GUIDELINES FOR PROGRAMMES OR PROJECTS

UP TO 37 MILLION DKK

February 2016, Version 1.2

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UP TO 37 MILLION DKK

Ministry of Foreign Affairs of Denmark

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Projects/programmes: Important principles and tools – from design to finalization

1. The specific context is the point of departure for a project/programme. Based on analysis of the context and previous experience, the aim of the programming is to secure a solid focus on selected development challenges where Danish comparative advantages can be brought into play. **This is our value added.**

2. With the investment we are ready to make, we will clearly describe the changes we aim to accomplish, for whom, and how. Focus is on describing the cause-effect links; what assumptions must be made to establish the link, what risks are there and can they be mitigated, and last but not least, what is the evidence for the link. **This is our theory of change.**

3. Based on 1 and 2, we will define the results we expect to achieve, in the short, medium, and longer term. We will establish measurable indicators with baselines making it possible to document, report and communicate our results. **This is our results framework.**

4. We will identify those risks which may significantly influence our theory of change and our results framework and plan how to manage them. **This is our risk management framework.**

5. We will continuously throughout the implementation assess the results, the context, and the assumptions for our programme by using the tools above. When the need arises we will adjust our approach to how reality unfolds and our experience of what works and what does not. Adjustments are structured through the use of the tools above. **This is our monitoring framework.**

6. The number of development engagements must be realistic compared to our capacity, experience, and the complexity of the engagements. We can have a maximum of 3 partners for programmes between DKK 10-37 mill, and 1 partner for projects below DKK 10 million A focused programme is necessary to ensure that we have the necessary resources to manage and monitor as well as to ensure that we deliver planned results, while at the same time having the time to pursue other priorities as well. **This is our focus.**

7. The guidelines allow much flexibility in many areas. For programmes in countries affected by fragility and conflict, flexibility can be accommodated based on an assessment of the specific needs in a given context. This must always be balanced against the need for a solid foundation for all appropriations based on principles 1-4. **This is our flexibility.**

1 INTRODUCTION

These guidelines apply to the preparation and implementation of programmes and projects up to DKK 37 million which are not included in country programmes in priority countries for Danish development cooperation. On-going programmes that have been approved according to the Guidelines for Programme Management or Local Grant Authority will continue to be administrated under those guidelines, including in regards to completion.

The scope of these guidelines is significant and covers programmes of varying complexity and duration.

If the activity is part of a country programme, it should be covered by the guidelines for country programmes. However, in the exceptional case where a programme must be formulated in parallel to a country programme it will also be covered by these guidelines, unless if it is specifically covered by other guidelines (i.e. humanitarian assistance).

Earmarked contributions up to DKK 37 million to multilateral organisations, including trust funds, are also covered by these guidelines regardless of which finance act account the grant is financed from.

Programmes and projects above DKK 37 million are covered by separate guidelines.

The general appropriation rules for presentation can be found here. It is important to consult these rules, and not least to follow the rules for accumulation, i.e. the so called accumulation principle.

These guidelines furthermore outline the preparation and approval processes and the administrative procedures and include links to complementary templates and tools.

These guidelines focus on Danish procedures and requirements in development cooperation. The responsible unit (Danish Mission or department in the Ministry of Foreign Affairs) must ensure that the Danish procedures and requirements are followed and, to the widest extent possible, aligned to partners' strategies and procedures.

1.1 The Guidelines

The AMG site gives you access to all policies, guidelines and management tools for Danish development cooperation. Please note that guidelines as well as various tools and guidance notes are revised regularly. It should be a habit to always find and use the latest version online.

1.1.1 Templates and Tools

Templates for a number of mandatory documents and tools that provide detailed guidance for processes in the preparation and implementation of programmes are available from the AMG site (templates and tools for programming). Templates are available from the grey box in the right column and the yellow box contains a number of tools. In some cases a tool also contains a template.

1.1.2 Complementary guidelines and strategies

The overall approach to Denmark's development cooperation is outlined in the Strategy for Development Cooperation and supplementary strategies.

The current Strategy for Denmark's Development Cooperation "The Right to a Better Life" with its dual objective of reducing poverty and promoting human rights - expressed through the four strategic priority areas: Human Rights and Democracy, Green Growth, Social Progress, Stability and Protection - is the overarching framework for programmes and projects.

Complementary guidelines and strategies (for green growth, democracy and human rights, stability and protection, social progress etc.), tools and technical notes (e.g. Human Rights Based Approach guidance note) for Danish bilateral development cooperation should be applied together with these Guidelines for programmes below DKK 37 million in developing the programme/project. Use the links provided or find the mentioned strategies and guidance notes on the Danida website.

1.2 Programmes and projects

1.2.1 Relation to policy framework

Programmes are formulated for very diverse contexts and purposes. Therefore, programmes are equally diverse in terms of objectives, partnerships and modalities for support. The Danish overall cooperation with a specific country or organisation will depend on Danish political priorities, including priorities stipulated in the Strategy for Denmark's Development Cooperation, and the specific context and priorities of the country or organisation concerned and will to varying degrees encompass foreign and security policy, development cooperation, climate policy and commercial relations (see fig.1). The programme must build on the relevant thematic or regional strategies, country policy paper and objectives for the Danish development cooperation engagement and all apply a human rights-based approach (HRBA) (link to HRBA guidance note).

Fig. 1 Key elements of a programme
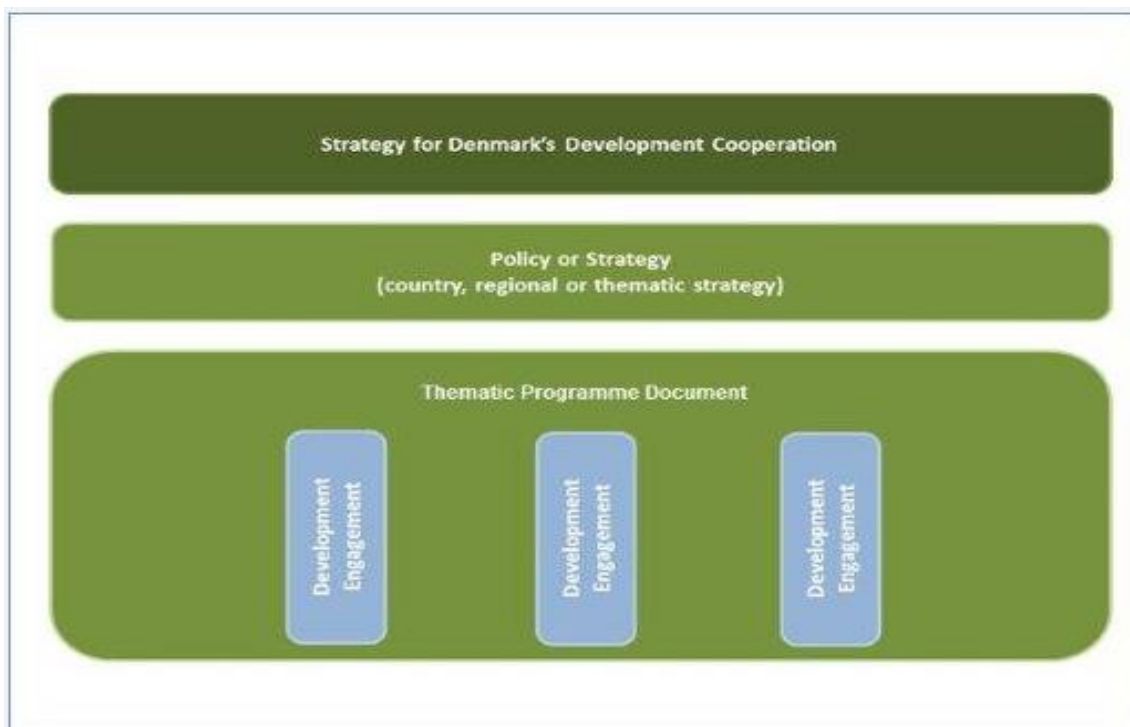
The point of departure will be the strategic objective as formulated at the overall policy and strategy level. In the programme document, a thematic programme objective will be defined for the programme which should be clearly linked to the overall policy or strategy objectives for Denmark's development cooperation. The programme consists of a cluster of development engagements all contributing to the fulfilment of the thematic programme objective. As far as possible, the individual development engagements should be mutually reinforcing in achieving the thematic objective.

1.2.2 Definition of programmes and projects

A project consists of one development engagement (i.e. one partner) whereas a programme can consist of several development engagements (several partners).

A programme between DKK 10-37 million will normally consist of 1-2 development engagements, and only in exceptional cases 3 development engagements, in support of the thematic programme objective. A development engagement is an agreement with a partner in which a concise and measurable outcome is defined.

All projects between DKK 0-10 million can only have one partner.

Although there is one set of guidelines for all projects/programmes up to DKK 37 million, there are different procedures for project below DKK 10 million and projects/programmes between DKK 10-37 million (see table 1 below).

Table 1: Administrative procedures for programmes and projects up to DKK 37 million

Key procedures	
Appraisal	0-10 mill DKK: Internal appraisal of project > 10 – 37 mill DKK: External appraisal to be conducted without participation by a development cooperation specialist.
Appropriation	0 – 10 mill DKK to be approved by the Head of Unit > 10 – 37 mill DKK to be approved by the relevant Under-Secretary
Results reporting	Reporting annually and at completion
Unallocated funds	No unallocated funds
Number of partners	0 – 10 mill DKK no more than 1 partner > 10 – 37 mill DKK up to 3 partners

1.2.3 Quality in focus

The process of formulating a programme can involve a broad range of actors, including EU joint programming. Therefore, timely attention to planning of the entire process is crucial to complete the process and begin implementation as expected. A template for a Process Action Plan is available from the templates box.

Key principles for programme and project formulation:

- Key documents should form a coherent package without duplication
- Alignment to partner framework and complementarity with work of other development partners take precedence over internal synergies in Danish support
- Background analysis, studies and lessons learned should be applied during the formulation state.

Regardless of the characteristics of the development engagement, the objectives of the overall Danish development cooperation or the choice of modalities and partners, Danish development cooperation maintains its high quality standards. There is no blueprint for what is the best programme design suitable for all circumstances. But there is a universal requirement for quality.

Denmark adheres to the Busan Partnership for Effective Development Cooperation, other international declarations on aid effectiveness and to the principles laid down in the "New Deal" for fragile and conflict affected states. Ownership, alignment to partners' frameworks, results focus, inclusive partnerships, division of labour and complementarity with the work of other development partners should be sought were relevant, not least EU joint programming. Moreover, efficiency, transparency and accountability characterize Danish development cooperation amidst the diversity of the engagements and should be demonstrated by the programme.

1.2.4 Responsibility and decentralisation

The specification of which mission or department is responsible for the development engagement is one of the first decisions which must be taken. The guiding principle is that the same unit remains responsible for all phases of the programme cycle.

The responsibility includes:

- Preparation of project or programme documentation for appraisal
- Finalization of the programme/project document
- Presentation to the relevant Under-Secretary (for programmes DKK 10-37 million)
- Oversight of implementation of the programme or project
- Together with partners, accountable for the achieved results
- Reporting and reviews as applicable
- Finally, the unit is responsible for the completion of the programme, including collection of lessons learned, submission of a final results report and closure of the programme in PDB/FMI.

2. THE PREPARATION PHASE

Steps in the preparation phase

The preparation phase comprises a number of key steps; identification, formulation of programme and development engagement documentation, internal appraisal (for projects below DKK 10 million) or external appraisal (without participation by a development cooperation specialist for projects/programmes above DKK 10 million), finalization of programme document and/or development engagement documentation and presentation to the relevant Under-Secretary or Head of Unit, and, if requested, presentation to the Programme Committee (for projects/programmes between 10 and 37 million), and, if necessary, the Parliamentary Finance Committee.

The responsible unit is responsible for all steps in the preparation phase.

2.1 Technical Sparring

The responsible unit may request technical sparring from a development cooperation specialist during the preparation of programmes or projects. During the entire process, KFU stands ready assisting in the understanding and application of the guidelines for programming.

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

The MFA has entered into a framework contract with six consortia each with one lead company (Contact information). The companies have been selected on the basis of adequate capacity to engage in all four priority areas of Danish development assistance; Human rights and democracy, Green growth, Social progress and Stability & protection.

The framework contract modality eliminates the need for a full tender process and enables missions and departments to engage in larger assignments with a relatively short notice. The framework contract can be used to engage a multi-sectoral team of consultants to assist in the identification and formulation of programmes. The procedures for the use of the framework agreement are outlined in Procedures for selecting and contracting consultants.

There is no upper limit on the contract amount for the framework agreements, but as contracts under the framework agreement are short-term contracts, a maximum one year period of contract is recommended. All other contracts must be advertised on Contract opportunities.

2.2 Theory of Change Approach

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

For any programme/project a clear intervention logic must be established for the Danish engagement. The links between the development challenges that the programme is going to address, the objective for the intervention, the inputs provided by Denmark, and how this input is translated into outputs, outcomes and eventually impact on the development objective must be made clear.

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

Fig. 2 Schematic Results Framework
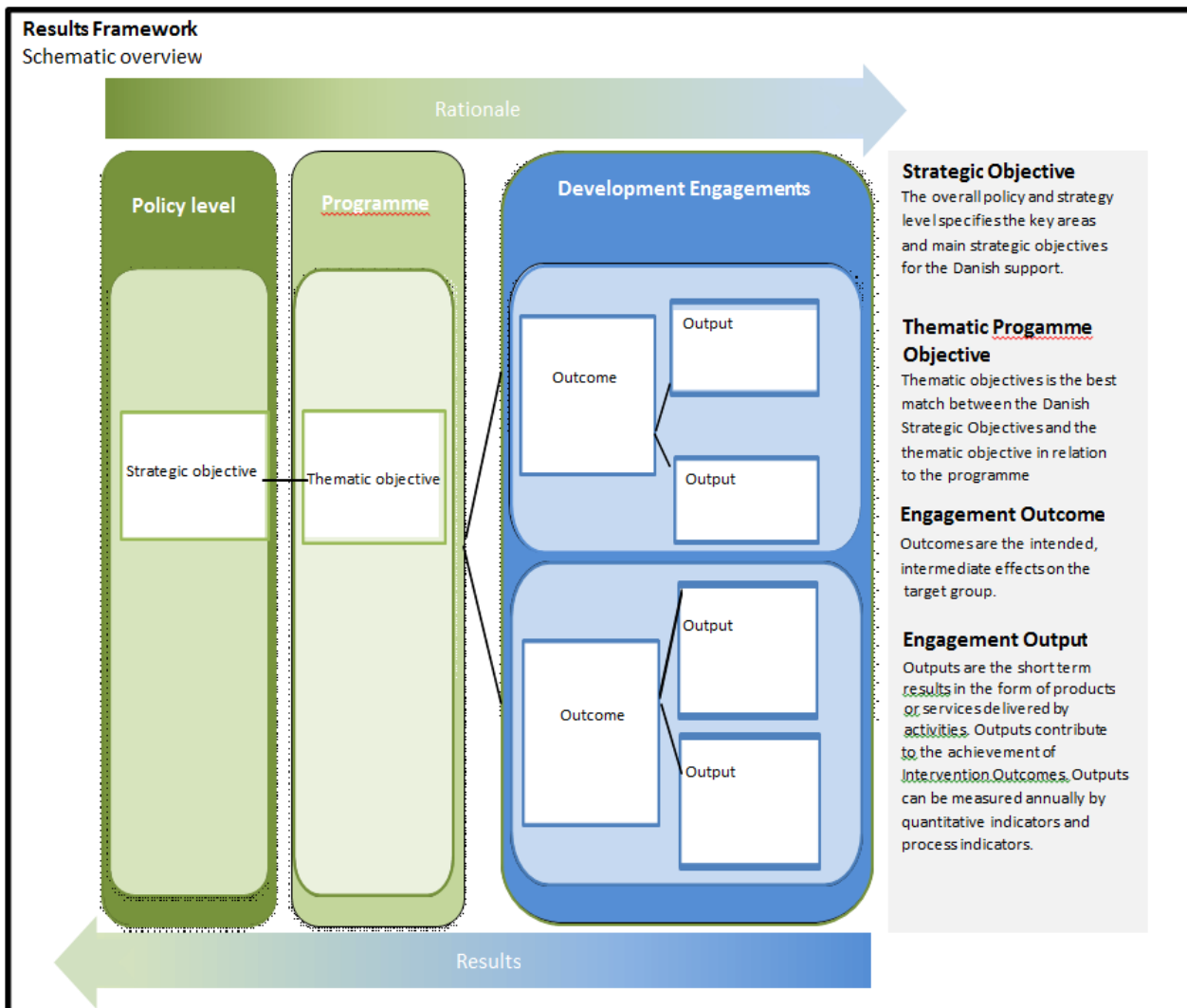
An overall schematic illustration of a programme is provided in Fig. 2. Reading from the left-hand side of the figure towards the right-hand side, the figure highlights the overall rationale for the programme by linking the strategic objectives of the relevant policy papers to the thematic objectives of the programme (defining what changes the Danish assistance will contribute to achieve) and to the various outcomes and outputs of the development engagements (necessary subsidiary goals contributing to achieving the wanted changes). Reading the other way around, from the development engagement outputs the figure illustrates the results chain where the results created at one level are linked to achieving results at the next level. Put simply, the theory of change explains the links between the outputs, outcome and impact, as illustrated by the black lines between the boxes (how outputs are linked to an outcome and how the outcomes contribute to achieving the thematic objective). The boxes (outputs and outcome) are the intended short and medium-term results of the Danish support which are all necessary for and contribute to the achievement of the programme objective (impact).

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

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

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

- Define what changes Denmark wants to support based on an analysis of the context, Denmark's comparative advantage and what role Denmark can play
- Define a clear intervention logic describing the linkages between the objective and the 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.

Reference is made to the Theory of Change guidance note on AMG.

2.3 Identification

The identification stage spans from the start of the planning of a programme until the unit together with partners, has identified engagement opportunities and objectives in support of the relevant Danish policy/strategy objectives and the objectives of the partner. Moreover, based on the theory of change for the programme/project, the aim is to identify the most relevant, effective, efficient and sustainable development engagements with the best impact towards meeting the programme objective.

The identification will take key policy documents and available analysis as its point of departure. The need for further analytical work should be identified and analysis initiated as appropriate. If a country policy paper has been developed, the identification will to a large extent be based upon analysis and studies applied as part of the preparation of the country policy paper. In addition, evidence for what works and what does not work from studies and evaluations and lessons learned from previous Danish and other development partners' cooperation with the country or organisation concerned will be taken into account.

This should also include, where relevant, experience and knowledge gained from humanitarian and civil society activities.

Steps in the identification phase:

It is recommended to make a Process Action Plan containing all steps until a legally binding document is signed with a partner and the commitment is booked in MFA's financial system. Depending on the coverage and depth of analysis available, it might be necessary to identify additional, preferably existing, analyses (political economy analysis, human rights assessment, capacity assessments, drivers of change analysis including an analysis of the role played by the business community, civil society actors etc.) to inform the preparation of the programme. If so, the collection or preparation of these additional studies should also be scheduled in the Process Action Plan.

Identification of the thematic programme objective. The thematic programme objective represents the overall rationale of the programme and must contribute to meeting the objectives and themes for Denmark's strategy for development cooperation and as defined in other relevant policy papers, and must aim for synergies and coherence with other relevant policy objectives. The thematic programme objective should be a concise and measurable objective for Danish development cooperation. The objective must express the best match between the development strategies of the country or organisation in question and Danida's development strategies. Preferably the thematic programme objective will be identical to an objective defined in a key policy document by the country or organisation. If this is not possible, clear links to a well-defined national or organisational objective should be established or it should be explained why no national or organisational objective is considered relevant or legitimate as might be the case in a fragile state context.

Analysis of the thematic programme area and development of a theory of change for how best to achieve the thematic objective through development engagements. As a start, use the guidance note on how to apply a theory of change in country programmes, and programmes and projects (from toolbox) to start the analysis. This will include:

- Use the overall schematic outline of the Results Framework (Fig. 2) to analyse and explain rationale, assumptions and expected results.
- Consider how lessons learned should be integrated into programme design.
- Use the Risk Management Guidelines to integrate risk assessments in your considerations of what is the most suitable design.
- Analyse how best to achieve development effectiveness (alignment, harmonisation etc.).
- Use the HRBA / Gender screening note (from toolbox) to assess how the four principles of HRBA – non-discrimination, accountability, participation and transparency and the human rights standards – can be integrated into the programme (mandatory for programmes/projects above DKK 10 mill).
- Use the Climate change and green growth screening note (from toolbox) to assess climate change, environment and green growth aspects (mandatory for programmes/projects above DKK 10 mill).
- Outline the management set-up and assess the expected number of partners.
- Consider if links between multilateral and bilateral development cooperation should be pursued.
- Outline the monitoring system on the programme as a whole.

- Prepare the budget for the programme broken down to development engagements.

2.4 Formulation

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

For a project with one partner the programme document is identical to a development engagement documentation (see section on Development Engagement Document below). The development engagement document for a project will however include a more elaborated context description, justification for choice of engagement and presentation of the project.

The programme document and in particular the development engagement documentation are prepared in close collaboration with the relevant stakeholders.

2.4.1 Programme Document outline

The programme document will be a maximum of 8 pages and consists of the following main sections:

i) National, thematic or regional context: This section introduces the national, thematic or regional context including the contextual risk assessment and sets the scene for the selected development engagements. It refers to the strategic direction and objectives of relevant policies, provides the inter-linkages with other Danish foreign policy, human rights, gender equality, commercial, humanitarian or security instruments and Danish multilateral development cooperation, and summarizes the application of the human rights-based approach. This section refers to background analyses, especially where it is relevant to elaborate on policy developments, systems and structures, and on findings from screening notes to include a human rights and a gender analysis as context for the programme.

ii)   Presentation of the thematic programme includes the justification for the selected design of the programme, including theory of change, choice of development engagements and lessons learned. It should be clearly described how the chosen development engagements contribute to the objective of the programme.

The section should include:

- Thematic programme objective
- Theory of change, summary of selected development engagements and how the results chain will lead to the desired change
- Choice of development engagement partners, modalities, capacity development and technical assistance to engagement partners
- Outcomes for each of the development engagements
- Assumptions made for change to happen
- Summary of risk analysis and risk response to programmatic and institutional risk factors
- Application of a Human Rights-based approach
- Monitoring mechanisms
- Budget at outcome level

iii)   **Overview of management set-up at programme level:** this section will present the overall organization and handling of the management of the programme. The presentation should demonstrate how management and administration of the programme will be effective, lean, and support alignment and division of labour with other development partners.

iv)   **The programme budget:** this section will summarize the budget across the programme, including a budget break-down by development engagements.

There is a number of mandatory annexes to the programme document (please refer to the section on finalization of design and appropriation).

2.4.2 Development Engagement Documentation

The required documentation for each development engagements depends on the total amount of the programme.

For programmes and projects <u>above DKK 10 million</u> the development engagement documentation consists of three elements:

i)   **A draft agreement (Bilateral agreement with implementing partner)** outlining the legal and administrative framework for the collaboration between Denmark and the engagement partner (<u>template for agreement</u> can be found in the toolbox. ii) and iii) are annexes to the agreement. This document is signed by the responsible mission/department and the partner;

ii) **The development engagement document (DED)** stipulating the specific obligations of the two parties to the agreement, and defining the substance of the collaboration, including the outcome, rationale for the interventions, results and monitoring framework, activities, risks management, budgets and financial management, management arrangement etc. . A template for the DED can be found in the toolbox. The document is signed by the responsible mission/department and the partner;

iii) **The partner's own documentation (selected documents).** The Partner's documentation can have various forms and content ranging from sector plans, thematic strategies, organization strategies, programme descriptions, project descriptions, etc. In special situations where the partner documentation is inadequate and it is not possible to make the required improvements before appraisal, a short supplementary engagement description can be formulated.

For projects up to DKK 10 million there are two options for the development engagement documentation.

1) It can be based on the documentations described above, consisting of a bilateral agreement with implementing partner, a development engagement document and if relevant partner's documentation.
2) Alternatively, it can consist of a filled in template for a development engagement document for projects below DKK 10 million (see templates AMG) and if relevant, partner's documentation. The template includes standard text on financial management, monitoring and evaluation, and anti-corruption etc. and is developed to assist missions/departments in ensuring that these elements are clearly described in the partner agreements.

2.5 Key elements in programme formulation

2.5.1 Management setup

The programme will be implemented together with one or more partners. For each development engagement there will be one partner. These partners can range from government institutions, civil society, multilateral organizations, private sector actors etc. In order to keep the strategic overview of the programme/project, its progress and results, and to maintain a close dialogue with partners and keep the management burden lean, the total number of partners in a programme should be kept at a manageable level (between one and maximum three partners). As a general rule, development engagements below DKK 5 million should be avoided.

Alignment

The fundamental principle is that to the extent possible Danish support aligns to partner plans, procedures, budgets, monitoring frameworks and organizational set-up. This principle applies to public sector, private sector and civil society partners. This means that Danida supported activities to the extent possible should be integrated into the partners' plan and results frameworks, incorporated into the partners' budget and, in the case of public institutions, reflected in the national budget (or, if relevant, in the budgets of involved

local governments). Budget support, basket funding or core funding are preferred modalities. When Danida provides budget support or basket funding, full alignment to government/organisation plans, procedures, results monitoring, and organizational set-up should be pursued. Likewise, core funding to the entire strategy of an organization is the preferred modality when Danida supports multilateral organizations, civil society, trust funds etc. In case more alignment becomes an option during the implementation phase, this possibility should be pursued. If partner capacity is low or technology transfer in demand, technical assistance can be an option.

Intermediaries in programme implementation

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

A number of recipients of Danish development aid are in countries or regions affected by fragility and conflict. These are characterized by a weak public sector with very limited capacity in central government and very limited capacity for service delivery to the population. Sometimes, the government may be strong but without legitimacy. The use of intermediaries specialized in effective programme implementation could be considered in this situation, including support to partners with weak capacity for reporting and monitoring. Intermediate set-ups, including technical assistance, could be in the form of UN organizations, civil society organizations, private sector providers, fund managers etc. Capacity development of government institutions could be supplemented by working with intermediate set-ups in an interim period of time.

No blueprint

With the diversity in context, themes and partners, there is no blueprint for what is the best management set-up for a programme. However, it is important to ensure that the management set-up is robust for the programme as well as for each development engagement taking capacity and administrative requirements into consideration. The management set-up should clarify the structures for day-to-day management of the 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 programme and the development engagements, including procedures and scope for budget adjustments.

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

2.3.2 Programmes in fragile situations

Some of the areas in which Denmark enters into development cooperation are characterized by conflict and fragility. In fragile situations there is likely to be an increased need for flexibility during programme design and implementation. The design may reflect on different scenarios based on the analysis of contextual, programmatic and institutional risk.

Flexibility in programme design may include deviations from these guidelines. If the programme deviates from these guidelines the responsible unit will have to justify the deviations and seek approval from the relevant Under-Secretary to allow for the deviations.

Equally, in situations characterized by conflict and fragility, there might be a need for an increased frequency of strategic dialogue with senior management in Copenhagen to seek guidance on the flexibility within procedures and requirements of these guidelines.

The mid-term review is an opportunity to refocus the programme. Any unforeseen changes in the programme objective or outcome require approval by relevant Under-Secretary (see more on adjustments in section 3.3 Revision of programmes during implementation).

2.5.2 Results framework

Danida's Results Framework derives from the theory of change and is a simplified logical framework[1] that builds on objectives and selected indicators from partners' results frameworks. The framework provides an overview of objective, outcomes, outputs and key indicators for the programme, and is 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, i.e. through publication on the website Open Aid.

The emphasis on alignment to partners' results framework requires an early attention to establishment of a concrete and measurable objective and indicators in the preparation process with partners. The programme results framework is a mandatory annex to the programme document. The results framework should be finalised before the programme documentation is submitted to the relevant Under-secretary (template in toolbox).

Partners' results frameworks may differ considerable from the programme results framework in terms of e.g. used terminology, level of detail, logic hierarchy. When selecting objective and indicators from a

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

partner's results framework, pay careful attention to the content rather than the terminology used when applying to the programme 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; neither should it be confused with day-to-day monitoring of programme implementation.

If the partners' results framework is weak the responsible unit will be have to assist the partner in improving the results framework or, in exceptional cases, formulate a results framework for the programme.

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 the programme's results framework 1-2 outcomes and maximum 5 outputs per outcome are selected for each engagement.

Definitions and relations in the results framework are defined in figure 3 below.

Fig. 3 Danida Results Framework

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

The strategic objectives

The strategic objective for a programme/project is the overall objective reflecting Denmark's cooperation with a country or region, or objectives within a thematic area and set the strategic direction for the cooperation within the specific area.

The thematic programme objective

The thematic objective of a programme/project is the best match between the Danish strategic objectives given by relevant policy papers/thematic strategies and national, thematic or regional objectives as defined in a key policy document by the partner country or partner institution.

If the partner is a country, the key policy documents could be an overall growth and development strategy, a poverty reduction strategy (PRSP) or similar, and national commitments on fulfilling human rights (i.e. reflected in national human rights legislation and strategies, ratification of international and regional human rights conventions and reports from the United Nations' Universal Periodic Review (UPR) report). Achievement of the priority country's national objectives will be the result of a very broad range of activities and factors that go far beyond the activities supported by Denmark. It will usually not be possible to document the Danish contribution or attribution to achievement of a national objective at this level. Nevertheless, the thematic objective provides the overall purpose and rationale for the engagement.

Development Engagement Outcome

The development 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 (DED). The outcome must support the achievement of the thematic objective of the programme. 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 to inform on quantity and quality of the achievement.

Development Engagement Outputs

The development 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 on annually and at completion. In the programme document's result framework a maximum of five key outputs per outcome must be chosen.

An indicator has to be measured against a baseline, end of programme targets, and for output indicators also annual targets. Indicators should be used to enable monitoring on both quantitative and qualitative aspects of the engagement. Process indicators may also be important for assessing if a certain approach2 or initiative is progressing as planned in terms of contributing to the change(s) envisaged by programme.

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[2] 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). The updated information will be visible the next day on the website Open Aid. Should the allocation of funds for the various engagements change (due to use of unallocated funds, reallocations etc.), this will influence the results framework which will have to be adjusted accordingly.

Indicator examples

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

2.5.3 Budget

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

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

In programmes up to DKK 37 million all funds should be programmed and no funds can be left unallocated when the programme is presented to the relevant Under-secretary / Head of Unit. For appropriation the budget must be presented with the same level of detail as the budgets agreed for each development engagement.

The cost recovery rate must be in accordance with the actual expenditures and should under normal circumstances not exceed 7%. Specific agreements exist for cooperation with University of Copenhagen, Danish Institute for International Studies, some UN organisations and a few other organisations.

2.5.4 Risk management

Risk management is an integrated part of the programme cycle, which implies that a preliminary assessment of potential risks and risk responses must be conducted. For programmes between DKK 10-37 million a risk management matrix is annexed to the programme document in the grant proposal presented to the relevant Under-secretary for appropriation. For projects below DKK 10 mill, the risk management matrix is integrated into the development engagement document. The risk assessment and responses are assessed regularly during implementation. Danida's Risk Management Guidelines on amg.um.dk provides the standard tools for assessing and managing risk, including the risk management matrix. Description of risks in the programme document must be consistent with the description of risks in the risk management matrix.

The Risk Management Guidelines operate with three main categories of risks: Contextual risk concerning the general risk factors in the country, programmatic risk concerning risk in regard to achievement of programme outcome and institutional risks in relation to the interest of Denmark and its partners. See figure 4 below.

Fig. 4 Core Risk Categories - The Copenhagen Circles
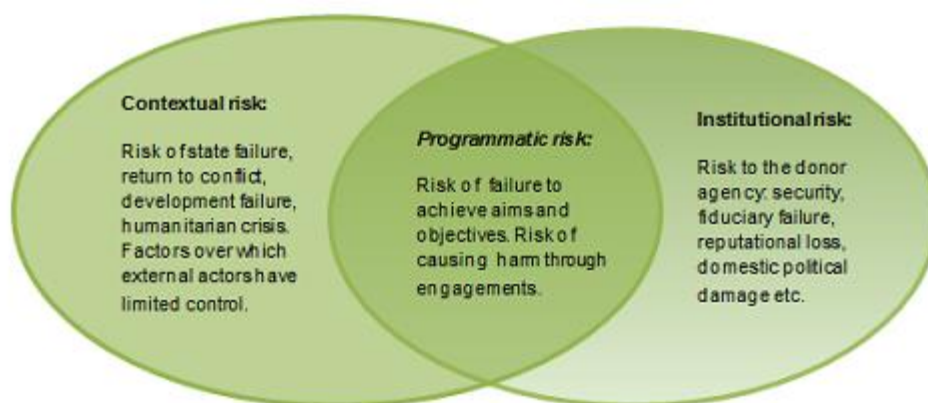
The likelihood and impact of identified risks are assessed and risk response measures identified. Based on the expected effect of the risk responses, an estimation is made of the combined residual risk.

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

The Risk Management Matrix should be reassessed and revised annually. Monitoring of risks during implementation is important in order to identify whether developments require adjustments to the programme. 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.

2.6 Appraisal

2.6.1 Purpose, responsibilities and practical arrangements

An appraisal should be undertaken on all use of development funding. The extent of the appraisal and who carries out the appraisal dependent on the amount of the appropriation, however, quality assurance before final funding decision is a basic requirement.

For grants up to DKK 37 million, the development cooperation specialists of the Ministry of Foreign Affairs will, as a general rule, not be involved in the appraisal. The accumulation rule applies.

For projects up to DKK 10 million, an internal appraisal conducted by the implementing unit is required. The appraisal must be carried out based on a standard check-list for appraisals (see tools on AMG) and signed by the appraising desk officer and management of the unit. The signed appraisal document is attached to the grant proposal documents.

For projects/programmes between DKK 10-37 million, appraisal must be conducted by external consultant(s) by using the appraisal guide in the toolbox. To provide guidance and to make the recruitment of consultants easier standard Terms of Reference for appraisals has been developed and can be found here (ToR for external appraisal of Projects and Programmes up to 37 million DKK) and in the toolbox on www.amg.dk.

The external consultant(s) will prepare a standard "Summary of Recommendations of the Appraisal Report" (from template box), which then has to be completed by the implementing MFA unit. The unit assumes full responsibility for the follow-up on the appraisal report. In case an appraisal recommendation is not followed, the unit must justify the decision and specify the reasons in the standard "Summary of Recommendations of the Appraisal Report". The completed summary will be an annex to the grant proposal note.

The overall purpose of an appraisal is to provide quality assurance of the programme design and documentation, at a strategic as well as at a technical level and thereby provide the basis for the granting authorities' funding decision. The appraisal comprises the whole programme package (see box below for mandatory documents), and an assessment of partner strategies, analytical background documents and national or organisational policy documents. The appraisal will assess to which extent the programme fulfils the strategic direction and objectives of the relevant policy framework, including linkages between Denmark's strategy for development cooperation and the broader engagement in the context concerned, national or and organisational policies, strategies and development plans. In fragile and conflict affected countries New Deal Compacts or similar documents taking inspiration from the New Deal 5 Peace and State Building Goals[3] will be central. It will also assess the theory of change and the rationale provided for the layout of the programme, and whether the programme is technically sound by focusing on, among other things, its management, monitoring, and risk management set-up.

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

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

Programme documentation to be forwarded to external consultant(s) prior to appraisal

Draft programme document with the following annexes:

    a.   Relevant Policies and strategies
    b.   Partners – brief descriptions
    c.   Results Framework at output level
    d.   Budget at output level
    e.   Risk Management Matrix
    f.   List of supplementary materials

Other documentation:

    g.   Development engagement documentation (draft engagement documents and partner's programme documents for all programmed development engagements
    h.   HRBA and Gender Screening Note
    i.   Climate Change and Green Growth Screening Note
    j.   Assessment according to the five budget support principles (only relevant if support is provided for the public sector)
    k.   Partner strategies (as applicable)
    l.   Background analysis, including sub-sector analysis, capacity assessments etc.
    m. Other relevant documentation like legal framework, public sector management framework and donor led analysis etc.

The responsible unit schedules and designs the appraisal process in dialogue with the implementing partners.

If joint appraisal has been undertaken of one or more development engagements, the responsible unit must assess whether further appraisal is necessary.

2.7 Finalisation of design and appropriation

2.7.1 Presentation for appropriation – projects/programmes between DKK 10-37 million

The finalization and appropriation phase is when the full programme documentation is finalized and the programme document (for programmes with more than one partner) or Development Engagement Document (for a project with only one partner) with mandatory annexes (see box below) is presented to the relevant Under-secretary (projects/programmes between DKK 10-37 million).

Documents for appropriation	Project	Programme
Main documents	Development Engagement Document + cover sheet	Programme document + cover sheet
Mandatory annexes	In projects the Partner description, Results Framework, Budget and Risk	1) Partners - brief description 2) Results Framework

	Assessment in the development engagement document will replace mandatory annexes 1-4. 5) Summary of appraisal 6) List of supplementary material	3) Budget at output level 4) Risk Management Framework 5) Summary of appraisal 6) List of supplementary material
Available on request	Partner documentation, HRBA/Gender, Climate/Green Growth Screening notes, budget support principles*, national/organisation strategy	Development Engagement Documents, Partner documentation, HRBA/Gender, Climate/Green Growth Screening notes, budget support principles*, partner or national strategy

* Only relevant for support to public institutions

The programme document (for programmes)/Development Engagement Document (for projects) with mandatory annexes will be submitted to the relevant Under-secretary for approval. Development engagement documentation (for programmes) and other documentation on the development engagements will be made available to the relevant Under-secretary upon request.

Detailed information regarding presentation to the relevant Under-secretary, including submission for publication on the Danida Transparency website, is outlined in Guidelines for Approval of Grant Appropriations, Strategies and Policies.

2.7.2 Presentation for appropriation – projects up to DKK 10 million

Projects up to DKK 10 million are approved by the Head of unit, however, solid project documentation is still required. For projects up to DKK 10 million fewer annexes are requested as part of this information is built into the Development Engagement Document that replaces the project/programme document as only one partner is allowed in projects up to DKK 10 million.

The project appropriation documentations that will be presented to the head of unit for approval will consist of:

Documents for appropriation	Project
Main documents	Cover sheet for appropriation of projects up to DKK 10 million Development Engagement Document (including partner description, Results Framework, Budget and Risk Assessment)
Mandatory annexes	Signed checklist for appraisals List of supplementary material
Available on request	Partner documentation, national/organisation strategies

2.7.3 Planning of commitments and follow-up

The Danish budget law places the MFA under a budget ceiling that is equivalent to the allocation on the Finance Act. The MFA is obliged to report follow-up to the Ministry of Finance on an annual commitment budget distributed on a quarterly basis. Consequently, strict planning at the time of entering the commitment is required from the responsible unit. To enter the commitment in the quarter that was reported to the annual commitment budget has first priority. Furthermore, units are encouraged to enter the commitments as early as possible in the Danish financial year to prevent a very large share of the commitments being entered in the last quarter of the year. If the commitment is not made in the quarter it is budgeted, the responsible unit will have to provide an explanation which is used to inform the Ministry of Finance.

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

3. THE IMPLEMENTATION PHASE

3.1 Implementation arrangements

3.1.1 Agreements

For programmes between DKK 10-37 million, a Programme Support Agreement covering the programme is signed with the relevant partner, partner ministry or relevant organisation. In that case, 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. 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.

For all development engagements (for programmes between DKK 10-37 million), 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 or pooled funding, Joint Financing Agreements are made.

For projects up to DKK 10 million there are two options as described in section 2.4.2, either the agreement consists of a signed standard legal agreement (bilateral, joint or delegated), a signed development engagement document and partner documentation as relevant or the standard agreement for

development engagements for projects up to DKK 10 million together with relevant partner documentation.

Templates and instructions in regard to various agreements are available from "The guidelines for agreements on development cooperation".

3.1.2 Dialogue and consultation

The responsible unit will have periodic dialogue meetings with the relevant partners regarding the implementation of the programme/project. This dialogue will address progress in the programme, overview of disbursement during the past year, budgets for the coming year, possible reallocation of funds between activities and other decisions at overall programme level.

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

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

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

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

Refer to the "Joint Management Arrangements" (in toolbox on amg.um.dk).

3.1.3 Planning, budgeting and reporting

Alignment

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

A single plan and budget for the entire partner organization, encompassing all external funding sources and own contributions is the preferred option.

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

Responsibilities

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

Funding of each development engagement will be governed by an agreement between the responsible unit and the partner (as described above). The management of the partner institution is responsible for planning, budgeting and reporting. The Danish minimum requirement to be stated in the development engagement agreement is one annual plan and budget, as well as one annual progress and financial report. It may, however, in some cases be necessary to request semi-annual planning and progress reports or quarterly financial reports. The exact requirements should be agreed with partner institutions and stated in the development engagement agreement.

Reporting by the partner

The day to day monitoring is done by the partner. The management arrangement agreed between Danida, the implementing partner and other partners, if any, is responsible for overseeing that activities lead to the expected outputs and outcomes. Progress reporting should always be assessed and balanced against the resources spent. It is the responsibility of the responsible 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. In joint arrangements, the contents indicated below should serve as a reference in negotiations with partners and other development partners about a format for joint reporting. If joint arrangements cannot be established and the reporting is separate for Denmark, the content indicated below should be used, or adapted to the partner institutions' own reporting. The

outline below may apply both for reporting at the level of the programme and at the level of development engagement support. Progress reports must be based on and clearly reflect the agreed documentation for the 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 the development of the national/thematic framework during the past year (This issue may be covered in other national/organisational 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
- Reporting on expenditure vis-a-vis 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
- Follow-up to prior recommendations
- Risk assessment

Reporting by Danida

One or a few outcomes and 1 – 5 key outputs, drawn from the results framework in the partner programme documentation, are stipulated in the development engagement document. Indicators are defined by a baseline, end of programme targets, and for output indicators also annual targets. The same indicators are used for Danida's reporting on development cooperation to the public through PDB/Open Aid.

> **The responsible unit should ensure that;**
>
> - All programme/projects are registered in the relevant systems, PDB, etc.,
> - That adequate descriptions of activities are present, relevant, and updated when new information is available,
> - All indicators are developed and entered into the systems as part of the result frameworks,
> - Indicators are continuously updated with latest available data on performance,
> - Status on performance according to the indicators is included in the Annual Country Report (for priority countries only).
> - Ensure quality control of the data entered

3.2 Monitoring and learning

In order to ensure achievement and documentation of results in the programme, monitoring needs to be prioritised in the design of the programme and during programme implementation. Programmes are not assessed on whether the planned engagements have been carried out, but on whether the intended results have been achieved. An important aspect of the monitoring is therefore to enable programme management to learn what works best and adapt the programme to the best suited options. Effective monitoring includes both monitoring of outputs and outcomes as well as monitoring of financial management.

Monitoring is the responsibility of the responsible unit. If relevant, technical assistance can be engaged 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.

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

3.2.1 Monitoring of results framework

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

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

The responsible units are also responsible for the dialogue with the partners on the results framework in the individual development engagements. While the responsible 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 followed in order to assess whether the engagement is progressing as expected.

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

3.2.2 Monitoring assumptions and risk

As part of the theory of change and justification of the programme, a number of assumptions have been made. It is important for the implementing unit to monitor whether the fundamental assumptions for the programme are still valid. This may not entail a specific monitoring framework, but the responsible unit must regularly undertake an analysis of whether the underlying assumptions in the programme are valid, and whether the programme need to change, perhaps substantially, in order to achieve the desired objectives.

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 initiated.

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

3.3 Revision of programme during implementation

The general principles for revision of the programme during implementation are as follows:

1. **Changes anticipated as part for the programming** at the level of outputs and outcomes can be implemented by the responsible unit according to the plans. Anticipated changes can include outlining different scenarios or risk responses with identified partners and outcomes.
2. Changes in **outputs** in the DED formulated outcomes can - in agreement with implementing partner - be approved by the implementing unit, provided the change fits within the formulated outcome.
3. Changing an **implementing partner** can be approved by the responsible unit if the outcome remains identical to that of the original DED and no substantial change is made to the resource prioritisation in the thematic programme.
4. Changes in **outcomes** should be approved by the relevant Under-secretary. The changes in outcome(s) must under all circumstances match the thematic objectives already approved in the programme document.
5. Changes made to the **thematic objectives** should be undertaken only in exceptional cases with due justification and must be approved by the relevant Under-Secretary.

3.4 Financing decisions

3.4.1 Unallocated funds

For programmes up to DKK 37 million unallocated funds are not allowed. All funds should be programmed when presented to the relevant Under-secretary.

3.4.2 Reallocations

Reallocations concern adjustment of already approved budgets for programmes and projects.

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

> **Example:**
>
> Consider a 2-year programme of DKK 30 million consisting of two development engagements. The average annual disbursement would be DKK 15 million, which means that the Head of Unit may then each year approve reallocations between the two development engagements of maximum DKK 1,5 million.

Beyond these limits, the relevant Under-secretary has the mandate to approve reallocations.

The request should clearly outline between which development engagements the reallocation is requested, the size of the reallocation (percentage of the total disbursement budget of the programme in that year) and that the reallocation will not lead to changes in the programme objective.

Proposals regarding reallocations of funds should always be discussed with the joint decision-making body for the programme or similar.

3.4.3 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 responsible unit and the Ministry of Finance or joint decision-making body (or other management arrangement) it can be decided to cover unforeseen expenses, losses etc. Contingencies can only be used within the same development engagement. Should this be insufficient, the rules of reallocations between development engagements, as described above, must be adhered to.

3.4.4 Other appropriation-related issues during implementation

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

The responsible unit has the mandate to change aid modality if the change leads to better alignment and harmonisation. Other changes in modalities can only be agreed by the responsible unit if these have been anticipated in the time of formulation and mentioned in the appropriation note. If this is not the case, such a decision can be taken by the Under-Secretary for Global Development and Cooperation or the State Secretary for Development Policy.

If significant changes in the context occur during the implementation of the programme that warrant changes to the thematic programme objective or outcomes, approval must be obtained from the relevant Under-secretary (programmes between DKK 10-37 million).

3.4.5 Accounting

International standards

In order to produce reliable work plans and budgets, proper accounting must take place. The partners' procedures for budgeting, accounting and financial management are used insofar as they comply with internationally acceptable principles and standards[4]. In cases of shortcomings, the partner's procedures must be strengthened as needed to ensure acceptable fiduciary standards.

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

- That the Danish grant is entered into the accounts as income.
- That reporting on expenditures is of at least the same level of detail as in the grant budget.
- That all expenditures are documented by vouchers, original invoices and original, signed receipts.
- That a register is maintained of equipment and other assets.
- That acceptable control procedures are in place and that accounts are signed by responsible institution's management.
- That the administration adheres to established written procedures.

The partner's accounting period should be followed. This may entail that the first or last reporting period of a particular development engagement is shorter than 12 months.

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

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

3.4.6 Conditions for transfer of funds

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

For earmarked funding, the conditions for transfer are:

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

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

The transfer of funds to the partner institution will be carried out on the basis of a written request from the partner institution to the responsible unit. The transfer can cover foreseen expenditures for up to six months. The transfer request must include information on the amount and the bank account into which the funds are to be deposited. If it is agreed that Danish funds are kept in a separate bank account, a copy of the bank statement with a reconciliation of the bank account will be attached to the request.

A receipt should be submitted by the implementing partner to the responsible unit as soon as the funds have been received.

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

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

More guidance on requirements for accounting and auditing can be found in the "General Guidelines for Accounting and Auditing" available on amg.um.dk.

3.4.7 Auditing

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

International standards

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

The annual audit must encompass – but not be limited to – inspection of accounting records, including examination of supporting documentation of the transactions, confirmation of cash and bank holdings, checking of bank reconciliation, direct confirmation of accounts receivables, and verification of physical

inventories and fixed assets. The audit will also test compliance with the accounting manual and examine the procurement function.

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

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

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

3.5 Reviews

The purpose of a review is to undertake a periodic assessment of programme performance (either at programme level or for one or more development engagements). This includes assessment of whether engagements are implemented according to plans, whether expected results are achieved, whether the engagement is still relevant in accordance with the theory of change, challenges, developments in risk factors, aspects of efficiency and effectiveness and need for adjustment due to developments in the programme context. The review also serves as a quality assurance of the overall monitoring. Against this background, the review provides recommendations for further programme implementation. The scope and procedures of a review depends on its character.

There are two distinct types of periodic reviews:

- A mid-term programme review
- A technical review

3.5.1 Mid-term reviews for programmes up to DKK 37 million

In general, for programmes and projects up to DKK 37 million, with a duration of more than one year, at least a mid-term review should be undertaken. Mid-term reviews should normally be carried out by an external consultant/team, preferably in the form of joint reviews with other funding partners. To the extent possible, the review should follow the schedule and methodology of the implementing organisation.

However, the responsible unit/mission in the MFA should ensure that mid-term reviews adhere to minimum standards expected of mid-term reviews normally undertaken of Danish development programmes. In cases where the programmes are especially risky, substantial changes have occurred or is technically challenging, it should be considered to undertake annual technical reviews in addition to mid-term reviews.

4. THE COMPLETION PHASE

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

4.1 Exit strategy

When a decision is made to enter into a development engagement, considerations about sustainability and ultimately the exit of Danish support should be part and parcel of the development engagement strategy. The earlier the issues related to a phase-out are addressed by the responsible unit, the better the chances are of ensuring sustainability of the achievements. The scope of the exit strategy should match the volume of support provided, and a realistic timeframe should be set for the phase-out. A Guidance Note on Country Exit from Bilateral Development Cooperation is available from AMG.

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

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

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

- What are the alternative resources available for activities to continue (user fees, revenue, grants etc.)?
- If the sustainability is jeopardized by phasing out cooperation, can some activity areas be supported with funding from other sources?
- What are the human resource implications of the 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 to ensure certain results or to sustain these before completion?
- Focus on the last part of the results chain from outputs and outcomes for beneficiaries to potential impacts in society.
- Whether specific communication efforts should be considered, including to partner staff concerned, to facilitate dissemination of lessons learned and results obtained, to counter any potential reputational risk issues that may arise from a decision to exit.
- Should an evaluation of development engagements or thematic programmes be promoted to document results and collect lessons learned for use in future development cooperation?

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

4.2 Finalisation and closure

All activities which have a Danish bilateral contribution (incl. earmarked funding to multilateral organisations 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 integrated in partners' activities.
- That the process contributes to the overall Danish reporting on results.
- That the administrative, financial and technical closure of an engagement support is completed in a coherent work flow.
- A transfer process to a next phase.

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

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

The completion phase includes the following:

- Implementing partners submit final reports on results and lesson learned to joint management arrangement or the responsible unit.
- Based on implementing partners final reports, the decision making arrangement assess the overall results and lesson learned.
- The responsible unit ensures financial closure of accounts including final audit.
- The responsible unit finalizes the Results Report in PDB.

It is mandatory for the responsible unit to ensure that the implementing partners' final reports, the minutes from the decision making arrangement (reflecting that the results report has been discussed) and the completion report are available in PDB.

4.2.1 Implementing partners final report

The implementing partner's final report including an assessment of effectiveness and efficiency obtained by the development partners' investment (Danish or joint), is measured against the results framework in the development engagement document. The report must generate lesson learned and evaluates the prospects for continued sustainable progress. The format for the final report should follow the format of the partner's own report format. The final report is submitted to the management arrangement three months before the letter of commitment expires (e.g. Government Agreement).

4.2.2 Danida's final results report

The final report summarizes the achievement of the results framework, including how the outputs and outcomes resulting from the investments have contributed to the achievement of the programme objective. Moreover, it should highlight main lessons learned and the financial status of the support. The results report is made at the level of programme or project, i.e. the same as the grant appropriation.

It is the responsibility of the responsible unit to upload the final results report in PDB and submit to KFU. The final results report is based on the implementing partners' final reports and assessments of the development engagement provided by the management arrangement. Guidelines for completion of projects and programmes are available on AMG.

4.2.3 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 with a few months. When the audit has been received, the responsible unit must register the received accounts in PDB (accounting module) and fill out the cover note. Unspent funds must be returned before the account can be closed.

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

Danida

4.3 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, a programme/project, or particular topics relevant to Danida. Evaluations are in-depth analyses of results and processes focusing on what works and what does not work and why. Evaluations should cover aspects related to relevance, effectiveness, efficiency, impact and sustainability of the activities supported (see the separate Danida Evaluation Guidelines at the evaluation website).

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

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

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