**Independent Evaluation of the Australian NGO Cooperation Program (ANCP) Management Response (December 2022)**

**Summary**

The Australian NGO Cooperation Program (ANCP) is the Australian Government’s largest NGO program and supports over 55 Australian NGOs (ANGOs) to deliver around 400 projects in more than 50 countries each year. The ANCP supports accredited ANGOs through flexible annual grants to contribute to NGO and partner country priorities to reduce poverty and promote sustainable and inclusive development. ANGOs funded under the ANCP must fulfil the requirements of a rigorous accreditation process every five years.

Tetra Tech International Development was engaged to undertake an independent evaluation of the ANCP between November 2021 and November 2022. The primary purpose of the evaluation was to assess the ANCP as a delivery ‘modality’ and to identify ways to strengthen the management and implementation arrangements in response to the evolving development context. A secondary focus was to assess high level impacts of the ANCP.

The evaluation found the ANCP is a highly valued Official Development Assistance (ODA) mechanism for accredited ANGOs. ANGOs receive a predictable and flexible funding stream, allowing them to work in sectors and countries based on their priorities and to reach marginalised groups. ANCP creates value for Australia’s development program by leveraging Australian public donations and the people-to-people links enabled through the long-term relationships of ANGOs to local communities. ANCP’s work in regions with limited bilateral and regional programs extends to reach of Australia’s development program.

However, the evaluation also shows there is room for improvement. Findings show there is a need to shift from a transactional to a more strategic partnership approach, address the structural inequities in the accreditation system and funding policy, shift to a multi-year funding model, better connect the ANCP to our bilateral and regional programs and shift from a monitoring to an evaluative approach to better report on outcomes.

DFAT accepts the evaluation findings and agrees with the majority of the recommendations. The management response outlines high level actions DFAT will take to implement the recommendations. Reflecting that ANCP is a partnership between DFAT and ANGO partners, the management response has been agreed in consultation with the Development Practice Committee (DPC) of the Australian Council for International Development (ACFID). DFAT will work closely with the ACFID, DPC and the Committee for Development Cooperation (CDC) to agree on detailed implementation and change management plans to take the evaluation recommendations forward.

**Management response to each recommendation**

**Recommendation 1**

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| Recommendation | Response | Explanation | Action plan | Timeframe |
| NPQ works with the sector to strengthen the ANCP partnering approach through a range of measures involving:  R1.1 Partnership, strategic learning, and policy dialogue  a. Articulate the key purpose of partnership and establish a mechanism for partnership dialogue between DFAT, ANCP partners and other civil society actors  b. Leverage the benefits of strong relationships created through internal management of the ANCP to contribute to wider DFAT – ANGO strategic dialogue and learning  c. Consider how technical assistance (from a range of local and international sources including from within the partnership) could be engaged to support core technical business processes across the program cycle | Agree | DFAT agrees strengthening our partnership approach in ANCP will improve the effectiveness of the program and support improved links to the priority areas for the broader Australian development program. | The NGO Program and Partnerships Section (NPQ) will work with ACFID’s DPC to develop a partnership framework to govern relationship management processes between DFAT and its NGO partners both individually and collectively to contribute to wider DFAT – ANGO strategic dialogue and learning. The partnership framework will be informed by the ANCP Accreditation and Funding Policy refreshes (see R1.2a and R1.3a)  DFAT will consider how to best use technical assistance in ANCP to improve business processes, for example, to review multiyear design and implementation plans and performance reports | Commence in 2023 |
| R1.2 Accreditation  Strategically review and redesign the ANCP accreditation and funding policies to address any perceived structural inequalities and enable different partnering types with proportionate business and partnering processes including:   * + 1. making changes to the current accreditation tiers to provide a lower level of accreditation for base accredited partners and increase the funding threshold available to them | Agree | DFAT agrees with this recommendation which will make the current accreditation system more proportional and explore opportunities for how it can be better used to promote risk-informed programming, locally led development and innovation.  As part of the government’s election commitment to the ANCP and announced in the 2002-23 October budget ($30 million over four years), the minimum grant to each accredited ANGO will increase by $100,000 in 2022-23. | NPQ will undertake a refresh of the ANCP Accreditation and Funding Policy in early 2023. The refresh will respond to the findings of the evaluation. Work has begun on the Terms of Reference, which will be further developed in consultation with DPC and CDC. The Accreditation refresh will identify adaptations that can deliver an accreditation and funding system that promotes and enables:   * a tiered or differentiated approach to accreditation informed by funding thresholds and NGO risk profiles * locally led development and innovation * alignment with international good practice   Funding Policy refresh scope to be addressed at recommendation R1.3  TORs will be available on the DFAT website in the first quarter of 2023 | January – June 2023 |
| b. making it explicit with all development partners that full accreditation is an acceptable standard of due diligence and should apply across all DFAT funding arrangements with ANGOs | Agree in part | This recommendation is already being implemented within DFAT to the extent possible. DFAT’s Due Diligence Framework makes it clear that a due diligence assessment is not required when directly contracting an accredited ANGO.  DFAT cannot prescribe to all development providers (e,g. managing contractors, multilaterals) what level of due diligence is acceptable when entering into an agreement with an ANGO. Where a contractual arrangement is between a provider and an ANGO, due diligence requirements are a matter for each development provider, consistent with their own policies in relation to due diligence, procurement and risk management. | DFAT will continue to encourage, where possible, use of ANCP accreditation as an acceptable form of due diligence when contracting an ANGO directly. | Ongoing |
| R1.3 Flexible and adaptive multi-year funding and grant making  Exploring workflow improvements and rationalisation of business processes to reduce transaction costs while maintaining flexibility as a central feature of the modality including:  a. Revising the Funding Policy to ensure that funding arrangements align with any new accreditation system and include structural changes to address the increased costs of doing business, inequities amongst ANGOs and enable ANGOs to use good practice civil society funding practices such as increased management overhead, provision for unrestricted resources for local partners such as management overhead and/or core funds.   * + 1. Shift to a 3- to 4-year funding cycle by streamlining key business processes such as annual work planning and budgeting processes - by presentation - which focus on dialogue between implementing partners and DFAT Posts at the country level | Agree | DFAT agrees with this recommendation which will streamline business processes to open up space for strategic dialogue with ANCP partners and bilateral programs, as well as explore how the ANCP funding can be made more equitable, including to better support local civil society. | An ANCP Funding Policy refresh will be undertaken in conjunction with the Accreditation refresh, and will explore the following:   * how the Funding Policy can align with any new accreditation system, including addressing the increased costs of doing business and inequities amongst ANGOs, and enabling ANGOs to use good practice civil society funding practices * whether the Recognised Development Expenditure (RDE) approach can be adapted and/or explore workable alternatives that are more equitable and support local civil society * how the ANCP funding approach can pilot innovations in financing such as creating opportunities for humanitarian-development-peace nexus programming and locally led development * how a revised funding policy can support a multi-year funding model | January – June 2023 |
| c exploring and testing how the ANCP modality can better support key issues at the nexus of stabilisation and resilience, through more adaptive program cycle management, risk informed design and through testing the feasibility of a crisis modifier.  d. exploring how risk informed programming practices can be integrated into the modality and partnering approach, | Agree in part | DFAT acknowledges that risk informed programming (distinct from risk management) can serve to address root causes and strengthen resilience to shocks in the development-humanitarian-peace nexus. These types of approaches are already being tested in some of DFAT’s investments. Lessons from risk-informed programming in other DFAT investments will be used to inform how the ANCP can integrate such approaches.  Application of risk-informed programming will need to consider how ANCP can balance tensions between managing risk and compliance requirements in difficult environments with a commitment to progressing reforms in locally led development and addressing root causes and strengthening resilience to shocks in the development-humanitarian-peace nexus. | NPQ will work with relevant areas in the Development Effectiveness and Enabling Division and Humanitarian Division and the DPC to explore opportunities to test risk informed programming within the ANCP, drawing on the lessons learned from investments such as the Australian Humanitarian Partnership and Australia Assists. This will be considered and informed by the Accreditation refresh and will be considered as part of strengthening the partnership approach. This analysis will also consider how this type of programming can be best balanced with DFAT’s legislative requirements related to risk management and safeguards, and how to utilise the current flexibility that exists in ANCP to expand on adaptive programming. | Commence in 2023 |
| R1.4 Monitoring, Evaluation and Learning   * + 1. Reorienting the monitoring, evaluation and learning (MEL) system to reflect the modality logic (theory of change and theory of action) more accurately, focussing MEL against a results chain that aligns with the modality’s sphere of control and influence     2. Increase budget allocations for the ANCP's MEL system and consider whether alternative resourcing arrangements for the technical input and management of the ANCP MEL system will result in greater dividends. | Agree | DFAT agrees that the recommended reforms to the ANCP MEL system will enable better reporting of outcomes and contribute to strategic two-way sharing of learning between DFAT and ANCP partners. DFAT notes that reforms to the ANCP MEL system will need to also consider annual corporate requirements under DFAT’s new performance assessment framework, which will accompany the new international development policy.  DFAT agrees that some of these reforms will require additional resources and access to specialist technical MEL capability. | Reforms to the MEL system will be considered as part of the move to multi-year funding and a more strategic partnership approach. This will include a shift from monitoring to an increased evaluative approach and development of a shared agenda for strategic learning between DFAT and ANGOs to address issues of mutual focus and bring evidence to policy dialogue.  The responsibility for oversight of the ANCP MEL system will remain with DFAT. NPQ will increase resources for the MEL system to implement strategies for accessing technical input to inform MEL reforms and undertake regular thematic and geographic evaluations.  NPQ will also consider any resource implications for NGOs in shifting from a monitoring to an enhanced evaluative approach. | Begin MEL reforms as part of the redesign to multiyear funding in the first half of 2023.  Continue in 2023 – 24 as part of implementation of a strategic partnership approach. |

**Recommendation 2**

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| Recommendation | Response | Explanation | Action plan | Timeframe |
| In order to create an enabling environment for the ANCP, DFAT develop a policy statement that assists to articulate the role of civil society in contributing to the Australian development program and more specifically:  a. position the ANCP’s contribution within this  b. articulate the link between DFAT’s civil society approach and locally led development including the role of local civil society and intermediaries  c. consider what the implications of locally led development and civil society partnership means for risk informed programming and risk management. | Agree | The Australian Government actively supports civil society through the development program, including their role in contributing to locally led development. DFAT agrees with the evaluation that any policy statement on civil society is best addressed through the new international development policy. | The role of civil society in the Australian development program, including the link between civil society and locally led development, will be considered in Australia’s new international development policy. Details on ANCP’s contribution to civil society and approach to locally led development will be provided in accompanying guidance notes and revised program design documents. | New international development policy to be finalised in the first half of 2023. |