Annexes:

Annex 1

Analysis of Programme Context; opportunities, challenges and risks (APC)

The purpose of this annex is to provide guidance on the situation and background analysis to be carried out during the identification phase. It provides a template for documenting the conclusions of the analysis and their implications for the strategic choices to be made when programming the Danish cooperation with the country / region / organization and to be presented in the Country Policy Paper (country programmes only) and Programme Concept Note.

The analysis should to the extent possible draw on already existing international, joint and Danish research and analysis, e.g. the United Nations Universal Periodic Review, other development partners' analyses of the economic development, World Bank and IMF documents, OECD States of Fragility reports, etc. When filling in the template, focus should be on the conclusions and implications of the analysis within each topic for the proposed programme, identifying the opportunities, challenges and risks that should inform the choices of objectives, partners and modalities proposed in the Programme Concept Note. The template should not contain the full analysis.

For each specific programme and the engagements envisaged the choices regarding the individual analysis must be carefully considered. 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.

For each topic area the template is divided into three sections:

- Key conclusions and implications for the programme of the analysis,
- List of documentation and sources used (existing as well as own work),
- Listing of further analytic work required during formulation or implementation.

The template should be used for all types of programmes above DKK 37 million. When used for regional programmes or thematic programmes with a multi-country scope, the programme context to be analysed will be the relevant broader context.

1. Overall development challenges, opportunities and risks
Briefly summarise the key conclusions from the analyses consulted and their implications for the programme regarding each of the following points:
- General development challenges including poverty, equality/inequality, national development plan/poverty reduction strategy, humanitarian assessment.
- Development in key economic indicators: GDP, economic growth, employment, domestic resource mobilisation, etc.
- Status and progress in relation to SDGs, in particular those that are special priorities for Denmark.
- Political economy, including drivers of change (political, institutional, economic) (e.g. political will, CSO space, role of opposition, level of donor funding to government expenses, level of corruption, foreign investment, remittances, role of diaspora, youth, gender, discovery of natural resources or impact of climate change etc.)
List the key documentation and sources used for the analysis: Relevant documents may include: National development strategies and progress reports; WB and other development partners' country analyses and diagnostics; national poverty assessments; IMF Article-4 and other country reports; national and UN SDG progress reports; UNDP Human Development Index; independent political-economy analyses.
Are additional studies / analytic work needed? How and when will it be done? List additional studies that will be carried out as part of the preparation phase, including studies that will be carried out jointly with others or by partners / other donors.

2. Fragility, conflict, migration and resilience

Briefly summarise the key conclusions and implications for the programme of the analysis of the below points:

- Situation with regards to peace and stability based on conflict analysis and fragility assessments highlighting key drivers of conflict and fragility, protection and resilience, organised transnational crime and illicit money flows and how conflict and fragility affect inclusive private sector development and women and youth

- Identifying on-going stabilisation/development and resilience efforts and the potential for establishing partnerships and alliances with national, regional and other international partners in order to maximise effects of the engagements.

- Issues and concerns of relevance to Danish interest in the area of security and migration.

- Identify where Denmark has comparative advantages that may lead to more effective and efficient programming and better results including where Denmark may contribute with deployment of specific expertise and capacities.

- Considerations regarding the humanitarian situation, migration, refugee and displacement issues, including the need to integrate humanitarian-development linkages and long term strategies;

- Relevant issues and considerations related to radicalisation and violent extremism and the potential for Danish engagement to prevent and counter violent extremism (P/CVE)

List the key documentation and sources used for the analysis:

Relevant references and guidance may include [forløbige idéer]:
International Dialogue for Peace and State Building – New Deal: https://www.pbsbdialogue.org/en/
DAC International Network on Conflict and Fragility (INCAF): http://www.oecd.org/dac/governance-peace/conflictfragilityandresilience/
World Bank - Fragility, Conflict and Violence: http://www.worldbank.org/en/topic/fragilityconflictviolence
Global Initiative Against Transnational Organised Crime: http://globalinitiative.net/
Global Witness: https://www.globalwitness.org/en-gb/
UK-Stabilisation Unit: https://www.gov.uk/government/organisations/stabilisation-unit
Solution Alliance (humanitarian-development nexus) : http://www.solutionsalliance.org/
DCAF Security Sector Governance/Reform: http://www.dcaf.ch/
EU. Crisis and fragility management: http://ec.europa.eu/europeaid/policies/fragility-and-crisis-management_en
UN Peace Building; Un Peace Building Commission: http://www.un.org/en/peacebuilding/and the UN Peace Building Fund http://www.unpbf.org/
UNOCHA sitrep's
Global Peace Index (www.economicsandpeace.org)
Failed State Index (www.fundforpeace.org)
International Crisis Group country reports (www.crisisgroup.org)
http://data.worldbank.org
http://reliefweb.int/countries
UNSCR 1325
International and regional human rights and HRBA principles and HRBA Guidance Note of 2013
International humanitarian law, humanitarian principles and Good Humanitarian Donorship
Agenda for humanity (http://www.agendaforhumanity.org)
Making the SDGs work for Humanitarian Needs (http://unsdsn.org/wp-content/uploads/2016/05/WHS-background-paper.pdf)
The solution alliance (a network to tackle protracted displacement - http://www.solutionsalliance.org/library)

Are additional studies / analytic work needed? How and when will it be done?

List additional studies that will be carried out as part of the preparation phase, including studies that will be carried out jointly with others or by partners / other donors.

3. Assessment of human rights situation (HRBA) and gender[1]

Briefly summarise the key conclusions and implications for the programme of the analysis of the below points:
The HRBA Guidance Note may provide further guidance, or hrbaportal.org

Human Right Standards (international, regional and national legislation)
- Identify the level of achievement of key human rights standards for the context you are working in.
- Identify the most binding constraints on the intended target group in terms of human rights.
- Given the analysis of achievement of human right standards, establish what Denmark should prioritise in the proposed outcomes of the programme.

Universal Periodic Review
- List recommendations from Council for Development Policy (UPR) relevant for the thematic programmes and from any treaty bodies, special procedures, INGOs, Human rights institutions etc. that require follow up by partners in the programme.

Identify key **rights holders** in the programme

Identify key **duty bearers** in the programme

Human Rights Principles (PANT)

Participation
- Identify barriers for participation, inclusion and empowerment of rights holders.
- List key support elements included to promote participation and inclusion.

Accountability
- Identify accountability mechanisms in the relevant area – both horizontal and vertical.
- List any key support elements included to promote accountability

Non-discrimination
- Identify groups among rights-holders excluded from access and influence in the thematic programme areas identified.
- List key support elements included to promote Non-discrimination.
- Are disaggregated data available on most vulnerable groups?

Transparency
- Assess the extent to which information is accessible to rights holders including marginalised groups.
- If relevant, ensure that information is available in other than official languages.
- List key support elements included to promote Transparency.

Gender
- Identify key challenges and opportunities for gender equality.
- Identify assessments on gender, such as CEDAW-reporting, SDG National Action Plans, UPR, and other relevant gender analysis.
- Identify opportunities/constraints for addressing gender equality issues.
- Describe key strategic interventions to promote gender equality within each thematic programme.
- Identify gender equality indicators aligned with national targets on gender, if possible.

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[1] The purpose of the analysis is to facilitate and strengthen the application of the Human Rights Based Approach, and integrate gender in Danish development cooperation. The analysis should identify the main human rights issues in respect of social and economic rights, cultural rights, and civil and political rights. Gender is an integral part of all three categories.

List the key documentation and sources used for the analysis:

Relevant references and guidance may include:

- Universal Period Review (UPR) processes and analysis
  (http://www.ohchr.org/EN/HRBodies/UPR/Pages/Documentation.aspx)
- OHCHR country reports (www.ohchr.org)
- EU Human Rights Strategies
- Human Rights periodic reporting and Treaty Bodies monitoring of human rights in member
  states (www.ohchr.org/EN/HRBodies/Pages/TreatyBodies.aspx)
  http://tbinternet.ohchr.org/_layouts/TreatyBodyExternal/MasterCalendar.aspx?Type=Sessi
  on&Lang=En
- International and regional human rights and HRBA principles and HRBA Guidance Note of
  2013
- Danish Institute of Human Rights (DIHR) Guide to understand the interlinkages between
  human rights and the SDGs (http://sdg.humanrights.dk)

Are additional studies / analytic work needed? How and when will it be done?

List additional studies that will be carried out as part of the preparation phase, including studies that will be carried out jointly with others or by partners / other donors.

4. Inclusive sustainable growth, climate change and environment

Briefly summarise the key conclusions and implications for the programme of the analysis of the below points:

- Assess the overall risks and challenges to inclusive sustainable growth and development from the impact of climate change and environmental degradation; Assess the status of policies and strategies in the country / thematic area / organisation to ensure that development is inclusive and sustainable, avoid harmful environmental and social impacts and respond to climate change; and assess the political will and the institutional and human capacity to implement these policies and strategies.

- Identify opportunities for mainstreaming support to inclusive green growth and transformation to a low-carbon and climate resilient economies in the programme thematic areas and DEDs.

- Identify potential risk and negative impacts related to environment and climate change from the proposed thematic areas and DEDs and consider how these may be mitigated in the design of the programme and the relevant DEDs.

- Identify if EIA (Environmental impact assessment) or similar should be carried, including legal requirements in partner countries / organisations.

- Consider rights and access to key natural resources: land, water, energy, food and agriculture, including impacts on employment for youth, women and indigenous peoples, etc.

List the key documentation and sources used for the analysis:

Relevant references and guidance may include:

- **Climate change: Intended Nationally Determined Contributions, national climate change or disaster risk management policies or strategies, NAMA or low carbon development plans, national adaptation planning (NAPAs, NAPs), etc.**
- **Environment and sustainable development: green growth strategies / actions plans, National Environmental Action Plans, State of the Environment Reporting, relevant sector studies and Strategic Environmental Assessments.**
- **Other development partners' climate change or environmental assessments and country profiles**

If this initial assessment shows that further work will be needed during the formulation phase, please list how and when will it be done?

List additional studies that will be carried out as part of the preparation phase, including studies that will be carried out jointly with others or by partners / other donors.

List required EIAs or similar studies to be carried during the formulation or implementation face.

5. Capacity of public sector, public financial management and corruption
Briefly summarise the key conclusions and implications for the programme of the analysis of the below points:
- Capacity of the public sector for policy making, enforcement and service delivery.
- Quality and capacity of PFM, including budget credibility, comprehensiveness and transparency as well as control and external scrutiny / audit in all phases of the budget process as well as participation of citizens / CSOs in monitoring public budgets and corruption;
- The corruption situation and relevant anti-corruption measures and reforms.
List the key documentation and sources used for the analysis: **Relevant references and guidance may include:** **National and development-partner documents on public-sector reforms; PFM reform-related documents; PEFA assessments; development-partner assessments of procurement quality, etc.; WB CPIA assessments; Transparency International and local corruption assessments (corruption diagnostics and barometer reports, etc.)**
Are additional studies / analytic work needed? How and when will it be done? List additional studies that will be carried out as part of the preparation phase, including studies that will be carried out jointly with others or by partners / other donors.

6. **Matching with Danish strengths and interests, engaging Danish actors, seeking synergy**
Briefly summarise the key conclusions and implications for the programme of the analysis of the below points:
Identify: - where we have the most at stake – interests and values, - where we can (have) influence through strategic use of positions of strength, expertise and experience, and - where we see that Denmark can play a role through active partnerships for a common aim/agenda or see the need for Denmark to take lead in pushing an agenda forward.   -
- Brief mapping of areas where there is potential for increased commercial engagement, trade relations and investment as well as involvement of Danish local and central authorities, civil society organisations and academia.   -
- Assessment of the donor landscape and coordination, and opportunities for Denmark to deliver results through partners including through multilaterals and EU;   -
List the key documentation and sources used for the analysis:
Are additional studies / analytic work needed? How and when will it be done? List additional studies that will be carried out as part of the preparation phase, including studies that will be carried out jointly with others or by partners / other donors.

Annex 2

Theory of Change Approach

The Theory of Change (ToC) is an approach to explain how results of programmes contribute to changes. The ToC is a structured reflection of the intervention logic for achieving the intended results of a programme or project. It explains the results framework and the results chain from inputs to output, to outcomes to impact, and states which assumptions and risks are seen to be crucial for whether the engagement will be successful or not. The ToC helps prepare the narrative that will underpin the result framework – explaining in clear and simple language the support to change and the rationale/justification for the engagement.

The theory of change approach is used as a tool to guide design, implementation and evaluation of the programmes. The theory of change approach will be applied to:

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

The theory of change approach is not meant to be a huge and specialised exercise. It is only meant to be a structured way of establishing and explaining the intervention logic of the programme or project. To kick off the theory of change approach to programming, the following 7 questions can be used to guide the explanation of the intervention logic of the engagement, the results chain as well as the identification of assumptions and risks:

1. How will the desired situation or development (expressed in our objective) be different from the present one?
2. Which are the main changes that will need to take place in order for this shift to happen?
3. Who – or which developments or factors - are the most important drivers of these changes?
4. How 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.?

The theory of change is first and foremost an approach to explain and maintain the rationale of a programme or project. It should be used as the core which connects the results framework, the assumptions and the risks. During implementation a major development in a risk scenario could for example make it relevant to revisit the theory of change to assess whether the rationale and the chain of results are still completely relevant or should be revised.

There is no template for the theory of change and as such no mandatory product. It is mandatory, however, to produce a very clear and simple narrative to explain the rationale for the programme or project, the overall results chain as well as the major assumptions and risks that are seen to be of major importance for achieving the objectives. For country programmes this is done for each of the thematic programmes.

The narrative is the "executive summary" of the theory of change. It explains the intervention logic, the key preconditions and implicit assumptions that determine the interventions and the expected results. It resembles and overlaps with the rationale/justification requested in the programme documentation.

The narrative should be short, preferable no more than one page. The narrative does not replace a description of activities, structure for programme management etc.

A product of the ToC process can be a graphical illustration of the thinking. However, most graphical ToCs are hard to understand. Therefore, a narrative is imperative for communicating the ToC.

Tips when drafting a narrative

> - Start with the long-term goal of the programme/project
> - Describe what needs to change (the preconditions/outputs you need to create) to reach the goal, test whether you give a reply to the 10 questions.
> - Describe the logic in the chain of results. This can for example be done by constructing sentences using "so-that".
> - Articulate key assumptions and risks in the ToC.

Annex 3

The Results Framework

The results framework constitutes the core of every programme and project. Irrespective of the size or complexity of any programme or project, results must be defined within the frames of the results framework. This can range from the smallest of interventions where only one or two outputs are defined leading to one outcome to bigger programmes with a multitude of outputs, outcomes and overall objectives combined with baselines, indicators and yearly targets. The results framework provides the backbone for the focus on results and it defines indicators, targets and baseline to allow on-going monitoring of progress and reporting on the gradual achievement of the objectives.

The result 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 results through the hierarchy of objectives. Reading a results framework should in itself give an intuitive understanding and overview of a programme or project.

Below is an overall **schematic illustration** of a country programme. The left (green side) represents the overall policy, strategic objectives. For a regional programme the country policy paper would be replaced by a regional strategy or policy and the thematic programmes could be a combination of a thematic and geographic focus. For a thematic programme the strategic objective will ultimately be the overall Danish development strategy. A project is illustrated by the top light blue box in the development engagements box, consisting of one outcome/one partner.
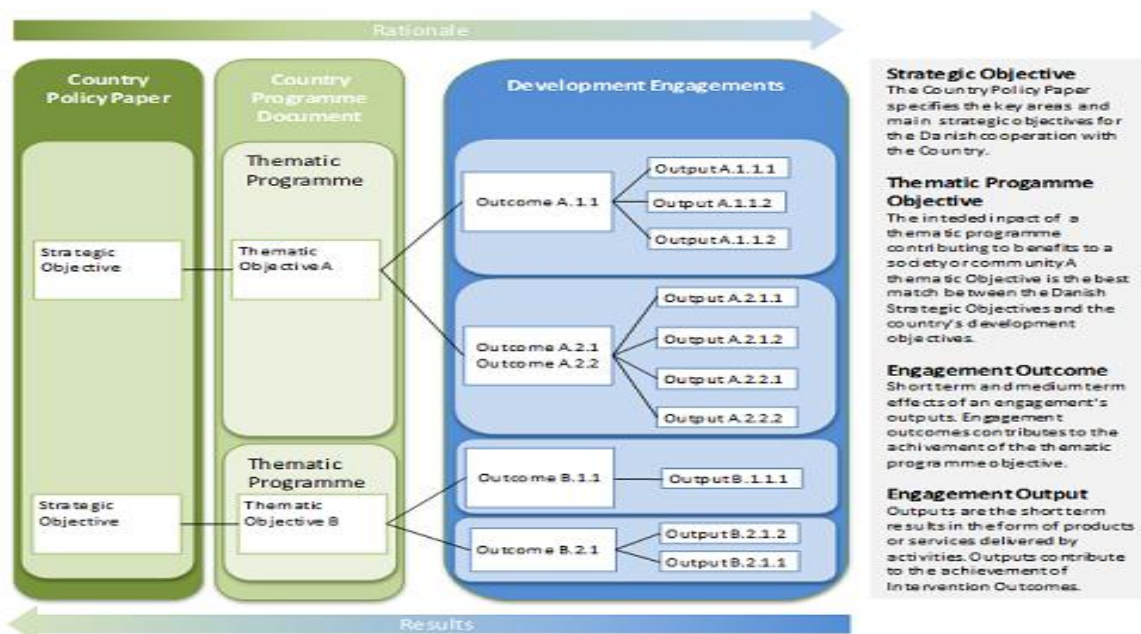
Programme Results Framework

The project/programme results framework derives from the theory of change and is a simplified logical framework[2] that builds on objectives and selected indicators from partner's results frameworks. The framework provides an overview of objectives, outcomes, outputs and key indicators for the programme and is part of the theory of change envisaged in the programme. It will be used to focus the dialogue with partners on progress towards achieving the agreed results and possible changes to the implementation and for reporting progress of the development cooperation to the public.

The emphasis on use of partners' results framework requires an early attention to establishment of concrete and measurable objectives and indicators in the preparation process with partners. The programme results framework is a mandatory part of the programme document and is part of the programme documentation that is submitted to the Council for Development Policy (template in toolbox).

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

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

The strategic objectives (for country programmes)

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

The thematic objectives (Country programmes and programmes)

The objective of a thematic programme is the best match between the Danish strategic objectives (Country Policy Paper in the case of country programmes) and objectives for the theme as defined in a key policy document, for example, an overall growth and development strategy, a poverty reduction strategy (PRSP), a New Deal Compact of a conflict and fragile affected state or similar, and commitments on fulfilling human rights (Universal Periodic Review (UPR) report). The thematic objectives should contribute to the overall objectives of Danish development assistance.

The thematic objectives provide the overall purpose and rationale for the engagements by Denmark within each theme. There should be one objective per thematic programme in a Programme. While the thematic objectives are outlined in the Country Policy Paper/regional strategy etc., they can be further elaborated and refined in the Programme document.

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

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

Development Engagement Outputs (Projects, programmes and country programmes)
The engagement outputs are drawn from the engagement partner's programme documentation. The outputs must support the achievement of the engagement outcome. Progress on output indicators is reported annually. In the programme document's results framework a maximum of five output indicators per outcome must be chosen.

Differentiating between Outputs and Outcomes
Definitions of Outputs and Outcomes are clearly outlined in the Danida Evaluation Guidelines.[3] In short they can be described as follows.

- OUTPUT
  An output is the direct result of an activity, which is controlled by the implementing partner. The change to the indicator is therefore fully attributable to the implementing partner. This could be number of persons trained, buildings constructed, guidelines produced etc.

- OUTCOME
  An outcome is the utilisation of an output. This is not only controlled by the implementing partner, but in particular by the beneficiary. Examples may be how the training has affected the working procedures in an organisation, how the buildings are being used, or how the guidelines are applied in practice. Again, the baseline presents the situation prior to the engagement, e.g. lack of structured planning processes, prisons not up to international standards, or lack of quality assurance of e.g. pre-deployment training, while the targets present the outcome change in e.g. number or staff applying the outputs or a qualitative assessment (documented) of how the new procedures are applied.

Indicators, baselines and targets
An indicator has to be measured against a baseline, end of programme targets, and for output indicators also annual targets. Indicators should be used to enable monitoring on both quantitative and qualitative aspects of the engagement. Process indicators may also be important for assessing if a certain approach[4] or initiative is progressing as planned in terms of contributing to the change(s) envisaged by programme.

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[3] 2012, Box 5. Can be found at www.amg.um.dk
[4] The application of HRBA is an example where process indicators could be applied in terms of monitoring whether the principles of; Participation, Accountability, Non-discrimination and Transparency are being applied.

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

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

Key to a good results framework is that indicators are SMART:

- Specific (and simple):
  Try to focus on a specific aspect, rather than generating a broad overall statement.
  Avoid descriptors that involve changes to several variables.
  Try to be short, clear and focused to avoid misinterpretation.
  Is it clear what is being observed and is it clear how change is recorded so that it can be done in a consistent manner that allows for replication and comparisons over time?

- Measurable:
  Ensure that the change to indicators are of a magnitude and type that they can be captured and documented over time (quantitative or qualitative)
  Make sure that it is clear what direction of change is desired.

- Achievable
  Is the indicator reasonable, and credible under conditions expected
  Can the needed data be collected with the required volume and coverage, in light of available financial and human resources and is it cost effective?
  Set targets that are achievable and avoid targets that are bound to fail

- Relevant:
  Do measurements and indicators really capture the relevant changes to the relevant variable?

- Time-bound:
  Make sure that a baseline can be achieve in a timely manner and that a potential noticeable change to the indicator could be captured within the time of the engagement.

All programmes and projects must include clear baselines and targets to enable the tracking of progress and to ensure that implementing partners can be held accountable for achieving agreed results.

The baseline indicates the status prior to the engagement activity, such as number of persons trained, guidelines in place etc. at the start of the engagement, while the target reflects the status at the end of the engagement. While being SMART, the targets can usefully indicate changes in terms of # (numbers) and % (change from the baseline) or specified qualitative descriptors. Ideally, annual targets at output level (also called milestones) should be formulated, allowing for continuous tracking of progress.

Once an indicator has been chosen, the baseline value/descriptor needs to be added to the results framework above and based on this an envisaged target value/descriptor.

Annex 4

Risk Management

Risk management is an integrated part of the programme cycle. The risk management matrix which must be applied by all programmes and projects is designed to help structure this work. For programmes with a grant budget above DKK 37 million, a preliminary Risk Management Matrix is annexed to the Concept Note to the Programme Committee and the risk assessment is expected to inform the proposals contained in the Concept Note. For programmes with an unusually high level of risk, the Concept Note must include consideration regarding risk responses beyond standard measures, i.e. increased risk monitoring or early involvement of the political level before proceeding with preparation of the programme.

The full Risk Management Matrix is developed as part of the formulation process and will be assessed during appraisal. The final Risk Management Matrix is annexed to the Programme Document.

Core Risk Categories

The risk management framework includes three overall core risk categories[5] as presented below:
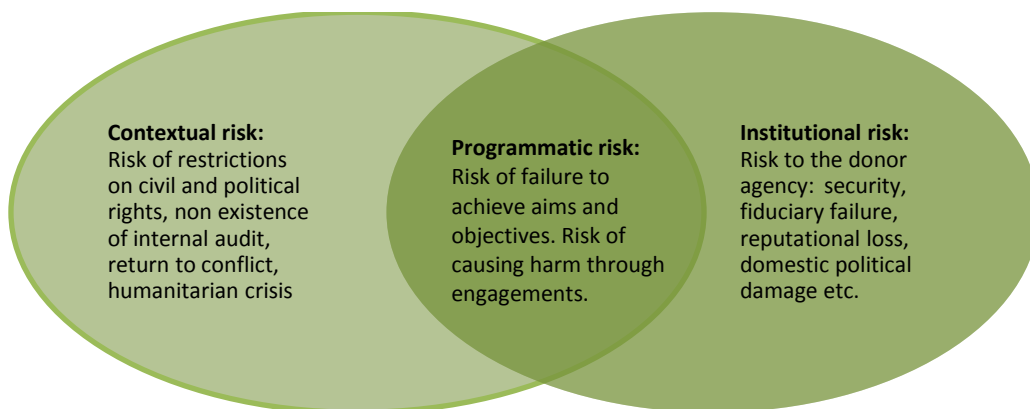
Contextual risks are mainly risks related to the overall context in which the programme or project is situated, incl. amongst other risks relating to security, safety, political, social, financial, economical, conflicts and resources. The context will usually be a country or region but could for certain programmes also be a global thematic or political frame.

Programmatic risks include two kinds of risk: (1) Risks with a potential for a development programme to fail to achieve its objectives; and (2) Risks with a potential for the programme to cause harm in the external environment.

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[5] The core risk categories is a generally accepted approach originally proposed by INCAF5 and later widely known as "The Copenhagen Circles" due to Denmark's hosting of several seminars on risk management in 2011 and 2012.

Institutional risks include political risks or reputational risks that may adversely affect Danida and its staff or stakeholders. Institutional risks thus constitute "internal" risks seen from the perspective of the donor or its implementing partners.

Assessment of likelihood and impact of programmatic and institutional risk factors

For each programmatic and institutional risk, the likelihood of their occurrence as well as the potential impact should be determined. The risk level is the combined assessment of the likelihood that the risk factor is released and the impact of the released risk. Danida uses a four level scale of likelihood and impact as indicated below.

The methodology of combined assessments of likelihood and impact is quite universal but local and international partners can be expected to use different scales and terminology. Denmark does not insist on using its own terminology in cooperation with partners but the Danida terminology is mandatory in Concept Notes to the Programme Committee and grant proposals to the Danida Grant Committee.

Likelihood	Definition	Impact	Definition
Very Unlikely	May occur in exceptional circumstances	Insignificant	Minimal damage or disruption
Unlikely	Could occur at some time	Minor	Some damage or disruption
Likely	Will probably occur in most circumstances	Major	Serious damage or disruption
Almost certain	Expected to occur in most circumstances	Significant	Massive damage or disruption

Risk responses

In general the risk response can be categorised as one of the four main strategies:

1. Avoidance (do not go through with the activity or part of the activity),
2. Mitigation / Reduction (take actions that reduce the likelihood or impact of the risk), and
3. Acceptance (accepting the risk based on a cost benefit or cost-effectiveness analysis)

Mitigating measures can contribute to reducing risks, either by reducing the likelihood of the risks occurring or by reducing their impact, if they occur. The simplest form of removing a risk is by avoiding the action. However, this measure should only be applied when the risk does not justify the benefits of providing support. Prior to adopting mitigating measures it should be considered if the effects of the mitigating measures warrant their cost.

Continuous assessment of changes in risks, including the occurrence of new risks, during implementation is itself a risk response. In projects or programmes that include different development scenarios which may trigger changes in implementation strategy, the risk assessment constitutes a critical tool in the decision making.

The Risk Management Matrix

The Risk Management Matrix operates at two levels:

1) Contextual risks are applicable to all programmes and projects within that particular context (e.g. within a country programme). The matrix should be read from left to right. Levels of likelihood and impact must be chosen from the table above. In the 4th column the risk response can be indicated if applicable.

2) Programmatic and institutional risks are defined at project or thematic programme level. The risks that are described in the Risk Management Matrix should not be a comprehensive list of all risk factors, but rather a list focusing on the risks of most importance to Danish support that the responsible unit will monitor systematically throughout the programme period – usually not more than 10 risks per risk category.

The following is an example of (part of) a risk matrix. Although the indicated risks are not borrowed from one and the same (country) programme, the example does show that one topic (here: corruption) may apply to all three types of risk in different shapes.

Contextual risks

Risk Factor	Likelihood	Impact	Risk response if applicable	Background to assessment
Armed conflict spreads to larger parts of the country	Likely	Major	Programme activities to be limited to safe areas where feasible; some activities to be suspended.	Development of security situation is negative at present, with potentially serious implications for programme activities. No preventive measures are available to DK.
Wide-spread loss of trust in authorities and democratic institutions due to corruption and misuse becoming more frequent and visible following the decentralisation reform.	Likely	Major	Dialogue with relevant central authorities on preventive measures (training of LG councillors and staff; intensified supervision, audit)	Decentralisation increases availability of public funds to District authorities, with central controls probably remaining weak.

Programmatic risks

Risk Factor	Likelihood	Impact	Risk response	Background to assessment
Water sector: The frequency of corruption increases in the sector after	Likely	Major	Min. of Water to be urged to intensify supervision of works at District level. Possibly introduction	Districts' capacity and quality of governance will only increase gradually. Procurement processes and implementation may suffer. Possibilities of short-term

decentralisation			of joint-donor value for money studies.	preventive measures are limited.
NGO funding facility: The space available to civil society for activism and advocacy is substantially reduced	Likely	Major	Closer coordination among donors and intensified joint pressure on the authorities to respect the rights of the civil society;	Present political trends are worrying; shrinking CSO space would seriously reduce scope for impact. Limited possibility for donors to influence the development since reduction of CSO support would be counterproductive.

Institutional risks

Risk Factor	Likelihood	Impact	Risk response	Background to assessment
Denmark gets associated with major corruption scandal in one of the sectors of the programme.	Likely	Minor	Suspension of funding during investigation; explanation to DK constituency of importance of working with national system; possibly introduction of further controls.	The bulk of our support is close to fully integrated in the national systems, known to be imperfect. Impact may be more or less serious depending on duration of suspension and need for extra control measures.

Only the four levels of likelihood and impact indicated above is used. Risk Response indicates the planned measures and their effect on the original assessment of likelihood and impact. In background to the assessment the key considerations regarding likelihood, impact and/or risk response can be briefly described.

Some risk factors may be relevant within all three risk categories, however with different risk assessments and responses.

For Country Programmes the risk matrix must include one section on contextual risks as well as one section on programmatic and institutional risks for each Thematic Programme. Each of these will include risks at both the general thematic level and at the level of each of the development engagements falling under the thematic programme. The DE-related risks will also be included in risk matrices in the DEDs. However, the risk management matrices in the DED's are there for management purposes and are only lifted to the programme level risk matrix to illustrate the overall risk level.

At the end of the risk management matrix a section is included for planning and documenting regular follow-up where deviations from the original assessment are recorded during implementation.

The risk management process

Identifying risks

Whenever possible it is advisable to seek joint risk assessment with likeminded donors active along with Danida, in particular in relation to contextual risks. At project/programme level the identification of risks should be undertaken in consultation with the partners engaged in the project or programme.

Risk management is not only about minimising risk but also includes balancing the risks against opportunities and potential results, or alternatively the negative results of not providing support. Risk management should be seen as an iterative process where e.g. implementing risk responses will influence programme or project design and vice versa. Risk responses can result in changes of partners, outputs, outcomes and shift in the use of resources.

Tables below provide a structured overview over a broad range of risk parameters and provide examples of risk outcomes in each of the three Core Risk Categories. The tables also provide a few proposals for external sources for assessment of various risks. When feasible it is advised to use external, independent and regularly updated sources for risk assessments. This will ease the burden of regular reassessments and will to some extent provide a neutral basis for discussing risks with partners.

Note that a risk is not an already known fact, but an event or a change that may or may not occur. The former can and should be taken into account when designing the programme (ex. "high level of corruption"; "instability and insecurity"), while the latter must be responded to in case it occurs ("major corruption scandal hits our partner"; "instability and insecurity makes access to project zone dangerous or impossible"),

Risk monitoring

Monitoring of risks should be an integral part of monitoring progress of activities and the continued assessment of whether the project or programme is on track to fulfil the defined objectives. Throughout implementation the Risk Management Matrix should contain the most relevant risks to monitor. The detail and frequency of monitoring should be set according to the likelihood of the risk materializing and the level of impact. Continued monitoring of risks is itself a risk response.

For programmes with grants above DKK 37 million changes in the risk assessment are reported annually through PDB.

Any revised version of the risk profile should be uploaded to the PDB, allowing a history of risk profiles to be at hand when reviewing the documentation of the grant.

Risk Categories and Risk Parameters – an inspirational overview

The tables below provide examples of possible risk parameters and provide examples of risk outcomes in each of the three Core Risk Categories. The tables do not provide a complete list of risks and not all risks listed are relevant in all settings.

Note also that a risk is not an already known fact, but an event or a change that may or may not occur. The former can and should be taken into account when designing the programme (ex. "high level of corruption"; "instability and insecurity"), while the latter must be responded to in case it occurs ("major

corruption scandal hits our partner"; "instability and insecurity makes access to project zone dangerous or impossible"),

Thus, it must be possible to formulate the risk parameters below as possible changes or events that may or may occur in order to include them in the matrix as risks.

<u>**Terminology**</u>

<u>Risk Management</u> is a systematic approach to setting the best course of action under uncertainty by identifying, assessing, understanding, making decisions on and communicating risk issues. Also includes balancing risk and opportunity.

<u>Risk</u> – The potential for a defined adverse event or outcome to occur

<u>Risk Outcome</u> – The adverse event or outcome itself, i.e. the result of the risk being realised.

<u>Risk Factor</u> – factors that may cause the risk outcome to occur, or make it more likely.

<u>Risk level</u> – the combined assessment of the probability and impact of a Risk Outcome

<u>Residual risk level</u> is the remaining level of risk after taking into consideration risk mitigation measures and controls in place.

<u>Risk response</u> refers to the continuum of measures of risk mitigation or control that are developed and implemented to address an identified risk.

<u>Core Risk Categories</u> are used for overarching categorisation of risks as contextual, programmatic and institutional as proposed by DAC/INCAF

<u>Risk Parameters</u> sorts different types of risks under each of the three core risk categories

<u>Risk Management Matrix</u> is the template for assessing and monitoring risks at contextual, programmatic and institutional level.

CONTEXTUAL RISK

This category covers the range of potential adverse outcomes that may arise in a particular context.

Individual contextual risks are defined by the particular setting, but some common types of risk outcomes are listed below. The risk factors that underlie these various categories depend on the context, but they may include governance failure (e.g. the failure of effective public financial management or law enforcement); competition for resources; natural hazards; and pre-existing socio-political tensions.

Many of the risk outcomes are themselves risk factors for other types of risk, e.g. an economic crisis may trigger conflict and a humanitarian crisis.

Contextual		
Parameters	**Risk Outcomes** (examples)	**Sources**
Security & Safety - Interstate war - Civil war - State Break-down - Violent crime, terror, piracy - Natural disasters - Pandemics	• Generally risk increase on all parameters in and around affected area	• UNOCHA sitrep's • Official travel advice • Global Peace Index (www.economicsandpeace.org)
Political & Social - Government - Government policies - Institutions - Administration - Rule of law - Stakeholder interests and power - Gender issues - Rights issues	• All planning and economic activity hampered by unstable political situation • Widespread corruption • Restrictions on civil and political rights	• Failed State Index (www.fundforpeace.org) • Worldwide Governance Indicators (www.info.worldbank.org/governance/wgi) • Human Development Index (www.hdr.undp.org) • Joint Assessment of National Strategies

Financial & Economical - Financial management - Corruption - Procurement - Legal framework - Finance Act Process - Audit - Fiscal and foreign trade balances - Recession, inflation	• Poor budget discipline as result of lacking independence of the Supreme Audit Institution • Non-existence of internal audit increase general risk of misuse of funds	• World Bank PEFA Assessments (www.bit.ly/wbpefa) • Transparency International (www.transparency.org) •
Conflicts - Political - Religious - Ethnic - Social class - Resources - Trade - International or internal	• Some ethnic groups are denied political influence • Two out of four boarders closed due to decade-long conflict with neighbouring countries	• Global Peace Index (www.economicsandpeace.org)
Resources - Natural - Human - Financial	• 'Brain drain' undermines development efforts • Draught reoccurs more often and for longer time • Falling commodity prices increase budget deficit	

PROGRAMMATIC RISK

The term "programmatic risk" includes two kinds of risk: (1) the potential for an aid programme to fail to achieve its objectives; and (2) the potential for the programme to cause harm in the external environment. With regard to (1), the risk factors for programme failure include many of the contextual risks outlined above, as well as institutional and political factors. But there are many other reasons for potential programme failure. These include inadequate understanding of the context or flawed assessment of what needs to be done; management and operational failures; and failures of planning and co-ordination. Risk is also associated with new or innovative programme approaches (although there may also be risk in failing to innovate).

One common reason for failure to achieve programme objectives is that the objectives themselves are too ambitious, either in their nature or time frames. Indeed, over-ambitious objectives seem to be a common side effect of the political search for peace dividends in post-conflict settings. With regard to (2), programme interventions may both exacerbate and mitigate contextual risks. This includes the potential for aid to do damage to the economy or to the government of the country in question, or to exacerbate conflict and social divisions.

Programmatic		
Parameters	**Risk Outcomes** (examples)	**Sources**
Security & Safety - Interstate war - Civil war - State Break-down - Violent crime, terror, piracy - Natural disasters - Pandemics	• Limitations in access to intervention area • Life and well-being of staff threatened • Major increase in target group • Displacement to or from intervention area • Damage to infrastructure and operational capacity • Lack of disaster or epidemic management planning	• UNOCHA sitrep's • Official travel advice • Global Peace Index (www.economicsandpeace.org)
Political & Social - Government - Government policies - Institutions	• Sector strategy and investment plan do not materialise • Agreed objectives cannot be reached due to general bias against girls' enrolment for secondary education	• Failed State Index (www.fundforpeace.org) • Worldwide Governance Indicators (www.info.worldbank.org/governance/wgi)

Programmatic		
Parameters	**Risk Outcomes** (examples)	**Sources**
- Administration - Rule of law - Stakeholder interests and power - Gender issues - Rights issues	• Limited capacity of local partners hampers implementation • Lack of political commitment and leadership	• Human Development Index (www.hdr.undp.org)
Financial & Economical - Financial management - Corruption - Procurement - Legal framework - Finance Act Process - Audit - Fiscal and foreign trade balances - Recession, inflation	• Procurement rules accord with international standards but compliance is weak • Sector receives insufficient and falling share of state budget • Annual targets not met due to late transfers from Ministry of Finance	• World Bank PEFA Assessments (www.bit.ly/wbpefa) • Transparency International (www.transparency.org)
Conflicts - Political - Religious - Ethnic - Social class - Resources - Trade - International or internal	• Conflicts on water rights shortcuts irrigation project • One ethnic group is systematically denied access to services	• Global Peace Index (www.economicsandpeace.org)

Programmatic		
Parameters	**Risk Outcomes** (examples)	**Sources**
Resources - Natural - Human - Financial	• Intervention causes damage to the environment • Partner or third party does not deliver on financial commitment	

INSTITUTIONAL RISK

This category includes "internal" risk from the perspective of the donor or it's implementing partners. It includes the range of ways in which an organisation and its staff or stakeholders may be adversely affected by interventions.

These risks can be further categorised as follows:
• Operational security risks: e.g. threats to the safety of staff and partners or the continuity of programmes, etc.
• Financial and fiduciary risk: e.g. financial loss and risk of institutional liability for loss/failure resulting from corruption or financial mismanagement.
• Reputational risk: e.g. damage to a donor's reputation if it fails to achieve its objectives, or from financial/fiduciary failure.
• Political and reputational risk from engaging in countries where the appropriateness of aid support is questioned or where aid appears to support violent/corrupt groups.

Institutional		
Parameters	**Risk Outcomes** (examples)	**Sources**
Security & Safety - Interstate war - Civil war - State Break-down - Violent crime, terror, piracy - Natural disasters - Pandemics	• Public support to intervention negatively affected after serious injury of staff member	• UNOCHA sitrep's • Official travel advice • Global Peace Index (www.economicsandpeace.org)
Political & Social - Government - Government policies - Institutions - Administration - Rule of law - Stakeholder interests and power - Gender issues	• Elections in y-land is presented by media as far from free and fair – campaign demands that institution draws out immediately • Governments lead discrimination against homosexuals in x-land results in	• Failed State Index (www.fundforpeace.org) • Worldwide Governance Indicators (www.info.worldbank.org/governance/wgi) • Human Development Index (www.hdr.undp.org)

Institutional		
Parameters	**Risk Outcomes** (examples)	**Sources**
- Rights issues	widespread demand for sanctions	
Financial & Economical - Financial management - Corruption - Procurement - Legal framework - Finance Act Process - Audit - Fiscal and foreign trade balances - Recession, inflation	• Public support to institution damaged after massive loss of tax payers' money due to apparently unchecked corruption	• World Bank PEFA Assessments (www.bit.ly/wbpefa) • Transparency International (www.transparency.org) •
Conflicts - Political - Religious - Ethnic - Social class - Resources - Trade - International or internal	• Repeated attacks on religious minority lead to call for withdrawal from z-country	• Global Peace Index (www.economicsandpeace.org)
Resources - Natural - Human	• Decision to tolerate potential risk to the environment by intervention is broadly considered	

Institutional		
Parameters	**Risk Outcomes** (examples)	**Sources**
- Financial	unacceptable in constituency	

Annex 5

Programme Support Mechanisms[6]

Programme support mechanism is a term used for a multitude of instruments, such as programme implementation -advisory, -support and management units, programme coordinators, advisers etc.

There are 4 main modalities for programme support mechanisms that can be used in development assistance:

i)   **Advisers**,
ii)   **Programme Implementation Units**, two main areas of responsibility can be undertaken:
      a. Advisory and coordination
      b. Management
iii)   **Programme coordinators**, and
iv)   **Secondments**/Professional Officers.

When using programme support mechanisms, units should use these categories in their planning in order to ensure uniform approaches across programmes, albeit, the various mechanisms will be tailored to the specific needs of the programmes concerned.

Coordination and management is likely, in some instances, to border on core ministerial responsibilities, therefore a specific assessment has to be made with respect to whether the particular engagement is to be funded from programme budgets or the ministerial recurrent cost budget. The use of programme implementation mechanisms should therefore be used with restraint. Priority should always be to empower the partner institutions within the organisational framework of the partner.

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.

Restrictive application of programme support mechanisms

As outlined above, use of programme support mechanisms should be used restrictively. This entails:

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[6] Not applicable to projects

- Clearly state the use of programme support mechanisms in appropriation documentation, also at concept stage
- Always use the lest comprehensive mechanism
- Prioritise placement of support mechanisms with partners
- Clearly state the objectives and targets for the mechanisms deployed
- Clearly focus on support to partners
- Preference to multi donor set-ups over bilateral initiatives

Functions for support mechanisms

Overall there are three distinct but often overlapping functions carried out by the supporting mechanisms:

- **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. This could also include support to monitoring of programmes across several partners
- **Management** of staff in programme units, management of disbursement of funding on behalf of a programme/embassy or other transactional duties and provision of advisory services etc. In some instances actual implementation of activities can be undertaken, especially in fragile situations.

Advisers

Advisers should, as a general rule, be posted with partners or, where multiple partners are supported by one adviser, with the most prominent partner.

- **Long term advisers**, contracts with duration of more than 12 months. Typically posted for 2-3 years on a specific part of a programme or one partner. Advisers can also take on coordinating roles between partners or themes in a programme.
- **Short term advisers**, contracts with duration of less than 12 months. Typically a very specific assignment or service to be provided in a programme.
- **Resident advisers**, contracts with specialist staff already residing in the country of engagement. Currently only utilised for countries where bilateral programmes are being phased out.

There are examples[7] of advisers posted at embassies; they are, however, not funded by programme support funds but from the recurrent cost allocation in the MFA.

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[7] Peace and stability fund, Addis, Nairobi and Islamabad.

Programme implementation units

A programme implementation unit (PIU) is a setup where one or more advisory or management functions cannot be hosted by a partner and a separate office is required. A PIU can be hosted by a partner, but with wider mandate that supporting just that one partner. Reasons for a separate office can be the number of partners supported, no clear opportunity for adviser(s) to be posted with a partner or security concerns etc. PIUs are administered according to [Guidelines for Financial Management of Decentralised Units](#).

Generally the responsibility of a PIU can be divided into two main areas:

1. Advisory and coordination functions will typically undertake the following:

- Capacity development and technical assistance
- Coordination among several partners in a thematic/geographical programme[8]
- Consolidate reporting across several partners, including analysis and recommendations, to allow the ministry to undertake monitoring on an informed basis
- Ensure that reporting from partners is entered into the relevant reporting systems of the MFA
- Planning and programming related to the programme

2. Management responsibility is used in situations where one or more partners are crucial in the implementation of the programme, but where those partners have limited capacity or legitimacy to fulfil their implementation responsibility and management of funding[9].

PIUs with management responsibilities can also be established in situations where a programme aims to support many smaller partners (typically civil society or private sector), and there is no institution with the mandate or capacity to manage implementation with all partners.

Finally, where a programme is implemented in an area where Denmark has no representation[10], or where a Danish representation cannot get easy access (security or logistical concerns), a PIU can be established to implement parts of the programme which cannot in a satisfactory manner be managed at a distance or through other partners.

Management units[11] can undertake the same tasks as advisory units, but also:

- Management of funding to partners on behalf of the MFA

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[8] E.g. Technical advisory offices in DAI.

[9] In many instances there will be only one partner with the mandate to undertake the programme activity, which makes it impossible to identify another partner with stronger capacity to implement a programme engagement. An example could be a human rights commission, police training academy or a patent office. Also, a programme aimed at supporting civil society organisations should naturally work with the weakest, not the most capable, organisations, making it necessary to establish a support mechanism.

[10] This includes situations where a programme is being phased out and the Danish representation is closed before the implementation of the programme has been completed.

[11] E.g. Democratic governance facilities in Kampala and Kathmandu.

- Supervision of programme implementation, financially and programmatic
- Monitoring of partner implementation
- Overall programme reporting and monitoring
- Ensuring financial and programme reports are entered into relevant systems in the MFA
- Direct implementation of activities in the programme.

Secondments/Professional Officers

Secondments and professional officers in multilateral organisations can be funded from programme budgets, typically regional or country programmes[12]. The positions must be included in the programme document and be part of the approved grant appropriation. These positions are supposed to strengthen the general capacity of a multilateral partner. When funded from a programme budget it is important that the secondment is fully, or substantially, supportive for the achievement of the objectives in the programme. Therefore the positions should be:

- In connection with a partnership with a multilateral organisation receiving funding from the programme.
- To a multilateral organisation working on e.g. framework conditions for a thematic area, which is crucial for the successful implementation of a Danish programme, even if the relevant multilateral organisation is not a direct recipient of funding for the programme.[13]
- 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.

Programme coordinators

Programme coordinators are funded from the recurrent cost in the MFA, not from programme budgets, and are therefore able to work as posted ministry staff at the embassies. Programme coordinators will typically be tasked with specific areas of responsibility in the implementation of development assistance, but can undertake all tasks normally done by ministry staff. Programme coordinators can be utilised in connection with the other support mechanisms mentioned above.

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[12] In addition, HR has an instrument for secondments to multilateral organisations.
[13] 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.

Funding of programme support mechanisms

Generally a programme support mechanism, if abiding by the principles stated, can be funded from programme budgets, except programme coordinators or advisers posted at embassies[14].

Expenditure for programme support mechanisms should be part of the programme description and budgets, and thereby clearly stated in the grant appropriation document. This will ensure that the mechanisms are transparent and subject to the quality assurance process of the programmes. It will be important to outline the use of such mechanisms already at the concept note stage, including an analysis outlining the rationale for such mechanisms. Introducing new mechanisms in an already approved programme will, as a minimum, require consultations with, or approval by, the Under-Secretary for Global Development and Cooperation.

Programme support mechanisms can be established through individual contracts, bilateral set-up, multi donor basket funding, multilateral contributions, tendering or grants to umbrella organisations provided procurement regulations are observed.

Principles for establishment programme support mechanism.

1. The overriding principle for programme support mechanisms is that they should not directly or indirectly take over the duties vested in the authority of the MFA or be administrative support to units in the ministry.
2. Any support mechanism should have clear objectives on what it is expected to achieve. Success of a mechanism should not solely be assessed against the performance of the partners it is supposed to assist. [15]
3. Focus should be 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 are often prevailing in fragile situations or where Denmark has no permanent presence.
6. It should always be an ambition to aim for the smallest possible set up, i.e. units should not be established if the capacity constraint could be addressed with posting adviser(s) with the partners. Therefore a principle of least intensive intervention should always be observed.
7. Multi-donor setups are, when feasible, always 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

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[14] With the exception of security concerns etc. mentioned above.
[15] Areas for monitoring could be; capacity development of partners, advisory services, coordination and establishment of networks and peer to peer structures, timely management of grants and use of partner systems etc.

regard to bilateral agreements outside the specific programme it is established to support.

9. Staff posted at Danish embassies and representations should be funded by the recurrent cost budget. In very special circumstances:
    - where the security of i) personnel, ii) information or iii) partners is of particular concern
    - cost of maintaining a separate office outside an embassy for a support mechanism is substantially out of proportion

programme funded staff working from a Danish representation can be justified. In such cases, approval must be obtained from the Under-Secretary for Global Development and Cooperation.

10. Use of support functions in programmes should clearly be stated in the grant appropriation documentation, also at the level of concept note. In some instances the modality can be included in the narrative in the Finance Act.

Annex 6

Agreements on International Development Cooperation

A. INTRODUCTION

All development cooperation which involves obligations of the Danish Ministry of Foreign Affairs (MFA) must be defined in a written document, describing the parties' rights and obligations. The document sets out the agreement guiding the relation between the parties, as well as provides a management tool that covers all material aspects of the implementation of activities funded by Danish development cooperation.

This annex outlines how Danish representations and departments enter into agreements with partners. It is an updated version of the Guidelines from 2010 that replaced Guidelines on Standard Government Agreements for Bilateral Development Programmes from 2001.

This guidance apply to all agreements which involve a Danish financial commitment and/or other obligations vis-à-vis a government, a public entity or an NGO in a partner country, a donor government, an international organisation or an international NGO.

This guidance does not apply to development cooperation agreements between the Danish government and Danish NGOs that operate under a framework agreement, a partnership agreement or under pooled arrangements for NGO-support. Nor do they apply to contracts with private suppliers defining conditions for purchase of works, goods and services. Please refer to separate guidelines for these agreements.

Types of agreements

This guidance deals with four types of agreements:
- Country agreement
- General agreement with multilateral, international and non-governmental organisations
- Programme support agreement
- Agreement with implementing partner

In addition to these four types of agreements, Denmark can participate in joint financial arrangements with other donors, in which case the Nordic Plus Practical Guide to Joint Financing Arrangements applies. Likewise, if Denmark is delegating the implementation of a

project or programme to another donor, or vice versa, the Nordic Plus Practical Guide to Delegated Cooperation applies

Responsibility

It is the responsibility of the relevant representation or department in the MFA to draft and negotiate agreements with partner countries and international organisations which fall within their mandate. As a general rule, enquiries must be addressed to the MFA's Department for Quality Assurance of Development Assistance (KVA) or the Department for International Law (JTF). See specific procedures for each of the different types of agreements below.

DEFINITION OF AGREEMENTS AND MANDATE TO SIGN

The status of an agreement under international law depends on whether the agreement contains legal obligations and whether the parties have competence to conclude a treaty. If both criteria are fulfilled, the agreement constitutes a treaty under international law.

Treaty: The term "treaty", as used in these guidelines, refers to an agreement entered into by the Danish Government, the Danish Ministry of Foreign Affairs or the representation on behalf of Denmark on the one side, and the government of a partner country, a state entity in a partner country, a government of a donor country, an international organisation or a branch hereof on the other side. Treaties are binding under international law and subject to specific rules and procedures regarding authority for signing, deposit and publication.

Non-treaty: Non-treaty agreements are agreements with private subjects, such as national or international NGOs.

Only the Minister for Foreign Affairs (together with the Prime Minister and the Queen) can delegate the authority to sign a treaty. When a Minister for Development Cooperation is appointed he/she is competent to sign a treaty within his or her field of responsibility, but cannot delegate this responsibility.

Pursuant to Article 7 of the Vienna Convention on the Law of Treaties, a person is considered as representing a State for the purpose of signing a treaty if: (a) he/she produces appropriate full powers; or (b) it appears from the practice of the States concerned or from other circumstances that they consider that person as representing the State for such purposes and to dispense with full powers.

Practice to be followed in Danish Development Cooperation is that full powers is needed when signing a country agreement, but is generally dispensed of when the representation/department is signing a programme support agreement or an agreement with implementing partner. However, if a partner requests full powers to sign this must be arranged for.

For more information please refer to the Guidelines for Treaties and to this site on um.dk.

B. PROCEDURES

B.1. COUNTRY AGREEMENT

The country agreement specifies general conditions, rights and obligations for Danish Development Cooperation when executed directly by Denmark in a partner country. A country agreement is needed when Danish cooperation includes Danish contracted works and services (e.g. long and short term advisors). Denmark has entered into country agreements in most partner countries.

Format
The standard format for country agreements can be found here. It is recommended that MFA departments/representations, to the extent possible, use the existing templates. However, there will be cases in which it will be necessary to deviate from the template, for instance by leaving out certain articles. Any enquiries or doubt in this regard should be addressed to the MFA's Department for Technical Quality Assurance (TQS/KFU) by submitting the draft country agreement as well as a description of the issue.

B.2. GENERAL AGREEMENT

A general agreement with a multilateral, international, or non-governmental organisation specifies basic obligations of execution, e.g. the scope of cooperation, agreement on the level of overhead as well as financial reporting procedures.

Before any disbursement to an international or multilateral organisation can be made, it is mandatory to have a signed agreement with the relevant organisation. The request for disbursement from the multilateral organisation must refer to the agreement.

The responsibility for assessing the need to update already existing agreements with multilateral organisations lies with the relevant representation or department.

For cooperation with Danish NGOs that operate under a framework agreement, a partnership agreement or under pooled arrangements for NGO-support please refer to separate guidelines.

For multilateral cooperation through core contributions Organisation Strategies form the basis for Denmark's dialogue and partnership. Organisation Strategies serve to enhance priority setting and results reporting. They are, however, Danish documents and do not replace an agreement with the international organisation in question. For more information, see the Guidelines for Management of Danish Multilateral Development Cooperation.

For earmarked contributions, a separate and additional agreement to the general agreement is signed between the organisation and Denmark. The agreement includes information such as the DKK amount of the Danish grant, its designated use, the expected timeframe for its disbursement, and matters pertaining to financial-, audit- and progress reporting. As a general rule, a separate agreement on an earmarked contribution should refer to the general agreement with the organisation in question.

Format

General agreements covering Danish cooperation with multilateral, international or non-governmental organisations normally follow the format of the partner organisation/NGO. Hence, there is no template for this type of agreements.

General agreements can also be referred to as Standard Agreements, Memorandum of Understandings, Letters of Exchange or similar and may vary from organisation to organisation. Regardless of title, the agreements must be regularly reviewed to ensure common understanding of the applicable contractual basis. It is the responsibility of the relevant representation or department to renew or update the agreement when required.

Any enquiries or doubt should be addressed to the MFA's Department for Technical Quality Assurance (TQS/KFU), e.g. to ensure accordance with the [General Guidelines for Accounting and Auditing of Grants Channelled through Multilateral Organisations](#).

Signing

When signing a country agreement or a general agreement the representations/ departments can arrange for the signing in two ways:

- The representations/departments can request Full Powers from the Minister. The request must be submitted to the Treaty Section in JTF by using the form (Fuldmagt til undertegnelse af traktat) [here](#).

- Together with the relevant department in the MFA, the Representation can arrange for the Minister to sign the agreement, e.g. by Letters of Exchange.

Filing

When a country agreement/general agreement has been signed the document should be deposited with the Treaty Collection at the Department for Documentation (DOK). The representation/department must send the original document of the treaty together with a request (see [formats](#)) to Treaty Collection at the Department for Documentation. The representation/department must also scan the signed original document and upload it to PDB

at the appropriate level using the document type "country agreement" or "agreement with multilateral organisation".

Publication

Immediately after the country agreement's/general agreement's date of entry into force, the representation/department must send an electronic request to JTF via mail to traktat@um.dk.. Based on this information, JTF prepares the promulgation of the agreement in the form of a résumé in the Law Gazette C.

B.3. PROGRAMME SUPPORT AGREEMENT

The Programme Support Agreement governs the Danish programme support to a sector or to a thematic area either in a partner country or with an international organisation/NGO. The programme document is annexed to the programme support agreement.

The Programme Support Agreement is signed with the relevant partner country, partner ministry or organisation. It is designed for bilateral agreements between two governments but can also be signed by organisations. The Programme Support Agreement with the programme document (for programmes)/Development Engagement Document (for projects) annexed serves as the commitment document for the entire programme/project.

Please note that different commitment rules apply to the different finance act sub accounts. For the country frames under the accounts 06.32.01 and 06.32.02, the commitment can be registered once the programme support agreement has been signed.

If a comprehensive Programme Support Agreement cannot be entered into, commitment agreements can be signed at the level of the implementing partner with the development engagement document (DED) as commitment document. See section B.4 below.

Format

The standard template for a programme support agreement can be found here. It is recommended that representations and departments, to the extent possible, use the existing template. When Denmark is cooperating with an international organisation or an international NGO, the partner's own template for an agreement can be used.

In case of doubt, e.g. where the partner requests substantial deviations from the above mentioned template, the draft programme support agreement together with a description of the issues raised by the partner shall be submitted for comments and approval to the MFA's Department for Technical Quality Assurance (TQS/KFU).

Signing

When the Minister has approved the proposal for a new programme above DKK 37 million, the minutes from the Council for Development Policy is distributed to the relevant representations and departments. After receiving the minutes, the Head Representation/Department can enter into relevant agreements concerning the execution of the programme.

Please note that grants for programmes/projects without direct legal basis on the Finance Act must be presented to the Parliamentary Finance Committee. When approved by the Finance Committee, the approval is communicated to the Representations and Departments, after which they can enter into relevant agreements concerning the execution of the programme/project.

If the programme support agreement is a treaty and if a partner requests signing of the agreement according to international law, the Representation can arrange for the signing in two ways:

- The representations/departments can request Full Powers from the Minister. The request must be submitted to the Treaty Section in JTF by using the form (Fuldmagt til undertegnelse af traktat) here.

- Together with the relevant MFA Department, the representation can arrange for the Minister to sign the agreement, e.g. by Letters of Exchange.

Filing

If a signed programme support agreement is a treaty, the document must be deposited with the Treaty Collection at the Department for Documentation (DOK). The representation/department must send the original document of the treaty together with a request (see formats) to the MFA's Department for Documentation. The representation/department must also scan the signed agreement document and upload it to PDB using the document type "programme support agreement".

If the signed programme support document is not a treaty, it should be filed at the representation and uploaded to PDB, as described above.

Publication

The Ministry of Foreign Affairs is required to publish all treaties entered into force within the area of development cooperation. Treaties include any agreement entered into force between

MFA or the Danish representations on the one side and the government of a partner or donor country (formally recognised by Denmark as a sovereign state) or an international organisation or a branch hereof on the other side. Agreements with national or international civil society organisations and commercial contracts are not considered as treaties in this regard. Please refer to the grey box on page 2 for more information on treaties.

The treaties (except for bilateral country Agreements/general agreements that are treated separately under section B.1.) are promulgated in the Law Gazette C once a year. TQS/KFU and JTF are responsible for the procedures.

On an annual basis, early in the calendar year, representations and departments inform TQS/KFU regarding treaties commenced since the last publication by using the mandatory reporting template. Report in Danish and in alphabetical order, avoiding abbreviations. TQS/KFU prepares the list of treaties and JTF arranges the publication.

B.4. AGREEMENT WITH IMPLEMENTING PARTNER

The Agreement with Implementing Partner describes the obligations of the executing entity and includes agreements on Joint Financial Arrangements, Delegated Cooperation and bilateral agreement with implementing partner (either with a partner in a partner country or with an international organisation/NGO).

Format
The type of agreement to be signed with individual implementing partners within a programme depends on the support modality.

- It is recommended to use the [Nordic Plus Practical Guide to Joint Financing Arrangements](#) in cases of budget support, sector budget support, basket-fund arrangements and co-financing of programmes/projects.

- It is recommended to use the [Nordic Plus Practical Guide to Delegated Cooperation](#) (and template in annex 3) when formulating an agreement regarding delegated cooperation with another donor.

- The template for [Bilateral Agreement with Implementing Partner](#) should be used when the cooperation is not joined with another donor. The Development Engagement Document should be annexed to the agreement. A development engagement is defined at partner level and specifies the agreed results, activities and the budget for the cooperation between Danida and the partner concerned.

- For projects below 5 million DKK, the appropriation note for projects up to 5 million DKK and the template for Development Engagement Document up to 5 million DKK can be used

- The international organisations'/NGOs' own templates can be used for agreements with international organisations/NGOs. It is the responsibility of the representation/department to ensure that the quality of the individual agreement is of an equal standard to the Danish template for Bilateral Agreement with Implementing Partners and, if more than one donor signs the agreement, the template for Joint Financial Partner Agreement.

It is recommended that representations and departments to the extent possible use the existing templates.

In case of doubt, e.g. where the partner requests substantial deviations from the above mentioned templates, the draft agreement together with a description of the issues raised by the partner shall be submitted for comments and approval to the MFA's Department for Technical Quality Assurance of Development Assistance, which may consult the Department for International Law.

<u>Signing</u>
When the Minister has approved the proposal for a new programme/project, the minutes from the relevant Grant Committee meeting is communicated to representations and departments. After receiving the minutes the Head of Representation/Department can enter into relevant agreements concerning the execution of the programme. For programmes/projects approved by the Finance Committee of Parliament, the approval is communicated to the representation/department, after which they can enter into relevant agreements concerning the execution of the programme/project.

The programme support agreement should be signed before the agreements with implementing partners.

<u>Filing</u>
If the agreement with an implementing partner is a treaty the document should be deposited with the Treaty Collection, Department of Documentation. The representation/department will send the original document of the agreement together with a request (see [format](#)s) to the Treaty Collection, Department of Documentation. The representation/department must also scan the original document and upload it to PDB in the programme/component file.

If the signed programme support document is not a treaty, it should be filed at the representation and uploaded to PDB, as described above.

Publication
If the implementing partner is the government of a partner or donor country (formally recognised by Denmark as a sovereign state) or an international organisation or a branch hereof the Ministry of Foreign Affairs is required to publish the agreement (treaty). Agreements with national or international civil society organisations and commercial contracts are not considered as treaties in this regard. Please refer to the grey box on page 2 of these guidelines.

The treaties (except for country agreements/general agreements that are being treated under section B.1.) are published in the Law Gazette C once a year. TQS/KFU and JTF are responsible for the procedures.

On an annual basis, early in the calendar year, representations and departments inform TQS/KFU regarding treaties that have entered into force since the last publication by using the mandatory reporting template. Reports should be in Danish and in alphabetical order, avoiding abbreviations. TQS/KFU prepares the list of treaties and JTF arranges the publication.

Annex 7

Standard requirements for financial management capacity

During the identification and formulation phase, a capacity assessment of possible partners' financial management should take place to determine whether the potential partners have the necessary financial management capacity to ensure the successful implementation of the activities, and if training, external assistance or other supporting measures may be used to strengthen the capacity.

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.

It is the responsibility of the unit that the assessment is carried out. The potential partner organisation should be part of the process, and if the assessment requires external assistance, included in the elaboration of terms of reference and other relevant parts of the process.

Insofar as possible, the assessment should build on existing information. If the information is insufficient, it may be supplemented by further work. This could be an assessment conducted by the unit itself, such as a visit to the partner, or more comprehensive exercises such as a systems-based audit or using external consultants.

If the proposed activity includes the transfer of funds to sub partners, the capacity of these sub partners should be a consideration.

The capacity assessment should identify whether the following minimum requirements are met

- ☐ The organisation is financially viable and sustainable
- ☐ There are established procedures for financial management and administration, which are regularly updated.
- ☐ The accounting procedures meet the requirement of international accounting standards
- ☐ There are clearly defined staff roles, and the staff members are aware of their roles and responsibilities and of the organisations policies and procedures
- ☐ Key financial positions are held by qualified personnel
- ☐ The financial system can deliver relevant and up-to-date information to the management
- ☐ Appropriate internal controls are in place, such the separation of duties and monthly reconciliations
- ☐ Management is involved in the financial management
- ☐ The organisation is subject to regular audits, and the recommendations of the auditor are addressed.