

## **ACFID Submission on the Proposed ANCP Changes**

### **26 September 2008**

#### **Introduction**

The AusAID NGO Cooperation Program (ANCP) has been the main link between federal government and NGO development programs for over 30 years.

Throughout the life of the ANCP, it has been grounded on a single principle – that Government supports NGOs to implement their own development programs which directly and tangibly alleviate poverty in developing countries. The accreditation system underpinning the ANCP continues to have a high level of credibility and regard in both Government and the NGO sector.

Both the ANCP and the accreditation system were developed jointly with the development sector and were designed to raise the professionalism and effectiveness of program delivery. Today, even with some criticism of the accreditation process, the learning and change effected in agencies can be profound.

Over recent years, the ANCP has evolved to focus more on supporting the work of NGOs which demonstrate high professional standards while maintaining community support. ACFID welcomes the Labor Government's stated aim to improve the quality of its cooperation with the NGO sector as a means to enhance the effectiveness of the official aid program.

Recognising similar attributes over the last decade, many OECD donors sought to work more closely with their own NGO sectors, not least to identify ways to improve the effectiveness of their own program design and implementation.

Given that Australia has the closest proximity of all OECD countries to developing countries and that its NGOs have maintained effective partner relationships in these countries for many decades, the comparatively modest funding links between Government and the NGO sector have been an anomaly. Therefore, ACFID welcomes the government's aim to develop a partnership approach with the NGO sector, including through more substantial funding links. This reflects a better approach to partnership, given that ACFID's members raise \$750 million per year in donations, have 1.7 million regular donors and operate across 140 developing countries.

In relation to the quality of the emerging partnership, ACFID's contribution of the NGO Effectiveness Framework in 2004 is relevant. This Framework was well received by AusAID and it has been under continuous review and development. ACFID has supported sustained work since that time by AusAID to apply the Framework principles within the official program. We have also publicly commended the government on its first Annual Review of Development Effectiveness, which is a tangible sign of commitment to improvement in effectiveness and transparency. The ARDE process, if continued, is likely to increase public support for taxpayer-funded aid and development activity during a period of exceptional expenditure growth.

For its part, ACFID has continued its pro-active approach on development effectiveness. This has included commissioning research on measuring effectiveness, a major review of the ACFID Code of Conduct and as a member of the Global Facilitation Group of NGOs on development effectiveness. While there is considerable diversity across the Australian NGO sector, the distinctive sector attributes relevant to quality development work are:

- A demonstrated capacity to work with local communities in diverse settings to promote better governance and service delivery by official agencies;
- A well-established planning and evaluation approach related to the Millennium Development Goals;
- Adaptability and flexibility in deployment, including in emergency response situations;
- An ability to mobilise expertise across a wide range of functional areas;
- A capacity to work in locations where there are constraints on the official program.

ACFID and its 70 member agencies have greatly welcomed statements by Parliamentary Secretary Bob McMullan since 2007 about a partnership with the sector. This offers the prospect of much enhanced cooperation on policy, program design, evaluation, research and community awareness issues.

Recognising that the proposed changes to the ANCP are the most significant proposed changes for over 20 years, ACFID provides the following comments and recommendations to contribute to policy formulation. Given the historic nature of these proposed changes and the government's policy goal with the NGO sector, the following comments offer comment on key issues related to the specific issues in the AusAID Discussion Note of August 2008.

### **A Stronger and More Effective Partnership**

#### **Recommendation 1:**

**Enhance the institutional framework for collaboration with the NGO sector by empowering the Committee for Development Cooperation (CDC) to oversight all NGO funding programs.**

The proposed partnership approach to working with the NGO sector would enable policy makers to benefit from regular access to the considerable expertise within the NGO sector in program design. It would draw not only on funding program links, but also on substantive engagement by a wide range of agencies in AusAID's planning processes for country and thematic strategies.

Moreover, a partnership approach would lead to greater efficiencies in operationalising AusAID strategies that involve NGOs. Unnecessary administrative work by AusAID and NGOs would be rationalised and more suitable accountability processes are likely to evolve. ACFID believes that

such a change would generate major benefits in mutual learning on program design, development and evaluation by NGOs and AusAID.

A reinvigorated CDC is a prerequisite for the development of such a partnership approach.

In contrast to the first 20 years of the CDC, its mandate was steadily reduced after the AusAID review of the CDC in 2004/05. The CDC's functions were streamlined to oversee accreditation of NGOs and the management of the ANCP. Subsequently, the size of the CDC was reduced from six NGO representatives to three NGO representatives.

The diminution of the CDC's capacity over recent years impacted adversely on the collaborative governance basis for decision-making on accreditation and the ANCP. Also, the absence of a CDC mandate to oversight Cooperation Agreements since 2003 is considered by the NGO sector as a significant factor in the sub-optimal outcomes achieved from some of those agreements. At the same time, the partnership model used in the Periodic Funding Agreements has been successful.

Recent efforts to increase the capacity of AusAID's Community Partnership Section and funding ACFID's capacity to assist the CDC NGO representatives are welcome steps. However, further progress towards the Labor government's goal of much improved partnership with the NGO sector requires:

- Agreement about the mandate for the CDC to deal with the management of the ANCP and accreditation;
- Broadening of the CDC's oversight role of funding programs to take account of the range of AusAID NGO funding mechanisms and engagement
- A CDC with six expert NGO representatives rather than three.

On the issue of increased CDC numbers, the experience over the last three years is that, with the inevitable international travel demands on the senior managers who are chosen for CDC roles, it is difficult for the CDC to perform a substantive role without additional members. Given the Government's intention to reinvigorate the CDC, it would be equally important to ensure that appropriately senior AusAID staff members are regularly involved. This should regularly involve a Deputy Director General.

ACFID welcomes AusAID's recent commitment to provide modest consultancy assistance to selected agencies as they seek to apply for accreditation. This technical support is likely to be useful to a range of agencies. AusAID has also made a notable effort in 2008 to enhance its participation in informal dialogue mechanisms, such as consultation at regular ACFID forums and through many, but not all, country and thematic strategy consultations.

## **Opportunities to Improve the ANCP Funding Mechanisms**

### **Recommendation 2:**

**Revise administrative processes associated with the ANCP and accreditation and involve the CDC in a review of reporting requirements.**

ACFID welcomes the proposed introduction of a multi-year approach to funding within the ANCP. This approach can be expected to improve the current system in which the total funding available to ANCP in any one year is only known after the Federal budget is delivered. With the proposed change, each accredited agency within the ANCP will have three years of funding certainty, enabling NGOs to have a consistent presence in an area delivering a coherent program for at least a three-year period.

Multi-year funding enables accredited NGOs to streamline their own administration of projects, increasing the quality of planning and implementation and enhancing communication between agencies and their local partners and beneficiaries. In the current system, agencies provide an annual development plan (AD Plans).

A concern that has not been addressed by the proposed multi-year funding approach relates to the current pressure on agencies to spend funds within a given financial year. Such burden on agencies could be reduced by allowing agencies to carry surplus and deficit funds from the end of one financial year into the budget of the following financial year, including from Year 3 of the proposed ANCP three-year cycle into Year 4.

In relation to reporting requirements, ACFID urges that the focus be placed on information that is deemed necessary for public assurance about the effectiveness of the ANCP. ACFID also believes that there is considerable scope to streamline the basic application documents for accreditation.

It is recommended that the CDC should be involved in reviewing these requirements.

The proposed change to enable accredited agencies to use partial funding for development education, research and policy development is welcome, as is the concept of specific innovation funding incentives.

ACFID welcomes the intention in the proposed changes to direct additional funding towards innovative NGO practice via the NGO Innovations Fund. ACFID recommends that the optimal way to achieve this policy goal is to include the proposed Innovations Fund within the ANCP, undertaking a process of assessment of proposals for innovation based on specific country or thematic interests, entering into some form of periodic funding agreements within the AusAID Head Agreement.

ACFID welcomes the opportunity to discuss this matter further with AusAID to explore the most effective and efficient approach to achieve this policy objective.

## **New Opportunities for Non-accredited Australian NGOs**

### **Recommendation 3: Introduce separate funding mechanisms for engagement with non-accredited agencies.**

ACFID recognises the government's rationale for wishing to fund a range of domestically focused NGOs and community groups for relevant projects. It is supportive of such a scheme if one principle is met – only those agencies that meet elementary criteria based on ANCP accreditation principles should be eligible for funds. That set of criteria should receive CDC endorsement.

All support to these agencies should be consistent with AusAID's development and poverty alleviation objectives, particularly as these are linked to Country Strategies and thematic areas. In addition, where possible, non-accredited agencies should become signatories to the ACFID Code of Conduct.

For the reputation and credibility of both the official and NGO programs, any applicant for such funding should meet those criteria, especially where they propose to operate activities offshore. In this way, they would not inadvertently undermine the core development principles shared between government and the NGO sector.

It is also recommended that a separate program be introduced for community engagement, outreach and education activities by NGOs.

## **Strategic Partnership Agreements**

### **Recommendation 4: Implement a Strategic Partnership Agreement mechanism in addition to and separate from the ANCP.**

ACFID strongly welcomes the proposed Strategic Partnership Agreements (SPA) as a potentially significant way to improve the partnership with the NGO sector in the context of a commitment to expand the funding relationship with the NGO sector. We believe that SPAs would enhance the exchange of program and policy information and thereby benefit AusAID program development and design, the work of SPA-holding agencies. They could also generate increased sharing of knowledge and lessons across the development sector. In order to promote such sharing of knowledge, it is recommended that a regular dialogue on this issue be included in AusAID's communications with ACFID's Development Practices Committee.

ACFID notes that SPAs are proposed to be with eligible NGOs where it is possible to negotiate agreed *mutual* objectives and define expected *mutual* benefits. Recognising the potential value of such a "mutual objectives" mechanism, ACFID strongly recommends that it be implemented as a separate program to the ANCP.

Given that the ANCP and SPAs are based on fundamentally different objectives and operating principles, it is appropriate that they be implemented. This would allow for clearer program definition and provide a solid footing for

program continuity of each program over time. It would also avoid compromising the integrity of the ANCP at an early stage.

Once AusAID is able to put appropriate transitional arrangements into effect, ACFID recommends that SPA holders should not have access to the ANCP funding pool. Reflecting the Government's intention to inject additional funding through the SPA mechanism, it is also recommended that current ANCP funding levels be maintained after this transition and that an interim review of the SPA mechanism at the second year point in the program.

### *Eligibility criteria*

ACFID endorses the approach to the qualitative eligibility criteria proposed in AusAID's Discussion Note of August 2008. It also respects AusAID's administrative constraints in relation to the likely number of SPAs which could be managed in the initial years of the program.

There is a strong view among many accredited agencies that the proposed RDE criterion is too blunt an instrument to appropriately determine the first stage of implementation of the SPA program. For such a significant new AusAID program with the sector, ACFID believes that it is necessary to define the specific policy parameters for such funding allocations more precisely in relation to government policy and program priorities. The proposed RDE criterion automatically excludes from SPA consideration the exceptional international network capacity of a range of accredited agencies and the specialist skills that would be relevant for the development of an effective SPA mechanism.

Instead of using the blunt RDE instrument, ACFID recommends that the existing qualitative criteria be supplemented by a criterion referring to alignment with current AusAID thematic and country program priorities, as well as to specific functional areas which AusAID may need to prioritise from time to time. This would be more consistent with the practice in other federal funding programs, where departmental program priorities are articulated as a basis for funding allocations.

ACFID urges that a proposed timetable for implementation of the SPA program be made available to the sector at the earliest opportunity, as well as a proposed timetable for expanding access to the SPA program after the first year.

### **Enhance the Cooperation Agreements**

#### **Recommendation 5:**

**Use the current ANCP change process and an enhanced CDC role to enhance the Cooperation Agreement model.**

Cooperation Agreements and the Church Partnership Programs are valued mechanisms by the NGO sector. They provide the impetus to enable Country/Sector Programs to partner with NGOs to deliver objectives of AusAID's Country/Sector strategy. When effective, they have provided a program-specific focus and helped to facilitate NGO collaboration that drives learning among NGOs and produces better development outcomes.

ACFID understands that a separate review of Cooperation Agreements is to be undertaken by AusAID in coming months and is ready to contribute to that process. In preparation for this review, notes that there is scope for enhancement of Cooperation Agreement processes. While some agreements have been implemented quite well, the overall experience with this model has not reflected its policy aspirations in terms of partnering with NGOs, including for strategic engagement at both a program and policy level.

Given the importance of Cooperation Agreements within the suite of AusAID funding mechanisms, ACFID recommends that the Cooperation Agreement review process focus on:

- Ways to align expectations on project outcomes; and
- How NGOs can contribute to projects in Australia and in country
- How the CDC could provide useful oversight.

### **Consistent approach to evaluating AusAID NGO programs**

#### **Recommendation 6:**

**Adapt reporting requirements of ANCP and Cooperation Agreements to capture NGO outcomes in the Annual Review of Development Effectiveness (ARDE).**

ACFID regards the ARDE process as a key reporting process for AusAID and one that is likely to build up public confidence in the program over time. ACFID commends AusAID on implementing a systematic approach to its internal program performance evaluation to complement the ARDE.

To date, the ARDE has been unable to report on NGO programs because the current documentation and cluster evaluations do not provide appropriate information on the effectiveness of agencies' work. Currently ANCP reporting only measures the capacity of agencies to manage and implement development activities. It does not measure quality or effectiveness of performance outcomes in the field.

ACFID supports the move towards a focus on outputs and measuring effectiveness and believes that the dialogue framework between AusAID and ACFID's Development Practice Committee provides an important mechanism for joint effort in this area over coming years. This would include about how development effectiveness could be included in the annual NGO reporting for ANCP.