

# AusGuideline

Program strategies

## 2.1 Program Strategies Toolkit

**Associated guidance on 'Program strategies'**

Part 2 *Program Strategies*

AusGuideline 2.2 *Using the Results Framework Approach*

November 2005



**Australian Government**  
**AusAID**

© Commonwealth of Australia 2005

# Contents

<b>1 Introduction to program strategies</b>	<b>1</b>
1.1 What's in a strategy?	1
1.2 Articulating a strategic approach	2
<b>2 Issues to consider</b>	<b>2</b>
2.1 Poverty reduction	2
2.2 A selective approach	3
2.3 Whole-of-government considerations	3
2.4 Development partnerships	3
2.5 Effectiveness and delivery modes	4
2.6 Strategic use of resources	5
2.7 Other policy issues	5
2.8 Strategy timeframe	5
<b>3 Steps to develop a strategy</b>	<b>6</b>
<b>4 Review of strategies</b>	<b>10</b>
4.1 Objective	10
4.2 Annual strategy review	10
4.3 Format for review reports	11
4.4 Mid-term strategy review	11
4.5 Final strategy review	11
<b>A Suggested strategy paper format and content</b>	<b>13</b>
<b>B Consultation</b>	<b>20</b>
<b>C Suggested approach to developing a strategy</b>	<b>21</b>

# 1 Introduction to program strategies

Program strategy papers are the primary means through which Government priorities are translated into programs. That is, the strategy outlines how programs will address poverty and promote sustainable development, in the national interest.

The AusAID Strategic Plan (2001) places enhanced program strategies at the core of AusAID's efforts to be more strategic, analytical and effective. The Strategic Plan provides that program strategies will be the mechanism through which AusAID will

- enhance the strategic directions of programs
- make programming choices more selective, and
- facilitate greater integration between the International Financial Institutions, multilateral, humanitarian and non-government organisations (NGOs) with country/regional programs and corporate priorities.

As part of the changes introduced by the Strategic Plan, the former Program Strategies Committee arrangements have been replaced by a strengthened focus on peer and corporate review of program strategies. The Executive nominates one of its members to have particular oversight of corporate processes on the Program strategies. The Executive Officer in the Office of the Director General (ODG) provides secretariat support and feedback on quality, lessons learned and best practice in strategy development and implementation.

This Toolkit has been revised as a brief guide to program managers on the revised process for strategy development. **The Toolkit is a guide only.** While some elements of the process are prescribed, managers have considerable flexibility in the choice of approaches to the development of strategies.

The Toolkit is drafted primarily in terms of AusAID's country and regional programs. Some adjustments may be required in applying the Toolkit to strategies for multilateral institutions, humanitarian aid, NGOs and other non-bilateral programs.

## 1.1 What's in a strategy?

A strategy should clearly articulate

- the key poverty issues to be addressed by the Australian aid program to a particular country or region
- what types of steps the program will take to address those issues

- the rationale for selecting these issues, and those types of steps, and
- an operational framework for addressing those issues with those steps.

## 1.2 Articulating a strategic approach

Strategies should articulate the key strategic objectives of the program in response to problems, impediments, and opportunities identified in the poverty analysis, and in other key analyses. Strategies should consider how to consolidate the program's portfolio of activities/interventions to maximise efficiency and strategic outlook, including by the identification of one or two key 'flagship' themes or sectors where the major focus of policy and program interventions would occur. A suggested framework for strategies is set out at Annex A.

## 2 Issues to consider

Strategies are based in poverty analysis, assessments of how Australia can support country partners' development needs, and consideration of the relevant policies and priorities of both Australia and our partner. Program strategies are key policy tools to guide program development and articulate the aid program's role in the context of country partner, donor and broader Australian interests. They serve as an "agenda for dialogue" with partner governments and agencies (e.g. at High Level Consultations). Strategies should also provide a performance framework for measuring the impact and effectiveness of Australian aid.

### 2.1 Poverty reduction

The central objective of Australia's aid program is to advance Australia's national interest by assisting developing countries to reduce poverty and achieve sustainable development. Each strategy should be underpinned by a comprehensive poverty analysis of the country or region. AusAID has in place a strategic poverty reduction framework that articulates the Australian aid program's approach to poverty reduction. Strategies should consider how AusAID can contribute to and draw on analysis from country partner poverty initiatives, such as the Poverty Reduction Strategy Paper (PRSP) process. Poverty analysis undertaken by other bilateral donors or multilateral institutions may also provide useful background. The gender dimensions of poverty are an important component of all poverty analysis work.

## 2.2 A selective approach

AusAID programs vary significantly in terms of their strategic significance. The Strategic Plan emphasises selectivity in the approach to program strategies; in intensity of analysis, consultation and level of engagement, and identifies three groups of partners

- group 1 - comprising PNG, the Pacific, Indonesia and East Timor. Strategies for these programs should be underpinned by an original poverty analysis and should identify opportunities for Australia to play a leading role among donors in assisting partner governments to improve national development planning frameworks and/or engage more effectively and strategically at the sectoral level
- group 2 - comprising those programs other than the South Asia, Africa and Group 1. Strategies for these programs should draw either on existing or original analysis as appropriate, depending on availability of relevant and recent poverty, economic and social assessments from partners, and
- group 3 - comprising the South Asia and Africa Programs. These programs should, wherever possible, draw on existing analysis and consider options to focus the programs largely on multilateral/bilateral cooperation, NGOs and scholarships.

## 2.3 Whole-of-government considerations

The aid program is just one element in Australia's whole-of-government engagement with a country, region or issue. Development assistance has an increasingly important role to play in supporting wider Australian and Partner Government objectives. It is also important to ensure that development perspectives are appropriately reflected in broader Government policy.

Program strategies should be based, inter alia, on consideration of all the relevant Australian Government (and partner Government) policies and priorities which could be served by Australia's program of development cooperation with the country concerned. Each strategy should explicitly highlight whole-of-government issues, including any relevant engagement by other Australian Government agencies, and identify the contribution of the proposed strategy and program to the achievement of broader Australian interests.

## 2.4 Development partnerships

The Strategic Plan emphasises greater policy engagement with partner countries and enhanced coordination among development partners as central elements in raising aid effectiveness. Accordingly, strategies should consider

- relationships with **partner governments** based on principles of assisting countries build their own capacity to achieve development objectives - strategies should consider national planning frameworks or sectoral initiatives that Australia can support
- engagement with **international financial institutions, multilateral and donor partners**. Articulating the Australian aid program's role in supporting country partner development efforts requires consideration of our role vis-a-vis other development agencies and institutions. It will be important to analyse options to work in a more coherent way with partners, through broader planning efforts, integrated systems or combined resourcing. Guidance on these issues can be found in AusAID's Review of Co-financing in the Australian Aid Program (2002), and
- partnerships with the **Australian and local aid community and civil society groups**, including opportunities to engage NGOs and other groups on more effective means of aid delivery. Consideration should be given to opportunities for forming NGO Cooperation Agreements.

The focus of country strategies is therefore on **total aid flows**, including bilateral, regional, humanitarian, emergency and community aid flows, rather than just bilateral program aid.

## 2.5 Effectiveness and delivery modes

A strategy paper is an important vehicle for identifying and fostering new aid approaches that improve the quality of aid. A fundamental role of strategies is to also establish a rationale for activity prioritisation and formulation.

Strategies should therefore discuss the choice between different **forms of aid**, including aid modalities, delivery organisations and financing arrangements. AusGuideline 3.2 *Selecting forms of aid* is a key reference for these issues.

AusAID's poverty reduction framework should be consulted in identifying broad directions for aid assistance. Practical consideration should also be given to **incentive-based approaches** and how they can be applied in the program being developed. (See *Review of Incentives and the Australian Aid Program* (2002)).

Strategies must also incorporate frameworks for performance measurement, addressing risk and improving quality of aid. The **results framework** is one option. It is a systematic approach to documenting the logic of a strategy and its subsequent management, monitoring and measurement to ensure that intended results have the greatest opportunity of being achieved.

The Office of Review and Evaluation (ORE) provides guidance on using the results framework approach. Information on risk assessment and management can be found in

AusAID's risk policy. (Circular No 29 of 8 November 1999, *AusAID Risk Management Policy* (expected to be updated in early 2006)).

## 2.6 Strategic use of resources

Strategies need to reflect Australia's resources, capacity, skills and experience in delivering aid. This goes beyond issues of comparative advantage for Australia's aid industry, and wider economy. Agency resources are a primary determinant of possible options available for delivery and will also influence the range of activities and sectors programs seek to engage in.

Strategies should articulate approaches to limiting the number of sectors or activities to be involved in, carefully defining the geographic focus of the program, exploring direct links with other key donors, or adopting less resource-intensive delivery mechanisms. Where it makes sense to support a number of smaller activities, this should be accommodated through suitable management arrangements (e.g. a facility).

## 2.7 Other policy issues

All program strategies must take into consideration AusAID's policy on Gender and Development and the Environmental Management Guidelines. All strategies must comply with the Australian Government's counter-terrorism policies, and AusAID's counter-terrorism policy document *Counter-Terrorism and Australian Aid* (2003).

Consideration should also be given to program responses to natural disasters, conflict and other crises, in line with AusAID's *Humanitarian Action Policy* (2005), and *Peace, Conflict and Development Policy* (2002). The policy on HIV/AIDS must also be taken into account, see *Meeting the Challenge: Australia's International HIV/AIDS Strategy* (2004).

Strategies should also identify the scope to incorporate important program-wide initiatives and areas of focus such as the use of information and communications technologies and trade-related assistance.

Program strategies with an education and training component must consult with the Director, Scholarship Management Section (SMS) in order to meet AusAID's obligations to inform other Government Departments of significant education and training initiatives.

## 2.8 Strategy timeframe

Considering the long-term nature of poverty reduction measures, the program strategy's outlook should cover a period of **three to five years**. In circumstances where it is difficult to anticipate events, particularly for countries with rapidly changing environments, a strategy's

outlook may be sensibly shorter or will need to accommodate flexibility and opportunities for ongoing re-assessment.

### **3 Steps to develop a strategy**

There is no prescribed process for developing a strategy. However, program areas must engage SES peers and seek Executive endorsement of the issues paper and draft strategy. Ministerial/Parliamentary Secretary approval of the final draft strategy is then needed. The following steps are a suggested approach to strategy development

#### **Step 1: Establish peer review team (PRT)**

The PRT is the central mechanism for consultation within AusAID during the development of a strategy. The PRT should be consulted throughout the strategy development process: i.e. consulted on the poverty analysis, issues paper, and draft strategy. The PRT should also be consulted during strategy implementation, including as participants in the periodic Reviews of the strategy. Where possible, PRT membership should have continuity throughout development and implementation.

The role of peers is to assist the program area in formulating and steering the strategy. Ultimate responsibility for the strategy rests with the program area.

#### **Composition of the PRT**

Two members of the SES are allocated to each program's PRT. The allocated SES officers should be available throughout the strategy development process for informal support, advice and feedback (note that given work pressures, reasonable timeframes need to be set to ensure adequate time is allowed for SES engagement).

Program areas should also consider appropriate additional membership to the PRT. This could include sectoral advisers, and/or representatives from the ORE, contract services, humanitarian, multilateral, and appropriate country program areas. External peer reviewers can provide a different perspective, as well as provide an opportunity to engage more broadly with stakeholders to programs. The program will fund external inputs.

#### **Step 2: The poverty analysis**

The second step is to undertake or identify a poverty analysis to establish the poverty profile of the country/region and the existing approaches to poverty reduction of the partner government(s) and other major donors. The poverty analysis needs to

- review the general factors that are central to overall economic and social development in the partner country, including the economic and social development of the poor, and
- review the specific characteristics and situation of the poor in the partner country (i.e. review the poverty profile of the country).

Guidance on the main issues to address in a poverty analysis is provided in Annex A to this Toolkit. A poverty analysis should be concluded before the preparation of an issues paper for consideration by the PRT.

### **Step 3: The issues paper**

On finalisation of the poverty analysis, a brief issues paper - 3-6 pages plus attachments if required - should be prepared. The issues paper should succinctly describe the proposed program strategy and indicate the context within which Australia's development cooperation program is being delivered (e.g. pledges, political commitment, aid levels, issues, trends).

Issues to consider include

- whole-of-government considerations
- nature, causes and distribution of poverty
- policy environment within the partner country
- flagship sectors/themes
- partnership with other donors, civil society and government agencies
- delivery modes
- risk management
- performance monitoring and assessment
- expenditure issues/considerations/constraints, and
- resource management opportunities and/or constraints.

The paper should identify the main issues and choices to be addressed in more detail in the draft strategy itself, including any significant pieces of analytical work on emerging issues, development needs and priorities in support of the strategy. The issues paper should also attach an outline of the proposed consultation process to be undertaken in formulating the strategy, both within AusAID and externally.

The Strategic Plan introduced a closer engagement by the Executive at an early stage of the strategies process – through Executive consideration of the final draft issues paper. SES Peer Reviewers will attend these Executive sessions in their capacity as peers, not assessors - it is expected that peer input from the PRT will have been incorporated in the final draft presented to the Executive. Representatives of the program area directly involved in strategy preparation – for example, at CPM, Director and Branch Head level – should also attend these meetings.

The paper should be ready for distribution to the Executive at least five working days prior to the meeting.

#### **Step 4: The consultation process**

The issues paper provides a basis for consultation in the strategy development process. The primary mechanism for **internal consultation** is through the PRT. **External consultation** is also fundamental to ensuring programs are informed by wider Australian Government objectives, perspectives of partner governments and views of donor and NGO peers. Annex B suggests a range of groups to consider for consultation. If the strategy is likely to raise sensitive issues, there may be value in consulting the Minister and Parliamentary Secretary at the issues paper or draft strategy stage.

#### **Step 5: Drafting the program strategy**

The draft strategy expands on the approach presented in the issues paper, informed by consultation and further analysis of key issues. Annex A provides details on a suggested format for the strategy paper.

The draft strategy paper should be discussed with the PRT and then, once amended as required, submitted to the Executive for approval. The two SES PRT members will participate as peers in the Executive meeting when the draft strategy is discussed. The draft strategy paper should be ready for distribution to the Executive and SES PRT members at least five working days before Executive consideration.

#### **Step 6: Follow-up Discussion with Partner Government/Agency**

Following approval of the draft strategy, further consultations may be required with the partner governments/agencies. The aim should be to generate, to the maximum extent possible, a sense of shared objectives and ownership of the strategy.

#### **Step 7: Finalise the strategy**

Once the strategy paper is approved and final consultations concluded it is necessary to seek Ministerial/Parliamentary Secretary endorsement. Ideally, formal partner endorsement of the strategy should be obtained, through such forums as High Level Consultations, following Ministerial/Parliamentary Secretary endorsement.

#### **Step 8: Publication of the strategy**

Publication of a strategy must not compromise the quality of the strategy, particularly the depth of analysis and the assessment of critical factors influencing poverty and constraints to development in a partner country or region. The decision to publish a full strategy rests with

the program area. However, as a minimum an executive summary of each strategy will be published on AusAID's Website, to share our analytic products with key partners. (See Publishing on the Internet below).

#### Publishing on the Internet

As a minimum, AusAID will publish executive summaries from each approved program strategy on the AusAID Website. In addition, program areas are encouraged to publish the full strategy on the Internet. The cost is minimal or non-existent and doing so will enable easy revision to the strategy, eliminate the risks associated with version control and may eliminate the need for publication in any other form.

Strategies can also be printed in-house and bound using spiral binding for occasional distribution if required. A professional editor may be selected through the Period Offer system to edit the text if program areas so choose.

Both executive summaries and full strategies prepared for internet publication should not contain photographs or pictures, since these make downloading difficult or impossible for many users with old or small systems. This prevents access to the strategy by many users in developing countries, including private individuals, NGOs, academics and government officials. It can also present difficulties for Post access via the Intranet.

Once finalised the strategy should be sent to Public Affairs Group as a Word document, where an ISBN number and copyright notice will be included. Advice on Internet publishing can be obtained from the Internet Manager, Public Affairs Group.

#### Publishing in Hardcopy

Program areas may choose to publish strategies in hardcopy, although this will not necessarily provide the advantages outlined above. A professional editor should be selected through the Period Offer system to edit text and ensure the document conforms to the AusAID Style Guide. A graphic designer, also available on Period Offer, will layout the document and manages the printing of the publication.

Public Affairs Group will provide an ISBN number and copyright notice for inclusion in the document. The graphic designer will also provide an electronic copy of the publication for publishing on the Internet.

There is no requirement for a Ministerial Foreword nor should photos be included as these increase design costs and reduce the effectiveness of electronic publishing. Consideration should be given to the distribution needs of the publication in order to accurately determine the number of copies to be printed. A distribution service is available through the Period Offer system. Further advice can be obtained from Publications, Public Affairs Group.

## 4 Review of strategies

### 4.1 Objective

Strategies should be seen as dynamic frameworks for articulating Australian aid approaches. As strategies generally cover a three to five year timeframe, regular review is required to maintain the currency of the approaches. **Strategies should be reviewed every 12 months.**

The strategy review process aims to monitor program performance to meet the Agency's internal and external management and reporting requirements as set out in the Performance Information Framework. (See AusAID's Performance Information Reference Guide). The review of a strategy should evaluate the related program's impact and whether development cooperation is effective in achieving objectives and sustainable outcomes.

### 4.2 Annual strategy review

The annual review is not a major re-think or revision of the strategy, but rather an update for the PRT and the Executive on the progress with achieving the strategy. It also provides an opportunity to assess whether the objectives and broad approach of the original strategy are still appropriate. As such the review should be integrated within, and be useful for, routine program management tasks such as High Level Consultations, Budget preparation, the Annual Report etc.

The annual review should

- update the PRT and the Executive on the status of the strategy, including continued relevance, appropriateness, coherence and consistency of the strategy, results against the indicators set out in the strategy's performance framework, emerging issues (e.g. major changes to the poverty/development context of the partner country or region), significant events that may have impacted on the implementation of the strategy, and if necessary, proposed changes to the strategy
- review and update the risk management matrix – the annual review should take into account any changes in the operating environment, external risk levels and any new or emerging risk factors
- review and update the portfolio of activities/interventions set out in the three year operational pipeline to track coherence between the strategy and related program, including identification of proposed new activities, phasing of existing activities and, where appropriate, proposals for modifying the existing program

- provide an opportunity for program areas to comment on the actual strategy formulation and implementation process, in particular where it could be improved and what was useful about it, and
- document issues and lessons learned from strategy implementation.

### 4.3 Format for review reports

Annual reviews will involve a short written report - 3-6 pages plus attachments if required - for discussion with the PRT and the Executive. Reviews are documents of record and may be drawn upon (e.g. in responding to the Minister/Parliamentary Secretary and Parliament) to demonstrate overall progress in achieving objectives.

Once agreed with the PRT the annual review should be submitted to the Executive for consideration. Any significant issues emerging from the review of a strategy should be brought to the attention of the Executive – endorsement is required for significant changes identified either because of changed circumstances or as a consequence of weaknesses with the original approach. Major departures from the original approach require Ministerial endorsement. Executive discussion of the review should be arranged in advance with the Executive Officer in the ODG.

### 4.4 Mid-term strategy review

For strategies with timeframes beyond three years, the third annual review could serve as a more in-depth 'mid-term' review exercise. This review will determine whether the current strategy is still an appropriate basis on which to deliver an aid program to the partner country or region. It would assess the appropriateness of the original strategy's objectives, the risks and assumptions underpinning the strategy, and key approaches and delivery mechanisms. This assessment would factor in any evolving economic, social and political events in the partner country or region, and any key lessons learned from program implementation to date. In some cases, it may require revisiting the findings of the original poverty analysis.

### 4.5 Final strategy review

The final strategy review - approximately 12 months from the end of the current strategy's timeframe - should identify, aside from the above, the consultation and forward-looking analytical work on emerging issues, development needs and priorities that may be required for the development, and/or support of the next generation strategy.

The final review paper, using the strategy's performance framework as its starting point, should evaluate

- relevance to the partner country's development strategy/priority
- effectiveness in achieving stated objectives;
- efficiency in delivery of the program, and
- evidence of program impacts and whether these impacts are likely to be sustainable.

The final strategy review should inform development of the issues paper required for preparation of the next strategy. Should there be significant issues emerging within a program, program areas are encouraged to bring forward the date for review.

## A Suggested strategy paper format and content

Strategy papers should be as succinct as possible (approximately 10-15 pages), otherwise they become large and unwieldy, and of limited benefit as a management tool. A strategy should be written in a candid and constructive manner. A sensible approach should be taken to the inclusion of supporting information. For example, a comprehensive poverty analysis should inform the strategy, not take up great chunks of it. Supporting material should largely be consigned to Annexes or Attachments, or listed as cross-referenced documents. Annex C presents a suggested approach to developing a strategy.

### A.1 Executive summary

The Executive Summary should ideally be limited to a short series of dot points highlighting both the poverty/development challenges facing the country or region in question and the key features of the strategy.

### A.2 Poverty analysis of partner country or region

AusAID has in place a strategic poverty reduction framework that articulates the Australian aid program's approach to poverty reduction. (See *Reducing Poverty: The Central Integrating Factor of Australia's Aid Program* (2001)).

The framework is based upon four pillars

- promoting sustainable and inclusive economic growth
- enabling the poor to increase their productivity
- encouraging accountability of governments and institutions, and
- reducing the vulnerability of the poor.

These pillars reflect the Agency's thinking on the most effective type of aid interventions to ensure a balanced and effective approach to reducing poverty and achieving sustainable development, which integrates economic, social and environmental concerns. A strategy for addressing poverty reduction in a partner country/region should be developed within this broader framework.

#### A.2.1 Poverty analysis and the poverty profile

Poverty analysis is the cornerstone of the strategy paper. It informs the strategy's objectives, areas of focus, delivery mechanisms and performance indicators. The poverty analysis needs to

- review the general factors that are central to overall economic and social development in the partner country, including the economic and social development of the poor (taking into account the four pillars above), and
- review the specific characteristics and situation of the poor in the partner country (i.e. prepare a poverty profile of the country).

The strategy paper should only include key issues, themes and conclusions reached in the poverty analysis process. The technical detail of the analysis should be restricted to Annexes or Attachments, or listed as a cross-referenced document.

Suggested elements of a poverty profile are included in Box 1 below. This section should profile poverty in the partner country, including critical factors influencing poverty and constraints to development.

**Box 1: Possible features of a poverty profile of a partner country or region**

**1. Who are the poor?**

- Location/geographic distribution of poverty
- Rural/urban
- Gender and age distribution of poverty
- Most vulnerable communities
- Emerging trends?

**2. Why are they poor?**

*Economic/Income*

- Capital factors (eg limited access to capital - private investment, public finance or loans, lack of access to natural resources, limited property rights)
- Labour factors (eg unemployment & underemployment)
- Market factors (eg market change or collapse; physical and/or institutional constraints to market access; changing trade patterns)
- Government macroeconomic and fiscal policies

*Social/Institutional*

- Demographic (eg migration patterns, natural population increases)
- Historical/social/cultural (eg legal or social norms that create barriers for minority ethnic or other disadvantaged groups)
- Gender equity and/or access to development (eg education, health care, economic resources, participation and decision-making)
- Institutions and policies (eg poor capacities in key agencies; inadequate coordination and sequencing of policies; inappropriate policy settings)

- Governance issues (eg access to law & justice, human rights, civil society, participation in decision-making processes)
- Lack of social safety nets in place for vulnerable groups
- Lack of access to essential services including health, education etc (eg policy impediments, financial impediments to service access, physical constraints such as lack of infrastructure)

*Environmental/External factors:*

- Vulnerability to environmental shocks (eg climate change, El Nino, natural disasters)
- Vulnerability to civil unrest or conflict
- Vulnerability to economic crisis
- Environmental linkages to poverty (eg marginal or degraded lands, ecosystem fragility, pollution)
- Broader health issues (eg impact of AIDS or other epidemics)

### **A.2.2 Measures to reduce poverty**

This section should broadly identify current efforts to reduce poverty, notably those of the partner country and other major donors. This should include a brief overview of lessons learned from the experiences of the partner government and major donors. This section is important in helping to inform the Australian aid program's priorities for reducing poverty in the country/region, particularly the scope for improved donor coordination/complementarity – see Box 2 below.

**Box 2: Some possible features of an assessment of current responses to poverty in a partner country or region**

**1. A description and assessment of the partner country's policies and initiatives in relation to poverty reduction**

- clear poverty reduction policies and priorities in place, and which the Australian aid program may support/complement
- progress with implementation of these policies/strategies, including assessments/reviews to date
- institutional framework and capacity (national and local government, NGOs and civil society) for dealing with poverty reduction issues
- directly relevant lessons learned from partner country's poverty reduction policies and programs

**2. Poverty-reduction priorities and programs of other major donors (bilateral, multilateral and, if appropriate, NGO)**

- which major agencies have clear poverty reduction strategies and programs within the country/region concerned?

- overview, including projections, of major donor funding provided to partner country or region
- priority areas/sectors, geographic locations, institutions or vulnerable groups targeted by other major donors which the Australian aid program can complement
- conversely, priority areas/sectors/groups identified in the poverty analysis that are not covered by other major donors (and which represent a possible niche for Australian assistance)
- opportunities for improving dialogue with major donor partners (including improved coordinating mechanisms)
- scope for links with broader multilateral initiatives such as Comprehensive Development Frameworks
- directly relevant lessons learned from other major donors in identified priority areas

### A.3 The strategy and future program

#### A.3.1 Objectives

The objectives of the strategy should articulate what priority issues and areas the strategy will address. Strategy objectives should be **simple, practical and measurable**. The strategy should not set lofty objectives that are outside the scope of the program to adequately achieve.

In developing a strategy, program areas should focus on broad strategic objectives, beyond process-related or activity goals. **The strategy should ultimately reflect what the program is seeking to achieve in terms of poverty reduction over a three to five year period.**

Strategies should identify one or two 'flagship' sectors that will shape the focus of policy and program interventions.

A strategy's objectives may be the result of a series of trade-offs, driven by: the varying pressures and challenges facing the Australian aid program and the partner government; resource constraints; and the interests of other stakeholders. The strategy should balance these constraints in such a way as to optimise the poverty-reduction impact of the Australian aid program, in a manner that reflects broader Australian Government policy priorities.

#### A.3.2 Rationale

This section should outline the underlying rationale for tackling the chosen poverty reduction areas/issues. Factors may include

- scope for achieving tangible and sustainable reductions in poverty
- consistency or complementarity with the priorities and policies of the partner government and other major donors
- coherency with broader Australian interests
- a positive niche role for AusAID, vis-a-vis other donors

- opportunities for the Australian aid program to achieve a greater long-term impact
- building on previous efforts and relationships with partners, and
- lessons learned from the current strategy and program.

### A.3.3 Implementing the Strategy

This section should identify what the strategy and related program will **actually do** to achieve its stated objectives. This should include identifying key operational areas or themes that the strategy will focus on (e.g. improved economic and financial governance of central government; enhanced capacity for quality local health service delivery to identified communities). It should also identify the program's key sectors or sub-sectors.

This section should also outline the forms of aid to be used in implementing the strategy and related program. See AusGuideline 3.2 *Selecting forms of aid*. (This provides information relevant to selecting forms of aid, primarily for individual aid initiatives, but also for program strategies).

Planned aid initiatives may include **direct impact** activities specifically targeted at the poor and identified in the poverty analysis, or **indirect impact** activities that may operate at a national/state, sectoral, or individual activity level (e.g. governance, policy dialogue and some capacity building activities). The strategy may involve a combination of both. (See *Reducing Poverty - the Central Integrating Factor of Australia's Aid Program* (2001)).

The strategy may also identify any key lessons learned from the existing program that have influenced implementation choices. These lessons may relate to both the partner country's environment/situation, and management/implementation issues. Sources may include: program effectiveness reviews; other donor reviews and country assessments (e.g. as provided by the World Bank); evaluations undertaken by ORE; or the program's regular monitoring regime (e.g. Simplified Monitoring Toolbox), which may highlight ongoing "thematic" lessons.

The strategy should identify any links with other key donors and multilateral institutions. It should highlight any new initiatives in terms of implementation (e.g. sector-wide approaches, greater policy dialogue and Comprehensive Development Framework) and any new analytical work on emerging issues, development needs and priorities in support of the strategy. It should not include detail on all future activities to be undertaken within the lifetime of the strategy.

## A.4 Performance measurement

Appropriate performance criteria, performance indicators and performance standards should be developed to assess the program's progress towards meeting strategy objectives. Programs

should adopt a sensible and realistic approach that aims at **quality** in performance measurement and avoids burdening the strategy with mechanistic reporting requirements.

Indicators should satisfy the 'SMART characteristics' – specific, measurable, attainable, relevant and timely. The **results framework** has been identified as one suitable vehicle for program performance measurement. See AusGuideline 2.2 *Using the Results Framework Approach*. ORE provides guidance on using the results framework approach.

#### A.5 Risk

A realistic assessment of the major risks should be made with regard to the successful implementation of the chosen strategy, including the assumptions underpinning the strategy. These risks may include

- risks related to the broader country/regional environment in which the strategy will operate (e.g. political, economic)
- absorptive capacity of the partner country to effectively manage aid assistance
- risks related to key initiatives and new approaches/delivery mechanisms adopted under the strategy
- vulnerability to disasters and conflict, and
- risks that relate to the Australian aid program's ability to effectively respond to the identified poverty issues (e.g. resource constraints, lack of relevant expertise).

The strategy should identify how these will be managed. The risk matrix should be linked to the performance measures adopted for the strategy, and should ideally be assessed and updated on a regular basis - at least annually, in line with each AusAID Post's Portfolio Monitoring Plan (PMP) - so as to ensure the strategy's objectives and areas of focus remain appropriate in a constantly changing environment. (The PMP used to be known as the Country Portfolio Risk Assessment and Monitoring Plan - the CPRAMP).

ORE provides technical advice and assistance in developing performance management and risk assessment structures for strategies. Program areas are encouraged to consult with ORE in the preparation of performance management, quality and risk frameworks.

#### A.6 Resource implications

An assessment of the resource implications, both in Canberra and at Post(s), of the chosen strategy will need to be included. This is to ensure that program areas have the resources (both staff and contracted technical expertise) and appropriate skills base available to effectively implement the chosen strategy.

## A.7 Operational pipeline

A **three-year** operational pipeline identifying the program's portfolio of activities/interventions should be included in the program strategy.

The operational pipeline is intended to show the link between the strategy and related program, including identification of proposed new activities, phasing of existing activities and, where appropriate, proposals for modifying the existing program. It should make clear the rationale for activities in the pipeline, especially the relationship between activities and the program's strategic objectives.

In the early days of a strategy it is understood that there may well be considerable disconnection between the strategy and the portfolio of activities/interventions (i.e. the activities are not consistent with the identified objectives of the strategy). The key questions that need to be answered are

- how close is the current portfolio of activities to the objectives expressed by the proposed strategy?
- how does the portfolio of existing activities need to be adjusted to deliver the proposed strategy? Is this shift a realistic possibility?
- how is the program planning to adjust the portfolio of activities (over time) so that they are in line with the strategy?

The operational pipeline should be presented as an attachment to the draft program strategy submitted for Executive approval. A summary of activities, their duration and funding should be included as part of the information in the operational pipeline. Information on individual activities should be sorted by program strategic objectives, for example in a flow-chart format.

Operational pipelines need to be assessed and updated every 12 months as part of the annual strategy review process.

## A.8 Annexes & attachments

Annexes and attachments may include supporting analyses such as

- poverty analysis
- operational pipeline
- summary of economic analysis
- relevant aid flow data, and
- list of key documents used to underpin the strategy (e.g. Program Effectiveness Reviews).

## B Consultation

Early and extensive consultations with key stakeholders are encouraged. The extent of, and mechanisms for, consultation will vary from program to program. In the case of partner government consultations, it is recommended that this begin at the earliest possible stage to better ensure the partner government's commitment to the final strategy.

Programs should consider consultation with the following groups in preparing a strategy.

### **Within Government**

- DFAT
- other relevant central government agencies (e.g. Treasury, PM&C, DoFA)
- other relevant sectoral agencies (e.g. Health, Environment)

### **Within Australia**

- Australian NGOs
- other interest groups
- Australian academics
- private sector, including contractors managing Australian aid activities

### **Within the partner country**

- relevant government departments
- local NGOs
- local stakeholders who may benefit from, or contribute to implementation of, aid activities (as feasible and appropriate)
- local universities, research institutions and think-tanks

### **Other avenues for consultation**

- other donors
- regional organisations
- multilateral development institutions

## C Suggested approach to developing a strategy

Key question	Example response
Key poverty issue in the partner country/region, as identified in the poverty analysis	Poor health status of identified poor communities (including high levels of maternal and child mortality from preventable diseases). Lack of, and limited access to, quality demand-driven public health services (especially primary).
What are the current responses to the identified poverty issue (ie partner government and other major donors)?	Government's public health reform agenda. Policy reform (health planning, funding, etc) and strengthening local level health service delivery capabilities. WB & CIDA supporting health facility upgrading and community health initiatives.
What is the rationale for the Australian aid program addressing this poverty issue (eg past experience, positive niche role for AusAID)?	Key poverty issue impacting on poor communities' quality of life and productivity/income prospects. Program has extensive experience & comparative advantage in health activities. Complements Government reform agenda & other donor activities.
What Australian aid intervention(s) is proposed to address the identified poverty issue?  Note: must consider resource implications of various programming options when choosing a particular aid intervention.	Supporting reform of national health policy framework, and strengthening local capacity for health service delivery. Key mechanism is to develop and trial, in target provinces, a model(s) for local health systems (including planning, financing, human resources), that can be replicated and sustained across the country.
What is the key risk(s) that may undermine/constrain the effectiveness of the proposed aid intervention?	Change of government may see reduced commitment to health reform. Variable political commitment to health at the local government level. Lack of national budget support to public health services in partner country.

<p>What outcome(s) is expected from the proposed aid intervention(s)?</p>	<p>Strengthened national health policy framework. Improved quality and sustainability of, and access to, local public health services in identified provinces/communities.</p>
<p>What indicators of performance will be used to measure achievement of the outcome(s)?</p>	<p>An effective local health system model developed and extensively trialled, for replication across the country. Model is basis of partner government's health policy. Model addresses identified constraints (eg funding).</p>
<p>Based on the above, formulate the operational objective. This should be framed in terms of a proposed outcome(s).</p>	<p>Contributing to the improved health of identified poor communities through enhancing the quality and responsiveness of, and access to, public health services.</p>