

# Development Cooperation Manual



For inquiries about the Development  
Cooperation Manual please contact Norad,  
Department for Quality Assurance  
Telephone + 47 22 24 20 30  
post-amor@norad.no

Published by Norad on behalf of  
The Norwegian Ministry of Foreign Affairs

Cover photo: Sørvis  
Design: Agendum See Design  
Print: RK Grafisk

May 2005  
ISBN 82 7548 156 2

# Content

## Introduction

Purpose and Use of the Manual	2
Development Cooperation Policy	3
Mandatory Procedures, Delegation of Authority and Documentation	4
The Programme Cycle and Division of Responsibilities	6

## 1. Preparatory Phase 9

1.1 Platform for Dialogue	9
1.2 Programme Document(s)	11
1.3 Appraisal	12
1.4 Appropriation Document	16
1.5 Agreement/Contract	19

## 2. Follow-up Phase 21

2.1 Progress, Financial and Audit Reports	22
2.2 Work plans and Budgets	25
2.3 Disbursements	26
2.4 Annual/Monitoring Meeting(s)	29
2.5 Field Visits	31
2.6 Reviews and Evaluations	32

## 3. Completion Phase 37

3.1 Final Report	37
3.2 Completion Document	37

## Annexes

Annex I Risk Management and Sustainability Elements	41
Annex II Results on programme level	44
Annex III Quality Assurance Concepts	46
Annex IV Abbreviations and Central Concepts	47

## Purpose and Use of the Manual

The Ministry of Foreign Affairs' Development Cooperation Manual (DCM) is a quality assurance tool and describes key principles, procedures and standard working methods in different phases of a programme cycle. The programme cycle refers to the life cycle of a programme, from the initial planning to implementation and completion. The purpose of the DCM is to make the Norwegian support a more efficient contribution to our Development Partners' (hereafter termed Partner(s)) efforts to achieve development results.

The DCM is primarily developed for staff at Embassies with delegated responsibility for development cooperation, and MFA/Norad staff who deals with the budget chapter referred to below. The DCM may also provide useful information to Partners and other donors on Norwegian requirements and conditions for financial and technical support.

This DCM applies to the area "03.10 Bilateral Development Co-operation" in the Government's annual Proposition No. 1 (Country Frames and Regional Allocations), but may also be used when relevant for programmes funded under other budget chapters. This DCM replaces Norad's Development Co-operation Manual, version October 27, 2003. Keep in mind that separate Guidelines for Norway's provision of budget support for developing countries has been developed (approved August 15, 2004) and supplements the DCM. Note that the concept "programme" is used throughout the DCM and refers to both projects and programmes.

The DCM provides an overview of the general framework for the bilateral cooperation and guidelines for the management in the phases of the Programme Cycle. The electronic version of the DCM is available at [www.norad.no/dcm](http://www.norad.no/dcm)

The Agreement Manual complements the DCM.

No quality assurance system can guarantee that all decisions are good decisions--this is up to the skills of the decision makers. Good work is done by good assessments, not manuals. But good quality assurance systems can contribute to ensure better results and reduce the risk of overseeing potential problems and possibilities

## Development Cooperation Policy

The White Paper No. 35 (2003-2004), *Fighting Poverty Together*, and the Parliament's Report (Innst.S.nr.93 2004-2005) as well as the Government's annual Proposition No. 1, describe the overall Norwegian development policy. In addition a number of thematic strategies have been developed.

Implementation of Norwegian development policy shall contribute to the strengthening of national ownership to the development process and to enhanced accountability through:

- ensuring stronger focus on results in development cooperation
- aligning Norwegian support with Partner priorities as expressed in poverty reduction strategies and other relevant national planning documents, and as far as possible, align with the Partner systems and procedures for planning, implementation and monitoring
- contribution to strengthening of Partner capacity to plan, implement and monitor programmes and to report on results
- advocating and systematically seeking to channel funds through various forms of joint financing arrangements and exploring possibilities for delegated cooperation
- contribution to harmonisation of donor requirements and activities with the view of reducing the transaction costs of the Partner, including undertaking appraisals and reviews in collaboration with others whenever possible

### Policy Documents, Regulations and Handbooks

The development cooperation budget is described in the Government's Proposition No. 1, and approved through the Parliament's approval of the fiscal budget.

The MFA allocates funds to the Embassies through the approval of the Embassies' Annual Performance Report and Plan (Virksomhetsplanen) and to Norad through Allocation Letters, once the fiscal budget is approved.

Funds must be administrated in accordance with Norwegian laws and regulations. The most relevant are:

- The Administration Act (Forvaltningsloven),
- The Budgetary Regulations (Bevilgningsreglementet)
- The Norwegian Financial Management Regulations (Økonomiregelverket)  
– New 2004

The Embassies must also comply with the requirements in "Utenriksinstruksen" and the MFA's "Hovedinstruks for økonomiforvaltning". The DCM, as well as, the Agreement Manual, are based on the above documents.

Guiding tools for harmonisation and alignment are: Rome Declaration (HLF 1), Harmonising Donor Practises for Effective Aid Delivery, (DAC Guidelines and References Series 2003) and Paris Declaration (HLF 2).

In addition, the DCM refers to the Manual for Statistical Classification of ODA Activities, the PTA Guide and other guidelines/handbooks related to cross-current issues and sustainability elements (e.g financial assessment, environmental impact assessment and gender). These documents are supportive tools that should be used by the Embassies/MFA/Norad throughout the programme cycle.

## Mandatory Procedures, Delegation of Authority and Documentation

The Embassy is responsible for adequate quality assurance of the Norwegian contribution, regardless of the financial size of the Norwegian support, and to ensure that relevant cross-cutting issues are taken into account. The scope and scale of the assessments to be made must be adjusted to the size and complexity of the contribution, and are further described in the DCM.

### Mandatory Procedures in the Programme Cycle

Procedure	Up to NOK 15 mill.	NOK 15 mill. - up to 50 mill.	NOK 50 mill. or more
Platform for dialogue	not mandatory	mandatory	mandatory
Appraisal	not mandatory (incorporated directly in AD)	mandatory (limited depth of analysis)	mandatory (full scale)
Appropriation Document	mandatory (limited assessments)	mandatory	mandatory
Agreement/ Contract	mandatory	mandatory	mandatory
Mid-term and End review	not mandatory	not mandatory	mandatory
Completion document	mandatory	mandatory	mandatory
Technical advice from Norad	not mandatory	mandatory	mandatory

The mandatory procedures refer to the *total* contribution from Norway to the programme. Thus, if support is given to a subsequent phase of a programme, the mandatory procedures for the total amount must be followed. However, this does not apply when limited additional support is given e.g. to ensure a successful completion of a programme.

*Technical advice from Norad* is required on all interventions with a planned contribution of *NOK 15 mill.* or more, however the Embassy may seek technical and quality assurance advice from Norad regardless of the financial frame of the contribution. Consultations with Norad in the decision-making process shall be documented and reflected in the Appropriation Document. The Embassy may require assistance from Norad at any stage in the programme cycle.

*Legal advice* from Norad is required before signing any Agreement. The Embassy is responsible for the content of the Agreement. Procedures for authorisation to sign Agreements will be clarified separately.

In co-financing arrangements, the Embassy must harmonise formats for appraisal, monitoring meetings and reviews. The formats in the DCM may then be used as checklists for ensuring sufficient information for Norwegian decision-making. If the appraisals, monitoring meetings and reviews have been prepared or conducted by other donors, the Embassy still has the responsibility to assess and document its own assessments.

#### Documentation and the PTA

The programme officer has the responsibility to make sure that the archives are correct and that all documents believed to have value for a programme are registered and filed. Notes to file can and should be used when deemed necessary.

*The assessments of received documentation must be documented in writing.*

The PTA system has been designed for the MFA/Embassy/Norad as a tool for planning and managing development cooperation. Statistical information in the PTA system is reported to OECD/DAC as Norway's official statistics on development cooperation.

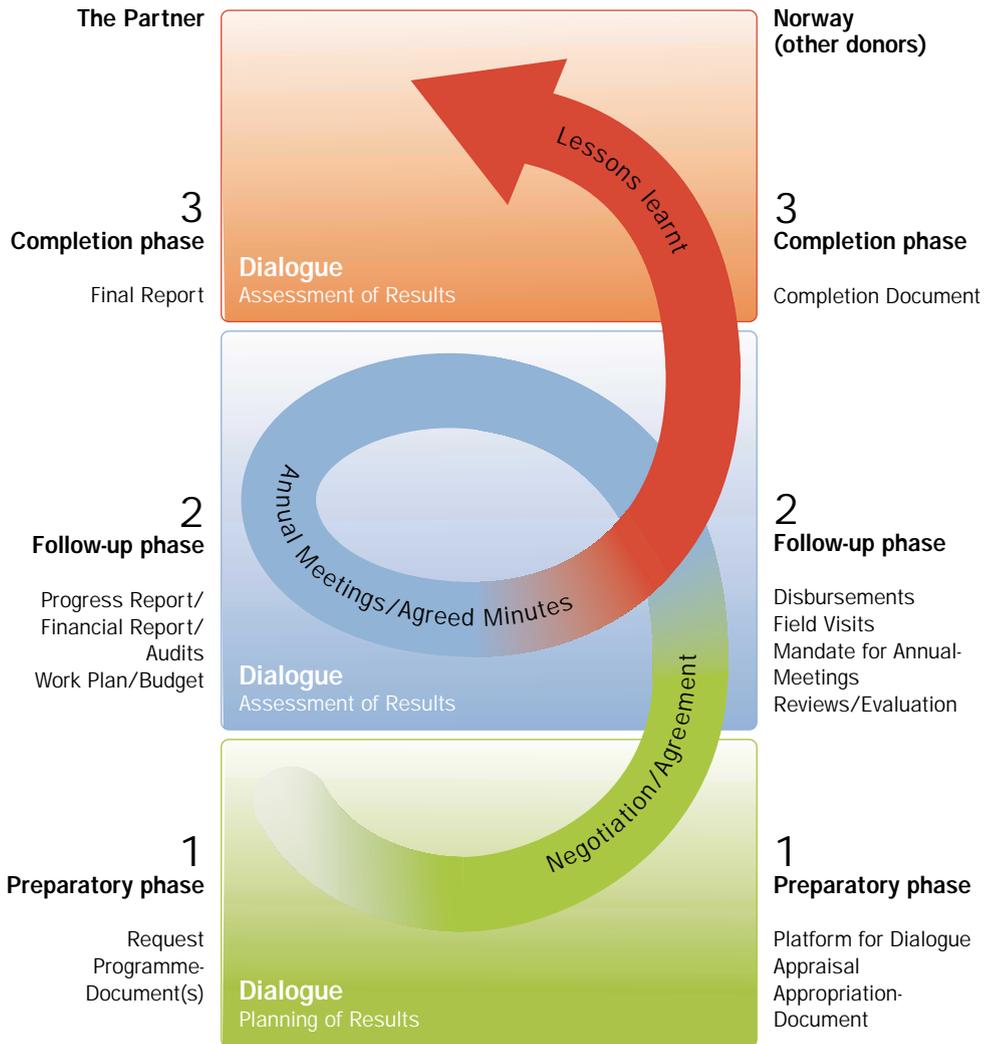
It is mandatory to use the PTA for all development assistance covered by the DCM, including:

- Preliminary registration in the PTA (incl. statistics) once the Embassy plans to support a programme.
- All obligations agreed upon must be planned in the PTA, once the Agreement is signed.
- Planned disbursements must be registered in the PTA according to the budget, and updated prior to annual meetings, reallocations and the Annual Performance Report and Plan (virksomhetsplanarbeidet).
- All disbursements must be generated through the PTA

## **The Programme Cycle and Division of Responsibility**

New forms of development cooperation, i.e. participation in sector programme approaches, national reform programmes, budget support arrangements, co-financing arrangements, etc., imply new forms of partnerships and a magnitude of aid modalities.

National ownership means that policy-making, planning, implementation, monitoring and reporting are the overall responsibility of the Partner. However, planning, implementation and monitoring take place in close dialogue with donors. In this dialogue the Partner and donors have different roles and responsibilities.



1



# 1. Preparatory Phase

A Request for Norwegian contribution does not have to be presented in a specific format, but must be presented through the authority or the mechanisms agreed upon between Norway and the Partner. The Request is normally followed by a draft programme document, (ref. 1.2).

## 1.1 Platform for Dialogue

### Key documents

Partner's request/  
Partner's development  
strategies and plans,  
Programme Document

Memorandum of  
Understanding/ Country  
Development Cooperation  
Guidelines

Agreed Minutes from  
annual consultations/  
CG-meetings

Manual for Statistical  
Classification of  
ODA Activities

The purpose of the Platform for Dialogue (PFD) is to clarify important issues in the dialogue with the Partner and other potential donors regarding support to a programme. It shall:

- give a preliminary assessment of the programme's coherence with the Partner's national development plans and priorities (i.e. PRSP) and Norway's development cooperation policy and country specific priorities (the MoU)
- identify the need for clarification and information in the programme document, focusing on the most important sustainability elements and key risk factors for that particular programme
- clarify donor cooperation and division of responsibilities in the planning phase, e.g. common appraisal

A preliminary estimate must be made of the total cost of the programme including possible contributions from other donors. The tentative annual Norwegian contribution to the programme must be entered in the PTA.

It is mandatory to prepare a PFD for financial contributions above NOK 15 mill. For contributions below NOK 15 mill. the Embassy is nevertheless responsible for making assessments of important issues related to the contribution and document this in writing.

If the request is obviously not in line with agreed principles for Norwegian development cooperation with the Partner country, the Embassy may reject the request without formulating a PFD.

### Keep in mind

- The main purpose of the Platform for Dialogue is to identify important issues to be addressed in the dialogue regarding possible support and clarify donor cooperation in the preparatory phase
- Preliminary registration in the PTA, including statistics
- Separate guidelines for preparation of provision of Budget support (15 August, 2004)

## Platform for Dialogue – Format

The document should normally not exceed three pages

### 1 Background

- The Request and its background
- Experience of previous support, also by other donors, with reference to key documents

### 2 Short Programme Description

- Tentative goal and purpose of the programme
- Monitoring system
- Tentative financial plan for the programme

### 3 Assessments

- Coherence with Partner’s development plans and policies, Norwegian policy, MoU
- Harmonisation and donor cooperation, Norway’s role and added value of Norwegian contribution
- Availability of funds
- Preliminary identification of sustainability/risk factors (see Annex I)

#### Type of information needed

Policy/Framework Conditions (incl. corruption)

- No additional info needed    Limited/full study\*

*Comments:*

Socio-cultural and Gender (incl. HIV/AIDS if applicable)

- No additional info needed    Limited/full study\*

*Comments:*

Economic and Financial

- No additional info needed    Limited/full study\*

*Comments:*

Institutional and Organisational

- No additional info needed    Limited/full study\*

*Comments:*

Environmental

- No additional info needed    Limited/full study\*

*Comments:*

Technical/Technological

- No additional info needed    Limited/full study\*

*Comments:*

\* defined in dialogue with Partner

### 4 Recommendations

Further requirements for information/analysis of risk factors

Donor coordination and division of responsibility in the preparatory phase

Time schedule of the preparatory phase



Click here to see format 1 in Word

## 1.2 Programme Document(s)

The Programme Document(s) (PD) is the Partner's strategy, plan or programme to be considered for support. The PD constitutes the formal basis for the appraisal.

### **Procedures and responsibilities**

The preparation of the PD is the responsibility of the Partner. This includes making relevant baseline and feasibility studies, impact assessments and risk assessments in accordance with its own national rules and regulations, if such exists. It is not required that the PD be presented in a specific format, and the PD can be more than one document.

A relevant PD is necessary for all programmes, but the information needs will vary with the significance and complexity. The following chapter about the appraisal clarifies the Norwegian priority needs for information. In the dialogue with the partners, at an early stage the Embassy should discuss the priority needs regarding information to be contained in PD and needed in the appraisal phase. The Embassy may, if necessary, provide financial and/or technical assistance during the planning process (including workshops or specific studies). The Partner is nevertheless responsible for the planning process and has to approve and sign the necessary Terms of Reference and contracts with consultants that participate during the planning.

If the information presented by the Partner is considered insufficient, the Embassy may undertake the required analysis as part of the appraisal. When the appraisal phase shows a need for more information, the PD should be updated (if the Partner's national planning procedures make it possible). The update should include all significant changes and especially changes in goals, purposes, planned outputs and inputs.

## 1.3 Appraisal

The appraisal is a quality control of the programme proposal that assesses the relevance, feasibility and potential risks and sustainability of a development programme prior to a decision of funding. The purpose is to check if the information in the PD is sufficient and reliable, identify the additional information needed, and give advice on potential improvements that will contribute to good programme design. If the PD gives the information required, the appropriation document can be made. If not, dialogue is necessary with the Partner, or the Embassy may reject the proposed programme.

### **Procedures and responsibilities**

It is mandatory to perform an appraisal of a proposal before the appropriation is made. The scope of the appraisal will vary and depend on the size and complexity of the programme and whether there may be co-financing with other donors. Assistance from Norad may be required and is mandatory for all programmes with a planned Norwegian contribution of *NOK 15 mill. or more*.

The appraisal may be carried out by the internal staff, external consultants, by a cooperating donor or a combination, including an appointed appraisal team. If the programme is a co-financing arrangement, the appraisal would normally be done as a joint appraisal or delegated to a lead donor. In this case, the Norwegian procedures and requirements should be harmonised with regulations of other donors. Consultants or others who have been assisting the Partner in writing the PD must not be involved in carrying out the appraisal.

Appraisals shall be governed by a specific Terms of Reference (ToR), normally approved by the Embassy. If the organising task is delegated to a lead-donor, the Embassy's approval is not mandatory, but the Embassy should have the ToR-proposal for comments. If the appraisal is carried out prior to Norwegian involvement, the Embassy's assessment of the appraisal shall be documented.

All appraisal reports shall contain a summary of the main findings and give specific recommendations regarding key issues for further dialogue or possible rejection of the proposal.

### **The scaled approach**

When Norway is the sole donor, a full-scale appraisal should be carried out according to the following format if the programme has a total Norwegian contribution of NOK 50 mill. or more. In strategic or sensitive cases the Embassy may decide to carry out a full appraisal, regardless the size of the contribution, and Norad may also advise so.

For programmes with a Norwegian contribution of NOK 15 and up to 50 mill, the appraisal can be less extensive. The appraisal report should cover the priority concerns in the following format, but the depth of the analysis should be limited to producing information that is significant for decisions.

For programmes with a Norwegian contribution of less than NOK 15 mill., the appraisal may be incorporated directly in the appropriation document. The enclosed format for ToR for appraisal shall be used as a checklist of potential important issues that should be assessed.

#### **Key documents**

Partner's draft PD

Platform for Dialogue

Country development strategies and guidelines

Relevant handbooks on sustainability elements and risk analysis

#### **Keep in mind**

- The Embassy should ensure that the appraisal report complies with the ToR.
- The Embassy shall assess the quality of the appraisal and make their own assessments of the conclusions and recommendations.
- The dialogue with the Partner and other donors following the appraisal shall be documented.
- The Embassy's assessments shall be reflected in the Appropriation Document.
- For contributions to existing programmes, assessment of "lessons learned" from previous phases in addition to reassessments of risks/sustainability is particularly important.

## Terms of Reference (ToR) for Appraisal – Format

Please refer to the scaled approach with regard to the use of the format, see previous page

### 1 Background

Brief description of the programme in question with reference to the relevant documents

### 2 Purpose

Description of the main purpose of the appraisal

### 3 Scope of work/priority issues

#### 3.1 Assessment of the Partners' planning process

- The quality of the underlying analysis and planning process of the programme, including participation of relevant stakeholders in the process
- The relevance of the programme with regards to the problems that the programme should solve and the interests of the involved stakeholders
- The use of lessons learned from earlier experience with similar programmes and/or the best available knowledge
- Other planned or on-going programmes that may influence the implementation or the effects of the planned programme

#### 3.2 Assessment of the programme design

- The quality of the design elements, (goal, purpose, outputs, inputs), e.g. consistency and realism
- The quality of the Indicators and Means of Verification (data sets) identified at all levels of the design elements. Are the indicators sufficient to give valid and reliable information on outcome and impact
- The quality, simplicity and user friendliness of the recipient's monitoring system for the programme
- Are relevant and reliable baseline data available
- Are relevant risk factors identified, analysed and are mitigating actions integrated in the programme design

### *3.3 Assessment of sustainability and risks (See Annex I)*

- Policy and framework conditions (incl. corruption)
- Socio-cultural and gender aspects (incl. HIV/AIDS)
- Economic and financial aspects
- Institutional and organisational aspects
- Environmental aspects
- Technical/technological aspects
- Any other significant risks that may prevent achievements of results

### **4 Assessment of donor coordination in co-financing programmes**

- Roles and responsibilities: donors and Partner
- Alignment with Partner's systems and procedures
- Efficiency of framework for cooperation

### **5 Implementation of the appraisal**

- Source of information and methodology to be applied
- Team composition and leadership
- Timetable for preparation, field work and finalisation of report
- Budget

### **6 Reporting**

- The need for an introductory summary with main conclusions and recommendations
- Report in electronic form and/or paper, language



[Click here to see format 2 in Word](#)

## 1.4 Appropriation Document

If the Embassy decides to support a programme, an Appropriation Document (AD) shall be prepared. The purpose of the AD is to provide necessary information for decision making and document the process of quality assurance in the preparatory phase.

### **Procedures and responsibilities**

The AD shall reflect the Embassy's assessment of the programme. Risk and results shall be given special attention. The AD must also describe the agreed-upon reporting requirements and the Embassy's follow-up. Chapter two of the DCM, further describes the reporting and follow-up requirements to be assessed and decided in the AD.

By approving the AD, the Embassy decides on the contribution, as well as the structure of the co-operation and conditions for support. The AD shall form the basis for Agreement(s) with the Partner/other donors. All formal aspects of the co-operation must be covered (contributions of the parties, roles and responsibilities during implementation, administration, monitoring mechanisms, disbursement and procurement procedures). If the follow up in a co-financing arrangement is delegated to a lead donor, an assessment of the lead donor's ability to follow up must be made in the AD. A draft Agreement, including an Agreed Programme Summary (Annex I to the Agreements), shall be attached to the AD. The Agreed Programme Summary is not required if not relevant, e.g. sector budget support/co-financing arrangements. A person with appropriation authority must approve the AD. Approval of the AD must be recorded in the PTA.

Co-financing arrangements are often governed by a Joint Financing Arrangement (JFA). The contribution from each donor may be specified in the JFA, but is more often governed by bilateral Agreements with the Partner. If the JFA establishes procedures and responsibilities normally covered in the bilateral Agreements, a documented assessment of the procedures and responsibilities in question shall be made before signing the JFA. This is normally done in the AD. If the JFA is signed prior to the AD, the assessments shall be approved separately.

Technical advice from Norad and/or external consultants in appraising the programme should be documented in the AD. The Embassy may request assistance from Norad, whenever necessary in the preparation of the AD, and is recommended to seek advice from the Legal Unit when preparing the AD and drafting the Agreement.

**Key documents**

Partner's request and Platform for Dialogue (if applicable)

Programme Document(s), Appraisal Report, Agreement Manual

Manual for Statistical Classification of ODA Activities

**Keep in mind**

- The AD is the Embassy's document with the formal approval of appropriation of funds and conditions for support.
- The agreement shall be based on the AD and all formal aspects of the co-operation must be covered by the AD. Draft an agreement parallel to the AD.
- The description of the goal hierarchy (goal, purpose, output, input) in the AD and Agreed Programme Summary (Annex I) to the draft Agreement must be identical to the PD.
- If the Norwegian contribution to the programme is below NOK 15 mill., the appraisal may be incorporated in the AD.

## Appropriation Document – Format

The document should normally not exceed five pages.

### 1 Administration

- Number and name of the programme and agreement
- Update codes for statistics and DAC sector
- Responsible Embassy/Department
- Agreement Partner(s) and Implementing Institution(s)
- Norwegian and/or other cooperating institution(s)
- Donor cooperation
- Type of Agreement/Joint Financing Arrangement (JFA)
- Reference to earlier decisions, including follow up of recommendations in the PfD and appraisal report
- Budget chapter, total contribution and tentative annual breakdown (in NOK)
- Recommendation on support
- Approving authority, date of approval

### 2 Description of the Programme

- Request and background for request
- Previous support and achievements, including the Partner's compliance with agreed obligations
- Brief description of the programme, including goal hierarchy and target groups
- Financial plan and overall budget

### 3 Assessment

- The Embassy's assessment of the main conclusions and recommendations in the appraisal report, with a focus on risk factors and follow-up mechanisms, including anti-corruption measures.
- If the Norwegian contribution to the programme is below NOK 15 mill. the appraisal may be incorporated in the AD. Use the Appraisal ToR format as a checklist.
- Assessments and advice from Norad/external institutions

### 4 Responsibilities and procedures

- Partner's implementing procedures, control and procurement systems
- Specification of disbursement reporting, and auditing requirements
- Procedures for annual meetings, reviews and evaluations

### Enclosures

Draft Agreement with a Draft Agreed Programme Summary



[Click here to see format 3 in Word](#)

## 1.5 Agreement/Contract

The Agreement/Contract defines the responsibilities and obligations of the Partner, Norway and other donors. It provides the tools for monitoring and follow-up. Hence, it is the authoritative document by which the parties have to abide during the Programme cycle.

### Procedures and responsibilities

The term "Agreement" as used in the DCM and the Agreement Manual refers to an agreement between the Norwegian government, the MFA or the Embassy on the one side, and a Partner country, a multilateral organisation or other donors on the other side. The term "Contract" is used to cover all other types of agreements, such as contracts with NGOs and between institutions, as well as commercial contracts on procurement. Standard Agreement and Contract templates with guidelines are presented in the Agreement Manual.

#### Key documents

Agreement Manual

Appropriation Document

Appraisal Report

Programme Document

The draft Agreement, including the Agreed Programme Summary (Annex I, see suggested format in the programme Agreement template in the Agreement Manual), is prepared by the Embassy in consultation with the Partner and other donors. The relevant requirements of the AD shall be incorporated in the draft agreement.

A draft Agreement shall be forwarded to the Legal unit in Norad for review before signing. Procedures for authorisation to sign Agreements will be decided separately. After signing original Agreements shall be returned to the Legal Unit. For further reading on these procedures, check with the Agreement Manual.

#### Keep in mind

- Coherence between the requirements in the AD and the Agreement.
- The goal hierarchy in the Agreement, including the Agreed Programme Summary (Annex I), must be identical with the AD.
- The Agreement is an instrument for follow-up.
- The requirements in the Agreement shall be realistic.
- Update the PTA when the Agreement is signed.

2



## 2. Follow-up Phase

The Partner has the overall responsibility for the implementation of the programme, and for reporting on progress and results. The Embassy shall be an active partner and – in close dialogue with the Partner and other donors – follow up to ensure that the programme delivers results according to defined objectives, that funds are used as intended and that other obligations stated or referred to in the Agreement are complied with. Results information should be used for learning and decision making, as well as for reporting and communication.

Diverse and uncoordinated donor requirements with regard to reporting and auditing impose high transaction costs on Partners. Alignment with the Partners' systems and procedures and harmonisation between the donors is of vital importance in order to reduce the administrative burden on the Partner. The Embassy should work with the Partners to keep the reporting system as simple, cost-effective and user-friendly as possible.

In co-financed programmes the Embassy will still be responsible for follow-up, but the follow up may be coordinated by a "lead donor". The follow up may also be delegated to one of the donors, while the other donors are "silent partners". In such cases, the roles and responsibilities of the donor e.g. need for information, participation in annual meetings, etc., must be formally agreed among the donors.

The Embassy shall always make a written assessment of the documentation received in the follow-up phase. Norad may be able to assist in the assessment of the documentation. Response to a report must always be forwarded to the Partner in a separate letter, and/or when appropriate, at the Annual Meeting or equivalent monitoring meetings. Fulfilment of reporting obligations, and the updating of disbursement plans, should be promptly recorded in the PTA.

### **Reaction responsibility:**

If the Partner fails to comply with the conditions in the Agreement, e.g. delayed or unsatisfactory reporting or financial statements, the Embassy must issue a reminder and look into the matter in dialogue with the Partner/other donors. The Embassy must assess the Partner's compliance with the Agreement before each disbursement is made. Reference is made to the Agreement Manual for further reading on sanctions.

## 2.1 Progress, Financial and Audit Reports

### Progress Reports

The progress report is the Partner's description of outputs compared to work plans. Reporting on outcome and impact normally requires data from a more thorough review or evaluation. The format of the progress reports should be based on the format used by the Partner in its normal reporting procedures. However, the report must contain the information needed by the Embassy in order to fulfil the obligations as managers of the Norwegian Development Cooperation. The information should normally cover the entire programme and not merely Norway's contribution.

*Progress Reports* should normally include the following information:

- A description of actual outputs compared to planned outputs (normally defined in annual work plans)
- A brief summary of the use of funds compared to budget
- Efficiency of the programme
- An explanation of major deviations from the plan
- Assessment of problems and risks e.g. identified in the appraisal phase (internal or external to the Programme) that may affect the success of the programme
- An assessment of the need for adjustments to activity plans and/or inputs and outputs, including actions for risk mitigation

If feasible, the Partner may be asked to give a brief assessment of achievements in relation to purpose.

### Financial Reports

The purpose of assessing the financial reports and audits (see definitions in Annex IV) is to ascertain whether funds are properly managed financially, are properly accounted for and are used for intended activities and with adequate efficiency. Disbursements will often depend on received and approved reports, financial statements and audit reports.

Financial statements should be prepared in accordance with an acceptable financial reporting framework, either on a cash or accrual basis.

The Embassy has the responsibility to assess or obtain information about the adequacy of the financial reporting framework(s) in the Partner country. For comparison between the budget and financial statements it is important that the financial statements are structured in a similar manner as the budget.

The following financial statements are normally requested:

- Financial statement showing incoming/use of funds for the previous period compared to budget
- If relevant, accumulated figures since the inception of the programme

In addition, related to disbursements, the Agreement normally require:

- Updated Statement of Accounts to verify the need for further disbursement (Statement of bank balance)

The scope of the financial statements shall be consistent with other reports and cover the entire programme, not only the Norwegian contribution.

### **Audit Reports**

The Audit is used as a monitoring tool by which the reliability of financial statement and compliance with the applicable financial reporting framework is assessed. The mere obligation to carry out an audit may itself deter corruption.

#### **Key Documents**

Agreement

Programme Document

Harmonising Donor Practices for Effective Aid Delivery (OECD 2003) Chapter 5 on Financial Reporting and Auditing which is available at [www.oecd.org/dac](http://www.oecd.org/dac)

Norwegian Financial Management Regulations

As a general rule audits shall be carried out for all programmes that receive Norwegian funds. Normally the annual financial statement (or equivalent report) of the programme shall be audited. In addition, other special purpose audits may be agreed upon, e.g. particular items in a financial statement or compliance with relevant contractual obligations.

The audit shall be carried out in accordance with international auditing standards or national auditing standards, provided that they are, in all material respects, consistent with international standards. UN organisations apply their own auditing standards which we generally accept.

The agreement/contract with the Partner must regulate the auditing requirements, which should be aligned with the Partner's systems and other donors' requirements. The Embassy must obtain basic knowledge of the national audit standards and auditors.

In addition to the auditing requirements, and in conformity with the Norwegian budgetary regulations, the Agreement/Contract must contain a reservation to permit Norwegian authorities to examine that the funds are used as intended.

The audit should cover the total programme, and not only the contribution from Norway.

With regard to *audits of financial statements* the auditor shall be asked to submit an audit report according to governmental or other stated audit standards concerning:

An opinion on:

- whether the financial statements audited present fairly, in all material respects, the incoming and use of funds (or income and expenditure) and the cash-position (or financial position) of the programme

And to report on:

- whether the audit has uncovered any material weaknesses in relevant internal control(s) and deficient accounting, records, systems and documentation from the programme
- whether the audit has uncovered any illegal and corrupt practices

With regard to *special purpose audits* the auditor should in addition also be asked to give an opinion on compliance with relevant contractual terms i.e. that:

- receipt and use of funds are properly accounted for
- the counter funds have been made available according to budget (if applicable)
- funds have been used exclusively to cover programme expenditures
- appropriate internal control(s) to counteract illegal and corrupt practices have been established and complied with

If the Auditor identifies irregularities, the Partner shall comment upon the findings in the cover letter to the Embassy.

Government programmes shall either be audited by the Partner country's Auditor General, or any other governmental auditing body that normally audits the financial statements of the implementing ministry/agency. If the Auditor General or the auditing body lacks the capacity or competence to perform the audit, a recognised auditing firm engaged by the Auditor General, should be used.

Programmes with NGOs or other private sector partners should be audited by a recognized professional accountant (auditor). Contracts with these partners should outline the terms of reference for the audit, ref. Annex III to the template for contracts with NGOs in the Agreement Manual.

The Embassy's assessment of the audit report on and the subsequent dialogue with the Partner must be documented.

#### Keep in mind

- The Embassy's assessment of the quality and content of reporting should always be documented and placed on file.
- Outputs described in the work plan should be SMART: Simple, Measurable, Achievable, Realistic and Time-bound.
- The annual progress report should focus on outputs, not activities
- The financial statement must be structured in a similar manner as the budget and with adequate degree of details to ensure that efficiency in the use of funds can be assessed.

## **2.2 Work plans and Budgets**

In connection with the progress and financial report, the Partner normally submits a proposal for the work plan and budget for the following period. The work plan shall specify the planned outputs and time schedules for the coming period. The budget must show estimated incoming funds from all sources and planned use of funds.

Normally work plans and budgets are only requested annually, but it is possible to agree on more frequent updates on plans. Work plans and budgets are normally discussed and approved at the Annual Meeting. These documents form the basis for disbursements (see 2.3) and for the progress and financial reporting.

## 2.3 Disbursements

Disbursements must be based on written requests from the Partner. The requests are normally followed by updated Statement of Accounts. Disbursement procedures must be clarified in the Appropriation Document and established in the Agreement.

The PTA should always be used for disbursements (except for reimbursements of accrued interests, ref. below).

Before a disbursement can be made, it must be certified (attestert) and approved ("budsjettdisponert") in writing, according to the regulations in the "Hovedinstruks for økonomistyringen i utenrikstjenesten". The disbursement must always be approved by a person with appropriation authority (Budsjettdisponeringsfullmakt), and cannot be the same person as the one who certifies the disbursement.

Certification ("Attesting") is to be carried out by the responsible programme officer, and necessary documentation (including the request) must be attached to the voucher. For the first disbursement a copy of the Agreement shall be attached.

Certification is to confirm that:

- The disbursement is in accordance with the agreement/contract and that the documentation required is received and approved
- The disbursement is related to the approved work-plans and budgets, and the utilisation of funds disbursed to date in the programme (i.e. surplus from last period is taken into consideration)
- The information on the voucher (bilagsforside) from the PTA is correct; this includes name, account number, chapter/post

An authorization to certify disbursements ("attestasjonsfullmakt") is necessary. The Ambassador/Charges d'Affaires can give such authorization to diplomatic staff. However authorization to local staff must be approved by the MFA in advance.

Appropriation is to confirm that:

- the disbursement is according to the Parliamentary appropriation, the Allocation Memo from MFA or other binding resolution, and further that the disbursement is according to laws and regulations
- the Embassy has funds available in the budget
- the disbursement is financially reasonable

The Partner shall immediately, in writing, acknowledge receipt of the funds. The date of receipt shall be stated as well as the exchange rate.

### Guiding principles for disbursements:

The Norwegian Financial Regulations require that the disbursements be paid by instalments (monthly, quarterly or semi-annually) *according to the recipients' need to use the funds to cover expenses*. Semi-annual disbursements are the guiding standard in development co-operation. However for co-financing arrangements annual disbursements may be agreed upon if the donors can not agree on more frequent disbursement.

#### Key Documents

Agreement

Programme Document

Financial Reporting

Work Plan and Budgets

Norwegian Financial Management Regulations

Hovedinstruks for økonomi styring i Utenrikstjenesten

The normal procedure for programmes presupposes advance disbursements, (first disbursement is due upon signing the agreement, then according to work-plans, budgets, reports and statements of accounts), but disbursements may also be made on a reimbursement basis. *If necessary*, and in accordance with the recipient's systems, advance disbursements may be made at the end of the Norwegian fiscal year, to cover expenses for the subsequent months, according to approved workplan and budget.

Norwegian policy is that funds will be released to the Ministry of Finance ("Treasury") for further transfer to the implementing ministry/agency, but disbursements may also be made directly to a line ministry or other relevant Partner. Each case must be assessed on its merits, taking into account the specific rules and procedures that apply to the Partner. Exceptions may be made, e.g. the Embassy may make direct disbursements to a supplier of goods and services. Such a course must be justified in the Appropriation Document, and regulated in the Agreement.

*Any unspent disbursed funds* shall be returned to Norway upon completion of the programme, and registered in the PTA in the same agreement as the disbursement. Reimbursements of funds can be credited to the same chapter/post as the disbursement in the following two budget years after disbursement (because the chapter/posts in the programme area 03.10 are transferable ("kan overføres"). Other reimbursements should be credited in the correct chapter/post (Chapter 5309 Tilfeldige inntekter, Post 29 Ymse in 2005).

Special routines are developed for managing reimbursements from co-financing partners in the PTA when Norway is a lead donor.  
(To be found on the PTA-homepage)

*Any accrued interest* on the funds may be used for the benefit of the programme, as agreed by the Parties in writing. Any unspent accrued interest shall be returned to Norway upon the completion of the programme, these should not be registered in the PTA, but should be registered directly in Agresso in the correct chapter/post (Chapter 5605 Renter av statskassens kontantbeholdning og andre fordringer, post 83 Av alminnelige fordringer, in 2005). The reimbursement, however, must be marked with the PTA Agreement-number.

When the last disbursement is furnished, the activity “Disbursements/ reimbursements completed” must be carried out in the PTA, and the agreement phase will change from B (follow-up) to C (completion). The disbursement card will be frozen.

#### Keep in mind

- All disbursements must be certified and approved.
- The Partner must acknowledge the receipt of the funds.

## 2.4 Annual/Monitoring Meeting(s)

The annual meeting or other equivalent monitoring meetings like multi-donor review meetings is normally a *decision-making forum* in which the Partner and the donor(s) discuss progress, results, fulfilment of agreed obligations as well as work plans and budgets for the coming period. Issues of special concern for the implementation of the programme e.g. risk management, are also discussed.

The need and purpose of annual/monitoring meetings must be assessed in the AD. It is often appropriate to arrange an annual meeting soon after the signing of the Agreement in order to clarify roles and responsibilities of the implementing Partner(s), agree on the donor's contributions for the first year (based on work plans and programme budgets) and specify the reporting requirements with the institutions involved.

If a review or evaluation has been carried out with respect to the programme, the report must be discussed and necessary follow-up action approved in the subsequent annual meeting, or in a separate meeting held for that purpose.

### Procedures and responsibilities

The necessary reports and documentation for the annual meeting must be submitted well in advance of the meeting. This should be reflected in the Agreement. The Embassy's participation at a formal decision-making forum like an annual meeting is governed by a Mandate (see suggested format). The purpose of the mandate is to clarify and authorise Norwegian positions. It shall further reflect the Embassy's assessments of the received documents and adherence to agreed obligations, with a focus on results. In co-financing arrangements the role of the Embassy in annual/monitoring meetings should be clarified in the AD.

Discussions and decisions made during the meeting shall be recorded and presented in the Agreed Minutes (see format/checklist below) or in other joint documents (e.g. aide-memoires).

The Embassy may prepare a brief follow-up report subsequent to the annual meeting (or equivalent review meetings).

#### Key Documents

Agreement

Progress Reports/  
Financial Statements of  
Accounts/Audit Reports

Work plan/Budgets

Reviews

#### Keep in mind

- The Embassy's assessment of the progress and results, financial statements and audit reports, substantial deviations from plans as well as work plans and budgets should be documented.
- Alignment with the systems and procedures of the Partner (e.g. fiscal budget process) and avoidance of parallel, donor-controlled mechanisms and processes.

## Annual Meetings – Format for Mandate and Agreed Minutes

In co-financing arrangements the format for the Mandate and Agreed Minutes described below should be considered as a check list.

### **1 Issues of special concern/interest**

- Issues or concerns of a general nature to be raised at the meeting

### **2 Matters arising from previous documents**

- Previous period's annual meeting/last formal monitoring meeting
- Development Cooperation Consultations
- Reviews/Evaluations

### **3 Progress and expenditure**

- Comments/approval of Annual Progress Report including Financial Statement and Audit Reports
- Actual outputs compared with planned outputs
- Use of funds compared to budget
- Result/risk management
- Fulfilment of other agreed obligations

### **4 Work plans and budget for the following period**

- Comments/approval of the following period's plans/outputs and budgets, including budgetary ceiling for the Norwegian contribution

### **5 Plans for reviews**

- Reviews stipulated in the Agreement
- Special reasons for carrying out a review

### **6 Any other issues**



[Click here to see format 4 in Word](#)

## 2.5 Field Visits

Field visits are an important part of the follow-up of a programme. The purpose of field visits is to observe that the programme develops according to plans and reports.

During field visits it is particularly important to observe if risk factors identified in the programme have occurred and if proper actions have been taken.

### Keep in mind

- Field visits are a means to verify that results have been achieved.
- Focus on results at all levels, both in the dialogue with the Partner and other donors at the strategic planning level, in review meetings, as well as in the field.

### FORMAT 5

### Report from Field Visit – Check List

- Programme and programme area, date of visit, team members, etc.
- Purpose of the visit
- Activities and achievements observed and information received
- Overall assessment, including challenges and opportunities and follow-up after the field visit
- Communication of results (i.e. the Embassy website)



[Click here to see format 5 in Word](#)

## 2.6 Reviews and Evaluations

Reviews are an integral part of the monitoring system and are tools for the Partner and the donors to assess that the programme is proceeding according to plan. Reviews focus on operational aspects of a programme, its progress and results compared to the plans.

Evaluations are systematic and objective assessments of an ongoing or completed programme or policy, its design, implementation and results, carried out by an independent team.

In co-financing arrangements, the following procedures and requirements should be harmonised with the regulations of other donors.

### Reviews

Reviews shall normally examine the programme's efficiency and the extent to which the programme develops according to plan in relation to the programme purpose (effectiveness). It may also define potential areas of improvements. When necessary, reviews may also examine relevance, sustainability and lessons learned. When relevant, reviews should update risk assessments done earlier in the preparatory or implementation phase (see Annexes).

All reviews should be governed by a ToR, approved by the responsible parties (see enclosed format). Decisions regarding the scope of reviews and whether the Review Team shall be "external", "internal" or a joint team, are taken by the Embassy and/or Partner/other donors. It is recommended that the Embassy requests assistance from Norad in the preparation of the ToR, recruitment of consultants as well as implementation of the review. A review is normally based on existing documents and field visit(s). Conclusions and recommendations from a review express the views of the Review Team. The Embassy must document their assessment of the report.

The need for regular reviews is assessed in the Appraisal phase and regulated by means of the Agreement. But reviews may also be done ad hoc when the Embassy, the Partner or other donors find it important to assess if the progress is in accordance with the plan, or when a review has strategic interest.

Mid-term and end-reviews, are mandatory for programmes where the Norwegian contribution is NOK 50 mill. or more.

### Key Documents

Programme Document(s)  
  
Appraisal Report  
  
Appropriation Document  
  
Agreement  
  
Annual Reports/ Agreed Minutes of annual meetings  
  
Policy/Strategy Documents  
  
DAC Guiding Principles for Evaluation of Development Assistance  
  
Sida Evaluation Manual  
  
Annual Evaluation Programme MFA/Norad

**Mid-term or later reviews** are used to determine whether a programme is on track and/or whether to extend Norway's support to a subsequent phase. In this event relevance, sustainability and possible impact, should be assessed.

**End reviews** are done shortly after the completion to assess to what extent the programme has reached its objectives, as well as document the experience gained and learning elements.

**Special reviews** look into specific challenges during the project implementation or related to agreed obligations, but also into specific consequences of the intervention, for example related to environmental or social issues like gender and poverty.

### **Evaluations**

Evaluations are independent, comprehensive in-depth assessments based on systematic collection and presentation of data. They must satisfy certain quality standards related to relevance, reliability and impartiality, such as the DAC Guiding Principles for Evaluation of Development Assistance; they are carried out by externally recruited consultants. Evaluations are carried out for learning and accountability purposes, and to assure that programmes are relevant, effective and efficient. Large programmes that are financed over a longer period, programmes that are particularly risk-exposed or have strategic interest should be considered for evaluation at relevant stages.

Evaluations are normally agreed upon between the partners, and will often be referred to in the Agreement, but may also be done on request by Norad, the Embassy, co-financing donors, MFA or a Partner in developing countries/Norway. In programmes with more than one donor, it is preferable to conduct joint evaluations with all or most donors who participate and with the local partner as an active participant; the lead partner will be chosen from among these groups. The Sida Evaluation manual can be a useful tool for the Embassy's when such evaluations are discussed. The DAC has also issued some guidelines for conducting joint evaluations.

#### **Keep in mind**

- Assess the report and agree with Partner/other donors on follow-up measures.
- Document assessments and follow-up measures.
- Make sure that all key stakeholders also are invited to respond.

## Terms of Reference for Review – Format

(Check list if carried out by other partners)

### 1 Background

- Short description of the programme that will be reviewed, based on the Agreement, Programme Document(s) and appraisal
- Why the review is initiated
- Team composition and leadership. (e.g. Embassy/Norad team, joint donor/Partner, external team or combination of these)

### 2 Purpose, context and intended use

- Description of the main purpose, context and intended use (stakeholders)

### 3 Scope of work

Type of assessments may include:

(for definition of the review criteria, see Annex III)

- Efficiency
- Effectiveness
- Impact (if the programme has been operating for some years)
- Relevance
- Sustainability
- Risk management
- Particular concerns to be investigated
- Audit
- Anti-corruption measures

### 4 Implementation of the review

- Sources of information and methodology to be employed
- Division of responsibility between the consultant/team, the Embassy, other donors and the Partner(s)
- Timetable for preparation, field work and finalisation of report
- Budget

### 5 Reporting

- Description of required report format
- The need for an introduction summary with main conclusion on lessons learned and recommendation(s)
- Report in electronic form and/or paper, language



[Click here to see format 6 in Word](#)

Notes:

3



# 3. Completion Phase

## 3.1 Final Report

The final report should include the same topics as in the progress report for the entire programme period, but should also give information on:

- Assessment of the effectiveness of the programme, i.e. the extent to which the purpose has been achieved (outcome)
- Assessment of impact (if possible), i.e. the changes and effects positive or negative, planned and unforeseen of the programme seen in relation to target groups and others who are affected
- Assessment of sustainability of the Programme, i.e. an assessment of the extent to which the positive effects of the programme will still continue after the external assistance has been concluded.
- A summary of main “lessons learned”

## 3.2 Completion Document

The purpose of the completion document (CD) is to formally and administratively close the programme or the Norwegian contribution to a programme and provides a tool for assessment of results and lessons learned. Preparation of a CD is mandatory regardless the size of the contribution.

Procedures for Completion, hereunder End review and evaluation, may be established in the Agreement or at an annual meeting. End review is mandatory in programmes with a Norwegian contribution of NOK 50 mill. or more.

### **Procedures and Responsibilities**

The Embassy shall assess the Partner’s compliance with agreed reporting requirements. Based on the End review and/or Final Report an assessment with a focus on results and lessons learned shall be made.

If continued support is agreed to in a subsequent phase, the preceding phase should be formally completed, unless otherwise agreed.

The agreement in the PTA must be closed, and a new agreement must be made under the same programme in the PTA.

The Embassy prepares and approves the CD (see enclosed format). Only CDs for contributions of NOK 50 mill. and above shall be sent to MFA and to Norad for information and learning.

On the basis of the approved CD, the final closure is recorded in the PTA by the Embassy. Upon completing the final agreement in a PTA-programme, one may choose either to encompass all/some agreements in the final CD or to make a separate programme CD.

### Keep in mind

- Initiate the completion procedure as early as possible. Delay causes loss of memory and, with turnover personnel, there is a loss of momentum. The CD can normally be initiated on the basis of a Final Report and be finally terminated when the last annual audit report has been received.
- Upon receipt of the last annual audit report, the Embassy shall assess the available documentation and see whether the obligations of the Agreement have been fulfilled.
- Register completion in the PTA when the CD is approved.

### Key Documents

Programme Document

Appropriation Document

Agreement

Agreed Minutes from Annual Meetings

Progress Reports/  
Final Report(  
Audit Reports

Reviews/Evaluation

## Completion Document – Format

Completion Document should normally not exceed three pages (five pages for programmes with a Norwegian contribution above NOK 50 mill.)

### **1 Programme**

- Title and the PTA Programme and Agreement number
- Implementing institution
- Goal
- Purpose

### **2 Assessment of compliance with reporting requirements**

### **3 Assessment of the End review and/or the Final Report with a focus on results and lessons learned**

### **4 Conclusions/Recommendations**



[Click here to see format 7 in Word](#)



## Annex I

### Risk Management and Sustainability Elements

*"It is a prerequisite that Norway, possibly together with cooperating partners and other donors if appropriate, must ensure that relevant risks are identified and analysed, and that actions are taken, if possible, to reduce the likelihood of negative incidents or developments if possible, and limit any adverse effects to an acceptable level". (2004 Report No 35, chapter 10)*

All programmes are subject to a variety of risks factors that may emerge or be identified in all phases of the programme life. Risk management is a systematic approach to identifying, analysing and introducing mitigating actions as well as deciding on risk tolerance and risk sharing. A risk analysis, followed by a proper risk response, may increase the probability of achieving planned results.

#### 1. Identification of risk factors

Risks factors will, if they occur, have an adverse effect on the achievement of planned results of a programme. Risk factors may emerge or be identified throughout the programme cycle. Still it is early risk identification in the planning phase that is most rewarding for the success of the project as there is still time to alter the design, organisation or management of the programme.

It is the Partner and (local) stakeholders who will possess the most detailed information on the key threats to the programme. It is thus mostly in dialogue with the Partner and local stakeholders that the donor can best access this information.

*The identification process should focus on the specific risk factors that are directly relevant for the programme.* The DAC's sustainability elements (see separate table next page) are useful reminders of risk factors to any programme. Their comparative importance will vary from programme to programme.

There are normally both internal and external risk factors.

*The external risks* are conditions outside the programme's control (e.g. war, political change, pandemics, HIV/AIDS) but which still are necessary for reaching the objectives.

*Internal risks* are aspects within the programme design and execution that constitute a risk (e.g. corruption, skills of staff). One important factor is the institutional dimension among the sustainability elements, which includes the Partner's competence, capacity and the incentives required of the recipient's implementing or operating agency.

## 2. Risk Analysis

In addition, identifying the most relevant risk factors, it is necessary also to assess the *probability* of their occurrence, and the *consequences* they are likely to have. This risk analysis should reveal whether the programme is designed well enough to still achieve its objectives, if important risk factors occur.

## 3. Risk Response

Risk response includes a variety of actions to be taken once the risk factors are identified and analysed. One response is to reduce the probability that a risk factor will occur by changing the design or the implementation plan, or introduce mitigating measures. Another response is to share risk with other donors. If none of these options are possible, and the risk level is unacceptably high and consequences are significant, the programme should be rejected. If not rejected, the high risk tolerance level should be documented.

## Sustainability elements

The success of a programme is the continuation of benefits upon completion of external support, or that positive effects can be sustained. The OECD has identified six areas of particular importance for a programme to become sustainable (*DAC Principles for effective aid/Development Assistance Manual, 1992*).

The sustainability elements are useful reminders of potential risk factors to any programme. Their comparative importance will vary from programme to programme. Not all of the six elements are relevant in all kinds of programmes. In the initial screening phase of a programme, relevant sustainability elements should be identified, as well as the need for more information and in-depth analysis.

### *Policy and Framework conditions (incl. corruption)*

- The existence of a national framework for poverty reduction
- Donor coordination mechanisms in place
- Consistency with partner's policy and legal framework
- Partner willingness to introduce complementary policies, programmes or necessary legal amendments.
- Likelihood of programme to enjoy support from various political, private and local groups
- Human Rights/Good Governance
- Conflict sensitivity
- Anti-corruption plans/policies/practices

### *Socio-cultural and gender (incl. HIV/AIDS)*

- Gender, participation/empowerment, distribution ethnicity, social group, faith, age, societal values, pandemic diseases, incl. HIV/AIDS
- Significance of traditions, taboos and attitudinal hindrances to the programme

### *Economic and financial*

- Sustainability of financial flow
- Economic efficiency
- Economic cost-benefit
- Financial incentives
- Level of income generating activities

### *Institutional and Organisational*

- Skills available – competence and capacity
- Relations and division of responsibility
- Structures/control systems in place
- Supportive legal framework conditions
- Institutional development

### *Environmental*

- Initial screening of legal and policy framework and national EIA standards
- Monitoring implementation measures
- Beneficial and adverse environmental effects
- Off-site effects
- Impact on local population and health
- Mitigating measures
- Comparison with alternative approaches and the consequences of discarding the programme

### *Technical/technological*

- Local adaptation/acceptability
- Ownership of technical solution
- Dependence
- Costs related to technological approach
- Alternative approaches
- Compatibility with institutional capacity and professional standards
- Compatibility with domestic socio-cultural environments (acceptability)

## Annex II

### Results on Programme level - Key elements

*"The formulation of clear, realistic goals, verifiable indicators and qualitatively better reporting by cooperation partners in developing countries are fundamental prerequisites for accurate assessments of what countries actually achieve."*  
(2004 Report No 35, Chapter 10)

Planning a programme is the Partner's responsibility, but before entering into an agreement the Embassy is responsible for assessing whether a programme proposal is realistic and has a clear and verifiable goal hierarchy (ref. figure below). The Logical Framework Approach (LFA) or similar approaches are useful tools in the assessment process. A feasible programme proposal will ease management, monitoring and evaluation.

The objectives and outputs should be clearly defined and the target group should be specified. Outputs should be **SMART: Simple, Measurable, Achievable, Realistic and Time-Bound**. There should be a direct and logical relation between the design elements. Reducing the level of ambition to what is realistically achievable is essential.

Norway has the responsibility to monitor the achievements of the programme and the use of Norwegian funds. Indicators are what we observe in order to verify whether progress is being made. Indicators are useful not only for the programme's management, but also for the Partner's reporting, and the Embassy's follow-up. The Embassy should work with the Partner to keep the results reporting system as simple, cost-effective, and user-friendly as possible. It is essential to be selective (and not to try to measure everything) and realistic (in terms of feasibility and cost) in choosing indicators. An indicator should be as specific as possible in terms of quality, quantity, time, location and target group.

It is important to also assess the means of verification (data sources) for the indicators. The information needed should be easily accessible and should be obtained at reasonable cost. Before beginning a programme, gathering base-line information (e.g. through a base-line study) will give useful information for later measurement of results.

Reviews, field visits, reporting/information from others supplement the annual reporting from the Partner. Reviews are particularly useful for assessing the outcome and impact of a programme or when one or more programmes together are supposed to reach a common goal. Results information should be used for learning and decision making, as well as for reporting. Information on results should be publicly available.

## The Goal Hierarchy and the Result Chain

Planning

Goal Hierarchy	The Programme		The Objectives	
	Inputs	Outputs	Purpose	Goal
Example	Budget x mill. NOK	<ul style="list-style-type: none"> <li>• x primary schools built/rehabilitated</li> <li>• x teacher upgrading courses carried out</li> <li>• x scholarships for girls granted</li> </ul>	Ensure equal access to quality primary education	Contribute to education for all

Follow-up

Results Chain	The Results			
	Inputs	Outputs	Outcome	Impact
Example	x mill. used	<ul style="list-style-type: none"> <li>• x primary schools built/rehabilitated</li> <li>• x teacher upgrading courses carried out</li> <li>• x scholarships for girls granted</li> </ul>	<ul style="list-style-type: none"> <li>• x % increase in enrolment rate</li> <li>• ratio of girls to boys in prim. education improved to y</li> <li>• x % satisfactory score in competence test</li> </ul>	<ul style="list-style-type: none"> <li>• x literacy rate increased</li> <li>• more girls in secondary school</li> <li>• girls marry later</li> <li>• improved nutrition in families</li> </ul>

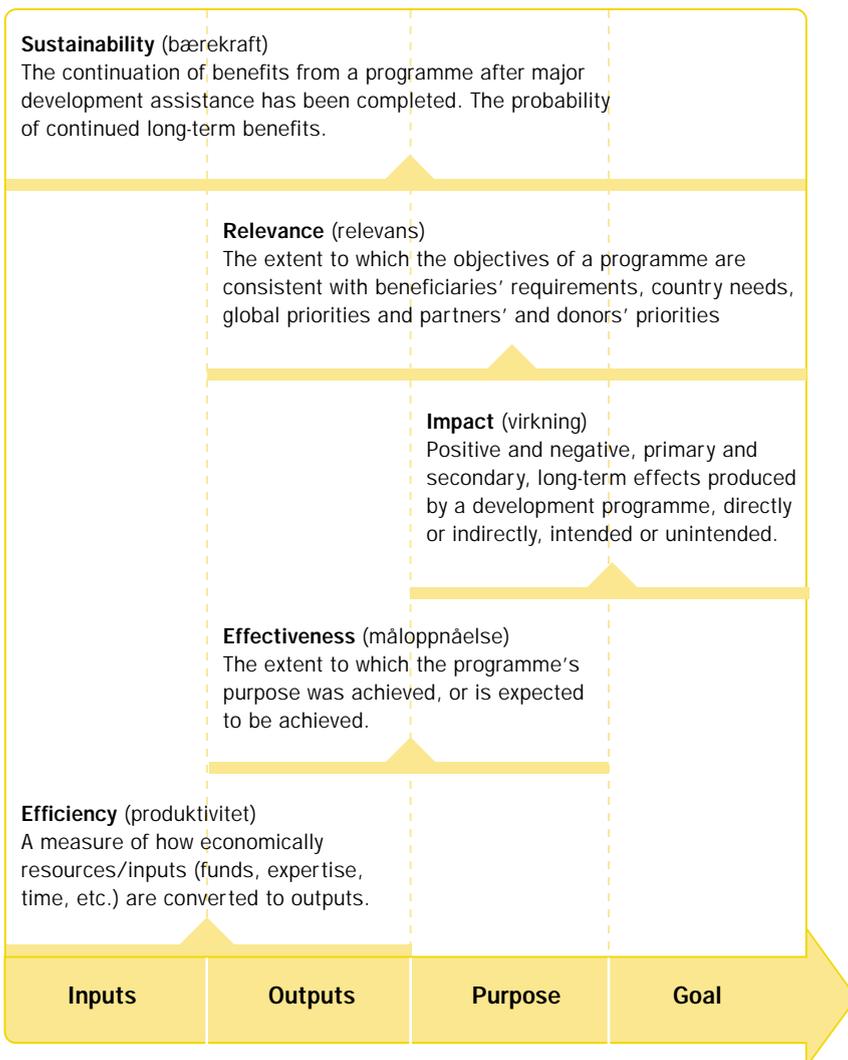
## Annex III

### Quality Assurance Concepts/ Review and Evaluation criteria

*“Quality assurance encompasses any activity that is concerned with assessing and improving the worth of a development intervention or its compliance with given standards. Examples of quality assurance activities include appraisals, result-based management, review during implementation, evaluations, etc. Quality assurance may also refer to the assessment of the quality of a portfolio and its development effectiveness” (OECD-DAC 2002/Evaluation and aid effectiveness, No. 6)*

The OECD’s Development Assistance Committee recommends that the following quality assurance concepts be applied when reviewing and evaluating programmes. These criteria are also used in prior assessments (referred to in Report No. 35/2004);

#### The review and evaluation criteria connection to the elements in the goal hierarchy



## Annex IV

### Abbreviations and Central Concepts

The Development Cooperation Manual contains several concepts that should be used in a uniform manner. Some of the concepts are Norad/MFA-specific, some are of a more general nature. In the latter case, existing international interpretations were used, although at times with some modification. OECD's "Glossary of Key Terms in Evaluation and Results Based Management" is a major source of reference. The list and interpretations are not final and comprehensive. Concepts explained in the DCM and other annexes are not listed repeatedly.

#### Abbreviations

AD	Appropriation Document
DAC	Development Assistance Committee (OECD)
DCM	Development Cooperation Manual
CD	Completion Document
CG meeting	Consultative Group Meeting
HLF	High Level Forum (OECD/DAC)
LFA	Logical Framework Approach, see Central Concepts
MDG	Millennium Development Goals
MFA	Ministry of Foreign Affairs
MOU	Memorandum of Understanding
Norad	Norwegian Agency for Development Cooperation
OECD	Organisation for Economic Cooperation and Development
ODA	Official Development Assistance, see Central Concepts
PfD	Platform for Dialogue
PD	Programme Document
PRSP	Poverty Reduction Strategy Paper

## Central Concepts

**Acceptable (applicable) financial reporting framework:** A coherent and consistent conceptual financial reporting framework that can be used for preparation and presentation of an entity's financial statements in order to ensure that they present fairly, in all material respects the financial position and performance of the reporting entity.

**Accountability:** Accountability requires that decision-makers be held responsible for the exercise of authority invested in them, i.e. that there must be an established structure for addressing responsibility, reliability, confidence and transparency in all relevant matters of development concern and cooperation between partners.

**Accounting (financial):** The bookkeeping methods, systems, procedures and activities involved in preparing, making and documenting financial records of transactions and in the preparation of financial statements.

**Accounting standards = Financial reporting standards:** A set of standards stating how particular types of transactions and other events should be accounted for and reflected in the financial statements.

**Accrual basis (of accounting):** The effects of transactions and other events are recognised when they occur (and not as cash or its equivalents is received or paid) and they are recorded in the accounting records and reported in the financial statements of the periods to which they relate.

**Activity:** Actions taken or work performed through which inputs, such as funds, technical assistance and other types of resources are mobilised to produce specific outputs.

**Appraisal:** Quality control of a programme proposal that assesses relevance, feasibility, potential risk and sustainability of a programme prior to a decision of funding.

**Assumptions:** Hypotheses about factors or risks which could affect the progress or success of a programme.

**Audit:** An external or internal independent examination which shall do any of the following: Give assurance on the truth and fairness of an entity's financial records and financial information; evaluate and give attestation of financial accountability, internal control or compliance with applicable statutes and regulations; appraise performance and/or quality management. Audit services must be provided by a professional auditor with applicable certification for carrying out the audit, i.e. either the Auditor General in the country or a professional accountant in public practice (godkjent privat revisjonsfirma). Audit must be carried out according to the professional (international) auditing standards applicable for the engaged professional.

**Audit of financial statements:** Auditing performed in order to express an opinion on whether the financial statements present fairly, in all material respects the financial position in accordance with an identified and applicable financial reporting framework.

**Audit report/opinion:** The auditor's report where (among other) audit objectives, scope and findings of the audit are described. The report on audit of financial statements contains a clear written audit opinion on the financial statements as a whole. An unqualified opinion is expressed when the auditor concludes that the financial statements give a true and fair view (or are presented fairly, in all material respects,) in accordance with the applicable financial reporting framework.

**Auditor General = Supreme Audit Institution (SAI):** The public body of a State that by law has the highest auditing function of that State.

**Base-line data/study:** An analysis describing the situation prior to a programme, against which progress can be assessed or comparisons made.

**Beneficiaries:** The individuals, groups, or organisations, whether targeted or not, that benefit directly or indirectly, from the development effort.

**Budget:** A document that translates plans into money.

**Budget support:** Funds provided by donors in support of the recipient country's overall national budget.

**Cash (system) basis (of accounting):** Records cash receipts, cash payments as well as cash and near cash balances. All other assets are only mentioned in relation to the cash effects of their acquisition or disposal. Assets other than cash and near cash may be described by note.

**Co-financing arrangements:** Various models of joint donor funding of a programme, between bilateral partners or bilateral /multilateral partners. See also Joint Financing Arrangement.

**Contribution:** The financial, professional and/or support in kind to a programme.

**Design Elements:** A generic term encompassing the goal, purpose, outputs, activities and inputs of a programme. Related term Goal Hierarchy.

**Economic:** Issues of or relating to the economy, the system of production and management of material wealth. If a programme is viable from a national economic point of view, its benefits are larger than its costs seen from the society's perspective.

**Evaluation:** A systematic and objective assessment of an on-going or completed programme and policy, its designs, implementation and results.

**Feasibility study:** Assesses if the practical conditions exist for successful implementation of a programme.

**Financial:** Issues related to revenue, costs, investments and funding. A programme is financially sustainable when net accumulated cash flow throughout the lifetime of the programme is positive.

**Financial management:** Financial management encompasses the two core processes of resource management and finance operations.

**Financial plan:** Plan showing contributions from various sources.

**Financial statements:** Reports about the financial position, financial performance and changes in financial position of the programme. Reporting elements are: Balance sheet (Statement of Financial position); Income statement (Statement of revenue and expenses/expenditure); Cash flow statement; and Notes (explanatory) with information on accounting policies.

**Goal:** The higher-order objective to which the programme is intended to contribute.

**Goal hierarchy:** The structure of the programme from inputs, activities, outputs, purpose to goal. Related term: design elements.

**Harmonisation:** International efforts to reconcile procedures for the planning, monitoring, execution and reporting of development cooperation, as well as of regulations governing financial transfers, procurement and recruitment of external staff.

**Indicator:** Quantitative or qualitative factor or variable that provides a simple and reliable means to measure achievement, to reflect changes connected to a programme, or to help assess the performance of a development actor.

**Inputs:** The financial, human and material resources used for the programme.

**Internal control:** An integral component of an organization's management that provides reasonable assurance that the following objectives are being achieved:

- Effectiveness and efficiency of operations
- Reliability of financial reporting
- Compliance with applicable laws and regulations

**International Auditing Standards:**

International Auditing Standards (IAS) are issued by the International Federation of Accountants (IFAC) through its International Auditing and Assurance Standards Board (IAASB) for the private sector and by the International Organisation of Supreme Audit Institutions (INTOSAI) for the public sector (to be adjusted to national circumstances). National auditing standards are a set of standards defined by law or regulations or and authoritative body at a national level, the application of which is mandatory in conducting an audit, review, other assurance or related services by a professional public accountant (auditor).

**Joint Financing Arrangements (JFA):**

Arrangement/agreement where several donors and a Partner country agree on common procedures for joint support, for instance for budget support to the national plan/sector programme/ PRSP as well as other interventions where pooling of funds is chosen. The JFA is normally supplemented with bilateral agreements between each donor and the partner country on the funding.

**Logical Framework Approach (LFA):**

Management tool which facilitates planning, execution and evaluation of a programme.

**Means of Verification:** The data set(s) that will be used to measure an indicator

**Monitoring:** A continuing function that uses systematic collection of data on specified indicators to provide management and stakeholders of an ongoing programme with indicators of the extent of progress and achievement of objectives and progress in the use of allocated funds.

**Objective:** something toward which effort is directed: an aim, goal, or end of action. The objectives encompass goal and purpose in the goal hierarchy.

**Official Development Assistance**

**(ODA):** Flows to developing countries (defined by Part I of the DAC List) and multilateral institutions provided by/ through official agencies.

The transactions must have promotion of the economic development and welfare of developing countries as its main objective. In addition the transactions must also be concessional in character and conveys a grant element of at least 25 per cent.

**Outcome:** The likely or achieved short-term and medium-term effects of a programme's outputs.

**Outputs:** The products, capital goods and services which result from a programme.

**Professional accountants (in public practice):**

Those persons who are members of a member body of the International Federation of Accountants (IFAC) who provides professional audit and other related services to a client. The most relevant product for development purposes to acquire from a professional accountant is audit of financial statements.

**Programme:** In this manual a generic term to describe project, programmes or other interventions.

**Programme Document:** The description of the strategy, plan or programme to be considered for support

**Purpose:** The publicly stated objective of the programme. In the LFA purpose is described as the immediate reason for the programme, the effect which the programme is expected to achieve if completed successfully and on time.

**Quality Assurance:** Quality assurance encompasses any activity that is concerned with assessing and improving the merit or the worth of a programme or its compliance with given standards. Examples of quality assurance activities include appraisals, result based management, reviews during implementation, evaluations etc. Quality assurance may also refer to the assessment of the quality of a portfolio and its development effectiveness

**Relevance:** The extent to which the objectives of a programme are consistent with beneficiaries' requirements, country needs, global priorities and partners' and donors' priorities. Retrospectively, the question of relevance often becomes a question as to whether the objectives of a programme or its design are still appropriate given changed circumstances.

**Result:** The output, outcome or impact (intended or unintended, positive and/or negative) of a programme.

**Results chain:** The causal sequence for a programme that stipulates the necessary sequence to achieve desired objectives – beginning with inputs, moving through activities and outputs, and culminating in outcomes, impacts and feedback.

**Review:** An assessment of the performance of development activities, periodically or on an ad hoc basis.

Joint review: Review of programme done together with other donors and/or together with the partner  
End, Mid-Term and Special Review

**Risk:** Risk refers to the uncertainty that surrounds future events and outcomes. It is the expression of the likelihood and impact of an event with the potential to influence the achievement of planned results.

**Risk analysis:** An examination of risks to assess the probable consequences for each event, or combination of events that may influence the achievement of planned results.

**Risk factor:** Factors that will, if they occur, have an adverse effect on the achievement of planned results of the programme.

**Risk identification:** The process of identifying all types and sources of risks by investigating what factors may affect/ are affecting the achievement of planned results.

**Risk management:** A systematic approach to setting the best course of action under uncertainty by identifying, assessing, acting on and communicating risk issues.

**Risk mitigation:** The act of reducing risk levels by lowering the probability of a risk event's occurrence or reducing its consequence, should it occur.

**Risk response:** All efforts made regarding risks (e.g. risk avoidance, risk mitigation, risk sharing and decisions of risk tolerance) as part of managing a programme for results.

**Risk tolerance:** The level of acceptance of not fully achieving planned results.

**Special purpose Audit:**

independent audit of

- a) A complete set special purpose financial statements as opposed to general purpose financial statements;
- b) A component of a complete set of general purpose or special purpose financial statements, such as a single financial statement, specified accounts, elements of accounts, or items in a financial statement;
- c) Compliance with contractual agreements; and
- d) Summarized financial statements:

**Statement of account:** Statement of balance and/or detailed transactions on a specific account (for a given period) from an entity's accounting records or similar statement of bank account from the bank.

**Target:** Related to the measurement of results. A specification of which level of an indicator the programme is aiming for.

**Target group:** The specific individuals or organisations for whose benefit the programme is undertaken.



**Norad**

Norwegian Agency for Development Cooperation

Postal address

P.O. Box 8034 Dep, NO-0030 OSLO

Office address

Ruseløkkvn 26, Oslo, Norway

Tel: +47 22 24 20 30

Fax: +47 22 24 20 31

[postmottak@norad.no](mailto:postmottak@norad.no)

[www.norad.no](http://www.norad.no)