

TERMS OF REFERENCE: AUSTRALIAN NGO COOPERATION PROGRAM ACCREDITATION AND FUNDING POLICY REFRESH

PURPOSE

This forward-facing refresh will update the [Australian NGO Cooperation Program's \(ANCP\)](#) accreditation system and Funding Policy to address relevant agreed recommendations from the [2022 ANCP Evaluation](#). The refresh will also look at the accreditation system and Funding Policy more broadly to update and streamline governance and implementation arrangements, including by removing duplication and inconsistencies, and aligning where appropriate with other relevant standards such as DFAT's Due Diligence Framework and ACFID's Code of Conduct.

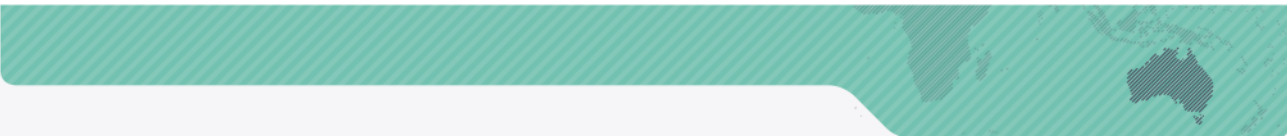
BACKGROUND

Established in 1974, the ANCP is DFAT's largest support mechanism for Australian NGOs. The ANCP supports accredited NGOs through flexible annual grants for effective international development projects, consistent with the goals of the Australian development program. The 2022 evaluation found that ANCP creates value for Australia's development program by leveraging Australian public donations and the people-to-people links enabled through the long-term relationships of ANCP NGOs (ANGOs) to local communities. The evaluation also found the ANCP is a highly valued Official Development Assistance mechanism for accredited NGOs, providing them with a predictable and flexible funding stream and enabling them to work in sectors and countries based on their priorities to reach highly vulnerable groups.

The ANCP [accreditation system](#) provides DFAT and the public with confidence that the Australian Government is funding professional, well-managed ANGOs that are accountable to their stakeholders and capable of delivering quality development outcomes. Accreditation assesses an ANGO's governance, program management capacity, partner management, links with and support from the Australian public, and financial and risk management. ANGOs must fulfil the requirements of accreditation every five years. Accredited ANGOs receive funding based on two levels of accreditation: Base or Full. There are different standards and expectations within each criterion between Base and Full Accreditation. Once accredited, ANGOs are eligible for ANCP grant funding for which they develop an Annual Development Plan which outlines NGOs development program and project proposals. The accreditation criteria were reviewed in 2017-18.

The evaluation found that the value proposition for achieving and maintaining accreditation is increasingly contestable and there are inequalities between base and fully accredited ANGOs. The evaluation recommended the accreditation system be refreshed to address these structural inequalities and enable different partnering types with proportionate business and partnering processes. Base level ANGOs are particularly impacted by disproportionate costs of achieving and maintaining accreditation. The evaluation specifically recommended that changes be made to the current tiers to provide a lower level of accreditation for Base accredited partners and increase the funding available to them.

The [ANCP Funding Policy](#) was introduced in April 2016 following a recommendation of the 2015 Office of Development Effectiveness evaluation of the ANCP. The 2016 Funding Policy and phased implementation was received positively by NGOs. The Funding Policy aims to achieve fairness to ANGOs in the process used to determine, allocate and distribute funding which supports good



development practice, assists long term planning and allows ANGOs to build sustainable partnerships. The funding principles underpinning the Funding Policy are consistency, transparency, organisational capacity and community support, and flexibility. The Funding Policy has not previously been reviewed.

As recommended by the evaluation, the Funding Policy refresh will explore whether the Recognised Development Expenditure mechanism can be adapted, or identify other workable alternatives (including core funding), to increase funding equality. It will also look to address increased costs for ANGOs of doing business, enable good practice civil society funding practices such as shifting to multi-year funding and support local civil society including through increased management overheads and/or core funds for local partners.

SCOPE

The accreditation system and the Funding Policy are closely linked core components of the ANCP modality. Grant funding calculations are informed by the accreditation tiers and reliant on the NGOs maintaining their accreditation status. Reflecting this, the evaluation recommended a joined-up approach to the accreditation and Funding Policy refresh to ensure that funding arrangements align with revisions to the accreditation system. The evaluation recommendations relate to removing structural inequalities, enabling partnership differentiation and proportionate program management, enabling good development practice, and improving donor funding practice including multi-year funding and a more equitable approach to grant allocations.

The refresh shall be informed by, align with and have due regard for other policies and standards including DFAT policies such as the Safeguards Framework and the Due Diligence Framework; ACFID's Code of Conduct; the Australian Charities and not-for-profits Commission's Government and External Conduct Standards; relevant legislation and good development practice. The refresh will also be informed by the new international development policy (to be finalised in the first half of 2023), particularly around emerging development practice such as locally led development.

The intended audience for the refresh is DFAT staff, primarily the ANCP team and other relevant policy/process owners such as risk, fraud and safeguards areas. Other significant stakeholders are the Committee for Development Cooperation, the Development Policy Committee of the Australian Council for International Development and ANGOs.

The scope will cover other work as identified by DFAT throughout the course of the refresh. Updates stemming from this refresh will be implemented in a phased approach.

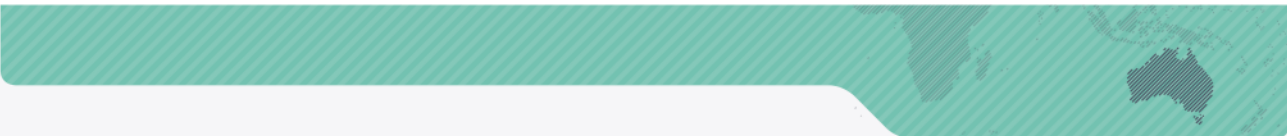
KEY INVESTIGATIVE QUESTIONS

Accreditation system:

The refresh will examine the following aspects of the accreditation system:

1. Structural inequalities, differentiation and proportionality

The evaluation recommended changes be made to the accreditation tiers to provide a lower level of accreditation to Base level ANGOs and increase the funding threshold available to them. It also



found that management arrangements for fully accredited ANGOs are disproportionate to their risk contexts and that the accreditation system could better leverage risk-informed programming.

Key questions for the refresh are:

- i. How can the criteria for base accreditation be more proportionate to funding received?
- ii. How can program management be adjusted to enable management arrangements that are proportionate to accreditation levels (and risk context)?
- iii. What entry points are available in the accreditation system to apply a fit for purpose risk framework to programming contexts rather than a blanket risk framework to the organisation?
- iv. To what extent could the ACFID Code of Conduct be used as the standard for Base accreditation?
- v. How do the existing accreditation criteria compare to requirements for managing contractors and multilaterals under the DFAT Due Diligence Framework?

2. Locally led development, innovation and emerging development approaches

The evaluation concluded that the accreditation system could better promote locally led development and programming at the humanitarian-development-peace nexus, and suggested exploring whether ANGOs could hold some risk on behalf of local partners. The evaluation also noted that accreditation compliance stifles innovation.

Key questions for the refresh are:

- i. How can the accreditation system better enable locally led development?
- ii. How can the accreditation system better enable risk sharing between ANGOs and their local partners?
- iii. How can the accreditation system reduce compliance burden and better enable innovation?
- iv. What adjustments to the accreditation system, if any, are required to include programming at the humanitarian-development-peace nexus?

3. Streamlined and updated governance and implementation arrangements

Specific elements for investigation will be addressed in data collection instruments (e.g. interview or survey questions).

Key questions for the refresh are:

- i. What updates are required to the criteria (including eligibility), systems and products to:
 - a. Operationalise outcomes from 1 and 2 above as well as the Funding Policy refresh and
 - b. Address redundancy, gaps, duplication, inconsistency, ambiguity, dated language and development practice?
- ii. What updates should be made to accreditation governance?

Funding Policy:

The refresh will examine the following aspects of the Funding Policy:

1. Calculation of NGO grants and application of Recognised Development Expenditure (RDE).

The ANCP Evaluation has identified that RDE, presents a number of key challenges for DFAT and its partners 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.

Key questions for the refresh are:

- i. Does the principle of RDE remain the most practical way of distributing funding across a diverse pool of ANGOs?
- ii. What are the alternatives, including an exploration of a core funding approach?

2. Annual grant amount calculation versus fixed funding for multi-years or accreditation period

The current approach is to calculate and allocate grants to NGOs on an annual basis. Full level accredited NGOs grant amount can fluctuate every year based on four variables: total ANCP budget appropriation; an individual NGO's RDE averaged over three years; the collective RDE of all other accredited NGOs; and, new NGOs entering the program, upgrading/downgrading accreditation levels or departures from the program. Key questions for the refresh are:

- i. What would a multi-year funding model look like?
- ii. What is the best way to manage multi-year partner allocations with a fluctuating pool of ANGOs?

3. Review the Recognised Development Expenditure (RDE) thresholds for accreditation eligibility

The current thresholds of \$50,000 for Base and \$100,000 for Full level NGOs have been in place for more than 12 years. The 2018 review of accreditation criteria included some consideration of RDE thresholds but recommended that any increase to the RDE thresholds be further analysed and considered through this review of the Funding Policy. A key question for the refresh is:

- i. Are the current thresholds appropriate when considering mandatory ANCP co-contribution requirements?

4. Provide different model scenarios on the minimum grant amount for Base and Full level accredited NGOs

The current minimum grant amounts of \$150,000 and \$300,000 respectively have also been in place for more than 12 years. In 2022-23, DFAT increased the minimum NGO grant of \$250,000 for base NGOs and \$400,000 for full level NGOs. In this period of ANCP budget appropriation, the cost of delivering projects has significantly increased.

Key questions for the refresh are:

- i. Is the minimum grant reflective of the cost of doing business? Should the minimum grant be further reviewed? What are the risks to further increasing the minimum grant amount? What did the modelling inform?
- ii. What is donor good practice in administration costs, DM&E and matched funding that could be applicable to ANCP?

5. *Explore how can ANCP pilot innovations in funding such as creating opportunities for nexus programming*

The evaluation suggested DFAT consider innovations in funding within ANCP for piloting financing, for example nexus programming, anticipatory action funding and locally led development.

A key question for the refresh is:

- i. How can the ANCP funding approach enable flexibility to trial new ideas?

METHODOLOGY

The methodology will be refined with the refresh team and included in the refresh plan. It is likely the refresh will include:

1. Inception briefings with DFAT ANCP team and the Committee for Development Cooperation
2. Development of a refresh plan outlining consultation processes, data needs and data analyses including financial modelling. This should include a workplan and a stakeholder plan.
3. Data collection and financial modelling (concurrent):
 - document review, focussed on addressing the key refresh questions
 - interviews (and other data collection methods as necessary) with stakeholders involved in overseeing and implementing ANCP accreditation and the Funding Policy
 - financial modelling to illustrate impact on grant amounts of different scenarios exploring minimum grants for Base and Full NGOs, RDE thresholds, and multi-year funding as well as other analysis as requested by DFAT
4. Data analyses, synthesis of findings and reform options, including documentation of risks and trade-offs, and development of a proposed change management plan
5. Briefing to DFAT, and other stakeholders as required, on preliminary findings and proposed reforms, including presentation of risks and trade-offs
6. Preparation of refreshed accreditation system and Funding Policy documentation, including Accreditation Manual and change management plan. The change management plan to include implementation in Smartygrants.

TEAM COMPOSITION

The refresh team will comprise at least a team leader / development specialist and a financial expert that have demonstrated experience in one or more of the following: international development good practice and standards; NGO finance and financial modelling; critical thinking, research and analytical skills; program management and change management. Sound knowledge of the Australian development program policies, the ANCP and the Australian NGO sector is essential. Knowledge of other donor NGO accreditation and funding practices, and some design experience is desirable.

The team leader / development specialist is responsible for ensuring the consistency and quality of all products and will:

- effectively lead a multi-disciplinary team and maintain team coherence
- lead regular meetings with DFAT to consult on content and process and update on progress

- process and analyse data in consultation with team members
- lead team discussions and reflections
- lead report preparation and the presentation of findings to DFAT
- lead updating of relevant ANCP operational documents e.g. Accreditation Manual
- perform other duties in the TOR and as directed by DFAT.

The financial expert is responsible for:

- financial data collection, analyses and modelling, and summary of findings and trends
- quality assurance of financial analyses and modelling
- contributing evidence and analyses to team discussions, report writing and key document updates.

DFAT’s NGO Program and Partnerships Section will support the refresh team.

GOVERNANCE AND CONSULTATION

The refresh will be overseen by the [Committee for Development Cooperation](#) in consultation with [ACFID’s Development Policy Committee](#). It will also draw on expertise from a small panel of DFAT subject matter experts and accreditation reviewers. Other stakeholders will be consulted as required throughout the process.

DFAT will also establish an internal working group comprising representatives across a range of relevant policy/program areas in the Department and a selection of accreditation assessors to oversee the implementation of the refresh process and quality-assure the deliverables.

EXPECTED DELIVERABLES

The refresh will deliver reforms to the accreditation system and the Funding Policy, as well as supportive financial modelling and a change management plan for staged implementation.

Deliverable	Indicative due date	Specifications	Inclusions
1. Draft Refresh Plan	3 weeks from commencement	5 pages plus annexes	The Refresh Plan will include: <ol style="list-style-type: none"> 1. Confirmation of key investigative questions 2. Proposed methodology including data collection approach, data needs and data analyses plan and process 3. Challenges / risks / limitations to the refresh process 4. Roles and responsibilities of team members 5. Stakeholder consultation plan 6. Schedule, including due dates for deliverables

2. Final Refresh Plan	5 weeks from commencement	As above	As above
3. Draft report and briefing to DFAT and other stakeholders on preliminary findings and proposed changes	13 weeks from commencement	20 pages plus annexes. Report template to be agreed with DFAT	<ol style="list-style-type: none"> 1. Report must include: <ol style="list-style-type: none"> a. Synthesis of data collection and analyses b. Stakeholder comments and a summary of them c. Preliminary findings against key questions d. Proposed changes to accreditation criteria, standards, processes etc addressing the key investigative questions e. Financial modelling to illustrate the impact on grant amounts of different scenarios exploring minimum grant amounts, RDE thresholds and multi-year funding including summary of findings and trends f. Proposed changes to the Funding Policy, including RDE or alternative, changes to funding calculations etc g. Risks and trade-offs 2. Proposed change management plan (to be considered within the existing ANCP funding cycle)
4. Final report, and briefing to DFAT and other stakeholders on final findings and proposed changes	17 weeks from commencement	As above	<ol style="list-style-type: none"> 1. Final report 2. Proposed refreshed Accreditation Manual 3. Final change management plan
5. Final documentation	21 weeks from commencement	Refreshed documents ready for publication on DFAT website	<p>Following endorsement by the CDC:</p> <ol style="list-style-type: none"> 1. Final refreshed Accreditation Manual 2. Final change management plan

INDICATIVE TIMELINE

Indicative timeline 2023	Phase / Activity
Early – Mid April	Initial briefings

Late April	Prepare Refresh Plan due
April, May and June	Data collection and analyses, report preparation
Early July	Draft report and briefing to DFAT, and other stakeholders as required, on proposed updates
Early August	Final report and proposed refreshed documentation
Late August	Finalisation of deliverables including updated Accreditation Manual

KEY DOCUMENTS

DFAT will make available to the refresh team information, documents and particulars relating to ANCP accreditation, the ANCP program cycle and application of the Funding Policy. These will include, but not be limited to the following documents. DFAT shall make available to the refresh team any other reasonable requests for information and documentation relating to the refresh.

- [ANCP overview](#)
- [2022 Evaluation of the ANCP](#)
- [ANCP Program Manual](#)
- [ANCP Accreditation Framework and Manual](#)
- [ANCP Funding policy and RDE notes](#)
- [RDE reports and grant allocations](#)
- ANCP Assurance Framework
- [ANCP Program Logic](#)
- [DFAT Due Diligence Framework](#)
- [DFAT Aid programming guide](#)

The refresh team is also expected to independently source other relevant material and literature.