



Independent Evaluation of the Australian NGO Cooperation Program (ANCP)

Final Evaluation Report

Tetra Tech International Development | November 2022

Contents

Executive summary	1
The ANCP and its independent evaluation.....	2
What has the ANCP achieved and to what extent is the modality fit for purpose?.....	2
KEQ 1 Relevance, Coherence, Effectiveness, Efficiency and Sustainability: How effective is the ANCP modality in assisting ANGOs to reduce poverty and promote sustainable and inclusive development?.....	2
KEQ 2: Relevance: What are the key trends and emerging issues in the NGO sector and international development context that may impact on the ANCP and how should DFAT and ANCP partners address these?.....	3
KEQ 3: Effectiveness and Efficiency – Is ANCP supported by robust and appropriate monitoring, evaluation and learning processes?.....	4
KEQ 4 Efficiency, Relevance, Coherence, and Effectiveness - Is the ANCP modality, including management, implementation, and funding arrangements 'fit for purpose' and how can it be improved?	5
Partnership, Strategic Learning and Policy Dialogue	5
Accreditation	5
Flexible and adaptive multi-year funding and grant making	5
Where should the ANCP go from here?.....	6
Considerations for Taking the Recommendations Forward	7
1 The evaluand and evaluation arrangements	8
1.1 Purpose and use of the evaluation	9
1.2 Evaluation scope	9
1.2.1 Key evaluation questions.....	9
1.3 How to read this report.....	13
1.4 Structure of the report.....	13
1.5 Evaluation approach and methods.....	13
1.6 Important features of the ANCP as a modality that underpin the evaluative focus.....	14
1.7 Management arrangements.....	15
1.8 NGO funding arrangements.....	15
2 Question 1: How effective is the ANCP modality in assisting ANGOs to reduce poverty and promote sustainable and inclusive development?	16
2.1 Relevance and coherence	17
2.1.1 Strategic alignment with Australia's broader development program.....	17
2.2 Effectiveness.....	17
2.2.1 Extending the reach of Australia's development program.....	17
2.2.2 Demonstrating effective development practice	18
2.2.3 Promotes inclusive development	19
2.2.4 Climate change	20
2.2.5 Public Diplomacy – communicating the impact of the ANCP in partner countries and Australia.....	20
2.3 Efficiency	21
2.3.1 Flexibility of funding supporting innovation and delivery of outcomes	21
2.3.2 Additionality of the accreditation process	21
2.3.3 Responding rapidly to COVID-19	21
2.4 Impact.....	22
2.4.1 Supporting health security	22
2.4.2 Reinforcing stability.....	22
2.4.3 Catalysing economic recovery.....	22
2.5 Sustainability.....	23
2.5.1 Promoting sustainable development.....	23

2.5.2	Limited evidence of civil society impact.....	23
3	Question 2: What are the key trends and emerging issues in the international development and NGO sector context which may impact on the ANCP modality and DFAT-ANGO relationships and how might they be addressed?	24
3.1	Australia’s Development Program	25
3.2	DFAT’s support to civil society	25
3.3	COVID-19.....	27
3.4	Gender equality, disability, and social inclusion	27
3.5	Locally led development.....	27
3.6	Climate change.....	28
3.7	Humanitarian-Development Nexus.....	29
3.8	Geopolitics.....	29
3.9	Shrinking civic space.....	29
3.10	Innovation.....	30
3.11	Fundraising landscape	30
3.12	ANGO-DFAT relationships	31
4	Question 3: Is ANCP supported by robust and appropriate MEL processes?	32
4.1	Strategy.....	33
4.2	Infrastructure.....	33
4.3	Capacity.....	35
4.4	Enabling environment.....	36
5	Question 4: To what extent is the ANCP modality, including management, implementation and funding arrangements, appropriate to the changing context and how can ANCP be adapted to be more relevant in the future?.....	37
5.1	The changing context and policy drivers.....	38
5.2	Appropriateness of the current ANCP modality.....	39
5.3	Insight into other NGO funding modalities.....	42
5.4	How can the ANCP adapt to be more relevant in the changing context.....	45
6	Bringing it all together: Where should ANCP go from here?	48
6.1	Bringing it all together – what has the ANCP achieved and to what extent is the modality fit for purpose?	49
6.1.1	KEQ 1: Relevance, Impact, Coherence, Effectiveness, Efficiency and Sustainability - How effective is the ANCP modality in assisting ANGOs to reduce poverty and promote sustainable and inclusive development?.....	49
6.1.2	KEQ 2: Relevance - What are the key trends and emerging issues in the NGO sector and international development context that may impact on the ANCP and how should DFAT and ANCP partners address these? 50	
6.1.3	KEQ 3: Effectiveness and Efficiency - Is ANCP supported by robust and appropriate monitoring, evaluation and learning processes?	51
6.1.4	KEQ 4: Efficiency, Relevance, Coherence and Effectiveness – Is the ANCP modality, including management, implementation, and funding arrangements, ‘fit for purpose’ and how can it be improved? 51	
6.2	Where should the ANCP go from here?.....	54
6.2.1	How to interpret the recommendations	54
6.3	Recommendations	54
6.3.1	Rationale and considerations for implementation of Recommendation 1.....	55
6.3.2	Rationale and considerations for implementation of Recommendation 2.....	59

Acronyms

ACFID	Australian Council for International Development
ACNC	Australian Charities and Not-for-Profits Commission
AHP	Australian Humanitarian Partnership
ANCP	Australian NGO Cooperation Program
ANGOs	Australian NGOs
APPR	Aid Program Performance Reports
AQC	Aid Quality Checks
CBAF	Criterion Based Assessment Framework
CBPF	Country-Based Pool Funds
CDC	Committee for Development Cooperation
COP	Conference of the Parties
CSO	Civil Society Organisation
DFAT	Department of Foreign Affairs and Trade
DFID	United Kingdom Department for International Development
DPC	Development Practice Committee (a Committee of ACFID)
DRR	Disaster Risk Reduction
ERG	Evaluation Reference Group
EVAWG	End Violence Against Women and Girls
EWG	Evaluation Working Group
FCDO	Foreign, Commonwealth and Development Office
FGD	Focus Group Discussions
GAC	Canadian International Development Agency
GAP	Gender Action Platform
GBV	Gender Based Violence
GEDSI	Gender Equality, Disability and Social Inclusion
GNDR	Global Network of Civil Society Organization for Disaster Reduction
GPEDC	Global Partnership for Effective Development Cooperation
HAG	Humanitarian Advisory Group
ICSP	Ireland's Civil Society Partnership
ICT	Information and Communication Technology
IMF	International Monetary Fund
INGOs	International Non-Government Organisations
iXc	InnovationXchange
KII	Key Informant Interviews
MEL	Monitoring, Evaluation and Learning
MFAT	New Zealand Ministry of Foreign Affairs and Trade
NGO	Non-Government Organisations
NPQ	DFAT's NGO Program and Partnerships Section
NZNGO	New Zealand NGO

Independent Evaluation of the Australian NGO Cooperation Program (ANCP)

Final Evaluation Report

ODA	Official Development Assistance
ODE	Office of Development Effectiveness
OECD-DAC	Organisation for Economic Co-operation and Development's Development Assistance Committee
OPDs	Organisations of Persons with Disabilities
PAF	Performance Assessment Framework
PICs	Pacific Island Countries
PfR	<i>The Partnerships for Recovery: Australia's COVID-19 Development Response (2020)</i>
PNG	Papua New Guinea
PSEAH	Preventing Sexual Exploitation, Abuse and Harassment
RDE	Recognised Development Expenditure
SDG	Sustainable Development Goals
SGBV	Sexual and Gender Based Violence
SHG	Self Help Group
SIDA	Swedish International Development Cooperation Agency
SIDS	Small Island Developing States
SOGIESC	Sexual Orientation Gender Identity/Expression and Sex Characteristics
UN	United Nations
WHS	World Humanitarian Summit
WfW	Water for Women

Executive summary

“The ANCP is a global program that since 1974 has provided flexible funding to Australian Non-Government organisations (ANGOs) to support development and poverty alleviation projects in developing countries”

- Department of Foreign Affairs and Trade

The ANCP and its independent evaluation

The Australian NGO Cooperation Program (ANCP) is a grant modality and a key partnership funding mechanism through which the Australian Department of Foreign Affairs and Trade (DFAT) works with Australian Non-Government Organisations (ANGOs) to contribute to development and poverty alleviation projects in developing countries. The ANCP enables the Australian Government to support ANGOs local networks to achieve quality development outcomes that contribute to the Sustainable Development Goals (SDGs) and extend the reach of Australia's development program.

The global development landscape is rapidly changing. Accordingly, the resourcing and administration of Australia's development program has evolved in response to emerging domestic and international trends and geostrategic issues. This shifting context creates a need to consider how a flagship modality such as the ANCP can maintain pace with good donor practice and remain relevant.

The Independent Evaluation of the ANCP seeks to ensure that the management, implementation, and funding arrangements remain fit for purpose and responsive to the shifting development context.

The Evaluation has explored emerging trends and contextual shifts, the enablers, and barriers to DFAT and ANGOs responding to these trends, and identifies ways to strengthen the management and implementation arrangements of the ANCP modality into the future.¹ The Evaluation was designed to facilitate participation from multiple actors within and outside of the ANCP, with multiple opportunities to provide input and feedback.

What has the ANCP achieved and to what extent is the modality fit for purpose?

The ANCP is a global program that since 1974 has provided flexible funding to ANGOs to support development and poverty alleviation projects in developing countries.

The ANCP has provided a total of \$910.9 million in grants to ANGOs working in an annual average of 54 countries between 2015-22. Cambodia, Timor-Leste, Papua New Guinea (PNG), Bangladesh, Indonesia, and Laos, received the highest levels of funding reflecting an alignment between the ANCP and the

strategic priorities of Australia's development program.

In this period the ANGOs and their local partners reached over 57 million people through 2,831 projects² in multiple sectors including: education, economic development, disaster risk reduction, climate change, rural development and agriculture, governance, human rights, health, child protection, disability inclusion, water, sanitation and hygiene, and gender equality.

After 50 years and in a time of shifting global trends, the ANCP remains highly valued by ANGOs, DFAT and local development actors. Fundamentally, the ANCP is based on the assumption that ANGOs are trusted development partners that can deliver sustainable and inclusive development in line with Australian values and international good practices.

The Evaluation found evidence of achievement against each of the three pathways of the ANCP program logic. However, there is potential to further leverage this value and strengthen recognition for the ANCP's contribution to Australia's development program.

The presentation of key Evaluation findings below represents a meta-analysis of the four key evaluation questions (KEQ) against the Organisation for Economic Co-operation and Development Assistance Committee (OECD) criteria.

KEQ 1 Relevance, Coherence, Effectiveness, Efficiency and Sustainability: How effective is the ANCP modality in assisting ANGOs to reduce poverty and promote sustainable and inclusive development?

Investing in partnerships with NGOs for the delivery of development programs is critical to achieving the 2030 Sustainable Development Agenda.

The ANCP modality provides a system that allows ANGOs to 'complement and extend Australia's bilateral and regional programs and priorities' in addition to incentivising and leveraging public and other financial support for the development program.

The ANCP extends the geographic reach of Australia's development program, is responsive to partner country priorities and provides important touch points for broader diplomatic engagement.

ANGOs engaged in international development provide capability to further the achievement of Australia's development program through their public support in Australia; ability to draw public and other donor resources to support Australia's development priorities; grassroots connection with

¹ Key evaluation questions: 1) How effective is the ANCP modality in assisting ANGOs to reduce poverty and promote sustainable and inclusive development? 2) What are the key trends and emerging issues in the NGO sector and international development context that may impact on the ANCP and how should DFAT and ANCP partners address these? 3) Is ANCP supported by robust and appropriate monitoring, evaluation and learning processes?

⁴ Is the ANCP modality, including management, implementation, and funding arrangements 'fit for purpose' and how can it be improved?

² Noting that many projects were multiyear projects. 415 projects were implemented for one year only.

communities; ability to operate in restricted and complex environments to reach the poorest and most marginalised people; and ability to draw on extensive global networks and capabilities.

The ANCP creates value for:

- ANGOs by positioning them as key actors and resource contributors³ within the international development community and within their global networks and organisational affiliations.
- the Australian development program by leveraging the grassroots connections and people to people linkages provided through the long-term relationships of ANGOs.

The ANCP enables DFAT to support ANGOs to implement activities where they represent the most effective, and in some cases, only effective, delivery mechanism. It is underpinned by a robust accreditation process and flexible funding and partnering arrangements that deepen Australia's reach and connections with communities, civil society, and other local development partners.

ANGOs' partners have demonstrated that they can deliver development assistance to the most vulnerable populations, despite constraints created by geopolitical tensions, humanitarian, and protracted crises. This is particularly important where there is no or limited Australian bilateral investment; where ANCP funding is significant compared to bilateral investment as a proportion of total official development assistance and where there is limited access for DFAT Posts to visit field locations. The degree of alignment or complementarity, however, between ANCP-funded projects and country strategies depends on the engagement and ambitions of Posts and ANGOs.

ANCP funding can be used by partners to increase the sustainability of their programs but limits flexibility and inhibits investment in long term programs and partnerships. The limited structured processes for DFAT - NGO dialogue on policy, strategic direction, and coordination in areas of mutual concern is a lost opportunity for sharing learnings, enhanced collaboration, advocacy, evidence-informed policy dialogue, and enhancing the profile of Australia's development program⁴. The 2015 Independent Evaluation of the ANCP also highlighted opportunities for greater sharing of knowledge and learning across the partnership.

Accreditation supports coherence with DFAT policy and aid programming standards. The extent to which

ANCP contributes to public diplomacy and positioning gender equality and disability inclusion should be celebrated.

The ANCP makes a significant potential contribution to public diplomacy by extending Australia's touchpoints in over 54 countries annually and providing a vital interface between the Australian public and the development program, including mobilising public contributions to the development program.

The ANCP's commitment to Gender Equality, Disability and Social Inclusion (GEDSI) through its accreditation process and the monitoring, evaluation and learning (MEL) Framework is ensuring that GEDSI is embedded in partner systems and projects.

The longevity of the ANCP has contributed to long-term relationships between DFAT and partners, which are largely centred around the provision of funding. ANGOs expressed a strong desire for greater strategic engagement to drive good practice and greater policy-driven development programming.

The global nature of the ANCP can sometimes distance it from local development dialogue, which could be addressed by creating greater opportunities for DFAT Posts' involvement. Roundtables, focus group discussions with, and written submissions from both ANGOs and DFAT surfaced evidence that the space for policy dialogue between DFAT and NGOs has contracted progressively since integration⁵.

Relevance and coherence could also be enhanced through better coordination between the ANCP, divisions within DFAT and other large NGO-funded programs which involve the same partners, and better connecting ANGOs with the bilateral development program.

KEQ 2: Relevance: What are the key trends and emerging issues in the NGO sector and international development context that may impact on the ANCP and how should DFAT and ANCP partners address these?

Analysis of emerging contextual factors highlighted the need for DFAT and its ANCP partners to grapple with how best to keep pace with emerging thinking regarding the humanitarian-development-peace nexus; and support for locally led development and the role of civil society in development. Attention needs to be paid to how ANCP can better support key issues at the humanitarian-development nexus including through greater risk informed design and program cycle management, for example, with the

³ ANGOs contribute resources by mobilising public fundings and leveraging other donor funding to deliver on Australian development programming priorities.

⁴ The Evaluation notes that the ACFID partnership provides several opportunities for NGOs to engage with DFAT Secretary/Deputy Secretary and Senior Executive. The ACFID MoU states that there will be one meeting between the DFAT Secretary and ACFID Board, one meeting between the DFAT Deputy Secretary and the ACFID Board, and up to three triannual (between Assistant Secretary and ACFID CEO) meetings per year. There is also a commitment that the Secretary will hold an annual

meeting with ANCP NGOs, and DFAT and ACFID also have a schedule of regular meetings at the operational level of the partnership. The Evaluation notes that the Foreign Minister and Minister for International Development recently held a forum with the NGO sector (23 August 2022) and SES had an ANGO roundtable with Melbourne based ANGOs on 25 August 2022 which are encouraging signs that the space for policy dialogue may widen.

⁵ The former Australia Aid Agency (AusAID) was integrated into DFAT in 2014.

inclusion of a crisis modifier to trigger top up payments or additional grant funding to pivot activities in response to emerging needs and to bolster communities' resilience.

To remain relevant and continue to lead donor practice regarding locally led development, it is necessary for DFAT and ANGOs not only to consider how the ANCP funding policy might address the structural inequities amongst ANGOs, but also how it can support ANGOs to shift to good practice funding models designed to support an independent and sustainable civil society. This recommendation is not proposing the establishment of new funding modalities within ANCP, but rather enabling greater flexibility for ANGOs to utilise good practice civil society funding models with their local partners.

Global trends in development highlight the critical role that civil society plays in supporting the foundational tenets of democratic society including protection of rights. Global evidence suggests that the shrinking space for civil society actors across contexts is undermining development gains. The decolonisation of aid and locally led development agenda is increasingly putting a spotlight on funding practices and require donors and ANGOs alike to rethink and demonstrate accountability regarding how they operationalise development assistance. This external driver needs to be addressed through policy and programming levers internally within DFAT to ensure the ongoing relevance of ANCP.

While multiple direct and non-direct funding windows exist for NGOs within the Australian development program, there is evidence that these have changed over the last 10 years as DFAT uses additional aid delivery mechanisms including direct budget support to sovereign countries and facilities.

Evidence suggests that Australia channels around 10 percent of development directly through NGOs and may be emerging as an outlier in its under-utilisation of NGOs in directly contracted aid delivery⁶.

With the completion of *The Partnerships for Recovery: Australia's COVID-19 Development Response* (PfR), DFAT does not have a current policy statement that articulates how it strategically supports the role of civil society in development, particularly in the context of locally led development. Addressing this policy gap in DFAT is imperative to create an enabling environment for ANCP and establishing a mutually beneficial strategic relationship between DFAT, ANGOs and other civil society actors. It is also central to DFAT positioning itself as a leader within the global donor community including in its support for locally led development,

democratic governance, and rights, and in line with its OECD commitments⁷.

The Evaluation team recognises that this sits beyond the ANCP. As DFAT is considering its new development policy framework post the completion of PfR, we recognise that this would likely be the most appropriate vehicle for this.

KEQ 3: Effectiveness and Efficiency – Is ANCP supported by robust and appropriate monitoring, evaluation and learning processes?

As a funding modality that prioritises reach and diversity, the ANCP should not be expected to have a strong aggregate development impact. The ANCP MEL system captures evidence of the breadth and scale of ANCP-funded projects. The focus on output data, allows ANCP to demonstrate its footprint, reach and thematic scope but does not provide the right data to demonstrate development outcomes nor to assess the quality of programming.

Current reporting and MEL requirements inhibit adaptive management and have limited contribution to learning and policy and program development within DFAT.

Current ANCP MEL arrangements are insufficiently aligned to the ANCP program logic and place a disproportionate focus on project (and output) level reporting and compliance. A range of actions will better create opportunities through the MEL system to clearly demonstrate the contribution of ANGOs to the development program and more accurately focus ANCP MEL around the three pathways of the ANCP program logic: 1) engagement of ANGOs in the development program; 2) their contribution to public diplomacy, relationships, mobilising public support, extending the footprint of the development program; and 3) potential as agents for change to support locally led development and civil society development.

These include:

- Investing in a dashboard that provides an accessible snapshot of ANCP activity and data
- Shifting the focus of MEL from project level monitoring and reporting to a focus on demonstrating impact through evaluative methods will bring more robust evidence of development outcomes and a higher degree of scrutiny and contestability
- Focussing on a shared agenda for strategic learning between DFAT and ANGOs that address issues of mutual concern and brings evidence to policy dialogue.

⁶ Donor Tracker. Accessed online 7 July 2022 at <https://donortracker.org/country/australia>

⁷ OECD. "DAC Recommendation on Enabling Civil Society in Development Co-operation and Humanitarian Assistance". Accessed online 27 January 2022 at <https://legalinstruments.oecd.org/Instrument%20s/instruments/>

OECD-LEGAL-5021#:~:text=The%20DAC%20Recommendation%20addresses%20together,incentivising%20CSO%20effectiveness%2C%20transparency%20and

These changes will require specialist MEL capability that are beyond the current capacity of DFAT's NGO Programs and Partnerships (NPQ) Section. Quality dividends are most likely to be achieved through outsourcing the technical leadership of the ANCP MEL system.

KEQ 4 Efficiency, Relevance, Coherence, and Effectiveness - Is the ANCP modality, including management, implementation, and funding arrangements 'fit for purpose' and how can it be improved?

Partnership, Strategic Learning and Policy Dialogue

DFAT does not leverage the benefits of strong relationships created through internal management of the ANCP. While positive, relationships between DFAT and its ANGO partners created through ANCP are insufficiently characterised by key features of partnership. There are limited structured processes for DFAT - ANGO dialogue on policy, strategic direction, and coordination in areas of mutual concern. While the lack of strategic engagement does not appear to impact on the effectiveness of projects funded by ANCP, it has impacted the opportunities for engagement by ANGOs with DFAT policy makers and limits the visibility of ANGOs across the development program. This lack of a deeper partnering approach with ANGOs contributes to missed opportunities to enhance the ANCP through synergies and the value add that ANGOs bring to the development program. It also limits the ability of DFAT to draw upon the technical capabilities, relationships, and resources that ANGOs bring through their in-house capabilities and global affiliations.

Improved efficiency and effectiveness may be achieved through moving toward a partnering approach underpinned by workflow improvements and rationalisation of business processes to ensure that they are fit for purpose (aligning policy and other external drivers and levers within the modality features), building upon the strong base that accreditation provides and ensuring that the modality efficiently supports ANCP partners to leverage their assets and deliver development outcomes and use these to support wider aspects of the development program.

The capacity gap created by the loss of specialist development expertise within DFAT requires DFAT to consider how it can resource technical expertise to ensure that the quality of development investments is maintained. In the context of NPQ, this opens the opportunity for DFAT and ANGO partners to think creatively about alternate ways of mobilising and resourcing technical support.

Accreditation

Accreditation is a key feature of the ANCP modality that supports a strong Australian development sector and provides DFAT with confidence in the capabilities of its NGO partners. The value proposition for NGOs in achieving and maintaining accreditation has become increasingly contestable and there are inequities between full and base funded partners, ANGOs and local partners.

Current ANCP business processes position ANGOs as intermediaries and place the burden of compliance upon them. This limits the space for local civil society to directly engage in the development program (as has been created within some bilateral programs) and creates an unequal power dynamic between ANGOs and local civil society. This undermines the locally led development/decolonisation agenda.

While there is no argument that safeguards around child protection, fraud, Preventing Sexual Exploitation, Abuse and Harassment (PSEAH) are essential features of quality aid investments, ANCP's focus on compliance and the burden of proof creates significant transactional costs. This impacts the relationships between ANGOs and local partners by creating a contract or project-based arrangement that rewards compliance and diverts resources from capacity development and partnering processes to support locally led development. As risk policy is centrally governed by DFAT across the development program, moving to risk informed programming⁸ has implications beyond ANCP. As such it is imperative that NPQ drive analyses that will explore how such approaches may be tested within ANCP and how these may apply more broadly across DFAT NGO partnerships.

Any review of accreditation needs to move beyond simply looking at accreditation criteria and consider the structure of the accreditation system and Funding Policy in light of the findings of the Evaluation.

Flexible and adaptive multi-year funding and grant making

Flexibility is a highly valued feature of the ANCP and key to delivering on its objectives. Flexible funding enables innovation and strategic resource allocation and is a distinguishing feature of the ANCP, critically linked to the benefits it provides.

The flexibility and adaptiveness of the ANCP modality were successfully tested during the COVID-19 pandemic, where longstanding relationships between ANGOs and local partners enabled the program to rapidly pivot to align with and deliver the PfR strategy.

Annual funding and ANCP project cycle arrangements however place a significant burden on DFAT and

⁸ Risk informed programming is distinct from risk management. Risk-informed programming aims to strengthen resilience to shocks and stresses by identifying and addressing the root causes and drivers of risk, including vulnerabilities, lack of capacity, and exposure to various shocks and stresses -

UNICEF <https://reliefweb.int/report/world/unicef-guidance-risk-informed-programming-how-integrate-analysis-risk-child-rights#:~:text=Risk%2Dinformed%20programming%20aims%20to,to%20various%20shocks%20and%20stresses.>

ANCP partners which detract from more strategic engagement. A longer program cycle combined with process reform would create efficiency dividends and strengthen effectiveness by enabling funding surety and investment in longer term programmatic approaches.

DFAT business processes do not always leverage the value created by accreditation standards to support effectiveness and the compliance burden placed on partners stifles innovation and support for locally led development. There is significant room for ANCP to leverage the assessed capabilities of ANGOs (through accreditation) by streamlining design and reporting, and better link these at the country level.

While Recognised Development Expenditure (RDE) is broadly recognised as a transparent mechanism to calculate funding to ANGOs based on their performance in mobilising public funding, it presents several challenges. RDE is not a measure of an organisation's development effectiveness and preferences organisations with strong fundraising resources and capability leading to a disproportionate allocation of ANCP funding across the portfolio. The ANCP Funding Policy needs to be positioned within the proposed changes to the modality and make structural reforms that address inequities and enable it to bring the vision of ANCP into practice.

Several inequities in the accreditation and funding model impact effectiveness:

- Accreditation requirements for base ANGOs are disproportionate to funding and management arrangements and management arrangements for fully accredited ANGOs are disproportionate to their level of risk.
- The Recognised Development Expenditure (RDE)⁹ used to determine ANCP funding for fully accredited partners results in an imbalance in resource allocation that exacerbates funding pressures, as costs of delivering aid increase and the cohort of partners within the ANCP increases. The funding model does not incentivise good practice funding to local civil society organisations.

Changes in DFAT in the last decade have resulted in a loss of technical capability for development programming and staffing resources for aid management. This is one factor why DFAT's NPQ Section and some of the adjacent thematic Sections are now less able to provide relevant technical support and guidance to NGOs. Alongside some of the inefficient ANCP business processes, this means management of the ANCP runs the risk of being more transactional than transformative and therefore may not always deliver value for money.

Where should the ANCP go from here?

The Evaluation did not consider that outsourcing the administration of ANCP would deliver the dividends that DFAT and ANGOs are seeking, and would likely result in a loss of the core aspects of the relationship that are most important to DFAT and ANGOs. Specifically, the flexibility and adaptiveness of the modality, and a direct relationship that enables DFAT to draw on domestic and international knowledge and partnerships of ANGOs to establish people-to-people relationships, fill gaps in Australia's development assistance and mobilise public support to Australia's development program.

The Evaluation finds that improved effectiveness and efficiency can be achieved through moving to a more strategic partnering approach that includes a deeper articulation of the shared benefits of the DFAT – ANGO relationship coupled with a rationalisation of business processes to ensure that these:

- are fit for purpose
- build upon the strong base that accreditation provides in ensuring that key development capabilities continue to be available to DFAT and ANGOs in the delivery of the ANCP
- create opportunities for generating learning and knowledge that contributes to development policy and programming
- enable it to maintain pace and alignment with global trends in development.

The Evaluation recommendations are premised on the understanding that through the accreditation process, coupled with a stronger partnering approach, an appropriate funding policy and robust MEL system that demonstrates whole of modality level impact, DFAT's and its ANGO partners will be better positioned to leverage their institutional capabilities and resources to demonstrate contribution to development outcomes.

RECOMMENDATION 1

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

⁹ Department of Foreign Affairs and Trade, 2022. "Australian NGO Cooperation Program (ANCP) Recognised Development Expenditure (RDE) Explanatory Notes". Accessed online 7 July 2022 at [Australian NGO cooperation program \(ANCP\) -](#)

[Recognised development expenditure \(RDE\) explanatory notes \(dfat.gov.au\).](#)

- 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

R1.2 Accreditation

Strategically review and redesign the accreditation scheme and Funding Policy to address structural inequalities and enable different partnering types with proportionate business and partnering processes including:

- a. 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
- 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

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
- b. 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
- c. Explore and test 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. Explore how risk informed programming practices can be integrated into the modality and partnering approach

R1.4 Monitoring, Evaluation and Learning

- a. Reorienting the 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
- b. 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.

RECOMMENDATION 2

In order to create an enabling environment for the ANCP, DFAT de 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 what locally led development and civil society partnership means for risk informed programming and risk management.

Considerations for Taking the Recommendations Forward

The Evaluation team recommends that implementation and change management plans are developed by the NPQ team in consultation with its ANCP partners to take forward the recommendations as part of a divisional workplan for 2022-23. This will support effective adaptations to the modality and accountability for changes going forward.

It is recommended that NPQ adopt a partnership approach which involves collectively developing a set of principles and ways of working that strengthen the strategic relationship between DFAT and its ANCP partners, create equity and shared value, and inform how they together go about their business within the framework of the ANCP¹⁰.

The proposed rationalisation of business processes would not reduce money out of the modality, but rather redirect existing resources to leverage its strengths and increase the focus on effectiveness and efficiency and deeper partnership engagement.

¹⁰ Discussions during the Evaluation highlighted an intent to explore and potentially refresh certain components of ANCP business processes and resources so they can be more effectively

applied to support the strategic aspects of the relationship and mobilise the different assets of the diverse range of partners to achieve shared value.

1 The evaluand and evaluation arrangements

“The shifting development context creates a need to consider how a flagship modality such as ANCP can maintain pace with good donor practice and remain relevant in the current development context.”

- Evaluation team

1.1 Purpose and use of the evaluation

The 2022 Evaluation of the ANCP is largely formative¹¹, undertaken to assess the extent to which the ANCP as a modality¹² is fit for the emerging development context. This Evaluation built on the Office for Development Effectiveness' 2015 Evaluation.

The previous evaluation confirmed that the ANCP is a successful and highly valued program. It identified positive features which might usefully inform the Australian Government's approach to other development programs and partnerships. However, it also highlighted areas for improvement, such as the need to address the complexity and limited transparency associated with funding allocations and to bolster the sharing of knowledge and learning across the partnership. Many of the recommendations from the 2015 Evaluation have been implemented as the modality has continued to evolve.

To this end, the 2022 Evaluation explored emerging trends and contextual shifts in the development sector and the key enablers, and barriers to DFAT and ANGOs responding to these trends. It then identifies ways in which the management and implementation arrangements of the ANCP can be strengthened into the future.

The proposed objectives of the Evaluation were threefold, to:

1. Assess the efficiency and relevance of the ANCP modality, including the capacity of the ANCP to adapt and respond to emerging trends and issues in the international development and NGO sectors.
2. Assess the effectiveness of the ANCP modality in facilitating ANGOs and DFAT to achieve or contribute to development outcomes.
3. Make recommendations for improvements to the management and implementation of the ANCP in the context of the changing development and NGO sector policy and operating environment.

The Evaluation was designed to facilitate participation from multiple actors (refer to Annex A for a list of stakeholders consulted), with multiple opportunities to provide insights and feedback.

The primary stakeholders and intended users of the Evaluation include: DFAT staff in NPQ and other areas with development management

responsibilities, ANCP ANGOs and the Australian Council for International Development (ACFID). The Evaluation team also recognises and has been responsive to the interests of several other stakeholders including: the Australian public; the local partners and participants of ANCP in developing countries, and other development organisations internationally. The Evaluation was also tasked with developing lessons learned for the wider Australian development program.

The Evaluation team was comprised of Tetra Tech International Development (Tetra Tech) staff.

1.2 Evaluation scope

As a formative Evaluation, it was designed to identify improvements to the management and implementation arrangements of the ANCP modality in the context of the changing development, NGO and DFAT context.

Assessing the full impact of the ANCP on individuals and communities in developing countries across the globe is beyond the scope of this Evaluation. Rather, a secondary focus on impact assessed the effectiveness of the ANCP modality to assist ANGOs to help partners address development challenges, reduce poverty, build resilience and support sustainable development.

The Evaluation also considered the role of accreditation as a key process within the modality, noting that a detailed review and refresh of the effectiveness and efficiency of the accreditation process is being commissioned separately to this Evaluation. The findings of this Evaluation may inform this additional research and redesign.

1.2.1 Key evaluation questions

To ensure a common understanding of the Evaluation, its objectives, and expected outcomes and to obtain further buy-in from DFAT stakeholders, the Evaluation team conducted inception meetings with DFAT in November 2021, as well as introductory discussions with the Evaluation Reference Group (ERG) and facilitated three preliminary focus groups with ANCP ANGOs. The Evaluation team sought their feedback on the evaluation purpose and objectives, and evaluation questions and explored their interests and stakes in the evaluation process and outcome. It also provided an opportunity to consult on appropriate data collection methods and various other contextual and operational advice.

All stakeholders agreed that the objectives were relevant and appropriate to meet the objectives of the Evaluation and discussions provided key insights

¹¹ The Terms of Reference highlights that the Evaluation is 80 percent formative and 20 percent summative.

¹² An aid modality (or aid instrument) describes a way of delivering ODA. Different modalities are defined according to how funds are managed and disbursed. ANCP is a grants modality i.e.

It disburses grants to ANGOs to deliver a disparate range of development outcomes. The ANCP is, therefore, not a development program and should and has not been evaluated as such.

and feedback that informed the finalisation of the Evaluation Plan which has guided this Evaluation. It also enabled the team to refine and agree on the key evaluation questions (KEQ) as follows:

- 1. How effective is the ANCP modality in assisting ANGOs to reduce poverty and promote sustainable and inclusive development?**
 - 1.1. What are the major outcomes of delivering development through the ANCP?
 - 1.2. How has ANCP contributed to outcomes under PFR?
 - 1.3. What are the features of the modality that contribute to or inhibit the delivery of outcomes? What is the relative importance of those features?
- 2. What are the key trends and emerging issues in the international development and NGO sector context which may impact the ANCP modality and DFAT-ANGO relationships, and how might they be addressed?**
 - 2.1. What are the anticipated key trends in the NGO sector and in international development and their impacts that will be most relevant to delivering aid through the ANCP modality over the next 10 years?
 - 2.2. What opportunities and risks does this changing context present for ANCP?
- 3. Is ANCP supported by robust and appropriate monitoring, evaluation and learning (MEL) processes?**
 - 3.1. Does the current program logic adequately reflect the theory of change for the ANCP in the changing context, and how does the modality support this?
 - 3.2. To what extent do ANCP MEL processes and systems generate robust evidence about the results and drive learning, policy and program improvement?
- 4. To what extent is the ANCP modality, including management, implementation and funding arrangements, appropriate to the changing context and how can ANCP be adapted to be more relevant in the future?**
 - 4.1. How efficient are current ANCP management, implementation and funding arrangements in delivering against the ANCP's objectives in the changing context?
 - 4.2. What are the features of good practice in NGO funding that are relevant to the current context?
 - 4.3. What comparative models of NGO funding and program management have DFAT employed and what lessons can be learned from these?
 - 4.4. What comparative models of NGO funding and program management have other like-minded donors employed and what lessons can be learned from these?
 - 4.5. What are the management implications of the ANCP for DFAT and the NGO sector, and what are the lessons for the broader Australian development program?

To present the findings of the Evaluation in a structured way, the Evaluation team mapped the evaluation questions against the OECD-DAC evaluation criteria and structured the response under each KEQ in the report against them. These are presented in Table 1.

Table 1: Relationship between evaluation criteria and key evaluation questions

1. How effective is the ANCP modality in assisting ANGOs to reduce poverty and promote sustainable and inclusive development?

Question	Focus of findings
1.1 What are the major outcomes of delivering development through the ANCP?	<p>Relevance: The extent to which ANCP’s objectives are aligned with the broader Australian development program.</p> <p>Impact: The extent to which ANCP funding contributes to SDGs and the aggregate development impacts.</p>
1.2 How has ANCP contributed to outcomes under PfR?	<p>Coherence: The coherence between ANCP and other parts of the development program in contributing to shared objectives.</p>
1.3 What are the features of the modality that contribute to or inhibit the delivery of outcomes? What is the relative importance of those features?	<p>Effectiveness: The extent to which the features of the modality contribute to the development and public diplomacy outcomes.</p> <p>Efficiency: The extent to which there is a strong understanding within the program of cost drivers and how features of the modality contribute to the outcomes achieved.</p> <p>Sustainability: The extent to which features of the modality influence broader practice within NGOs, the sector and or DFAT. This is a key sustainability and impact strategy for the ANCP.</p>

2. What are the key trends and emerging issues in the international development and NGO sector context which may impact the ANCP modality and DFAT-ANGO relationships and how might they be addressed?

Question	Focus of findings
2.1 What are the anticipated key trends in the NGO sector and in international development and their impacts that will be most relevant to delivering aid through the ANCP modality over the next 10 years?	<p>Relevance: The extent to which ANCP’s objectives are aligned with the changing development context.</p>
2.2 What opportunities and risks does this changing context present for ANCP?	

3. Is ANCP supported by robust and appropriate MEL processes?

Question	Focus of findings
3.1 Does the current program logic adequately reflect the theory of change for the ANCP in the changing context, and how does the modality support this?	<p>Effectiveness: The extent to which the features of the modality contribute to the development and public diplomacy outcomes.</p> <p>Efficiency: The extent to which there is a strong understanding within the program of cost drivers and how features of the modality contribute to the outcomes achieved.</p>
3.2 To what extent do ANCP MEL processes and systems generate robust evidence about the results and drive learning, policy and program improvement?	

4. To what extent is the ANCP modality, including management, implementation and funding arrangements, appropriate to the changing context and how can ANCP be adapted to be more relevant in the future?

Question	Focus of findings
4.1 How efficient are current ANCP management, implementation and funding arrangements in delivering against the ANCP’s objectives in the changing context?	<p>Efficiency: The extent to which there is a strong understanding within the program of cost drivers and how features of the modality contribute to the outcomes achieved.</p>
4.2 What are the features of good practice in NGO funding that are relevant to the current context?	<p>Relevance: The extent to which ANCP’s objectives are aligned with international good practice in NGO funding.</p>

Question	Focus of findings
4.3 What comparative models of NGO funding and program management have DFAT employed and what lessons can be learned from these?	Coherence: The coherence between ANCP and other parts of the development program in contributing to shared objectives. Effectiveness: The relationship between policy drivers, delivery modalities and outcomes.
4.4 What comparative models of NGO funding and program management have other like-minded donors employed and what lessons can be learned from these?	Effectiveness: The relationship between policy drivers, delivery modalities and outcomes.
4.5 What are the management implications of the ANCP for DFAT and the NGO sector, and what are the lessons for the broader Australian development program?	

1.3 How to read this report

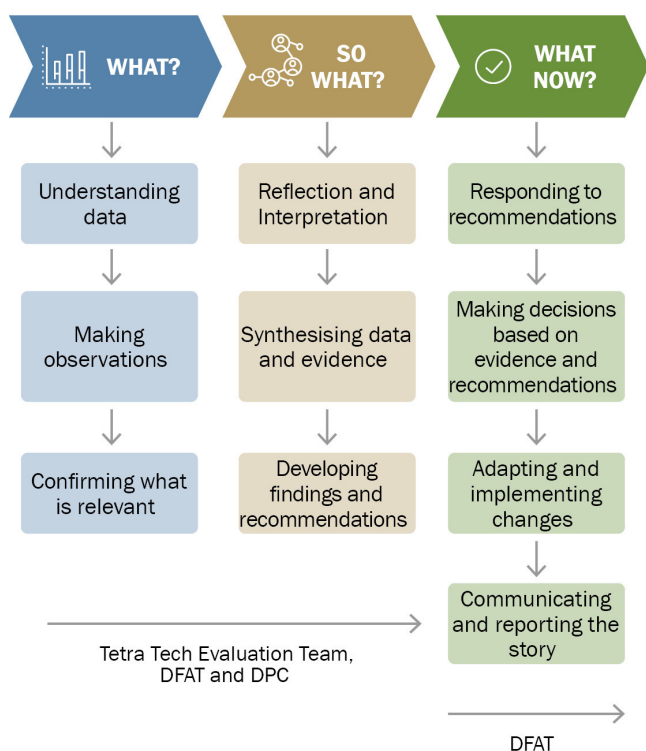
The Evaluation has used a progressive inquiry technique where the findings from each question build sequentially on the previous question in order to provide a comprehensive picture of: 1) achievements of ANCP to date; 2) externalities and internal policy drivers that are influencing operating conditions and internal design features of the ANCP modality such as the MEL system; and 3) exploration of good practice in NGO funding and a comparative analysis of other likeminded donor’s NGO programs and how they are responding to these different internal and external drivers in the design of their programs.

The report then brings these findings together into an analysis and synthesises where the opportunities for change and improvement are – both broadly in terms of lessons across the broader development program and within the ANCP itself (as required by the Evaluation ToRs). This culminates in recommendations for action some of which will require further research, consultation and design processes to inform how the changes will happen.

With respect to the role of the Evaluation, sensemaking and management response, the detailed design of future features and levers within the modality are beyond the scope of this Independent Evaluation and are required to be driven by NPQ/DFAT (see Figure 1).

The Evaluation team anticipates that given that ANCP is a partnership between DFAT and its ANGO partners, that NPQ and the Development Practice Committee (DPC) would engage in determining the management response and collaboratively exploring further analysis and the identification of design options in the same way that it has approached this Evaluation.

Figure 1: Sensemaking Chain



1.4 Structure of the report

Executive Summary provides the strategic and salient overview of findings and recommendations in relation to the ANCP modality.

Section 1 (this section) provides an introduction and overview of the Evaluation and its context, key methods and limitations. It also introduces several conceptual frameworks the team used to underpin the assessment and to help build an understanding that the ANCP itself is not directly responsible for delivering development outcomes, but rather is a modality designed to enable partners to deliver development outcomes as effectively and efficiently as possible. Using these conceptual frameworks enables the evaluation to identify the key levers that each actor applies along the results chain to deliver the intended results and therefore identify key areas for potential adaptation in the modality going forward.

Sections 2 to 5 assesses the effectiveness, relevance and reach of Australian development cooperation through the ANCP modality and considers the management and implementation arrangements that help or hinder delivery and achievements.

Section 6 discusses the Australian Government development program and contributions—through political leadership, financial support, and policy dialogue—to strengthen development outcomes derived via the ANCP modality. It also considers the role of civil society in the development program and how Australia has supported this work. This section concludes the report with final overarching observations and recommendations for future consideration within the ANCP modality and more broadly within DFAT.

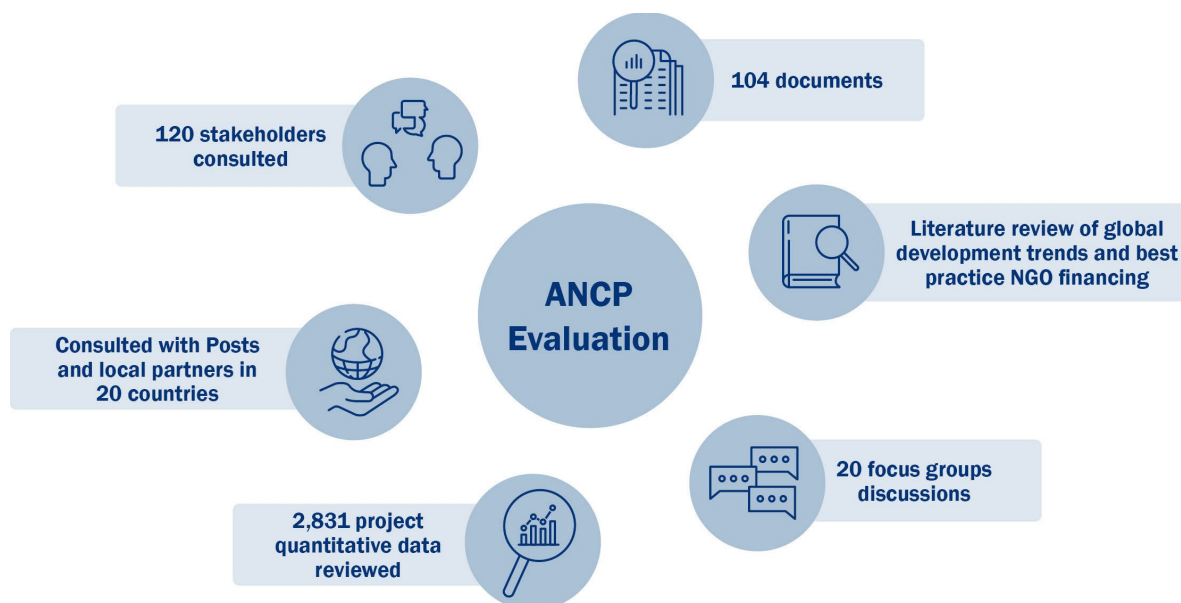
1.5 Evaluation approach and methods

The Evaluation drew on both qualitative and quantitative research techniques, applied in a sequential multi-phase/mixed methods approach that also applied Tetra Tech’s progressive inquiry technique (refer to Figure 2). Stakeholder engagement and emerging findings continually informed the evaluative approach and its ongoing refinement throughout the Evaluation. The findings for each evaluation question sequentially scaffold the evidence base to build on with evidence for the next question.

The Evaluation was conducted in four phases: Inception; Research; Analysis; and Reporting. A brief outline of methods for data collection and analysis is presented here. Annex B outlines the full methods utilised and Annex C outlines the Analytical framework applied.

Of significant importance is the Sphere of Control Framework (refer to Annex B and Figure B.2.) that highlights the role of ANCP as a modality and how this influences the results chain.

Figure 2: Summary of data collection activities carried out in the ANCP evaluation



1.6 Important features of the ANCP as a modality that underpin the evaluative focus

The ANCP is a global partnering mechanism through which DFAT has provided flexible funding to ANGOs to support development and poverty alleviation projects in developing countries since 1974. In 2021-22, ANCP delivered \$132.8 million in grants through 57 ANGO partners (as of November 2021) and over 2,000 local partners in over 50 countries.

The ANCP's goal is to contribute to Australia's national interest by strengthening global prosperity, stability and resilience. It connects the purpose of the ANCP to the broader Australian development program. The overarching objective of the ANCP is to progress toward SDGs through supporting inclusive development, and an open and transparent civil society. By working with accredited ANGOs, the Australian Government aims to achieve quality development outcomes and extend the reach of Australia's development program.

The ANCP Program Logic (refer to Annex D) outlines three inter-related outcome pathways:



Outcome Pathway 1: ANCP Modality – flexible funding to ANGOs to deliver outcomes

Outcome Pathway 2: Development Outcomes – ANGOs work with in-country partners

Outcome Pathway 3: Public Diplomacy – communicating the impact of the ANCP in partner countries and Australia.

These pathways, when combined, explain how the ANCP works with ANGOs through an ongoing flexible funding modality to deliver a diverse portfolio of activities and development outcomes. The pathways also position it to deliver towards its overall program outcome (“in partnership, ANCP seeks to contribute to Australian Government and partner country priorities to reduce poverty and promote sustainable and inclusive development”) and contribute to the overarching goal.

The ANCP supports accredited ANGOs to work with in-country partners, to deliver effective and inclusive development programs with a focus on GEDSI. The ANCP also supports Australia's public diplomacy efforts by communicating the program's impact in partner countries and Australia, and through supporting people-to-people links.

The ANCP mechanism is a complex and complicated system.¹³ It has a visible externally facing architecture, which includes processes for eligibility and accreditation, operations, communications, and monitoring, evaluation, and learning (MEL). Each of these, however, rely on each ANGO having its aligned systems that work across their international program portfolios to access and meet these requirements. The wider each organisation's global footprint, the more complicated this system becomes as it relies on the alignment of multiple systems across a network of associated international organisations.

The longevity and central importance of ANCP to ANGOs have influenced the way in which many of these organisations have structured their program

¹³ Complicated systems have many moving parts but operate in patterned ways. Complex systems, by contrast, are imbued with features that may operate in patterned ways but whose interactions are continually changing. Three properties determine the complexity of an environment. The first, *multiplicity*, refers to the number of potentially interacting elements. The

second, *interdependence*, relates to how connected those elements are. The third, *diversity*, has to do with the degree of their heterogeneity. The greater the multiplicity, interdependence, and diversity, the greater the complexity.

cycle and business systems. The ANCP architecture also has implications for local implementing partners who also need to align their systems, policies and safeguards with DFAT and partner requirements. Annex E seeks to show the interdependence between the ANCP modality and ANGO systems and illustrate how ANCP management arrangements shape a multitude of systems and processes to ensure the effective functioning of the system.

1.7 Management arrangements

The ANCP is centrally managed as a global program by the NGO Program and Partnerships (NPQ) section in DFAT. The ANCP Manual details the comprehensive management arrangements and expectations around program implementation. DFAT sets ANCP policy and operating standards and manages ANCP risks, while ANGOs are responsible for the design, delivery, monitoring and evaluation of activities, submission of reports and acquittals, and fully accounting for funds provided by DFAT.

DFAT Posts, Country Programs and Thematic Areas assist implementation by setting overarching development program policy and providing advice to ANGO projects to support coherence and alignment and ensure the best possible development and public diplomacy outcomes. Key tasks include nominating ANCP focal points; reviewing new, high risk and significantly amended ADPlans undertaking monitoring visits to ANCP-funded projects, and engaging with NGOs.

The NPQ team performs the following activities in implementing and managing the ANCP¹⁴ - underpinning each of these activities are business processes that have been assessed as part of the Evaluation:

- Provide briefings and training for ANCP focal points
- Maintain accreditation standards and processes for eligible ANGOs (refer to Annex F)
- Liaise with NGOs on DFAT feedback to ADPlans
- Maintain dialogue and relationships with ANGOs
- Provide funding, tools and support for monitoring activities
- Provide funding, tools and support for engagement activities
- Provide ADPlan and Performance Report data/information internally
- Prepares and publishes the ANCP Annual Snapshot of aggregated results.

1.8 NGO funding arrangements

ANGOs funded under the ANCP must fulfil the requirements of a rigorous accreditation process each five years. The accreditation process assesses the NGO's systems relating to governance, program management capacity, partner management, links with and support from the Australian public, and financial and risk management capability.

Accredited ANGOs receive funding based on two levels of accreditation: Base or Full. As of June 2022, there were 18 Base accredited ANGOs receiving \$150,000 a year, and 40 Full accredited ANGOs receiving a minimum of \$300,000 a year. Fully accredited NGOs also receive a proportion of the remaining funds after the base funds have been allocated.

A key aspect of the ANCP funding policy is the calculation of Recognised Development Expenditure (RDE). This is the "annual eligible expenditure of a NGO, using contributions from the Australian community and spent on overseas projects". A three-yearly average of RDE is used to determine eligibility for accreditation to the ANCP; and calculate the annual grant amount for each Full level accredited NGO for the ANCP in line with the Funding Policy.

Once accredited, ANGOs are eligible to receive an annual grant for which they develop an Annual Development Plan outlining proposed activities. If unspent, a portion (up to 10 percent) of each annual grant may be rolled over to the next year without approval from DFAT. Any proportion of unspent funds greater than 10 percent requires approval from the Director of NPQ.

Annual appropriations and the impact of NGOs moving across accreditation tiers and new NGOs entering the ANCP means grants to fully accredited NGOs may increase or decrease proportionate to these changes each year. To maintain a level of consistency and predictability in funding, a safety net was introduced in 2016 to limit the annual change to each existing full NGO's grant to a maximum 25 percent and 20 percent decrease. Annex G outlines the funding to each ANGO from 2015-19 based on DFAT Smartygrants data. Based on the funding model, 22.5 percent of total funding over the period was granted to one organisation - noting that the current funding policy sets a cap of 22.5 percent of total funding to any one agency.

¹⁴ Further information on ANCP implementation and management activities is outlined in the Literature Review.

2 Question 1: How effective is the ANCP modality in assisting ANGOs to reduce poverty and promote sustainable and inclusive development?

"ANCP's flexibility enabled an easier pivot in response to COVID-19 and accelerated the localisation agenda. Travel constraints has changed operational management, driven remote management and increased ownership and dependence on local partners to drive the development agenda"

- ANCP ANGO COVID-19 thematic roundtable

This Section summarises the major outcomes of delivering development through the ANCP as defined by its program logic and *Partnerships for Recovery: Australia's COVID-19 Development Response (2020)*, and the extent to which this value is effectively leveraged for Australia's development program.

After almost 50 years and in a time of shifting global trends, the ANCP remains highly valued by ANGOs, DFAT and local development actors. The ANCP is grounded on the assumption that ANGOs are trusted development partners who can deliver sustainable and inclusive development, in line with Australian values and international good practices.

Built on this assumption, the ANCP program logic identifies three outcome pathways, which the Evaluation found reflects the current value DFAT and ANGOs see in the ANCP. There is evidence of achievements against each of the outcome pathways. However, there is potential to leverage this value further and strengthen recognition for ANCP's contribution to Australia's development program.

This section focuses on the development outcomes and public diplomacy outcomes achieved under outcome pathways two and three respectively. A more detailed discussion on the performance of the modality (outcome pathway one) is provided in our response to Question Four (refer to Section 5).

The majority of ANCP projects have also pivoted to respond to one or more of the three pillars under the *Partnerships for Recovery: Australia's COVID-19 Development Response* with all ANCP ANGOs contributing and aligned to the COVID-19 response. However, evidence of these development outcomes by the pillars or sectors is not immediately clear as there is no rating system making aggregation of outcomes difficult. The Investment Monitoring Reports (IMRs), APPRs, ANCP Annual Snapshot reports and Aid Quality Checks (AQCs) have summarised "Effectiveness" across each year using the ANCP set of indicators, a subset of which are DFAT Development Aggregate Results and PFR Tier 2 indicators, but this assessment is not particularly rigorous/scientific, in the absence of a performance assessment framework (PAF) sitting at the modality level.

Data collected through the ANCP MEL framework has an overwhelming emphasis on output data and does not provide for meaningful insights into the quality of programming and development outcomes. This in turn limits the extent to which ANCP can generate and share learning across the portfolio of investments (refer to Section 6 for a deeper analysis of the ANCP MEL system).

The absence of a clear framework and set of criteria for creating a performance narrative means that DFAT is unable to evidence outcomes in the three

ANCP pathways, and in turn to be able to consider and make adaptations to the modality in response to this knowledge. As this question relates to the summative component of the evaluation the extensive output data is not included here and instead outcomes data is included where credible and qualitative case studies of development outcomes can be provided.

2.1 Relevance and coherence

2.1.1 Strategic alignment with Australia's broader development program

The sectoral and geographic reach of the ANCP is set by ANGOs and is generally aligned to the priorities of the broader Australian development program, but evidence of impact is not immediately clear. Countries with the highest levels of funding were within the Indo-Pacific, a region of primary focus for Australia, however funding to the Pacific through ANCP only accounts for 1.7 percent of total ODA. DFAT Posts are engaged in the review of project plans ensuring a high likelihood of alignment. The degree of alignment or complementarity between ANCP funded projects and country strategies depends on the engagement and ambitions of DFAT Posts.

2.2 Effectiveness

2.2.1 Extending the reach of Australia's development program

The ANCP support to a diverse portfolio of ANGOs is important as the delivery of the development program is increasingly delivered through a wider range of modalities including direct budget support to partner governments, facilities, multilateral organisations and super programs/modalities¹⁵. The diversity of partners and projects enables Australia to extend its influence and priorities, complementing Australia's broader development program and supporting an extensive range of activities at the community level.

There is evidence that the ANCP sectoral and geographic reach is wide and generally aligned to the priorities of Australia's broader development program. ANCP has provided a total of \$910.9 million in grants to ANGOs working in over 54 countries between 2015-22 (refer to Annex G). Data held in Smartygrants for the Performance Reporting period 2015/16 to 2020/21 shows that Cambodia, Timor-Leste, PNG, Bangladesh, Indonesia, and Laos received the highest levels of funding reflecting an alignment between ANCP and the key bilateral partnerships within Australia's development program.

¹⁵ Source: Evaluation consultations with ANGOs and DFAT

Smartygrants performance reports outlined that between 2015-20, ANGOs and their local partners reached over 57 million people through 2,831 projects in multiple sectors including: education, economic development, disaster risk reduction, climate change, rural development/agriculture, governance, human rights, health, child protection, disability inclusion, water, sanitation and hygiene, and gender equality.

Projects focused on rural development and agriculture and economic development represented the highest share of total program spend by sector with over AUD55 million and AUD50 million expended in each between 2015-21. Of note, gender equality programming is the next most significant investment in the same period at \$48 million.

2.2.2 Demonstrating effective development practice

The ANCP modality demonstrates flexibility, allowing for innovation, the trialling of new ideas and the ability of ANGOs to leverage their wider programs, assets, relationships, and capabilities. This flexibility is highly valued, particularly by ANGOs and their partners as it creates an opportunity for ANCP ANGOs to test theories of change for project pilots with the potential to scale up to longer-term programs. It is also vitally important for supporting programming in narrow spaces or in sectors and locations that are not prioritised by other donors.

The ANCP's flexibility enabled partners to rapidly pivot at the onset of the COVID-19 pandemic. Evaluation consultations also discovered that the direct management arrangements, responsiveness, and engagement of the NPQ team also contributed to this pivot. Flexible policies provided leeway for ANGOs to use underspends to quickly respond to emerging needs in-country, such as supporting vaccine rollouts and quarantine centres.

The ability for ANGOs to roll over a proportion of funds every year also supports project continuity, adaptation and flexibility and has been utilised by an average of 25 percent of partners from 2015-21.

Accreditation is a key instrument to support development effectiveness. ANCP ANGOs are subject to a robust accreditation process that addresses a wide range of institutional competencies including governance, management arrangements, risk, operational policies, development approaches.

During Evaluation consultations, other donors consistently commented on the robustness of ANCP's accreditation process, and both DFAT and ANGOs highlighted that accreditation offers recognition of ANGOs as strong and effective development partners.

Locally led development is a key principle and priority for the international development and humanitarian sectors, which has been further accelerated by the COVID-19 pandemic as it has

shifted much of the responsibility of project implementation to local and national actors.

Consultations with ANCP stakeholders and written submissions from ANGOs highlight that ANCP funding ensured that ANGOs were able to continue to support local partners through the pandemic, ensuring a continuation of development efforts and an adaptive response to the changed context.

ANCP ANGOs work with over 2,000 local implementing partners. There is evidence that capacity development support for local civil society through ANCP has contributed to modest improvements in program and institutional management. According to SmartyGrants data from 2015-16 to 2020-21, of those 2,000 local implementing partners, only 169 ANCP local implementing partners reported benefits from capacity development support through ANCP partnerships.

Consultations with DFAT, ANGOs and local NGO partners highlighted that the flexibility of the ANCP modality supports locally led development. ANCP ANGOs have worked closely with local NGOs, local government partners and through formal and informal networks to reach grassroots communities. They have been able to use these relationships to draw on local development insights and have mobilised good practice systems and processes to support localised responses.

However, these relationships could be further strengthened by ensuring the incorporation of key partnership features, such as mutual accountability, shared risks, and mutual benefit.

There is emerging concern amongst some ANCP ANGOs that current restrictions on the use of ANCP funds for humanitarian work could limit the flexibility of the modality and undermine emerging global efforts to improve coordination and programming along with the humanitarian-development-peace nexus. Globally, there is a trend to increase the coordination and synergies between the humanitarian and development space to ensure that humanitarian efforts and outcomes are strategically built upon development programs to ensure better resilience against future humanitarian disasters and conflicts. The nature of recent and ongoing crises is driving this shift. Climate change and the COVID-19 pandemic illustrate the cyclical nature of crises and the need for humanitarian and development programs to have an increased focus on resilience and adaptation. There is a counter concern expressed by DFAT and shared with some other ANCP ANGOs withdrawing these restrictions would lead to a diversion of development resources to humanitarian issues and the risk of humanitarian activities being undertaken outside of or parallel to the humanitarian system and its guiding principles and standards.

2.2.3 Promotes inclusive development

The ANCP is making women, girls, and people with disability a focus through ANCP-funded projects, aligning to the focus before and during Australia's COVID-19 development response and the extant Australian development policy. PfR states that its focus is on 'supporting the most vulnerable', including women and girls and people with disability' to ensure that their safety and wellbeing are enhanced through Australia's investments. ANCP reporting shows that from 2015 – 2021, \$530.3 m was spent across 2,014 of 2,822 projects (71 percent) towards projects that considered gender equality and women's empowerment as either 'principal', 'significant', or 'mainstreamed'. In the same period, \$496.1m was spent across 1,845 of 2,818 projects (65 percent) towards projects that considered disability inclusion as either 'principal', 'significant', 'mainstreamed', 'targeted', or 'twin track'. (Note that the number of projects is the total active each year, so a single project occurring over a number of years will be counted more than once.) ANCP makes a valuable contribution to gender equality and women's empowerment outcomes. Gender equality is the third largest investment by ANCP partners, and most projects consider gender equality. In 2015-16, 87.2 percent of ANCP-funded projects reported a primary focus on gender equality. This figure has reduced in subsequent years but is most likely accounted for by changes to ANCP reporting guidelines because of the introduction of new criteria within the OECD-DAC gender equality policy marker in 2016.

Based on ANCP qualitative data reported via SmartyGrants and ANGO evaluation reports, ANCP partners are raising awareness amongst women about financial literacy, sexual and reproductive health and rights, sexual and gender-based violence (SGBV), and leadership through women's groups. ANGO reporting also highlights promising evidence that women are taking up leadership positions in their communities and leading advocacy work at the local to national level.

Through promoting awareness and behaviour change around the safety and security of women and girls at home, in their communities, and in disaster and conflict situations, ANCP is working towards ending violence against women and girls. In Kenya, a community network has become a grassroots "neighbourhood watch" to monitor and report incidences of violence to their chief of local police. This initiative has reportedly led to prevention of violence in their communities.

In the South Pacific, the ANCP has developed a holistic approach to increase community and staff knowledge around acceptable practice and referral

support systems, supporting the improved organisational mechanisms for the protection of children, and through the intentional integration of child protection into existing programming.

Spotlight – empowering women economically

Women in many developing countries continue to cope with fewer employment opportunities, limited voice and agency, cultural restrictions, and financial impediments and exclusion. The COVID-19 crisis has further exacerbated these challenges as women continue to hold greater care, household and other responsibilities. Between 2015-22 the ANCP has worked with women in local communities to reduce these barriers. ANCP funding in Myanmar for example has delivered numerous training sessions on trust building, bookkeeping, and financial literacy which has empowered women by increasing their financial literacy.

The ANCP has also trained more than 83,000 women enabling them to participate in leadership or other decision-making processes at community, nation and sub national level. Consequently, more than 95 women have been supported to stand for formal election at sub-national or national levels.

Over the time period that the Evaluation considered, the ANCP has also provided awareness and training for over 725,000 people on gender equality issues and women's rights. Almost a million people have been exposed to awareness raising campaigns and activities in communities highlighting issues of violence against women including harmful cultural practices. These and other ANCP activities have led to behaviour change at different layers in the community.

There is potential through stronger focus with all ANGOs and local partners to continue to strengthen and deepen the work on GEDSI across the ANCP portfolio.

The ANCP's commitment to GEDSI through its accreditation process and the MELF is ensuring that GEDSI is embedded in partner systems and projects across diverse geographic and thematic areas. Disaggregated data sets show that ANCP projects actively engage with marginalised and people in vulnerable situations. GEDSI has been considered a significant feature of the majority of ANCP funded programs since 2015. The accreditation process ensures that the ANCP partners have the systems and tools in place to implement gender-sensitive programming. Additionally, the MELF provides ANGOs with the tools and guidance to report against 16¹⁶ gender equality indicators.

The proportion of projects that consider gender equality needs are higher than those addressing the needs of people with disabilities and indigenous people groups.

¹⁶ The total ANCP indicators were revised down from about 100 to 44 indicators in 2020, which included fewer gender equality indicators.

The ANCP AQC reports on GEDSI explain the various ways in which GEDSI is embedded into the program modality. The NPQ team is also ensuring that the data collected is of quality, evident in the improved reporting guidance on incorporating the new criteria for gender equality and disability policy marker by OECD-DAC in 2016 and reinforcing it with training and information sessions with the ANCP ANGOS. Such a commitment and the value it has produced was evident in consultations with the various stakeholders – including DFAT staff, ANCP ANGOS, and the DFAT Gender Equality Branch - emerging as a consistent theme in discussion around GEDSI and the value of the accreditation process and the ANCP's strong MEL system, particularly in the learnings it was producing.

The proportion of ANCP-funded projects addressing disability inclusion and indigenous peoples' needs are significantly lower than those incorporating a gender equality lens. The share of these projects seems to also be on a downward trend for disability inclusion projects while there is no mention of indigenous-focused projects in 2018-19 and 2019-20 AQCs, which could also point to a gap in reporting. A link could be made to a finding in the 2020-21 ANCP Performance Snapshot stating that an area of need for capacity building is in implementing and ensuring disability inclusion activities for local implementing partners as well as the challenges that program delivery in the COVID-19 context has brought.

Disability disaggregated data is available through SmartyGrants reports and in other publicly available ANCP guidance. However, it is unclear whether this is systematically collected using best practice methods (such as the Washington Group Questions) in all cases.

Despite these limitations, gains are being made. According to SmartyGrants data and ANGO reports, ANCP funded projects have worked directly across different pillars of the community, including schools, community centres, faith-based institutions and local government to reach people in vulnerable situations. As result, the evidence showed women have become more aware of their rights particularly around education, marriage and inheritance. ANCP education, awareness raising, and campaigns have improved community members' access to information and services. For example, in Timor-Leste an increasing number of parents reported changing behaviour during reflection sessions. Increased inclusion of people with disability into mainstream schools and special education units is leading to improved educational and health outcomes in Ethiopia.

The ANCP is changing community perceptions regarding people with disabilities and their potential roles in local development initiatives. This is being achieved through awareness raising campaigns to change discriminatory attitudes and supporting increased accessibility to and within schools.

2.2.4 Climate change

Between 2015-19, 3,437,455 people cumulatively have benefited from ANCP-funded climate change and disaster risk reduction activities, with most of these (1.6 million people) reached in the 2018-19 financial year.

The 2017-18 financial year saw a dramatic increase in the percentage of people with disabilities benefiting from climate change activities – increasing by 9 percent, from 0.9 percent and 1 percent the previous years. It is unclear why there has been such an increase in both beneficiaries and PWDs in both financial years as the proportion of the ANCP budget spent on building resilience (as per DAC classification) has remained roughly the same at around 12 percent.

Similar data on climate change activities in 2019-20 and 2020-21 was not provided to be analysed. However, a count of ANCP-funded projects in the ANCP Annual Performance Overview reports show that the number of projects with climate change and disaster risk reduction (DRR) sector focus is declining.

Spotlight – supporting climate resilience

From 2015-22 the ANCP has supported climate-resilience in several key areas through its programming, including through a focus on food and agricultural systems, climate-adapted agriculture and infrastructure support that took into account climate-related risks and opportunities. In Indonesia, ANCP partners reduced food shortages through cultivation of composite maize by substituting predominant low-yielding local varieties. These much higher-yielding composites raised household food stocks, enhanced nutrition and health, and reduced risks of food scarcities. The distribution of composites by partners and their local counterparts has continued for 6 years, with a doubling of maize yields being achieved for some 1,250 families. As result, ANCP activities have resulted in increased diversity and access to food, increased yields, improved local storage and increased sale of surplus produce. In some cases, there has also been reported a reduction in hunger months from seven to four months and improved household food and nutrition.

2.2.5 Public Diplomacy – communicating the impact of the ANCP in partner countries and Australia

Australia's efforts through the ANCP are being communicated through DFAT's and partners' social media and communication platforms. ANGOS share stories of change and project impacts and DFAT and ANGOS work closely to ensure public messaging, wording, and campaigns are aligned, and that the shared values between Australia and its partners are communicated clearly. Annual ANCP Reflection workshops have been a useful platform to discuss possible new public diplomacy messaging. ANCP is

used very effectively by some Posts to promote the shared value and people-to-people links, however, there is limited evidence of public diplomacy outcomes in Australia due to data not sufficiently being collected against this outcome.

2.3 Efficiency

2.3.1 Flexibility of funding supporting innovation and delivery of outcomes

Evaluation findings demonstrate that the ANCP modality is effective in managing and providing flexible funding mechanisms to support the work of ANGOs. The flexibility of the modality continues to be of immense value to both DFAT and its partners and was especially critical as the ANCP pivoted its priorities to respond to the COVID-19 pandemic. Additionally, the ANCP modality continues to position ANGOs as key actors in the international development space, validating and supporting ANGOs despite the shifting operating context, regarding the fundraising landscape and the increasingly influential locally led development agenda permeating across the international development topography.

The ANCP's flexibility empowers ANGO to trial new and innovative approaches to addressing emerging development challenges as it leverages the matched funding feature of the modality. In the 2015-16 AQC, DFAT introduced a new marker to report on innovation in the ANCP resulting in identifying 332 (56 percent) as demonstrating some form of innovation – new ways of partnering, agile, and flexible approaches to design, results-based aid, trialling/adapting new technologies, and leveraging new partnership/sources of finance. According to the 2016-17 AQC, the financial year saw more than 40 piloting projects with many more building on previous pilots. In the 2017-18 financial year, Plan International Australia (PIA) worked in partnership with Plan International to design and develop a digital, open-source civil registration and vital statistics (CRVS) system based on experience implementing ANCP-funded birth registration projects. The prototype has attracted a great deal of interest from governments. For example, the Government of Bangladesh has signed a Memorandum of Understanding (MoU) with Plan International to trial the system across two districts.

2.3.2 Additionality of the accreditation process

Accreditation presents a shared value for DFAT, ANCP NGOs, and other donors. Because the process assesses the compliance of ANGO policies and systems with good governance and international development principles, it demonstrates the legitimacy and accountability of accredited ANGOs who are able to promote themselves to other donors

for funding, including DFAT. Responses to the 2021 ANCP NGO Survey saw a large proportion of responses state that promoting the ANCP partnership and their achievements for Australia's development program illustrates NGOs credibility with other DFAT programs and international donors.

For example, Six ANCP-accredited NGOs were provided the opportunity to strengthen gender equality programming in the Indo-Pacific through the Gender Action Platform (GAP), a 3-year Australian NGO program by DFAT's Gender Equality Fund (2017 and ended in 2020).¹⁷ Accreditation is also recognised by other DFAT NGO programs including Water for Women and the Australian Humanitarian Partnerships.

2.3.3 Responding rapidly to COVID-19

DFAT, ANGOs and local implementing partners all reported that the flexibility of the ANCP management and implementation arrangements has been vitally important to contributing to Australia's PfR. The global COVID-19 pandemic significantly impacted international development with programs having to pivot quickly to respond to the emergency health needs around the world. ANGOs reported that the flexibility of the ANCP modality enabled ANGOs to rapidly reorientate their priorities to respond to emerging needs and issues. ANGOs and DFAT stakeholders reported that this flexibility was demonstrated in March 2020 when, before the finalisation of the PfR policy, 60 percent of projects had adapted their responses to COVID-19 to focus on hygiene and awareness-raising, water and sanitation, and food security. By 2020-21, all ANCP projects aligned with at least one of the three pillars of the PfR. Consultations with a range of local partners in various countries, noted feedback from rural and remote communities that the only information they received in the early response period came through ANCP partners highlighting the important reach that NGO partners have into local communities.

Spotlight – Supporting COVID-19 Responses

ANCP launched comprehensive outreach and awareness raising in 2020 and worked with ACFID to increase the flexibility of programming to pivot in response to COVID-19. ANGOs undertook 256 projects with 42 partners to equip and strengthen communities and ensure the delivery of effective COVID-19 responses.

¹⁷ Department of Foreign Affairs and Trade. n.d. "Australian NGO Gender Action Platform (The GAP)". Accessed 8 June 2022 at:

<<https://www.dfat.gov.au/aid/who-we-work-with/ngos/australian-ngo-gender-action-platform>>

2.4 Impact

Spotlight – maintaining development gains amidst the COVID-19 pandemic

ANCP data and ANGO evaluation reports suggest that ongoing ANCP delivery assisted in limiting the impacts of the pandemic and in supporting ongoing development outcomes across needs in health, education, community development, governance, and livelihood. For example, ANCP partners trained teachers to adopt Zoom and other technology to continue to teach children and minimise disruption to learning. ANCP partners supported vulnerable families to gain access to capital, knowledge and skills enabling improvements in incomes, livelihood, agriculture and food security. These and other supports have provided direct relief, skills building and social insurance protections to livelihoods.

2.4.1 Supporting health security

Since March 2020, many of the ANCP-funded projects have pivoted to address the emerging health needs in their respective countries. Capacity to respond quickly was a necessity as healthcare systems in many developing and fragile countries began to be overwhelmed by the spread of the COVID-19 virus. Thirty-nine percent of the projects in the 2020-21 financial year were reported to align to the Health Security pillar under the PFR and ensured that they communicated the impact of their work through the various communication channels.

ANCP-funded projects worked with community-based organisation and health agencies to help provide vaccinations through static and mobile services and to train staff and mobilise volunteers to raise awareness and provide basic health and hygiene provision in the communities. The ANCP further provided clinical treatment for patients with tuberculosis and counselling support, including minor surgeries.

The ANCP, however, has limited evidence to highlight contribution to long-standing issues that may inhibit health security, such as ensuring sound health policies and regulatory frameworks; strengthening governance, and state health infrastructures that would enable modernise health facilities and system. For example, as the COVID-19 crisis has made significant change in how health services and practitioners, learn and play their role in providing their services, however it is not clear what role the ANCP has played in facilitating the most vulnerable through the health systems. For example, digital technologies, such as online telehealth services could have played a more safe and secure role in servicing health provision to vulnerable communities, but this service is direly unavailable.

Nonetheless, ANCP is supporting efforts to strengthen community health and expand social protection and health care systems and make them more equitable and inclusive. Towards this end, ANCP has implemented a package of interventions ranging from training, awareness, essential materials and equipment for delivery of essential health care

services. These trainings have contributed to ensuring staff are appropriately equipped with skills and materials to provide quality health care. For example, the School Eye Screening Project in Afghanistan (2012-18) is helping to strengthen the delivery of quality, accessible eye care services in Nangarhar Province of Afghanistan for the prevention of childhood blindness and visual impairment. The project has also supported the Government of Afghanistan in reducing avoidable blindness. In Fiji, Vanuatu, Tonga and Samoa, ANCP projects have trained and equipped local surgeons, physiotherapists, nurses and anaesthetic personnel to provide quality complex reconstructive surgical services to their home populations and provide ongoing training to their own peers.

2.4.2 Reinforcing stability

Australia's Foreign Policy White Paper as well as *PfR* emphasise the importance of regional stability as a critical and strategic priority in Australia's national interest. Conflict and disasters pose growing challenges for many countries where ANCP projects are implemented. In alignment with immediate needs of communities, the ANCP rebuilds while protecting those who are disproportionately impacted by disasters and conflicts. This includes the ANCP support to marginalised people including rural women, remote communities, people with disabilities, children, and women. In response, 31 percent of ANCP projects either pivoted or started to support this PFR pillar by the end of the 2020-21 financial year.

ANGO evaluation reports and qualitative evidence in SmartyGrants revealed that the ANCP increased the percentage of remote and vulnerable people benefiting from accessing credits in the village level, leveraging resources and economic opportunity, while also reducing conflict and violence, improving access to services, and bolstering education and learning, a leading factor of stability.

2.4.3 Catalysing economic recovery

ANCP-funded ANGOs and their downstream partners have also pivoted significantly to implement economic recovery for communities whose livelihoods have been affected by COVID-19. The 2020-21 performance reports from ANGOs found that 30 percent of ANCP projects are aligned to the third pillar of the PFR, improving economic self-reliance and confidence as well as income generation for households. ANCP-funded partners have contributed to increasing livelihood and employment opportunity, fostering economic development, promoting education and access to health and creating development opportunities for all.

ANCP has a strong focus on the poorest and most vulnerable, empowering them with new tools and livelihoods resources that help protect their lives, livelihoods, health and education. In Nepal, ANCP has constructed 20 Women-friendly Safe Spaces to provide psychosocial support and SGBV and health

referral mechanisms to women in four earthquake affected districts. In Cambodia, more than 691 poor people have gained access to agricultural technologies as well as vocational training, including animal raising, rice production and vegetable crops.

In addition, ANCP funded projects have worked to established Self-Help Groups which have strengthened savings, credits and access to loans for communities. These activities have enabled community-based financing across different geographical areas and sectors. For example, in Myanmar, loans were released to 603 Self Help Groups (SHG) members in 12 villages. The first interest collection return rate was 94.93 percent. The loans were used in four categories: agri-loans (2 percent), livestock loans (45 percent), livelihood loans (11 percent), seasonal loan (42 percent), and other alternative livelihood activities.

ANCP agricultural interventions are harnessing improved agriculture practice and technology. In South Africa during the financial year 2015-16, ANCP supported communities, especially women, to develop the skills to be food secure through growing, harvesting and managing their own gardens and increased yields, and in 2022, six communities developed permaculture skills in 26 household gardens, four resource units, one tree nursery, one general nursery, five schools and four learning sites. The communities have used these gardens and/or resource units to provide training to other members of the community. In the South Pacific through ANCP support, communities have been building their skills to diversify crops and improve food and income security, particularly following extreme weather events. Community members and farmers have been trained in food storage and preservation using both traditional and modern techniques, as well as, turning surplus crops into food and skincare products for income generation e.g., breadfruit chips, jams, virgin coconut oils, soaps, Noni juice.

2.5 Sustainability

2.5.1 Promoting sustainable development

The ANCP supports programs that deliver development results in line with the SDGs and DFAT priorities relating to gender equality and social inclusion. Smartygrants performance reports for the period 2015/16 to 2020/21 demonstrate inconsistency in how projects are reported by sector and SDG. ANCP data shows a high proportion of ANCP funding is being programmed towards projects in SDG Goal 3: health and wellbeing (AUD86m). Followed by more modest contributions to Goal 5: Gender Equality (AUD42m) and Goal 4: Quality Education (AUD35m). When the Smartygrants Performance reports are filtered by sector the results look somewhat different: rural development/agriculture (AUD55m), economic development (AUD50m), gender equality (AUD48m), maternal and child health (AUD42m) and food security (AUD40m). This is a noteworthy

manifestation of the tension in the modality and outcomes and is possibly linked to how indicators are defined and framed in the reporting mechanisms and the MEL Framework.

Spotlight – supporting quality education (SDG 4)

ANCP is improving education performance and quality through inclusive education programming, investing in teachers' skills, improved student-teacher interaction and strengthening school infrastructure. ANCP partners have equipped target schools with tablets, smart TVs and reading books in Cambodia to promote and encourage learning. In Ethiopia, ANCP is training teachers to ensure effective and inclusive education for children with disabilities. In Somalia, ANCP has increased access to quality education for children in and out of school through support to infrastructure and an accelerated learning program at two learning centres targeting 1,582 out-of-school boys and girls in the Kismayu district of Jubbaland. As a result, many of the schools are now staffed with trained and qualified teachers, supported by active parent teacher associations and school community groups.

2.5.2 Limited evidence of civil society impact

While ANCP contributes to building the capacity of civil society organisations, this is largely focussed on accountability and compliance. There is insufficient evidence to assess ANCP's contribution to supporting an open and transparent civil society and the civil society enabling environment.

ANCP compliance arrangements place a significant burden on delivery partners. Both ANGOs and their local partners reported that this meant that capacity development efforts were by necessity largely focussed on meeting DFAT's due diligence, risk management and reporting requirements than on technical and wider institutional capabilities.

The Evaluation found several issues which create barriers to support for an independent and diverse local civil society including lack of dependable long-term funding due to the one-year funding window, lack of unrestricted funding and funding for management overheads; and unequal power dynamics between ANGOs and local partners which are in turn compounded by the high compliance burden passed on to local partners. These issues brought about by the features of the ANCP modality can undermine efforts for locally led development and independence of local civil society.

3 Question 2: What are the key trends and emerging issues in the international development and NGO sector context which may impact on the ANCP modality and DFAT-ANGO relationships and how might they be addressed?

“There is an increasingly fragmented development ecosystem with complex geopolitics, shifting power dynamics, diminishing resourcing and capability of traditional development donors. Emerging new development actors are applying new approaches to development cooperation and aid modalities.”

- *Global Economy and Development Brookings*

International development actors have always worked on complex challenges in complex and challenging contexts. Emerging trends and issues in development, have intensified this complexity but also amplified shifting geopolitics and an increasingly fragmented ecosystem and ever-expanding cast of players that challenge traditional ways of doing business.

In this upheaval, development actors are increasingly called upon to rethink how they deliver development assistance. Donors globally are adapting to a new development agenda that increasingly focusses on the sovereignty of local actors to determine development priorities and approaches, and new donors and aid financiers are engaging with new approaches and new partnerships. Development leaders are innovating, harnessing technology in exciting ways, using data to drive decision-making, and empowering partners on the front lines. This brings about a need to rethink and reshape old ways of doing business and the shape of aid modalities. For DFAT and its partners, this illuminates questions about how to maintain relevance in the context of shifting development partnerships.

The Evaluation explored several key shifts in the current policy and operating environment impacting on the work of ANCP. This section of the report summaries these shifts and their key impacts and informs the metanalysis and recommendations provided in Sections 5 and 6. The full literature on global trends disrupting development in addition to emerging donor practice can be found in Annex J.

3.1 Australia's Development Program

Given the critical role that ANGOs play in Australia's international development efforts, the shifting context creates a need to consider how ANGO funding modalities can maintain pace with good donor practice and remain relevant.

An assessment of the relevance, effectiveness, and efficiency of the ANCP modality is best positioned within an understanding of current trends in good practice financing for civil society. Drawing on a range of sources including the Governance and Social Development Resource Centre (GSDRC),¹⁸ the Good Humanitarian Donorship (GHD) Initiative¹⁹, and evaluations of donor modalities, key trends, and principles of good NGO financing models in development and humanitarian contexts are detailed in Figure 3 and are explored in detail in Section 5 in response to Key Evaluation Question 3.

The global development landscape is complex and rapidly changing. Research reveals an increasingly fragmented development ecosystem with complex geopolitics, shifting power dynamics, diminishing resourcing and capability of traditional development donors, and the emergence of new development actors with new approaches to development cooperation and new aid modalities. It is within this context that Australia's development program has evolved in response to emerging domestic and international trends and shifting regional geopolitics which in turn have driven changes in the ways in which Australia's development program is resourced and administered.

In May 2020, the Australian Government acknowledged the threat of COVID-19 to global development with the release of the PfR policy response which refocused the development program on minimising the pandemic's impact in the Indo-Pacific region, with a particular focus on helping governments in the Pacific and Southeast Asia to deliver essential medical and social services, strengthen health systems, and provide economic recovery measures, including emergency budget support.

Between 2015-22, changes have occurred in the administration of the development program, its focus, the major countries receiving Australian aid and the type of aid provided. Australia's spending on Official Development Assistance (ODA) as a proportion of government expenditure followed a downward trajectory, falling from 1.32 percent in 2012-13 to 0.62 percent in 2020-21.

Looking forward, there is positive evidence that ODA commitments will increase. In the October 2022/23 budget, the Australian Government announced it will provide an estimated \$4.65 million in ODA in 2022-23. The Government has also committed to providing an additional \$1.4 billion in ODA over the forward estimates, commencing in 2022-23.

In recognition of the value the Government places on the ANCP, it will allocate an additional \$30 million to the ANCP over the next four years.

3.2 DFAT's support to civil society

Investing in partnership with civil society as crucial development partners is necessary to achieve the 2030 Agenda for Sustainable Development²⁰.

Civil society organisations, including NGOs have long been key players in implementing development programs, particularly in areas where governments and other actors may not be able to work, as well as with people in specifically marginalised situations. DFAT recognises that complex development

¹⁸ Governance and Social Development Resource Centre. "Civil Society Funding Mechanisms". Accessed online 7 January 2022 at <http://gsdrc.org/docs/open/hd633.pdf>

¹⁹ Good Humanitarian Donorship. "24 Principles and Good Practice of Humanitarian Donorship". Accessed online 7 January

2022 at <https://www.ghdinitiative.org/ghd/gns/principles-good-practice-of-ghd/principles-good-practice-ghd.html>

²⁰ This Agenda is a plan of action for people, planet and prosperity. It also seeks to strengthen universal peace in larger freedom.

challenges require partnerships between government and civil society and that NGOs can act as agents of change.

Figure 3: Principles of Good Practice NGO funding



Funding

- Diverse funding opportunities with flexible funding, strong facilitation capability opportunities for innovation, coalition building and learning opportunities
- Predictability and working to longer term funding cycles
- Facilitating a cascade of different funding mechanisms to reach different groups within civil society and at the community
- Ensure that shifts in funding priorities including in humanitarian crises do not adversely affect development gains
- Burden sharing - using common templates, proportionality of reporting



Promoting standards and accountability

- Require adherence to good practice and commitment to accountability, efficiency, effectiveness in implementation
- Use common agreed standards
- Promote rights, gender, and social inclusion, do no harm, good governance
- Support contingency planning including investment in capacity strengthening



Impact

- Linking learning with opportunities to influence policy and practice
- Focusing on outcomes and impact
- Minimising reporting requirements and giving partners the space to fail and learn from their mistakes
- Surfacing and using evidence for programmatic decision making



Power and Relationships

- Moving toward partnership approaches - cocreation, sharing and managing risk, mobilising multiple capabilities
- Grant management and program systems geared to transfer power and control over priority setting and resource allocation
- Provide flexibility for adaptive responses
- Build capability

Previously DFAT's *Effective Governance Thematic Strategy*,²¹ committed the Australian Government to support civil society programs as they 'played a key role in ensuring transparency and accountability of government service delivery'. Australia's commitment for the development program to strengthen and work more closely with civil society is so that the development program can benefit from ANGO and CSOs grassroots networks, niche areas of specialisation, and presence on the ground.

DFAT's *Working with Non-government organisations: Effective Development Partners Statement*²² broadly outlines the Australian Government's approach to working with NGOs to support its development program, arguably with a strong focus on its relationship with Australian or other international NGOs. The Statement articulates what DFAT values in its relationship with NGOs, in particular:

- ✓ The ties NGOs build between the Australian community and communities and institutions across the region
- ✓ NGOs' trusted relationships, local networks, and knowledge
- ✓ NGOs' comprehensive understanding of local contexts, deep development expertise and sophisticated models
- ✓ NGOs' established infrastructure and capabilities
- ✓ The visibility that NGOs provide to Australia's development program
- ✓ NGOs' ability to mobilise public support and voluntary contributions to the development program
- ✓ NGOs' focus on local capacity development and empowering local communities to manage their lives and livelihoods
- ✓ NGOs' strong local partnership and approaches which strengthen local system and support locally led development and humanitarian responses
- ✓ The importance that NGOs play in supporting a transparent and inclusive civil society
- ✓ NGOs' reach into remote areas and fragile and conflict affected states.

DFAT is a signatory to the OECD-DAC Resolution on Enabling Civil Society in Development Cooperation and Humanitarian Assistance²³. Interviews held with other donor organisations as part of the evaluation consultations indicated shifts in donor policy, practice and funding initiatives in support of the resolution and locally led development. Despite this commitment, DFAT does not have a current policy

²¹ AusAID (2015). "Effective Governance: Thematic Strategy." Accessed online 25 June 2022 at [effective-governance-strategy-for-australias-aid-investments.docx](https://www.dfat.gov.au/development/who-we-work-with/ngos/non-government-organisations-effective-development-partners-statement) (live.com)

²² DFAT. "Working with Non-government organisations (NGOs): Effective Development Partners Statement." Accessed online 27 January 2022 at <https://www.dfat.gov.au/development/who-we-work-with/ngos/non-government-organisations-effective-development-partners-statement>

[work-with/ngos/non-government-organisations-effective-development-partners-statement](https://www.dfat.gov.au/development/who-we-work-with/ngos/non-government-organisations-effective-development-partners-statement)

²³ OECD-DAC
<https://legalinstruments.oecd.org/Instrument%20s/instruments/OECD-LEGAL-5021>

statement that articulates the role of civil society in development, democratisation and the protection of rights, and to frame its work and engagement with civil society (including ANGOs).

Multiple direct and non-direct funding windows exist for NGOs and civil society within the Australian development program, both within global and bilateral programs, however there are indications that Australian investment in this space is shrinking.

Evidence suggests that Australia channels around 10 percent of development assistance directly through NGOs²⁴. By contrast, OECD-DAC donors, on average, channel around 20 percent of ODA through NGOs and Sweden channels almost a third (32 percent) of its bilateral ODA through civil society organisations. There does not appear to be a systematic benchmarking or comparison of donor delivery channels, but initial analysis suggests that Australia may be emerging as an outlier in its under-utilisation of NGOs in directly contracted aid delivery²⁵.

3.3 COVID-19

COVID-19 has changed the way the world operates. The implications of this for the ANCP include:

- COVID-19 has expanded the role of CSOs and in humanitarian and development contexts. However, the localisation of funding structures has not caught up with this trend to make international development funds more accessible to and equitable for local organisations. Programming and funding across the humanitarian-development nexus is critical.
- Remote MEL and design approaches are increasingly required
- Flexible funding strategies are needed to support development actors to adapt to emerging needs more readily
- COVID-19 has made it more difficult for NGOs to raise funds, requiring DFAT to also consider its matched funding requirements.

Travel restrictions and lockdowns resulted in rapid adaptations to new conditions of delivering aid and development programs. Traditional workspaces and ways of working have been rethought, shifting towards a hybrid work environment, and leveraging the advancements of the internet for connection and connectivity. These dramatic changes have inevitably impacted the way in which local and international actors operate. Most importantly as we move forward to a COVID-19 normal world, the

pandemic has exacerbated and compounded pre-existing inequities and inequalities, particularly for the world's most vulnerable populations which include, women and girls, sexual and gender minorities, people with disability, ethnic and religious minorities, and the rural poor.

3.4 Gender equality, disability, and social inclusion

COVID-19 and climate change do not affect people equally and both demonstrate that there is an increasing need for ANCP NGOs to apply a GEDSI lens to all areas of operations and programming, specifically to ensure disability inclusion is considered in DRR and climate change adaptation plans and policies.

COVID-19 has highlighted the importance of addressing existing gender inequalities to sustain advancements in the sector in the event of such crises. Research has identified that although the virus does not intentionally target women, its impacts are felt in women-dominant job sectors, causing a disruption to women's economic participation in both developed and developing economies.²⁶ In addition to economic impacts for women, the added stresses of economic uncertainty in the household have exponentially increased gender-based violence for women. The priority on gender equality and women's economic empowerment as well as efforts to end violence against women and girls (EVAWG) will remain for ANCP ANGOs.

There is an increasing need for ANCP ANGOs to apply a GEDSI lens to all areas of operations and programming, specifically to ensure disability inclusion is considered in DRR and climate change adaptation plans and policies. As climate change and its disasters continue to increase in frequency and severity, the impact it has on the general population is proportional between gender equality, disability, and other marginalised communities. Both climate change and GEDSI are similar in that they are horizontally integrated issues that exist largely in vertically integrated policy frameworks.²⁷ There is an ongoing and increasing need to consider the intersectionality of needs between the impact of climate change, women and girls, people with disabilities and other marginalised groups.

3.5 Locally led development

Locally led development is shifting the role of International NGOs (INGOs) in development. Locally led development will gradually require a systematic

²⁴ Donor Tracker. "Australia" Accessed 7 July 2022 at <https://donortracker.org/country/australia>

²⁵ *ibid*

²⁶ McKinsey Global Institute. "COVID-19 and gender equality: Countering the regressive effects". Accessed 8 June 2022 at

<https://www.mckinsey.com/featured-insights/future-of-work/covid-19-and-gender-equality-countering-the-regressive-effects>

²⁷ Roy, K (World Economic Forum). "What do gender equity and climate change have in common?". Accessed 9 June 2022 at <https://www.weforum.org/agenda/2020/07/gender-equality-and-climate-change-have-more-in-common-than-you-think/>

re-thinking of how the whole aid system works – including the ANCP - requiring a “complete shift in how assessments, planning and response design are done” to effectively redistribute power into the hands of local actors. This includes localising long-term funding instruments to improve accessibility for local actors.

With its early beginnings in the Paris Declaration on Aid Effectiveness and Accra Agenda, through the Grand Bargain and now to OECD recommendation on Civil Society in Development Cooperation and Humanitarian Assistance, locally led development is a significant force in the development and humanitarian sectors that calls upon all actors to create an ecosystem in which local actors wield and are yielded the power to set their own agendas, develop solutions, and empowered with the resources to address development issues.²⁸

Importantly, the recently promulgated OECD Recommendation on Civil Society in Development Cooperation and Humanitarian Assistance has created a framework within which key donors including DFAT can be mutually accountable for progressing the locally led development agenda and donors are creating policy frameworks, engagements, and funding modalities to facilitate this transition.

The Australian Government’s position on locally led development states also that locally led development helps to progress Australia’s strategic foreign policy interests and development objectives because it empowers local leadership which builds a strong and sovereign state’s capabilities, legitimacy, and resilience.²⁹ It also strengthens economic partnerships and maximises value for money as investments can go directly to local partners and systems.³⁰

Support for locally led development requires a systematic re-thinking of how the whole aid system works, requiring a complete shift in how, planning, design, MEL, and implementation approaches are done to effectively redistribute power into the hands of local actors meaning:

- There is a need for INGOs to refine their role in shifting global partnerships and power relations
- There is an increasing call and emerging shift amongst aid donors to reorient long-term funding instruments to improve accessibility for local actors and sovereignty over development priorities and approaches.

Creating this shift also requires a supporting policy framework for how DFAT positions civil society within the development program, and a review of program guidelines and procedures to incentivise new ways of working.

3.6 Climate change

Climate change is a global concern that affects all countries and all persons, creating increased climate events, undermining development gains, disrupting economies and affecting lives. In 2015, 196 Parties at the Conference of the Parties (COP) 21 adopted the Paris Agreement, legally binding them to an international treaty on climate change. The goal of the Agreement is to slow global warming to well below two degrees Celsius compared to pre-industrial levels³¹. The world invested \$920 billion in clean energy deployment and innovation in 2021 to combat climate change, a record high, and a 54 percent increase from the previous year.³²

The greater attention to climate change is also evident in Australia. Through its Climate Action Strategy 2020-25, Australia has doubled its climate finance commitment to \$2 billion for developing countries over 2020-25³³. The Australian Council for International Development (ACFID) and its members have committed to promoting climate change mitigation and adaptation measures through its work. It is a key domain of work under ACFID’s new Strategic Plan and a pillar of its new Advocacy Agenda. The impact of this focus on climate action means that:

- Demand for humanitarian responses is likely to increase as climate-related disasters increase in frequency
- NGO programs will need to increase focus on building resilience, adaptive and absorptive capacity – with focus on WASH, livelihoods, and inclusion.

ANCP projects are and will need to continue shifting focus to resilience in line with these policy directions and as extreme weather events become more frequent, disproportionately affecting the

²⁸ Tawake, P., Rokotuibau, M., Kalpokas-Doan, J., Illingworth, A., Gilbert, A. and Smith, Y., 2021. “Decolonisation & Locally Led Development.” Australian Council for International Development (ACFID).

²⁹ Department of Foreign Affairs and Trade, n.d. “Localisation Note: DFAT’s Approach to Localisation” Canberra: DFAT

³⁰ McKechnie, A. and Davies, F., 2013. “Localising Aid: Is it worth the risk?”. Accessed 1 March 2022 at <https://cdn.odi.org/media/documents/8456.pdf>

³¹ UN Climate Change. “The Paris Agreement”. Accessed 2 March 2022 at <https://unfccc.int/process-and-meetings/the-paris-agreement/the-paris-agreement>

³² Freedman, A., 2022. “Global spending on energy transition nears \$1 trillion”. Accessed 2 March at <https://www.axios.com/global-spending-energy-transition-1-trillion-cbc30984-1a8d-4031-9f85-24991e67e637.html>

³³ DFAT. “Climate Action Strategy”. Accessed online 2 March 2022 at <https://www.dfat.gov.au/about-us/publications/climate-change-action-strategy>

marginalised and people in vulnerable situations³⁴. There is also a need for greater access to climate financing in the Pacific – a gap that the ANCP may consider exploring.

3.7 Humanitarian-Development Nexus

The demand for humanitarian aid is increasing as a result of natural disaster, climate events and protracted geopolitical crises globally. In 2022, the UN OCHA has identified 274 million people in need of humanitarian aid, a large increase from 235 million people in 2021.

Aid organisations' access and operations are often challenged by "insecurity, violence against humanitarian workers and its assets, bureaucratic impediments, counterterrorism, sanctions measures, and political attacks."³⁵

Humanitarian and development support are key tools for public diplomacy and national security. Therefore, ANCP has an opportunity to strengthen the work at the humanitarian-development nexus in design and programming.

DFAT funding for both humanitarian and development actors need to be working more closely towards longer-term objectives across the humanitarian development nexus. There is an appetite for partnerships and cooperation across the humanitarian and development space as challenges in these areas become more complex and increasingly overlapping. However, it is not yet clear how effective these partnerships are. Successful implementation of the nexus requires more multi-year flexible funding strategies.

To enable stronger synergies, the lines between humanitarian and development programming are increasingly blurred and cyclical resulting in:

- Humanitarian and development actors working more closely towards longer-term collective objectives
- Populations of people forcibly displaced is higher now than ever and is expanding the need for programming along the humanitarian-development nexus

- Successful implementation of nexus programming requiring more multi-year flexible funding strategies in a way that ensures that the fundamental principles and standards of humanitarian action are upheld.

3.8 Geopolitics

Shifting geopolitical relationships, prolonged crises and an increase in the frequency and intensity of climate-related events highlight that humanitarian assistance, development and peacebuilding are not linear processes, and need to be more effectively connected to achieve collective outcomes that reduce risk and vulnerability, save lives, and deliver structural and sustainable development outcomes over time.

Foreign aid and humanitarian assistance are both important public diplomacy tools that enhance soft power and support national security.^{36 37} The Australian Government, has highlighted the risks facing its region, including those emanating from the challenges of climate change, COVID-19 recovery and strategic contest, and sees the role of the development program as a vital element in its support for stable and prosperous Indo-Pacific.³⁸

3.9 Shrinking civic space

It is critical that the role of civil society and their contribution to international development, democratisation and protecting human rights and the rule of law is clearly articulated in an agency wide policy that provides a framework for how ANCP supports and engages with civil society.

CSOs are recognised for the critical role they play in the 2030 Agenda for Sustainable Development in implementing and upholding accountability for the SDGs. The OECD DAC Community of Practice on Civil Society has contributed to an international standard and a call to action for development actors to enable civil society as a critical priority in meeting the SDGs. This is based on comprehensive reviews of current practice³⁹ as well as analysis on development

³⁴ Jordan, R., 2021. *How does climate change affect migration?* Accessed 3 March 2022 at: <<https://earth.stanford.edu/news/how-does-climate-change-affect-migration#gs.rgo7f4>>.

³⁵ Global Humanitarian Overview, 2022. "Part one Global Trends". Accessed 4 March 2022 at <https://reliefweb.int/sites/reliefweb.int/files/resources/Global%20Humanitarian%20Overview%202022%20%28Part%20One%29.pdf>

³⁶ Leight-Give'on, N., 2010. "THE TWO SIDES OF AID DIPLOMACY" CPD Blog. Accessed 4 March 2022 at <https://uscpublicdiplomacy.org/blog/two-sides-aid-diplomacy>

³⁷ Reinsberg, B., 2019. "Do countries use foreign aid to buy geopolitical influence?". Accessed 4 March 2022 at <https://www.wider.unu.edu/sites/default/files/Publications/Working-paper/PDF/wp-2019-4.pdf>

³⁸ DFAT. 2022. *New International Development Policy Terms of Reference*. Accessed 26 October 2022 at <https://www.dfat.gov.au/development/new-international-development-policy/terms-reference>

³⁹ OECD. "Digital Transformation and the futures of Civic Space to 2030." Accessed 4 March 2022 at https://www.oecd-ilibrary.org/development/development-assistance-committee-members-and-civil-society_51eb6df1-en and https://www.oecd-ilibrary.org/development/development-assistance-committee-members-and-civil-society_51eb6df1-en and https://www.oecd-ilibrary.org/development/digital-transformation-and-the-futures-of-civic-space-to-2030_79b34d37-en

effectiveness.⁴⁰ There are three pillars of enabling civil society:

1. Respecting, protecting, and promoting civic space
2. Supporting and engaging with civil society
3. Incentivising CSO effectiveness, transparency, and accountability.

The Recommendation highlights the interdependence of the three pillars and the importance of addressing all three to enable civil society to work independently to fulfil its function in supporting public participation and promoting rights, democracy and the rule of law. The Global Partnership for Effective Development Co-operation has committed to providing enabling environments for CSOs, both as implementing partners and as independent development actors in their own right.

Between 2017-20, OECD conducted a comprehensive review of DAC members' work with civil society. The review found while members cite advantages of working with CSOs, "donors, including [DAC] members, struggle to appropriately leverage CSOs' knowledge, capabilities, and influential role as public advocates for sustainable development, and they struggle to offer effective support for CSOs."⁴¹

Many of the findings and recommendations of the review are highly relevant to DFAT and specifically to the ANCP (see Annex J) and have been considered in Sections 5 and 6 of this report.

3.10 Innovation

Although Australia has made some efforts in supporting innovative ideas in international development in the past, it is unclear what DFAT's plans for ensuring innovation in its programs are and where that path will lead. Within ANCP, reporting templates also feature capture of lessons learned and innovation within each ANCP-funded project – through a more strategic MEL approach (refer to Section 4) innovation could be amplified within ANCP.

There are multiple international development innovation funds established in recent times with differentiated approaches and tools but similar investment criteria and objectives. There is appetite to invest in innovative ideas in international development. There are a variety of ways in which these funding bodies finance innovation: (1) staged funding; (2) milestones and deliverables; (3) proportion of the funding request depending on the size of the project.

Various funds look at the following for award criteria:

- Scalable and sustainability
- Cost-efficiency
- Rigorous evidence of impact.

Supporting innovation requires donors to consider the shape of their modalities and grant making systems and how they tolerate risk. In the context of locally led development, it also means that where used, intermediaries need to consider similar reforms in their own business processes.

3.11 Fundraising landscape

Trends are forcing international donors and intermediary organisations to reconsider the shape of their funding instruments. There is an opportunity for ANCP to consider in its funding review a more nuanced approach to accreditation and funding in addition to increasing scope for administrative components of grants.

The fundraising landscape for development actors is changing and the costs of generating public resources for development assistance are also increasing. Key factors shaping the fundraising landscape for ANGOs involve:

- The entry of new actors and direct financing schemes
- Millennials and Gen Zs make up a large proportion of the donor landscape through community fundraising
- The impacts of COVID-19 on fundraising methods and platforms could go beyond the pandemic
- Inflation increasing the costs of doing business.

A recent study of the fundraising context for civil society in Australia highlighted four key lessons⁴²:

- Indirect costs do not indicate the efficiency or effectiveness of a not-for-profit
- Not-for-profits 'true' indirect costs often far exceed the amount they are funded
- Donor caps on indirect costs lead to lower capability and effectiveness
- The drivers of indirect cost underfunding are complex and interrelated.

Further the tiered nature of international development relationships between donors, INGOs and local actors means that unrestricted resources for local actors are very limited, and at times non-existent. This works against efforts to localise and

⁴⁰ OECD. "Making Development Cooperation More Effective." Accessed 4 March 2022 at https://www.oecd-ilibrary.org/development/making-development-co-operation-more-effective_26f2638f-en

⁴¹ OECD. "Development Assistance Committee Members and Civil Society, The Development Dimension". Accessed 4 March 2022 at <https://doi.org/10.1787/51eb6df1-en>

⁴² Social Ventures Australia and Centre for Collective Impact "Paying What it takes" Accessed 4 March 2022 at [Paying what it takes report - Social Ventures Australia](#)

support the development and sustainability of local civil society organisations and action.

3.12 ANGO-DFAT relationships

The operational context for Australia's development program has changed significantly since the integration of the development program with DFAT. This has resulted in shifts in the aid management approach, and a loss of aid and development expertise within DFAT. Since this time:

- DFAT and ANGOs reported that opportunities for direct funding to ANGOs has shifted.⁴³ Whilst ANCP's funding allocations have remained consistent during 2015-22, Australia's overall development budget has contracted over that time. ANGOs held the perception that direct funding opportunities (outside of ANCP) have shifted to Commercial Suppliers, like Managing Contractors, through whom they must subcontract.

ANGOs have experienced this shift as a decrease in the amount of direct NGO funding windows (outside of AHP, ANCP and Water for Women)⁴⁴ and a loss of direct relationships between DFAT and ANGOs.

DFAT held the view that support provided by the ANCP to a diverse portfolio of NGO partners is important for the reasons outlined in the evaluation, and is further complemented by subcontracting arrangements with NGOs through other modalities. DFAT stated that there are a range of factors underpinning choice of delivery partners, including the increasing use of modalities such as direct budget support packages for sovereign governments particularly in the Pacific as a result of COVID-19⁴⁵.

- During consultations ANGOs and DFAT staff observed that outside of the opportunities provided through the DFAT-ACFID dialogue processes, spaces for policy dialogue and engagement have shrunk considerably in recent years. However ANGOs and DFAT continue to

seek to create avenues for advocacy and policy dialogue⁴⁶

- DFAT and ANGOs report that there are increasingly fewer resources available to DFAT to manage development programs, and a significant loss of aid and development expertise within. These resourcing limitations impact on the extent to which DFAT is able to prioritise strategic engagement with ANGOs in favour of aid management.

⁴³ The wide range of country and regional funding windows for ANGOs have slowly and progressively come to an end in the last 10 years including LANGOCA, CANGOCA, CCCAG, PFHAB, AACES and evidences that the changes reported on within the time horizon of this evaluation in fact form part of a much longer term observed trend in changing funding windows.

⁴⁴ The Evaluation notes that in the last 10–12 years thematic, country and regional NGO Cooperation Programs such as AACES, CANGOCA, LANGOCA, AMNEP, AACRS, PFHAB, ACRP etc have all but ceased.

⁴⁵ In 2007-2010 four facilities commenced under the management of Managing Contractors (investment IDs: ING754, INH848; INJ137; INI998). In mid-2015-2017 10 facilities commenced under the management of Managing Contractors (INL477, INL631, INL816, INL470, INL910, INL123, INM059, INL799, INL942, INH479).

⁴⁶ The Evaluation notes that the ACFID partnership, provides several opportunities for NGOs to engage with DFAT Secretary/Deputy Secretary and Senior Executive. The ACFID MoU states that there will be one meeting between the DFAT Secretary and ACFID Board, one meeting between the DFAT Deputy Secretary and the ACFID Board, and up to three triannual (between Assistant Secretary and ACFID CEO) meetings per year. There is also a commitment that the Secretary will hold an annual meeting with ANCP NGOs, and DFAT and ACFID also have a schedule of regular meetings at the operational level of the partnership. The Evaluation notes that the Foreign Minister and Minister for International Development recently held a forum with the NGO sector (23 August 2022) and SES had an ANGO roundtable with Melbourne based ANGOs on 25 August 2022 which are encouraging signs that the space for policy dialogue may widen.

4 Question 3: Is ANCP supported by robust and appropriate MEL processes?

“If we measure the wrong thing, we will do the wrong thing. If our measures tell us everything is fine when they really aren't, we won't make the right decisions”

Joseph Stiglitz

The 2018 ODE Evaluation of Investment Monitoring Systems⁴⁷ established a Criterion Based Assessment Framework (CBAF) that identifies four determinants of quality for monitoring and evaluation systems. This framework (refer to Annex I) provides a structure for assessing ANCP's MEL and a summary of findings against each determinant is provided below.

4.1 Strategy

Review of the ANCP MEL against the CBAF highlights limitations with the strategic framing and positioning of ANCP.

The ANCP Program Logic (2020) is the strategic foundation of the MEL system. It articulates intermediate outcomes through three outcome pathways - modality, development results and public diplomacy - that contribute to the ANCP Outcome, Objective, and Goal.

While the program logic indicates that these three intermediate outcomes are strategic priorities that share the same value, an overemphasis on the collection of quantitative data across a diverse portfolio of NGO projects⁴⁸ and a lack of clarity among ANCP stakeholders about the values underpinning and connecting these outcomes limit the ANCP's ability to report against outcomes in both the modality and the public diplomacy pathways.

This lack of strategic clarity results in a skewed and/or fractured understanding of ANCP's purpose, value proposition and results amongst different stakeholder groups, and opens the space for some to question ANCP's effectiveness.

As a geographically, sectorally, and thematically diverse program, ANCP cannot be expected to demonstrate aggregate development impact. There is a need to more clearly articulate ANCP's value proposition as a funding modality, whose purpose is to extend the reach of Australia's development program by partnering with ANGOs, leveraging their resources, systems, networks, and capabilities to support them to deliver development projects that align with both Australian and locally identified development priorities.

The Sphere of Control framing presented in Annex B - Figure 2, can assist to resolve some of this tension by focussing the program logic along chain of influence and its associated results chain and can assist NPQ to more clearly communicate ANCP's value as a modality rather than as a program that directly delivers development outcomes.

- **Modality pathway:** Both ANGOs and DFAT recognise that accreditation and (some) aspects of ANCP's management systems contribute to maintaining strong organisational and development management systems, and recognition of them as good development partners. Local development partners⁴⁹ interviewed also reported that the ANCP's explicit focus on GEDSI in systems for accountability has been transformative. On the other hand, this also brings about a focus on compliance rather than development effectiveness, capacity development etc.

The MEL system is not currently designed to adequately capture and communicate data that examines the effectiveness and efficiency of the ANCP modality itself and its business processes (such as accreditation, funding policy etc) in supporting ANGOs and their partners to deliver their expected outcomes.

- **Public diplomacy pathway:** ANGOs' reach into Australian communities is a defining and yet unrecognised feature of working with and through ANGOs. ANGOs draw strongly on ANCP for their own fundraising efforts which in turn mobilises public funds that leverage ANCP funding. NGOs are not however able to use funding for aid communications and public diplomacy.

MEL for the public diplomacy pathway draws almost exclusively on data from ANGOs regarding the frequency and reach of social media but does not define nor extend to qualitative data relating to public diplomacy efforts beyond aid communications.

The absence of a clear framework and set of criteria for creating a performance narrative means that DFAT is unable to sufficiently present evidence of outcomes in these two important pathways, and in turn to be able to consider and make adaptations the modality in response to this knowledge.

4.2 Infrastructure

ANCP's MEL infrastructure is not aligned to its strategic vision and there are gaps and insufficient resources in the NPQ team to fully implement the MEL system. This means that day-to-day data collection and reporting functions are prioritised over strategic MEL.

⁴⁷ DFAT. "Evaluation of investment-level monitoring systems." Accessed on 4 March 2022 at <https://www.dfat.gov.au/sites/default/files/evaluation-of-investment-level-monitoring-systems.pdf>

⁴⁸ ANCP reporting emphasises project level achievements in terms of development outcomes across over 40 indicators, in 50 countries through 50 ANGO partners.

⁴⁹ For the purposes of this document local development partners refers to those local organisations that are delivering ANCP supported projects through and/or in partnership with ANGOs.

Independent Evaluation of the Australian NGO Cooperation Program (ANCP)
Final Evaluation Report

The Monitoring, Evaluation and Learning Framework (MELF)⁵⁰ developed in 2016 sets out an approach to collect a wide range of data for strategic insights, including through thematic and meta evaluations, which is further explored and validated through field monitoring visits. However some key features of the MELF have only been partially or not implemented (see Table 2).

The PAF that aligned to the 2020 Program Logic was not completed, and the recommendations of the Data Validation Review (2018) and the (unpublished) Review and Options Paper (2019) that identified challenges with data quality and capacity have only been partially implemented

Few evaluations have been undertaken, meaning that data collected through the MELF has an overwhelming emphasis on output data and does not provide for meaningful insights into the quality of programming and development outcomes. This is a key tension for ANCP, which places strong emphasis on development effectiveness and aid quality, through accreditation, DFAT policy and its own programming narrative. For example, while ANCP can report on the number of activities with a principal focus on gender equality and disability inclusion, outside of evaluations undertaken by ANGOs, the MELF does not generate data that enables an assessment of the quality of those

activities, their progress in shifting complex social norms and values, or if there are any unintended consequences. This in turn limits the extent to which ANCP can generate and share learning across the portfolio of investments.

At present, much is predicted or claimed about the benefits of the ANCP modality, however the MEL system and indicator selection specifically in relation to outcomes data is not designed with sufficient rigour to assess is the extent to which this is happening. Given the claims, intentions and justifications made (e.g., value for money, administrative cost and time savings, responsiveness, adaptiveness, and flexibility that would likely not otherwise have been identified), both DFAT and ANGOs should be tracking and assessing the performance of the modality itself as a delivery mechanism. A stronger focus on outcomes and associated performance measures in MEL frameworks would help to clarify expectations around the modality’s effectiveness and efficiency gains.

Most ANCP monitoring visits are undertaken by DFAT Posts, and the frequency of monitoring has historically been variable and largely dependent on the value that Posts derive from ANCP. COVID-19 restrictions have prevented NPQ staff from undertaking monitoring visits since 2019.

Table 2: MELF Implementation

Feature	Responsibility	Progress
Accreditation	DFAT & ANGOs	● Fully implemented
ANGO annual reporting against ADPlans and ANCP and ADR indicators (updated to Tier 2 indicators for PFR)	ANGOs	● Fully implemented
NGO evaluations	ANGOs	● Ongoing and reported in SmartyGrants
ANCP meta-evaluations every 2 years	DFAT	● No meta evaluation since 2013
ANCP thematic evaluations every 2 years	DFAT	● 2019 Agricultural Development and Food Security ANCP Thematic Review 2 consolidated case study publications: <ul style="list-style-type: none"> Localisation and the ANCP 2019-20 (April 2021) Gender Equality and Social Inclusion (GESI) in the ANCP 2019-20 (March 2021)
ANCP and Post monitoring visits	DFAT	● No Canberra-led visits over 50 percent of evaluative period since 2019 Budget available for Posts monitoring, reduced from \$80,000-90,000 to \$30,000 per year from 2019/20 across the whole portfolio ⁵¹ Opportunities to use remote monitoring methods were not implemented

⁵⁰ DFAT. “Australian NGO Cooperation Program - Monitoring, Evaluation and Learning Framework”. Accessed on 7 January 2022 at

<https://www.dfat.gov.au/sites/default/files/ancp-monit-eval-and-learning-framework.pdf>

⁵¹ Source: Post Interviews

During the COVID-19 pandemic there have been no Canberra-led and limited-Post led monitoring visits meaning that there has been extremely limited verification or validation of ANGO reported data by DFAT. Consultations with DFAT Posts indicate that funding available through the ANCP budget for Post monitoring has been significantly reduced and is now insufficient to cover monitoring costs. Further, the fact that DFAT did not develop a remote monitoring mechanism during the pandemic represents a lost opportunity both in terms of verifying programming outcomes but also in strengthening the MEL system by including remote monitoring methods to complement the existing approach.

ANCP uses SmartyGrants to collect, manage and analyse ADPlans and NGO reports. The data provided to ANCP varies significantly. While SmartyGrants enables the collection of large amounts of data facilitating reporting against Tier 2 indicators and ANCP's geographic and sectoral reach, it collects too much of the wrong kind of data, which is unwieldy to manipulate, analyse or use. This is especially so for qualitative data. The 2020-21 summary of project evaluations for example, reported that 140 evaluations were conducted by ANGOs over the year. Synthesising findings from this volume of data requires a strategic approach and resources.

Data generated through the ANCP is shared back to ANCP NGOs through annual reflections and ANCP Bulletins. It is shared within DFAT through AOCs and the more recent format of the Investment Monitoring Reports (IMRs) through AidWorks. It is also used in Posts' social media and on DFAT's website, to strengthen visibility of ANCP results. Data is also used to inform the ANCP Annual Performance Snapshot reports, which are published on the DFAT website.

Strong systems for coordination and communication with ANGO partners, and a collaborative approach to the development of indicators and updates to reporting templates is a strength of the MEL system that facilitated the ANCP's successful pivot to PfR in response to COVID-19.

4.3 Capacity

ANCP has insufficient resources to oversee and engage strategically with MEL, to capitalise on the potential opportunities for learning, leverage, and impact. The current system and resourcing creates an imbalance between MEL for compliance and MEL for learning.

Time-bound, program management tasks absorb staff capacity with little left to implement program reforms which are often long-term tasks that can take years to develop and implement. Effective

engagement and consultation with ANCP NGOs are a core and valued feature of the ANCP but is also resource intensive. As a demand driven program (NGO participants potentially increasing each year), this places increasing pressure on staff to manage this aspect of the program within a fixed staffing allocation.

Quote from DFAT Annual Quality Check – 2019-20

According to internal DFAT reporting, there is an allocation of 10 Full Time Equivalent (FTE)⁵² to support ANCP operations and program management, including MEL systems and processes. In reality this allocation is not always fulfilled. While at the time of writing all positions within the NPQ team were filled, there had been some periods where there were extended vacancies. NPQ team members, including MEL staff, work flexibly to support the demands of administering the ANCP and supporting partners' compliance with safeguarding and risk policies. This undermines their ability to take forward more complex and strategic functions or to spend resources that are intended to support MEL. This problem predates the challenges presented by COVID-19, which further intensified pressure on the ANCP team to keep up with the demands of compliance, partner engagement and reporting. As an example, internal reporting in 2018-19 states that of the total program budget of \$132.5 million, less than 1 percent was used for program support and administration by NPQ.

Data provided to ANCP varies significantly in quality,⁵³ however, due to resourcing constraints the team is not currently placed to support some of the smaller partners to strengthen their systems.

The reduced development capacity in DFAT's NPQ Section over the evaluation period is compounded by turnover of long-serving staff in the NPQ team. Alongside some of the inefficient ANCP business processes and DFAT's focus on risk compliance, this capability gap means that NPQ team members are now less able to add value by providing relevant technical support and guidance to NGOs (including for the review of ADPlans and partner performance reports), and are increasingly focusing on contract management, compliance, and risk.

Finally, the ANCP MEL Reference Group comprising ANGOs and DFAT has been mobilised at key times in the MEL cycle and is viewed as a useful and effective mechanism to work collaboratively on MEL. However, coordinating and managing this function requires resources and it is no longer active.

⁵² INN324 IMR 2021 Approved

⁵³ Clear Horizons Report: ANCP Data Systems Review (2018)

4.4 Enabling environment

ANCP is underpinned by flexible operational systems supported by a responsive and committed team, but the challenges noted above prevent the MEL system from generating engagement and influencing policy.

ANCP contracting and procurement systems allow projects to adapt and respond to changes in context or emerging findings, which the MEL system tracks effectively through reporting. However, evidence of data showing the MEL system influencing designs or ADPlans is not collected or reported.

Except for a few very specifically engaged DFAT Posts, there is no expectation or opportunity for Posts to engage with ANCP MEL processes unless there is a Canberra-led ANCP monitoring visit, in which case Posts engage with the NPQ team. This has considerable implications for coherence. While Posts review ADPlans and some undertake monitoring visits, NGO reports are not shared with Posts and Posts do not have access to ANCP data through SmartyGrants. Posts have access to the ANCP SharePoint site (on the DFAT intranet site) which includes SmartyGrants reports such as ADPlan Overview Reports and the Annual Performance Overview Reports, however the Posts consulted as part of this Evaluation either did not report accessing these resources or were not aware that they were able to, meaning there has been no active feedback loop to engage them in learning or access to data that they could use for their own aid communications and public diplomacy efforts.

Opportunities for collective analysis and learning between ANCP ANGOs, DFAT and other partners is highly valued, but there are limited structured processes in place for DFAT - ANGO dialogue on policy, strategic direction, and coordination in areas of mutual concern, e.g., locally led development. This leads to lost opportunities in terms of sharing lessons, supporting enhanced collaboration, advocacy, evidence-informed policy dialogue and enhancing the profile of Australia's development program.

ANCP annual reflections sessions were introduced in 2015 as face-to-face sessions and brought together NGO staff and DFAT officers. Increasingly, annual reflections sessions provide an opportunity for NGOs to share lessons amongst each other. For example, the last two annual reflections sessions have included agenda items which have called for EOIs from NGOs to present case studies and presentations intended for sharing lessons amongst each other.

COVID-19 has provided the opportunity to extend these events and facilitate wider participation through a series of online events over three days. The agenda includes time for reviewing highlights, upcoming priorities and management issues

including updates on policy, compliance, and risk management. For example, in 2021, ANCP invited a speaker from AHP to explore more 'joined-up approaches' to linking development work and humanitarian response as part of early efforts to strengthen collaboration in that space⁵⁴. Gender Equality was a standing agenda item within the reflections from 2016-20, as DFAT sought to strengthen NGO responses to gender equality. In 2021, the Climate and Development Integration Unit presented on DFAT's Climate Change Action Strategy as part of efforts to strengthen the focus on climate action in NGO programs. While valued by ANGOs and NPQ alike, the extent to which these events facilitate two-way policy dialogue remains limited.

In earlier years, ANCP also convened regional learning events, bringing Posts, ANCP staff, ANGO, and local partners together to share insights and experience. These presented an opportunity to support coherence through generating contextually relevant learning and provide insights that could inform DFAT's own aid investment planning at the bilateral level. The last of these was held in 2019 and an alternative/remote method of continuing with these was not developed during the pandemic.

There is a desire across ANCP stakeholders (active Posts, NPQ, ANGOs and some thematic areas of DFAT) for a more joined-up and relevant approach to policy dialogue, which the ANCP and MEL processes are currently not delivering. Indeed, this desire for a more strategic policy dialogue between DFAT and ANGOs have been expressed through multiple evaluations of DFAT-NGO partnerships since 2010. There is also a recognition, however, that effective policy dialogue needs to be planned, curated/facilitated and timely. It also needs to link with other parts of DFAT. Creating this space and opportunity fits squarely within DFAT's remit.

⁵⁴ Source: Consultations with NPQ

5 Question 4: To what extent is the ANCP modality, including management, implementation and funding arrangements, appropriate to the changing context and how can ANCP be adapted to be more relevant in the future?

“Donor support models depend, or should depend on what they wish to achieve through working with CSOs.”

- OECD: How DAC members work with Civil Society

4.5 The changing context and policy drivers

To assess the appropriateness and effectiveness of the ANCP as a modality, there needs to be a clear definition and understanding of what it is trying to achieve and the policy drivers that underpin these objectives.

To understand whether the ANCP modality is appropriate to the changing context, the Evaluation explored how the changing context might influence DFAT's objectives for the ANCP.

Based on the analysis of global trends and good practice for engaging with CSOs set out in Question 2 (Section 3), the Evaluation identified a series of drivers that are relevant in the changing context. While many of these drivers already shape the ANCP, the relative importance of the drivers is shifting in the changing context. For example, geopolitics and climate change have elevated the frequency and intensity of humanitarian crises and highlighted the importance of working at the humanitarian-development-peace nexus, and the locally led development agenda is driving donors and intermediary organisations to rethink their business processes and consider the inherent power dynamics of their relationships and business processes.

The following key drivers have been highlighted by the Evaluation:

- **Development effectiveness:** The importance of sound development practice to achieve sustainable results and realise the 2030 Sustainable Development Agenda continues to be reinforced through instruments such as the Global Partnership for Effective Development Cooperation (GPEDC). The disproportionate impact of COVID-19 and climate change on women and the most marginalised further highlights the need for inclusive development
- **Risk management:** DFAT's legislative requirements mean that risk management is an enduring policy driver which will influence the ANCP modality. However, comparison with other DFAT programs such as AHP and Australia Assists suggest there might be opportunity to move towards more risk informed models of program and partnership management, which facilitate a sharing of risk between DFAT and its partners, enable ANGO partners to hold some risk on behalf of local partners, and/or to scale back certain elements to risk management to be more proportionate to the amount of funding and degree of flexibility exercised. The Evaluation also highlights that risk informed programming and risk management are two separate issues that should not be conflated and any shift towards risk sharing does not

mean a weakening of attention to unacceptable risks related to key safeguards such as PSEAH or child protection.

- **Diversity and pluralism:** Diversity in the sector and a pluralistic civil society in Australia is an important historical value and policy driver underpinning the ANCP, and one which is increasingly relevant especially where DFAT can derive value from initiatives that expand the geographic and thematic reach of the development program and extend public diplomacy touch points
- **Leveraging NGO capabilities:** The critical role that NGOs play as development actors in themselves is recognised in the 2030 Sustainable Development Agenda and strongly supported by OECD-DAC recommendations and good practice. Recognition of and respect for NGOs' individual mandates and their access to global resources and relationships can add value to Australia's development program and support development effectiveness
- **Public diplomacy:** The shifting geopolitical dynamics underscore the importance of public diplomacy in Australia as well as partner countries. Ongoing travel restrictions with COVID-19 make it especially important to leverage connections and relationships with and generated by local partners
- **Efficiency:** In-house management of ANCP and the scope and scale of accreditation make ANCP a resource-intensive partnership for DFAT and ANGOs. It is increasingly important to ensure that the modality is efficient – achieving objectives in a way that presents value for money. Demonstrating efficiency requires ANCP to be able to clearly define and measure its value proposition and to right-size the modality to achieve these objectives
- **Locally led development:** Locally led development is increasingly recognised as a key component of effective development practice. COVID-19 has accelerated the locally led development agenda which is recognised as fundamental for stability, security, and resilience,
- **Learning and adaptation:** Factors such as the rapid pace of change, complexity of development challenges, uncertainty created by climate change which have been exacerbated by COVID-19 highlight the importance of being adaptive and responsive to achieve results.

The rest of this Section explores how the ANCP modality currently responds to these drivers, how other donor modalities address these drivers and how ANCP could be adapted to maintain its relevance in the future.

4.6 Appropriateness of the current ANCP modality

The Evaluation assessed the extent to which the features of the modality reflect the policy drivers listed above. This analysis is intended to assess the appropriateness of the ANCP modality going forward, recognising that the effectiveness can only be judged based on the objectives it set out to achieve.

Figure 4 depicts the relationship between the policy drivers discussed above and the features of the ANCP modality. It highlights the shortcomings of the current modality to respond to these drivers and underscores the need to refine the modality, especially in relation to efficiency, risk management and MEL, locally led development, funding policy and RDE.

Figure 4: The current features of the modality do not effectively deliver on the policy drivers

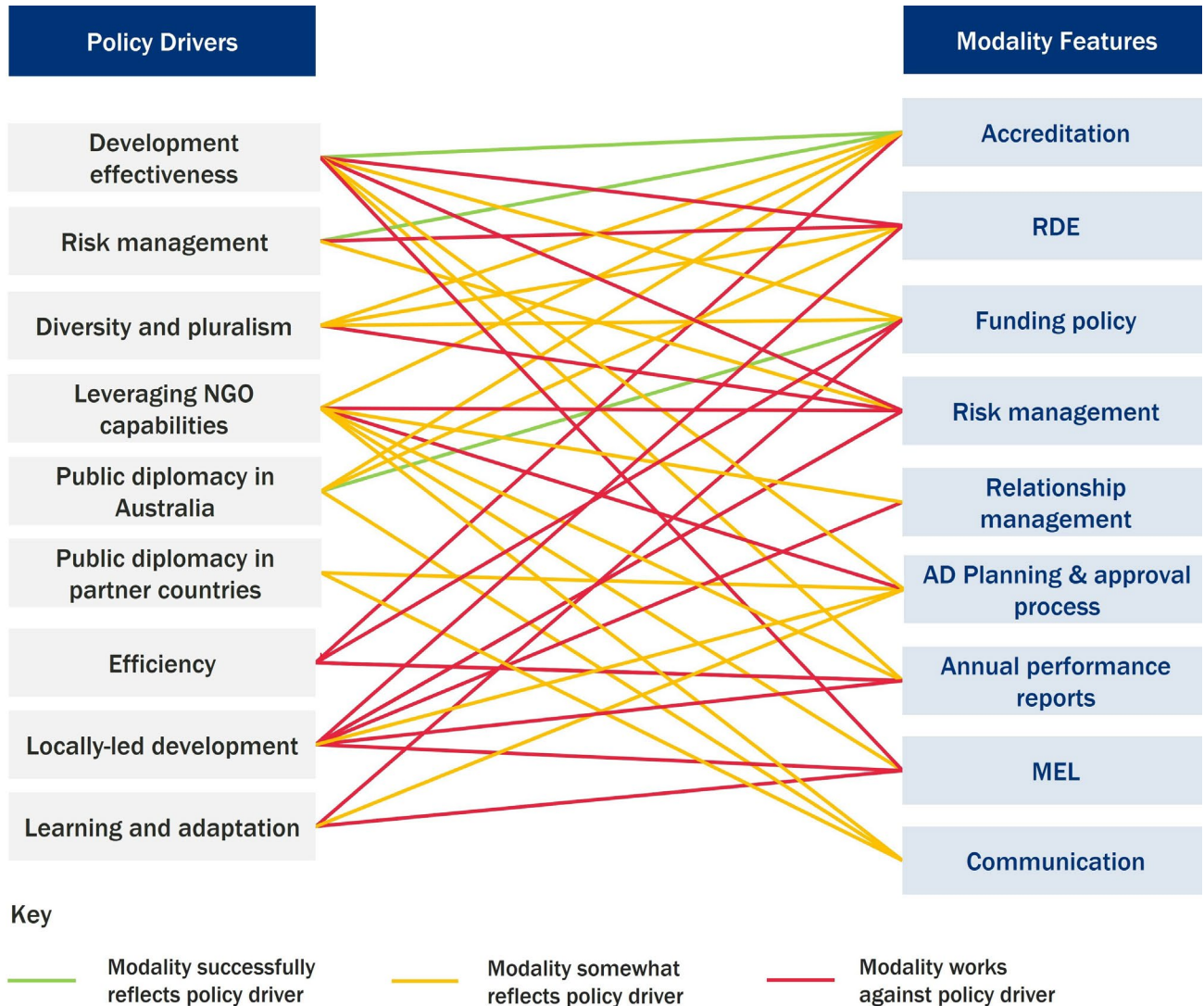


Table 3 provides further detail on the strengths and limitations of each feature of the current modality. It is important to note that the importance of these strengths and limitations varies between partners because of their individual and shared objectives and because of the extent to which they are directly affected.

Table 3: The strengths and limitations of the key features of the modality

Modality features	Strength	Limitation
Accreditation	<p>Accreditation process promotes good practice and is rigorously monitored and maintained by NGOs</p> <p>Accreditation gives NGOs a ‘quality stamp’ and legitimacy in the sector more broadly</p> <p>There are tiers to accreditation to reflect different levels of organisational maturity</p>	<p>The tiers of accreditation are not sufficiently delineated, with base accreditation requiring almost as much investment as full</p> <p>There is some suggestion that accreditation goes beyond compliance to preferencing specific development approaches that may not be relevant to all partners or contexts</p> <p>The value of accreditation to ANGOs has diminished with reduction of direct DFAT funding windows to ANGOs</p> <p>A heavy compliance burden is reported to overly influence ANGOs’ relationships with local partners and push out other priorities and locally led development</p> <p>Notwithstanding the ACFID Code of Conduct, which is both a prerequisite for, and works together with accreditation to support good development practice and standards of accountability, together with other regulations and standards such as the Australian Charities and Not-for-profits Commission’s (ACNC) Governance and External Conduct Standards, there is no evidence to the positive or contrary that changes to policy or practice influenced by accreditation requirements would persist in the absence of regular accreditation. While many of the development effectiveness requirements are recognised as good practice, the fact that they are effectively conditions of funding increases the priority they are given and rigour with which they are maintained.</p>
RDE	<p>Funding allocation based on RDE is transparent and predictable</p> <p>Funding allocation based on RDE reflects the priorities of the Australian public</p> <p>The consistent methodology enables NGOs to make informed decisions and investments in fundraising</p>	<p>Current RDE calculations mean that 31 percent of ANCP funding goes to two organisations</p> <p>RDE preferences organisation with sophisticated fundraising capacity</p> <p>RDE is not an effective measure of performance or development effectiveness</p>
Funding policy	<p>Matched funding requirements effectively mobilise public support for Australia’s development program</p> <p>Flexibility of ANCP funding is critically important to ANGOs as other funding sources are increasingly restricted</p> <p>Flexible funding can be used to leverage further funding and magnify the impact of DFAT’s development expenditure</p> <p>Flexible funding enables innovation</p>	<p>Level of funding for base NGOs are not proportionate to the extensive accreditation requirements</p> <p>10 percent limit on administration costs does not reflect the real cost of delivery and is only available to ANGOs, not their local partners</p> <p>The funding policy inhibits significant work at the humanitarian-development-peace nexus</p> <p>Annual funding allocation undermines long term planning and commitments to partners</p> <p>The funding policy and eligibility requirements restrict the ANCP to ANGOs and do not include other civil society actors such as research institutes or other types of not-for-profit entities</p>

Modality features	Strength	Limitation
		<p>Funding policy guides a single grant mechanism for all partners which does not reflect emerging good practice around fit for purpose financings which includes diversified sub-granting arrangements within a single modality</p> <p>The funding policy does not enable core and flexible funding to local CSO partners which is increasingly recognised as an effective and efficient means of developing local capacity and protecting the civic space</p>
Risk management	The current system discharges DFAT's legislative responsibilities	<p>Upfront investment in risk management through accreditation is not leveraged through higher trust risk management arrangements during the funding cycle</p> <p>Risk management arrangements do not allow risk sharing and pass on all risk management requirements to local partners</p>
Relationship management	<p>There are positive relationships between DFAT and its individual partner ANGOs – though this is largely based on goodwill rather than any formal mechanisms or business processes to manage relationships</p> <p>There is a formal MOU between DFAT and ACFID and regular meetings and dialogue with NGO as well as SES</p>	<p>Relationships are largely centred on ANCP funding and are not leveraged by other parts of DFAT</p> <p>The absence of clear and current position/policy within DFAT on the role of civil society and its contribution to Australia's development program no longer incentivises investment in DFAT-NGO dialogue and partnership and decreases the visibility of NGOs' contribution to the development program</p> <p>There is no partnering framework that governs relationship management processes between DFAT and its NGO partners both individually and collectively</p>
ADPlan approval process	<p>ADPlans provide DFAT with an insight into how funding is intended to be used</p> <p>ADPlans can be a valuable opportunity to engage with Posts - though this is highly dependent on the relative importance of ANCP in their country portfolio</p>	<p>Administration of the ADPlan process is extremely resource intensive</p> <p>The ADPlan process is front loaded and there is no feedback loop for Posts through MEL</p> <p>DFAT and ANGOs derive limited benefit from the ADPlan process beyond risk management</p>
ANCP Annual Performance Reports	<p>Annual reports seek a holistic assessment of progress, considering how work is delivered as well as what has been delivered</p> <p>Smarty Grants allows for automated aggregation of data</p>	<p>The quality of reports is highly variable</p> <p>The Smarty Grants functions are not used to their full capability</p> <p>Reports are largely focussed on outputs</p> <p>The prescriptive format for annual reports does not always allow for the transfer of meaningful information or learning</p> <p>The volume of reports and information received overwhelms the capacity to process and analyse data</p> <p>Donor-focussed reporting and upward accountability influences relationships between ANGOs and local partners and are increasingly misaligned with trends in MEL particularly in relation to locally led development and user centred MEL</p>
MEL	The MELF generates significant amounts of quantitative data that enables DFAT to report on outputs	<p>DFAT does not have the resources to implement the MELF</p> <p>Recommendations from reviews of the MEL system have not been implemented</p>

Modality features	Strength	Limitation
	<p>including reach, scope, focus on gender equality and inclusion</p> <p>The MELF proposes studies to leverage the rich qualitative information provided through annual reports and promote learning across the sector</p>	<p>The program logic and MEL do not clearly reflect the value proposition of the ANCP to DFAT or NGOs, nor does it accurately reflect what is within the control and responsibility of DFAT and its partners along the results chain</p> <p>There is negligible investment in measuring ANCPs public diplomacy outcomes and its contribution to civil society, locally led development and capacity development</p> <p>The quality of independent evaluations of NGO programs is highly varied and there is no overarching framework which draws them together</p> <p>The MELF does not set specific learning objectives or identify points in DFAT’s policy cycle where ANCP lessons could be most effectively leveraged</p>
Communication	<p>Current communication clearly reflects the breadth and reach of the program</p> <p>ANCP and partners generate significant amounts of stories that are used by DFAT Canberra, Posts and ANGO partners for public diplomacy and aid awareness raising.</p>	<p>Communication does not adequately reflect the value proposition of the ANCP modality itself – for example, how the ANCP modality and its business processes support development effectiveness; and the way in which the flexibility of funding enables significant leverage and can be used by partners to enhance their impact and sustainability</p>

4.7 Insight into other NGO funding modalities

The Evaluation reviewed central NGO engagement mechanisms in five like-minded donors: Sweden,⁵⁵ New Zealand,⁵⁶ Canada,⁵⁷ United Kingdom,⁵⁸ and Ireland,⁵⁹ as well as two DFAT programs, the AHP and WfW. Annex I outlines these comparative donor programs.

It is important to recognise that the funding and program management arrangements established within any modality are a means to an end, and that the desired ‘end’ varies significantly between donors and modalities. A like-for-like comparison between the mechanisms is not possible, because they were all set up to achieve different things, in different ways, with different actors and in different contexts. As such, rather than undertake a like-for-like analysis, the Evaluation adopted a realist approach⁶⁰ to considering what works, for who and in what circumstances.

The policy drivers and priorities of each donor influenced the various features or components of the funding mechanisms. For example, where transparency and diversity in the sector are prioritised, donors have favoured competitive grant

funding mechanisms which are open to all NGOs and are not seen to favour a select few.

Table 4 provides a summary of how different mechanisms are used by donors to affect their policy drivers, and the effectiveness of these modalities in doing so. This summary in turn informs our analysis of how ANCP may adapt to the changing context (see 5.4.)

⁵⁵ Swedish International Development Cooperation Agency (SIDA)

⁵⁶ New Zealand Ministry of Foreign Affairs and Trade (MFAT)

⁵⁷ Canada International Development Program (GAC)

⁵⁸ Foreign, Commonwealth and Development Office (FCDO)

⁵⁹ Irish Aid

⁶⁰ For further details of this approach see [Realist Evaluation I Better Evaluation](#)

Table 4: What works, for who and in what circumstances

Context / driver	Mechanism	Outcome
<p>Development effectiveness – humanitarian-development-peace nexus and locally led development</p>	<p>SIDA is recognised for its leading practice in working at the ‘triple nexus’⁶¹ though practice in this area is ahead of formal business processes</p> <p>Irish Aid recognises the overlap between development and humanitarian funding and enables joint annual reporting</p> <p>SIDA and MFAT provide direct support for local CSOs through their centrally managed NGO partnership units</p> <p>Some DFAT bilateral programs are providing funding to civil society (e.g., INKLUSI in Indonesia and the Australia Indonesia Partnership for Justice Program)</p>	<ul style="list-style-type: none"> • Promising behaviour, though informal • Practice ahead of process. • More locally led development and local voice • Shift in power dynamics between INGOs and local partners • Positive results in improving the enabling environment – though scale is an issue.
<p>Risk management</p>	<p>FCDO requires NGOs to meet safeguarding standards based on how they are using funding rather than for the organisation as a whole</p>	<ul style="list-style-type: none"> • Risk management tailored to funding and more efficient • Safeguarding streams connect NGOs and relevant policy areas.
<p>Diversity and pluralism</p>	<p>FCDO and GAC run multiple competitive funding rounds which are run regularly. SIDA and Irish Aid have competitive funding, but for longer term programs</p> <p>SIDA and AHP encourage consortia in their funding mechanism to increase the number of partners</p> <p>WfW works with NGOs and research organisations, and is open to non-Australian NGO and research partners</p>	<ul style="list-style-type: none"> • Generally, the same larger organisations that receive funding • Funding allocations are defensible, but never fully transparent. • Less administration for donors – though this is transferred to the lead consortium partner • Encourages collaboration and joint working in the sector • Transfers ‘power’ to NGOs to determine funding distribution. • Insights and good practice from other sectors and countries.
<p>Leveraging NGO capabilities</p>	<p>MFAT’s Negotiated Partnerships are brokered by registered partnership brokers and seek to draw on NGOs’ particular strengths, including their local networks and insights</p> <p>WfW invests heavily in the cohort of partners, engages a broker to support equitable governance and fund leadership, has well defined business processes for collaboration, lesson learning and policy development</p> <p>Irish Aid, GAC, FCDO and SIDA all have policy dialogues led by their foreign affairs divisions which engage NGOs in broader policy discussions</p>	<ul style="list-style-type: none"> • Partnerships are increasingly strategic and go beyond funding transactions • A partnering approach facilitates more dynamic and adaptive practice. • Fit for purpose business processes designed to transform relationships • Depth and sustainability of organisational change • Effectively influencing global policy and practice. • Effective sharing of intelligence • Valuing civil society as development actors in their own right.

⁶¹ Development Initiatives. “Donors at the Triple Nexus”. Accessed 7 June 2022 at [Donors at the triple nexus | Development Initiatives - Development Initiatives \(devinit.org\)](https://www.devinit.org/en/donors-at-the-triple-nexus/)

Context / driver	Mechanism	Outcome
Public diplomacy	FCDO's Aid Match program provides match funding for NGO campaigns to maximise visibility	<ul style="list-style-type: none"> Enables strong visibility between fundraising and the aid program.
Efficiency	MFAT's Partnering for Impact has three separate funding windows which are appropriate for organisations with differing levels of maturity	<ul style="list-style-type: none"> Funding requirements are 'right-sized' to organisations risk profile and objectives for funding.
Learning and adaptation	WfW has a comprehensive partner led Learning Agenda and uses research as well as practical lessons learned to build an evidence base	<ul style="list-style-type: none"> Increased efficacy in learning Strategic engagement in policy processes.

Spotlight – MFAT's Partnering for Impact

MFAT's flagship NGO support mechanism is Partnering for Impact: "a strategic, targeted, efficient and effective program for delivering impact with New Zealand NGOs (NZNGOs) and their partners."⁶²

There are three windows: Negotiated Partnerships, the Manaaki contestable fund, and a civil society strengthening mechanism which is still being designed. The three outcome streams for the programs are development, partnership, and public diplomacy.

The Negotiated Partnerships are bespoke partnerships with 10 NZNGOs – the identification of partnerships and allocation of co-investment was based on trends from the previous ten years of funding. The Negotiated Partnerships provide multi-year, multi-sector programmatic funding, managed through a high-trust, outcome focussed approach. The Manaaki contestable fund provides co-investment to NZNGOs for smaller scale development opportunities. There have been three rounds for funding launched since 2019.

Both funding mechanisms are focussed on enabling locally led development and encouraging local voice. The importance of locally led development is emphasised in the selection process, program design, implementation, monitoring, and reporting.

There is an accreditation process for all NGOs receiving funding – Negotiated Partners have slightly more onerous requirements. Accreditation is broader than due diligence and considers development effectiveness and safeguarding. It is carried out by a third party.

MFAT have formal partnership agreements with their Negotiated Partners which are separate to funding agreements and set out shared objectives and business processes for working in partnership. This is resource intensive, and has contributed to a significant shift in the relationship between partners from being activity-focussed to more strategic. Annual partnership reviews which engage NZNGOs, MFAT Policy areas and Posts and local partners are valuable for relationship building and lesson learning.

Greater investment in partnership more effectively leverages the skills and experience of both partners and contribute to more strategic relationships.

⁶² Ministry of Foreign Affairs and Trade. "Partnering for Impact." Accessed 8 June 2022 at [Partnering for Impact: our approach to partnering with New Zealand NGOs](https://www.mfat.govt.nz/en/our-work/our-approach-to-partnering-with-new-zealand-ngos/) | New Zealand Ministry of Foreign Affairs and Trade (mfat.govt.nz)

4.8 How can the ANCP adapt to be more relevant in the changing context

This section presents considerations for how the ANCP modality might be improved, drawing on review other mechanisms with similar policy drivers (see 5.3) consultations and strategy testing with ANCP stakeholders and review of good practice civil society programming. Table 5 summarises considerations and identifies the ramifications or trade-offs that might come with any changes. It is very important to recognise that programming modalities are complex systems, comprised of multiple component parts which are concurrently independent and interdependent.

Independently each component has its own structure and characteristics designed to fulfill a

specific requirement of the donor or the program. However, each of these interact with other parts of the system, and changes in one part of modality can have significant consequences for another or for the modality overall. The Evaluation team has used the concept of the ‘Jenga Tower’ (see Annex K) to illustrate this complexity and demonstrate how making changes to one part of this system may impact on the integrity of the overall modality.

The recommendations outlined in Section 6 draw from Table 5 below and were considered on the weight of evidence to provide the greatest potential gains in efficiency and effectiveness for the ANCP modality moving forward. Not all considerations in the table below will as stand-alone features will be fit for purpose at any given time and must be considered holistically – i.e. taking into account the modality, policy drivers, operating context and trade-offs.

Table 5: Considerations to refine the ANCP modality

Feature of the modality	Considerations for improvement	Trade off
Accreditation	<ul style="list-style-type: none"> Review requirements for base accreditation to make more proportionate to amount of funding Put arrangements in place so that accreditation is uniformly recognised by all DFAT-funded modalities and aid providers Consider changes to accreditation to remove some of the directions around specific technical approaches Consider broadening the pool of accreditors and utilising their expertise at other parts of the program cycle i.e., review of ADPlans or leading thematic evaluations. 	<ul style="list-style-type: none"> Higher demand for ANCP funding if bar to entry is lower More demand for finite resources will reduce the amount of funding available to individual organisations.
RDE	<ul style="list-style-type: none"> Review how different business models/ organisational structures for NGOs affect their RDE and hence ANCP funding. For example, NGOs using venture capital or pay for use services Explore alternate RDE requirements/ algorithms, or create a more nuanced funding cap to enable a more equitable distribution of resources across the portfolio of ANCP partners Consider applying an algorithm that concurrently addresses development effectiveness with RDE. 	<ul style="list-style-type: none"> Should funding amounts be based on something other than RDE, then the amount of funding to existing partners may vary There would need to be a process for transparently and consistently assessing development effectiveness – this could build on accreditation There will be “winners and losers”.
Funding policy	<ul style="list-style-type: none"> Increase funding for base NGOs (if the standards for accreditation are maintained) Consider the percent of match funding required in light of the tightening fundraising market and cost of raising funds Create an explicit allocation for the administration and operational costs of local civil society partners Consider piloting of core funding to CSOs Consider creating a sub-mechanism within ANCP for piloting innovations in financing, for example nexus programming, anticipatory funding, and a crisis modifier. 	<ul style="list-style-type: none"> Redistribution of funding between base and fully accredited NGOs Changing the match requirement would change the amount of funding leveraged and the value proposition of the fund Enabling selected NGOs to work at the nexus would likely require a process to affirm institutional capability for humanitarian practice – this could be integrated into accreditation or exist as a standalone process.

Feature of the modality	Considerations for improvement	Trade off
Risk management	<ul style="list-style-type: none"> Review the risk profile of base-accredited partners and adjust risk management requirements accordingly DFAT develop/adopt a risk informed programming⁶³ approach based on principles of shared risk, and which enable ANGOs to take on some risks on behalf of their local partners to reduce the compliance burden on partners. Several guidance materials developed by other donors (e.g. UNICEF⁶⁴) exist and can be referred to in the design and development of DFAT's approach 	<ul style="list-style-type: none"> The risk profile of the ANCP would likely be slightly higher, but still within acceptable limits.
Relationship management	<ul style="list-style-type: none"> Clearly articulate what a partnering approach means to DFAT and ANGOs beyond funding arrangements. 	<ul style="list-style-type: none"> This would require resources with skills in partnership development and management Moving to a partnering approach will shift the role of DFAT officers and well as ANCP focal points in NGOs to work to extend the relationship internally.
ADPlan and approval process	<ul style="list-style-type: none"> Encourage all partners to employ multi-year plans Modify ADPlan templates to encourage NGOs to comment on how funding is being used strategically and include activities that will contribute to public diplomacy outcomes and locally led development Undertake ADPlan reviews as a dialogue between ANGO, NPQ, Posts and local implementing partners rather than on paper. 	<ul style="list-style-type: none"> A shift to multi-year ADPlans may require some re-alignment of business processes for some partners who use ANCP funding more dynamically.
ANCP Annual Performance Report reporting	<p>Individual NGO reporting</p> <ul style="list-style-type: none"> Focus annual reporting on lessons learned, changes to program logics and implications for the following year Annual reporting to be a (recorded) strategic discussion on lessons learned in a dialogue between ANGO, NPQ, Posts and local implementing partners (aligned the proposed change to ADPlan planning above). <p>ANCP modality reporting</p> <ul style="list-style-type: none"> Use strategic evaluations and spot checks to get detailed information about projects and approaches. 	<ul style="list-style-type: none"> The Smarty Grants templates would need to be significantly updated – to focus on high level results A program of spot checks and strategic evaluations would need to be scoped and developed and resourced This would likely be a resource-neutral exercise but produce much more useful information.
MEL	<ul style="list-style-type: none"> Adequately resource MEL to enable thematic and meta-analyses planned Identify opportunities to contribute to DFAT policy at a country or thematic level and prepare evaluative exercises which meet identified needs 	<ul style="list-style-type: none"> Reducing the detail provided in annual reports would demand a more rigorous evaluation program The capacity and resourcing of the MEL function in ANCP would need to be increased or parts of the

⁶³ Risk-informed programming aims to strengthen resilience to shocks and stresses by identifying and addressing the root causes and drivers of risk, including vulnerabilities, lack of capacity, and exposure to various shocks and stresses. It necessitates a robust risk analysis of the multiple hazards faced by households and communities and requires government and other partners to be involved in the design or adjustment of programmes to ensure that they make a proactive commitment to reducing risk.

⁶⁴ UNICEF. 2018. "UNICEF Guidance on Risk Informed Programming". Accessed online 12 October 2022 at GRIP-All-Modules.pdf (unicef.org)

Feature of the modality	Considerations for improvement	Trade off
	<ul style="list-style-type: none"> Enhance quality assurance at all stages of the MEL cycle – this would include advising on individual NGO evaluations to enable effective meta-analysis and synthesis. 	<p>function would need to be outsourced to ensure high level technical expertise in all stages of MEL.</p>
Communication	<ul style="list-style-type: none"> Better reflect the value proposition of ANCP in terms of the leverage it provides to DFAT and ANGOs Invest in monitoring public diplomacy impact Highlight that flexible funding enables a greater development impact. 	<ul style="list-style-type: none"> Caution needs to be exercised in ensuring that the value proposition is understood and does not diminish ANCP’s standing as a program delivering development results.

The background of the slide is a dark blue color with a pattern of light blue, irregular, concentric lines that resemble topographic map contour lines. These lines are scattered across the entire page, creating a textured, organic feel.

6 Bringing it all together: Where should ANCP go from here?

The Evaluation has in line with its objectives explored emerging trends and contextual shifts and mapped these against evidence to identify the enablers and barriers to DFAT and ANGOs responding to these trends into the future, in order to make recommendations for improvements to the management and implementation of the ANCP modality going forward.

The following Section provides a summary against the OECD-DAC criteria and sets out the recommendations.

6.1 Bringing it all together – what has the ANCP achieved and to what extent is the modality fit for purpose?

Since 1974, the ANCP has provided flexible funding to ANGOs to support development and poverty alleviation projects in developing countries.

From 2015–22, the ANCP has provided \$910.9 million in grants to ANGOs working in an annual average of 54 countries. Cambodia, Timor-Leste, Papua New Guinea (PNG), Bangladesh, Indonesia and Laos received the highest levels of funding reflecting an alignment between the ANCP and the strategic priorities of Australia's development program.

The 2,831 projects implemented in this period reached over 57 million people⁶⁵ in multiple sectors including: education, economic development, disaster risk reduction, climate change, rural development and agriculture, governance, human rights, health, child protection, disability inclusion, water, sanitation and hygiene, and gender equality.

Projects focused on rural development, agriculture and economic development represented the highest share of total program spend with over \$50 million expended. Gender equality is the next most significant investment at \$48 million.

After 50 years and in a time of shifting global trends, the ANCP remains highly valued by ANGOs, DFAT and local development actors. Fundamentally, the ANCP is based on the assumption that ANGOs are trusted development partners that can deliver sustainable and inclusive development, in line with Australian values and international good practices.

The ANCP program logic co-created by DFAT and its ANGO partners identifies three outcome pathways which the Evaluation found reflect the current value DFAT and ANGOs see through the ANCP.

There is evidence of achievement against each of the pathways. However, there is potential to further leverage this value and strengthen recognition for ANCP's contribution to Australia's development program.

6.1.1 KEQ 1: Relevance, Impact, Coherence, Effectiveness, Efficiency and Sustainability - How effective is the ANCP modality in assisting ANGOs to reduce poverty and promote sustainable and inclusive development?

The ANCP modality provides a system that allows ANGOs to 'complement and extend Australia's bilateral and regional programs and priorities', in addition to incentivising and leveraging public and other financial support for the development program. This is underpinned by a robust accreditation process and flexible funding and partnering arrangements that deepen Australia's reach and connections with communities, civil society, and other local development partners.

The ANCP enables DFAT to support ANGOs to implement activities where they represent the most effective, and in some cases, only effective, delivery mechanism. In these contexts, ANGOs and their local partners have demonstrated that they can deliver development assistance to people in the most vulnerable situations, despite constraints created by geopolitical tensions, humanitarian, and protracted crises.

ANCP partners work with local partners, to deliver effective and inclusive development programs with a focus on GEDSI.

This capability is particularly important and valued in countries where:

- There is no or limited Australian bilateral investment in development programs (e.g., in Africa, South Asia and Middle Eastern regions)
- ANCP funding is significant compared to bilateral investment as a proportion of total overseas development assistance (e.g., Nepal, Lao PDR, and Cambodia amongst others)
- Australia is seeking to transition from humanitarian to stabilisation programming (e.g., Iraq)
- There is limited access for DFAT Posts to visit field locations (e.g., Pakistan, Myanmar, AND regional Africa).

ANCP projects deliver development results in line with the SDGs and DFAT GEDSI priorities. While the Evaluation highlights opportunities to improve the

⁶⁵ Noting that many projects were multiyear projects. 415 projects were implemented for one year only.

complementarity between approaches by ANGOs and other DFAT modalities and how development impacts are communicated internally; other strategic outcomes of ANCP in terms of relationships, public diplomacy and positioning gender equality and disability inclusion should be celebrated.

The ANCP makes a significant potential contribution to public diplomacy in two ways. Firstly, value is created by extending Australia's touchpoints, by engaging a diverse range of ANGOs in promoting shared values such as democratisation, rights, disability, and gender inclusion, and by supporting people-to-people linkages in over 50 countries annually. Secondly, ANGOs provide a vital interface between the Australian public and the development program, including mobilising public contributions to the development program and reflecting public interest and priorities. There is, however, limited evidence collected to demonstrate the ANCP's public diplomacy outcomes in Australia. Constraints around funding as a proportion of total grant funding available towards this third pathway in the program logic may limit results.

The ANCP contributes to broader organisational strengthening and effective development practice of ANGOs. Accreditation alongside other levers such as the ACFID Code of Conduct - a prerequisite for accreditation - is seen as a positive mechanism for strengthening ANGOs' organisational capacity, systems, and processes. It was seen to also drive progressive technical excellence and rigour in development design, programming, and delivery. However, the extent to which the good practice encouraged through accreditation would be sustained in its absence is unclear.

Notwithstanding the role of the ACFID Code together with other regulations and standards such as the ANCP's Governance and External Conduct Standards, there is no evidence to the positive or contrary that changes to policy or practice influenced by accreditation requirements would persist in the absence of regular accreditation. While many of the development effectiveness requirements are recognised as good practice, the fact that they are effectively conditions of funding increases the priority they are given and rigour with which they are maintained.

The flexibility of ANCP funding can be used to enhance the impact of partners' programs. Flexible funding enables innovation and strategic resource allocation. It is a distinguishing feature of the modality and is critically linked to the benefits it provides. However, the annual nature of funding limits flexibility and inhibits a shift to more localised development approaches. It can also create downstream blockages of funding flows that limit the ability of downstream partners to deliver activities and adds to administrative costs. A longer funding cycle and the ability for ANGOs to provide local partners with core funding would maximise the benefit of flexibility.

The ANCP delivers value by using ANGOs as intermediaries to mobilise over 2,000 downstream partnerships and engage local actors in supporting local development priorities. However, the extent to which ANCP contributes to strengthening the capacity of local civil society, and the enabling environment for civil society and civil action more broadly is unclear and unmeasured meaning there is insufficient evidence to assess ANCP's contribution to an open and transparent civil society.

The value of the ANCP could be enhanced by focussing on the value proposition articulated in the program logic and focussing on its strengths in building people-to-people connections and public diplomacy outcomes.

6.1.2 KEQ 2: Relevance - What are the key trends and emerging issues in the NGO sector and international development context that may impact on the ANCP and how should DFAT and ANCP partners address these?

Climate change and shifting geopolitics are increasing the frequency and shape of humanitarian crises nexus-focussed programming. Climate change and the COVID-19 pandemic illustrate the cyclical nature of crises and globally there is a trend to ensure that development programs have an increased focus on climate resilience and adaptation and build upon humanitarian efforts and outcomes to ensure better resilience against future disasters and conflicts.

There is emerging concern amongst ANCP partners and some parts of DFAT, that restrictions on the use of ANCP funds for humanitarian work could limit the flexibility of the modality and undermine emerging global efforts to improve coordination and programming, along with the humanitarian, development, and peace nexus. This is an important consideration for the shape of the modality moving forwards.

Global reports evidence that the shrinking space for civil society actors across contexts is undermining development gains. This external driver needs to be addressed through policy and programming levers internally within DFAT to ensure the ongoing relevance of ANCP. The absence of a recent civil society policy statement within DFAT means that ANCP works within a context that insufficiently acknowledges the role of civil society as an aid recipient and their contribution to development aims in the pursuit of strengthening civil society and the role they play in democratisation and vibrant, thriving communities.

The focus on ANGOs, absence of a civil society policy, and clarity on what locally led development means for a program like ANCP limit its impact in this area. Current ANCP business processes position ANGOs as intermediaries and transfer the burden of compliance down to local partners. They also limit the space for local civil society to directly engage in the aid program (as has been created within some

bilateral programs) and creates an unequal power dynamic between ANGOs and local civil society. Together these features of the ANCP modality undermine the locally led development agenda and the sovereignty of local development actors. Shifts in the modality are required to align with and support global efforts to decolonise development.

Addressing this key policy gap in DFAT is imperative to establishing a mutually beneficial strategic relationship between DFAT, ANGOs and other civil society actors. It is also central to DFAT positioning itself as a leader within the global donor community including in its support for locally led development, democratic governance and rights, and in line with its OECD commitments.

The Evaluation highlights that this policy gap extends well beyond ANCP, which should not be seen as the *de-facto* NGO capability within DFAT, within this broader context of shrinking space of civil society engagement in the development sphere.

6.1.3 KEQ 3: Effectiveness and Efficiency - Is ANCP supported by robust and appropriate monitoring, evaluation and learning processes?

As a funding modality that prioritises reach and diversity, ANCP should not be expected to have a strong aggregate development impact. The ANCP MEL system captures evidence of the breadth and scale of ANCP-funded projects, however current MEL strategies and processes are unable to make effective use of the vast amount of data collected through the MEL system. The focus on output data, allows ANCP to demonstrate its footprint, reach and thematic scope but does not provide the right data to demonstrate development outcomes nor to assess the quality of programming.

At present, much is predicted or claimed about the benefits of the ANCP modality, however the MEL system and indicator selection specifically in relation to outcomes data is not designed with sufficient rigour to assess whether any of this is actually happening. Given the claims, intentions and justifications made (e.g., value for money, administrative cost and time savings, responsiveness, adaptiveness, and flexibility that would likely not otherwise have been identified), both DFAT and ANGOs should be tracking and assessing the performance of the modality itself as a delivery mechanism. Including modality outcomes and associated performance measures in MEL frameworks would help to clarify expectations around the modality's effectiveness and efficiency by focussing measurement on what is within ANCPs sphere of control.

The MEL system does not sufficiently capture data related to the modality and public diplomacy pathways, nor outcomes related to locally led development and support for civil society.

Current reporting and MEL requirements inhibit adaptive management and have limited contribution to learning, policy, and program development within DFAT. The breadth, depth, and history of ANCP programming offers a wealth of opportunities for learning. Limited resources for MEL, a lack of strategic learning objectives and spaces to bring these lessons to policy dialogue undermine the effectiveness of learning. The learning structures and systems of DFAT and ANGOs need to be better understood to clarify the purpose and improve uptake and use of learning to drive adaptation.

6.1.4 KEQ 4: Efficiency, Relevance, Coherence and Effectiveness – Is the ANCP modality, including management, implementation, and funding arrangements, ‘fit for purpose’ and how can it be improved?

The ANCP is an important funding mechanism for positioning ANGOs in the international development sector. The ANCP also creates value for ANGOs by positioning them as key actors and resource contributors⁶⁶ within the international development community and within their global networks and organisational affiliations. This is aligned with global good practice which highlights that flexible funding support is important in valuing NGOs as development actors and ensuring that donor funds contribute to this work.

Investing in partnership with NGOs in delivery of development programs is critical to achieving the 2030 Sustainable Development Agenda. The grassroots connection provided through the long-term relationships of ANCP partners is invaluable in building people-to-people connections and deepening understanding of the development context and political economy. As development practice evolves to be more demand-driven and adaptive, community connections are increasingly important. The global nature of the program can sometimes distance it from local development dialogue and could be addressed by creating greater opportunities for DFAT Posts' involvement.

ANGOs engaged in international development provide capability to further the achievement of Australia's development program through their ability to draw public and other donor resources to support Australia's development priorities; grassroots connection with communities; ability to operate in restricted and complex environments to reach the poorest and most marginalised people; and ability to draw on extensive global networks and

⁶⁶ ANGOs contribute resources by mobilising public fundings and leveraging other donor funding to deliver on Australia's development programming priorities.

capabilities. In this way, the ANCP extends the geographic reach of Australia's development program, is responsive to partner country priorities and provides important touch points for broader diplomatic engagement.

The degree of alignment or complementarity between ANCP-funded projects and country strategies depends on the engagement and ambitions of Posts. The ANCP is used strategically and to great effect by certain Posts, which leverage its complementarity and reach. Some Posts capitalise on the diversity and flexibility of ANCP to engage in sectors outside of their bilateral priorities. The ANCP is also used very effectively by some Posts to promote the shared value and people-to-people links. This approach could be replicated in similar environments.

The support provided by the ANCP to a diverse portfolio of partners is important as significant external and internal pressures and resource limitations have resulted in a rationalisation of aid investments and the development program is increasingly delivered through different mechanisms and modalities including direct budget support packages for sovereign governments and increased delivery being channelled through facilities.⁶⁷

Multiple direct and non-direct funding windows therefore exist for NGOs within the Australian development program. Evidence suggests that Australia channels around 10 percent of development resources directly through NGOs and while there does not appear to be a systematic benchmarking or comparison of donor delivery channels, analysis suggests that Australia may be emerging as an outlier in its under-utilisation of NGOs in directly contracted aid delivery⁶⁸.

ANGOs report that this shift is experienced as a decrease in the amount of direct NGO funding windows⁶⁹ and a loss of direct relationships between DFAT and ANGOs.

The 2018 Independent Review of DFAT Facilities⁷⁰ outlined in its key findings that:

"Facilities are a highly relevant model for delivering Australian aid effectively...Efficient DFAT management of a \$4 billion aid program requires a shift to fewer and larger initiatives, to make best use of limited internal management resources while still enabling policy and program choices that can have real impact. Facilities and other flexible delivery

mechanisms offer significant potential for better development results.

The Review also found that whilst facilities are not new, they are different today. Facilities have existed since at least the mid-1990s. What is new is that some facilities today are very large; and the flexibility they enable is increasingly and consciously being used to strengthen links between the technical and the political, for more effective development results [- this includes varied sub-contracting arrangements with a range of different development actors including NGOs]."

The ANCP's commitment to GEDSI through its accreditation process and the MEL Framework is ensuring that GEDSI is embedded in partner systems and projects. Disaggregated data sets show that ANCP-funded projects actively engage with people who are marginalised or in vulnerable situations. The focus on disability inclusion continues to lag gender equality and this, like climate action is an area where ANGOs should seek to strengthen capability and focus.

DFAT does not leverage the benefits of strong relationships created through internal management of the ANCP. While positive, relationships between DFAT and its ANGO partners created through the ANCP remain focussed on project management rather than strategic issues, and are insufficiently characterised by key features of partnership, such as mutual accountability, shared risk, mutual benefit. There are limited structured processes for DFAT wide - ANGO dialogue on policy, strategic direction, and coordination in areas of mutual concern such as locally led development.

While the lack of strategic engagement does not appear to impact on the effectiveness of projects funded by the ANCP, it has impacted the opportunities for engagement by ANGOs with DFAT policy makers and officers beyond the DFAT's NGO NPQ team and limits the visibility of ANGOs across the whole of development program. This lack of a deeper partnership with ANGOs contributes to missed opportunities to enhance the ANCP through synergies and the value add that ANGOs bring to the development program more widely including sharing learnings, enhanced collaboration, advocacy, evidence-informed policy dialogue, public diplomacy and enhancing the visibility of the development program in Australia. Importantly it also limits the ability of DFAT to draw upon the technical capabilities, relationships, and resources that

⁶⁷ In 2007-2010 four facilities commenced under the management of Managing Contractors (investment IDs: ING754, INH848; INJ137; INI998). In mid-2015-2017 10 facilities commenced under the management of Managing Contractors (INL477, INL631, INL816, INL470, INL910, INL123, INM059, INL799, INL942, INH479).

⁶⁸ Donor Tracker. "Australia" Accessed 7 June 2022 online at <https://donortracker.org/country/australia>

⁶⁹ The Evaluation notes that in the last 10 - 12 years thematic, country and regional NGO Cooperation Programs such as AACES, CANGOCA, LANGOCA, AMNEP, AACRS, ACRP3 etc have all but ceased.

⁷⁰ Lyn Piper. "Review of Selected DFAT Facilities" Accessed online 16 August 2022 at [independent-facilities-review.pdf \(dfat.gov.au\)](https://independent-facilities-review.pdf(dfat.gov.au))

ANGOs bring through their inhouse capabilities and global affiliations.

High quality aid policy development, strategic programming and effective aid delivery depend on fostering and retaining DFAT staff who can: engage in deep, content-oriented strategic and policy dialogue with ANGO and civil society partners; establish and manage contracts with delivery partners that enable rather than constrain effective aid delivery; and make quality choices about activity focus (and how/when these need to change) that optimise results (effectiveness and value for money). DFAT's NGO Programs and Partnerships Section has some of this, but not enough – in either breadth or depth.

Alongside some of the inefficient ANCP business processes and DFAT's focus on risk compliance, this means that DFAT's NGO Programs and Partnerships Section is now less able to provide relevant technical support and guidance to NGOs, including for the review of Annual Development Plans (ADPlans) and partner performance reports. Instead, DFAT staff are increasingly focussing on contract management and compliance meaning that management of the ANCP modality can end up being more transactional than transformational.

Coherence could also be enhanced through better coordination between the ANCP, other divisions within DFAT and other large NGO-funded programs which involve the same partners, in addition to reconnecting ANGOs with other aspects of the bilateral development program.

The ANCP effectively mobilises Australian public funding for Australia's development program, despite ANGOs reporting that the costs of raising money have increased. The mandatory grant-matching requirement means that ANGOs are co-investors in ANCP through fundraising and engagement with the Australian public. There is a leveraged benefit for ANGOs of this with their constituents. This matched funding component is also a key feature of the ANCP and there are very few places in the development program where implementing partners are co-investors. Significant amounts of Australian money flows through the modality, and for some ANGOs, there is an over-match of funding.

The ANCP leverages existing relationships between ANGOs and communities in Australia and partner countries. The flexibility and adaptiveness of the ANCP modality were successfully tested with the onset of the COVID-19 pandemic, where longstanding relationships between ANGOs and local partners enabled the program to rapidly pivot to align with and deliver the Pfr strategy.

The ANCP promotes good practice in the sector through accreditation and alignment with DFAT

cross-cutting priorities, including GEDSI, safeguarding of children and PSEAH. The influence of the accreditation process could be better used to promote risk-informed programming, locally led development, and innovation.

Australian and local partners report significant compliance burden stifles innovation and support for locally led development. While acknowledging that some aspects of unacceptable risk (such as child protection and PSEAH) are mandatory, partners are keen to explore with DFAT how risk can be better shared across the partnership including the potential for ANGOs to use risk informed programming approached and hold some risk on behalf of local organisations.

DFAT business processes do not always leverage the value created by accreditation standards to support efficiency particularly activity design and reporting.

Accreditation requirements for base ANGOs are disproportionate to funding and management arrangements. Management arrangements for fully accredited ANGOs are disproportionate to their level of risk. There are trade-offs to consider between risk management and compliance pressures and enabling good development practice to unlock greater value and diplomacy dividends

There are opportunities to improve efficiency through streamlining and improving business processes across the program cycle. Administrative arrangements could be more efficient if ADPlans mirrored ANGOs' internal organisational structures and international good practices for civil society funding.

RDE is generally accepted by ANGOs as an efficient and transparent mechanism for allocating funds. However, RDE results in an imbalance in resource allocation that exacerbates funding pressures, as costs of delivering aid increase and the cohort of partners within ANCP increases.

ANCP funding can be used by partners to increase the sustainability of their programs by enabling them to fill funding gaps, bridge activities and invest in local partnerships. The annual funding cycle, however, constrains the ability of ANGOs to use funding strategically and detrimentally affects local partners, their business continuity and ability to deliver results.

The longevity of the modality has contributed to long-term relationships between DFAT and partners, which are largely centred around the provision of funding. ANGOs expressed a strong desire for greater strategic engagement to drive good practice and greater policy-driven development programming.

While ACFID-DFAT dialogue continues, the contraction of space for strategic dialogue between DFAT and its ANCP partners since integration⁷¹

⁷¹ The former Australia Aid Agency (AusAID) was integrated into DFAT in 2014.

previously highlighted leads to lost opportunities for sharing learnings, enhanced collaboration, advocacy, evidence-informed policy dialogue, and enhancing the profile of Australia's development program.

6.2 Where should the ANCP go from here?

The Evaluation did not consider that outsourcing all the administration of ANCP to a managing contractor or another aid provider would deliver the dividends that DFAT and ANGOs are seeking. Indeed, this would likely result in a loss of the core aspects of the relationship that are most important to DFAT and ANGOs. Specifically, a direct relationship and the ability of DFAT to draw on local knowledge of ANGOs, ability of ANCP to fill gaps in Australia's international development assistance, the ability to mobilise public support to Australia's development program and the flexibility and adaptiveness of the modality.

The Evaluation does, however, consider that improved effectiveness and efficiency can be achieved through moving to a more strategic partnering approach that includes a deeper articulation of the shared benefits of the DFAT – ANGO relationship coupled with a rationalisation of business processes that are fit for purpose, involving:

- build upon the strong base that accreditation provides in ensuring that key development capabilities continue to be available to DFAT and ANGOs in the delivery of the ANCP
- create opportunities for generating learning and knowledge that contributes to development policy and programming
- enable it to maintain pace and alignment with global trends in development.

The provision of specialist capability for specific features and/or activities may be of benefit to ANCP and is explored in 6.3.

This rationalisation would not reduce money out of the modality, but rather redirect existing resources to leveraging its strengths and increasing the focus on effectiveness and efficiency.

The following recommendations are premised on the understanding that through the accreditation process, coupled with an appropriate funding policy and robust MEL system that demonstrates whole of modality level impact, DFAT's partners will be better positioned to leverage their institutional capabilities and resources to demonstrate contribution to development outcomes.

6.2.1 How to interpret the recommendations

Recommendations are based on the evaluative findings and have been framed through analysis, discussion, and testing with DFAT and ANGOs.

The Evaluation team recommends that implementation and change management plans are developed by the NPQ team in consultation with its ANCP partners to take forward each of the recommendations as part of a divisional workplan for 2022-23. This will support effective adaptations to the modality and accountability for changes going forward.

6.3 Recommendations

RECOMMENDATION 1

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 partnering 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

R1.2 Accreditation

Strategically review and redesign the accreditation scheme and Funding Policy to address structural inequalities and enable different partnering types with proportionate business and partnering processes including:

- a. 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
- 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

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
- b. 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
- c. Explore and test 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. Explore how risk informed programming practices can be integrated into the modality and partnering approach

R1.4 Monitoring, Evaluation and Learning

- a. Reorienting the 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
- b. Increase budget allocations for the ANCP's MEL system and consider whether alternative resourcing arrangements for the technical input and management of management of the ANCP MEL system will result in greater dividends.

RECOMMENDATION 2

In order to create an enabling environment for the ANCP, DFAT articulate 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 what locally led development and civil society partnership means for risk informed programming and risk management.

6.3.1 Rationale and considerations for implementation of Recommendation 1

Partnership, strategic learning, and policy dialogue

The Evaluation highlighted that DFAT is not leveraging its relationships with its ANGO partners to the best extent possible.

Improved efficiency and effectiveness may be achieved through moving toward a partnering approach that is underpinned by workflow improvements and rationalisation of business processes to ensure that they are fit for purpose (aligning policy and other external drivers and levers within the modality features), building upon the strong base that accreditation provides and ensuring that the modality efficiently supports ANCP partners to leverage their assets and deliver development outcomes and use *these* to support wider aspects of the development program.

It is recommended that NPQ adopt a partnership approach which involves collectively developing a set of principles and ways of working that strengthen the strategic relationship between DFAT and its ANCP partners, create equity and shared value, and inform how they together go about their business within the framework of the ANCP⁷².

The Evaluation team considers that a reorganisation of the NPQ team roles so that DFAT officers are linked to a portfolio of partners and work with those partners across the program cycle could create efficiencies while also strengthening partnerships and potentially opportunities for greater strategic engagement.

It should be highlighted that this rationalisation would not reduce money out of ANCP, but rather redirect existing resources to leveraging its strengths and focussing resource utilisation on efficiency and development effectiveness. The rationalisation is premised on the understanding that through the accreditation process coupled with a robust MEL system that demonstrates whole of modality level

to support the strategic aspects of the relationship and mobilise the different assets of the diverse range of partners to achieve shared value.

⁷² Discussions during the Evaluation highlighted intent to explore and potentially refresh certain components of ANCP business processes and resources so they can be more effectively applied

impact, ANCP will be better positioned to demonstrate the contribution of Australian and local civil society actors to development.

Finally, any proposed changes to ANCP business processes must be posited in an understanding that flexibility is a central feature of ANCP that enables DFAT and its partners to gain maximum benefit through the modality and as such should not be compromised.

The capacity gap created by the loss of specialist development expertise within DFAT requires DFAT to consider how it can mobilise external technical expertise to ensure that the quality of development investments is maintained.

External expertise is currently used by ANCP to support the accreditation process. Moving forwards external technical assistance could be engaged to support core technical business processes more efficiently across the program cycle. This could include for example the appraisal of ADPlans and design and review of MEL processes and products, and design and facilitation of learning events and policy dialogue.

There are multiple 'models' of how such expertise could be mobilised and moving to a partnering approach can open wider possibilities for DFAT and its ANCP partners. Development specialists can, for example, be sourced from a variety of places (both locally and internationally) - NGOs, universities, independent consultants, within DFAT or other whole of government agencies. Models of mobilising development expertise could include peer review processes; technical panels or technical support teams attached to an organisation, country, or thematic cluster of activities; extending the role of the Accreditation Panel, or others.

This finding opens the opportunity for DFAT and ANGO partners to think creatively about alternate ways of mobilising and resourcing technical supports within a partnering approach to address existing capacity gaps and deliver development effectiveness and efficiency.

Accreditation

Accreditation is a key feature of the ANCP modality that supports a strong Australian development sector and provides DFAT with confidence in the capabilities of its NGO partners. Historically accreditation provided an agency wide recognition of NGO capability to meet DFAT due diligence requirements and was applied across a wider range of DFAT aid modalities. As these modalities have wound up, and opportunities for ANGOs to access resources directly through the development program have decreased, the value proposition for NGOs in achieving and maintaining accreditation has become increasingly contestable. Current funding levels for

ANCP are disproportionate to the costs of achieving and maintaining accreditation, particularly for base level partners.

To address this inequity, the Evaluation recommends that DFAT make changes to the current accreditation tiers to provide a lower level of accreditation to base level partners. To progress these considerations, the Evaluation recommends that DFAT undertake further detailed analysis on options for nuancing of the tiered accreditation system that differentiates between partners based on factors that affect their risk profile, notably: 1) how much money they receive and 2) how much flexibility they have with how it is used.

In considering this recommendation it is also important for DFAT and partners to arrive at a nuanced understanding of the different concepts surrounding risk informed programming and the management of unacceptable risks which have been conflated throughout the Evaluation discussions.

Secondly, the Evaluation recommends that DFAT also clarify internally and with key development actors that full accreditation is an acceptable standard of due diligence and should apply across all DFAT funding arrangements with ANGOs.

Flexible and adaptive multi-year funding and grant making

DFAT funding policy is central to the ANCP modality and what it can achieve. To implement these recommendations, the ANCP Funding Policy needs to be positioned within the proposed changes the modality and make structural reforms that enable it to bring the vision of ANCP into practice.

RDE is broadly recognised as a transparent mechanism to calculate funding to ANGOs through ANCP based on their performance in mobilising public funding in support of international development. RDE, however, presents several challenges in that: 1) RDE is not a measure of an organisations development effectiveness; and 2) RDE preferences organisations with strong fundraising resources and capability; 3) has resulted in a disproportionate allocation of ANCP funding across the portfolio of partners.

The 2015 Independent Evaluation of ANCP, predicted that "this has unfortunate, but unavoidable, implications for funding predictability in that funding allocations cannot be guaranteed year on year.⁷³" While the ANCP Funding Policy review attempted to address some of this for example through the safety net, the entry of new partners into ANCP, a decline in resources, or a combination of both are likely to render the current approach unsustainable.

⁷³ Office for Development Effectiveness. "Evaluation of the Australian NGO Cooperation Program." Accessed online 20 June

2022 at ode-brief-evaluation-australian-ngo-cooperation-program.pdf (dfat.gov.au)

An annual funding cycle not only undermines the funding certainty that ANCP is seeking to (and can) create, but it also increases transaction costs and does not align with donor best practice in civil society financing.

Current ADPlan and ANGO reporting arrangements emphasise a projectised approach and generates significant work for activity level design and reporting. This transaction cost is distributed amongst DFAT and ANGO partners, but a significant portion is borne by the NPQ team and DFAT Posts, which currently review 200 to 300 ADPlans each year. The Evaluation also surfaced uncertainties around the value and contribution of a desk-based⁷⁴ ADPlan review process to the quality of activity design. While Posts are engaged in reviewing ADPlans to support coherence with DFAT country strategies, this does not consider coherence with the NGOs whole of country program. Further, there is no feedback loop with Posts that do not have access to reporting to understand the progress and lessons emerging from these activities. This suggests that there is significant room for ANCP to leverage the assessed capabilities of ANGOs (through accreditation) by streamlining design and ANGO reporting requirements, and to better link these at the country level.

The Evaluation considers that a shift to a 3-to-4-year funding cycle would not only contribute to development effectiveness and would also enable DFAT to create efficiency dividends by streamlining annual work planning, budgeting, and reporting processes - by presentation - which focusses on dialogue between implementing partners and DFAT Posts. Any shift would require ensuring that planning, reporting, and budgeting cycles are aligned and should be designed with the intent to streamline and not increase the burden of transactions across the program cycle.

ANCP's flexibility in expanding the reach of Australia's development program was a key theme of the Evaluation. DFAT Posts highlighted the ability of ANCP to be mobilised to support key strategic issues outside of DFAT country strategies as an important feature of the modality. Similarly, NGOs highlighted that this flexibility enabled them to leverage and/or 'buy in' to other global programs. This is a critical feature in ensuring that ANCP can adapt to shifting contexts and emerging trends at both the country and global level. The Evaluation considers that maintaining this flexibility is critical to the success of ANCP. This flexibility is however stressed in the context of increasing ANCP partnerships, low growth in resources and an expectation of mainstreaming emerging thematic priorities across the development program. It is therefore critical that NPQ and its NGO partners

consider any shift in future programming priorities in the content of the trade-offs associated with expanding ANCP to respond to emerging priorities with the impacts on resourcing

Analysis of emerging contextual factors however highlighted the need for DFAT and its ANCP partners to grapple with how best to keep pace with emerging thinking regarding: 1) the humanitarian-development-peace nexus; and 2) support for locally led development and the role of civil society in development.

Climate change is resulting in more frequent localised disaster events that have the potential to undermine development gains as well as the need to consider approaches to resilience, adaptation and mitigation as key cross cutting issues. While it is not the position of the Evaluation team that ANCP should be expanded to deliver humanitarian response, attention needs to be paid to how ANCP as a modality can better support key issues at the nexus including stabilisation and resilience through greater risk informed design and program cycle management, for example, with the inclusion of a crisis modifier to trigger top up payments or additional grant funding to pivot activities in response to emerging needs and to bolster communities' resilience.

Finally, current business processes for ANCP which position ANGOs as intermediaries limits the space for local civil society to directly engage in the aid program (as has been created within some bilateral programs), tends to position local partners as service providers, and reinforces business approaches that create barriers to partnership, a shift toward more locally led development processes and the transfer of roles and power to local actors.

To remain relevant and continue to lead donor practice, it is necessary for DFAT and ANGOs not only to consider how the ANCP funding policy might address the structural inequities amongst ANGOs (such as tiered funding etc), but also how it can support ANGOs to shift to good practice funding models designed to support an independent and sustainable civil society. This recommendation is not proposing the establishment of new funding modalities within ANCP but rather enabling greater flexibility for ANGOs to utilise good practice civil society funding models including, for example:

- Core funding
- Combined core and grant funding
- Partnerships and co-financing arrangements with emerging and non-traditional donors
- Local entrepreneurship models.

Current business processes within DFAT place a primary focus on compliance and risk. While there is

⁷⁴ Desk-based refers to a system of planning and reporting that relies on the creation and review of documents.

no argument that safeguards around child protection, fraud, PSEAH are essential features of quality aid investments, the burden of proof around these safeguards bears significant transactional costs for ANGO partners which is in turn passed on to local civil society partners. This fundamentally impacts the relationships between ANGOs and local partners by creating a contract or project-based arrangement that rewards compliance and diverts resources from broader capacity development and partnering processes which themselves play a key role in ensuring quality development outcomes.

A fit for purpose modality moving forwards would utilise risk informed programming practices including consideration of if and how ANGO partners may be able to hold some risk on behalf of local partners, and how ANCP funding may also be used to protect development gains and support resilience.

Risk-informed programming should not be conflated with risk management, and in particular the management of unacceptable risk including child protection and PSEAH. According to UNICEF, risk informed programming “aims to strengthen resilience to shocks and stresses by identifying and addressing the root causes and drivers of risk, including vulnerabilities, lack of capacity, and exposure to various shocks and stresses.”⁷⁵ There are various ways in which development organisations develop risk-informed programming. These include some similar components or phases in implementing risk-informed development programs, such as conducting a risk analysis with key stakeholders, especially those most at risk, assessing the risk priorities and impact, and then monitoring these risks.

The Global Network of Civil Society Organization for Disaster Reduction (GNDR) has established six principles to guide how the risk-informed development process is approached and delivered.

1. Localised – Identifying communities most at risk and ensuring that they have the resources and capacity to develop and strengthen their own resilience.
2. Aspirational – Ensure that the vision of a risk-informed program incorporates the perspectives of the individuals/communities most at risk.
3. Anticipatory – Applying a proactive lens in designing interventions based on forecasts of predicted risks.
4. Evidence-based – Involves making evidence-based deductions and conclusions that are then tested and studied.

5. Adaptive – Demonstrating flexibility to make changes when necessary.
6. Result-oriented – Ensure that the development vision is translated into action and show expected results.⁷⁶

As risk policy is centrally managed by DFAT across the development program, the Evaluation team recognises that the implementation of this recommendation has implications beyond ANCP. As such it is imperative that NPQ drive analyses that will explore how such approaches may be tested within ANCP and how these may apply more broadly across DFAT NGO partnerships.

Monitoring, Evaluation and Learning

A key challenge for any multi-country, multi-stakeholder program is demonstrating the total value of the investment rather than its parts. Creating opportunities through the MEL system to clearly demonstrate the contribution of ANGOs to the development program, including public diplomacy, relationships, and development outcomes, will assist in building stronger internal support and interest in ANCP, and the role that ANGOs play in the development program.

Current ANCP MEL arrangements are insufficiently aligned to the ANCP program logic and place a disproportionate focus on project (and output) level reporting and compliance. This focus on measuring the contribution of NGO projects at the activity level has the unintended consequence of diffusing demonstration of development effectiveness and impact across the investment. Further, ANCP collects an overwhelmingly amount of data that exceeds the capacity of DFAT (and NGOs) to process.

The Evaluation recommends a reorientation of the MEL system to focus MEL more accurately against a results chain that reflects the sphere of control and influence. Several strategies will support this

- Focussing MEL efforts more clearly around the ANCP program logic in terms of the value proposition of DFAT-ANGO relationships and delivering against the three pathways: 1) engagement of ANGOs in the development program; 2) their contribution to public diplomacy, relationships, mobilising public support, extending the footprint of the development program; and 3) potential as agents for change to support locally led development and civil society space
- Investing in a dashboard that provides an accessible snapshot of ANCP activity, geographic and sectoral footprint, key partnerships, disability, and sex disaggregated

⁷⁵ UNICEF. “UNICEF Guidance for Risk-Informed Programming”. Accessed 28 July 2022 at <https://www.unicef.org/documents/guidance-risk-informed-programming>.

⁷⁶ Gndr.org. “Risk-Informed Development Guide. Accessed 28 July 2022 at <https://www.gndr.org/wp-content/uploads/2022/01/0-Risk-Informed-Development-Guide-full-EN.pdf>

reach, etc. This has potential to be particularly useful for Posts in supporting dialogue with Partner Governments

- Shifting the focus of MEL from project level monitoring and reporting to a central focus on demonstrating impact through evaluative methods - e.g. thematic, sectoral, geographic, partner portfolio evaluations, using developmental evaluation, cluster, and meta-evaluations (including on key issues including locally led development, inclusive development etc). This will bring more robust evidence of development outcomes and brings a higher degree of scrutiny and contestability to NGO MEL processes
- Focussing on a shared agenda for strategic learning between NPQ and ANGOs that address issues of mutual concern and brings evidence to policy dialogue.

The Evaluation team acknowledges that these changes require specialist MEL capability that are beyond DFAT, and specifically the NPQ team's, capability and considers that quality dividends are most likely to be achieved through outsourcing the technical leadership of the ANCP MEL system. The Evaluation recommends that NPQ consider alternate models for the delivery of the MEL system based on the features outlined above and which mobilise consistent, quality MEL technical expertise, while continuing to draw on NGO MEL systems and engage NPQ in the MEL process.

6.3.2 Rationale and considerations for implementation of Recommendation 2

Global trends in international development highlight the critical role that civil society plays in supporting the foundational tenants of democratic society including protection of rights.

In the context of the OECD-DAC Recommendation on Enabling Civil Society in Development Co-operation and Humanitarian Assistance⁷⁷ to which Australia is a signatory, the absence of a clear policy statement that highlights the importance of civil society to development, democratisation, rights and security; and the contributions that different civil society actors (including but not limited to ANGOs) make to the development program needs to be addressed urgently to assist DFAT to define the institutional relationship between itself and civil society, including ANGOs, other international NGOs local NGOs and other local and international CSOs and provide guidance for investment in this space.

Further, the decolonisation of aid and locally led development agenda is increasingly putting a spotlight on funding practices and will require donors and ANGOs alike to rethink how funding can be structured to better support locally led development and development effectiveness. A clearer DFAT wide articulation of what locally led development means, particularly in the context of the role of civil society, would assist in framing how these policy directions are implemented across the development program including the ANCP.

Making this shift also requires DFAT and its ANGO partners to consider the relationship between risk and locally led development. This requires a shift to risk informed programming approaches as well as consideration of risk management approaches.

The Evaluation understands that with PfR completing, and a new government in place, this statement would most likely be positioned within a wider development policy as well as within DFAT Aid Investment Strategies at the bilateral level.

⁷⁷ OECD. "DAC Recommendation on Enabling Civil Society in Development Co-operation and Humanitarian Assistance". Accessed online 27 January 2022 at [https://legalinstruments.oecd.org/Instrument%20s/instruments/OECD-LEGAL-5021#:~:text=The%20DAC%20Recommendation%20addresses%](https://legalinstruments.oecd.org/Instrument%20s/instruments/OECD-LEGAL-5021#:~:text=The%20DAC%20Recommendation%20addresses%20together,incentivising%20CSO%20effectiveness%2C%20transparency%20and)

[together,incentivising%20CSO%20effectiveness%2C%20transparency%20and](https://legalinstruments.oecd.org/Instrument%20s/instruments/OECD-LEGAL-5021#:~:text=The%20DAC%20Recommendation%20addresses%20together,incentivising%20CSO%20effectiveness%2C%20transparency%20and)