of programme or project to be developed, the type and capacity of partners envisaged, and the documentation that already exists. For

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[4] Country policy paper in the case of a country programme, a regional policy or strategy in case of a regional programme if applicable, or a thematic strategy as relevant.

example when Denmark decides to join other like-minded partners in an existing programme that already has been appraised, it is likely that the existing documentation will provide answers to many or even most of the key questions of particular relevance to Denmark. It nevertheless remains important that the responsible MFA unit reflects upon the existing documentation and ensures that the context analysis fully reflects Denmark's position and interests. The analysis carried out by the responsible MFA unit is presented in the standard annex 1: Context Analysis. In simple cases, the standard template for annex 1 shall be seen as a guide on structure and content rather than a blue print.

In the case of country programmes, the analytical phase will typically be more comprehensive as it will need to serve as the basis for both the preparation of the Country Policy Paper and the country programme. The analysis will draw on existing international, joint and Danish research and analysis to the largest possible extent and should cover the following topics:

- Overall development challenges, opportunities and risks.
- Fragility, conflict, migration and resilience.
- Assessment of human rights situation (HRBA) and gender.
- Inclusive sustainable growth, climate change and environment.
- Capacity of public sector, public financial management and corruption.
- Matching with Danish strengths and interests, engaging Danish actors, seeking synergy, and
- Stakeholder analysis.

The main conclusions of the above analysis should be summarised in the standard annex 1: Context Analysis, to the concept note.

For each specific programme and the engagements envisaged, and for single partner projects, the choices regarding whether to carry out the individual parts of the context analysis must be carefully considered and a brief explanation must be given in the relevant sections for any analysis left out. In keeping with the Human Rights Based Approach to Danish development cooperation and the high priority given to promoting gender equality – part 3 – and the strong emphasis on sustainable inclusive growth and the commitment to the Paris Climate agreement – part 4 - an analysis of these aspects applies as a general rule. In cases where these specific topic areas are left out, a thorough explanation for the choices made must be provided in the template. Especially for smaller programmes, the analysis should be focused on the most relevant topics.

The analyses should as far as possible make use of existing studies and analytical work. However in some cases, especially in larger and/or complex programmes, it may be necessary to carry out additional analysis and preparatory studies (e.g. political economy analysis, human rights assessments, drivers of change analysis, analysis of the role played by the business community, civil society actors etc.) to sufficiently inform the preparation of the Programme or Project.

While not an integrated part of the catalogue of analysis, it will always be important to assess if and how the security situation may impact the implementation of the project/programme and outline any implications in the concept note, including in financial terms in the budget, where relevant, as

mentioned in the section on budget below. Aspects on Duty of Care for personnel is also important in this regard.[5]

2.5 Identification of thematic programme areas and development engagements.

The following steps included in the identification phase, which most often will be an iterative process, contribute to identifying the overall programme themes and objectives, preliminary engagements and partners as well as other key programme elements, which are described in the concept note + annexes:

- **Develop an intervention logic, a theory of change** (see concept below), in programmes and projects to start the analysis of the thematic areas and the identification of key stakeholders, potential partners and development engagements. The theory of change should be used to structure the preliminary results framework.[6]

- **Analyse how best to achieve results, development effectiveness** (use of country systems, coordination etc.).

- **Define thematic objectives:** The thematic objectives should be concise and measurable and should strive to achieve the best possible match between the development strategies of the country/partners in question and Denmark's policies and strategies. The thematic objectives should to the extent possible build on an objective defined in a key policy document by the priority country or partner entity.

- **Prepare preliminary Risk analysis and preliminary risk management framework** to integrate risk assessments in your considerations of what is the most suitable design. Risk includes contextual, programmatic and institutional risk.

- **Prepare the indicative budget** for the Programme broken down to thematic areas and establish the expected amount of unallocated funds in the programme and how these are distributed under the thematic programmes.

- **Outline the management set-up** and assess the expected number of partners.

- **Outline the system for on-going monitoring and periodic reporting against the results framework and budget** as well as the responsibilities for supervision and reporting.

- **Prepare a description on how to communicate development results** The description should be elaborated further in the programme document to an actual plan for communication.

- **Consider how to strengthen links between multilateral and bilateral** development cooperation as well as **humanitarian and development interventions,** not only links between Danish engagements but also how Denmark can contribute to better multilateral-bilateral/humanitarian-development coherence in the context as a whole.

- **Consider how experiences, lessons learned** from previous phases, including possible evaluations, are integrated into programme design.

- **Consider scenario planning** in particular in fragile situations where multiple options for implementation may exist due to potential shifts in context 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 for determining shifts between scenarios iii)

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[5] This could include whether there is any responsibility for duty of care of seconded personnel, consultants, advisers, Ministry staff on duty travel or permanent posting, relatives etc.

[6] Note that in some cases, for example continuation of ongoing partnerships and for single-partner projects, the partner choice often can be made already at the Concept Note stage, while in more complex cases, such as country programmes, this may not be the case.

possible responses in terms of programme design to each scenario (e.g. changing partners or scaling up engagement with some and downscaling with others), including whether this involves shifts in objectives (should generally be avoided) and/or outcomes (Development Engagements).

2.6 Key concepts and tools in the concept note.

2.6.1 Theory of change – developing the rationale for the programme/project.

The theory of change should be developed at the level of thematic programme or project level only, i.e. it should not attempt to link different thematic programmes and development engagements into one overall ToC.

The HRBA will assist in defining the ToC, such as defining the objectives by identifying where the greatest needs are, what commitments to change governments have undertaken, what level of human rights is acceptable (standards) including in social services etc. Furthermore the HRBA will assist in identifying partners, i.e. who are the main rights holders and duty bearers to be included in the design of the projects and programmes and finally, how to engage through the principles of participation, accountability, non-discrimination and transparency.

The ToC is the intervention logic for achieving intended results. The ToC explains and documents the links between outputs, outcomes, thematic objectives and strategic objective, which is how it should be outlined in the Results Framework. ToC furthermore focuses on evidence for these causal links. It necessitates a critical reflection on how the programme will move from outputs to outcomes and eventually to thematic and strategic objectives, and how chosen modalities (including instruments, activities and inputs), preconditions, assumptions and risks will influence this journey.

Thus, the ToC determines the results framework and at the same time provides the narrative that underpins the results framework – telling the contribution story for the Danish support to facilitate the desired change and the rationale/justification for the Danish engagements. The ToC will be monitored through the monitoring and evaluation system (M&E), measuring:

- results, as defined in the results framework,
- assumptions, which have been identified as important for the ToC,
- risks, as identified in the risk management framework.

ToC is a simple logical approach but it is applied in a complex world. The ToC provides the foundation for establishing the results framework, the risk management framework which again provides the foundation for the M&E framework. None of these is blue prints. They are interrelated and may change if the context and reality in which the programmes exist, change and will then need to be adjusted or redesigned.

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7 questions to guide your Theory of Change

1. **What is the transformation we want** to contribute to, and how do we formulate this as our objective?
2. **Which are the main changes** that will need to take place in order for this transformation to happen?
3. **Who** – or which developments or factors - **are the most important drivers** of these changes?
4. **How and with which modalities and instruments will we contribute** to the changes? Will we contribute to all of them? Are we a main contributor?
5. **Why do we think that the changes will happen**? Which are the main conditions for them to happen; which other processes will need to take place? Are they in place or taking place, or will they? Why do we think so?
6. **Which are the main assumptions** that will need to hold true for the changes to happen?
7. **Which are the main risk factors** that may prevent the changes from taking place, or delay them, reduce their significance, etc.?

2.6.2 Risk

Risk management is an integrated part of the programme/project cycle. This implies that a preliminary assessment of potential risks and risk responses must be conducted. For country programmes and other larger programmes with several engagements, the risk analysis must also include the engagement level. A preliminary risk management matrix is annexed to the concept note and a final version to the programme document. For projects below DKK 10 million, the risk management matrix is integrated into the development engagement document. The risk assessments and responses are assessed at least once a year during implementation. Description of risks in the programme/project document must be consistent with the description of risks in the risk management matrix.

Danida operates 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 programme objectives and institutional risks in relation to the interest of Denmark and its partners.

The contextual risks are the same for all programmes and projects within that particular context (e.g. within a country programme). Programmatic and institutional risks at project or thematic programme level.

The likelihood and impact of identified risks are assessed and risk response measures identified. Risk responses are only required for programmatic and institutional risk.

The format below is filled out for context risks, programme risks and institutional risks.

Risk Factor	Likelihood	Impact	Risk response	Residual risk	Background to assessment
The risk is formulated as a headline or in one or two sentences	- Very unlikely - Unlikely - Likely - Almost certain	- Insignificant - Minor - Major - Significant	The risk response is formulated as a headline or in one or two sentences	The risk that remains after the identified risk response.	Brief explanation which can emphasize the risk factor itself or any of the other elements in terms of rating and responding to the risk

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

Risk management should be seen as an iterative process where implementation of risk responses influences programme design and vice versa. Risk responses can lead to changes in partners, outputs, outcomes and shift in modalities etc. Proposed risk responses should be briefly outlined in the risk management matrix during formulation and the residual risk be indicated.

The Risk Management Matrix should be reassessed and revised at least annually, but in some instances more frequently. Monitoring of risks during implementation is important in order to identify whether developments require adjustments to the programme, including use of the scenario planning options. Developments in risks could require adjustments to the results framework or to generally revisit the theory of change to ensure the relevance of the intervention logic.

More guidance on risk management, including establishment of the risk management matrix is included in the standard annex 4.

2.6.3 Budget

The concept note includes:

- Budget at outcome/development engagement level, including contingencies.
- Budget envisaged for reviews, studies, monitoring, communication, programming, etc.
- Unallocated funds envisaged and the purpose of these.
- Possible budget for programme support mechanisms.
- Possible budget for facilitation of security

Below is an example of preliminary budget for a concept note for a Programme.

Preliminary budget for the development programme 2018-2022 (Million DKK)	
Thematic Programme I	**300.00**
-Outcome 1	130.00
-Outcome 2	77.00
-Outcome 3	45.00
-Unallocated	30.00
Programme support mechanisms	
-Adviser, including cost for security arrangements	8.00
-Secondment	5.00
Reviews/studies/communication/monitoring	5.00
Thematic Programme II	**297.00**
-Outcome 1	50.00
-Outcome 2	35.00
-Outcome 3	35.00
-Outcome 4	45.00
-Unallocated	15.00
Programme support mechanisms	
-Programme implementation unit	14.00
Reviews/studies/communication/monitoring	3.00
Total, Development programme 2018-2022	**597.00**

Chapter 3 Formulation and approval

The formulation stage spans from the presentation and discussion of the programme concept note in the Danida Programme Committee to the approval of the proposed programme or project. **For programmes and projects above DKK 39 million**, the formulation will take the concept note and the strategic guidance and recommendations of the Programme Committee as its point of departure. For **programmes and projects below DKK 39 million,** the identification phase is as relevant as for larger programmes, although it is not documented in a concept note and presented to the Programme Committee, but instead documented in the final programme/project documentation.

3.1 The programme document and development engagement documents

The documentation required depends on the size of the programme or project:

- For **programmes with several partners,** the documentation package comprises an overall programme document and a number of development engagement documents (DEDs), one DED for each partner. Larger country or regional programmes above DKK 39 million may have up to a maximum of 15 DEDs. Programmes below DKK 39 million may have a maximum of three development engagements. An outline of the standard content of a programme document is provided in the box to the right.

- For **single partner-projects above DKK 10 million,** the project document and the partner agreement is the required documentation. The standard content of project documents can be seen from the template provided on the AMG website.

- For **projects below DKK 10 million,** the standard DED format can serve as a legal partner agreement, thereby combining the DED and the legal partner agreement when relevant.

The **Programme/Project document** summarizes the final design. It covers aspects such as the theory of change, the HRBA, objective(s), past results to build on, the influence of risks and assumptions, the results framework, monitoring and evaluation, risk management framework, scenarios when necessary

Content of programme document
- Standard front page (Dashboard) with key programme information
- Brief programme context
- Strategic considerations and justification
- Thematic programme summary (for each theme), including summary of engagements
- Management set-up
- Programme budget

Annexes:
1) Context Analysis
2) Partners
3) Results Framework at output level
4) Budget details
5) Risk Management Matrix
6) List of supplementary materials.
7) Plan for communication of results
8) Process Action Plan
9) Signed Table of Appraisal recommendations and Follow-up Actions taken or Signed Quality Assurance Checklist in case TQS has not been responsible for the appraisal

Development engagement document/project document
- Background
- DED objective and results framework
- Inputs and budget
- Management arrangements
- Monitoring and reporting
- Risk management

Annexes
- Draft legal agreement with partner
- Relevant partner documentation

(typically for projects and programmes to be implemented in situations of conflict and fragility) and budget.[7]

Development engagement documentation / project document is prepared for each engagement. A development engagement document is defined at partner level and specifies the agreed results, activities, management arrangements and the budget for the cooperation with the particular partner. A development engagement includes one partner and has one partner agreement, one recipient of funds, and one entry in PDB.

A thematic programme is made up of a cluster of development engagements with a common thematic objective, but has no specific thematic programme document, other than the description in the main programme document. A country programme or other large programmes may comprise up to three thematic programmes. Within a thematic programme, each development engagement outcome must contribute to the fulfilment of the thematic objective.
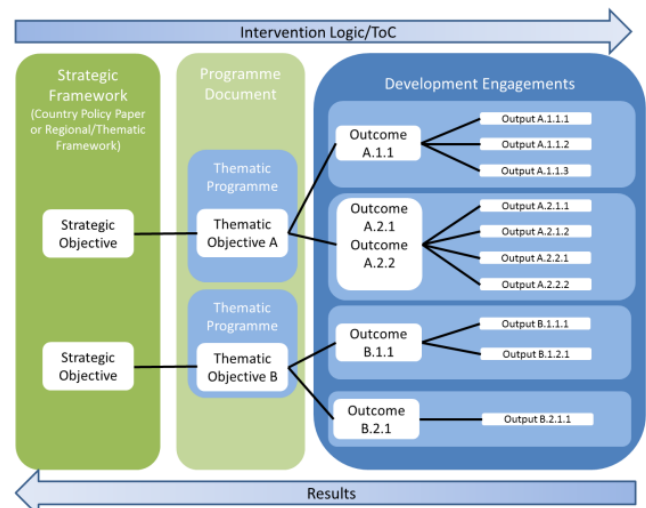
3.2 Appraisal

The **draft version of the programme/project document, underlying engagement documents and other relevant documentation form the basis for the final quality assurance check before a funding decision. This quality assurance check is a basic requirement for all appropriations and is normally required to be in the form of an appraisal**.

Appraisals may be conducted as desk or field appraisals. In both cases, they result in recommendations to be considered by the responsible MFA unit when finalising the programme/project documentation or in certain cases during implementation. The recommendations are listed in a table in which the responsible MFA unit will subsequently outline its responses. At appropriation, the table is submitted to the appropriating authority together with the final programme/project documentation and the completed and signed Quality Assurance Check List.

External appraisals must always take place based on ToR prepared by the responsible MFA unit. In cases where TQS is commissioned to undertake or arrange for the appraisal, the ToR are made in consultation with TQS.

In the case of field appraisals, the appraisal team will prepare a mission preparation note (MPN) and discuss it with the responsible MFA unit (and, if possible, partners) before the appraisal mission. At the end of the mission, the appraisal team will prepare and discuss with the responsible MFA unit a debriefing note or draft report, including all major recommendations from the appraisal. The full appraisal report will be delivered two weeks after the mission, at the latest.

For programmes and projects not appraised by TQS, the responsible MFA unit must ensure that the quality assurance process is properly documented. The scope and nature of appraisals depends among

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[7] Templates for programmes and projects can be downloaded from the AMG website.

other things on the size of the grant, taking the accumulation rule into account, and the nature of and experiences with the partner. In addition, other issues such as nature and complexity of the grant, measures of quality assurance applied during the preparatory process etc. are to be taken into consideration.

- **Grants up to DKK 10 million:** an internal appraisal must be conducted by the responsible MFA unit (not necessarily resulting in an appraisal report) and the quality assurance process must be documented by completing, signing and attaching the Quality Assurance Check List to the project documentation and the appropriation note. Tools and Templates.

- **Grants from DKK 10 million up to DKK 39 million:** Appraisal will be conducted by external consultant(s) commissioned by the responsible MFA unit. TQS may be requested to undertake or commission the appraisal.[8] A standard appraisal report documents the appraisal. In exceptional cases and following endorsement from TQS, the responsible MFA

> In situations where there is no available funding, i.e. from a previous phase of a support programme, to undertake an external appraisal, OKO has a budget ("Forundersøgelseskontoen") for such activities that may be used subject to OKO approval.

unit may propose to undertake the appraisal internally, if the programme or project meet certain criteria (see box on the following page). Based on the appraisal report and follow-up actions taken, the responsible MFA unit must complete and attach the signed Quality Assurance Check List to the programme/project documentation submitted for approval. Sample TOR for external consultants can be found under Tools and Templates.

- **Grants above DKK 39 million**: Appraisal will, as a general rule, be conducted by development specialists designated by TQS and documented in a standard appraisal report unless a deviation from the standard requirements is agreed as part of a QA plan presented to the Programme Committee. A signed table of appraisal recommendations and follow-up actions taken by the responsible MFA unit must be enclosed with the programme/project documentation submitted for approval. If the appraisal is not carried out by TQS, the responsible MFA unit must complete and attach the signed Quality Assurance Check List with the programme/project documentation submitted for approval.

Country- and regional programmes will always be appraised by development specialists from TQS as team leaders. In exceptional cases development specialists within other units may undertake the appraisal; in such cases a TQS development specialist will be designated as focal point and be part of the appraisal peer group. The general rule will be that the appraisal is undertaken as a field appraisal led by TQS development specialists. The responsible MFA unit must present the proposed type and timing of appraisal envisaged in the concept note to be endorsed by the Programme Committee. If towards the end of the formulation phase TQS finds that the proposed appraisal process does not allow for undertaking a satisfactory quality assurance, TQS can determine a suitable appraisal format.

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[8] Subject to available ressources in TQS.

Other programmes and projects above DKK 39 million will be subject to TQS appraisal according to normal appraisal procedures.

In exceptional cases, the following options for appraising the appropriation may be applied:

1. External consultant(s) may undertake the appraisal, commissioned by the responsible MFA unit and documented in a standard appraisal report.

2. In cases where development specialists (from TQS or within the responsible units) have been engaged substantially during the identification and formulation phases, and thereby contributed to an ongoing QA, the appraisal can follow a lighter process that may involve external consultants and/or desk appraisal measures.

3. The responsible MFA unit may propose to undertake the appraisal internally if the programme or project falls within the criteria listed. In this case, the completed and signed Quality Assurance Check List for appraisals will serve as documentation for the appraisal process and must be submitted along with the standard programme documentation for approval.

> **Criteria for internal appraisal.**
>
> Appropriations where one or more of the following criteria apply, may be subject to exemptions from the standard requirement to appraisal within the different grant size categories as indicated above:
>
> - Low complexity of the programme or project (no. of engagements, partner composition etc.) and low perceived risks;
> - The appropriation supports a continuation of previous phases of a programme or project with well-known partners and documented results;
> - The support is provided through delegated partnerships, or as earmarked contributions to multilateral organisations where quality assurance follows procedures of the partner.

If the responsible MFA unit wishes to apply any of these options, the justification for this decision must be presented in the concept note to be endorsed by the Programme Committee, or Under-Secretary for Development Policy, if proposed later in the process. TQS will make the final decision on the format for quality assurance.

Programmes and projects between DKK 10-39 million are subject to external appraisals following which the responsible MFA unit must complete and sign the standard Quality Assurance checklist.

3.3 Approval

The final version of the programme or project documentation will be submitted to the relevant authority for approval.

- ***Grants below DKK 10 million*** will be approved by a head of unit.

- ***Grants between DKK 10 million and DKK 39 million*** will be presented to the relevant minister through an Under-Secretary.

- ***Grants above DKK 39 million***, the Programme/project document with mandatory annexes will be approved by the Council for Development Policy. TQS will present the Council for

Development Policy recommendation to the Minister for final approval. Detailed information regarding presentation to the Council for Development Policy is found here.

Key deadlines to observe:

Appraisal process (with TQS involvement)

- Responsible MFA unit to submit draft ToR to TQS at least 12 weeks before the appraisal
- Documents for the appraisal to be submitted to TQS at least 6 weeks before the appraisal
- TQS to present mission preparation note (MPN) before start of appraisal mission and have consultations (meeting or video conference) on the contents of the MPN before the mission
- TQS to forward the final appraisal report to the responsible MFA unit no later than two weeks after conclusion of the appraisal mission
- Responsible MFA unit to forward responses to appraisal findings and recommendations to the Under-Secretary for Development Policy with TQS in copy no later than 6 weeks before presentation to the Council for Development Policy

Approval process:

- 7 weeks before the Council meeting: Agenda items must be confirmed
- 13 working days before the Council meeting: Programme documents incl. cover note and all annexes must be submitted to TQS
- 1 day after the Council meeting: Input to minutes are submitted to TQS
- Specific meeting dates and deadlines can be found here

3.4 How to write the Programme document and the development engagement documents

The programme document and the development engagement documentation are prepared by the responsible MFA unit in close collaboration with the relevant stakeholders and partners.

3.4.1 Prepare/ revise the process action plan

For larger programmes **above DKK 39 million**, the concept note is the starting point for the formulation process. The first step is to revise the process action plan after the Programme Committee meeting to take into consideration the recommendations.

For smaller programmes and single engagement projects **below DKK 39 million** the process action plan should outline one continuous process including elements from both identification and formulation that leads to the preparation of a programme document and possible DEDs without passing through a concept note stage.

For all programmes and projects, sufficient time must be planned for appraisal, finalization of the programme documentation after appraisal and presentation to the approving authority. Also, allow sufficient time for recruitment of consultants to support the process, if needed.

Procurement and tendering can be an elaborate process; a realistic schedule should be included for such processes in the PAP, and in the provisions for implementation of the programme once approved.

3.4.2 Supplementary analytical work

For larger programmes an overall *analysis of programme context; stakeholders; opportunities, challenges and risks* will have been carried out as part of the identification phase and the conclusions summarised in the standard annex to the concept note. This annex and the discussions of the recommendations from the Programme Committee may have identified **needs for more specific supplementary studies and analysis required for the formulation.** For small programmes and projects that have not prepared a concept note the work on standard Annex 1: Context Analysis, that includes aspects of stakeholder analysis, opportunities, challenges and risks, may help identify the need for specific additional studies.

Types of additional background analysis may include:

- Studies of theme / DE specific issues, including relevant national sector policy and strategy papers, institutional capacities, and other relevant theme specific documentation building on the above context analysis,
- If relevant, a more detailed HRBA analysis to assess how the human rights standards and four principles of HRBA – non-discrimination, accountability, participation and transparency and the human rights standards – can be integrated into the Programme / Project;
- If relevant, a more detailed assessment of climate change, environment and inclusive and sustainable growth aspects to find opportunities for integration / mainstreaming of these aspects in the intervention as well as avoiding possible harmful impacts.

3.4.3 Choose partners and delivery modalities

Choosing the right partners and delivery modalities for the individual development engagements is essential for ensuring that the programmes and projects achieve the expected results. In order to facilitate this process, a partner assessment must be made and documented.

The basic criteria for choosing partners are:

- **their relevance** for achieving the objectives of the programme/project,
- the likely **effectiveness and efficiency** of the partners and their engagements for achieving results and impacts; this need to be considered together with relevance. A relevant weak partner can be considered with appropriate support to the development of the partner's capacity,
- likelihood of ensuring the **longer-term sustainability** of the result,
- their **ability to drive innovation, change and transformation**. We should be willing to take risks and enter into engagements with new types of partners, including private sector, civil society and academia.

When considering delivery modalities, it is important to take into consideration the **assessment of the capacity of partners** and the associated risks, including the risk of corruption. This is part of the partner analysis to be presented in the standard Annex 2: Partners. Some of the key aspects to consider and document in the process, include:

- The ***implementation capacity of the partners*** chosen and specific capacity development elements of each engagement, as relevant. The analysis of standard requirements for financial management capacity should be seen as an integrated part of the partner analysis.
- The use of ***programme support mechanisms***, such as advisors, Programme Support Units, programme coordinators and secondments, as part of the programme/project design to address capacity constraints of partners, to support implementation of complex multi-partner engagements or to ensure a Danish presence/involvement, for example when choosing multilaterals or EU as direct partner for delivery. Programme support mechanisms can also be used to assist in monitoring the implementation of programmes.
- For interventions in countries where **security** may be a concern, it is important that considerations are made with regard to duty of care, security of personnel, and security related expenditure. Involvement of SEK and HR is important and, when necessary, senior management may need to be involved to assess whether the intervention is feasible in light of the security implications.

3.4.4 Communicating results

Communication of results is an important aspect of a programme and a plan outlining how different programme elements will be used for communication should be included, focusing on:

- communication mechanisms, including social media, traditional media, reports, workshops public meeting, theater, movies, infographics etc.
- target group (see below)
- when to communicate; both ongoing but also in connection with finance act, at international summits and conferences etc.
- who is responsible
- what modalities and resources are needed for implementation of the plan.

It is important to note that communication is not one activity; it must be a multi-pronged effort communicating to, among others:

- Decision makers in host country/region
- Stakeholders in Denmark
- Stakeholders/general public in host country/region
- Thought leaders, i.e. engaging and influencing the expert communities and opinion makers in the relevant programme areas.

Resources to implementation of the communication plan can be (prudently) budgeted for in the programme.

3.4.5 Finalising the documentation

Other key aspects of finalising the programme/project documentation package includes completing all standard annexes, which implies:

- Justifying the **choice of partners** (standard Annex 2: Partners), including the considerations behind and criteria used for selecting partner(s) and reflections on capacity and exit strategies.
- Detailing the **results framework** (standard Annex 3: Results framework) at programme/project, (thematic if relevant) and engagement level. Be as specific as possible in detailing indicators, baselines and targets that will form the basis of the on-going monitoring and the periodic reporting on implementation progress.
- Identifying core **assumptions** from the intervention logic/theory of change that can be monitored during programme/project implementation and used as a tool in management.
- Finalising the **Budget Details** (standard Annex 4: Budget Details), which involves presenting the overall budget as well as broken down by results area and year.
- Finalising the **Risk Management Matrix** (standard Annex 5: Risk Management Matrix), which entails identifying key risks that can be monitored during implementation and used as a tool in programme/project management.
- Detailing the **management set-up** at programme level as well as for each development engagement clarifying the structures for day-to-day management (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 Programme, each thematic programme and the development engagements, including procedures and scope for budget adjustments.
- Detailing the system for regular and continuous **monitoring and periodic reporting** against the results framework and budget as well as the responsibilities for supervision and reporting.
- Preparing a **Communication Plan** identifying results, key activities and/or milestones that may represent good opportunities for sharing and communicating results with stakeholders and the public in Denmark.
- Drawing up a **Process Action Plan** that details the key actions to be taken upon approval to ensure that the programme/project gets off to a good start, including signing of agreement(s), partner meetings, recruitment and procurement activities, disbursements, etc.

3.5 Key concepts and tools in formulation

3.5.1 Programme Results Framework

The results framework is the core of the programme/project documentation package. It provides an overview of objectives, outcomes, outputs and key indicators at the strategic, thematic and engagement level. The results framework derives from the theory of change that builds on objectives and selected indicators from the partner's results frameworks or, if partner frameworks cannot be utilised, establishes its own relevant objectives, indicators and baselines. The results frameworks are the basis for the responsible MFA unit's progress reporting and communication to the public, stakeholders and management, and will be used to focus the dialogue with partners on progress towards achieving the agreed results and possible changes to the pathways for achieving results.

At programme level, the results framework should include:

- Indicator(s) for thematic objective
- 1-2 indicators for each outcome

- up to five outputs with indicators for each outcome/engagement.

In cases where partners have developed extensive results frameworks, key elements from this should be extracted for the programme results framework. Indicators should include both quantitative and qualitative aspects of the engagement.

The emphasis on the use of partners' results frameworks requires an early attention to the establishment of concrete and measurable objectives and indicators in the preparation process with partners, and to establish a baseline and targets for their monitoring. If it is not possible to define indicators, baseline and targets during formulation, the process for establishing them should be integrated in the programme and temporary indicators and targets defined in the programme/project documentation. The results framework is a mandatory part of the documentation to be submitted into the relevant approval process.

The results framework should always give a clear impression of the concrete achievements planned for in the programme/project and provide an overview of the entire structure of the programme/project even if read out of context of the programme/project document narrative.

3.5.2 Partner capacity assessment

Partners' capacity should be assessed to define the need for supporting capacity development as part of the development engagement, choice of modality, management structure, etc. Most development engagements have a significant element of capacity development.

The **scope and depth of the assessment** will depend on the extent of the contribution, the complexity of the activities and prior history of cooperation with Denmark or similar international development partners. The capacity assessment should, insofar as possible, make use of existing information and documentation. The capacity assessment should include both the partner's technical and administrative capacity, as well as take into consideration the capacity of possible sub-partners. The assessment may be carried out by the MFA unit itself, by the partner, through external consultants, or a combination thereof.

With regards to **financial and administrative management capacity**, the responsible MFA unit must ensure that an assessment of possible partners' financial and administrative capacity is carried out. If proposed activities include transfer of funds to sub-partners, the capacity of these sub-partners should also be assessed. Assessments should as far as possible build on existing available information, such as procedure manuals, previous audits and assessments, but can be supplemented by further assessments. If external assistance is needed, the partner should be included in the elaboration of terms of reference and other relevant parts of the process.

The scope and depth of the assessment will depend on the size and complexity of the activity, the nature of the partner and its history of prior cooperation with Danida or other donors. Guidance on what the assessment should cover can be found in the document Standard requirements for financial management capacity that can be downloaded from the AMG-website.

3.5.3 Types of partnerships

In terms of modalities for partnerships, there are broadly three options:

Direct agreement with the relevant state or non-state or multilateral partner organization. In this case, the responsible MFA unit will be directly in charge of the dialogue with the partner and the monitoring of implementation and budget execution.

Delegated cooperation agreement with another multilateral or bilateral development organization, who will then manage the joint support and be responsible for dialogue with partners.

Open tender contract with a consultancy company or an organization that will manage the project or programme on behalf of Denmark, and will have the direct dialogue and relationship with the partner's authorities / companies / organizations in the recipient country.

Participation in various types of multi-donor arrangements or (basket) funds is normally a variation of either direct agreement or delegation.

The specific choice of modality will depend on the programme/project context, including:

- the security situation
- the Danish presence in the country/region, and Danish financial and human resources to manage the programme
- the specific themes or programmes supported, and the quality of these
- the types of partners to engage (e.g. public, private or civil society)
- the technical and administrative capacity of the partner
- Danish tender regulation and procedures (building on EU procedures). Direct agreement or delegation may not be an option, in particular not for engaging with partners that could be selected through open tendering.

3.5.4 Programme Support Mechanisms

Programme support mechanism is a term used for a multitude of instruments that supports: **advisory services** towards one or more partners, typically in the form of technical assistance; **coordination** between multiple engagements and partners, often involving technical dialogue with governments, implementing partners and other donors; and/or **management** of staff in programme units, technical management of programmes including disbursement of funding on behalf of a programme/MFA unit or other transactional duties and provision of advisory services etc.

There are three main modalities for programme support mechanisms that can be used in development assistance–two or more may be used in combination:

- **Advisers**, normally posted with partners, and technical assistance provisions
- **A Programme Support Unit** is a setup where one or more advisory or management functions cannot be hosted by a partner and a separate office is required. PSUs are administered according to [Guidelines for Financial Management of Decentralised Units](#).
- **Secondments/Professional Officers** mainly in multilateral organisations can be funded from programme budgets <u>only when approved by APD</u>[9]. The positions must be included in the programme document and be part of the approved grant appropriation. Furthermore, the secondments should: i) be in connection with a partnership with an organisation receiving funding from the programme, or ii) be to an organisation working on e.g. framework

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[9] In addition, HR has an instrument for secondments to multilateral organisations.

conditions for a thematic area, which is crucial for the successful implementation of a Danish programme, even if the relevant organisation is not a direct recipient of funding for the programme[10], finally, iii) as the justification of this type of position is a substantial contribution to the achievement of the objectives of a Danish programme, the positions are likely to require a specialist with considerable expertise.

Generally, a programme support mechanism can be funded from programme or project budgets, except programme coordinators or advisors posted at embassies[11].

Expenditure for programme support mechanisms should be part of the programme description and budgets, and thereby clearly stated in the grant appropriation document, also at the concept note stage. Introducing new mechanisms in an already approved programme will, as a minimum, require consultations with, or approval by, the Under-Secretary for Development Policy.

In order to fund programme support mechanisms from programme budgets, **the following considerations must be observed**:

1. Programme support mechanisms **must not** directly or indirectly take over the duties vested in the authority of the MFA or **be administrative support** to MFA units.
2. Any support mechanism should have **clear objectives**. Success of a mechanism should not solely be assessed against the performance of the partner(s) it is supposed to assist.
3. Focus is on **enhancing the impact** of the programme and assisting partners.
4. Support can be **provided to partners** in terms of capacity development to ensure capacity to fulfil the stated objectives, monitoring and reporting (financial as well as programmatic) and financial support.
5. **Support functions** can be considered where the capacity of partners is especially low or where coordination and management of interventions is particularly difficult. These conditions can be seen in situations affected by conflict and fragility or where Denmark has no permanent presence.
6. It should always aim for the **smallest possible set up**, i.e. units must not be established if the capacity constraint could be addressed with posting adviser(s) with the partner organisations/ entities. A principle of least intensive intervention must always to be observed.
7. **Multi-donor setups** are preferable to establishment of a Danish bilateral set-up.
8. Support structures can engage in technical, financial dialogue with partners, but **not undertake political dialogue** on behalf of Denmark or make any commitment with regard to bilateral agreements outside the specific programme it is established to support or any new commitments
9. Staff posted at Danish missions is funded by the recurrent budget of MFA. In extraordinary circumstances where the **security** of i) personnel, ii) information or iii) partners is of particular concern, it can be recommended to the Under-Secretary for Development Policy that programme funded staff work from a Danish mission. A security assessment from SEK, including assessment of costs regarding a possible dedicated security set-up for a separate office outside embassy, should be included.

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[10] E.g. an organisation working on framework conditions for judicial reform, which Denmark would not be able to undertake alone as bilateral partner, and where the Danish programme has a focus on support to judicial reform.
[11] With the exception of situations where security concerns make placement outside embassy impossible, see below.

10. Use of support functions in programmes must be clearly **stated in the grant appropriation documentation**, also at the level of concept note.

3.5 Management set-up

It is important to ensure that the management set-up is robust for programmes/projects 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 project or 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 engagements and programmes.

3.5.1 Management set-up for individual development engagements

In order to achieve the objective of the engagement, the responsible MFA units must establish structures and procedures for ongoing management of the engagements. There is no specific requirement for the management set-up. However, the following should be ensured:

- Regular technical and financial reporting by the partner according to agreement, minimum once a year, typically biannually or quarterly.
- At least yearly dialogue with partner focussing on achievement of results and possible adjustment of engagement.
- An assessment of whether the use of resources is in proportion to the results achieved.
- Assessment of whether use of resources complies with regulations.
- Assessment of whether the theory of change and the associated assumptions are still valid or need adjustment.
- Assessment of the risk context and whether it requires changes in implementation (scenarios).
- Documentation and communication of preliminary results.

3.5.2 Management set-up at programme and country programme level

In addition to the above, for larger multi-engagement programmes an overall management arrangement should be established such as a steering committee. For country programmes, annual management meetings between host government and MFA unit could constitute such a steering committee. At thematic programme level an overall management structure, or several steering committees, should be in place; this could be a joint donor set-up. The management structure at this level should assess:

- annual work plans, budgets, and disbursement requirements;
- whether the use of resources is in proportion to the results achieved;
- whether the theory of change and the associated assumptions are still valid or need adjustment;
- the risk context and whether it requires changes in implementation;
- the programme level monitoring of progress against the agreed results framework; financial management and assessment of the fiduciary risks; and
- the plan for communicating results.

CHAPTER 4 IMPLEMENTATION

4.1 What is expected in the implementation phase

Implementation is where results are achieved. All the analysis and planning should now be brought to life and the changes we aim for are fulfilled. The successful completion of a project or programme is when the changes planned for have materialised. Success is not merely to implement a project/programme exactly as it was formulated. F**ocus should continuously be on achieving results and ultimately the intended impact.** On-going monitoring of progress and risks is the basis for making the necessary adjustments through the management arrangement.

The **results we achieve should be documented** so that the responsible MFA unit and the organisation as a whole can learn from what has worked and not worked. Documentation of what has not worked is a valuable lesson as long as it is shared and followed up.

Results should be communicated. The communication should be guided by the communication plan developed during formulation. Ongoing adjustment should be made to enhance communication if needed. This is not least to ensure accountability to the stakeholders we aim to assist, to the Danish public and to decision makers.

In order to achieve this, the following should be in place:

1. Clear **agreements** with partners on what is expected, including work plans and budgets;
2. **Monitoring** of results, risks and assumptions for theory of change and quality reporting, also on finances;
3. Good management arrangements and other fora for **dialogue** with partners on performance to make changes and adjustments to programmes, whenever needed, to ensuring achievement of results;
4. **Documentation** of results and on-going **communicatio**n of these.

> **MFA units implementing projects and programmes must ensure that;**
>
> - All programme/projects are captured in the relevant systems, PDB, etc.,
> - That adequate descriptions of activities are present, relevant, and updated,
> - 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, risk etc. is included in the management systems
> - Ensure quality control of the data entered.

4.2 How to ensure results

4.2.1 Agreements

A **Programme Support Agreement covering several thematic programmes** is signed with the relevant partner, partner ministry or organisation[12]. The Programme Support Agreement with the annexed programme document serves as the commitment document for the entire programme budget.

Should it not be possible to sign a comprehensive Programme Support Agreement, commitment agreements can be signed at the level of thematic programmes or, with the individual implementing

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[12] In the case of Country Programmes, this will usually be the Ministry of Finance.

partners, if no thematic agreements can be signed. In this case, the development engagement document (DED) serves as commitment document using the combined format for DED and legal agreement.

Stand-alone programmes are signed with the relevant thematic partner or, exceptionally, with each implementing partner as described above.

For projects below DKK 10 million, the combined format for DED and legal agreement is used.

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 signed.

4.2.2 Annual planning and budgeting

Results orientation is a key guiding principle when defining programme planning, budgeting and reporting procedures. Annual planning and reporting should as far as possible be aligned with, or fully integrated into, the planning and reporting cycles of implementing partners. 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. Budget items of the Danish appropriation must be consistent with work planning and budgeting of partners. To be able to align planning, budgeting and reporting to partner systems, it is important to aim for such a match already at the conception stage of the Danish support. The Danish minimum requirement for reporting on development engagements is one annual report against an agreed plan and budget.

If necessary, weaknesses in planning, budgeting and reporting systems should be addressed through adequate complementary measures, including capacity strengthening and, if possible, separate monitoring mechanisms.

Work planning and budgeting at activity level is primarily of concern to the partner institution responsible for day-to-day implementation. Work plans, budgets and progress reports at output level should be submitted for endorsement in joint decision-making fora. Both in terms of planning and reporting, the responsible MFA unit should focus mainly on key activities, outputs and outcomes as described in the DED.

4.2.3 Reporting and dialogue

The reporting forms the basis of the annual dialogue on results between the MFA unit and the Under-Secretary for Development Policy. The annual reporting draws from the reporting of the partners and is reported from the MFA unit through the Results Framework Interface (RFI).

TQS will be responsible for processing these data and for providing all concerned MFA units with a set of Key Portfolio Performance Indicators (KPPI) that can be used for strengthening the MFA units' results-orientation across the portfolio of grants administered by the concerned MFA unit.

Reporting by the partners

The Danish minimum requirement is one annual progress and financial report. In practice, however, semi-annual work plans and progress reports, as well as quarterly financial reports, are not uncommon.

The exact requirements should be agreed with partner institutions and stated in the programme or development engagement document and agreement.

Day-to-day monitoring is done by the partner. The management arrangement agreed between Danida, the implementing partner and other partners, if any, specifies the responsibility for overseeing that activities lead to the expected outputs and outcomes. It is the responsibility of the MFA unit 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. It should be ensured, however, that the agreed outcome and output indicators and targets described in the results framework are included. If the partner is unable to produce financial reporting based on outputs, Danida should consider assisting the partner in developing this reporting capacity.

In joint arrangements, the contents indicated below should serve as 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, programme-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 developments in the national or sector/thematic 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 the 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 as stipulated in the results framework;
- 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;
- Developments in key risk factors and implications to risk level and risk responses;
- Follow-up on prior recommendations.

Dialogue with partners
At programme level, the responsible MFA unit will have periodic dialogue meetings with programme partners regarding overall progress in implementation. This dialogue addresses progress towards expected programme results, possible deviations, total disbursements during the past year or period, budgets for the coming year or period, possible reallocation of funds between development engagements, use of unallocated funds and other decisions at overall programme level. In the case of country

programmes, such country level meetings will also address broader political, economic, social and human rights developments in the country of relevance to the programme at hand.

The dialogue arrangements at this level will vary considerably depending on the type of programme and should be described in the programme document as part of the management arrangements. In the case of country programmes, the programme level dialogue will usually be an annual meeting between the MFA unit and the leading ministry for donor coordination, often the Ministry of Finance or Ministry of Planning.

In addition to overall programme level dialogue, the MFA unit will conduct at least one annual consultation with each partner **at development engagement level**. This will require dialogue on progress towards agreed results, planning and budget aspects as well as a joint assessment of the development in key risk factors. In cases of multi-donor implementation set-ups or intermediaries working with more partners, the dialogue will take place with the board of the intermediary or similar set-up. When cooperating with a number of individual partners within a thematic programme and where the partners have a joint interest in commonly pursuing an objective, a joint steering committee could be established or joint meetings can be held between partners and the responsible MFA unit.

At development engagement level, the decision making body varies in terms of size and participation, ranging from a joint government-donor set-up to one-on-one dialogue with a small CSO. Guiding principles for decision-making procedures at development engagement level are that they involve all participating donors and partners, are transparent and formalised, and that records are kept of decisions reached. Such joint decision-making will normally address:

- Changes to strategies or strategic direction;
- Approval of work plans and budgets, reviewing annual (progress) reports against indicators and targets;
- Monitoring of programme implementation, including on outcome, assumptions for the achievement of results and risks;
- Approval of ToR for audits and of audit reports as well as monitoring of audit follow-ups;
- Approval of ToR for reviews or evaluations, and endorsements of review recommendations;
- How to deal with deviations from plans, including reallocations, changes in output, indicators, activity plans, etc.;
- [Planning of possible future collaboration].

Reporting by the responsible MFA unit

MFA units responsible for project or programmes must ensure reporting against the overall project/programme results framework, at least annually, and ensure adequate information is entered into aid management systems, which is publicly available on OpenAid.dk instantly. OpenAid.dk is the formal communication tool for progress reporting to the Danish Parliament on development cooperation; therefore, it is essential that MFA units ensure timely and adequate reporting in the aid management systems.

Annual Portfolio Performance Report

The MFA unit will produce a brief report of maximum three pages, called an Annual Portfolio Performance Report, prior to the Annual Results Dialogue with the Under-Secretary for Development Policy. The report will draw on the Key Portfolio Performance Indicators (KPPIs) provided by TQS and must include the following sections:

1. Status in Key Portfolio Performance Indicators (based on provided by TQS);
2. Key developments over the recent 12 months affecting portfolio performance; and
3. Process Action Plan for improving results orientation and portfolio performance over the coming year, including key communication activities and suggested prioritization of tasks and staff resources within the MFA unit;
4. Reflections on communication of development results in relation to the communication plans made.

The Annual Portfolio Performance Report (APPR) must be submitted to TQS at least 10 workdays prior to the Annual Results Dialogue and will serve as the basis for this dialogue.

Annual Results Dialogue

An annual results dialogue between the responsible MFA unit and the Under-Secretary for Development Policy will take place each year, preferably during the months of September and October. The dialogue is a meeting focused on jointly assessing the overall performance of the portfolio administered by the concerned MFA unit and for discussing practical steps to increase results-orientation and overall portfolio performance. The basis for the Annual Results Dialogue is the Annual Portfolio Performance Report submitted by the concerned MFA unit to TQS prior to the meeting.

For MFA units responsible for country programmes and/or regional programmes, the dialogue can also be used to present and discuss overall progress towards expected programme results, changes in assumptions and risks, global disbursements during the past year, budgets for the coming year and other issues at overall programme level that may influence the achievement of results. In addition, if found necessary, these dialogue meetings can also address broader political, economic, social and human rights developments in the country or region influencing the programme context and aspects of communication of results.

4.2.4 Monitoring and learning

In order to ensure achievement and documentation of results achieved during implementation of project/programmes, monitoring must be prioritised in the design of the project or programme and during implementation, not least through establishment of an operational and realistic results framework.

The progress and success of projects and programmes are assessed against the achievement of the intended results. An important aspect of the monitoring is therefore to enable management to learn what works best, what has not worked, and adapt the project or programme to the best-suited options.

Monitoring is the responsibility of the responsible MFA unit through the relevant partner. If relevant, technical assistance can be engaged, in larger programmes, to assist partners with the development 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[13].

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[13] This could include third party monitoring or dedicated monitoring mechanisms in programmes.

If needed, funds can be allocated in the budget to increase the quality of monitoring. This could include assistance to partners with the compilation and processing of data and sharing of information across the programme/project.

Dimensions of monitoring.

- **Results monitoring**; to assess the efficiency and effectiveness of the project and programme and whether performance is as expected.
- **Monitoring of assumptions**; to assess if the ToC is still valid, or whether the project or programme must adapt to new intervention logic.
- **Risk monitoring**; to assess to what extent the project or programme is in danger of being compromised, necessary adjustment of implementation modality, including shift in scenario.
- **Monitoring of financial management** to ensure proper administration of Danish funds.

Especially in situations of conflict and fragility, 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 partners, resource allocations and focus of the engagements.

4.2.5 Monitoring of results framework

The theory of change/intervention logic should be considered also in the implementation phase to assess whether the project or programme is on track and implications of changes on assumptions and risks. Hence, it is suggested that the MFA unit regularly revisits the theory of change that underpins the project or programme.

The MFA units are also responsible for the dialogue with the partner(s) on the result framework in the individual development engagements. While the MFA unit is not in direct control of the monitoring, the expectations and requirements must be communicated clearly and the results of the engagement must be monitored in order to assess whether the engagement is progressing as expected.

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

4.2.6 Monitoring assumptions and risk

As part of the theory of change and justification of the project or programme, some assumptions have been made. It is important for the MFA unit to monitor whether the fundamental assumptions for the project or programme are still valid. This may not require a specific monitoring framework, but the MFA unit must regularly undertake an analysis of whether the underlying assumptions are valid, and whether the project or programme needs 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 engagements 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 continuously assess if it is necessary to make adjustments, and then implement the changes required.

4.2.7 Monitoring of financial management

The responsible MFA unit must, as part of the programming process, develop a financial monitoring framework to ensure proper monitoring of the administration of Danish funds. The framework may include regular financial monitoring through meetings with partner, scrutinising narrative reports, financial reports, annual audits, as well as carrying out on-site financial monitoring visits, special audits and reviews.

The degree and frequency of the financial monitoring of any grant recipient is, among others, based on the nature and amount of the grant, the grant modality, the grant recipient's capacity, and the risks associated with the specific grant. Ref. Financial Monitoring Guidelines.

4.2.8 Reviews

The purpose of a review is to undertake a periodic assessment of programme/project performance focusing on whether expected results are achieved, challenges, developments in risk factors and context, efficiency and effectiveness in view of providing recommendations for further implementation, as appropriate. The review also serves as a quality assurance of the monitoring.

There are two types of periodic reviews:
- mandatory midterm programme level review carried out by TQS/KFU; and
- technical reviews at development engagement or thematic level, which could be in the form of an annual joint sector review, joint review of a basket fund, Danida specific review, etc.

TQS may be involved in inception reviews and technical reviews/support missions, if requested by an MFA unit or agreed as part of a quality assurance plan.

Mandatory midterm reviews

It is mandatory to undertake a TQS led midterm review of the entire programme/project when the programme/project exceeds DKK 39 million. The responsible MFA unit must initiate the mid-term review and handle the logistics and planning of the review in cooperation with TQS.

Draft ToR for the midterm review must be prepared by the responsible MFA unit, in consultation with TQS, and should detail the input expected from TQS and outline the main issues to be reviewed, including issues at programme and development engagement level.

The midterm review team will prepare a mission preparation note prior to commencement of the midterm review. The mission preparation note will outline the key issues to be addressed by the midterm review based on documents reviewed and ToR.

The mid-term review will normally assess:

- The political, social, economic and human rights developments and assess the situation of conflict and fragility
- The development in the strategic linkages between the overall objectives as defined in the relevant policy papers and programmes.
- The progress against the results framework incl. theory of change.
- Thematic developments including progress.
- Achievements in terms of documenting and communicating results
- Changes to assumptions, scenarios and risk management matrix
- Sustainability, and, if relevant, exit strategies.
- Programme management, including financial management.
- Disbursements and expenditures, as well as the relationship between physical and financial progress.
- Progress in capacity development, including possible Danida advisors.

Documentation for mid-term review

- Relevant programme documents, partner documents and other relevant studies, technical reviews, PEFA reports etc.
- Any contextual analysis, including conflict assessments.
- Annual progress reports (draft for the current year and final for first year(s) of implementation)
- Results report for the programme, based on indicators in PDB
- Progress reports from engagements (including, where relevant, an assessment by the responsible unit in relation to the partner's performance assessment framework).
- Up-dated risk management matrix and scenario planning.
- Financial management and disbursement form for programmes/projects above DKK 37 million.
- Overview of unallocated funds and plans for utilization.
- Annual Portfolio Performance Report.

The midterm review team will prepare a Review Aide Memoire (max. 15 pages). A draft version will inform the team's debriefing with the responsible MFA unit and partners. The final Midterm Review Aide Memoire will be forwarded to the responsible MFA unit no later than two weeks after the field mission. The responsible MFA unit will present the follow-up activities in the summary of recommendations and forward it to TQS with copy to the Under-Secretary for Development Policy and other relevant Under-Secretaries.

Key deadlines to observe:

Mandatory midterm reviews:

- Midterm review of five-year programmes normally after two-three years of implementation
- Draft ToR prepared by responsible MFA unit and submitted to TQS at least 12 weeks before review mission.
- TQS to present mission preparation note before start of mission and have consultations (meeting or video conference) on the contents of the MPM before mission.
- Final Review Aide Memoire will be forwarded to the responsible MFA unit by TQS no later than two weeks after conclusion of the mission.
- The responsible MFA unit will forward responses to review findings to Under-Secretary for Development Policy no later than four weeks after receipt of the final RAM.

Technical reviews

Technical reviews at development engagement level or of the entire programme/project are the responsibility of the responsible MFA unit together with national partners and other development partners (in case of joint funding). The MFA unit may recruit external consultants to undertake reviews.

Development engagement reviews will vary a lot in scope and substance depending on the size and complexity of the development engagement/programmes/projects. In some cases, the development engagement or programme review will take place annually, e.g. joint sector reviews. In other cases, the development engagement follows joint governance structures, e.g. a board for UN of WB managed funds or a specific implementation unit basket fund, where regular reviews are undertaken. In some cases, the governance structure meetings replace reviews as such. The responsible MFA unit will assess if a specific Danida review is needed at development engagement level or whether joint reviews or governance structure meetings are sufficient and ensure adequate follow-up. It may also be considered to carry out technical reviews in preparation of midterm reviews.

Implementation support missions and inception reviews

As a general rule, there will be no participation from TQS in technical reviews. However, support missions can be agreed with TQS based on request from the responsible MFA unit at any time during programme implementation. Such support missions may for example be requested to assess significant changes in a national/programmatic risk context and scenarios, (public) financial management systems and use of funding, or unforeseen developments requiring adjustments to results frames or programme activities.

Inception reviews may be requested within the first 1½ year of programme implementation, with TQS in a technical support role, typically as team leader, for the responsible MFA unit. The focus can for example be on programme issues or processes still outstanding at the time of formal programme approval, e.g. results frameworks not yet consolidated in terms of baselines and targets, management and partnership structures, etc. In some cases an inception review may be agreed in advance of programme approval as part of a quality assurance process (process action plan) of the new programme, for example in cases where a normal appraisal process is not possible.

Draft ToR for support missions and inception reviews must be prepared by the responsible MFA unit, detailing input expected from TQS and outlining the main issues to be reviewed. The ToR should be forwarded to TQS no later than eight weeks before the commencement of the review in order to allow time for contracting consultants, if required. The ToR will be finalized by TQS.

4.3 Adjustments of Projects and Programmes during Implementation

Besides the fact that any adjustment must be in compliance with the legal basis provided in the Danish Finance Act, the general principles for revision of the project and programme, reallocation and use of unallocated funding during implementation are as follows:

4.3.1 Changes in outputs

Changes in outputs under the outcomes formulated in the DED can (in agreement with the implementing partner) be approved by the responsible MFA unit, provided the change fits within the formulated outcome. Changing an implementing partner (DED) can be approved by the MFA unit if the outcome remains identical to the original DED and no substantial change is made to the resource prioritisation in the thematic area of the project or programme.

4.3.2 Changes in outcomes

Changes in outcomes should be approved by:

- **For projects below DKK 10 million**, Head of unit.
- **Programmes and projects between DKK 10 - 39 million,** the relevant Under-Secretary.
- **For programmes and projects above DKK 39 million,** the Under-Secretary for Development Policy or the State Secretary for Development Policy.

In case it is assessed that the changes in outcome(s) will change the programme substantially in substance or in prioritisation of funding, it can be decided to refer the decision to the Council for Development Policy. The changes in outcome(s) must under all circumstances fit within the thematic objectives already approved in the programme document.

4.3.3 Changes in objectives

- Programmes and projects between DKK 10 - 39 million, the relevant Under-Secretary will present change to the Minister for approval.
- **For programmes and projects above DKK 39 million**, presented to the Council for Development Policy to recommend it for the Minister's approval.

4.4 Appropriation related actions during implementation

4.4.1 Reallocations

Reallocations concern adjustments of already approved budgets for thematic programmes.

A responsible MFA unit may each year during the programme implementation period approve accumulated reallocations between development engagements within a thematic programme of up to 10 percent of the average annual disbursement budget of the thematic programme (as specified in the approved grant document). Reallocations must be agreed with partners and approved by Head of unit.

Example: Consider a five-year Country Programme of DKK 600 million consisting of three thematic programmes of DKK 200 million, DKK 150 million, and DKK 250 million respectively.				
DKK	Total country prog. Budget	Thematic prog. 1	Thematic prog. 2	Thematic prog. 3
Total programme disbursement budget	600 million	200 million	150 million	250 million
Average annual disbursement budget (5-yr prog.)		40 million	30 million	50 million
Maximum annual reallocations within a thematic programme (10%)		4 million	3 million	5 million

Beyond these limits, the Under-Secretary for Development Policy has the mandate to approve reallocations. The request should clearly outline between which development engagements the reallocation is requested, the size of the reallocation, 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.

In case the proposed changes involve reallocations between thematic programmes, it should be referred to the Under-Secretary for Development Policy based on an assessment and recommendation from the MFA unit confirming that the changes do not contradict the basis for appropriation, the provisions of the Finance Act and/or whether the changes require re-submission to the Minister through the Council for Development Policy, and/or whether it should be submitted to the Finance Committee of Parliament. Reallocations between thematic programmes should always be referred against the basis for the appropriation, i.e. finance act and approved programme document as well as with the agreement signed with the national partner.

All new development engagements not included in the approved programme document are subject to appraisal, according to standard appraisal procedures (ref. appraisal section).

4.4.2 Unallocated funds (only for programmes and projects above 39 million)

The aim is to have all development engagements under all thematic programmes of the 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 Council for Development Policy. Furthermore, with a Programme including all development engagements over a five-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 the time of appropriation. All funds not programmed and appraised at the time of presentation to the Council for Development Policy 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 Programme Committee in each case, after assessment of the responsible MFA unit's proposal in the concept note. Only in exceptional cases can the unallocated funds reach 25% of the total budget of a Country

Programme and 10% of other programmes above DKK 39 million, and cannot constitute an entire thematic programme.

In the programme document presented to the Council for Development Policy, it has to be indicated which thematic objectives are relevant and, if possible, also which development engagements the unallocated funds are intended for.

An MFA unit has the mandate to approve allocations of maximum DKK 39 million from unallocated funds in a financial year, if the use of the unallocated funds follows the indication in the grant document presented to the Council for Development Policy. If the responsible MFA unit intends to use the unallocated funds for thematic objectives different from what has been indicated in the grant document, the responsible MFA unit will have to seek approval of the Council for Development Policy for approval. For allocations above DKK 39 million, the decision to use unallocated funds must be approved by the Under-Secretary for Development Policy.

At the midterm review, most unallocated funds should be programmed and a plan for the remaining unallocated funds prepared.

Allocation of unallocated funds follows normal appraisal procedures as for any new appropriations (see appraisal section).

4.4.3 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 specific 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.

4.4.4 Other appropriation-related issues during implementation

The responsible MFA unit can 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.

Changes in modalities can be decided by the MFA unit if these are made to effectively achieve the objectives of the programme. If the change of modalities affects the outcomes or thematic objectives, the decision can be taken by the Under-Secretary for Development Policy or the Council for Development Policy respectively.

4.5 Financial management

Sound financial management is essential in order to achieve results. Reliable work plans and budgets will ensure efficient use of resources during the implementation. The partner's procedures for

budgeting, accounting and financial management are used insofar as they comply with internationally acceptable principles and minimum requirements of Danida[14].

During the formulation process, an assessment of the partner's financial management capacity should always be made. In case of administrative shortcomings, the support to the activity should include measures to strengthen the capacity and mitigate risks.

4.5.1 Budgeting

An annual activity budget should be prepared. The budget must allow for monitoring at output level. When financing budget support, basket funds or when providing core funding, the budget may be presented at outcome level. Should the partner not be able to present an output based budget, a budget based on normal expenditure categories may be used.

The budget must show all sources of income, including partner funds and funds from other donors. The budget should also include technical assistance, contingencies, etc.

The following must be communicated to the partner engagement documentation:

4.5.2 Disbursements

Disbursements to the partner should cover foreseen expenditures for up to six months. The partner should produce a quarterly indicative disbursement budget that covers the duration of the engagement.

Disbursements are based on a transfer request from the partner indicating bank account detailed information. A receipt must be submitted by the partner no later than 14 days after receipt of the funds. If the request differs from the indicative disbursement budget, the request should include an updated disbursement budget.

> **Conditions for transfer of funds:**
> • Satisfactory use of prior transfers.
> • Satisfactory technical and financial reporting has been submitted on previous periods.
> • Confirmed reception of prior transfers.
> • All accounts with the same partner are settled.
> • There is an approved work plan and budget for the period to be financed.

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 must be attached to the request.

Interest accrued from bank holdings must be returned to the relevant MFA unit on an annual basis. If it is not possible to calculate the interest pertaining to Danish funds, the interest must be used for the activities, unless other provisions are stated in the engagement documentation.

4.5.3 Accounting

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

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

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14   See Guidelines for Financial Management

- Adequate control procedures are put in place, and accounts are signed by the responsible institution's management.
- An accounting manual is maintained.
- The administration adheres to established written procedures.

Funds from different sources should not necessarily be registered in separate bank accounts but must be easily distinguishable in the accounts set-up. It is recommended to keep earmarked funds in separate bank accounts unless otherwise agreed. For sector budget support or pooled funding, Danish funds are not kept separate from other funds. More guidance on requirements for accounting and auditing can be found in Guidelines for Financial Management.

4.5.4 Auditing

The responsible MFA unit must ensure that external audits are conducted in accordance with the provisions in the guidelines for financial management. Financial audits should include performance and compliance audit. If the audit is procured directly by the partner, this may include approval of the terms of reference and choice of auditor. Annual audits should be performed in accordance with either International Standards of Auditing (ISA) or audit standards issued by the International Organization of Supreme Audit Institutions (INTOSAI). Support to public sector institutions should preferably be audited by the supreme national audit institution.

The final external financial audit report, including a memorandum of examination (management letter), must be submitted no later than six months following the end of the accounting period.

As part of the monitoring framework, the use of different types of audit should be considered, including value-for-money audits, procurement audits and tracking studies. Such audits and studies look beyond financial audits, and can be used to assess whether outputs and outcomes have been achieved. These audit tools are considered most effective when they are partner-led and undertaken jointly with other donors.

4.5.5 Anti-corruption

Measures of preventing corruption include actively working with risk management, capacity development of partners as well as strengthening the partners' own control systems, including national institutions such as the national auditor, anti-corruption institutions and a national *ombudsman* institution. An assessment of the partners' capacity must always be made, including an assessment of the partners' financial and administrative procedures to ensure acceptable fiduciary standards.

Reporting corruption (C-Cases)

According to The Auditor General's Act, The National Audit Office of Denmark must be notified on matters relating to financial accounts and other matters deemed to be of significance of the audit of authorities administering government funds. MFA continuously notifies The National Audit Office of Denmark of cases of irregularities or other misuse of Danish development assistance causing reasonable suspicion of highly irresponsible management, corruption or fraud. The National Audit Office of Denmark must be notified if an external investigation is initiated (e.g. an extended audit, special audit or other investigation/review). Notifications are with few exemptions published on the Ministry's website.

Cases concerning such irregularities must be reported to TQS (KFU) through the c-case system no later than two weeks after the case has come to the attention of the MFA unit. If the MFA unit is in doubt whether to report or not, TQS (KFU) must be consulted.

In addition to notifying The National Audit Office the Minister for Foreign Affairs and/or The Minister for Development Cooperation are informed of cases involving a potential loss of DKK 1 million or more, if special reasons warrant this (political aspects, publicity etc.). The Foreign Affairs Committee and The Finance Committee of the Danish Parliament are informed of cases involving a potential loss of more than DKK 10 million *and* cases of principal significance, e.g. cases that involve members of the government of the recipient country.

Furthermore, contracts with partners should include standard clauses on anti-corruption, including clauses, which stipulate that any form of corrupt practices will be grounds for immediate cancellation of agreements.

Measures of control include different types of monitoring, such as monitoring for results, financial audits, compliance audits, value for money audits, financial control visits, etc. In fragile areas, it may be necessary to use a variety of third part monitoring. Support for civil society and investigative journalism to serve as watchdogs for corruption also contributes to the strengthening of a control environment at societal level in a given context.

Reactions in cases of corruption should depend on the specific circumstances. This can be to use more restrictive control mechanisms towards a partner's administration of funds, to freeze further transfer of funds, demand disciplinary action taken by an organization towards staff, demand refunds of payments and to report the case to the police. Often a variety of reactions will be necessary to ensure that the case is fully investigated, to avoid the risk of further losses and to decide on proportionate sanctions. If it is concluded that Danish funds have been lost due to corruption, these funds will as a rule need to be refunded by the partner. Specific circumstances of the cases will, however, have to be taken into consideration, such as criminal acts being committed by individuals without the involvement or knowledge of the organization as such. Furthermore, sanctions will be applied taking into consideration the humanitarian implications for the target group and the development results of a project.

Any case of reasonable suspicion of highly irresponsible management, corruption or fraud warrants an immediate reaction. This will often mean ensuring that additional funds are not put at risk while investigations to confirm or reject suspicion are ongoing. Considerations towards ensuring that on-going investigations are not unnecessarily disturbed should always be made.

CHAPTER 5 Completion and closure

5.1 Preparation of exit strategy

As outlined in the chapter on identification, proper exit-preparation is important when it is planned to phase out assistance. 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 annex on "Exiting from Bilateral Development Cooperation" outlines general considerations related to phase-out. Considerations relating to sustainability and, if relevant, exit strategy should be discussed during midterm reviews.

In the case of a country programme, the exit could be a transition 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 from other partners 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 outputs and outcomes directly assisting beneficiaries.
- 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.
- Are there opportunities for supporting interventions that promote the transition towards other types of partnerships, including trade-related partnerships?
- Should a review or evaluation of development engagements or thematic programmes be promoted to document results and collect lessons learned for use in future development cooperation?
- In situations where an exit is linked to an actual downscaling or closure of Danish representations, a dialogue mechanism will be established between all relevant MFA units to support the process (the so-called 'REP-NED'-process).

It is recommended that the MFA unit ensures that an actual exit note is prepared as early as possible, once a decision has been made to discontinue engagements, and to begin discussions with partners in relevant forums. In cases where an exit in one or more development engagements is planned, TQS can

provide assistance with regard to formulation of exit note and other aspects related to planning of phase-out.

5.2 Completion and closure of projects and programmes

All activities, which have a Danish bilateral contribution of more than DKK 500,000, must undergo a formal completion process.

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, to the extent possible, integrated in the 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 workflow.
- A transition process to a next phase, if foreseen.

Financing agreements can be extended up to a maximum of 50 percent 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. Simultaneous implementation of support to two phases of the same development engagement should be avoided.

The completion phase includes both submission of a final report to the MFA unit by the implementing partners and a final report by the responsible MFA unit: the Final Results Report.

5.2.1 Implementing partner's final report

The implementing partner's final report, including the assessment of effectiveness and efficiency obtained through the development partner's contribution (Danish or joint), is measured against the results framework in the development engagement document. The report must document 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 for assessment to the management arrangement three months before the expiration of the letter of commitment (e.g. Programme support agreement).

5.2.2 Responsible unit's final results report

The responsible unit shall prepare a Final Results Report as part of the completion and closure procedures. Templates for the report can be found in the "Tools and Templates" box on the AMG website. The Final Results Report replaces the earlier Programme/Project Completion Report. The Final Results Report summarizes the final reporting based on the results framework, including how outputs and outcomes have contributed to the achievement of the thematic and strategic objectives.

The report is based on the implementing partner's final reports and the conclusions regarding the achievement of the development engagements provided by the management arrangements (Steering Committees etc.), Moreover, it should highlight main lessons learned and the financial status of the support. The Final Results Report is made at the level of thematic programme or project. A completed results framework for the programme/project is a mandatory part of the Final Results Report.
It is mandatory for the responsible MFA unit to ensure that the implementing partner's final report, the minutes from the decision making arrangement, and the Final Results Report are available in PDB.
For projects and individual development engagements, the report from the implementing partner cannot replace the final results report by the responsible MFA unit. A summary of the results achieved, lessons learned, etc. should still be prepared.

Template for Final Results Reports above and below DKK 10 million can be found under Tools and Templates.

5.3 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 by a few months. When the audit report has been received, the responsible MFA unit must register the received accounts in GRAM and fill out the cover note. Unspent funds and interest must be returned before the account can be closed.

When interest and unspent funds have been returned and the final audited accounts have been received and approved, the engagement should be closed financially. Prior to the closure, it must be ensured that no more expenses (advisor salaries, audit fees etc.) will incur, and that the programme or project completion report has been uploaded to PDB and quality assured by KFU. The activity is closed financially by reversing the remaining provision in FMI.

5.4 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 independent 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).

Use of experience and lessons learned from evaluations is essential in all stages of programme implementation and can be accessed through evaluation reports and studies at the evaluation website and at the OECD/DAC database on evaluations, DEReC.

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. Real-time evaluations are undertaken concurrently with programme implementation.

Evaluations are undertaken by the Evaluation Department (EVAL), but embassies and other implementing MFA units are encouraged to promote impact studies, which normally have a more narrow scope than evaluations. To

> **Real-Time evaluation**
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> Real-time evaluation is an independent, external evaluation that runs concurrently with programme implementation. The real-time evaluation should focus on achievement of outcomes and on selected aspects of the programme context, which could potentially influence programme achievements. It uses programme monitoring data supplemented with other secondary data and own fieldwork. Real-time evaluation provides an opportunity for learning during programme implementation and enables early adjustment in programme implementation by the programme management. Real-time evaluation will also help identify gaps in knowledge on causal links and contribute to remedying this. Real-time evaluation is organised and funded by the evaluation department.

help ensure that evaluations are useful, relevant and timely, the embassy should discuss possibilities for evaluations with their partners and suggest topics to the Evaluation Department. This can be done either in connection with the annual hearing on EVAL's rolling evaluation programme (two-year coverage) or on an ad-hoc basis. Joint evaluations with partners and with other donors are encouraged.

When an evaluation has been finalized, a Management Response and a Follow-up Note is prepared by the responsible MFA unit and discussed in the Programme Committee. The discussion of the evaluation in the Programme Committee serves to promote internal knowledge sharing of the evaluation and to discuss the draft responses to the evaluation's recommendations. Management will follow-up on the implementation of the recommendations from the evaluation after 1-2 years.