



CIDA's Business Process RoadMap

Version 4.0

Business Operations Group
April 2009

Acronyms

| | |
|-------|--|
| AIS | Agency Information System |
| CDPF | Country Development Programming Framework |
| CEAA | Canadian Environmental Assessment Act |
| CPB | Canadian Partnership Branch |
| CRC | Corporate Resources Committee |
| DAC | Development Assistance Committee |
| FAA | Financial Administration Act |
| FCU | Financial Compliance Unit |
| FMA | Financial Management Advisor |
| FRA | Financial Risk Assessment |
| FRAU | Financial Risk Assessment Unit |
| GCRs | Government Contracts Regulations |
| GE | Gender Equality |
| Gs&Cs | Grants and contributions |
| ICTs | Information and Communication Technologies |
| IFI | International Financial Institution |
| IMRT | Investment Management and Reporting Tool |
| INGO | International Non-governmental Organization |
| IO | Implementing Organization |
| JFA | Joint Financing Arrangement |
| LDC | Least Developed Country |
| LM | Logic Model |
| MDG | Millennium Development Goals |
| MOU | Memorandum of Understanding |
| MRRS | Management, Resources and Results Structure |
| MTEF | Medium-term economic framework |
| NDP | National Development Plan |
| NGO | Non-governmental organization |
| ODA | Official Development Assistance |
| ODG | Office of Democratic Governance |
| OECD | Organization for Economic Co-operation and Development |
| OGD | Other Government Department |
| OSFI | Office of the Superintendent of Financial Institutions |
| PAA | Program Activity Architecture |
| PAD | Project Approval Document |
| PBA | Program-based Approach |
| PD | Program Director |
| PEM | Public expenditure management |

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| PIP | Project Implementation Plan |
| PM | CIDA Project Manager |
| PMF | Performance Measurement Framework |
| PPR | Project Performance Report |
| PRC | Program Review Committee |
| PRS | Poverty Reduction Strategy |
| PSU | Program Support Unit |
| RAF | Results Assessment Framework |
| RBM | Results-based Management |
| RPP | Report on Plans and Priorities |
| RRMAF | Results and Risk Management Accountability Framework |
| SAE | Strengthening Aid Effectiveness |
| SDS | Sustainable Development Strategy |
| SEA | Strategic Environmental Assessment |
| SRF | Strategic Results Framework |
| T&C | CIDA Terms and Conditions |
| TB | Treasury Board |
| UN | United Nations |
| UNAR | United Nations Afghanistan Regulations |
| UNSTR | United Nations Suppression of Terrorism Regulations |
| WBS | Work Breakdown Structure |

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Preface

CIDA's Business Process RoadMap guides CIDA staff through the business processes used to delivery CIDA's development assistance programs. It outlines the business processes related to CIDA's three business delivery models - core funding, responsive programming and directive programming and provides a high level overview of the different methodologies used to develop, manage, communicate and implement CIDA investments and provides appropriate references and links to key policies, strategies, guidelines and discussion or issue papers. While written primarily for the use of CIDA staff, it will also be of interest to the Agency's development assistance partners in Canada and abroad as well as to those interested in the way CIDA delivers its development assistance programs.

The RoadMap provides the policy, regulatory and procedural context for the conduct of Canada's development assistance programs that are delivered by the CIDA. The RoadMap consists of a number of parts: the RoadMap Overview (this document); specific business delivery model guides; and the Reference Desk. Imbedded in each of these documents are links to the related frameworks, policies and guidelines.

The RoadMap is a virtual or electronic document; all relevant policy and regulatory documents and reference materials are integrated into the body of the RoadMap through hyperlinks. It has been designed primarily for use within a web browser and not as a printed document.

The on-line version of the RoadMap is continually revised with the most up-to-date information. This edition of the RoadMap, version 4.0, was published in April 2009. Updates to specific sections of the RoadMap are made as necessary. When a section is revised, the date of the revision follows the section heading.

The CIDA Business Process RoadMap is developed and managed by the Business Operations Group in collaboration with CIDA's program delivery staff and corporate specialists. The RoadMap Steering Committee provides a forum for branches to address operational issues of common interest and concern and serves as a forum for the coordination of business process improvement initiatives as well as the further development of the RoadMap.

Questions on the application and mechanics of CIDA's business delivery models should be directed to your Strategic Management or Strategic Planning Division.

The document is structured as follows:

[Chapter 1 – Introduction to CIDA`s Business Process RoadMap](#)

[Chapter 2 – the Policy Framework](#)

[Chapter 3 – Regulatory and Management Frameworks](#)

[Chapter 4 – Overview of CIDA`s Business Delivery Models](#)

[Chapter 5 – An Overview of CIDA Transfer Instruments](#)

[Chapter 6 – Risk Assessment and Management](#)

[Chapter 7 – Core Funding](#)

[Chapter 8 – Responsive Programming](#)

[Chapter 9 – Directive Programming](#)

[Chapter 10 – Early Termination of CIDA Funding to Projects and Partner Organizations](#)

Chapter 1 - Introduction to CIDA's Business Process RoadMap

1.1 Agency overview (April 2009)

CIDA was established in 1968 to administer the bulk of the Government of Canada's development cooperation program. The program focuses on sustainable development and poverty reduction in developing countries; the measure of its success is its contribution to the achievement of the MDGs and Canada's broader international policy objectives.

CIDA delivers development assistance through a structure that organizes CIDA's management functions into program delivery and corporate branches.

Canadian Partnership Branch (CPB) serves as the focal point for programming and institutional relationships with Canadian institutions and non-governmental organizations.

Multilateral and Global Programs Branch (MGPB) serves as the focal point for institutional relationships and programming with multilateral organizations and global initiatives.

Geographic Programs Branch (GPB) serves as the focal point for country and regional-based programming.

Strategic Policy and Performance Branch provides strategic policy advice, integrated planning and performance management and strategic support to sectoral and geographic programming.

Corporate Operations is responsible for the management of CIDA's human, financial, information and physical assets. Corporate Operations includes the Human Resources Branch, the Chief Financial Officer Branch, the Information Management and Technology Branch, the Office of the Chief Audit Executive, the General Counsel, the Corporate Secretariat and Communications Branch. It is the locus for management of CIDA's accountabilities to Treasury Board, and with respect to legislation and policies such as the Management Accountability Framework, Information Management / Information Technology policy, and the Public Service Modernization Act, among others.

The overall authority for CIDA programs is provided in the Terms and Conditions for International Development Assistance that is approved by the Treasury Board. CIDA's development policy framework provides the policy context for CIDA programming.

Results-based management (RBM) defines the Agency's management philosophy and practice to systematically focus on results to optimize value for money and the prudent use of human and financial resources. RBM is also the basis of all program and project planning, monitoring and reporting, as well as the Agency's reporting to Parliament, the Canadian public and internationally on its development achievements.

Detailed information on CIDA's development policy framework and approach to results-based management can be found on CIDA's web site.

1.2 The Official Development Assistance Accountability Act (December 2008)

The new [ODA Accountability Act](#) came into force on June 28, 2008. The Act applies to all federal departments providing official development assistance, including the Canadian International Development Agency.

The Act lays out three conditions that must be satisfied for international assistance to be considered as official development assistance under the Act.

These conditions are that assistance:

- contributes to poverty reduction;
- takes into account the perspectives of the poor; and,
- is consistent with international human rights standards.

Ministers must be of the opinion that these conditions have been met in order to report the initiative as Canadian official development assistance.

The Act identifies three groups (governments, international agencies and Canadian civil society organizations) that must be consulted at least once every two years as part of the decision-making process relating to official development assistance as defined in the Act.

To facilitate transparency in reporting on official development assistance, the Act requires Ministers to report on official development assistance, including through an annual report to Parliament beginning in 2009.

1.3 Supporting documentation (April 2009)

A number of related framework, policies, guidelines and reference documents that have been developed to support specific aspects of program delivery. These include:

- [The Agency Accountability Framework](#)
- Terms and Conditions
 - [The Terms and Conditions for International Development Assistance](#)
 - [Questions and Answers on the Terms and Conditions](#)
 - [The Guide to Eligible Aid Expenditures](#)
- Due Diligence
 - [Due Diligence Guide](#)
 - [Due Diligence and Canada's Anti-Terrorism Legislation](#)
 - [CIDA's Policy on Fiduciary Risk Assessment](#)
 - [Policy on fiduciary Risk Assessment – Background and Highlights](#)
- Program-based Approaches
 - [CIDA's Operational Guide to Program-based Approaches](#)
- Program Support Units
 - [Guidelines for Directors of Program Support Units](#)
 - [Guidelines for Program Support Unit \(PSU\) Projects](#)
 - [Financial Management Framework for Program Support Units \(PSUs\)](#)
 - [Accounting and Financial Reporting Requirements for Program Support Unit \(PSU\) Projects](#)
- Programming Guidance
 - [Guide for Preparing a Country Development Programming Framework](#)
 - [Support to former Child Soldiers: Programming and Proposal Evaluation Guide](#)
 - [Internal CIDA Guide for Effective Development Cooperation in Fragile States](#)

- o [Reference Document for the Financial Planning and Management of Directive Projects](#)
- o [Results and Risk Management and Accountability Framework \(RRMAF\) Guide](#)
- o Results-based Management and Risk Management
- o [Guidelines for the Canada Fund for Local Initiatives](#)
- o [Guidelines for Local Funds Projects in CIDA's Geographic Branch](#)
- o [Manual on the Canadian Environmental Assessment Act: the Canada Fund and Mission Administered Funds](#)
- o [Guide to CIDA's Bilateral Responsive Mechanism](#)
- Operational Guidance
 - o [Environmental Assessment Directives](#)
 - o [The CEAA and the RoadMap – Environmental Assessment Procedures for Geographic Programs](#)
 - o [Operational Directive on Environmental Assessment and Counterpart Funds](#)
 - o [Operational Guidelines for the Evacuation and Compensation of Canadians Working on CIDA-Funded Projects](#)
 - o [Contracting guide for Managers in CIDA](#)
 - o [The Program Delivery Toolbox](#)
 - o [The Finance Toolbox](#)
 - o [The Contracts Toolbox](#)

1.4 CIDA's business delivery models

Business delivery models define how CIDA implements its programs within the contextual environment shaped by Government of Canada and CIDA policies and priorities, Acts, regulations and directives as well as international practice. CIDA manages the planning and delivery of Canada's development cooperation programs using three distinct business delivery models:

- Core funding
- Responsive programming
- Directive programming

Using core funding, CIDA provides support to organizations, institutions and recipient governments at the institutional level. Responsive programming is used to provide support for programs and projects identified, planned and implemented by eligible recipients. In the case of directive programming, CIDA takes the lead in planning and implementing projects at the request of a recipient government for within the context of a specific programming framework.

An overview of the business delivery models is presented in Chapter 4. Each of the business delivery models is described in greater detail in the Guides to Core Funding, Responsive Programming and Directive Programming respectively.

Figure 1 below provides a representation of the interrelationships of the three business delivery models, the foreign policy framework, the development policy framework, and the internal and external regulatory environments.

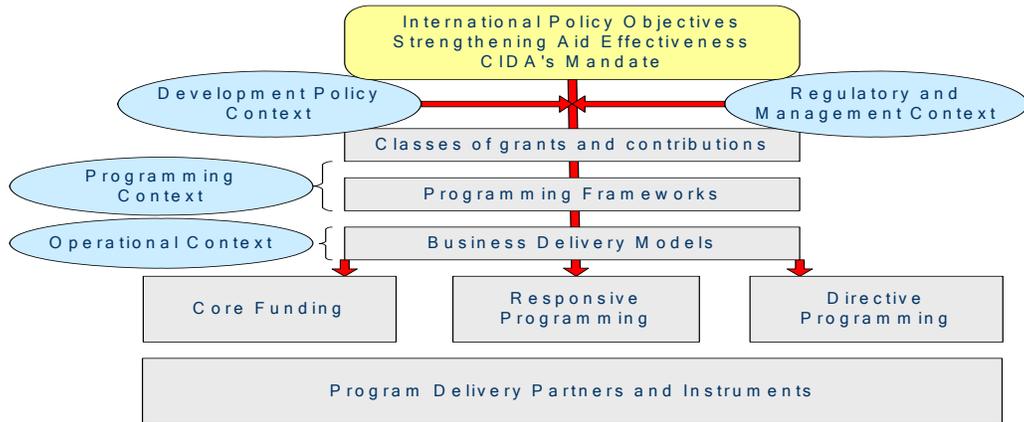


Figure 1 – Business Process Overview

Chapter 2 - The Policy Framework

2.1 Introduction

Chapter 2 provides an overview of the policy framework for CIDA programming which takes place at the program or initiative level. This framework is defined by:

- Canada's [international policy objectives](#),
- Canada's Agenda for Strengthening Aid Effectiveness ([Section 2.2.0](#) below)
- The Management, Resources and Results Structure (MRRS) which defines the Agency's framework for integrated performance management ([Section 2.3.0](#) below), and includes a definition of the Agency's strategic outcomes, the Program Activity Architecture (PAA) ([Section 2.3.2](#) below) and corporate logic model ([Section 2.3.3](#) and [Figure 3](#) below);
- The Corporate Results and Risk Management Accountability Framework (RRMAF) ([Section 2.4.0](#) below); and,
- The ODA Policy Framework and [CIDA's Policy Suite](#), which provides the policy framework within which all CIDA programming takes place at the program or initiative (project) level.

2.2 Strengthening aid effectiveness

2.2.1 The international context (April 2009)

Recent advances in the field of international development cooperation have coalesced to produce renewed prospects for aid effectiveness and poverty reduction. There is a concerted focus within the international community around the Millennium Development Goals (MDGs), a tangible, measurable framework towards which developing and developed countries are working. Intensified efforts are underway to scale up investments and activities to help developing countries meet the MDG targets by 2015.

The MDGs are:

1. Eradicate extreme hunger and poverty;
2. Achieve universal primary education;
3. Promote gender equality and empower women;
4. Reduce child mortality;
5. Improve maternal health;
6. Combat HIV/AIDS, Malaria and other diseases;
7. Ensure environmental sustainability;
8. Develop a global partnership for development.

Largely commencing with the 1996 OECD publication [Shaping the 21st Century: The Contribution of Development Cooperation](#), there has been a series of assessments and agreements that have mapped out new or rejuvenated approaches to development over the last ten years.

Years of experience have shown that development assistance has worked better when:

- *Developing Countries* take responsibility for their own development; commit to transparent and democratic development; and build strong public institutions, an active civil society and a vibrant, market-based private sector.
- *Donors* reinforce developing-country priorities and institutions; coordinate strategies and harmonize aid programs; provide strategic focus and policy coherence; and reward good performance.
- *Donors and countries together* engage in a frank, long-term, comprehensive relationship; manage for results and demand mutual accountability.

Actions underway to improve donor harmonization and coordination, which will both reduce

the administrative burden on developing countries (thereby freeing up resources for development work), and also support more comprehensive approaches to development. There is an increased emphasis on addressing systemic problems of governance and poor performance of public institutions -- critical barriers for the proper utilization of international assistance. Furthermore, there is enhanced recognition that developing countries share responsibility and accountability for the results that need to be achieved if poverty is to be reduced.

These developments culminated in the 2005 Paris Declaration on Aid Effectiveness, for which the key principles are:

- *Local Ownership*: support for developing country leadership on development strategies, plans and policies
- *Alignment*: linking donor support to developing country strategies, greater use of country systems, strengthening capacity of these systems for effective management of development, and greater untying of aid
- *Harmonization*: better donor coordination, streamlining of procedures, encouraging common arrangements, and sharing workload among donors including in fragile states
- *Managing for Results*: improving management of resources and decision-making in support of development results
- *Mutual Accountability*: shared accountability for development results

These principles reflect a drive for more judicious use of aid resources to sustainably reduce poverty in developing countries.

Most recently, the [2008 Accra Agenda for Action](#) underscored three major challenges for donors and recipient countries – country ownership, building more effective and inclusive partnerships, and achieving (and accounting for) results. In particular, the *Accra Agenda for Action* committed donors to broaden country level policy dialogue, make greater use of country systems, work together and emphasize program-based approaches.

Accra re-emphasized the key drivers of aid effectiveness. Through ownership, developing countries set their own strategies for development, improve their institutions and become accountable to their citizens and legislatures. Through alignment, donor countries bring their support into line with these objectives and use local systems. Through harmonization, donor countries coordinate their action, simplify procedures, use common practices and share information to avoid duplication; reporting to donors is standardized. By managing for results, developing countries and donors focus on producing and measuring results. With mutual accountability, donor and developing country partners are together accountable for development results.

One of Canada's contributions to the 2008 High Level Forum in Accra, Ghana was through the co-development of a publication: "[Building a New Aid Relationship](#)", which was prepared for the Forum as an overview of the goals of the Paris Declaration, its underlying principles, the progress that developing countries and the donor community have made together, and the challenges that lie ahead.

This publication translates, in simple and concrete terms, the spirit of the Paris Declaration, to illustrate the importance of implementation, and to generate broader understanding and support from all stakeholders. It was jointly sponsored by the Agency and the World Bank, with advice from the OECD.

Canada has taken part in the international efforts towards defining new approaches to aid effectiveness, and paved the way with its 2002 publication, *Canada Making a Difference in*

the World: A Policy Statement on Strengthening Aid Effectiveness, where CIDA committed to implementing comprehensive approaches to development cooperation; greater country and sectoral focus; enhanced partnerships; policy coherence and strengthened delivery mechanisms.

2.2.2 Canada's agenda for aid effectiveness

To meet its objective of reduced global poverty, the Government of Canada understands the importance of achieving coherence among its aid and non-aid policies and actions. The integration of diplomacy, defence, development, and commerce into Canada's response to global challenges emphasizes the importance of a whole-of-government approach. Several mechanisms exist to ensure coordinated government responses to international challenges such as the International Assistance Envelope management framework for the Crisis Pool which provides timely policy decisions and resources for Canada to respond to large-scale humanitarian crises. As well, other government departments (OGDs) possess highly sought expertise in areas such as statistics, justice policy and system reform and electoral systems. They are key partners for CIDA in responding to developing countries' needs in critical areas such as democratic governance.

The government's commitment to aid effectiveness was further reinforced by the development of a four-part Canadian Agenda for Aid Effectiveness (2006) (illustrated in Figure 2 below). It establishes enduring themes for Canada's international assistance and sets the stage for CIDA's work.

The agenda is composed of four main elements:

- *Greater Strategic focus*: building on the progress made to date in targeting interventions in countries and sectors where Canadian development assistance has the greatest impact
- *Strengthened program delivery*: acting on the lessons and principles for what makes aid work, and integrating them systematically across country and regional programs and delivery channels aid effectiveness reforms incorporated across CIDA programming
- *Effective use of resources*: continually maximizing value for money through programming and operational efficiencies
- *Accountability for results*: strengthened performance measurement and reporting.

Canadian aid can be more effective when it is aligned with the plans, goals and priorities of developing countries, in coordination with other donors and, where applicable, in coordination with other government departments. CIDA's programming is being focused in fewer sectors, in keeping with the MDGs, where Canada has a demonstrated value-added and where we can promote greater learning, influence, and critical mass of resources for impact.

Applying the lessons on aid effectiveness: A Four Part Canadian Agenda

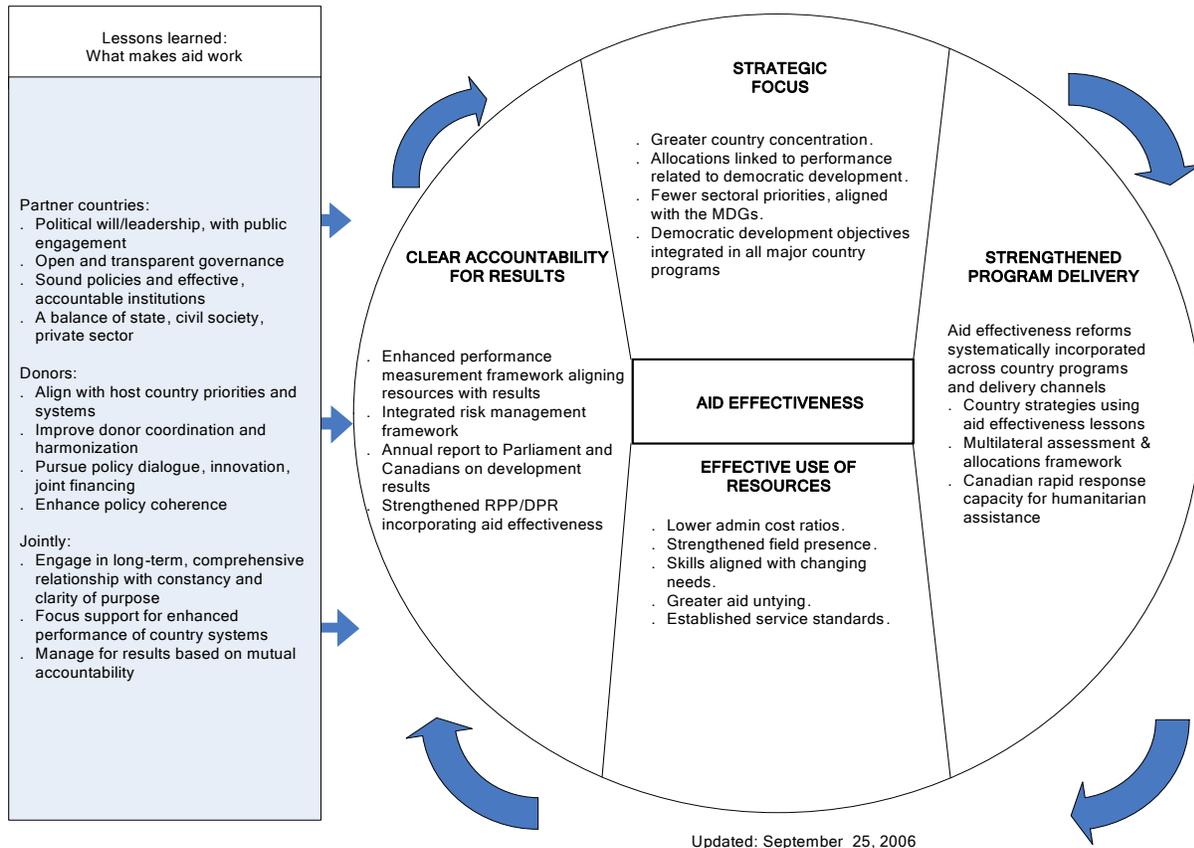


Figure 2 – Aid Effectiveness

This agenda is applied to programming across the Agency and incorporates the recognition that the poor (i.e., our developing partners) can achieve development results with the contribution of Canada and that our contribution depends heavily on the relationships developed and nurtured with our partners be they developing countries; multilateral, international and Canadian institutions or individual Canadians. This interplay between results and relationships forms the basis for CIDA's policy framework through which link CIDA's aid effectiveness agenda, CIDA's program activity architecture (PAA) and CIDA's Corporate Logic Model (see Figure 3 below) are linked.

The four elements of the aid effectiveness agenda reflect a range of concrete directions. Greater strategic focus, for example, includes increased geographic concentration, the integration of democratic governance objectives in major country programs and greater sectoral focus. The agenda also supports a clarification of country categories that allows CIDA to remain focused while supporting long-term scaling up towards the achievement of the MDGs, interventions in fragile states, and rapid response in humanitarian crises where flexibility is required.

[CIDA's Policy Statement on Strengthening Aid Effectiveness](#) describes broadly how the Agency will strive to help meet the MDGs through applying the lessons learned in aid effectiveness that are well encapsulated in the OECD's seminal work, [Shaping the 21st Century](#). Functionally, CIDA incorporates these goals and principles into its annual business plan, the [Report on Plans and Priorities](#) (RPP), which is an annual update of CIDA's

[Sustainable Development Strategy](#) (SDS).

2.3 Management, resources and results structure (MRRS)

The [Management, Resources, and Results Structure \(MRRS\)](#) is the government's standard format for an integrated performance management framework. It supports the development of a common, government-wide approach to the collection, management, and reporting of financial and non-financial performance information. It is designed to improve reporting to Parliament, provide the basis to support improved decision-making by departments, central agencies and Parliament, and finally, support the horizontal management of government priorities.

The MRRS has three basic components:

- Clearly defined and measurable strategic outcomes and logic model;
- A Program Activity Architecture (PAA) that reflects how a department allocates and manages the resources under its control to achieve its intended results; and,
- A description of the Agency's governance structure, including the decision-making mechanisms, responsibilities, and accountabilities.

The MRRS is relationship-based; "Program Activities" are defined in terms of who the Agency engages with: development partners; fragile states and countries in crisis; selected countries and regions; institutions; and Canadians. The relationship-based approach recognizes that CIDA shares accountability for development results with partners; that the "country" is the unit of account with recipient countries achieving development results with CIDA's contribution; and that CIDA's policy and programming decisions and expected results are based on who we work with.

2.3.1 CIDA's strategic outcomes

CIDA's goal (the final outcome of CIDA's programs) is reduced poverty, promotion of human rights and increased sustainable development in countries where the Agency works.

CIDA's two intermediate outcomes are:

- Increased achievement of development goals consistent with Canadian foreign policy, and;
- Sustained support and informed action by Canadians in international development.

These intermediate outcomes are addressed through policy and programming activities that focus on five specific immediate outcomes for Canadian development assistance.

Each of these immediate outcomes is the specific result of activities that result in outputs, which in turn contribute to the attainment of these outcomes.

CIDA's immediate outcomes are:

- Enhanced capacity of countries of concentration to achieve development goals (countries of concentration);
- Reduced vulnerability of crisis-affected people and restored capacity of public institutions and civil society (fragile states and countries experiencing humanitarian crises);
- Enhanced capacity of selected countries and regions to achieve sustainability and/or development goals and contribution to the international interests of the Government of Canada (selected countries and regions);
- Enhanced capacity and effectiveness of Multilateral Institutions and

Canadian/International Organizations in achieving development goals (Institutions); and,

- Increased awareness, deepened understanding and greater engagement of Canadians with respect to international development issues (Canadians).

2.3.2 Program Activity Architecture (PAA)

The PAA describes how resources are allocated in terms of the relationships developed with various partners; i.e. developing countries, partner institutions/organizations and Canadians. Taking into account how CIDA works with each of these groups, five main categories described in the table below have been devised to plan and report on programming. The final outcomes of CIDA's activities are threefold: reduced poverty, the promotion of human rights and increased sustainable development.

The table below shows the relationship between CIDA's strategic outcomes and partners.

| Overview of CIDA's Strategic Outcomes and Program Activities | |
|--|---|
| Strategic Outcomes | Program Activities |
| SO1 Increased achievement of development goals consistent with Canadian foreign policy objectives. | PA1.1 Countries of Concentration |
| | PA1.2 Fragile States and Countries Experiencing Humanitarian Crises |
| | PA1.3 Selected Countries and Regions |
| | PA1.4 Institutions |
| SO2 Sustained support and informed action by Canadians in international development | PA1.5 Canadians |

2.3.2.1 Programming in countries of concentration

Programming in countries of concentration involves direct contacts between CIDA and recipient countries and is developed through consultation and co-operation with partners internationally, in Canada and in these countries. These initiatives include various types of country and regional programs, projects and development activities. The funding approach is one of cost sharing between CIDA and the recipient governments or institutions. Canadian non-governmental partners may invest their own resources in partnership with CIDA and the recipient partners. Policy dialogue at the country or regional level is carried out to effect change in the policy environment.

2.3.2.2 Programming in fragile states or countries experiencing humanitarian crisis

Fragile states present a complex and challenging environment in which to program. The Agency will often program in the context of a government-wide response, through a variety of mechanisms aimed at responding to specific needs and mitigate risks. At the same time, countries experiencing a humanitarian crisis will require a timely, effective action. Institutional partners will often offer the flexibility and expertise to provide an adequate response.

To support staff who work and program in fragile states CIDA has developed the [Internal Guide for Effective Development Cooperation in Fragile States – On the Road to Recovery: Breaking the Cycle of Poverty and Fragility](#). It is grounded in CIDA's mandate for poverty reduction and commitment to improving aid effectiveness and recognizes the limited resources available to the Government of Canada for engaging in fragile states. Its purpose is to help CIDA staff identify and respond to the risk factors of fragility wherever CIDA has a

bilateral relationship, where multilateral stabilization is a priority, or where CIDA partners have established opportunities for strategic engagement.

The guide is designed to:

- Identify the considerations and factors that CIDA's operational branches should examine when planning, implementing, monitoring, and evaluating programs in fragile states;
- Elaborate the possible content of CIDA programming in fragile states (while recognizing that this is highly context-specific); and
- Provide CIDA input to interdepartmental and civil society dialogue and discussions to better understand why fragile states matter from a development perspective.

2.3.2.3 Programming in selected countries and regions

These initiatives are designed to assist countries and regions achieve stability and/or development goals. They are delivered in partnership with the private sector, NGOs, academia, regional organizations, ethnic communities and other levels of government. The aid focus is to complement other Canadian government department's objectives, and to build upon the linkages established between Canadian partners and their local partners. Policy dialogue and advice also complement CIDA's programming efforts.

2.3.2.4 Institutions

The Agency engages with multilateral, Canadian and international institutions in support of their mandate, objectives and capacity to deliver development initiatives which are important to realizing CIDA's objectives. The funding approach is predominantly one of core funding, which supports institutions aligned with CIDA's priorities. Core funding is not, by definition, earmarked or directed specifically to particular activities or recipients. In addition, CIDA seeks to effect change in the policies and practices of the multilateral organizations and institutions to maximize the effectiveness of their programs and operations. Through core funding and responsive programming, CIDA emphasizes institution building with Canadian and international partners, primarily to contribute to poverty reduction and sustainable development and to enhance the awareness, understanding, and engagement of Canadians with respect to development, as well as to enhance their capacity and effectiveness.

2.3.2.5 Engaging Canadians

Canadian support for, and engagement in, Canada's development assistance program is a vital ingredient in effective development. Public engagement takes many forms, including educating, informing and mobilizing Canadians to take action. The Agency undertakes a range of initiatives to inform and engage Canadians, including outreach to youth, support for volunteer sending organizations and for the public engagement activities of NGOs, support for development mass media and education initiatives aimed at increasing awareness and understanding of international development and cooperation issues among Canadians; and employment programs for young Canadians between the ages of 19 and 30 that offer post-secondary graduates the chance to gain international development work experience. CIDA also undertakes public consultations on a range of issues affecting policy and future directions.

Through its various communications tools and activities, CIDA provides the Canadian public with timely, clear, objective and complete bilingual information about its policies, programs, services and initiatives.

2.3.3 Corporate logic model

The corporate logic model is identical to the main components of the Agency's Management, Resources and Results Structure. The logic model provides the vision of what the Agency wants to achieve through a results chain and reflects the reality of how the Agency engages with countries of concentration and institutions. It defines the results for which risks are assessed and managed, and for designing and planning strategies for monitoring, audit and evaluation.

The logic model, which defines the relationships between the inputs, activities, outputs and outcomes (final, intermediate and immediate), is shown in figure 3 below. It should be noted that strategic outcomes defined in the PAA are the intermediate outcomes shown in the following logic model.

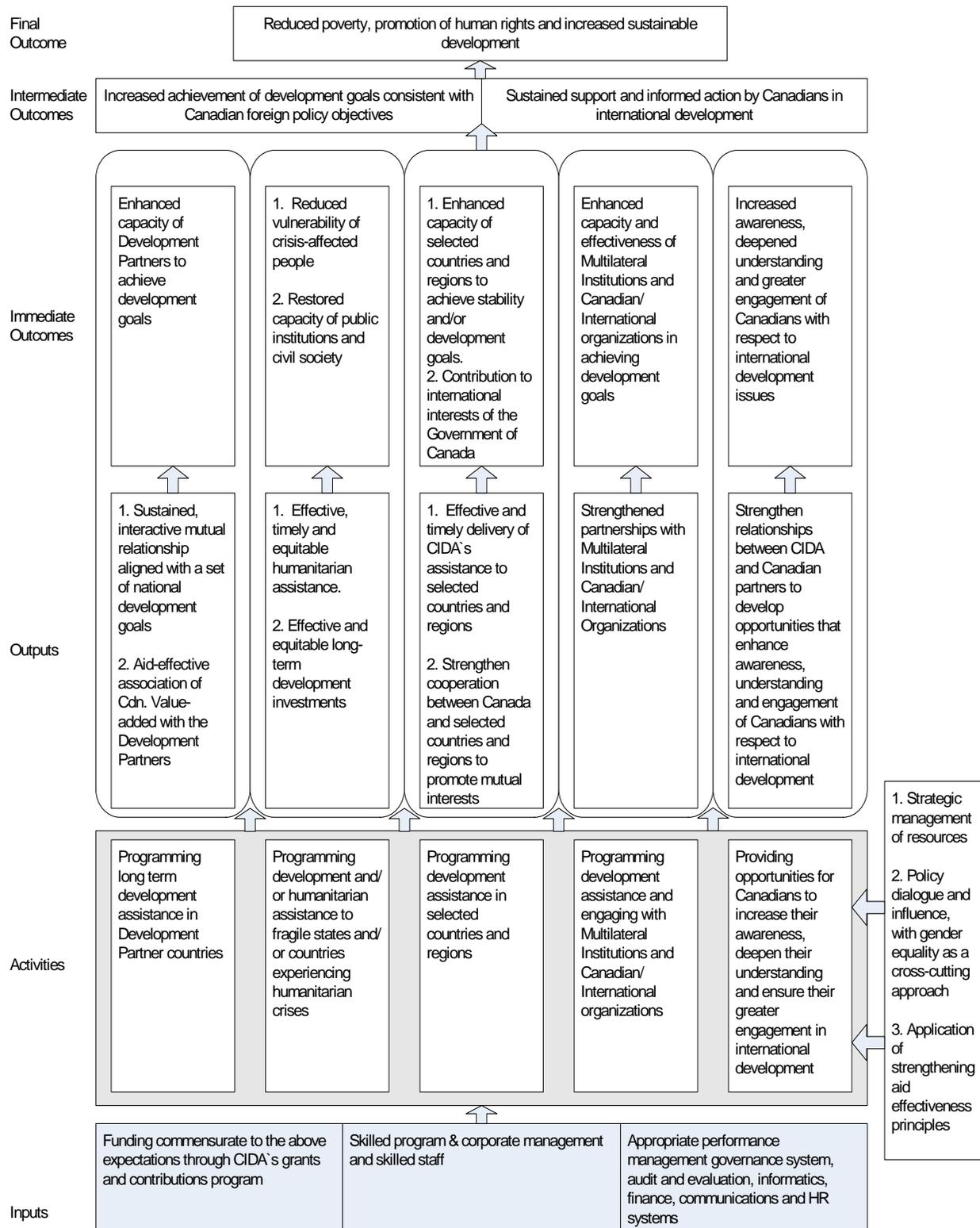


Figure 3 – Corporate Logic Model

2.4 Corporate Results and Risk-based Management and Accountability Framework (RRMAF)

The corporate RRMAF (February 2007) describes CIDA's expected results, and the risks faced in achieving those objectives. It lays out the broad governance, management and accountability framework in which CIDA operates to meet its goals and mitigate its risks.

In the section 4.5 of the corporate RRMAF CIDA identifies eleven key corporate risk areas related to operational risks, financial risks and development risks. These are further defined in Annex E of the corporate RRMAF. Among the risks identified are those related to non-compliance in relation to the Agency's legal obligations with respect to the environment. It is important that CIDA staff ensure that appropriate consultation with sectoral and thematic specialists form part of any risk assessment activity and that continuous monitoring or risks form part of ongoing project management activities. Further information on the risk assessment and management at the project or initiative level is provided in [Chapter 6 – Assessing and Managing Risk](#).

The corporate RRMAF is complemented by country and institutional development programming frameworks that enunciate the Agency's programming strategy and management approach to its relationship with a specific partner.

2.5 CIDA's development policy suite

CIDA's development policy suite provides the broad policy structure for all CIDA programming. The policy suite consists of the aggregation of corporate policy documents that fall into the categories of policies, strategies and guidelines.

Policies include CIDA documents that are broad, long-term statements of direction and intent from the Agency, usually approved by the Minister. They are intended to guide CIDA's work at all levels and must be considered in all planning, programming and operational decision-making. Policies are reviewed as required when government policies and international commitments change. These include:

- [CIDA's Policy for Environmental Sustainability](#)
- [CIDA's Policy on Gender Equality](#)
- [CIDA's Policy on Meeting Basic Human Needs](#)
- [CIDA's Policy on Poverty Reduction](#)
- [CIDA's Policy on Private Sector Development](#)
- [Government of Canada Policy for CIDA on Human Rights, Democratization and Good Governance](#)
- [Policy Statement on Strengthening Aid Effectiveness](#)
- [Promoting Sustainable Rural Development Through Agriculture](#)

Strategies include CIDA documents that analyze the problematic in particular areas of programme activities, and set out how CIDA will achieve its goals and meet its international commitments, such as action plans. These types of documents are approved by the Executive Committee if of a corporate nature, or by the highest authority in the area. They are reviewed as required to ensure that the issue is still relevant and that the preferred approach integrates lessons learned. These include:

- [Sustainable Development Strategy: 2007–2009](#)
- [CIDA's Sustainable Development Strategy 2004 –2006: Enabling Change](#)
- [CIDA's Strategy on Knowledge for Development through Information and Communication Technologies](#)

- [Strategy for Health](#)
- [CIDA's Strategy for Ocean Management and Development](#)

Guidelines include CIDA or non-CIDA documents that provide guidance on approaches to address policy and programme issues, such as manuals, handbooks and lessons learned. They may relate to sectors within a programme priority or to those that cut across priorities. Guidelines are approved by the Executive Committee if of a corporate nature, or by the highest authority in the area. They are reviewed as required to ensure that the issue is still relevant and that the preferred approach integrates lessons learned.

Among the most recently released guidelines are [CIDA's Microfinance Guidelines: Supporting the Development of Inclusive Financial Systems](#).

Other supporting documents include any other CIDA or non-CIDA documents that provide qualitative or quantitative information which particularly useful for the work of the Agency, such as discussion or issue papers, international declarations or conventions, and reviews.

In addition, specific policies govern the selection, design and implementation of CIDA-funded initiatives. These include specific policy documents related to the programming priorities and cross-cutting themes.

These documents, which form [CIDA's development policy suite](#), can be found on Entre Nous and on the Agency's web site.

2.5.1 Integrating gender equality in all CIDA initiatives

For more than two decades, CIDA has been committed to promoting the empowerment of women and equality between women and men. CIDA's approach has evolved over that time to reflect the lessons learned from its work with different development partners, and from the worldwide struggles to reach gender equality.

Progress can be made by identifying results that advance women's equal participation with men as decision-makers in shaping the sustainable development of their societies, support women and girls in the realization of their full human rights, and reduce gender inequalities in access to and control over the resources and benefits of development. To achieve these results, CIDA may approve an initiative with gender equality as a principal objective or as one of the objectives. Gender equality expected results should be clearly articulated in the design of all of CIDA's international cooperation initiatives.

Measuring progress on gender equality results requires the use of appropriate indicators to capture information on changes that contribute to the achievement of gender equality (This topic is treated more thoroughly in the CIDA documents [Guide to Gender-sensitive Indicators](#) and [The Why and How of Gender-Sensitive Indicators - Project Level Handbook, \(1997\)](#)).

Gender analysis provides information to determine the most effective strategies in a particular context and to identify results that support gender equality. Gender analysis is required for all CIDA policies, programs and projects and it should inform the planning, implementation and monitoring of all CIDA initiatives. Application of gender analysis will vary according to the nature and scope of initiatives.

For example, a gender analysis done for a project that aims to increase national capacity for

poverty mapping, measurement and analysis would consider the gaps and problems related to existing data and skills for analysis of the gender dimensions of poverty. Appropriate results can then be specified (e.g., improved capacity to generate data required to analyze gender differences in the incidence of poverty). Strategies to achieve these results could also be identified (e.g., technical assistance to identify data requirements, develop appropriate indicators, incorporate these into the design of an information system, and training in analysis of data generated).

From a general perspective, in the planning process:

- Gender equality is recognized as relevant to every aspect of international cooperation from macro-economic reform to infrastructure projects;
- Gender analysis is carried out at the earliest stages of the project or program cycle and the findings are integrated into project or program planning;
- Institutional weaknesses or cultural biases that could constrain the achievement of gender equality results are recognized in policy, program, or project design, and strategies are developed to address them;
- Means are identified to ensure there is broad participation of women and men as decision-makers in the planning process;
- Clear, measurable and achievable gender equality results are developed in the earliest phases of the process;
- Gender-sensitive indicators, both qualitative and quantitative, are developed (this requires the collection of baseline data disaggregated by sex, as well as by age and socio-economic and ethnic groups);
- A specific strategy and budget is provided to support the achievement of gender equality results;
- Partners and implementers are selected on the basis of their commitment and capacity to promote gender equality; and
- Gender equality specialists are involved from the start of the planning process.

CIDA's [Policy on Gender Equality](#) provides information on the use of gender analysis as a programming tool and on strategies and activities to support the achievement of gender equality. Specific guidance is provided on various types of programming initiatives, including policy dialogue, programming frameworks, program assistance, institutional strengthening and capacity development, bilateral programs and projects, multilateral programs, initiatives undertaken with Canadian civil society partners, humanitarian and emergency assistance and peace building initiatives. CIDA's [Framework for Assessing Gender Equality Results](#) and [Section 3.4.8](#) below provide additional information.

Branch gender equality specialists provide advice and guidance on the integration of gender equality analysis and action at the program and project level and should be consulted and involved in the planning of specific initiatives.

2.5.2 Integrating environment in all CIDA initiatives

Poverty reduction and the resolution of local, regional and global environmental issues represent important contemporary challenges. For example, the world's population faces various socio-economic and environmental issues associated with inequitable access to potable water, soil degradation and climate change. Although poverty does not necessarily lead to environmental degradation, these conditions are interrelated and have the potential to exacerbate each other. Poorer populations are often the most affected by environmental degradation (for example, water pollution and marginal lands), and are the most vulnerable to environmental risks (for example, weather or geology-related phenomena and conflicts having natural resource implications). In addition, for lack of resources the poor are often

compelled to deplete their local habitat and worsen environmental conditions (e.g. deforestation).

Integrating environmental considerations and optimizing environmental benefits during the design, implementation and monitoring of initiatives is a good development practice which can lead to initiatives that:

- Promote sustainable development;
- Do no harm;
- Multiply the beneficial effects on the environment, health and society;
- Promote participation by the local population early in the planning process are more acceptable to local populations and various stakeholders;
- Clarify environmental and social problems at the outset, thereby making it possible to alleviate or solve them while avoiding delays and additional costs; and
- Enhance the environmental awareness and management skills of Canadian and host country partners.

The international community recognizes the interrelations between poverty and the environment, and views environmental quality as a key factor for achieving sustainable development. For example, goal number 7 of the [United Nations Millennium Development Goals](#) (2000) highlights the need to ensure environmental sustainability to efficiently combat poverty and support sustainable development. Many linkages can also be made between the environment and the other Millennium Development Goals. Furthermore, developing as well as industrialized countries have ratified various multilateral environmental agreements, recognizing the need for trans-boundary cooperation on regional and global environmental issues. Examples of such agreements include the United Nations Framework Convention on Climate Change, the Convention on Biological Diversity, the United Nations Convention to Combat Desertification, and the Convention Concerning the Protection of the World Cultural and Natural Heritage.

Beyond these international commitments, a growing number of both industrialized and developing countries are strengthening their environmental policies and legislation to address environmental concerns at a national level. For example, many countries have developed environmental assessment legislation and the majority of donor countries and institutions have adopted environmental guidelines and environmental assessment requirements.

CIDA's [Policy for Environmental Sustainability](#) (1992) and *CIDA's Sustainable Development Strategy* emphasize that the environment is both a programming priority and an issue that needs to be integrated in all Agency plans, policies, programs and activities. Finally, CIDA's commitment to environmental concerns is also reflected in [Canada Making a Difference in the World – A Policy Statement on Strengthening Aid Effectiveness](#) (2002).

Finally, as an Agency of the Government of Canada, CIDA has an obligation to enforce Government of Canada legislation and policy relating to international relations and the environment. CIDA's operations must also comply with the [Canadian Environmental Assessment Act](#) (CEAA), as well as its regulations and amendments, when they apply abroad. The main purpose of the CEAA is "to ensure that projects are considered in a careful and precautionary manner before federal authorities take action in connection with them, in order to ensure that such projects do not cause significant adverse environmental effects" (excerpt of article 4(1) of the CEAA). In addition, as per the Cabinet Directive on the Environmental Assessment of Policy, Plan and Program Proposals, CIDA must conduct and apply Strategic Environmental Assessments (SEA) when required. SEA assists in the identification of positive and negative effects of specific programs and projects as well as

the cumulative effects over time.

When considering its support for development initiatives, CIDA takes into account the international, Canadian and host country regulatory environmental frameworks. CIDA is committed to working to ensure that initiatives are planned, implemented and monitored in a socially, environmentally and economically sustainable manner.

Branch environment specialists provide advice and guidance on the integration of the environment at the program and project level and should be consulted and involved in the planning of specific initiatives. To assist staff, Poverty-Environment Linkages Series tip sheets have been prepared on [private sector development](#), [gender equality](#), [education](#) and [health](#).

2.6 Aid Untying

2.6.1 Background

Tied aid is a practice that requires that aid funds be used for the procurement of goods and services in the donor country or in a limited number of countries. This practice has in most cases a negative impact on cost efficiency and aid effectiveness, as it can limit competition, increase transportation costs, delay the delivery of goods, prevent capacity building in developing countries, and result in the provision of products that are not adapted to local conditions.

In 2001, Development Assistance Committee (DAC) members of the Organization for Economic Cooperation and Development (OECD) agreed to untie certain categories of aid to the Least Developed Countries (LDCs), with the exception of food aid, management services, and free-standing technical cooperation. This intention to move to greater untying was confirmed that year in "Strengthening Aid Effectiveness: New Approaches to Canada's International Development Assistance" and Canada's policy on untying of official development assistance that came into force on January 1, 2003.

In addition to the implementation of the 2001 OECD DAC Recommendation on aid untying, one of the key aspects of the policy implemented in 2003 is the removal of prior requirements, at the corporate level, of minimum Canadian content for the aid budget. Whenever the criteria outlined in the policy on untying are evident, untying is mandatory. In other circumstances, full authority to untie is given, but there is no requirement; aid effectiveness and programming needs are decisive factors. Since 2003, the only exception to this rule has been food aid for which restrictions on procurement have been imposed.

Project officers have to consider delivery options for each project at the planning stage. Accordingly, the project proposal should include a description of the proposed delivery model and its justification. This will make it easier to assess whether the proposal meets the requirements of the aid untying policy. Project officers have also to ensure that the tying status of projects is appropriately coded and always up to date. Finally, the project officer is responsible for informing the Contract Management Division (CMD) of upcoming untied aid procurement opportunities, so that they can be notified to entities in other countries through the OECD DAC Untied Aid Bulletin Board.

Untying applies to specific activity areas of ODA to the least development countries (LDCs) in the following areas:

- Balance of payment and structural adjustment support;

- Import and commodity support;
- Sector and multi-sector program assistance;
- Debt forgiveness;
- ODA to NGOs for procurement-related activities;
- Commercial services contracts; and,
- Investment project aid (and related technical cooperation).

Cabinet confirmed the implementation of the DAC Recommendation in June 2002 (Policy on Aid Untying). In October 2002, Treasury Board granted CIDA exemption to certain sections of the Treasury Board Contracting Policy to allow the full range of transaction options that untying might entail. Food aid, freestanding technical cooperation and management services are excluded. For programming not subject to the DAC recommendation, program branches have the liberty to untie.

2.6.2 Application to CIDA

The DAC Recommendation applies to:

- Official Development Assistance (ODA). Official Assistance (OA) provided to countries-in-transition of Central and Eastern Europe is not covered.
- Bilateral ODA, that is, assistance reported as "bilateral" to the DAC, whether provided by Geographic Programs, Multilateral Programs, or Canadian Partnership Programs.
- Bilateral ODA to the Least Developed Countries.
- Payments transferred by contributions. Grants in Multilateral Programs and in Canadian Partnership Programs are not covered.

Directive and responsive projects.

Directive projects: Whenever the criteria for applying the DAC Recommendation are met, transactions in the form of contracts will be the object of international competitive bidding.

Responsive projects: Whenever the criteria for applying the DAC Recommendation are met, the project or sub-projects will be open to proposals from entities of essentially all OECD countries and essentially all aid recipient countries.

In the geographic branch, the intent to provide tied/untied aid is identified in the Concept Paper; tying/untying is confirmed at the stage of final approval (Project Approval Document); tying/untying is effective at the bidding stage (eligibility to tender, for contracts) or when funds are encumbered (final selection for contribution agreements; transfer of funds for local costs financing or budget support).

In other branches, responsive programs or projects are tied/untied by status (e.g. Canadian Partnership Branch, supporting the initiatives of Canadian partners) or by the specific conditions posed at the concept or approval stage (e.g. eligibility to submit proposals to access earmarked trust funds).

2.6.3 Criteria for CIDA

Mandatory untying is determined by a combination of criteria. Procurement components (contracts and contribution agreements) should be untied if they meet the criteria defined in sections (a) Countries, **and** (b) Categories, **and** (c) Thresholds, which follow:

a) Countries

[Least Developed Countries \(LDCs\).](#)

b) Categories of activities

The following categories of assistance:

- Balance of payments and structural adjustment support;
- Import and commodity support;
- Sector and multi-sector program assistance;
- Debt forgiveness;
- ODA through NGOs for procurement-related activities;
- Commercial services contracts;
- Investment project aid (and related technical cooperation).

c) Thresholds

In countries and assistance categories listed above:

- All contracts and contribution agreements valued at C\$1,400,000 (one million four hundred thousand dollars) or more will be untied;
- All contracts and contribution agreements for investment-related technical co-operation will be untied.

2.6.4 Exclusions

CIDA does not apply the DAC Recommendation to the following:

- OA to countries-in-transition;
- ODA provided by grants;
- Non-LDC countries.

Food aid, management services contracts and freestanding technical cooperation are categories of assistance that are exempted from the specific coverage, whether or not the other criteria (LDC; thresholds) are met.

When mandatory untying does not apply and a program wishes to untie and use International Competitive Bidding (ICB), this must be approved by the Minister on a case-by-case basis.

2.6.5 Definitions

2.6.5.1 Tied aid

Aid is tied when procurement, contractually or in effect, is designed to occur in one of the following:

- Donor country only;
- Donor and specified aid-recipient countries;
- Specified aid-recipient countries; or
- Specified developed and recipient countries.

Transactions are considered tied unless the donor has, at the time of the aid offer, specified a range of countries eligible for procurement that meet the tests for "untied" or "partially untied."

2.6.5.2 Untied aid

Aid is untied when either:

- Procurement is authorized in all OECD countries and substantially all aid-recipient countries; or
- One of the following cases occurs:
 - Local cost financing;
 - Budget and balance-of-payment support (provision of freely usable foreign exchange to the recipient).
-

2.6.5.3 Partially untied aid

Partially untied aid occurs when procurement is limited to:
The donor and substantially all aid-recipient countries; or
Substantially all aid-recipient countries

For further information please consult the [Policy on Tied-Untied Aid: Technical Notes](#).

Chapter 3 – Regulatory and Management Frameworks

3.1 Introduction

CIDA is governed by acts, regulations, policies and directives of Government of Canada. In adhering to this regulatory structure the Agency develops policies, directives and guidelines appropriate to its mandate, accountabilities and business operations. Taken together these form the regulatory and management frameworks within which Agency programs are delivered. This chapter provides an overview of the key elements of those frameworks.

3.2 CIDA's regulatory context

CIDA is designated as a department of the Government of Canada for the purposes of the Financial Administration Act (Order-in-Council P.C.1968-923 dated May 8, 1968). It acts under the authority of the Minister of Foreign Affairs. The specific authority of the Minister of Foreign Affairs and of the Minister of International Development is found in the Department of Foreign Affairs and International Trade Act, in the Annual Appropriation Act and in the International Development (Financial Institutions) Assistance Act.

As a department, CIDA and its operations are subject to the normal legislative and regulatory requirements established for government departments in a number of acts and regulations, including the Financial Administration Act, the Government Contracts Regulations, the Canadian Environmental Assessment Act, and the various regulations and directives of the Treasury Board Secretariat regarding government operations, in particular, the Treasury Board [Policy on Transfer Payments](#).

In those cases where the Agency does not follow generic government policies and practices (such as for project approval), CIDA is required to seek the specific approval of the Treasury Board (a committee of Cabinet).

The roles and authorities of specific individuals including the Minister, the President, Vice-Presidents and senior officials of CIDA are further defined in the Agency's [delegation of authorities](#), the [Agency Accountability Framework](#), and various other specific Treasury Board approvals.

3.3 Other regulatory and management framework elements

Other key elements of the regulatory and management frameworks governing CIDA programs include government policies, acts and regulations and CIDA-specific policies, regulations and guidelines.

Government policies, acts and regulations include:

- [Financial Administration Act](#)
- Cabinet Directive on [Strategic Environmental Assessment](#) (SEA) 1999
- [Government Contracting Policy](#)
- [Foreign Service Directives](#)
- Treasury Board [Policy on Transfer Payments](#)
- [Guide on Grants, Contributions and Other Transfer Payments](#)
- [Policy on Interdepartmental Charging and Transfers Between Appropriations](#)
- [Results for Canadians: A Management Framework for the Government of Canada](#) (2001)

- [Communications Policy of the Government of Canada](#)

CIDA-specific policies, regulations and guidelines include:

- [Terms and Conditions for International Development Assistance](#)
- [Delegation of Selection Authorities and Contractual and Financial Signing Authorities](#)
- [Technical Assistance Regulations](#)
- [Counterpart Funds Policy and Guidelines](#)
- [Advance Payments](#) (to be updated)
- [Interest Earned on Advance Payments](#)
- [Contracts and Contribution Agreements Audit Policy](#)
- [Overhead Rate Policy](#)
- [Tied / Untied Aid Policy - Technical Notes](#)
- [Results-based Management in CIDA](#)
- [CIDA Evaluation Guide](#)
- [Monitoring for Results Guide](#)
- [The Due Diligence Guide](#)
- [Project Browser – A User’s Guide for Managers](#)
- [Project Browser – A User’s Guide for Project Officers](#)
- [Proactive disclosure of grants and contributions \(practical application for CIDA Headquarters and the Field\)](#)

3.4. Management frameworks

CIDA’s development cooperation activities are planned and delivered within the general context of Canada’s foreign policy objectives, CIDA’s strategic outcomes as identified in the program activity architecture (PAA) (see Chapter 1), CIDA’s Development Policy Base (see Chapter 2) and specific country, regional, institutional or branch programming frameworks. In addition, the program is guided and governed by a number of other regulatory and management frameworks. Among the key Agency program and project management frameworks are:

- [Results-based Management](#) (RBM)
- [Agency Accountability Framework](#)
- [Performance Review](#) Approach
- [Corporate Results and Risk Management Accountability Framework](#) (RRMAF)
- [Framework of Results and Key Success Factors](#)
- [Performance Measurement Framework](#)

3.4.1 Results-based management policy

The [Results-based Management in CIDA - Policy Statement](#) defines the Agency’s management philosophy and practice to systematically focus on results to optimize value for money and the prudent use of human and financial resources. RBM is also the basis of all program and project planning, monitoring and reporting, as well as the Agency’s reporting to Parliament and the Canadian public on its development achievements through the annual [Departmental Performance Report](#). Detailed information on RBM, its tools, guidelines and related materials can be found on CIDA’s [Performance Review Branch](#) web site.

3.4.2 Agency accountability framework

The [Agency Accountability Framework](#) defines CIDA’s accountability as a federal government department at the Agency level for CIDA’s senior executives, and for program and project managers and key staff at the branch level.

3.4.3 Performance review

The Performance Review ([CIDA Policy](#) and [update](#)) approach encompasses all functions and instruments used by Agency managers and staff at all levels to assess Agency development and operational results. This includes evaluation, and internal audit and monitoring of policies, programs, projects, institutions and the operations of the Agency.

3.4.4 Corporate RRMAF

The corporate Results and Risk Management Accountability Framework (RRMAF) (February 2007) describes CIDA's expected results, and the risks faced in achieving those objectives. It lays out the broad governance, management and accountability framework in which CIDA operates to meet its goals and mitigate its risks. The corporate RRMAF is complemented by country and institutional development programming frameworks that enunciate the Agency's programming strategy and management approach to its relationship with a specific partner.

3.4.5 Results-based Management (April 2009)

CIDA's Results-based management (RBM) policy, first published in 1996, is the underpinning of sound corporate, program, and project planning, implementation, monitoring, and evaluation, as well as the Agency's reporting to Parliament and to the Canadian public, and internationally on its development achievements.

This section provides an overview of Results-based Management in CIDA. For more detailed information and tools consult the [RBM@CIDA](#) site on Entre Nous.

CIDA
's
2008

Update to the Agency's RBM Policy brings with it new tools (the logic model, performance measurement framework and risk registry), definitions and methodologies. The updated policy responds to a need for better coherence within CIDA when using RBM terms, definitions and methodology at corporate, program and investment levels. It also aligns and harmonizes CIDA's RBM terminology with what is used by Treasury Board and by the international donor community. Ultimately, this update is also intended to help better deliver and demonstrate development results and meet heightened government accountability requirements.

3.4.5.1 Context (April 2009)

RBM is integral to the Agency's management philosophy (or methodology) and practice.

Historically, governments have focused their attention on resource inputs (what they spend), activities (what they do) and outputs (what they produce). Accurate information at this level is important, but insufficient to achieve the results orientation demanded by this management framework.

A modern management agenda requires managers to look beyond activities and outputs to focus on actual results – the impacts (or ultimate outcomes or leave impacts as a generic term – finish later) and effects of their programs. Managing for results requires attention from the beginning of an initiative to its end. It means clearly defining the results to be achieved, delivering the program or service, measuring and evaluating performance and making adjustments to improve both efficiency and effectiveness. It also means reporting on performance in ways that make sense to Canadians.

The foundation of results-based management is accurate and timely performance information. Departments and agencies need to implement an information regime that measures, evaluates and reports on key aspects of programs and their performance in core areas; holds managers accountable for achieving results; and ensures unbiased analysis, showing both good and bad performance.

Public and private sector organizations that measure and evaluate the results of their work find that this information transforms and empowers them. It allows them to reward success, to learn from experience and to build public confidence. Being able to measure and evaluate results is a prerequisite to delivering the quality programs, services and policies that Canadians deserve.

The Government of Canada is committed to continuing its movement toward a results-based approach that can distinguish program strengths and weaknesses, and provide guidance on what does and does not work. The goal is to establish a more productive cycle of planning, measuring, evaluating and reporting of results to citizens, through ministers and Parliament. This in turn will support a culture of continuous learning and adjustment.

CIDA has been managing for development results for more than thirty years. In recent years, this pursuit of development results has been deepened and accelerated by a number of important CIDA, Government of Canada, and international initiatives, most notably:

- An important consensus on key development results emerged after some forty years of collective experience, leading to the adoption of the Millennium Development Goals (MDGs).
- The 2005 Paris Declaration is an international agreement to emphasize partner-country ownership as well as mutual accountability, and to increase efforts in harmonization, alignment, and managing aid for results with a set of measurable indicators.
- Linked to the Management Accountability Framework, the Treasury Board Secretariat issued its Management, Resources and Results Structure (MRRS) policy in April 2005 to improve efficiency and effectiveness in the use of Canadian government resources. In 2007 the MRRS introduced mandatory Performance Measurement Frameworks, which are applied at CIDA at the program level.
- The Government of Canada introduced in 2006 the *Federal Accountability Act*, which provides specific measures to help strengthen accountability, and increase transparency and oversight in government operations.

3.4.5.2 RBM in CIDA (April 2009)

RBM is a life-cycle approach to management that integrates strategy, people, resources, processes, and measurements to improve decision-making, transparency, and accountability. RBM is essential for CIDA's senior management to exercise sound stewardship in compliance with government-wide performance and accountability standards. The approach focuses on achieving outcomes, implementing performance measurement, learning, and adapting, as well as reporting performance. RBM means:

- Defining realistic expected results based on appropriate analyses;
- Clearly identifying program beneficiaries and designing programs to meet their needs;
- Monitoring progress toward results and resources consumed with the use of appropriate indicators;
- Identifying and managing risks while bearing in mind the expected results and necessary resources;
- Increasing knowledge by learning lessons and integrating them into decisions; and
- Reporting on the results achieved and resources involved.

CIDA has developed three main RBM working tools to make managing for results throughout the entire life-cycle of an investment or project easier for CIDA staff, partners and executing agencies; the logic model (LM), the performance measurement framework (PMF) and the risk register. Each of these is described below.

3.4.5.3 Standard RBM vocabulary (April 2009)

Results chain (logic model): the results chain is a depiction of the causal or logical relationships between the inputs, activities, outputs, and outcomes of a given policy, program, or initiative.

Result: A describable or measurable change in state that is derived from a cause-and-effect relationship. Results are defined as outcomes, which are further qualified as immediate, intermediate, or ultimate.

Development results: Reflect the actual changes in the state of human development that are attributable, at least in part, to a CIDA activity.

Ultimate outcome (long term): This is the highest-level change that can be reasonably attributed to a policy, program, or initiative in a causal manner, and is the consequence of one or more intermediate outcomes. The ultimate outcome usually represents the *raison d'être* of a policy, program, or initiative, and takes the form of a sustainable change of state among beneficiaries.

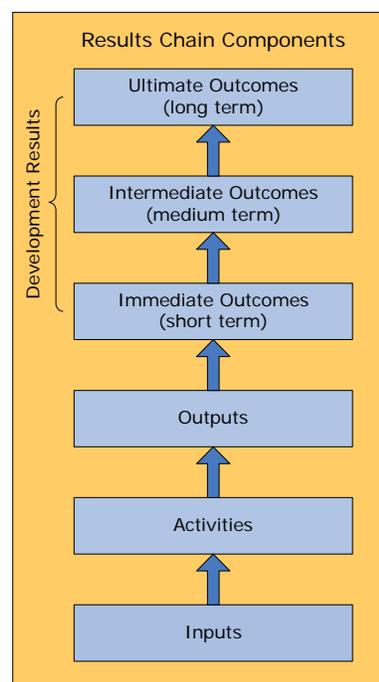
Intermediate outcome (medium term): This is a change that is expected to logically occur once one or more immediate outcomes have been achieved. In terms of time frame and level, these are medium-term outcomes, which are usually achieved by the end of a project/program. There is a change of behaviour or practice level among beneficiaries.

Immediate outcome (short term): This is a change that is directly attributable to the outputs of an organization, policy, program, or initiative. In terms of time frame and level, these are short-term outcomes, and are usually at the level of an increase in skills, awareness, access or ability among beneficiaries.

Outputs: Direct products or services stemming from the activities of an organization, policy, program, or initiative.

Activities: Actions taken or work performed through which inputs are mobilized to produce outputs.

Inputs: The financial, human, material, and information resources used to produce outputs through activities and accomplish outcomes.

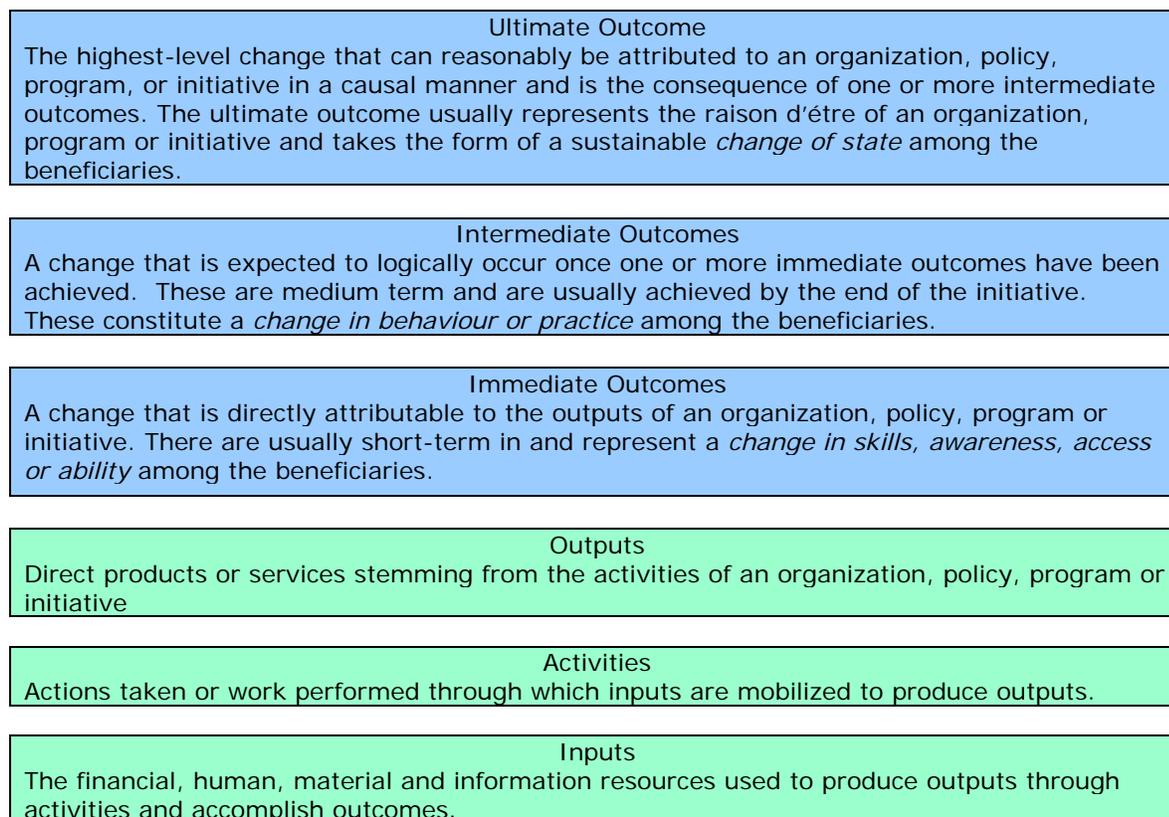


3.4.5.4 Logic model (April 2009)

The logic model provides a visual snapshot of the investment activities, outputs and results and replaces the logical framework (LFA) which has been in use in CIDA for many years. Sometimes also called a “results chain”, a logic model is a depiction of the causal or logical relationships between activities, outputs, and the outcomes of a given policy, program or initiative. Additional information on the Logic Model is provided in the [RBM Tools](#) section of *Entre Nous*.

A logic model is divided into 6 levels; inputs, activities, outputs, immediate outcomes, intermediate outcomes and ultimate outcome, each of which represents a distinct step in the causal logic of a policy, program or initiative. The bottom three levels (inputs, activities and outputs) address the how of an initiative while the top three levels (outcomes) constitute the actual changes that take place: the development results.

With the new logic model, **outputs** represent completed activities: the **direct products or services stemming from activities**, instead of short-term development results. **Outcomes** are development results and are classified as **Immediate (short term), Intermediate (medium-term) and Ultimate (long-term)**. “Ultimate Outcome” simply replaces “Impact” as the highest level of development result achievable by and investment or program.



Completing the logic model, in cooperation with partners, beneficiaries and stakeholders is an integral part of project planning. CIDA has a standard template for the logic model, which is shown below:

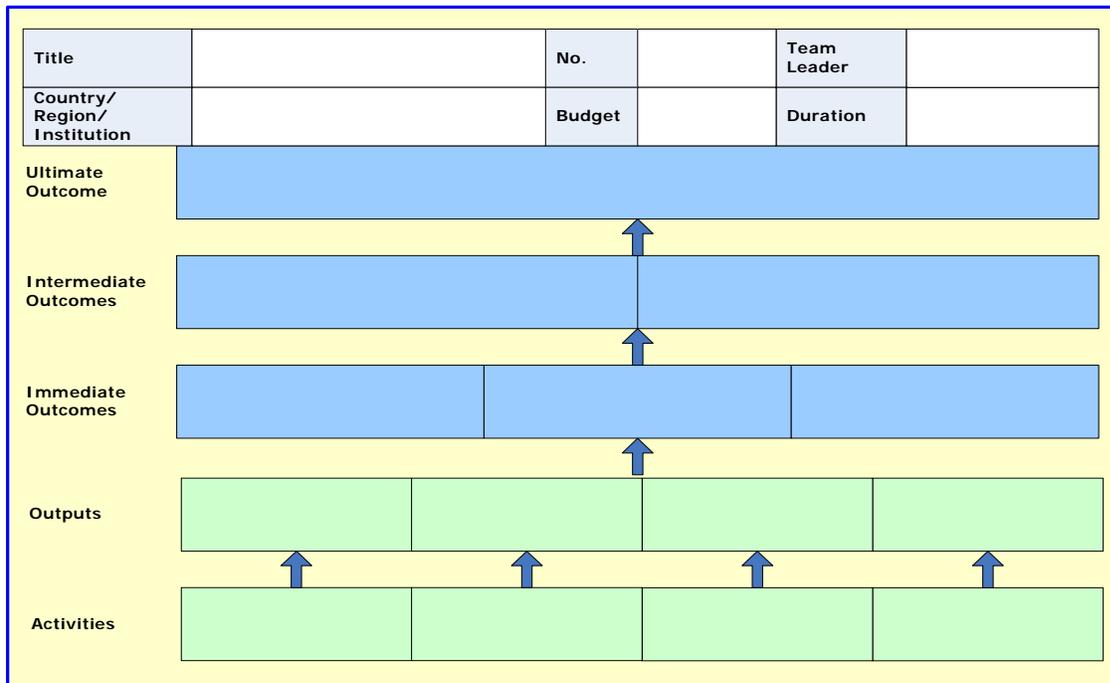


Figure 4 - The Logic Model

To complete a logic model you need to write clear and concise results statements.

A result is a describable or measurable change in state that is derived from a cause and effect relationship.

A results statement outlines what a policy, program or investment is expected to achieve. It describes the change stemming from CIDA's contribution to a development activity in cooperation with our partners.

Results statements should follow the "I am SMART" criteria which are:

- I = inclusive
- S = specific
- M = measurable
- A = Achievable
- R = Relevant
- T = Timely

Developing the logic model

CIDA's Performance Management Division has defined the following methodology for developing the logic model:

1. Identify ultimate beneficiaries, intermediaries and stakeholders
2. Ensure that the right people (DO, branch environmental, governance and gender specialists, executing agency, local stakeholders, beneficiaries etc.) are at the table; remember that this is a participatory exercise. This can be done via brainstorming, focus groups, meetings, consultative emails, etc.
3. Identify ultimate outcome. Start by identifying the problem your investment intends

to address. The ultimate outcome of an investment is its *raison d'être*; the highest level of change we want to see to solve that problem. (Make sure your results statement is "SMART")

4. Identify main activities for both CIDA and Partners. Brainstorm the main or key activities of the investment. If possible, group activities to avoid duplication.
5. Identify outputs for each activity (1:1 ratio)
6. Identify logical outcomes for immediate and intermediate levels
7. Identify linkages. Check back and forth through the levels to make sure everything flows in a logical manner. Make sure there is nothing in your outcomes that you do not have an activity to support. Similarly, make sure that all your activities contribute to the outcomes listed.
8. Validate with stakeholders/partners. Share your draft logic model with your colleagues, branch specialists, stakeholders, and partners etc. to ensure that the outcomes meet their needs and that the investment will actually work the way you have envisioned it.
9. Write the narrative text to illustrate linkages and explain the causality of the logic model.

3.4.5.5 Performance measurement framework (April 2009)

Measuring performance is a vital component of the RBM approach. It is important to establish a structured plan for the collection and analysis of performance information. At CIDA, as across the government of Canada, the performance measurement framework (PMF) is the RBM tool used for this purpose. Use of the PMF is not limited to the government of Canada; other organizations and donors use similar tools to plan the collection and analysis of performance information for their programming as well.

Performance measurement is undertaken on a continuous basis during the implementation of investments so as to empower managers and stakeholder with "real-time" information (use of resources, extent of reach, and progress towards the achievement of outputs and outcomes). This helps identify strengths, weaknesses and problems as they occur and enables project managers to take timely corrective action during the investment's life cycle. This in turn increases the chance of achieving the expected outcomes.

Additional information on the performance measurement framework is provided in the [RBM Tools](#) section of *Entre Nous*.

What is a PMF?

A performance measurement framework is a plan to systematically collect relevant data over the lifetime of an investment to assess and demonstrate progress made in achieving expected results. It documents the major elements of the monitoring system and ensures that performance information is collected on a regular basis. It also contains information on baseline, targets, and the responsibility for data collection. As with the LM, the PMF should be developed and/or assessed in a participatory fashion with the inclusion of local partners, beneficiaries, stakeholders and relevant CIDA staff. CIDA has a standard PMF Template.

| Title | | No. | | Team Leader | | | |
|---|-------------------------|---------------|----------------------|--------------|-------------------------|-----------|----------------|
| Country/Region/ Institution | | Budget | | Duration | | | |
| Expected Results ¹ | Indicators ² | Baseline Data | Targets ³ | Data Sources | Data Collection Methods | Frequency | Responsibility |
| Ultimate Outcome (Long term) | | | | | | | |
| Intermediate Outcomes (Medium term) | | | | | | | |
| Immediate Outcomes (Short term) | | | | | | | |
| Outputs | | | | | | | |
| Notes 1 – From the logic model 2 – Gender and environment where possible 3 – Including time range (where possible) | | | | | | | |

Figure 5 - The Performance Measurement Framework

The PMF is divided into 8 columns: expected results, indicators, baseline date, targets, date sources, data collection methods, frequency and responsibility. To complete a PMF you will need to be able to fill in each of the columns accurately.

Expected results

The expected results column is divided into 4 rows, one for each of outputs, immediate outcomes, intermediate outcomes and ultimate outcome. To complete this column, simply cut and paste the results statements from your LM into the appropriate spot.

Indicators

The indicators are what you will use to measure your actual results. An indicator is a quantitative or qualitative unit of measurement that specifies what is to be measured along a scale or dimension but is neutral; it does not embed a direction or a target.

Quantitative indicators are statistical measures such as number, frequency, percentile, and ratio. (Ex. Number of human rights violations, ratio of women-to-men in decision-making positions in the government.)

Qualitative indicators are measures of an individual or group’s judgement and/or perception of congruence with established standards, the presence or absence of specific conditions, the quality of something, or the level of satisfaction with something. (Ex: Client satisfaction with the timeliness of service.)

The criteria of a strong indicator are as follows:

- **Validity:** Does the indicator actually measure the result?
- **Reliability:** Is the indicator a consistent measure over time?
- **Sensitivity:** When the result changes will the indicator be sensitive to those changes?

- **Utility:** Will the information be useful for decision-making and learning?
- **Affordability:** Can the program/investment afford to collect the information?

Choose indicators that provide the best possible measurement of the results achieved within the budget available. Look for a balance of **Rigor** and **Realism**.

Baseline data

Baseline data is the set of conditions existing at the outset of a program/investment; quantitative and qualitative data collected to establish a profile. Baseline data is collected at one point in time and is used as a point of reference against which results will be measured or assessed. A baseline is needed for each indicator that will be used to measure results during the investment.

Targets

A target specifies a particular value for an indicator to be accomplished by a specific date in the future; it is what the investment would like to achieve within a certain period of time, in relation to one of its expected results. Targets provide tangible and meaningful point of discussion with beneficiaries, stakeholders and partners.

Developing Strong Targets

- Targets must be realistic, reviewed regularly and adjusted annually.
- Targets should be set in areas identified as key by clients.
- Targets can be set for short and long term performance objectives.
- A strong target consists of a clear statement of desired performance against objectives and is developed using established baseline.

Data sources

Data sources are the individuals, organizations or publication from which data about your indicators will be obtained. Performance data on some indicators can be found in existent sources, such as the reports and studies carried out annually by actors in the international development community. Other data can be obtained through indicators tracked by governments and partner organizations and reported in annual reports to donors. Finally CIDA staff and/partners may need to identify their own sources of data to track performance against expected results.

The source of performance data is very important to the credibility of reported results; try to incorporate data from a variety of sources to ensure impartiality.

Some Examples of Data Sources:

- Beneficiaries
- Partner organizations
- Government documents
- Government Statistical reports
- Human Development Reports

Data collection method

Data collection methods represent *HOW* data about indicators is collected. Choosing a data collection method depends on the type of indicator and the purpose of the information being gathered. It also depends on how often this information will be gathered.

Selecting appropriate Data Collection Methods:

- Determine which data collection methods best suit the indicators in question
- Use multiple lines of evidence
- Consider the practicality and costs of each method
- Weigh the pros and cons of each data collection method (accuracy, difficulty, reliability, time)

Some Examples of Data Collection Methods:

- Analysis (of records or documents)
- Literature review
- Survey
- Interview
- Focus group
- Comparative study
- Collection of anecdotal evidence
- Questionnaire
- Pre and Post intervention survey

Frequency

Frequency looks at the timing of data collection; how often will information about each indicator be collected? Will information about an indicator be collected regularly as part of ongoing performance management, quarterly or annually for reporting, or only at the end of an investment? It is also important to note that data on some indicators will need to be collected to establish the baseline.

Responsibility

Responsibility looks at who is responsible for collecting and validating the data? For most CIDA investments, CIDA staff will share this responsibility with a variety of other actors including partners, executing agencies (EAs) and even beneficiaries. It is important to note, however, that CIDA is ultimately responsible for tracking the overall performance of an investment and for reporting on that performance on an annual basis.

Some examples of actors responsible for data collection:

- Beneficiaries
- Local professionals
- Partner organizations
- Consultants
- CIDA Staff

Steps to complete a PMF

The development of the PMF starts at the planning and design phase. Remember, some elements of the PMF may be established after or during project implementation (ex. collection of baseline data and setting of some targets).

- 1) Ensure that the information for your PMF is developed in a participatory fashion, including key local stakeholders, partners, beneficiaries and the appropriate CIDA specialists.
- 2) Cut and paste the ultimate outcome, intermediate outcomes, immediate outcomes and outputs from your LM into the appropriate boxes in the PMF template.
- 3) Establish performance indicators for your expected outcomes and outputs and enter the performance indicators for the ultimate, intermediate and immediate outcomes and the outputs. Validate and check the quality of your performance indicators. Do they have: *validity, reliability, sensitivity, utility, and affordability?*
- 4) Establish "Data Source" and "Data Collection Method" for your chosen performance indicators. Look to include multiple lines of evidence wherever possible to increase the reliability of your performance data.
- 5) Fill in the "Frequency" and "Responsibility" columns for each performance indicator. Decide whether information on each performance indicator needs to be collected on an ongoing basis as part of performance monitoring or periodically through evaluations?
- 6) Fill in baseline data where possible. If reliable historical data on your performance indicators exists (in the form of government data, information from a previous phase of the investment or information gathered during a needs analysis), then it should be used; otherwise you will have to collect a set of baseline data at the first opportunity. If you will be gathering the data later, indicate this in your PMF with a statement like: "Baseline data to be collected at investment inception" or "Data to be provided by IO after communities identified." If possible set the date by when this will be completed (**this should be done within the first year**).
- 7) Establish realistic targets for each indicator in relation to the baseline data you have identified. This sets the expectations for performance over a fixed period of time. Key targets, based on gaps and priorities identified during initial analysis, are necessary to establish budgets and allocate resources and play an important role in project planning and design. Others may be established later, once a baseline study had been conducted.

3.4.5.6 Risk Register (April 2009)

The risk register lists the most important risks, the results of their analysis and a summary of mitigation strategies. Information on the status of the risk is included over a regular reporting schedule. The risk register should be continuously updated and reviewed throughout the course of a project. Additional information on the risk register is provided in the [RBM Tools](#) section of Entre Nous. Specific information on integrated risk management and related tools is provided in the [IRM Tools](#) section of Entre Nous.

CIDA's key risk areas

The following picture shows the relationship between the results chain and CIDA's key risk areas.

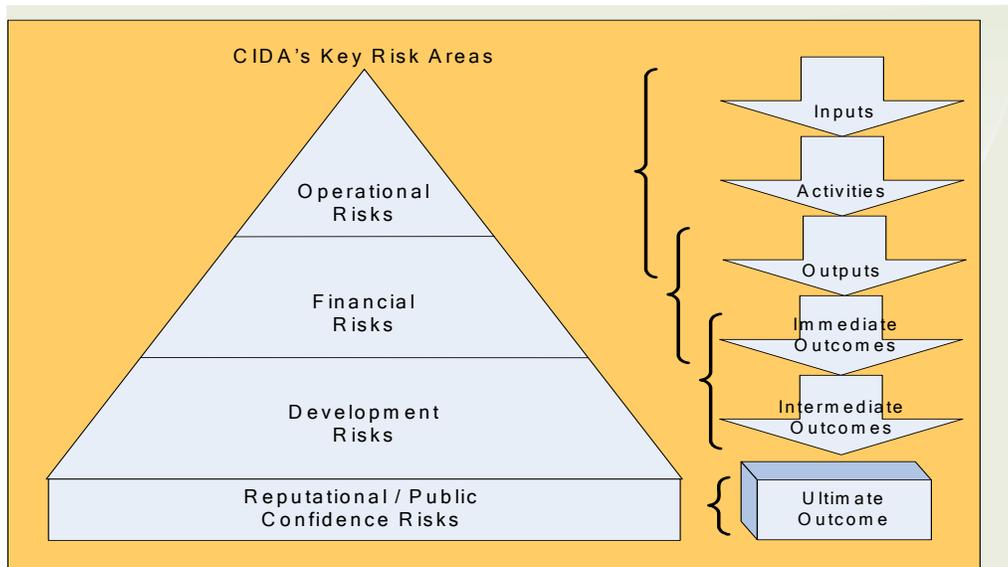


Figure 6 - CIDA's Key Risk Areas

Risk terminology

Useful Risk Terminology:

- *Risk* refers to the effect of uncertainty on results (ISO 31000).
- *Impact* is the effect of the risk on the achievement of results
- *Likelihood* is the perceived probability of occurrence of an event or circumstance
- *Risk level* is Impact multiplied by Likelihood
- *Mitigation* is the plan to manage a risk (by avoiding, reducing, sharing, transferring or accepting it)
- *Risk Owner* is the person who owns the process of coordinating, mitigating and gathering information about the specific risk as opposed to the person who enacts the controls. Stated otherwise, it is the person or entity with the accountability and authority to resolve a risk incident (ISO 31000)
- *Operational Risk* is the potential impact on CIDA's ability to operate effectively or efficiently
- *Financial Risk* is the potential impact on the ability to properly protect public funds
- *Development Risk* is the potential impact on the ability to achieve expected development results
- *Reputation Risk* is the potential impact arising from a reduction in CIDA's reputation and in stakeholder confidence in the Agency's ability to fulfill its mandate

Four-point rating scale for risk

| Criteria | Very Low (1) | Low (2) | High (3) | Very High (4) |
|---|---|--|--|---|
| Potential impact on CIDA ability to meet objectives | Routine procedures sufficient to deal with consequences | Could threaten goals and objectives, and thus may require monitoring | Would threaten goals and objectives, and thus may require review | Would prevent achievement of goals and objectives |
| Likelihood of occurrence | Very unlikely | Unlikely | Likely | Very likely |

Figure 7 - Rating Scale for Risk

For more information on results-based management and risk management please consult the [Strategic Planning and Performance](#) page of the Strategic Policy and Performance site on Entre Nous.

Risk Register Template

CIDA has a standardized Risk Register template.

| Title | | No. | | | Team Leader | | | |
|--------------------------------|--|---------------------------------------|--------|--------|-------------------------------------|--|-------------------------------------|---------------------|
| Country / Region / Institution | | Budget | | | Duration | | | |
| Risk Definition | | Risk Level (Add columns as needed) | | | From Program Risk Profile? (Y/N) | Indicate Investment LM Result Level ¹ | Mitigation Needed | Risk Owner |
| Operational Risks | | Date 1 | Date 2 | Date 3 | | | | |
| Op1 | Ex. Implementation is delayed due to ... | | | | Y | PR | Ex. Renegotiate with government ... | Ex. Project Manager |
| Op2 | Add rows as needed | | | | | | | |
| Financial Risks | | | | | | | | |
| Fin1 | Ex. Funding may not be harmonized with ... | | | | | | | |
| Fin2 | Add rows as needed | | | | | | | |
| Development Risks | | | | | | | | |
| Dev1 | Ex. Natural disaster may threaten CIDA development results ... | | | | | | | |
| Dev2 | Add rows as needed | | | | | | | |
| Reputational Risks | | | | | | | | |
| Rep1 | Ex. Canadian stakeholders may publicly not support program | | | | | | | |
| Rep2 | Add rows as needed | | | | | | | |

¹ - Acronyms: Ultimate Outcome (UO); Intermediate Outcome (ITO); Immediate Outcome (IMO); Output (O); Whole Project (PR)

Figure 8 - Risk Register

Completing a risk register

Step 1: Under "Risk Definition," write down the key risks to the project. There should be at least two risks each for the categories Operational, Financial and Development Risks, and at least one risk in the category of Reputational Risk. CIDA Risk Tool #1 may be useful in doing this step (EDRMS #69032). Indicate whether the risk is taken from the program level risk profile (indicate Y) or is a project specific risk (indicate N) in the appropriate column.

Step2: For each risk selected, establish the current risk level, i.e. the intensity of the risk. A risk map or some other tool may be useful for determining the level. Identify the risk on the four-point scale below, and transfer the colour under "Date 1."

Step 3: Over a regular monitoring schedule, re-rate the risk and add the colour under "Date 2" and so on. Monitoring periods will vary according to the project, but a typical period is three months.

Step 4: Indicate if the risk is the same as one found in the program risk assessment (if one exists).

Step 5: A risk is an uncertainty about a result. Indicate the level of the result as found on your Logic Model.

Step 6: Give a brief summary of the mitigation strategies that will be used to manage the risk or to prevent a risk event.

Step 7: Indicate the risk owner. If possible, there should only be one person per box. The owner will vary according who is the person that actually has to deal with a given risk event.

Monitoring: In the real world of development, the risk profile will change constantly during the life of the project. As risks arise or disappear, change the corresponding risk definitions and risk level. Also track the use and the effectiveness of the mitigation strategies, and change the "Mitigation" column as necessary.

Note: Please do not hesitate to rate risks as "Red" if that is their real level.

3.4.6 Assessing gender equality results

The [Framework for Assessing Gender Equality Results](#) supports CIDA`s accountability for development results focusing on gender equality as a crosscutting priority. The assessment is to identify the nature and significance of the incremental contributions in the three corporate objectives identified in CIDA`s Policy on Gender Equality. These objectives are to:

- Advance women's equal participation with men as decision-makers in shaping the sustainable development of their societies;
- Support women and girls in the realization of their full human rights; and
- Reduce gender inequalities in access to and control over the resources and benefits of development.

The menu of gender related results provided in the Framework also provides a useful tool in project planning and in the development of the Logic Model.

3.4.7 Disseminating factual information

CIDA staff are responsible for the quality of the factual information about their programs /

projects in CIDA's Agency Information System (AIS). Various communications tools, such as the [Project Browser](#), and [Disclosure reports](#) use the information as found in the AIS to disseminate them to the public. Capturing and maintaining complete and high quality data is crucial to properly inform Canadians about CIDA initiatives and agreements. Reports to the DAC and other external and internal reports are also based on the quality of the data in the AIS. Questions on the public dissemination of factual information should be addressed to the Communications Advisor responsible for your Branch, or to the "Information Research and Dissemination" Unit in Communications Branch.

3.5 Application of the elements of the regulatory and management framework

CIDA staff are responsible for the application of the various elements that comprise the regulatory and management framework in their activities. Questions on the application of the various elements of the regulatory and management frameworks should be addressed to the functional specialists (financial, contracting, management and performance review) in your branch.

Chapter 4 - Overview of CIDA's Business Delivery Models

4.1 Introduction

CIDA's business management practices are structured around three, organizationally neutral, delivery models. Each business delivery model has been designed to allow for the discharge of specific accountabilities in channelling resources to achieve Canadian development objectives:

- Core Funding - used when CIDA chooses to **support entities** (organizations, institutions or recipient countries) involved in development initiatives that are expected to yield developmental results reflecting CIDA goals and objectives ([Section 4.3.1](#) below);
- Responsive Programming - used when CIDA agrees to **support development initiatives** conceived by a proponent which are consistent with the goals and objectives of CIDA's programs ([Section 4.3.2](#) below); and
- Directive Programming - used when CIDA **takes the lead in designing development initiatives**. These initiatives may eventually be implemented by CIDA or through another organization under CIDA's supervision ([Section 4.3.3](#) below).

A more complete overview of each of the business delivery models is provided in Chapters 7, 8 and 9 of the roadmap Overview (this document). In developing projects and programs, Agency staff should also consult the specific business delivery model guides.

4.2 Context

The selection of the most appropriate delivery model takes place within the context of Canada's foreign policy objectives, the [Terms and Conditions](#) for International Development Assistance, CIDA's development policy suite, the Agency Results and Risk Management and Accountability Framework and Program Activity Architecture, and other internal or program-specific management and programming frameworks and guidelines. See Chapters 2 and 3 for further information.

A key concept, which underlies the application of the business delivery models, is that of Agency-wide use. The relevant models themselves are organizationally neutral; any program branch can use any business delivery model. Their application in a particular situation is governed by the applicable management and programming frameworks.

4.3 Core funding

"We have a common interest; let us supplement the institutional resources you have available to allow you to do more."

In this business model, CIDA determines that it is appropriate to provide support to an organization, institution or recipient country. In such cases, there is a complementarity of interests that can be defined at the institutional level (rather than the individual project level) - a "strategic alliance".

Within the core funding business delivery model there are three broad types of core funding mechanisms used by CIDA: the funding of organizations and institutions, funding of recipient governments and delegated cooperation.

4.3.1 Funding of organizations and institutions

Funding is provided to organizations and institutions including NGOs and INGOs, international financial institutions (IFIs), agencies of the United Nations, Commonwealth and Francophonie organizations as well as contributions through programs such as Multilateral Humanitarian Assistance Program and the Health and Nutrition Directorate (HAND) within the general context of ongoing relationships or in support of their planned programming.

Ongoing relationships are characterized by a long-term commitment by CIDA to provide funding to certain classes of organizations and institutions. Examples of ongoing relationships include core (rather than initiative specific) funding for NGOs, INGOs, international financial institutions, and United Nations, Commonwealth and Francophonie organizations.

Core funding of organizations and institutions is normally provided through a grant although, in certain cases, CIDA may wish to have a greater degree of oversight and will therefore provide its support in the form of a contribution as defined in the Treasury Board [Policy on Transfer Payments](#).

Further information on grants and contributions is provided in [Chapter 5 – An overview of CIDA Transfer Instruments](#).

4.3.2 Funding of recipient governments

Funding is provided to recipient governments and their organizations and institutions through program-based approaches (direct budget support and pooled funding) and, subject to the approval of the Treasury Board, macroeconomic support and debt relief. CIDA may be the only donor or may collaborate with other donors within the context of recipient led initiatives.

Core funding provided to recipient governments and their organizations and institutions tends to be characterized by specific time limited initiatives with fixed funding envelopes which may span one or more years and which are approved as discrete interventions. Any payment to a recipient country government must be in the form of a contribution.

Direct budget support and pooled funding to recipient governments is only provided in the form of a contribution since grants to recipient country governments are not permitted under CIDA's [Terms and Conditions](#) (Section 3.1.4 - Programming Exclusions).

4.3.3 Delegated cooperation

Delegated cooperation where CIDA provides funds to other donors to manage as part of that donor's participation in a bilateral project or program or alternatively CIDA receives funds from other donors to manage through their participation in a bilateral project or program. Delegated cooperation is undertaken within the context of bilateral programming as defined in section 14.1.4 of CIDA's [Terms and Conditions](#) which provides the authority to give grants to other donor countries beginning in fiscal year 2008/2009.

In the case of delegated cooperation, the program desk must consult with the appropriate finance and contracting experts as well as CIDA's Legal Services. A precondition for the use of delegated cooperation where CIDA provides funds to other donor countries is that the

systems and procedures used by the donor administering CIDA's funds are assessed by CIDA and determined to be comparable to CIDA and Government of Canada systems and procedures.

4.3.4 Characteristics

The decision to provide core funding is predicated upon the assumption that CIDA will not become involved in the details of individual initiatives funded by the entity.

CIDA generally plays no role in the initial identification, design, or implementation of the specific programs or initiatives to be implemented. Rather, the Agency provides resources to supplement the actions of another organization or institution that are judged to contribute to attaining the goals and objectives of the Canadian development assistance program at the mandate and policy level. As such CIDA directs ODA to eligible recipients by supporting the development assistance activities of other organizations or institutions where their work is judged to contribute to the goals and objectives of Canadian ODA; enters into funding arrangements with the organization/institution/other donor country that places minimal conditions on the use of Canadian funds; and defines the framework it will use to monitor at the investment level.

When using the core funding business delivery model, CIDA devotes its staff resources to:

- A determination that the developmental results of its activities should contribute to attaining some or all of the development results CIDA itself is trying to attain with its own programs; and,
- The performance of an up-front due diligence examination of the eligibility and managerial capabilities of the organization or institution involved.

In deciding to use this instrument, CIDA assumes accountability for its decision that the other organization or institution:

- Is an appropriate and eligible partner for CIDA and the use of Canadian ODA funds;
- Is capable of identifying and assessing developmental needs;
- Has an RBM methodology and is capable of effectively applying RBM principles to the development and delivery of their programs or has the demonstrated capacity to manage for results;
- Can design and implement developmentally sound initiatives;
- Has sound management practices, appropriate financial systems and controls and the capacity to report correctly on its activities; and,
- Should yield results that reflect Canadian ODA policies and respond to CIDA's priorities including those related to the environment and gender equality.

Examples of initiatives undertaken using this business delivery model include financial support to multilateral organizations such as Regional Development Banks or specialized UN Agencies or Global Partnerships; funding of major NGOs and INGOs at either the organization or general program level; and, direct budget support and pooled funding to recipient governments.

More detailed information is provided in [Chapter 7](#).

4.4 Responsive programming

“You design, we contribute, you implement”

The underlying principle behind responsive programming is that CIDA agrees to contribute to development activities proposed by others when those activities are aligned with or coincide with the Agency's mandate, objectives, themes or programming frameworks.

In some cases, CIDA may agree to support initiatives that meet the broad parameters established for Canada's development cooperation goals and objectives. In other cases, CIDA will establish specific parameters for a class of recipient (such as educational institutions) or type of program (such as environmental protection, food security or vulnerable populations) within which it will consider proposals for specific development activities.

CIDA engages in responsive programming with not-for-profit and for-profit organizations as well as multilateral institutions.

In using this business delivery model, CIDA agrees to provide financial support to development initiatives and international appeals for humanitarian assistance identified and put forward by an eligible proponent. A responsive proposal will be considered when it clearly identifies expected results and relates to the priorities of a CIDA programming framework or, where no framework exists, responds to broader CIDA or recipient programming priorities. CIDA manages support to individual projects, programs or appeals proposed by others having defined the parameters within which proposals can be submitted.

CIDA both responds to unsolicited proposals and solicits proposals that must respond to a specific programming framework or parameters either on a first-come, first-served basis, within a time-bound competitive framework or in response to an appeal for humanitarian assistance. In such cases, CIDA retains the right to either accept or reject the proposal based on the quality of the proposal and how well it fits with CIDA or the recipient 's programming priorities.

In a responsive context, CIDA does not redesign an initiative submitted by a proponent. As part of it's due diligence process, CIDA identifies the deficiencies in the original proposal and informs the proponent of these deficiencies.

In general, these deficiencies could relate to:

- The relationship of the proposed project to CIDA's policy (including gender, the environment and results-based management) and programming objectives or focus;
- The internal consistency of the proposal;
- Whether the resources identified (budget) are considered by CIDA to be sufficient to achieve the results;
- Whether the proposed personnel are qualified to carry out the work; and
- The adequacy of the analytical work undertaken to support the design of the proposed project including deficiencies in the logic model, performance measurement framework, risk analysis and mitigation strategies, stakeholder analysis, demonstrated local commitment, etc.; and,
- Sustainability of the initiative (i.e. the extent to which the local partner can sustain the human and financial investment made through the project without ongoing external funding or assistance.

It is the proponent's responsibility to determine the extent to which CIDA's observations are taken into account in any redesign of the project. CIDA may provide advice to the proponent, but the ultimate responsibility for accepting that advice and modifying the proposal rests with the proponent. Funding agreements eventually signed with successful proponents should be clear on this with respect to project ownership and accountability.

In the case of responsive programming, CIDA devotes its staff resources to:

- Performance of a due diligence examination of the eligibility and the technical, managerial, administrative and financial capabilities of the proponent involved (as with core funding);
- A technical review of the proposed initiative;
- A determination that the developmental results of the initiative should contribute to attaining some or all of the development results CIDA itself is trying to attain with its own programs (as with core funding); and,
- Appropriate monitoring and evaluation.

In deciding to use this business delivery model, CIDA assumes accountability for its decision that the proponent:

- Is an eligible recipient and appropriate partner in the use of Canadian ODA/OA funds;
- Is capable of identifying developmental needs or needs resulting from a humanitarian crisis;
- Has an RBM methodology and is capable of effectively applying RBM principles to the development and delivery of their programs or has the demonstrated capacity to manage for results;
- Has designed and can implement a technically sound initiative;
- Has sound management practices, appropriate financial systems and controls and the capacity to report correctly on its activities; and
- Will produce results that reflect Canadian ODA policies and respond to CIDA's priorities.

When using responsive programming CIDA:

- Determines the parameters within which responsive initiatives may be developed and enters into a dialogue with project proponents as to their plans for the design and delivery of any initiative;
- Remains accountable for deciding whether a specific proponent is competent to implement a development initiative it has developed and whether the goals and objectives established for the initiative are compatible with Canadian ODA/OA policies and programming objectives; and,
- Manages contributions towards individual projects or programs proposed by others including appropriate monitoring and evaluation activities.

Depending on the degree of oversight and involvement CIDA wishes to maintain and the track record of the organization or institution, CIDA will provide support as either a grant or a contribution. Section 7.1 of the [Terms and Conditions](#) for International Development Assistance provides more information on the factors that must be taken into account in determining whether a grant or a contribution is to be used.

More detailed information is provided in [Chapter 8](#).

4.5 Directive programming

“We design, we implement”

In directive programming CIDA takes the lead, either at the request of a recipient government or within the context of a programming framework, in the planning and implementation of development initiatives which are normally implemented by another organization under CIDA's supervision. While CIDA generally contracts specialized resources to support planning and to undertake the implementation, it has direct involvement throughout the life cycle. As such, CIDA is accountable for planning, approval and implementation.

CIDA uses directive programming when it wishes to ensure that development initiatives comprising specific features are brought to bear on development issues which can be addressed within Canada's development cooperation policies and priorities.

Directive programming is used when:

- A programming framework defines the parameters for CIDA investments;
- Opportunities for initiatives are defined through a country, regional or institutional programming framework or a programming strategy related to CIDA's mandate and strategic outcomes and in conjunction with recipient country partners; and,
- Directive programming represents the most appropriate mechanism with which to address a specific requirement.

In using the directive programming business model, CIDA devotes a significant proportion of its staff time to needs assessment and then the subsequent definition of the detailed design of the project and therefore assumes accountability for:

- Needs assessment;
- "Fit" in relation to Canadian policies and priorities;
- Selection of appropriate resources for design and implementation; and,
- Monitoring of all aspects of the project throughout its life cycle including taking corrective action as appropriate.

Using the directive programming business delivery model, CIDA:

- Actively manages the design and supervises the implementation of a specific initiative, generally using contracted expertise;
- Negotiates contracts to ensure appropriate design and implementation of the project; and,
- Has direct involvement throughout the life cycle (identification, design, contracting and monitoring) of the initiative.

Within the context of planning a directive initiative, CIDA may determine that some of the objectives may be best met through the provision of core funding to an institution or through the establishment of a responsive project mechanism within the larger initiative. In these cases, the initiative still remains directive and flow through funds related to the responsive component are managed in accordance with the provisions of Section 7.3 of CIDA's [Terms and Conditions](#).

Directive programs are funded through contributions and implemented using a contract or an administrative arrangement with another government body. In certain cases, administrative arrangements may be used when CIDA wishes to acquire expertise or

capacity to support program delivery (section 7.3b of CIDA's [Terms and Conditions](#)). For additional information on directive programming, see Chapter 9 of the RoadMap Overview (this document) and the Guide to Directive Programming.

CIDA is accountable for exercising appropriate monitoring, oversight and control at all points in the project life cycle. This is done through the use of project teams and collaborative mechanisms such as internal pre-approval processes, project steering committees, monitoring by CIDA staff and/or contracted resources, regular reporting on the part of implementing organizations, as well as management reviews, audits and evaluations as appropriate.

There are two approaches to directive programming: "CIDA-led design" which separates planning and implementation into two distinct sets of processes, see [Section 9.4](#)) and "design-and-implement" which integrates planning and implementation into a single process (see [Section 9.5](#)).

In the case of CIDA-led design, the essential project details are not known in advance and a structured planning process provides the information required to make an informed decision with respect to project approval. Following the planning and approval processes, an organization is retained to implement the project design.

The design-and-implement approach is typically used when design & implementation are so closely connected that it would be risky and/or not cost effective for one organization to implement a design developed by another organization or where continuous adjustment is required and the design requirement is therefore ongoing. A single organization is selected to both plan and implement the project. In such cases there is a single point of accountability for both design and implementation.

The design-and-implement approach may also be appropriate where a decision has already been taken at the program level through the CDPF, donor consultations, or other means to proceed with a specific initiative in a defined sector or in response to a specific requirement where objectives, expected results, budget parameters, and time frames are predetermined and understood by CIDA and the recipient country partner. In such cases the requirement is not to assess the feasibility and viability of a potential initiative, but rather to design and implement it within specific and predetermined parameters. A single organization is selected to both plan and implement the project.

More information is provided in [Chapter 9](#).

4.6 Accountability considerations

The Results-based Management and Accountability Framework establishes CIDA's accountability for developmental results. While each delivery model has different accountability considerations, in all cases, CIDA remains accountable for the decisions it takes, including those related to resource allocation and the appropriate level of oversight and monitoring to ensure the achievement of expected results.

In general terms, CIDA is fully accountable for establishing appropriate policy frameworks or institutional strategic frameworks and strategies. They form the basis for the selection of development initiatives, identification of relevant partners, formation of development partnerships, design of specific development initiatives and the development of strategies for achieving development results. This involves various forms of analysis (developmental,

institutional, financial), identification of expected results, assessment of related risks, performance assessment (e.g., monitoring and operational reviews) and the exertion of influence through policies, advice and dialogue in effecting changes to the conditions important to the development of a region, a country or an institution.

CIDA is accountable for value-for-money calculations (such as implementing organization selection), the management of contractors who carry out tasks on behalf of CIDA, and for taking corrective actions related to the management of development initiatives.

CIDA is also accountable for collecting and maintaining information on the initiatives that it funds, including flow-through funding agreements/contracts, so that these can be reported on in reasonable detail to Parliament, to the Canadian public through governmental and other institutional reporting channels, and to international organizations such as the OECD/DAC. In addition, this information is used for planning, analysis and coordination purposes. In the case of directive programming, CIDA gathers and records tombstone data as well as performance and financial information. In the case of both core funding and responsive programming, the funded organization is responsible for reporting relevant and credible information showing the benefits of the funding it has received.

For all business delivery models, CIDA is ultimately accountable:

- For developing and implementing appropriate policies and practices to ensure compliance with Government policy, legislative and regulatory instruments;
- For the quality of its management and programming frameworks and the clarity of the guidelines it provides to proponents;
- For ensuring that the conduct of the type of ODA/OA activities proposed contributes to furthering Canadian ODA/OA policies and objectives;
- For ensuring the quality of the analysis of the development situation that suggests a particular type of initiative, or program of initiatives, is appropriate;
- For ensuring that facilities exist for its own staff to obtain timely access to current information and knowledge relating to the context within which any initiative will be delivered and to the technical aspects of the initiative itself;
- For ensuring that processes exist for the responsible exercise of delegated authorities and for the appropriate securing of authorities where no delegation exists;
- For ensuring that an appropriate review process is in place and used to ensure that all initiatives supported by CIDA meet the developmental and operational accountabilities identified above; and,
- For disseminating quality information to the public.

The following table provides a summary of CIDA's accountabilities.

| Core Funding | Responsive Programming | Directive Programming |
|---|--|---|
| The definition of the characteristics of the program of initiatives CIDA wishes to undertake within a specific context (country, region, theme, priority, institution etc.). | | |
| Eligibility of the institution | Eligibility of the proponent and the proposed initiative | Eligibility of the recipient |
| | | <p>Decisions taken in the design of any specific initiative from developmental, technical and managerial perspectives.</p> <p>The determination that any specific initiative is appropriate from technical and managerial perspectives.</p> |
| Appropriate management, risk assessment and mitigation, oversight and evaluation regimes developed to monitor and measure progress, achieve expected results and assure CIDA obtains value for money appropriate to the initiative and the transfer instrument. | | |
| Assessment of the competence of the institution. | Determination that the proposed initiative is sound and that a proponent is technically and managerially capable of undertaking the proposed initiative. | <p>Decisions taken in the selection of the most competent implementing organization available, including:</p> <p>Seeking proposals for the design and delivery of the initiative or, on an exceptional basis, to seek implementation of an initiative that is designed by CIDA; and,</p> <p>Selection of the CEA resulting from the analysis and evaluation of proposals submitted.</p> |
| Decisions taken in finalizing an intergovernmental arrangement, grant or contribution agreement or contract that is compliant with CIDA and TBS guidelines as appropriate to the initiative being funded. | | |
| Decisions taken in response to information obtained through the implementation of the agreed monitoring (monitoring, audit and evaluation) and progress reporting regimes. | | |
| Assessment of the performance of the recipient institution(s) at the end of funding agreement. | Assessment of the overall performance of the proposal proponents against the established results-based management and accountability framework. | |
| | | Decisions taken to rectify problems or to amend the design or scope of initiatives undertaken. |
| Determination that a proposed initiative would contribute to the furtherance of Canadian policies / objectives. | | |
| Monitoring, reporting, evaluation and dissemination of information. | | |

Chapter 5 - An Overview of CIDA Transfer Instruments

5.1 Introduction

This chapter provides an overview of the various transfer instruments used by CIDA in the delivery of programs and projects.

The Parliament of Canada provides CIDA with program and legislative authority through annual appropriations. The vote wording provides authorization to CIDA to make grants and contributions (Gs & Cs) in cash payments, or in the provision of goods, commodities or services; the instruments used to make these payments encompass grant agreements and arrangements, contribution agreements and arrangements, administrative arrangements and contracts. Within the broad category of goods and/or services we include: cooperant contracts, standing offer arrangements, call-ups, purchase orders, etc.

5.1.1 Context

The use of grants and contributions in the Government of Canada is governed by the Treasury Board's [Policy on Transfer Payments \(October 2008\)](#). The objective of this policy is to ensure that transfer payment programs are managed with integrity, transparency and accountability in a manner that is sensitive to risks; are citizen- and recipient-focused; and are designed and delivered to address government priorities in achieving results for Canadians. The use of grants and contributions by CIDA is defined in the [Terms and Conditions for International Development Assistance](#) (Ts&Cs) which are approved by the Treasury Board. The [Government Contract Regulations](#) and the Treasury Board's [Contracting Policy](#) govern the use of contracts. Financial Administration is subject to the provisions of the [Financial Administration Act](#).

[Section 3](#) of the Treasury Board Policy on Transfer Payments provides the following context:

"3.1 Transfer payments are monetary payments, or transfers of goods, services or assets to third parties, including Crown corporations, on the basis of an appropriation. Transfer payments do not result in the acquisition by the Government of Canada of any goods, services or assets.

3.2 Transfer payments represent a large part of the Government of Canada's spending. Their tangible results touch the lives of Canadians and others every day, and cover all sectors of society. Transfer payments include grants, contributions and other transfer payments including those made to other orders of government, international organizations and Aboriginal peoples.

3.6 The government is committed to ensuring that transfer payments are managed in a manner that respects sound stewardship and the highest level of integrity, transparency, and accountability. Moreover, the government is resolved to ensuring that transfer payment programs are designed, delivered and managed in a manner that is fair, accessible and effective for all involved - departments, applicants and recipients - all of whom have important contributions to make in achieving the objectives of the government and in furthering Canadian aims.

3.7 Supporting strengthened accountability for public monies and better results for Canadians, this policy requires that transfer payments be managed in a manner that is sensitive to risks, that strikes an appropriate balance between control and flexibility, and that establishes the right combination of good management practices, streamlined

administration and clear requirements for performance.”

5.1.2 Definitions

The Treasury Board [Policy on Transfer Payments](#) provides the following definitions for commonly used terminology:

Grant: a transfer payment made to an individual or organization, which is not subject to being accounted for or audited, but for which eligibility and entitlement may be verified or for which the recipient may need to meet preconditions.

Instalment payments: a series of partial payments of a grant made over a period of time.

Contribution: a conditional transfer payment to an individual or organization for a specified purpose pursuant to a contribution agreement that is subject to being accounted for and audited.

Advance payments: payments, under the terms of a contribution agreement, which are made before the performance of that part of the contribution agreement for which the payment is being made.

Progress payments: payments, under the terms of a contribution agreement, that are made after the performance of that part of the contribution agreement for which the payments are made but before satisfaction of the entire contribution agreement.

Repayable contributions: contributions, all or part of which are repayable or conditionally repayable, according to the terms of the contribution agreement.

5.2 Considerations

Each initiative funded by CIDA requires the program unit to make a number of decisions.

These include:

- Identifying the appropriate business delivery model (i.e., core funding, responsive or directive);
- Applying the appropriate business process requirements and accountability considerations;
- Selecting the correct class of grant or contribution i.e. Bilateral, Multilateral or Partnership; and,
- Using the appropriate transfer instrument i.e., grant agreement or arrangement, contribution agreement or arrangement, contract or administrative arrangement.

The issues and considerations surrounding the identification of the appropriate business delivery model are discussed in Chapter 4 above. The following table summarizes the relationship between the source of an initiative idea and the choice of a business delivery model.

5.2.1 Identifying the appropriate business delivery model

The use of a specific business delivery model is predicated on the source of an investment idea and the degree of CIDA involvement in the design and delivery of an initiative.

| Identifying the Appropriate Business Delivery Model | | | |
|---|--------------|------------------------|-----------------------|
| Source of the idea / initiative | Core Funding | Responsive Programming | Directive Programming |
| CIDA chooses to support organizations, institutions, recipient governments or other donor countries involved in development initiatives that are expected to yield developmental results that reflect CIDA goals and objectives | ✓ | | |
| CIDA chooses to support development initiatives that are expected to yield developmental results that reflect CIDA goals and objectives | | ✓ | |
| CIDA takes the lead in designing development initiatives | | | ✓ |

5.2.2 Selecting the appropriate class of grants or contributions

The selection of a class of grant or contribution depends on the project/program reach and on the type of recipient. Each class of grants and contributions is organizationally neutral and may be selected as circumstances warrant by any branch. Due to the nature of their work, several CIDA branches have specialized in the use of specific classes, and, as a result, are considered the primary users. The geographic branch is the primary user of the bilateral programming class; programs dealing with multilateral institutions are the primary user of the multilateral class; Canadian Partnership Branch is the primary user of the partnership programming subclasses for Canadian partnership and education and training; Communications is the primary user of the development information subclass. To ensure coordination of activities and consistent management practices, the [Terms and Conditions](#) require that the managing relationship branches must be consulted when other branches are considering the use of their classes.

| Choosing a class of Grants and Contributions | | | | | |
|--|-----------------------|--------------------------|--------------------------------|--------------------------------|-----------------------------------|
| | Bilateral Programming | Multilateral Programming | Partnership Programming | | |
| | | | Canadian Partnership Sub-Class | Education & Training Sub-Class | Development Information Sub-Class |
| Core Funding | ✓ | ✓ | ✓ | Not applicable | Not applicable |
| Responsive Programming | ✓ | ✓ | ✓ | ✓ | ✓ |
| Directive Programming | ✓ | ✓ | ✓ | ✓ | ✓ |

Additional information is provided in sections 13.0, 14.0, 15.0 and 16.0 of the [Terms and Conditions](#) for International Development Assistance and from the branch Financial Management Advisor. Consultation requirements are defined in sections 14.1.7 (bilateral programming), 15.0.5 (multilateral programming) and 16.0.3 (partnership programming) of the [Terms and Conditions](#).

5.2.3 Using the appropriate transfer instrument

The identification of the appropriate business delivery model helps determine whether CIDA will financially support a project through a grant or contribution and the types of transfer instruments that may be used.

CIDA uses a number of different types of agreements: the principal groupings are grant agreements and arrangements, contribution agreements and arrangements, contracts for the procurement of goods and/or services and administrative agreements. These are defined in CIDA's [Terms and Conditions](#). Contracts officers provide advice on the choice of appropriate agreement type. Financial Management Advisors provide advice on the delegated authorities that apply to each of the delivery channels.

There are distinct differences between grant agreements, contribution agreements and contracts; these must be taken into account in choosing a particular transfer instrument.

| Choosing a Transfer Instrument | | | |
|---|--------------|---|-----------------------|
| Transfer Instrument | Core Funding | Responsive Programming | Directive Programming |
| Grant Agreement/Arrangement | ✓ | ✓ | |
| Contribution Agreement/Arrangement | ✓ | ✓ | |
| Contract | | | ✓ |
| Administrative Arrangement with another federal, provincial or municipal body | | Where permitted by the programming framework and the authorities delegated to the OGD, provincial or municipal body | ✓ |

Prior to deciding to use grant funding (and hence a grant agreement or arrangement) for a specific initiative, it is necessary to determine that the funds are available at the branch level. Grant funds are planned in the Main and Supplementary Estimates; the ability of a program branch to change the grant / contribution mix in its allocation is limited by the Government's budgetary cycle and the need for approval in the estimates. Consult your branch Financial Management Advisor to determine whether grant funds are available within your branch budget.

5.3 Agreements and arrangements

When CIDA gives a grant or contribution to a Canadian private sector firm, a Canadian non-governmental organization (NGO), a foreign organization or an international NGO, a grant or contribution **agreement** is utilized. This agreement is legally binding under domestic law and it details the financial framework and other necessary terms upon which the contribution funding depends. Signing parties must comply with the terms of this agreement.

When CIDA gives a grant or contribution to an international governmental organization, a

grant or contribution **arrangement** is utilized. This is not legally binding on the signing parties. Arrangements are worded in terms that more closely resemble a Memorandum of Understanding (MOU) than those of a contract or an agreement, but they contain clauses also found in contracts and agreements, such as financial clauses, audit clauses, anti-corruption clauses and so on. In order to determine whether it is appropriate to raise an arrangement rather than an agreement, one must examine how the recipient organization has been constituted. Legal Services should be consulted when an arrangement with an international organization is contemplated or when there is some question about the status of a potential recipient organization.

When CIDA gives a grant to an international governmental organization such as the United Nations (UN), a grant **arrangement** is utilized. This is an administrative arrangement and is not legally binding on the signing parties. Grant arrangements are worded in terms that more closely resemble a Memorandum of Understanding (MOU) than those of a contract or an agreement but they contain clauses also found in contracts and agreements, such as financial clauses, audit clauses, anti-corruption clauses and so on. In order to determine whether it is appropriate to raise an arrangement rather than an agreement, one must examine how the recipient organization has been constituted. Legal Services should be consulted when an arrangement with an international organization is contemplated or when there is some question about the status of a potential recipient organization.

The following table provides the key characteristics of the different types of transfer instruments used by CIDA.

| Transfer Instrument Characteristics | | | | | | |
|-------------------------------------|---|--|--|---|---|---|
| Type of Agreement | Grant Agreement | Grant Arrangement | Contribution Agreement | Contribution Arrangement | Contract | Administrative Arrangement |
| Purpose | Non-accountable transfer payments to a Canadian firm, NGO, foreign organization or INGO | Non-accountable transfer payments to an international organization i.e UN, IFI | Provide funding to a project designed by a Canadian private sector firm or NGO, foreign organization or INGO | Provide funding to a project designed by an international governmental organization | To engage the services of a supplier, purchase goods or lease real property | To engage another federal, provincial or municipal government institution in the delivery of a project or program |
| Legal Status | Legally binding | Not legally binding | Legally binding | Not legally binding | Legally binding | N/A |
| Authorities and Policies | Transfer Payment Policy | | | | Government Contracts Regulations | Financial Administration Act |
| Profit | N/A | | Not allowed | | Allowed | N/A |
| Sub-contracts | N/A | | | | Allowed | Allowed |
| Cost sharing and Leveraging | May apply | | May apply | | N/A | May apply |
| Right of Audit | No | | Yes | | Yes | Yes |
| Instalment Payments | Yes | | No | | No | No |
| Advance Payments | No | | Yes | | Yes | Yes |
| Progress Payments | N/A | | Yes | | Yes | Yes |

| | | | | | |
|-------------------------|-----|-----------------------------|----|----|----|
| Repayable Contributions | N/A | Under certain circumstances | No | No | No |
|-------------------------|-----|-----------------------------|----|----|----|

All contracts over \$10,000 and all grants and contributions over \$25,000 are published on CIDA's Website on a quarterly basis, in the disclosure reports, as per Treasury Board directives.

5.4 Financial risk assessment (April 2009)

CIDA has specific requirements for undertaking financial risk assessment of the recipients of grants, contributions and contracts. The Financial Risk Assessment Unit (FRAU) carries out most of these assessments. The following table describes those requirements and the specific threshold amounts that apply.

| Financial Risk Assessment (FRA) | | | |
|---|--|---|--|
| Type of Agreement | Organizations (excluding Multilateral Organizations) | Multilateral Organizations | Program-based Approaches |
| Grant Agreement To make a non-accountable transfer payment to a Canadian firm, NGO, foreign organization or INGO | A financial risk assessment must be obtained from FRAU, prior to project approval, for entities entering into agreements where the annual cash flow received from CIDA is \$200K or more. | The project officer should consult with FRAU on all financial management issues as part of their ongoing due diligence process. | N/A |
| Grant Arrangement To make a non-accountable transfer payment to an international governmental organization, i.e. UN | N/A | | N/A |
| Contribution Agreement To provide funding to a project designed by a Canadian private sector firm or NGO, foreign organization or INGO | A financial risk assessment must be obtained from FRAU, prior to project approval, for entities entering into agreements where the annual cash flow received from CIDA is \$200K or more. For CPB program agreements, where the annual cash flow received from CIDA is \$200K or more, the assessments are done on an annual basis. | | As per CIDA's Policy on Fiduciary Risk Assessment - Part 1, A fiduciary risk assessment must be undertaken by the program before approving a project whose funding modality use public financial management systems of recipient countries (e.g. budget support or pooled funding) and this assessment must be reviewed regularly throughout the life of the project. To the maximum extent possible, the fiduciary risk assessment should be conducted jointly with other donors; the program can also rely on a fiduciary risk assessment carried out recently by another donor. |
| Contribution Arrangement To provide funding to a project designed by an international governmental organization | N/A | | |

| Financial Risk Assessment (FRA) | | | |
|---|--|-----------------------------------|---------------------------------|
| Type of Agreement | Organizations (excluding Multilateral Organizations) | Multilateral Organizations | Program-based Approaches |
| Contract To engage the services of a supplier, purchase goods or lease real property | A financial risk assessment must be obtained from FRAU for all service contracts with a fee component exceeding \$1M | N/A | N/A |
| Administrative Arrangement To engage another federal or provincial government institution in the delivery of a project or program | N/A | N/A | N/A |
| Notes | | | |
| <ol style="list-style-type: none"> 1. For all agreements below the threshold listed above, it is up to the project officer to ensure that due diligence relating to financial risk is exercised in the selection and approval of recipients. 2. If at any point in time, a CIDA officer believes that an organization may be a potential financial risk to CIDA, the officer may request a financial risk assessment from FRAU. 3. Exempt entities: Canadian federal and provincial departments and agencies; crown corporations; national and international financial institutions; and, publicly funded Canadian institutions (e.g. universities, colleges and hospitals). | | | |

5.5 Grant and contribution funding

CIDA has the authority to give grants and contributions in accordance with its [Terms and Conditions](#) (Ts&Cs).

There are a number of significant differences between the use of a contribution and a grant, namely, interest earned on CIDA payments, audit requirements, return of unexpended balance, holdbacks and the rules governing administration of funds. These differences are explained below.

5.5.1 Differences between grant and contribution funding

5.5.1.1 Interest earned

Under contribution agreements, any identifiable interest earned on CIDA's contributions is to be reported to CIDA and to be used exclusively for the purpose of the program or project. Grant agreements have no such requirement.

An organization cannot normally identify the interest earned on any one donor's contribution as it uses pooled funding. Any interest earned by the organization on its pooled funds is reported annually in its audited financial statements and used for the funding of the organization's programs in general.

5.5.1.2 Audit

Contribution payments are subject to audit by CIDA; grant payments are not subject to audit by CIDA.

5.5.1.3 Unexpended balances

Grant instalments are unconditional transfer payments. Consequently, CIDA cannot request that any unexpended balance at the end of the program or project be returned to the Receiver-General.

5.5.1.4 Holdback provisions

Grant payments are unconditional transfer payments. Consequently a holdback provision is not a requirement for a grant agreement or arrangement but it is for a contribution agreement or arrangement.

In the case of contributions, holdbacks normally range from 5% to 10%; the amount reserved as the final contribution payment should take into consideration past experience with the entity, the value of the total contribution and the nature of the project. In order to reduce the risk of overpayments and to ensure receipt of the final report, the holdback is only paid following the receipt of a final accounting from the recipient of the contribution and the final report as specified in the contribution agreement.

5.5.1.5 Administration of funds

CIDA's grant funds will be administered following the organization's policies, procedures and financial regulations, not those of the Government of Canada or CIDA. The organization must provide CIDA with a copy of these regulations and CIDA must be satisfied that they provide adequate safeguards and controls. Contributions must be administered in accordance with the Treasury Board [Policy on Transfer Payments](#).

Under its grant authorities, CIDA is required to verify not only the initial eligibility of an organization, but also its continuing eligibility, entitlement and qualifications prior to making any payment, including grant instalment payments.

5.5.1.6 Reporting

Although strictly speaking, a grant recipient does not have to account for the funds provided (the grant is unconditional), CIDA has decided as a matter of policy that all grant and contribution recipients are required to report on the progress and results achieved at either the project or program level.

5.5.2 Adequate grant allocation at the branch level

On an annual basis, each branch submits a request to seek approval for a grant ceiling through the Main Estimates. Before proposing the use of grant funding, project officers are to ensure, by consulting the branch Financial Management Advisor (FMA), that there is an adequate grant ceiling available for the proposed funding in each of the years of the proposed disbursements. If the ceiling is not available, an additional grant ceiling can be requested through the Supplementary Estimates in September and January. If the grant ceiling is unavailable, it may be possible to utilize the unused grant ceiling in other program branches.

5.5.3 Approval authority

The [delegation instrument](#) defines the delegated authorities for the approval of projects for each class of grants and contributions. Branches follow the same approval practices for grant-funded projects as for those funded under a contribution and implemented through a contribution agreement / arrangement, contract or administrative arrangement. For projects greater than the amounts specified in the delegation instrument, funding approval rests with the Minister or TB as applicable.

In the case of programs which do not traditionally use grants or where the [Terms and Conditions](#) do not explicitly provide for the use of grant funding, the agreement of the Branch Head for the use of grant funding rather than contribution funding should be sought at the concept paper stage, i.e., preliminary approval.

The selection authority to enter into a grant arrangement under the multilateral or partnership classes of grants and contributions is exercised concurrently with the approval of the program.

Documentary requirements at the approval stage are specific to organizational units; in all cases, the documentation should provide the delegated approval authority with the information necessary to make an informed decision as to the project and the funding approach. In the case of both grants and contributions, the approval documentation should clearly indicate the results of the due diligence assessment.

Classes of grants and contributions are organizationally neutral and can be used by any programming branch. However, due to the nature of their work, several CIDA branches have specialized in the use of specific classes, and, as a result, are considered the primary users. To ensure coordination of activities and consistent management practices, the managing relationship branches are consulted when the other branches are considering using their classes prior to the exercise of approval authority. This consultation process must be documented.

5.5.4 Relevant selection authority to enter into a grant-funding agreement/ arrangement with an organization

The selection of a multilateral institution or civil society organization as the recipient of grant funding is subject to the multilateral institutional financing selection authorities or partnership authorities depending on the type of organization that funding will be provided to.

When a bilateral branch utilizes this selection authority, the Vice-president's project/program approval is limited to the amounts defined in the [delegation instrument](#) for either multilateral or partnership financing.

5.5.5 Reporting

Having made the decision to fund an organization through grants, strictly speaking, under Treasury Board regulations, CIDA does not need a detailed report on grant expenditures. However, because CIDA is accountable to Parliament and Canadian taxpayers for the money it spends, CIDA requires a report from the organization on results achieved and money spent. Normally this would be the organization's standard annual report.

In the case of grants, reports are to be provided on an annual basis; in the case of contributions quarterly reporting is required. For those organizations operating on a calendar year basis, the funded organization's reports are due within 3 months after the end of their calendar year - by March 31st - with one exception: programs or projects lasting 12 months or less require that the report be submitted 3 months after the end of the program or project.

For contributions, CIDA requires reporting on all expenditures. Frequency of reporting is defined in the standard CIDA contribution agreement template and generally follows the same sequence as the timing of advances which may be quarterly, every six months or annually.

For a program or project of more than one year's duration, the organization's annual report at the final year of CIDA funding will serve as the final report for CIDA's administrative purposes.

5.5.6 Instalment schedules for grants and advance payment of contributions

Since grants are intended to provide support over time or require the recipient to continue to meet eligibility requirements, grants are normally paid in installments based on cash flow requirements. Specific instalment payment provisions are defined for each class of grants in the Terms and Conditions. For details, consult your branch FMA and contract officer.

Generally speaking, grants may be paid in advance of cash flow requirements when required by Canada's overall foreign policy interest and the principles of multilateralism.

In the case of contributions, specific advance payment provisions are defined for each class of contributions in the [Terms and Conditions](#).

Chapter 6 - Assessing and Managing Risk (2009-04)

6.1 Introduction (January 2008)

CIDA is accountable to the Canadian people and Parliament for the use of public funds and must demonstrate appropriate accountability. CIDA must manage its resources in a manner designed to achieve maximum value for money in an environment that is high risk. Interventions are often experimental, in remote locations and influenced by political, social, cultural and economic conditions and changes over which the Agency and its partners have no control. The complexities of the initiatives which CIDA funds are compounded by the certainty that unplanned changes will occur over the life of any initiative.

Risk assessment and management is a process whereby CIDA identifies and manages the risks that may impact on the effectiveness of its initiatives. Equally important is the need to understand the risks which are inherent in activities which are not in conformity with CIDA's legal obligations related, for example, to the environment which are defined in the Canadian Environmental Act. The assumptions and risks involved in undertaking a project should be recognized in the Logic Model (LM), and in a variety of documents such as the CDPF, MCs, approval memoranda and project agreements. Projects with high risks warrant the identification of mitigating measures before approval. In some cases however the importance of a project or program may approval even though the risk is high.

Risk is a factor in all development assistance activities; for each intervention the time and effort devoted to risk management should be commensurate with the size and complexity of the project, the probability and impact of the potential risks identified, and the consequences of failure.

All reasonable steps must be taken to reduce the risk. CIDA must monitor programs and projects to take steps to reduce and manage the risk. But in some cases, in spite of all these efforts, a risk may evolve into a crisis. At that point, whatever the implications of the crisis legally, financially, or to the health and safety of project staff, it is also important to manage the communications that surround the crisis. Poorly managed communications can prolong and aggravate a crisis, creating 'reputational risk' to CIDA, the executing agency and the partner. Effective communications can assist in minimizing the impact of the crisis. For this reason, the issues related to risk identification and analysis, risk management strategies, monitoring and reporting are life cycle management issues that should include a strong communications component. The model provided here should be tailored to the specific requirements of any initiative funded by CIDA.

Risk assessment and management are integral parts of CIDA's planning and implementation activities irrespective of whether a particular initiative is developed using the core funding, responsive or directive business delivery models. The risk assessment and management model provided here is applicable to CIDA's three business delivery models.

This methodology has been developed as a reference for CIDA staff. It provides a framework that can be applied in the design, implementation and management of core funding, responsive programmes and directive initiatives.

6.1.1 Core funding

Where CIDA provides core funding to an organization or institution, the process of institutional assessment must include an examination of the potential risks inherent in the

provision of funding to the institution itself as well as an appraisal of the risks inherent in the institution's activities including those related to the geographic areas of operation of the institution.

In the case of program-based approaches where CIDA works within a multi-donor, multi-partner context, potential risks are diverse and not only financial. They may be contextual to the partner country (social, economic, political, environmental, etc.), or more specifically related to the PBA in terms of partnerships (the choice of fellow donors and local ministries or program/project partners, their mandates and capacity, available resources, degree of contribution and commitment to the PBA, etc.). They may also be related to the nature of Canadian support, including available budget from CIDA, to the work of other PBA partners with respect to essential capacity development activities or to the management and reporting structures agreed to by the parties to the PBA.

6.1.2 Responsive programming (April 2009)

When CIDA is examining the establishment of a responsive mechanism, risk assessment should be undertaken as part of the planning and design work undertaken by CIDA staff.

For responsive initiatives, the proponent is responsible for planning the project (appraisal, feasibility and design) and submitting a sound and comprehensive proposal to CIDA. This requires that the proponent identify and assess the risks related to its proposal and advise CIDA accordingly in both the project description and the LM (where an LM is required as part of the mandatory project documentation). The proponent should be expected to submit a risk management strategy indicating its assessment of identified risks and how it will deal with key external and operational risks should they become a factor during project implementation.

The responsible CIDA officer must then review and assess the appropriateness of the risk management strategy as part of their overall assessment of the proposal. CIDA should also be prepared to act in the event that external risks materialize and are not dealt with adequately by the funded organization. Such action may include suspension of funding.

6.1.3 Directive programming (April 2009)

Where CIDA has the lead in identification, design and implementation of an intervention (working closely with recipients and using contracted expertise) risk assessment and management are an essential part of planning, design and implementation.

CIDA uses a number of tools to better understand potential risks at the program and initiative level risk and to deal with the effects of previously identified risks when they occur. The preparation of the Logic Model (LM) and of the Risk Register allow staff to record critical assumptions and the associated risk indicators. Results-Based Management calls for CIDA and its implementing organizations and partners to identify and manage risks that are factors outside of the control of project personnel.

6.2 Terminology (April 2009)

Useful Risk Terminology:

- *Risk* refers to the effect of uncertainty on results (ISO 31000).

- *Impact* is the effect of the risk on the achievement of results
- *Likelihood* is the perceived probability of occurrence of an event or circumstance
- *Risk level* is Impact multiplied by Likelihood
- *Risk Response* is the plan to manage a risk (by avoiding, reducing, sharing, transferring or accepting it)
- *Risk Owner* is the person who owns the process of coordinating, responding to and gathering information about the specific risk as opposed to the person who enacts the controls. Stated otherwise, it is the person or entity with the accountability and authority to resolve a risk incident (ISO 31000)
- Operational risk is an occurrence which affects the achievement of operational results and which is not within the control of CIDA, implementing organization or recipient partner staff, but has been identified as a possible source of difficulty for the project and may affect the project, usually in terms of efficiency, i.e., the timely or cost-effective achievement of results. At the Agency level *Operational Risk* is the potential impact on CIDA's ability to operate effectively or efficiently
- *Financial Risk* is the potential impact on the ability to properly protect public funds
- *Development Risk* is the potential impact on the ability to achieve expected development results
- *Reputation Risk* is the potential impact arising from a reduction in CIDA's reputation and in stakeholder confidence in the Agency's ability to fulfill its mandate
- External risks are factors having a direct impact on the development activities of a CIDA funded intervention which are not within the control of CIDA, the implementing organization or recipient partner, but which may affect the achievement of project development results, usually in terms of effectiveness. These risks may be global/regional in nature or within a recipient country.
- *Risk Management* is the process by which CIDA managers, implementing organizations and other partners identify, assess, quantify, monitor, mitigate and report on risks throughout the initiative life-cycle. Intuitive risk management involves experience-based judgement, may be worthwhile for low impact & low cost interventions and may be useful where an immediate decision is required. Systematic risk management uses information based structured analysis and is applicable to high impact, high cost interventions.
- Risk Analysis is the first stage of the risk management process which includes: risk identification, risk assessment and, risk quantification.
- Risk Indicators are specific measures chosen because they provide valid, useful, practical and comparable information related to the status of the risk associated with the assumption identified for the achievement of the expected results.
- A Risk management strategy is the second stage of the risk management process which describes how CIDA, the implementing organization and recipient partner will deal with monitoring, mitigation and reporting with respect to risk.
- Assumptions describe the necessary conditions required to produce the expected results. Risks are derived from assumptions.

6.3 Risk management and Results-Based Management (RBM) (April 2009)

In the context of RBM, every assumption is associated with a risk and vice versa. For each risk identified during planning or implementation, an assessment is made of the probability of that risk becoming a factor, the potential impact (degree of adverse effect) such an occurrence might have on the achievement of the expected results. Risks are recorded in

the Risk Register. Regular updates to the Logic Model, Performance Measurement Framework and Risk Register are used to record the latest assessment of assumptions and risks as well as any required changes to the expected results and their associated indicators. In addition risk elements must be incorporated in the Performance Measurement Framework developed for an initiative and reported on in the annual PPRs, as well as in audits, mid-term evaluations and at project closing

As a CIDA program, project or initiative passes through the identification and planning stages, the application of RBM generally involves:

- Defining a realistic purpose for the initiative.
- Defining the expected results at the outcome level.
- Defining the inputs and the activities with the associated resources/budget.
- Defining the expected results of the completed activities, i.e., the outputs.
- Establishing appropriate performance Indicators for the expected results at the outcome and output levels.
- Establishing the assumptions at the outcome and output levels and, perhaps, at the impact level.
- Identifying the risks related to the assumptions at the outcome and output levels and, perhaps, at the Impact level.

An understanding of the issues related to risk identification and analysis, risk management strategies, monitoring and reporting are life cycle management issues.

6.4 The nature and diversity of risk (January 2008)

6.4.1 Performance vs. risk

Performance refers to the efficient and effective administration and management of allocated resources to the achievement of agreed upon development results whereas risks arise when the assumptions are affected by external factors.

Difficulties related to errors of judgement, action or inaction on the part of a funded organization, implementing organization, CIDA, or other project parties related to factors within their control are matters of non-performance, and are not the result of operational risks.

6.4.2 External risks

External risks are factors having a direct impact on the development activities of a CIDA funded intervention which are not within the control of CIDA, the implementing organization or recipient partner, but which may affect the achievement of development results, usually in terms of effectiveness. These risks may be global/regional in nature or within a recipient country. Examples include:

Global/Regional

- Political/legal (wars, regional conflicts, terrorism, changes in crime/security situation, new international agreements);
- Macro-economic (currency fluctuations, global/regional recession, commodity price changes, change in terms of trade, etc.);
- Socio-cultural (social unrest);
- Commercial/Contractual (international demand failure for crops or commodities, international competition);

- Environmental (natural disasters).

Within the Recipient Country

- Political (internal conflict, political unrest, coups d'état, riots, general strikes, government action or inaction, new legislation, changes in public opinion, security threats to aid workers);
- Macro-economic (recession, devaluation, hyperinflation, regulatory changes, change in economic policy direction);
- Socio-cultural (social unrest);
- Commercial/Contractual (internal demand/market failure, product competition, business interruptions. etc.)
- Environmental (hurricane/typhoon, floods, droughts, volcanic eruption, earthquakes, dramatic deterioration of land, air, water);
- Technology (management and utilization of necessary technologies);
- Activities of other donors.

An economic recession, which is not normally predictable, would be an external risk. Failure to take into account an existing economic recession is a performance issue and not an external risk.

6.4.3 Operational risks

An operational risk is an occurrence which affects the achievement of operational results and which is not within the control of CIDA, the implementing organization or recipient partner, but has been identified as a possible source of difficulty for the project and may affect the project, usually in terms of efficiency, i.e., the timely or cost-effective achievement of results. Operational risks arise out of the planning assumptions being affected by external factors. Mitigation should be possible; if not then a well thought out exit strategy is essential. Operational risks can occur at the program and project level.

Program level risks can include:

- Withdrawal or significant reduction of local commitment;
- Significant shifts in development priorities of recipient country.

Initiative level risks can include:

- Multiple players developing conflicting interests and perceptions;
- External factors affecting the sequencing or timing of activities;
- Significant weakening of management capacity of CIDA's principal counterpart or of other participants in a SWAP or pooled funding arrangement;
- Budgetary problems which reduce the recipient partner's contribution;
- Loss of support of key recipient partners;
- Reduction in the availability of required Canadian expertise;
- Loss of access to project site;
- Deteriorating security environment.

The relevant party normally deals with the occurrence of an operational risk. In the case of core funding or a responsive initiative they are the responsibility of the funded organization. In the case of directive programming where the CIDA budget provides an amount for unforeseen contingencies, these funds may be used to mitigate the effects of the occurrence.

6.4.4 Non-performance by the implementing organization during implementation (July 2008)

Assessing the ability of an organization to carry out the work proposed is an important consideration in the selection process in the case of a directive project and is an essential element of CIDA's due diligence prior to funding approval in the case of a responsive initiative. Proper assessment can help to reduce the risk of non-performance during project implementation.

In the case of a responsive initiative, CIDA should not approve funding where there is serious concern about the ability of the proponent to carry out the work in the field or to achieve the intended results.

In the case of a directive project, any organization submitting a proposal to CIDA in response to an RFP must clearly demonstrate in their proposal that they have the capacity and capability to undertake the work as defined in the terms of reference.

In both cases, the CIDA project manager must ensure that the evaluation criteria that are developed to either assess responsive proposals or for an RFP properly assess this capacity and capability. This can be done by requiring proponents to provide enough information to allow CIDA to rate the experience of the key personnel proposed as well as the experience and track record of the organization in implementing similar projects under like conditions.

During the implementation of an initiative, the CIDA project manager and project team must regularly assess ongoing performance of the implementing organization. This is normally done through the regular and timely review of monitoring, progress and financial reports and variance analysis against annual workplans. Field visits, operational reviews, and reporting by the CIDA field representatives also provide information that is essential to CIDA in determining whether the implementing organization is performing or delivering services in accordance with the terms and conditions of the funding agreement or signed contract.

Difficulties related to errors of judgement, actions or inaction on the part of an implementing organization that negatively affect project implementation are considered as matters of non-performance, and must be distinguished from factors or events beyond the control of the implementing organization. In some cases, it may be necessary to consider the suspension or termination of CIDA funding if other corrective measures do not improve implementing organization performance. For further information on the methodology to be followed, please refer to Chapter 10, Early Termination of Funding to Projects or Partner Organizations.

6.4.5 Other significant risks (July 2008)

In addition to the standard development, financial and operational risks, there are other risks that are a function of the way communications are handled in addressing project risks. First, there can be a risk of political controversy in Canada. Some activities are by nature controversial, and this domestic consideration should be recognized. As an example, an organization that supports family planning often receives close scrutiny from faith-based organizations that oppose family planning in principle. If the communication aspect of the project is not handled properly, the project inherent risks can degenerate into political risks.

Second, there is the 'opportunity cost', when CIDA misses the opportunity to inform Canadians about important results that would enhance the reputation of CIDA and its

partners. Reporting on results is a CIDA priority, and one important tool to achieve this is for trusted partners to inform and engage Canadians. The opportunity cost can lead to reduced public support for development assistance.

Third is the 'opportunity cost' of enhancing Canada's image abroad. While it is primarily a responsibility of DFAIT to promote Canada abroad, development and humanitarian assistance have extraordinary potential to generate good will. As part of a Whole-of-Government approach, CIDA can support Canada's missions abroad by ensuring that partners are prepared to play an appropriate role.

Finally, there is the risk of non-performance on the part of the implementing organization during project implementation, which can damage the Agency's reputation and affect the achievement of the intended results.

6.5 Risk analysis (January 2008)

Risk analysis is the first stage of a risk management process. It is not a discrete or separate activity but is part of the analytical and design work that precedes a funding decision by CIDA and then continues throughout the life of a CIDA funded intervention and is a shared responsibility between all project parties.

Risk analysis encompasses three steps:

- Identification;
- Assessment; and,
- Quantification.

Each time a potential risk is identified, it is assessed in terms of the probability of it becoming a factor, the potential impact on the project and, wherever possible, that impact is quantified. Financial risk assessment is an essential part of risk analysis and should be undertaken in accordance with CIDA policy.

In the case of core funding, a risk analysis is carried out as part of the institutional assessment. For program-based approaches this forms part of the analytical work undertaken by donors. Additional information is provided in the CIDA Guide on Program-based Approaches and the [CIDA Policy on Fiduciary Risk Assessment, Part 1: Funding Modalities Based on the Use of Public Financial Management Systems of Recipient Countries](#).

In the case of responsive programming the proponent is responsible for providing CIDA with a risk analysis for the proposed initiative. The CIDA program team is responsible for reviewing the risk analysis as part of its review of the proposal.

In the case of directive programming where CIDA undertakes detailed project planning and an implementing organization is selected and contracted to implement the initiative, the project team is responsible for ensuring that an appropriate level of risk analysis is undertaken. A preliminary risk management strategy is then included in the Project Management Strategy. This strategy describes the preferred approach for risk monitoring, mitigation and reporting. The risk management strategy is then updated by the implementing organization as part of their Project Implementation Plan (in consultation with the Recipient Partner).

Under the design and deliver approach an implementing organization is contracted to do the detailed planning and, following final approval, undertake the implementation of the

initiative. Although CIDA will have undertaken a preliminary examination of potential risks during the identification and screening activities, the implementing organization will update the risk identification and will then assess and quantify risks during project feasibility and design (in consultation with the proposed recipient partner).

6.5.1 Risk identification (April 2009)

Risk identification begins with the identification of the assumptions or conditions required to produce the expected results; for each assumption the external and operational risks are identified. Assumptions and risk indicators at the impact, outcome and output levels are recorded in the draft LM.

At the identification stage, screening should confirm that the identified initiatives are not subject to any apparent undue external or operational risks. If the preliminary analysis of the proposed intervention identifies significant potential risks, funding would only be provided under exceptional circumstances and the potential risks would be clearly documented in any decision memorandum (either approval in principle to further develop the proposed intervention or final approval).

During project implementation the implementing organization updates the risk management strategy as required. Irrespective of whether the initiative is planned by CIDA or an implementing organization, a correlation of assumptions and external and operational risk indicators at each result (ultimate, intermediate, immediate) is an essential part of the development and maintenance of the LM

At the ultimate level, the risks are associated with the project goal that is normally one of the country program objectives. In terms of country specific programming, risks identified in the programming framework are at the program level and should be assessed to see if they relate to the specific project. If program level risks (in relation to the appropriate programming framework objective) appear relevant, their indicators would be placed in the LM. Other risks at the Goal/ultimate level may also have been identified during planning; their indicators should also be recorded in the LM.

At the intermediate result level, the risks are associated with the purpose and are often related to the beneficiaries/target group and the partner organization(s). These can include both external and operational risks.

At the output level, the risks are linked to activities, inputs and resources. These risks can also be both external and operational.

6.5.2 Risk assessment (January 2008)

Risk Assessment involves a judgement on the part of the program or project team on two variables:

- The **probability** (likelihood) of an identified risk related to an assumption occurring (judged and rated as low, medium or high); and,
- The potential **impact** of a risk in terms of the intensity of the adverse effect on the project or expected results (judged and rated as minor, moderate or severe).

A Risk Identification Table can be used to categorize and assess each of the potential risks that have been identified in the draft LM. Each risk is described and assigned ratings for probability and potential impact.

Table 1 - Sample risk identification table

(These risks should be taken from all three levels of the LM.)

| | Description of Risk | Ratings Assigned |
|---|-------------------------|---------------------------|
| 1 | Risk 1 description | Probability = Impact = |
| 2 | Risk 2 description | Probability = Impact = |
| 3 | Risk 3 description etc. | Probability = Impact = |

A Risk Assessment Table can be used to refine the assessment of the impact of potential risks in terms of both probability and impact (and to assist in the preparation of a risk mitigation approach). This table regroups the information from the Risk Identification Table (above) and assists teams in the identification of risks which could, by definition, be serious enough to cancel further planning of the proposed project. These risks are those with both a high probability of occurrence and a severe impact.

Table 2 - Sample risk assessment table

| Risk Assessment Table | | Impact | | |
|-----------------------|--------|--------|----------|--------|
| | | Minor | Moderate | Severe |
| Probability | Low | | | |
| | Medium | | | |
| | High | | | |

The Risk Assessment Table also shows the distribution of identified risks and can assist in determining whether a project should be considered to be low, medium or high risk.

The risk assessment table indicates when it is important to seek assistance from specialists in the field in order to manage the communications aspects of the project risks. Where the impact of a risk is moderate or severe, and the probability of risk is medium to high, then the management of the communication component associated with the project risks is essential. The question must also be asked: Does the project have exceptional potential to enhance or hinder CIDA's reputation, either domestically or in the benefiting country or region?

In evaluating the potential impact or probability of any risk, personal judgment is needed. Although all projects could benefit from enhanced communications planning, the balance between the financial and human resource available must be considered. If the risk is low, the impact minor, and the opportunity cost minimal, then it is not cost-effective to engage in significant communications planning.

If it is not clear how communications could impact the handling of project risks, consult your CIDA communications advisor.

6.5.3 Risk quantification

Using the probability/impact assessment approach can support a calculation of the possible cost of the potential external risks and/or the amount required for an external risk allowance within the overall budget.

Costing is undertaken by:

- Estimating the cost of additional inputs required to compensate for the occurrence of each specific risk;
- Assessing the total estimated cost of mitigating all risks; and,
- Determining the extent to which this total should be discounted in view of the probability (or lack thereof) of several risks being activated during the life of the project.

6.6 Proactive risk management (January 2008)

Proactive risk management requires a common understanding on the actions to be taken to mitigate identified risks and a framework for the ongoing identification and assessment of potential risk over the life of the initiative.

6.6.1 Risk management strategy (January 2008)

A risk management strategy provides a methodology for monitoring, mitigating and reporting on identified risks. As part of the planning process CIDA staff or proponents should determine the need for and complexity of a risk management strategy. Generally, small initiatives or those where only minor, low probability risks have been identified would not require a formal risk management strategy.

At a minimum a risk management strategy should:

- Identify how each external and operational risk (or risks in general) will be **monitored** on a continuous basis during implementation;
- Describe a course of action to **mitigate** the effects of each identified risk should it take place including the specific accountabilities;
- Indicate who will **report** on the monitoring and mitigating of risks, by what means, and how often; and,
- Define those conditions under which CIDA would withdraw its support for an initiative.

The strategy would normally include:

- A list of the critical assumptions identified during the development of the proposal (responsive programming) or appraisal and design of the initiative (directive programming) and the corresponding risks. These would include:
- Assumptions and operational risks associated with the responsibilities of the proponent or implementing organization. These risks, if activated, would normally require remedial action by the proponent or implementing organization with support by CIDA and the recipient country partner;
- Assumptions and operational risks associated with the responsibilities of CIDA and the recipient partner. These risks, if activated, would normally require action by CIDA and/or the recipient country partner and/or the implementing organization and initial responsibility would be assigned and agreed upon in the risk management strategy;
- Assumptions and external risks. These risks, if activated, would normally require action by CIDA and/or the recipient country partner, regional organization and/or the implementing organization and initial responsibility would be assigned and agreed upon in the risk management strategy.
- A Risk Identification Table indicating the related external and operational risks identified and an assessment of the probability and potential impact of each risk;
- A Risk Assessment Table showing the overall distribution and weighting of identified risks and an overall risk factor for the initiative;
- A list of the measures proposed to mitigate the impact of each risk should it become a

- factor;
- The specific responsibilities of the parties with respect to monitoring, mitigating and reporting;
- A communications plan; and,
- An exit strategy.

6.6.2 Monitoring risk

During implementation, risk monitoring is an integral part of the implementing organization's management function, CIDA's ongoing monitoring of project implementation, and the deliberations of Project Steering Committees where these are used as part of the project management structure to provide overall direction and oversight.

Monitoring by the implementing organization and other project parties should include:

- Review of the identified assumptions and risks as part of the normal management process;
- Assessment of the project context, developments and/or operations to determine if new risks have developed as part of the normal project management process; and,
- Assessment of the effectiveness of any remedial action taken following the occurrence of a specific risk.

Where a monitor is contracted to monitor the implementation of an initiative, the terms of reference should include the monitoring of risk.

6.6.3 Mitigating risk

Risk mitigation is a process that requires:

- Notification (normally by the implementing organization) and agreement by other project parties that either an external or operational risk has become a factor;
- Agreement on the mitigation measure(s) to be taken based on confirmation of what had been proposed in the risk management strategy or based upon a new measure(s) proposed by the implementing organization or other project party;
- Action by CIDA in accessing the external risk allowance, if appropriate (for directive programming);
- Action by all project parties in making the financial and/or human resources specified in the mitigation measures available;
- Action by the party responsible (normally the implementing organization) for initiating and implementing the agreed upon measure(s) to mitigate the impact of the activated risk; and
- Appropriate support and facilitation by other project parties.

6.6.4 Managing reputational risk (January 2008)

The role of the communications advisor is to assist the program officer, not the partner or executing agency. The partner must understand the importance of communications in handling project risks, including opportunity risk, and must plan and budget accordingly.

The executing agency is generally the first respondent in a crisis, and is best placed to understand the risk, plan, monitor and manage the situation, and respond. It is also the executing agency that may be best placed to undertake outreach to Canadians to celebrate success and communicate results.

However, CIDA cannot transfer responsibility for risk, and CIDA staff in both the field office

and headquarters must therefore be part of the risk management life cycle. The program officer should seek advice from Communications Branch to ensure that CIDA staff, especially in the field office, are trained on how to manage the communications elements of a crisis.

In preparing the proposal for a project with significant risk, the program officer should include appropriate clauses that require the partners and implementing entities to plan and budget for the communication requirements to address properly project risks if these were to materialize. Assistance from Legal Services Division should be sought for the appropriate wording to be included in the project and contractual agreements.

At any stage in the process, a CIDA communications advisor can be asked to provide advice to the program officer, and can comment on the communications plan as needed. Early and continuing involvement of the communications advisor is recommended.

The minimal requirements for communications in any contribution agreement are related to recognition of CIDA and Canada for the contribution. An optional requirement would have the partner clearly indicate in the proposal an awareness of the risks, and agree to include a statement on the monitoring of assumptions in the normal reporting cycle. An additional option would be the inclusion of a requirement for a communications plan to mitigate the risks.

This can generally be accomplished by starting with a communications plan for the life cycle of the project. This communications plan should address the significant risks that have been identified in the assessment. It will typically include a description of the significant risks, and the steps that will be taken to monitor and manage these. This may require staff training, the use of media advisors/consultants, event planning, and other expenditures that are appropriate to the project. It will always require the project staff to communicate with CIDA in a timely manner should any of the indicators suggest that the risk may become a crisis.

6.6.5 Crisis management (January 2008)

If the risk evolves into an actual crisis, the executing agency, and CIDA staff, may have very little time to react appropriately. It is for this reason that planning is essential.

Typically, people over-react when responding to a crisis. An effective communications plan will include appropriate key messages delivered by a designated spokesperson. This should mitigate the possibility of over-reaction. Typical holding messages include recognition of a problem, compassion for victims (should the crisis include victims), and the need to be more fully informed before responding further.

While this is taking place, the partner or executing agency, and the field office (in cooperation with the Canadian mission) would consult headquarters. In critical situations, senior management and Communications Branch are available on a 24-hour emergency basis.

6.6.6 Reporting

Risk issues should be addressed within the context of standard reporting for an initiative.

Chapter 7 - Core Funding (2008-05)

7.0 Overview of core funding (May 2008)

CIDA uses core funding to provide support to an entity (organizations, institutions, recipient countries or other donor countries) involved in developmental initiatives that are expected to yield development results that reflect CIDA's goals and objectives. Support is provided at the institutional level. This chapter provides a description of the principal steps in the core funding business delivery model.

7.0.1 Types of core funding (May 2008)

Within the core funding business delivery model there are three broad types of core funding mechanisms used by CIDA:

- Funding of organizations and institutions including NGOs and INGOs, international financial institutions (IFIs), United Nations, Commonwealth and Francophonie organizations including core contributions through programs such as Multilateral Humanitarian Assistance Program, the Multilateral Institutions Directorate and the Health and Nutrition Directorate (HAND) within the general context of ongoing relationships or in support of their planned programming;
- Funding of recipient governments and their organizations and institutions through direct budget support initiatives and pooled funding and, subject to the approval of the Treasury Board, macroeconomic support and debt relief. CIDA may be the only donor or may collaborate with other donors within the context of recipient led initiatives; and,
- Delegated cooperation where CIDA receives funds from other donors to manage through their participation in a bilateral project or program or, alternatively, CIDA provides funds to other donors to manage as part of that donor's participation in a bilateral project or program. Delegated cooperation is undertaken within the context of bilateral programming as defined in section 14.1.4 of CIDA's [Terms and Conditions](#). The provision of grants to other donor countries is available starting in fiscal year 2008/09.

Ongoing relationships are characterized by a long-term commitment by CIDA to provide funding to certain classes of organizations and institutions. Examples of ongoing relationships include core (rather than initiative specific) funding for NGOs, INGOs, international financial institutions, and United Nations, Commonwealth and Francophonie organizations.

Core funding provided to recipient governments and their organizations and institutions tends to be characterized by specific time limited initiatives with fixed funding envelopes which may span one or more years and which are approved as discrete interventions. Any payment to a recipient country government must be in the form of a contribution.

In the case of delegated cooperation, the program desk must consult with the appropriate finance and contracting experts as well as CIDA's Legal Services. A precondition for the use of delegated cooperation where CIDA provides funds to other donor countries is that the systems and procedures used by the donor administering CIDA's funds are assessed by CIDA and determined to be comparable to CIDA and Government of Canada systems and procedures. Section 14.1.4 of CIDA's [Terms and Conditions](#) provides the authority to give grants to other donor countries beginning in fiscal year 2008/2009.

7.0.2 Attributes of core funding (May 2008)

Core funding takes place within the parameters of CIDA's development policy and programming frameworks and may take place as a standalone initiative or in conjunction with other donors.

The use of core funding is predicated upon the assumption that CIDA will not become involved in the details of individual initiatives funded by the organization or institution. When core funding is provided at the institutional level, CIDA plays no role in the initial identification, design, or implementation of the specific programs or initiatives to be implemented, but rather provides resources to supplement the actions of another organization or institution that are judged to contribute to attaining the goals and objectives of the Canadian International Development Assistance Program at the mandate and policy level.

Among the underlying principles are the following:

- In most instances core funding places minimal conditions on the use of Canadian funds and permits the use of funding for both operational overheads and programming at the discretion of the organization.
- When funding is provided by CIA in the form of a grant, due diligence and monitoring is done at the institutional level and includes the need to verify the continuing eligibility of the recipient institution to receive funding.
- When funding is provided by CIDA in the form of contribution for a program-based approach, due diligence is done in conformity with the Due Diligence Guide, the PBA Guide and the [CIDA Policy on Fiduciary Risk Assessment, Part 1: Funding Modalities Based on the Use of Public Financial Management Systems of Recipient Countries](#).
- The complementarity of interests is defined at the institutional level.

7.0.3 Eligible recipients (May 2008)

The [Terms and Conditions for International Development Assistance](#) identifies the categories of eligible recipients for CIDA programming and is approved by the Treasury Board. Eligibility may be further refined by the particular programming framework. Specific categories of recipients are identified for:

- Bilateral Programming
- Multilateral Programming
 - International Humanitarian Assistance (sub-class)
 - Multilateral Institutional Funding (sub-class)
- Partnership Programming
 - Canadian Partnership (sub-class)

7.1 Project management methodology (January 2008)

CIDA uses a project management methodology where the project life cycle consists of specific processes related to initiation, planning, approval, operationalization, implementation, monitoring and control and closure. Initiation, planning, approval, operationalization, implementation and closure are treated as discrete processes. A process of monitoring and control is applied to each specific process in the life cycle.

At the initiation stage CIDA identifies opportunities for or responds to requests for institutional support through the provision of core funding, identifies opportunities to

participate in program-based approaches using either direct budget support, pooled funding, or other PBA project funding to recipient governments or organizations either as a direct participant or through the use of delegated cooperation.

At the planning stage CIDA undertakes a due diligence process related to the potential recipient of core funding. In the case of institutional support this includes assessments of:

- The organization or institution,
- The relationship of the work of the organization or institution including the results achieved to CIDA's mandate and objectives, and
- The risks.

In the case of a PBA to recipient governments or organizations, there is a comprehensive due diligence process that is defined in CIDA's Policy on PBAs, CIDA's Operational Guide to Program-based approaches, the Due Diligence Guide and in the [CIDA Policy on Fiduciary Risk Assessment, Part 1: Funding Modalities Based on the Use of Public Financial Management Systems of Recipient Countries](#).

Approval requirements are determined by the type and value of CIDA's financial contribution to an organization, institution or recipient government (either directly or via a pool). Where the amount of CIDA funding exceeds the approval authorities delegated to the Minister, Treasury Board approval is required for which a specific approval process exists.

Following funding approval, operationalization of the CIDA funding takes place through the signature of a funding agreement with the recipient. This will take the form of either a grant agreement or arrangement or a contribution agreement or arrangement. To conform to the requirements of the Financial Administration Act, a purchase order must be created in the Agency Information System prior to the signature of the funding agreement.

During the life of the funding agreement (implementation), CIDA manages the agreement and the transfer of funds to the recipient in the manner defined in the funding agreement and in a manner that conforms to the requirements of the applicable class of grants or contributions which are described in the [Terms and Conditions](#).

Performance in relation to the specific provisions of the agreement is monitored and reported on throughout the life of the initiative and corrective action is taken as required (monitoring and control).

Closure involves activities related to the completion of the activities or time frame defined in the agreement, any ex-post evaluative or reporting activities, the recording and dissemination of lessons learned and the closure of the initiative in the Agency Information System.

7.2 Due diligence (May 2008)

The Treasury Board [Policy on Transfer Payments](#) indicates that "Due diligence requires reasonable care or attention to a matter which is good enough to ensure that the funding provided would contribute to the intended objective of the transfer payment and withstand the test of public scrutiny." As indicated in the [Terms and Conditions](#), due diligence is an integral part of the appraisal of any initiative that CIDA considers funding.

To support informed decision-making when using the core funding business delivery model, CIDA devotes its staff resources to and is accountable for undertaking a due diligence

process that supports informed decision-making. In assessing a potential core funding initiative the program officer is accountable for identifying and obtaining the specialized expertise required to undertake the necessary organizational assessment including an assessment of the organization's policies and operations. In order to complete this assessment, a team is assembled and its work structured in a manner that provides the necessary information for decision-making. As well the program officer is accountable for ensuring the appropriate involvement of CIDA's Financial Risk Assessment Unit.

In the case of core funding a due diligence process includes assessments of:

- The organization or institution (see Section 7.6 below);
- The relationship of the work of the organization or institution including the results achieved to CIDA's mandate and objectives; and
- The risks (see Section 7.1.1 below).

In addition, Canada's [Anti-Terrorism Act](#) enables the government to create a list of "entities" under the *Criminal Code*. This is a very public way to identify a group or individual as being associated with terrorism. The definition of an entity includes a person, group, trust, partnership or fund, or an unincorporated association or organization. The list of entities is provided on the [Public Safety Canada](#) website.

A second list developed by the Department of Foreign Affairs and International Trade and modified by the addition of names provided by the Department of Public Safety and Emergency Preparedness is provided on the [Office of the Superintendent of Financial Institutions \(OSFI\) web-site](#). This list includes the names of Terrorist organizations subject to the regulations made under the Criminal Code and those names subject to United Nations Afghanistan Regulations (UNAR) and the United Nations Suppression of Terrorism Regulations (UNSTR).

Staff must ensure that these lists are consulted as part of the assessment of the eligibility of a proponent. Grants or contributions must not be made to these organizations.

In the case of direct budget support and pooled funding to recipient governments CIDA's Operational Guide to Program-based Approaches and the [CIDA Policy on Fiduciary Risk Assessment, Part 1: Funding Modalities Based on the Use of Public Financial Management Systems of Recipient Countries](#) and CIDA's [Due Diligence Guide](#) establish the minimum requirements.

In the case of ongoing funding, appropriate expertise must be applied to the regular assessment of an organization, its eligibility and its performance.

7.2.1 Risk assessment and management overview (January 2008)

Risk assessment and management are integral parts of the ongoing due diligence process and as such are an essential part of the planning and implementation of initiatives which will involve core funding by CIDA irrespective of whether CIDA is providing funding alone or in conjunction with other donors.

In deciding to participate in a core funding initiative the CIDA officer must ensure that risks are adequately assessed and factored into the decision making process at the time of approval. Ongoing monitoring and mitigation strategies should be in place.

Chapter 6, [Assessing and Managing Risk](#) examines global, regional and country level risks as well as operational and external risks. It provides a life cycle methodology that can be

applied by CIDA staff in the development of initiatives that involve the provision of pooled funding, budgetary support, or other PBA project funding to recipient governments and organizations. CIDA officers may also use this methodology to assess the adequacy of the risk assessment process used by the organization or institution.

CIDA's Operational Guide to Program-based Approaches provides a framework for the examination of institutional risks that include additionality, implementation, under-achievement, fiduciary (financial and procurement risk stemming from the use of the host-country government's public financial management and procurement systems), and sustainability.

CIDA's [Policy on Fiduciary Risk Assessment for Program-based Approaches, Part 1: Funding Modalities Based on the Use of Public Financial Management Systems of Recipient Countries](#) aims to strengthen management practices with respect to the assessment of fiduciary risk in the context of program-based approaches with recipient governments and to demonstrate CIDA's accountability to Parliament for ensuring that the aid funding it provides is properly accounted for, used for the intended purpose and that expenditures are commensurate with the funds transferred. The policy provides guidance on what constitutes a fiduciary risk assessment and the requirements to mitigate fiduciary risks as necessary. For the risk assessment of a recipient country, this policy must be followed.

The [Guidelines for Procurement Risk Assessment and Mitigation](#) provides guidance on the analysis of procurement systems.

Country, global/regional and investment specific, operational, additionality and financial risks apply to all CIDA funded initiatives. Procurement risks apply where the transfer of procurement authority to another organization or entity is envisaged.

Organizations receiving funds from CIDA should demonstrate (and the CIDA program officer must confirm and document) that they have adequate risk assessment and management practices in place and that their management practices include ongoing risk assessment for the programs that they undertake.

7.2.2 Financial Risk Assessment (January 2008)

In the case of institutional support, a financial risk assessment must be obtained from CIDA's Financial Risk Assessment Unit (FRAU), prior to project approval, when entering into grant or contribution agreements with organizations (excluding multilateral organizations) where the annual cash flow received from CIDA is \$200K or more. For agreements below the \$200K threshold, it is up to the project officer to ensure that due diligence in relation to financial risk is exercised in the selection and approval of recipients. FRAU may be consulted for advice. If, at any point in time, the project officer believes that the organization may be a potential financial risk to CIDA, the officer may request a financial risk assessment from FRAU. Where the recipient is a multilateral organization the project officer should consult with FRAU on all financial management issues as part of the due diligence process.

Canadian federal and provincial departments and agencies, crown corporations, national and international financial institutions, and publicly funded Canadian institutions (e.g. universities, colleges and hospitals) are exempt from the requirement for a financial risk assessment.

In the case of program-based approaches the project officer may consult their financial management advisor or the Financial Risk Assessment Unit for assistance in the application

of CIDA's [Policy on Fiduciary Risk Assessment for Program-based Approaches, Part 1: Funding Modalities Based on the Use of Public Financial Management Systems of Recipient Countries](#).

Additional information on financial risk assessment is provided in Chapter 5, [Section 5.4](#).

7.3 Institutional support

CIDA uses institutional support to supplement the actions of another organization or institution that are judged to contribute to attaining the goals and objectives of the Canadian development assistance program at the mandate and policy level. CIDA generally plays no role in the initial identification, design, or implementation of the specific programs or initiatives to be implemented. As such it directs ODA to eligible recipients by supporting the development assistance activities of other organizations or institutions where their work is judged to contribute to the goals and objectives of Canadian ODA; enters into funding arrangements with the organization/institution/other donor country that places minimal conditions on the use of Canadian funds; and defines the framework it will use to monitor at the investment level.

The following schematic provides a life cycle overview of institutional support.

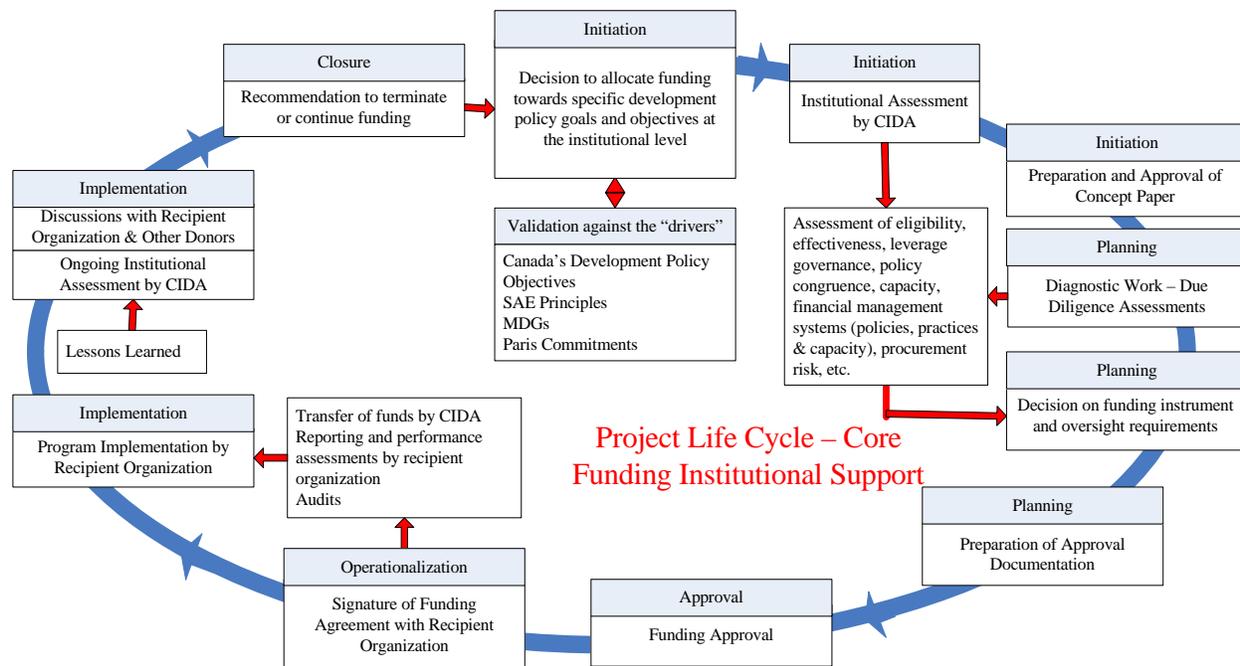


Figure 9 – Project Life Cycle – Institutional Support

7.3.1 Initiation - Decision to allocate funding towards specific goals and objectives (May 2008)

CIDA will identify an organization or institution to which it wishes to provide core funding or an organization or institution approaches CIDA seeking core funding for its activities. In the development of program strategies, CIDA may identify specific organizations or institutions that are undertaking activities that are considered supportive to CIDA's program goals.

An initial decision is made as to whether the organization or institution is an eligible recipient and whether the provision of core funding may further CIDA's goals and objectives. If the decision is favourable a project is created in the Agency Information System and a concept paper may be prepared to obtain approval in principle from the Branch Head to invest resources in undertaking or updating an institutional assessment. Where external resources are to be used to carry out the assessment, funding for the work is requested in the concept paper.

7.3.2 Planning - Institutional assessment (May 2008)

Institutional assessment is a key element in the due diligence process related to the provision of institutional support through core funding.

7.3.2.1 Building on existing knowledge (May 2008)

In the case of organizations where CIDA has an ongoing funding relationship through Multilateral Programmes Branch or Canadian Partnership Branch, there is a body of knowledge and history that allows the Agency to make funding decisions. An ongoing assessment of these organizations takes place through a review of their programming and reports, participation in boards and governing councils, etc. by CIDA and other donors who share their knowledge and experience. As indicated in the [Terms and Conditions](#), program officers in bilateral branches must consult Multilateral Programs Branch or Canadian Partnership Branch for the most recent information on these organizations. Where an organization has no track record with CIDA, it is particularly important to benefit from the knowledge of other development agencies who have provided funding to the organization or institution and from information gained by donor organizations who may have harmonized practices in their relationship with the organization. Where the bilateral class of grants and contributions is used by non-bilateral branches, the responsible program, finance and contracting specialists in the bilateral branch must be consulted.

Performance and institutional information, together with the results of Financial Risk Assessment Unit (FRAU) investigations (see [Chapter 5, Section 5.4](#) above) and other appraisals (such as due diligence or gender equality assessment) all form the basis for a recommendation to provide core funding.

7.3.2.2 Considering the commitment to gender equality (May 2008)

The assessment of an organization to determine its eligibility for core funding must include an examination of the organization's policies and practices with respect to cross-cutting themes, including gender equality and the way the organization addresses gender issues in its programming.

The organization should be assessed for its alignment with the principles outlined in CIDA commitments to gender equality. This assessment will yield some general conclusions about whether the institution is in a good position to achieve gender equality results. The following document sets out the five assessment factors that reflect the rationale for providing core funding as well as the international consensus on strategies for achieving meaningful gender equality results. The gender equality assessment will range from 'excellent', 'good', 'promising', and 'of concern'. With a potential new partner organization, CIDA will have to determine whether an organization with ratings of 'promising' or 'of concern' merits core support or whether CIDA should dedicate resources to assisting the organization in improving its performance.

The Framework for Assessing Gender Equality Results proposes a review of annual institutional or organizational reports to assess complementarity with CIDA commitments to gender equality. This assessment process will point to strengths and weaknesses that could be the basis of further investigation of factors that contribute to positive performance, or those that constrain performance, and thus provide constructive input to efforts to improve performance.

7.3.2.3 Considering institutional capacity with respect to the environment (May 2008)

With respect to the environment, CIDA-funded organizations are expected to possess a level of institutional capacity commensurate with the degree to which their activities affect the environment. This could include having access to, or resources for, environmental expertise. In addition, partners are expected to integrate environmental considerations into the planning/design of initiatives.

CIDA strongly encourages organizations whose programming has substantial environmental linkages to develop a basic environmental management system as a means of demonstrating their capacity to meet particular environmental requirements.

An environmental management system is a tool used to translate environmental commitments into practice. It is a systematic management tool that provides a framework for practices, procedures and processes to implement an organization's environmental policy, manage their environmental action plan, and finally, document, communicate and evaluate their environmental performance. This type of tool is recognized internationally and can be useful for any organization that wishes to improve and document the environmental performance of their activities in the field, as well as their internal operations.

The level of detail of an environmental management system varies between organizations depending on the nature of their operations. A basic environmental management system typically presents the organization's environmental policy or objectives, implementation strategy / environmental action plan and associated tools. Fairly extensive systems are suggested for those organizations that carry out physical works or other activities that are closely related to the environment and natural resources.

7.3.2.4 Internal and external consultation (May 2008)

Internal and possibly interdepartmental consultation establishes a CIDA position that forms the basis for the development of a decision memorandum. The results of both internal and external consultations must be documented.

7.3.2.5 Defining reporting requirements (May 2008)

Concurrent with the development of a decision memorandum, CIDA will define any specific performance and reporting requirements that will apply to the funding to be provided. These requirements are negotiated, and once agreed upon, they form part of the final approval decision document.

7.3.2.6 Assessing capacity of headquarters and in-country offices (May 2008)

In the assessment of an organization's capacity, it is necessary to consider both the capacity of the organization's country office (or offices in the case of a multi-country initiatives) as well as their headquarters, since both offices may administer a portion of the

contribution or grant.

7.3.2.7 Important issues in institutional assessment (May 2008)

An assessment of the organization encompasses a review of:

- Eligibility of the organization to receive CIDA funding;
- Leverage from the proposed CIDA investment and the comparative advantage of using the organization to further CIDA's goals and objectives;
- Policy congruence in terms of the consistency between CIDA's policy & programming priorities and the organization's abilities to address those priorities through its activities;
- Effectiveness and transparency of the organization's governance system;
- Development capacity of the organization to implement an initiative which reflects those policies and priorities;
- Management practices including the capacity to demonstrate sound financial, management and procurement practices;
- Accountability with respect to the existence of a results-based accountability framework, including performance indicators, expected results and outcomes, methods for reporting on performance and evaluation criteria (mandatory for grants under CIDA's [Terms and Conditions](#) for International Development Assistance to allow CIDA to determine the effectiveness of its grant payment);
- Track record in the country or sector with our funding or that of other donors; and
- Capacity of the organization's country office (or offices in the case of a multi-country initiatives) as well as their headquarters;
- Recent evaluations; and,
- Verification that CIDA will be able to determine the effectiveness of the funding provided;

For further information on conducting institutional assessments please consult the [CIDA Organizational Assessment Guide](#) and your branch performance review specialist.

7.3.2.8 Grants and contributions (May 2008)

Core funding to organizations and institutions may be provided through either grants or contributions. In certain cases, all CIDA funding to specific organizations is provided through grants; in other cases either a grant or a contribution may be used.

In considering the use of a grant consideration must be given to the capability and track record of the institution and the degree of risk that CIDA would be exposed to given that grants are neither accountable nor repayable. The recipient must meet the eligibility criteria, including the institutional requirements (for example, adequate capacity and proven track record). The grant must not expose CIDA to an unacceptable level of risk.

Choosing the grant option is only advisable when the recipient is a trusted partner, who has a demonstrated history of delivery of appropriate aid projects, whose management and financial capacity has CIDA's full confidence, whose risk management and results reporting structures are acceptable to the Agency and who meets all CIDA policies and standards with respect to such concepts as environmental assessment and gender equality. If this is not the case, CIDA should not give a grant, but rather a contribution, that will have certain conditions attached to it, such as monitoring, evaluation, auditing and achievement of performance milestones.

7.3.3 Approval (July 2008)

At the conclusion of the planning (institutional assessment) stage a project approval document is prepared and submitted to the branch head. Where the project value exceeds the approval authority delegated to the branch head, a decision memorandum is prepared for the Minister and, if necessary, a Treasury Board submission is prepared.

For the international assistance provided by Canada to be considered as official development assistance under the ODA Accountability Act, the Minister (or the relevant official) must be of the opinion that the assistance will:

- Contribute to poverty reduction, take into account the perspectives of the poor and be consistent with international human rights standards; or,
- Be provided for the purpose of alleviating the effects of a natural or artificial disaster or other emergency occurring outside Canada.

In addition, for non-emergency assistance, consultations must have been undertaken in accordance with the requirements of sub-section 4(2)

Poverty reduction has been the central rationale for CIDA's assistance for many years. The Agency also has developed a variety of mechanisms for taking into account the perspectives of the poor and has endeavoured to ensure that its assistance is consistent with best practice in international human rights (see relevant sections for further guidance on these two issues). As these three criteria are now enshrined in legislation, project managers should use approval documents to articulate how the assistance being provided will contribute to poverty reduction, take into account perspectives of the poor and be consistent with international human rights standards. In addition, any relevant consultations with governments, international agencies and Canadian civil society organizations should be documented with an indication of how the views and recommendations of these groups were considered.

The branch head accepts, modifies and accepts, or rejects the recommendation for core funding. The project approval document identifies whether the funding will be provided as either a grant or a contribution and will include paragraphs on gender equality and on the environment, including applicability of the [Canadian Environmental Assessment Act](#).

For decision memoranda submitted to the Minister for approval, the applicability of the [Cabinet Directive on the Environmental Assessment of Policy, Plan and Program Proposals](#) must be considered. Where Treasury Board approval is required, the approval documentation must be prepared in accordance with TBS standards. The [Guide to Preparing Treasury Board Submissions](#) provides instructions with respect to the content and structure of the Treasury Board submission. The [CIDA Results and Risk Management Accountability Framework \(RRMAF\) Guide](#) provides instructions on the preparation of the RRMAF forms part of the Treasury Board submission.

7.3.4 Operationalization (May 2008)

Following funding approval, the [terms and conditions](#) for the funding agreement are negotiated, and once agreed upon, a contribution or grant agreement or arrangement is signed. Standard templates exist for funding agreements. Additional information on grant and contribution agreements and arrangements is provided in [Chapter 5, Section 5.3](#).

7.3.5 Implementation - transfer of funds (May 2008)

Funds are transferred by CIDA to the recipient organization in accordance with the terms of the funding agreement that may include the provision of specific documentation by the recipient to support the payment to be made. The Treasury Board [Policy on Transfer Payments](#) defines the general principles to be followed in making payments. CIDA's [Terms and Conditions](#) define the specific principles to be followed in making payments under both grants and contributions for each class of grants and contributions.

The organization or institution provides narrative and financial reports in accordance with the terms of the contribution or grant agreement. The responsible office must ensure that eligibility and other requirements defined in the funding agreement are met prior to making any payment.

7.3.5.1 Contribution agreement cost audit

Contribution agreement cost audits are used to determine that:

- Funds provided are being used in accordance with the terms and conditions of the agreement and costs claimed are allowable, adequately supported and have been incurred and paid, for the goods and services rendered;
- The organization has financial and other administrative procedures with adequate internal controls to protect the Agency's interests; and
- Financial information included in claims and reports are accurate, complete and reliable, and financial statements are presented fairly in accordance with generally accepted accounting principles.

All agreements of \$1M and more will be subject to a meeting between the CIDA manager and the designated auditor, followed by an initial visit to the organization, by the auditor. The Financial Compliance Unit (FCU) coordinates the initial visit assignment.

The Agency right and access to audit is included in all contracts, and extends to subsidiary contracts and agreements where necessary. Audit effort is to focus on high-risk agreements, projects and organizations.

Whenever possible, the Agency adopts a single audit approach, by combining audits of an executing agent, to maximise the coverage of agreements and to minimise costs. All contribution agreements with a value of more than \$ 5.0 M in total or with annual disbursements in excess of \$500,000 are assessed for audit on an annual basis.

All agreements with a financial value of \$3M and more, will, under normal circumstances, be audited after the first year of operation. When an organization has multiple agreements with CIDA that are subject to be audited, and the prior audits have demonstrated that their financial systems and controls in place meet CIDA's requirements, and the rate of audit adjustments is low and CIDA's policies and administrative requirements are complied with, FCU, in agreement with the branches concerned, reserves the right to limit the number of audits that would otherwise be required under this policy.

Audit results are provided by FCU to appropriate managers, for timely follow-up of corrective action by executing agencies, or the recovery of overpayments. The FCU is accountable for the monitoring and quality control functions with respect to the justification, validation and settlement of all proposed audit adjustments. Before the program manager rejects an audit adjustment, FCU has to agree that all the necessary considerations and measures have been taken into account to warrant rejecting the adjustment. There may be

compelling reasons, even though the auditor might have been correct, for the proposed audit adjustment to be rejected. For additional information see the [Contracts and Contribution Agreements Audit Policy](#).

The following audits, assessments and evaluations are excluded from this policy as they are managed by the Internal Audit Division of Performance Review Branch, by another Agency or another department of the Federal Government or when the audit is under the responsibility of the recipient:

- Project management and related management or operational issues.
- Value for money, being economy, efficiency and effectiveness in program operations or systems.
- Determination of illegal acts and potential fraud situations or investigations
- The agreements signed with others Agencies or Departments of the Federal Government;
- The agreements signed with organizations who are responsible for the audits of the agreement.

7.3.6 Monitoring and Control (May 2008)

Ongoing performance information supports decisions with respect to continued funding of an organization or institution. CIDA is accountable for exercising sound financial management and making payments in accordance with the funding agreement. Recipients may be required to demonstrate continuing eligibility to receive CIDA funding in accordance with the requirements of the [Treasury Board Policy on Transfer Payments](#).

Departmental officials may be represented on an advisory committee or board established by a recipient in relation to a grant or contribution provided by the department. Such involvement must not be seen to be exercising control on the committee or board or on the use of the funds. Departmental officials must respect and comply with the Conflict of Interest and Post-Employment Code for Public Office Holders and the Conflict of Interest and Post-Employment Code for the Public Service.

7.3.7 Closure (May 2008)

If no replenishment is undertaken, then project closing documentation is completed and information in the Agency Information System is updated.

Where funding is time-limited, the institution provides any final reports stipulated in the funding agreement. Administrative closing activities are undertaken, any final audits and reconciliations are carried out and final disbursements are made. Lessons learned are identified and disseminated.

Formal closure of a project is undertaken when:

- CIDA`s funding obligations have been met and any required reporting has been received from the funded organization, and cost audits have been resolved; or
- CIDA elects to terminate funding prematurely. When funding is to be terminated prematurely, the responsible officer must first consult the contracts officer and Legal Services Division before undertaking any action with the organization.

When contemplating the early closure of a project staff should consult Chapter 10, [Early Termination of CIDA Funding to Projects or Partner Organizations](#).

7.3.8 Operational or management issues with existing partners (May 2008)

When ongoing performance assessment activities result in the identification of operational or management problems or deficiencies within an organization or institution, CIDA may, separately or in conjunction with other donors, either suspend funding pending the implementation of acceptable reforms or make currently approved or new funding conditional on defined progress towards the implementation of satisfactory institutional reforms.

In such cases Chapter 10 [Early Termination of CIDA Funding to Projects or Partner Organizations](#) should be consulted.

7.3.9 Managing long-standing institutional support / core funding relationships (May 2008)

When Canada sits on the Board of an organization or institution (or is represented on the Board by another party), there is generally a long-standing relationship. In these cases, CIDA plays a role in the overall governance as a member of the Board of Governors or Executive Board. After consultation with other donor partners, sometimes joining their views on performance or governance issues, the Agency provides input on overall policy and program direction and therefore on the broad management framework for the institution (but not individual projects).

Through its membership on the Board, CIDA may participate in the approval of institutional workplans and the definition of performance, monitoring and reporting standards. The information gained through these activities, together with the performance information collected, will support peer reviews of the operation of the organization or institution. This information will also allow CIDA to maintain an overview of the overall performance of the organization or institution and the relationship of its activities to Canada's ODA or OA policy objectives such as gender equality and the environment.

7.4 Program-based approaches (January 2008)

A PBA is defined by the OECD-DAC as a way of engaging in development cooperation based on the principles of coordinated support for a locally owned program of development such as a national development strategy, a sector or thematic program, or a program of a specific organization. As such, this approach has the following features:

- Leadership by the RC or organization;
- A single comprehensive program and budget framework;
- A formalized process for donor coordination and harmonization of donor procedures for reporting, budgeting, financial management and procurement; and
- Efforts to increase the use of local systems for program design and implementation, financial management, monitoring and evaluation.

All four features above must exist for an investment to be considered a PBA. This includes SWApS, which are PBAs operating at the level of a sector, provided they share all four features listed above. A PBA can exist within an organization, in particular with regional and sub-regional organizations.

In its policy on PBAs, CIDA recognizes that support under a PBA can be provided through a range of modalities, including budget support (general and sector), pooled funds, and projects including technical assistance.

A PBA can be organized in support of various types of programs undertaken by the RC. The definition identifies four examples:

- Support for a national development strategy, typically a national program or the poverty reduction strategy (PRS);
- A sector program, normally organized around a sector such as the education, health or agriculture strategies of a developing country;
- A thematic program, for instance, an HIV/AIDS program; or
- A program of an organization.

These examples are not meant to be restrictive. Indeed, any government/organization program, understood as an integrated set of activities designed to achieve a related set of outcomes in a relatively comprehensive way, can be considered to be a PBA if the four features of the PBA definition can be demonstrated. A PBA initiative is then designed using funding modalities such as budget support, pooled funding (including multilateral/regional bank trust fund mechanisms or delegated cooperation) or other types of projects.

Taken together, CIDA's Policy on PBAs, CIDA's Operational Guide to Program-based Approaches and CIDA's [Policy on Fiduciary Risk Assessment for Program-based Approaches, Part 1: Funding Modalities Based on the Use of Public Financial Management Systems of Recipient Countries](#) provide the planning, due diligence and management frameworks within which CIDA engages in program-based approaches.

7.4.1 Budget support (January 2008)

Budget support is a method of financing a partner country's budget through the transfer of resources from an external financing agency to the partner country government's national treasury. The funds thus transferred are managed in accordance with the recipient's budgetary procedures.

A further distinction exists between general and sector budget support:

- General budget support involves a general contribution to the recipient country's overall budget where policy dialogue between donors and the partner country government is focused primarily on overall policy and budget priorities.
- Sector budget support is financial aid earmarked to discrete sectors or areas of activity. Policy dialogue is focused primarily, but not exclusively, on specific sector concerns.

7.4.2 Pooled Funds (January 2008)

Pooled funds typically use a special arrangement negotiated with donors and government. This involves a certain degree of donor control or oversight, as financial reporting is expected to show how the pooled funds were used. It is considered sector budget support if the money is transferred into the partner country government's account to be mixed with domestic resources and used according to normal national procedures.

7.4.3 Projects including technical assistance (January 2008)

Projects including technical assistance carried out under PBAs are characterized by the adoption of a more collaborative approach to decision-making, increased efforts to align with recipient country priorities and systems, and increased attention to higher level results.

7.4.4 Program-based approaches - life cycle overview (April 2009)

The following schematic provides a life cycle overview of direct budget support and pooled funding to recipient governments. For additional information please see CIDA's Operational guide to Program Based Approaches (November 2007).

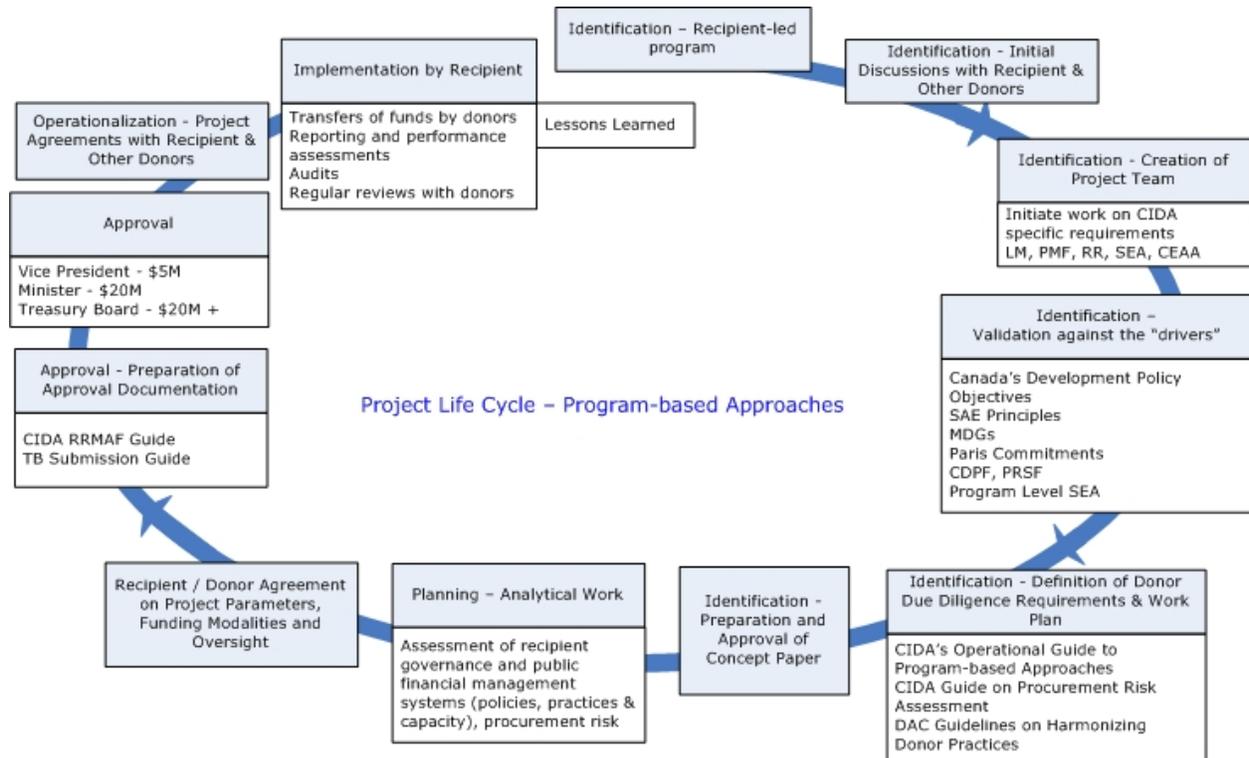


Figure 10 – Project Life Cycle – Direct Budget Support and Pooled Funding (April 2009)

7.4.4.1 Initiation (May 2008)

The opportunity for CIDA to participate in program-based approaches is identified through program consultations with recipient governments and consultations with other donors. Initial discussions with the recipient government and other donors is followed by the establishment of a project team responsible for undertaking more detailed consultations, defining and managing the due diligence / diagnostic process and preparing the concept paper. A project is created in the Agency Information System.

During the initiation stage CIDA examines the potential project in relation to specific drivers including the CDPF, the CIDA policy suite, Agency priorities and objectives, and the requirements defined in the CIDA's Operational Guide to Program-based Approaches and CIDA's [Policy on Fiduciary Risk Assessment for Program-based Approaches, Part 1: Funding Modalities Based on the Use of Public Financial Management Systems of Recipient Countries](#) and, the [Guide for Procurement Risk Assessment and Mitigation](#). The requirements for diagnostic work are defined in conjunction with the recipient and other potential donors and the role that CIDA will play in undertaking this work is established and the resource requirements are costed.

Among the issues considered at this stage are the following:

- The existence of a broad consensus between the host-country government and donors on key policy and management issues. Are conditions adequate for all partners to develop a satisfactory ongoing dialogue?
- Willingness of donors to provide support within an agreed framework to harmonize practices. Is there a willingness to burden share, that is, assume responsibilities for specific items such as institutional assessment on behalf of other partners? To what extent do the capacities of donor partners complement host-country government capacities and priorities?
- Broad consensus between the host-country government and donors on the parameters and conditions for an effective and transparent expenditure management framework. The adequacy of approaches to attaining in-depth country knowledge sufficient to ascertain commitment, progress and emerging risks;
- The potential to expand existing relationships with the host-country government and other donors into the stronger partnership required for this type of initiative; and,
- The ability to form and manage a team with specialized CIDA or external sectoral, technical and managerial competencies.

If the results of the preliminary discussions with the recipient government and other potential donors are favourable, a concept paper is prepared and submitted to the Branch head for approval. Approval of the concept paper will also approve funding for any aspects of the diagnostic and planning work to be carried out by CIDA using external resources.

7.4.4.2 Planning (May 2008)

During the planning stage all necessary diagnostic work is carried out in conjunction with other donors (unless CIDA is the only donor) and the recipient government.

Planning work will normally focus on seven assessment areas require attention when developing interventions involving pooled funding or direct budget support. These assessments in the pre- stage will determine whether the conditions for CIDA participation can be met, the likely magnitude of participation and the choice of instrument. From these assessments, it becomes possible to further develop the initiative. The seven areas are:

- Macroeconomic assessment -- Does the national development strategy provide a sound framework for overall planning? Is the macro situation sufficiently stable to allow a level of predictability in sector funds?
- Sector policy and overall poverty reduction strategic framework -- What is the host-country government aiming to achieve in the sector and how? Is there an adequate sector policy in place? Is it consistent with the National policy framework? Are there links with CIDA's CDPF? Is the vision within the sector policy appropriate, affordable, and feasible, particularly in terms of the role of government? At what stage of economic growth will the host-country government be able to fund the program itself?
- Sector Medium Term Economic Framework -- Is there a sector MTEF in place and approved at the political level? Is it comprehensive and realistic in its coverage of revenues and proposed spending? If not, is there a coherent action plan from which it is derived and steps in place to improve the MTEF?
- Donor coordination/harmonization system -- Is there a host-country government organized donor co-ordination system in place? Does it include all the key donors (bilateral and multilateral)? Is it based on a clear structure of rules and partnership principles including harmonization? Is there an aid harmonization plan or strategy contemplated or in development?
- Institutional capacity -- Is there adequate leadership in the sector to direct and manage the sector program over time? Is there adequate capacity in the institutions to

effectively implement the programming? What strategies are in place to promote capacity development and are these adequate?

- Accountability and public financial management and procurement systems -- Is the quality of accountability and budgetary expenditure management sufficiently good to contemplate sector support? If not, are reforms to procurement and public expenditure management (PEM) systems being put in place to address the key weaknesses? Have CIDA and partner donors developed mitigations strategies to address the weaknesses?
- Performance monitoring and client consultation mechanisms -- Is there a performance monitoring system in place to track progress in achieving results? Is there a systematic mechanism for consultations with clients and beneficiaries?

Diagnostic work must address the specific requirements defined in the [Operational Guide on Direct Budget Support and Pooled Funding to Recipient Countries](#).

This document provides operational guidelines for direct budget support and pooled funding under program-based approaches when the onus for program planning and delivery, financial administration and reporting is put squarely on developing country governments.

The [CIDA Guide for Procurement Risk Assessment and Mitigation](#) provides tools and guidelines for program officers in assessing (a) the recipient government's procurement system and (b) the procurement fiduciary risk. As an essential element in the due diligence process it allows programs to identify, mitigate and manage procurement risks when contemplating programming initiatives which involve using the recipient country's system to procure goods, works or services. The assessment can serve as the basis for discussions of the development compact with the recipient country regarding the advancement of public procurement reform.

Staff should consult their branch Strategic Planning Division for additional guidance on the application of these guidelines and tools.

7.4.4.3 Approval (July 2008)

The level of budget typically attached to direct budget support and pooled funding under program-based approaches anticipates that many will require a TB submission including an RRMAF (Results and Risk-based Management and Accountability Framework). CIDA also encourages development of an RRMAF for pooled funding and direct budget support arrangements that do not require a TB submission since these documents provide a better framework for managing and reporting on results. The development of an RRMAF establishes the commitment for outcomes measurement and lays the groundwork for performance monitoring, reporting and evaluation activities. Detailed information on the requirements for the RRMAF is provided in: [The CIDA RRMAF \(Results and Risk Management and Accountability Framework\) Guide](#).

For the international assistance provided by Canada to be considered as official development assistance under the ODA Accountability Act, the Minister (or the relevant official) must be of the opinion that the assistance will:

- Contribute to poverty reduction, take into account the perspectives of the poor and be consistent with international human rights standards; or,
- Be provided for the purpose of alleviating the effects of a natural or artificial disaster or other emergency occurring outside Canada.

In addition, for non-emergency assistance, consultations must have been undertaken in accordance with the requirements of sub-section 4(2)

Poverty reduction has been the central rationale for CIDA's assistance for many years. The Agency also has developed a variety of mechanisms for taking into account the perspectives of the poor and has endeavored to ensure that its assistance is consistent with best practice in international human rights (see relevant sections for further guidance on these two issues). As these three criteria are now enshrined in legislation, project managers should use approval documents to articulate how the assistance being provided will contribute to poverty reduction, take into account perspectives of the poor and be consistent with international human rights standards. In addition, any relevant consultations with governments, international agencies and Canadian civil society organizations should be documented with an indication of how the views and recommendations of these groups were considered.

All initiatives under program-based approaches going either to the Minister or to TB for approval (all proposals over \$5M) must first be presented for consideration to the Agency Program Review Committee (PRC) which is a subcommittee of Policy Committee. The role of the Program Review Committee is to review proposals from a corporate perspective before they go to the Minister, and to make recommendations regarding the approval or revision of these proposals. PRC is composed of 13 members from across the Agency. Policy Branch chairs and provides secretariat services for the Committee.

More specifically, the PRC's mandate includes:

- Ensuring the application of due diligence in the planning, design, selection and approval of program based initiatives;
- Reviewing the initiatives, suggest revisions, modifications and improvements where warranted;
- Ensuring coherence in the application of the program-based approach;
- Providing an opportunity for quality assurance and peer input; and
- Exercising a corporate oversight function in terms of the practice and method in the application of program-based approaches.

CIDA Programs submitting initiatives for PRC review should consult the PRC secretariat (Analysis and Research Division in Policy Branch) for information on meeting scheduling and documentation requirements. Normally the submitted documentation should include the draft Memo to the Minister, the PAD and its annexes (or equivalent items in the case of documents going to TB – TB Submission, the RRMAF), and any other documentation that the desk might consider advisable. Documents must make a convincing case for approval of the initiative and for the approach being proposed, while satisfactorily addressing issues of due diligence likely to be important under program-based approaches. Particular attention should be paid to the importance of submitting a coherent and complete argument in the case of submissions going to TB, despite the multiplicity of documents involved and the particular guidelines involved in this case.

7.4.4.4 Operationalization (May 2008)

Following project approval the necessary agreements with the recipient and other donors are negotiated and signed. The country desk (usually the program officer) leads the preparation and processing of the framework agreement and the bilateral contribution arrangement, assisted by a team of financial, contractual and legal experts. The program officer consults with the contracting officer who assists with the preparation and consults with the FMA or with the Finance Division as required on financial matters. Once the documents have progressed to a satisfactory level, Legal Services Division is consulted to review the documents before they are finalized.

To operationalize a PBA initiative, two documents are required: (1) a framework agreement, such as a JFA, MOU or a code of conduct, should be signed by all parties supporting a given program, donors and RC government/organization; and (2) a subsidiary bilateral contribution arrangement between CIDA and the RC government/organization. Contracting for goods and services necessary to implement the PBA initiative, such as the provision of technical assistance, is to be managed based on guidance provided in [Chapter 6 of the Guide to Directive Programming](#). The framework agreement establishes the framework for coordinating donor support and cooperation with the RC government/organization. The bilateral contribution arrangement represents the actual instrument for the transfer of funds to the RC government/organization.

The various terms such as the JFA, MOU or code of conduct are used to accommodate the domestic regulatory framework of some donors. For CIDA, this constitutes a change in terminology only and not a change in intent within the appropriate document.

The [Joint Financing Arrangements in Support of the Sector-wide Approach](#) prepared by the Nordic Plus Donor Group (including CIDA) provides a guide, template and checklist for the main items that are normally included in Joint Financing Arrangements (JFAs). The template is for guidance and ease of use in terms of items covered and the sequence in which they appear in the JFA. Examples of specific texts to be included in the JFA have been pre-agreed by the Nordic Plus Donor Group with the caveat that they are to be adjusted to existing circumstances when actual JFAs are developed. An outline is also provided to present the usual structure of JFAs; the way items are grouped into paragraphs; and, the means to operationalize the principles of harmonization and alignment of donor assistance.

The bilateral arrangement between CIDA and the recipient country government/organization is supplementary to the framework agreement and identifies specifics such as CIDA's contribution. Any specific element needed by CIDA to comply with the TB [Policy on Transfer Payments](#) (e.g., right to audit, exit clause) must be included in CIDA's bilateral contribution arrangement. However, care must be taken not to introduce conditions that go against the framework agreement, since this would create conflict and run counter to the purpose of aid effectiveness. If a real conflict arises between the imperatives of Canadian law or CIDA's regulatory environment and mandatory elements of the framework agreement, the project team must resolve this problem with the appropriate CIDA officials (e.g. Legal Services, Corporate Contracting etc.). At some point in the future, a standardized bilateral contribution arrangement will be made available on the CIDA contract preparation system and elaboration of the guide for the CIDA-specific regulatory context will be available on Entre Nous.

7.4.4.5 Implementation (May 2008)

Implementation is the responsibility of the recipient government body responsible for the initiative. Funds are released to the recipient either directly or via a pool in accordance with the terms of the agreement signed with the donors. Specific triggers relating to the release of funds are defined and must be met before funds can be released.

7.4.4.6 Monitoring and control (May 2008)

As part of the analytical work, donors define specific monitoring and control requirements, establish terms of reference and agree on the elements of monitoring and control activities that each donor will be responsible for. CIDA will utilize performance information related to progress towards the achievement of the agreed project objectives to prepare performance

reports.

7.4.4.7 Closure (May 2008)

Upon completion of all funded activities, a final PPR/IMRT is prepared and final project documentation is assembled and filed; the project is closed in the Agency Information System.

Formal closure of a project is undertaken when:

- All project activities are completed and reported upon, all obligations under the funding agreement have been fulfilled; or
- CIDA elects to terminate funding prematurely. When funding is to be terminated prematurely, the responsible officer must first consult the contracts officer and Legal Services Division before undertaking any action with the other funding partners or the recipient government.

When contemplating the early closure of a project staff should consult Chapter 10 Early Termination of Funding to CIDA Projects or Partner Organizations.

7.5 Delegated Cooperation (May 2008)

Delegated cooperation takes place when CIDA receives funds from other donors to manage through their participation in a bilateral project or program or, alternatively, CIDA provides funds to other donors to manage as part of that donor's participation in a bilateral project or program. Delegated cooperation is undertaken within the context of bilateral programming as defined in section 14.1.4 of CIDA's [Terms and Conditions](#). The provision of grants to other donor countries will only be available starting in fiscal year 2008/09.

When considering the use of delegated cooperation the program desk must consult with the appropriate finance and contracting expertise as well as CIDA's Legal Services. A precondition for the use of delegated cooperation where CIDA provides funds to other another donor country is that the systems and procedures used by the donor administering CIDA's funds are assessed by CIDA and determined to be comparable to CIDA and Government of Canada systems and procedures.

The framework agreement can be modified to accommodate situations where one donor is elected to act as lead donor and to represent the donor group in the relationship with the RC government/organization. Usually a donor that has comparative advantage in an RC/organization, sector or specific task (e.g. monitoring) will qualify to act as a lead donor. Delegating authority to a lead donor may bring substantial savings in time and costs for donors and the RC government/organization. The level and form of delegation may vary and take place at different phases in the PBA initiative cycle. Delegation may be limited to a single phase of the cycle (conduct an initial appraisal on behalf of other donors) or the lead donor may act on behalf of one or more donors in all phases of the PBA initiative, including disbursement of funds. The *DAC Good Practice Principles* (Chapter 6) provide further guidance. Although other donor countries are eligible to receive a grant as per CIDA's Ts&Cs, in the context described above, it is usually preferable to provide a contribution. If CIDA chooses to use a delegated cooperation mechanism, its contribution arrangement will be with the donor country government representing CIDA. The same is also true of trust funds with a multilateral or regional organization which would then be receiving grants.

7.6 Closure (January 2008)

Closure is the final stage in the project cycle. Formal closure ensures that CIDA's financial and other involvement in the project is ended and that any outstanding issues are addressed. This stage of the life cycle also affords CIDA an opportunity to review project performance and results and to identify key lessons.

Formal closure is undertaken when:

- All activities are completed and reported upon, all funding obligations have been fulfilled and cost audits have been resolved; or
- CIDA elects to terminate a project prematurely.

When CIDA funding is to be terminated prematurely, the responsible officer must first consult the contracts officer and Legal Services Division before undertaking any action with the implementing organization. See Chapter 10 Early Termination of CIDA Funding to Projects and Partner Organizations.

If an end-of-project evaluation funded from the project budget is planned or in progress, closure should be delayed. Evaluations funded from a source other than the project budget should not delay project closure. When project specific audits or evaluations are undertaken, branch staff should consult with their branch performance manager prior to, during and after the completion of the audit or evaluation. The electronic version of all evaluations or the EDRMS reference number should be sent to "corporate_memory@acdi-cida.gc.ca".

When funded activities are complete, specific steps are undertaken to close out contracts, release holdbacks and letters of credit, transfer assets, complete performance assessment, audit and evaluation activities and record and disseminate lessons learned.

Chapter 8 - Responsive Programming (2008-01)

8.1 Project management methodology

CIDA uses a project management methodology where the project life cycle consists of specific processes related to initiation, planning, approval, operationalization, implementation, monitoring and control and closure. Initiation, planning, approval, operationalization, implementation and closure are treated as discrete processes; monitoring and control applies to each process.

8.2 Due Diligence

The Treasury Board [Policy on Transfer Payments](#) indicates that “Due diligence requires reasonable care or attention to a matter which is good enough to ensure that the funding provided would contribute to the intended objective of the transfer payment and withstand the test of public scrutiny.” As indicated in the [Terms and Conditions](#), due diligence is an integral part of the appraisal of any initiative that CIDA considers funding.

To support informed decision-making when using the responsive programming business delivery model, CIDA devotes its staff resources to and is accountable for undertaking a due diligence process that supports informed decision-making. In assessing a potential responsive initiative, the program officer is accountable for identifying and obtaining the specialized expertise required to undertake the necessary organizational assessment including an assessment of the organization's policies and operations. In order to complete this assessment, a team is assembled and its work structured in a manner that provides the necessary information for decision-making. As well the program officer is accountable for ensuring the appropriate involvement of CIDA's Financial Risk Assessment Unit.

In the case of responsive programming a due diligence process includes assessments of:
The risks (see Section 8.2.1 below);

- The organization submitting the proposal (see [Section 8.2.2](#) below); and,
- The proposed initiative.

8.2.1 Risk assessment and management overview

Risk assessment and management are integral parts of the ongoing due diligence process and as such are an essential part of the planning and implementation of initiatives which will involve funding by CIDA irrespective of whether CIDA is providing funding alone or in conjunction with other donors.

In deciding to participate in a responsive initiative the CIDA officer must ensure that risks are adequately assessed and factored into the decision making process at the time of approval. Ongoing monitoring and mitigation strategies should be in place.

[Chapter 6, Assessing and Managing Risk](#) examines global, regional and country level risks as well as operational and external risks. It provides a life cycle methodology that can be applied by CIDA staff in the development of initiatives that involve the provision of pooled funding or budgetary support to recipient governments. CIDA officers may also use this methodology to assess the adequacy of the risk assessment process used by the organization or institution.

The [Guidelines on Procurement Risk Assessment](#) provides guidance on the analysis of

procurement systems.

Country, global/regional and investment specific, operational, additionality and financial risks apply to all CIDA funded initiatives. Procurement risks apply where the transfer of procurement authority to another organization or entity is envisaged.

Organizations receiving funds from CIDA should demonstrate (and the CIDA program officer must confirm and document) that they have adequate risk assessment and management practices in place and that their management practices include ongoing risk assessment for the programs that they undertake.

8.2.2 Organizational assessment and policy review

This may include the carrying out of a detailed organizational assessment and a review of the proposal in relation to the requirements of CIDA's Policy for Environmental Sustainability and Gender Equality Policy. Staff should consult the [CEAA Handbook](#) for the applicability of the Canadian Environmental Assessment Act, and the [SEA Handbook](#) for the applicability of the Cabinet Directive on the Environmental Assessment of Policy, Plan and Program proposals. Staff should also consult the [Statement of Commitment to Gender Equality, Frameworks for Mainstreaming Gender Equality into CPB Programs and Projects](#), and the [Framework for Assessing Gender Equality Results](#) for guidance.

An organizational assessment will examine the technical, managerial, administrative and financial capacity of the organization submitting the proposal. In relation to each of these elements the review could examine the following abilities in relation to the specific organizational capacities:

- Technical capacity
- Demonstrated technical capacity in the proposed areas of intervention
- Ability to monitor the technical aspects of the program or project
- Managerial capacity
- Ability to plan, monitor and coordinate activities
- Ability to facilitate the identification and co-management of programs and projects focused on the priorities, needs and development of their southern partners where appropriate
- Administrative capacity
- Ability to procure goods, services and works in a transparent and competitive basis
- Ability to prepare, authorize and adjust commitments and expenditures
- Ability to manage and maintain equipment
- Ability to recruit and manage the best qualified personnel on a transparent and competitive basis
- Financial capacity
- Ability to produce programme and project budgets
- Ability to ensure physical security of advances, cash and records
- Ability to disburse funds in a timely and effective manner
- Ability to ensure financial recording and reporting
- Gender and the environment
- Ability to integrate gender equality and environmental issues into project design and delivery
- Results-based management
- Ability to effectively apply RBM principles to the development and delivery of their programs and the demonstrated capacity to manage for results
- Reporting
- Ability to provide timely and accurate reports related to results, progress and financial

8.3.2 Planning

At the planning stage, the proponent is fully accountable for undertaking all necessary planning work in relation to the project including any necessary appraisal, feasibility and design work. The analytical work undertaken must address the specific parameters of the program from which funding is sought. In carrying out their analytical work proponents must pay particular attention to gender equality, the environment and appropriate risk assessment during the planning process and must demonstrate this in the proposal submitted to CIDA. Proposals should contain a logic model that clearly demonstrates the project logic and the relationship between outputs, outcomes, impacts, assumptions and risks as well as a performance measurement framework.

A proposal is then submitted to CIDA for consideration. The proposal must demonstrate conformity to the broad or specific parameters of the program under which it is submitted, as well as established eligibility criteria and the published proposal submission guidelines. The specific program requirements will indicate whether the proponent may submit a preliminary proposal (two-stage process) or, alternatively, must submit a fully detailed proposal (single-stage process).

The parameters for certain responsive programs may permit or require the submission of a preliminary proposal for review by CIDA prior to the submission of a detailed proposal. In such cases, CIDA will advise the proponent as to whether it views the proposed initiative as having merit and whether a detailed proposal should be submitted to CIDA for funding consideration.

In the case of high value proposals, the program parameters may recommend that the proponent first submit a preliminary proposal for CIDA review. A favourable response to the preliminary proposal by CIDA is then followed by the submission of a detailed proposal to CIDA. CIDA then makes a funding decision based on the content of the detailed proposal (a two-stage approach).

In the case of lower value proposals, or where required by the program parameters, the proponent's initial submission consists of the detailed proposal against which a funding decision is made (a single-stage approach).

8.3.3 Approval

The approval stage includes both the assessment of the proposal and the funding decision. The first stage of the approval process involves acknowledgement of the proposal and a request to the Financial Risk Assessment Unit (see section 2.3.1 below) for a financial risk assessment of the proponent. Receipt of proposals is acknowledged; incomplete proposals are returned to the proponent. The second stage of the process involves a preliminary assessment of the proposal by the desk officer and a decision to reject the proposal or retain it for further consideration.

The third stage of the approval process involves a more detailed assessment of the proposal using a weighted proposal assessment grid, the development of a recommendation for management review, and the development of a decision document and any required supported material.

8.3.3.1 Deficiencies and advice to proponents

Proponents are responsible for identifying programming opportunities within the context of the broad or specific parameters established by CIDA and are responsible for both project design and the preparation of all supporting documentation required by CIDA. It is incumbent on the proponent to identify the appropriate policy, sectoral or thematic linkages and to ensure that the proposal conforms to CIDA's proposal submission guidelines for the particular program. While the proponent may seek policy clearance from CIDA, CIDA does not provide technical input with respect to the identification of programming opportunities or the development of proposals.

Similarly CIDA does not redesign an initiative submitted by a proponent in order to correct deficiencies in the project design. However, CIDA does retain the right to identify any deficiencies in the proposal and to inform the proponent of these deficiencies. In general, these deficiencies would relate to:

- The content of the proposal including the definition of expected results at the output, outcome and impact levels;
- The quality of the underlying analytical work, logic model and performance measurement framework, risk analysis and mitigation strategies, and environmental analysis;
- The way the proposal deals with the cross-cutting themes of gender equality and the environment;
- The overall approach in relation to the results expected;
- Whether the resources identified (budget) are considered sufficient to achieve the results; and whether the proposed personnel are qualified to undertake the work.

The analysis of deficiencies is part of CIDA's due diligence in reviewing the proposal; the proponent is responsible for any redesign in order to address these deficiencies.

8.3.3.2 Use of a two-stage proposal and approval process

Where a two-stage proposal and approval process is used by CIDA, the preliminary proposal is received, acknowledged and reviewed to determine whether the proposal is either accepted by CIDA for further development by the proponent or rejected.

The proponent is then advised that the proposal has been conditionally accepted or rejected. If the proposal is rejected, the proponent may have the opportunity to submit a significantly revised proposal. Conditional acceptance may also require that the proponent either elaborate on or further develop some aspects of the proposal. Revised proposals are again assessed and either retained for further consideration or rejected.

Where a two-step project approval process is used (preliminary approval via a concept paper and final approval via a project approval document) the appropriate Gender Equality Assessment Form must be completed and attached to both the concept paper and the project approval document.

The specific parameters for a program may require separate approval/selection of the proponent and the project. If this is the case, selection approval must be sought before the proponent is advised to submit a detailed proposal.

If the project/program has been retained for further consideration, the proponent then submits a detailed proposal to CIDA. The detailed proposal will contain all required coding

information that is entered in the Agency Information System.

Following the submission of a detailed proposal by the proponent, an evaluation of the proposal takes place with respect to the general or specific parameters established for the program and the developmental and technical merit of the proposed project/program. This evaluation includes the completion of the Gender Equality Assessment Form and the CEAA Applicability Form. If the proposal is retained, an approval memorandum is prepared following a team assessment and review by the branch program/project review committee or similar consultative mechanism.

8.3.3.3 Project approval documentation (July 2008)

Separate approval documents selection and project approval are prepared unless both the selection authority and project approval authority are vested in the same individual. Normally, the delegated approval authority grants preliminary approval and a memorandum is then submitted to the Minister seeking approval to negotiate a contribution agreement with the proponent subject to the submission of an acceptable detailed proposal. Officers should consult the delegation instrument and the management framework for the particular funding mechanism to confirm the appropriate approval authorities, which are based on the dollar values of the selection and project.

In some cases, the program desk will utilize a Project/Program Review Committee or Peer Review Committee as part of the assessment process. Where the program guidelines provide for the use of a review committee, the proposal, together with the results of the preliminary assessment and a recommendation from the program desk, is submitted to the committee.

The committee then makes a recommendation to the delegated approval authority as to whether the proposal should be accepted and the proponent is advised to prepare a detailed proposal, or the proposal should be rejected.

Following completion of the detailed evaluation of the proposal, a memorandum is prepared and submitted to the delegated approval authority recommending either approval or rejection of the proposal. The project approval document identifies whether the funding will be provided as either a grant or a contribution and will include paragraphs on gender equality and on the environment, including applicability of the [Canadian Environmental Assessment Act](#). The decision memorandum will include paragraphs on gender equality and on the environment. The proponent is advised of the decision. Concurrently, monitoring and performance reporting standards are established and/or confirmed.

For the international assistance provided by Canada to be considered as official development assistance under the ODA Accountability Act, the Minister (or the relevant official) must be of the opinion that the assistance will:

- Contribute to poverty reduction, take into account the perspectives of the poor and be consistent with international human rights standards; or,
- Be provided for the purpose of alleviating the effects of a natural or artificial disaster or other emergency occurring outside Canada.

In addition, for non-emergency assistance, consultations must have been undertaken in accordance with the requirements of sub-section 4(2)

Poverty reduction has been the central rationale for CIDA's assistance for many years. The Agency also has developed a variety of mechanisms for taking into account the perspectives

of the poor and has endeavoured to ensure that its assistance is consistent with best practice in international human rights (see relevant sections for further guidance on these two issues). As these three criteria are now enshrined in legislation, project managers should use approval documents to articulate how the assistance being provided will contribute to poverty reduction, take into account perspectives of the poor and be consistent with international human rights standards. In addition, any relevant consultations with governments, international agencies and Canadian civil society organizations should be documented with an indication of how the views and recommendations of these groups were considered.

8.3.3.4 Projects approved by the Minister or Treasury Board

For decision memoranda submitted to the Minister for approval, the applicability of the Cabinet Directive on the [Strategic Environmental Assessment of Policy, Plan and Program Proposals](#) must be considered. Where Treasury Board approval is required, the approval documentation must be prepared in accordance with TBS standards. The [Treasury Board Submission Guide](#) provides instructions with respect to the content and structure of the Treasury Board submission. The [CIDA Results and Risk Management Accountability Framework \(RRMAF\) Guide](#) provides instructions on the preparation of the RRMAF forms part of the Treasury Board submission.

Once the project has been approved, all those involved in the consultation process leading up to project approval should be notified, including the program unit, the Post and any other key stakeholders. A copy of the final version of the approval document should also be distributed as appropriate.

8.3.4 Operationalization

Operationalization consists of the preparation, negotiation and signature (by CIDA and the proponent) of a funding agreement. If necessary, the recipient provides financial securities. Any necessary performance assessment and/or compliance measurement activities are implemented. The nature of these activities should be discussed in detail with the proponent prior to the signature of the funding agreement. Consult the [Manager's Guide to Contributions](#) and the [Manager's Guide to CIDA Grants](#) as well as a contracts officer for the specific requirements related to contribution and grant agreements and arrangements.

8.3.5 Implementation

The recipient then implements the project/program in accordance with the terms of the contribution or grant agreement.

Reporting requirements are defined in the contribution or grant agreement or arrangement.

Mid-term or end-of-project evaluations are undertaken based on the requirements of the program through which funding is provided. The lessons learned and best practices are utilized for the ongoing monitoring as well as to support improvements in subsequent programming.

8.3.6 Closure (January 2008)

Closure is the final stage in the project cycle. Formal closure of a project ensures that CIDA's financial and other involvement in the project is ended and that any outstanding issues are addressed. The project completion stage also affords CIDA an opportunity to

review performance and results and to identify key lessons.

Formal closure of a is undertaken when:

- All project activities are completed and reported upon, all contractual obligations have been fulfilled and cost audits have been resolved; or
- CIDA elects to terminate a project prematurely.

When a project is to be terminated prematurely, the responsible officer must first consult the contracts officer and Legal Services Division before undertaking any action with the implementing organization. See [Chapter 10 Early Termination of CIDA Funding to Projects or Partner Organizations](#).

If an end-of-project evaluation funded from the project budget is planned or in progress, closure should be delayed. Evaluations funded from a source other than the project budget should not delay project closure. When project specific audits or evaluations are undertaken, branch staff should consult with their branch performance manager prior to, during and after the completion of the audit or evaluation. The electronic version of all evaluations or the EDRMS reference number should be sent to "corporate_memory@acdi-cida.gc.ca".

When contracted activities are complete, specific steps are undertaken to close out contracts, release holdbacks and letters of credit, transfer assets, complete performance assessment, audit and evaluation activities and record and disseminate lessons learned.

8.4 Additional information

For additional information on responsive programming see the Guide to Responsive Programming.

Chapter 9 - Directive Programming (2008-01)

9.1 Project management methodology

For directive programming CIDA uses a project management methodology where the project life cycle consists of specific processes related to initiation, planning, approval, operationalization, implementation, monitoring and control and closure. The specific requirements of each process form the due diligence framework for directive programming.

In the case of CIDA-led design, initiation, planning, approval, operationalization, implementation and closure are treated as discrete processes; monitoring and control applies to each process. Implementation is generally undertaken by contracted expertise under the terms of an implementation contract. Following the signature of the implementation contract, the implementing organization normally undertakes an inception mission to validate the design and prepare the Project Implementation Plan that must be approved by CIDA and by the recipient government partner. In CIDA-led design, any entity contracted to carry out part or all of the design work is not eligible to bid on the implementation work; however, that entity may be engaged to do the monitoring.

With design and implement, planning and implementation processes are undertaken by the same implementing organization with final approval taking place at a predefined point during the combined planning/implementation processes.

CIDA is accountable for exercising appropriate monitoring and control at all points in the project life cycle. This is done through the use of project teams and collaborative mechanisms such as internal pre-approval processes, project steering committees, monitoring by CIDA staff and/or contracted resources, regular reporting on the part of implementing organizations, and management reviews, audits and evaluations as appropriate.

9.2 Due diligence framework

The due diligence framework for directive programming consists of activities related to project identification and screening (initiation stage), the application of a defined analytical framework and structured tools in the planning stage, a two stage approval process for initiatives valued at more than \$500,000, a competitive process for the selection of an implementing organization at the operationalization stage and specific tools and methodologies for oversight during implementation.

9.3 Life-cycle overview

9.3.1 Project initiation (April 2009)

Project initiation processes are common for both CIDA-led design and design and implement projects.

Initiation consists of project identification and screening and includes the establishment of the project team, and the development of a preliminary logic model, environmental analysis, preliminary project cost and schedule development and the preparation of the concept paper. Screening serves to identify knowledge and information gaps which are then

addressed during project planning. As part of the initiation process a decision is made to retain a potential project for further consideration or to reject the project. If a project is retained then a concept paper is prepared for the approval of the branch Vice President.

9.3.1.1 Identification

Potential initiative ideas are gathered, put forward or identified within the context of a programming framework. Projects may be identified through donor consultations, program reviews, planning missions or as complementary activities to existing interventions.

9.3.1.2 Screening

Screening of potential interventions is the first decision point in the initiation process. It is internal to CIDA and is based on existing knowledge and information available to the program desk. Screening determines which potential interventions show the most promise and should be retained for further assessment.

Potential project ideas are initially tested against general parameters that include:

- International assistance objectives and priorities; CIDA policy environment;
- Potential for addressing MDGs, Paris targets; Canada and Canadians to add value
- CDPF – project fit, the linkage with the applicable programming framework at the results level;
- Relationship to other CIDA funded activities;
- Potential benefits to Canada and recipient;
- Intentions / priorities of other donors – possibility of coordinated approaches;
- Lessons learned;
- Priorities, needs, commitment of recipient; and,

The relationship to cross-cutting themes such as gender equality (GE) and the environment and to areas of CIDA focus such as capacity development and sustainability.

The potential project is then considered in relation to the enabling environment, target group and technical and capacity issues. Enabling environment screening examines partner country policy environment and priorities, economic development and the financial viability context of the potential project. Target group screening confirms or clarifies the social dimensions in which development activities take place within the country or region. Technical and capacity screening provides a preliminary identification of technical issues affecting feasibility, potential opportunities and problems, sectoral and thematic implications and examines the potential contribution to capacity development in country or region.

9.3.1.3 Establishing a project team

For each idea that is retained for further development, a project team is formed and assigned responsibility for the potential project. For information on the composition and role of the project team, see Chapter 6 of the Reference Desk. The project team develops and refines the proposed initiative to the point where approval in principle can be sought for the commitment of resources in order to fully develop the proposed project to the approval stage or, alternatively to proceed with a design and implement approach. As part of this work, the team begins to identify information resources related to similar and / or related projects undertaken by CIDA and other donors to support the design work.

9.3.1.4 Initial environmental analysis

In consultation with an environment specialist, a preliminary determination is made with respect to the scope of the environmental analysis required.

9.3.1.5 Gender analysis

In consultation with a gender equality specialist, a preliminary assessment of gender equality issues in the proposed initiative is carried out using the **Gender Equality Assessment Form**.

9.3.1.6 Logic model (April 2009)

The project team develops a preliminary logic model (LM) consistent with the project request and the results of the screening in order to guide the design activities or, in the case of a design and implement approach, the preparation of a request for proposals. See section 3.4.5 for additional information on the LM.

If the proposed initiative idea is rejected, the requestor (normally a recipient government institution) is informed of CIDA's decision. When a potential intervention is selected for further development, a project is created in the Agency Information System and preliminary coding and other tombstone information is entered.

9.3.1.7 The use of information and communication technologies (ICTs)

ICTs refer to a wide array of technologies, ranging from traditional technologies such as radio, television and print media, to more sophisticated and newer technologies and applications such as the Internet, information management, e-health and e-business applications. Integrating ICTs in development projects/programs can support the objectives and outcomes of a project or program and enhance the likelihood of achieving the expected results. This can involve the integration of ICTs into broader development goals such as the delivery of basic education or health care in rural and remote regions in developing countries. ICTs applied and integrated into development projects can help improve communication (quick and easy access, dissemination and sharing of information and knowledge); productivity (improve efficiency, competitiveness and responsiveness of institutions, firms and markets); accountability (increase transparency in private and public institutions, regulatory and policy processes); inclusiveness (increase access for poor and marginalized groups to services, information and resources); and empowerment (give men and women a greater voice in public decision-making processes).

During project initiation (screening and preparation of the concept paper) and project planning (appraisal and design), staff should consider the applicability of ICT to the project under consideration and role that ICTs can play in achieving project results. For further information on the use of ICTs and the tools that have been developed to assist in considering the use of ICTs at the initiation and planning stages please see [The Integration of ICTs in Development Programming](#).

9.3.1.8 Official request

An official request from the recipient government is required prior to the preparation of the concept paper.

9.3.1.9 Choosing a directive programming approach (April 2009)

The completion of the activities at the project initiation stage will permit a decision as to the use of the CIDA-led design approach or the design and implement approach.

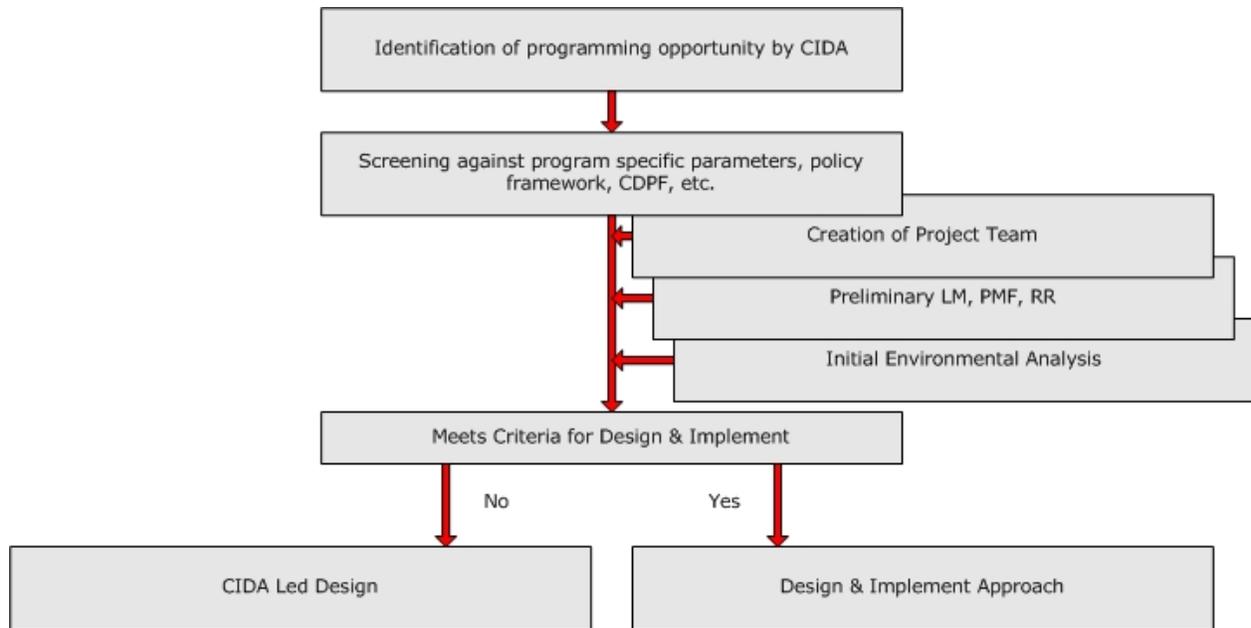


Figure 12 - Choosing the Programming Approach

Prior to seeking approval in principle for the initiative through a Concept Paper (see the Guide to Directive Programming), the project team:

- Identifies preliminary outcomes, potential time frames and a notional overall project budget;
- Determines whether the initiative can be best designed and implemented *by the same implementing organization* using the design-and-implement approach or whether design and implementation should be separated into distinct phases with CIDA *leading* the detailed design *using contracted expertise* prior to the selection of an implementing agency; and
- Develops preliminary terms of reference and analytical requirements (see the Guide to Directive Programming for a description of the analytical framework applied to directive initiatives) for the design phase in order to establish the design stage budget.

9.3.1.10 Concept Paper

For CIDA-led design projects, the Concept Paper is a proposal by the program desk to plan (appraise and design) a specific initiative which will contribute to achieving one or more of the program-level expected results that have been identified in the CDPF. It is the basis upon which the Branch Head decides whether to commit human and financial resources to more fully develop the idea to a decision point.

For design and implement projects, the Concept Paper is a proposal by the program desk to use a single implementing organization to both plan and implement a specific initiative which will contribute to achieving one or more of the program-level expected results that have been identified in the CDPF. It is the basis upon which the Branch Head decides whether to adopt the design and implement approach, launch an RFP for a single

implementing organization for both planning and implementation using a phased contract and approve planning funds for the initial planning and implementation work. The results of the initial planning and implementation work provide the information to support the development of a project approval document. Following approval of the concept paper by the Branch Head, a decision memorandum is submitted to the Minister seeking approval for the use of the design and implement approach.

The Concept Paper provides a brief summary of basic information regarding the initiative (resulting from appropriate screening during the identification and selection stages) to:

- Allow a decision in principle by the Branch Head; and,
- Approve funds to assist in planning (appraisal, feasibility and design) the proposed initiative to the final approval stage.

The Concept Paper:

- Indicates the specific link with the CDPF;
- Proposes a concept based on preliminary screening, discusses possible options or alternatives, and provides a justification for the preferred project concept in relation to other concepts reviewed (linking the choice to lessons learned, as appropriate);
- Provides an early indication of any major risks anticipated;
- Identifies the key environmental considerations (including CIDA's environment policy, CEAA and SEA considerations, and the environment forms that document the process, as appropriate) of the proposed concept, and the environmental expertise to support the planning;
- Defines the planning funds required;
- Indicates where a single-stage or two-stage design and implement approach will be used; and
- Indicates the anticipated selection process for each stage (see section 4.9.1 in Chapter 4 of the Guide to Directive Programming for information on directed sourcing).

9.3.1.11 Mobilizing planning resources

When external resources are required for appraisal, feasibility and design activities, the PM should consult the contracting officer on the team for assistance with the contracting process. For a detailed overview of the contracting process, refer to the [Contracting Guide for Managers](#).

CIDA has a General Agreement on Development Cooperation with most developing countries that will cover any planning activities. If there is no General Agreement on Development Cooperation, an exchange of letters with the recipient country will be required.

9.4 CIDA-led design projects (January 2008)

Following approval of the concept paper there are five remaining steps in the project life cycle:

- Planning ([Section 9.4.1](#) below)
- Approval ([Section 9.4.2](#) below)
- Operationalization ([Section 9.4.3](#) below)
- Implementation ([Section 9.4.4](#) below)
- Closure ([Section 9.4.5](#) below)

Monitoring and control processes including performance assessment span all steps in the life

cycle.

Figure 9 below provides an overview of the CIDA-led design project life cycle.

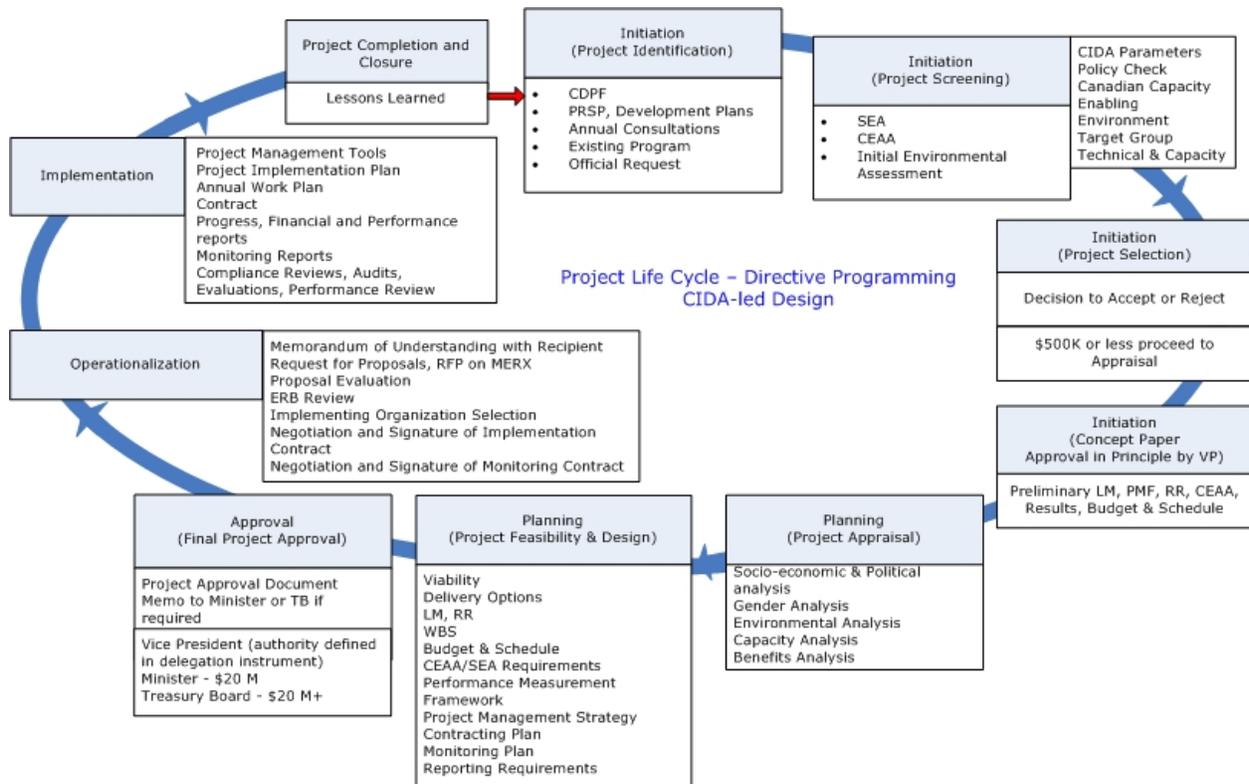


Figure 13 - CIDA-led Design (April 2009)

9.4.1 Planning

Planning comprises appraisal, feasibility and design activities. The results of the screening (See the Guide to Directive Programming, Chapter 1, Section 2) are used to develop the Concept Paper (see Guide to Directive Programming, Chapter 2) and to define the extent of the appraisal, feasibility and design work that is required to support the development of a Project Approval Document (PAD) (See the Guide to Directive Programming, Chapter 5).

Appraisal examines why CIDA should invest in a particular initiative and what the initiative should accomplish. As such, it is part of the continuum leading from good ideas to good development results and is built on a partnership with the recipient country, beneficiaries and other development partners and stakeholders. Appraisal comprises a series of analyses (socio-economic and political, gender, environmental, capacity and benefits) that provide the information required to make an informed decision (see Chapter 3 of the Guide to Directive Programming for details on the analytical framework).

Feasibility examines whether an initiative can be undertaken while design examines the best way to structure an initiative in order to achieve the desired results. Feasibility includes an examination of viability and sustainability. Design involves the application of structured tools. (For additional information, see Chapter 4 of the Guide to Directive Programming).

Risk assessment is an essential part of appraisal, feasibility and design and a key input to the overall due diligence, decision-making and implementation processes. For further

information see Chapter 6, Assessing and Managing Risk.

CIDA staff, external contracted expertise or a mix of both, may undertake appraisal, feasibility and design. The approach to be used is defined in the Concept Paper. When external resources are to be contracted to undertake or support appraisal, feasibility and design work, the cost of these resources is identified and planning funds are sought as part of the concept paper approval.

Appraisal, feasibility and design work lead to a decision on whether to recommend proceeding with the implementation of the initiative, necessitating the preparation of a Project Approval Document. Recipient country acceptance of the proposed design is essential prior to the preparation of the Project Approval Document. The development of a contracting strategy is mandatory for all directive projects.

Appraisal, feasibility and design are based on the use of structured tools and the development of standard planning products that support project approval, operationalization, implementation, and monitoring and control. These design products include the logic model, work breakdown structure, budget and schedule, performance measurement framework, CIDA project management strategy, contracting plan, monitoring plan, terms of reference for implementation and monitoring contracts, and the definition of reporting requirements.

9.4.1.1 Logic model (April 2009)

In directive programming the logic model (LM), performance measurement framework (PMF) and risk register are key building blocks during the planning (and implementation) of an initiative that serves to focus discussion on the expected results, beneficiaries (target groups), the performance indicators and potential risks. The logic model is an integral part of project documentation for project design and approval. The logic model remains a key document during project implementation since it is an integral part of performance monitoring and management.

Stakeholder participation is an essential ingredient in developing the logic model because it helps build the necessary level of understanding and (whenever possible) consensus to:

- Set strategic objectives;
- Define a chain of expected results;
- Identify underlying assumptions and risks; and
- Select appropriate performance indicators.

9.4.1.2 Work breakdown structure (April 2009)

A fundamental project management principle is that, to be manageable, a project must not only have clear objectives but must also be defined in terms of result-oriented work packages that can be identified, costed, scheduled organized, implemented, monitored and controlled. The most effective method of defining a project so that this can take place is through the use of a work breakdown structure (WBS). The WBS is a deliverable-oriented hierarchical decomposition of the work executed by the project team to accomplish the project objectives and create the required deliverables. It is also an integral part of the Request for Proposals and is used by bidders to structure and cost their proposals.

As part of the terms of reference for the appraisal, feasibility and design work there should be a requirement to further articulate the overall WBS in terms of not only the immediate

outcomes and related outputs, but also the major activities in the proposed project design. As well the project management outcome in the WBS (mandatory) must be defined in relation to CIDA, the recipient country and the implementing organization outputs and activities.

As well, there must be a direct relationship between the logic model and the WBS at the immediate outcome, output and activity levels although the WBS will break activities down in more detail than is found in the logic model.

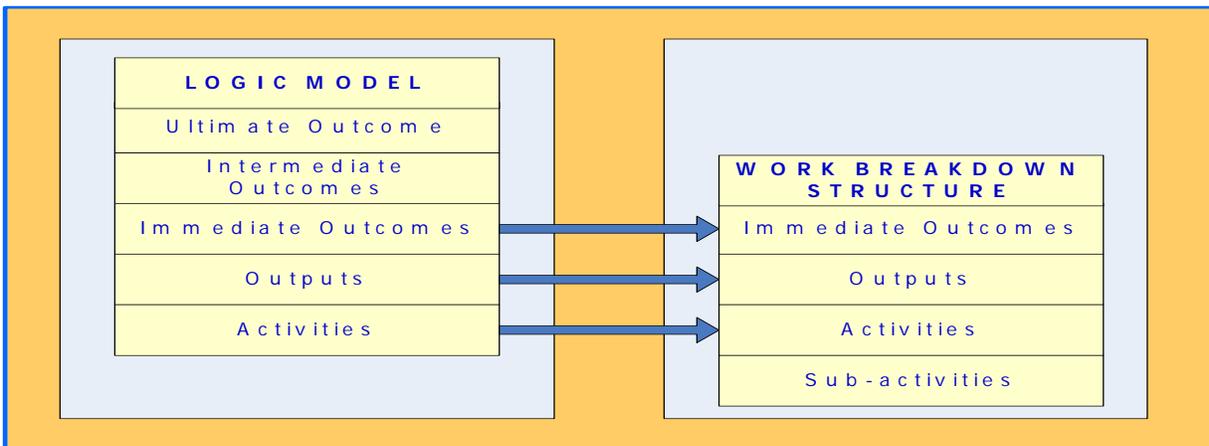


Figure 14 - Relationship of the LM to the WBS

9.4.1.3 Budget and schedule

The budget provides a tool for estimating the cost of each of the proposed outputs and, therefore, the anticipated outcomes. The CIDA project budget will initially be used in the CIDA Project Management Strategy (see [section 9.5.1.5](#) below) and the project approval document (see [section 9.5.2](#) below), and may include funds for monitoring, contingency, risk and other items which may not be included in other documents such as the Memorandum of Understanding with the recipient government, Request for proposals or implementing organization contract. of the implementing organization.

The schedule defines the sequencing and timing of activities at a high level as well as major milestones, but not each activity (which the implementing organization will do in the project implementation plan, see [section 9.5.4.1](#) below).

9.4.1.4 Performance measurement framework (April 2009)

Measuring performance is a vital component of the RBM approach. It is important to establish a structured plan for the collection and analysis of performance information. At CIDA, as across the government of Canada, the performance measurement framework (PMF) is the RBM tool used for this purpose. Use of the PMF is not limited to the government of Canada; other organizations and donors use similar tools to plan the collection and analysis of performance information for their programming as well.

Performance measurement is undertaken on a continuous basis during the implementation of investments so as to empower managers and stakeholder with “real-time” information (use of resources, extent of reach, and progress towards the achievement of outputs and outcomes). This helps identify strengths, weaknesses and problems as they occur and

enables project managers to take timely corrective action during the investment's life cycle. This in turn increases the chance of achieving the expected outcomes.

A performance measurement framework is a plan to systematically collect relevant data over the lifetime of an investment to assess and demonstrate progress made in achieving expected results. It documents the major elements of the monitoring system and ensures that performance information is collected on a regular basis. It also contains information on baseline, targets, and the responsibility for data collection. As with the LM, the PMF should be developed and/or assessed in a participatory fashion with the inclusion of local partners, beneficiaries, stakeholders and relevant CIDA staff. CIDA has a standard PMF Template.

The performance measurement framework should explicitly identify and track any activities that address issues identified in the environmental analysis carried out as part of project appraisal and all project activities identified and agreed to in annual work plans which may have environmental impacts. Specific indicators must be identified, tracked and reported against.

9.4.1.5 CIDA project management strategy (April 2009)

The CIDA Project Management Strategy serves the following main purposes:

- To clarify the expected roles and responsibilities of the key parties, including appropriate decision-making mechanisms, such as the project steering committee; and
- To determine the approach CIDA will take in monitoring progress towards the achievement of results and managing and reporting change throughout the life of the initiative.

The CIDA Project Management Strategy is not a part of the PAD (see Chapter 5 of the Guide to Directive Programming). As CIDA's intended approach to project management, it is a key supporting document that will lead directly to the RFP, MOU and implementation contract.

A CIDA Project Management Strategy for initiatives greater than \$500,000 should include:

- Description - a concise description of the initiative including the Logic model and budget.
- Organization chart - an organizational chart showing lines of authority and communication between the principal participants and decision makers.
- CIDA programming priorities and themes - a description as to how CIDA's programming priorities and themes such as poverty reduction, gender equality, capacity development, participation and the environment are adequately addressed throughout the implementation of the initiative.
- Project performance measurement framework - The level of detail and the contents of the project performance measurement framework should be appropriate and cost-effective relative to the size, complexity and potential risks of the initiative. As with the performance measurement framework in general, reporting requirements should be appropriate and cost-effective relative to the size, complexity and potential risks of the initiative.
- Participation and sustainability - the CIDA Project Management Strategy should detail what mechanisms will be put in place to ensure the full participation of all stakeholders, especially beneficiaries of the initiative, and how this and other activities will lead to the sustainability of outcomes from the initiative. While not all information may be available at the time of preparing the Strategy, all known information should be included and the section updated, as appropriate.
- Contracting Plan - The contracting plan ([section 9.5.1.6](#) below) is attached as an Annex to the CIDA Project Management Strategy and will form the basis for the selection of the IO and other required resources.

The CIDA Project Management Strategy must include a preliminary risk management strategy describing the preferred approach for risk monitoring, mitigation and reporting. (Note that the risk management strategy will be updated in the implementing organization's Project Implementation Plan) The Project Management Strategy should clearly identify the exit strategy to be used in the event that it is necessary to suspend or terminate CIDA's involvement in the initiative prior to completion or to terminate the agreement with the implementing organization. The exit strategy should be based on specific criteria and specific review points during the life of the initiative.

For initiatives valued at \$500,000 or less, the PM, in consultation with other members of the team, may produce an abbreviated CIDA Project Management Strategy. As CIDA's intended approach to the management of the initiative, this document is not part of the PAD, but its existence is confirmed to the approval authority in Section C of the Decision Memorandum of the PAD (for initiatives valued at \$500,000 or less). It is a key-supporting document that will lead directly to the MOU and, when appropriate, to the RFP and implementation contract.

The abbreviated Project Management Strategy use the same project description of the initiative being prepared for the PAD and MOU and then provide:

- A project organization chart (which will be used in the MOU);
- Reference to a summary performance measurement framework (see [section 9.4.1.5](#) above);
- A description of the key roles and responsibilities (which will be used in the MOU); and
- A contracting plan.

The Program Director approves the abbreviated Project Management Strategy. Much of the information contained in the Project Management Strategy is then included in the MOU for the initiative although the MOU will also make reference to the Project Implementation Plan to be prepared by the IO, if appropriate.

9.4.1.6 Contracting plan

The Contracting Plan outlines all contracts, administrative agreements, etc. required to carry out all elements of the proposed initiative and indicates any linkages between contractual components. In a case where a directive initiative will include components such as a local responsive fund or a grant or contribution to a multilateral organization or other development partner, information on these must be included in the Contracting Plan. A contracting plan is required when:

- The total value of the initiative is estimated at \$1M or more; or
- The complexity of the initiative, regardless of the value, justifies a contracting plan.

9.4.1.7 Monitoring plan

Performance monitoring and the resulting learning are critical to informing appropriate decisions and actions necessary to achieve development results. Monitoring yields knowledge on whether an activity continues to be relevant and whether objectives are being achieved. In addition, it supports the continuous fine-tuning of an initiative in order to support the achievement of results or to identify situations where the exit strategy (see the [Reference Document on the Early Termination of CIDA Funding to Projects or Partner Organizations](#)) should be invoked. A monitoring plan will define what monitoring activities will take place, the frequency of monitoring, roles and responsibilities and the monitoring approach.

Decisions taken on the scope and extent of project monitoring activities must take in account any requirements for monitoring of specific measures with respect to risks or issues identified in the environmental assessment undertaken as part of project appraisal, feasibility and design work and the final project design agreed to with the recipient government.

Monitoring may take the form of either internal monitoring alone or with external support or external monitoring.

9.4.1.7.1 Internal monitoring

Internal monitoring is a form of continuous performance self-assessment. In this case, performance measurement and monitoring is the responsibility of those who are most closely involved in delivery and each participant (i.e. the implementing organization, developing country partner(s) and CIDA) takes responsibility for particular aspects of the initiative's continuous performance assessment (measurement). It requires that the participants have the capacity, and accept the responsibility, to undertake their share of performance measurement and reporting. External support could involve a Canadian performance advisor, a Program Support Unit (PSU), a local performance advisor, or a combination thereof.

9.4.1.7.2 External monitoring

External monitoring involves retaining the services of a Canadian monitor, a Program Support Unit (PSU), or a local monitor to independently review and report on performance to the CIDA PM, other team members (through the PM) and the steering committee.

The monitor would normally review and comment on the baseline data, progress reports (narrative and financial), and performance information; undertake field visits; and participate in appropriate committee meetings. The monitor could also provide advice on the technical implementation of the initiatives and provide technical liaison and facilitation services, if deemed necessary by the CIDA PM and/or the appropriate committee.

This option is normally used on large, complex initiatives, those dealing with highly technical subject matters or in fields where in-house expertise cannot provide adequate technical review.

This option, especially involving a Canadian monitor, must be suitably justified and seen as a cost-effective and appropriate approach.

9.4.1.7.3 Terms of reference

As part of the planning stage, terms of reference for implementing organization and monitoring contracts should be developed.

9.4.1.7.4 Reporting requirements

Reporting requirements must be defined in detail for inclusion in the request for proposals. The definition of reporting requirements must reflect the performance measurement framework.

9.4.2 Approval (July 2008)

All directive initiatives are subject to a two-stage approval process. Preliminary approval is provided through the signature of the Concept Paper by the Branch Head and is the last step in the initiation process.

Final approval is initiated through the submission of a Project Approval Document to the Branch Head. In cases where the value of the initiative:

- Exceeds the authority delegated to the Branch Head, a decision memorandum is then submitted for approval by the Minister;
- Exceeds the authority delegated to the Minister, a Treasury Board submission is prepared for the Minister's signature and submitted to the Treasury Board for approval; or
- Is within the delegated authority of the Branch Head but selection authority exceeds the amount delegated to the Branch Head, the Minister is asked to approve the selection of the contractor.

For the international assistance provided by Canada to be considered as official development assistance under the ODA Accountability Act, the Minister (or the relevant official) must be of the opinion that the assistance will:

- Contribute to poverty reduction, take into account the perspectives of the poor and be consistent with international human rights standards; or,
- Be provided for the purpose of alleviating the effects of a natural or artificial disaster or other emergency occurring outside Canada.

In addition, for non-emergency assistance, consultations must have been undertaken in accordance with the requirements of sub-section 4(2)

Poverty reduction has been the central rationale for CIDA's assistance for many years. The Agency also has developed a variety of mechanisms for taking into account the perspectives of the poor and has endeavoured to ensure that its assistance is consistent with best practice in international human rights (see relevant sections for further guidance on these two issues). As these three criteria are now enshrined in legislation, project managers should use approval documents to articulate how the assistance being provided will contribute to poverty reduction, take into account perspectives of the poor and be consistent with international human rights standards. In addition, any relevant consultations with governments, international agencies and Canadian civil society organizations should be documented with an indication of how the views and recommendations of these groups were considered.

Specific standard documentation and content requirements for the Project Approval Document are described in Chapter 5 (Project Approval) of the Guide to Directive Programming.

9.4.3 Operationalization

Operationalization follows approval and is concerned with putting in place any necessary arrangements with the recipient country (Memorandum of Understanding, exchange of letters) and with contracting resources for implementation, monitoring and other performance assessment and management compliance activities.

9.4.3.1 Agreement with the recipient country (April 2009)

CIDA (on behalf of the Government of Canada) will normally sign an arrangement with the recipient country following approval of the initiative and prior to signing a contract with an implementing organization.

Negotiating the arrangement provides a further opportunity to confirm the understanding, obligations, contributions, responsibilities and duties of each party. Implementation should not begin before the signature of the arrangement with the recipient country.

There are two kinds of initiative level or project arrangements that CIDA enters into with recipient countries - the memorandum of understanding and the exchange of letters.

The normal initiative-level arrangement with a recipient government is the Memorandum of Understanding. This is an official document (but not a treaty), signed by the Government of Canada and the government of the recipient country, specifying the expected results of the initiative and the commitments of the two governments with regard to the implementation of the initiative. It should be consistent with the Project Approval Document (PAD) including the Logic Model (LM) and the CIDA Project Management Strategy (see Chapter 4, section 4.7 of the Guide to Directive Programming). If the CIDA Project Management Strategy is to be included in the initiative's MOU, the PM should review the Strategy to assure that any strictly internal information (such as any sensitive elements of the Contracting Plan) are deleted or summarized in the version to be shared.

The MOU will normally make specific reference to the role of the subsequent implementing organization's Project Implementation Plan. Appropriate clauses regarding environmental assessment must be included in MOU's for specific initiatives, as necessary. Project managers must consult their branch environment specialist for guidance.

Further information is available in [MOUs and Agreements](#).

9.4.3.2 Implementation contracts

Implementation contracts should normally be competitive with an RFP posted on the open bidding system. A contracts officer must be involved throughout the process.

9.4.3.3 Financial risk assessment

In the case of directive programming, a financial risk assessment must be obtained from CIDA's Financial Risk Assessment Unit (FRAU), prior to contract signature, for all service contracts with a fee component exceeding \$1M. For agreements below the threshold, it is up to the project officer to ensure that due diligence in relation to financial risk is exercised. If, at any point in time, the project officer believes that the organization may be a potential financial risk to CIDA, the officer may request a financial risk assessment from FRAU.

Canadian federal and provincial departments and agencies, crown corporations, national and international financial institutions, and publicly funded Canadian institutions (e.g. universities, colleges and hospitals) are exempt from the requirement for a financial risk assessment.

9.4.4 Implementation

Project implementation is undertaken by an implementing organization under contract to CIDA. During the implementation stage of a project CIDA supervises implementation (monitoring and control processes) through the management of contracts and other project agreements, monitoring, the use of consultative processes such as project steering committees, risk assessment and management, performance and other reporting, monitoring, and audits and evaluations as necessary.

A number of project specific management tools are used by CIDA throughout the implementation of the project. These include:

- Project approval document
- Logic model (updated as required over the life of the project)
- CIDA project management strategy
- Memorandum of understanding or exchange of letters with the implementing organization
- Contract with the implementing organization
- Performance measurement framework
- Implementing organization's project implementation plan
- Annual work plans
- Reporting (technical, financial, progress and risk)
- Monitoring reports
- Audit and/or evaluation reports
- Consultative mechanisms (such as project steering committees)

All CIDA contracts must clearly link payments by CIDA to the implementing organization to the successful provision/delivery of goods or works or to the satisfactory performance of services in accordance with the terms and conditions of the contract. In accordance with the provisions of Section 34 of the Financial Administration Act, CIDA project managers must ensure that, prior to any payment being made:

- The implementing organization has provided the necessary goods and/or services in accordance with the contract.
- Any and all required supporting documentation and reports demonstrating satisfactory delivery/performance of the goods, works or services provided have been submitted and reviewed.
- The work being invoiced has actually been undertaken.

In the case of directive projects, annual or more frequent work plans (see Section 9.4.4.2) with detailed budgets are submitted by the implementing organization and approved by CIDA and the project steering committee. These must define the specific work to be carried out, the required inputs and activities, and their cost. Both invoices and reports must reflect work completed in relation to the approved work plan and detailed budget and should be regularly subjected to independent verification in terms of progress achieved. Wherever possible both plans and budgets (and hence invoices) should be linked to expected results.

Where invoices submitted by the implementing organization are not in accordance with approved workplans and/or the basis of payment in the contract or progress achieved cannot be reasonably verified, payment should not be made.

Similarly, in cases where the implementing organization is not providing the reports required under the contract or the content of the reports is inadequate, payment should not be made.

In accordance with CIDA contracting guidelines, final payments should never be made until such time as the final reports defined in the contract have been submitted by the

implementing organization and accepted by CIDA.

9.4.4.1 Project implementation plan

Following the signing of the contract, the implementing organization is required to prepare a Project Implementation Plan (PIP) to describe how the IO intends to implement the initiative on behalf of CIDA and the recipient and how the scope of work (statement of services) presented and agreed to in the contract will be carried out.

The PIP is approved by CIDA and (normally) the project management or steering committee and becomes the base document to be used by the IO in implementing the initiative. It is amended periodically, usually through annual work plans.

9.4.4.2 Annual work plans

Annual work plans are prepared by the implementing organization. They are used to define and obtain CIDA and project steering committee approval for specific project implementation activities on an annual basis. The annual work plan guides the day-to-day implementation of the project so as to achieve the desired results. In addition, they provide a basis for assessing timing and resource issues related to project implementation and support CIDA in the exercise of both ongoing due diligence throughout the life of the project.

The annual work plan:

- Defines the results to be achieved or worked on during the year, plans for the year (based on the work breakdown structure) and the resources required for each activity and output;
- Should include specific plans related to crosscutting themes, a discussion of key management issues, recommendations for action on the part of all project participants and, as necessary, an update of the risk management strategy;
- Provides information for the review and approval of schedule, resource utilization, price, risks and expected progress towards results, and, at the end of the year, provides a basis to assess performance against plans and to assess the variance analysis contained in progress reports.

Annual work plans are a contract deliverable and, as such, are first submitted to CIDA for review by the CIDA project manager and the project team. Following acceptance by CIDA, they are then submitted to the project steering committee for review and approval. Once approved, they define the work that will be carried out by the implementing organization and other project participants during the year and provide the baseline information against which the implementing organization will provide technical, financial, progress and risk reports.

Additional information of the use of annual work plans is provided in [Administrative Bulletin 1999-8, Change Requests to Workplans and Milestone Meetings and Contract Amendments](#).

9.4.4.3 Reporting

Progress, financial and performance reporting together with ongoing monitoring of project implementation provides CIDA with the information required to assess project performance in relation to plans and expected results and to undertake corrective action as required.

Reporting requirements are defined in the CIDA project management strategy as part of project design, in the request for proposals and in the contract with the implementing

organization. Reporting is a contractual obligation for the implementing organization, a key management tool for CIDA, a means of sharing information among project participants, and the main mechanism by which CIDA and the recipient country partner obtain information on progress towards results and on resource utilization in relation to approved plans

9.4.4.4 Contract cost audit

CIDA's [Contracts and Contributions Audit Policy](#) defines the requirements for the audits of contracts and contribution agreements. All contracts over \$ 5.0 M in total, or with annual disbursements in excess of \$500,000 are assessed for audit on an annual basis. All agreements with a financial value of \$3M and more, will, under normal circumstances, be audited after the first year of operation. When an organization has multiple agreements with CIDA that are subject to be audited, and the prior audits have demonstrated that their financial systems and controls in place meet CIDA's requirements, and the rate of audit adjustments is low and CIDA's policies and administrative requirements are complied with, Financial Compliance Unit (FCU), in agreement with the branches concerned, reserves the right to limit the number of audits that would otherwise be required under this policy.

The results of audits are provided by FCU to appropriate managers, for timely follow-up of corrective action by executing agencies, or the recovery of overpayments.

9.4.4.5 Changes to operational projects

Procedural requirements for changes in project personnel or rates for IO personnel, other changes to operational initiatives which are within the general scope, cost or timing of the annual workplan; or changes which increase or decrease an annual workplan component, but which can be accommodated within the overall scope, cost or timing of the initiative are defined in CIDA Administrative Bulletin #99-8, [Change Requests to Workplans and Milestone Meetings and Contract Amendments](#).

A change in duration only to an operational project, without any change to the budget or expected results, is not considered a change in scope and can be approved through a simple memo to the program director giving the reasons for the extension and the proposed new termination date. All contracts affected by changes in scope must be amended.

Changes that require formal approval before being implemented include changes in scope and cost increases.

While every attempt is made during the design of an initiative to structure the various activities and components in the most logical and practical way and to provide the best cost estimates, over time conditions related to the initiative may change, resulting in a need to alter the direction or composition of the initiative. For certain types of changes, formal approval is required as described in the following sections.

9.4.4.5.1 Change in scope (April 2009)

A change in scope of an initiative occurs when there is an expansion, a decrease or a significant change in expected results from what was originally approved in the PAD (i.e. using the Logic Model attached to the PAD).

A memo to the program director (PD) to note the change in scope is sufficient if the change in scope:

- Involves an expansion/increase in the results (scope) of an initiative with no increase in

- budget; or
- Requires an adjustment in the funding of the initiative, but can be accommodated within the approved budget.

This is the only case in which the PD can approve a change to the outcomes of an initiative.

In both cases described above, the Logic Model would have to be updated. If the change in scope requires a transfer of funds from direct delivery activities (related to a developmental result) to administrative, management, monitoring, audit or evaluation activities, the approval of the PD is required. Any change in the scope of an initiative that significantly alters the design, implementation or operation of an initiative may warrant, and be subject to, an environmental assessment under the CEAA.

If the change in scope decreases the expected results of an initiative, it is defined as a cost increase as indicated below.

9.4.4.5.2 Cost increase

A cost increase occurs when:

- The budget for the initiative must be increased to attain the expected results (at the outcome level) as approved in the PAD;
- The budget for the initiative must be increased due to new or enhanced expected results (at the outcome or output levels) compared to what had been approved in the PAD; or
- The scope of the initiative (i.e. the expected results, beneficiaries, etc.) must be decreased so that the initiative can be completed within the approved budget.

Cost increases must receive formal approval as indicated below.

The PM is responsible for bringing all potential cost increases to the attention of senior management and requesting the necessary approvals. There may be cases of uncertainty related to initiatives. The PM should discuss such cases with the PD and/or financial management advisor for advice on how to proceed.

a) Authorities for the approval of cost increases.

CIDA's delegated authorities for the approval of cost increases are found in the Delegation of Selection Authorities and Contractual and Financial Signing Authorities.

When there is a decrease in the expected results (additional funds are not being requested), a value must be assigned to the foregone results and the approval level should be determined by the foregone-results value.

For clarification on the authorities for cost increases, consult your financial management advisor (FMA).

9.4.5 Closure (April 2009)

Project closure is the final stage in the project cycle. Formal closure of a project ensures that CIDA's financial and contractual involvement in the project is ended and that any outstanding issues are addressed. The project completion stage also affords CIDA an opportunity to review project performance and results and to identify key lessons.

Formal closure of a project is undertaken when:

- All project activities are completed and reported upon, all contractual obligations have been fulfilled and cost audits have been resolved; or
- CIDA elects to terminate a project prematurely. When a project is to be terminated prematurely, the responsible officer must first consult the contracts officer and Legal Services Division before undertaking any action with the implementing organization.

When a project is to be terminated prematurely, the responsible officer must first consult the contracts officer and Legal Services Division before undertaking any action with the implementing organization. See [Chapter 10 Early Termination of CIDA Funding to Projects or Partner Organizations](#).

If an end-of-project evaluation funded from the project budget is planned or in progress, closure should be delayed. Evaluations funded from a source other than the project budget should not delay project closure. When project specific audits or evaluations are undertaken, branch staff should consult with their branch performance manager prior to, during and after the completion of the audit or evaluation. The electronic version of all evaluations or the EDRMS reference number should be sent to "corporate_memory@acdi-cida.gc.ca". Chapter 8 of the Guide to Directive Programming describes the specific requirements with respect to project closure.

When contracted activities are complete, specific steps are undertaken to close out contracts, release holdbacks and letters of credit, transfer assets, complete performance assessment, audit and evaluation activities and record and disseminate lessons learned.

9.5 Design-and-implement projects (January 2008)

Following approval of the concept paper there are five remaining steps in the project life cycle:

- Operationalization ([Section 9.5.1](#) below)
- Implementation (design) ([Section 9.5.2](#) below)
- Approval ([Section 9.5.3](#) below)
- Implementation ([Section 9.5.4](#) below)
- Closure ([Section 9.5.5](#) below)

Monitoring and control processes including performance assessment span all steps in the life cycle.

Figure 15 below provides an overview of the design and implement project life cycle.

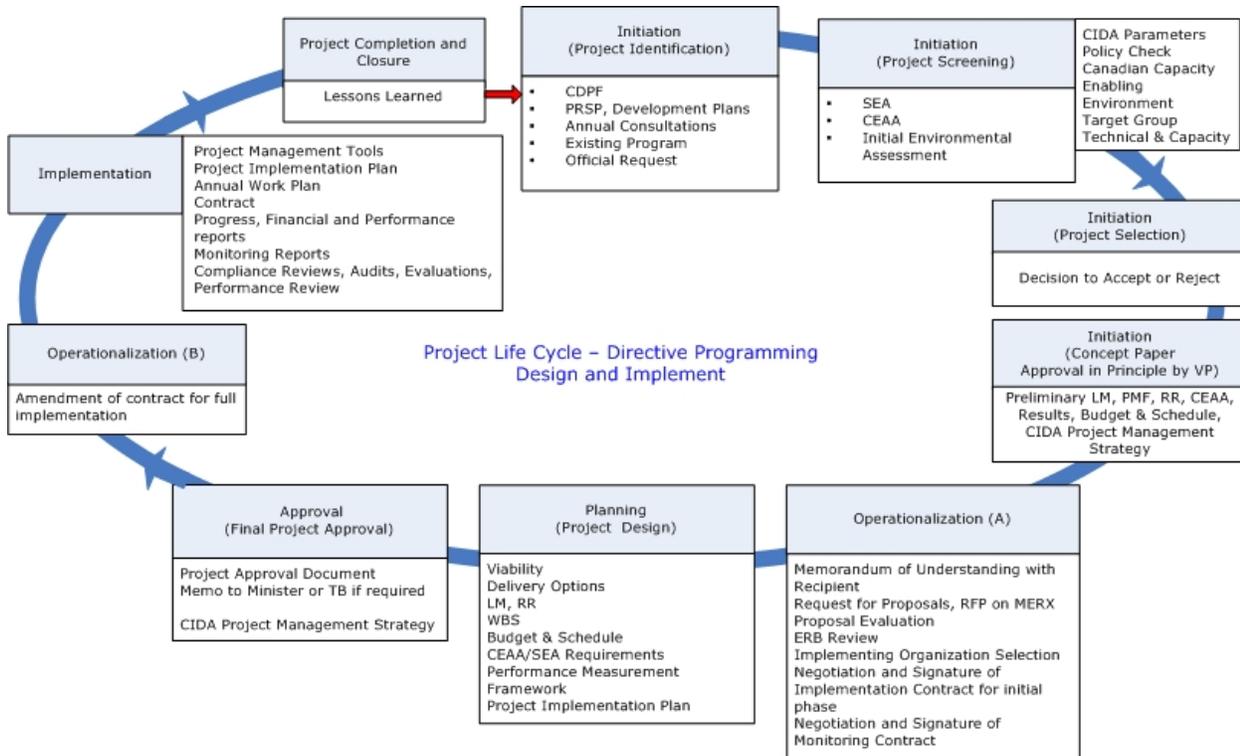


Figure 15 - The Design-and-Implement Approach (April 2009)

9.5.1 Operationalization

In the design-and-implement approach, the results of the screening are used to develop the Concept Paper (see Chapter 1, Section 2.4 of the Guide to Directive Programming) and to define the parameters of the design work that is required to support the development of a Project Approval Document (PAD).

By definition, the design-and-implement approach does not normally require extensive appraisal and feasibility work, as the essential details of the initiative in terms of beneficiaries, expected results, time frames and budget are generally known at the outset. As such, the concept paper provides the justification for using a design-and-implement approach specifies the details of the design work to be undertaken and provides a general overview of the work as a whole, which is sufficient to provide for informed decision-making. An RFP is used to select a single entity to undertake both the design and implementation work.

9.5.2 Implementation (Design stage)

The Concept Paper approves funds for the design stage with the implementation stage being dependent on the development of a satisfactory design and the approval of the Project Approval Document by the delegated approval authority. Implementation takes place following selection approval for the entity selected to undertake the design and implementation and the negotiation and signature of a contract. An agreement with the recipient for the design stage work is required prior to the signature of the contract with the implementing organization.

Risk assessment remains an essential part of the design and a key input to the overall due

diligence, decision-making and implementation processes. For information on assessing and managing risks, see Chapter 6 above.

As part of the design stage work the implementing organization will furnish CIDA with the information that would be developed during the planning of a CIDA-led design project. Further information is provided in [Section 9.4.1](#) above.

9.5.3 Approval (July 2008)

The design work leads to a decision on whether to recommend proceeding with implementation, necessitating the preparation of a Project Approval Document. Recipient country agreement with the proposed design is essential prior to the preparation of the Project Approval Document. Continuing implementation of the project is contingent upon project approval being received.

In the case of a design-and-implement approach where the total value of the project (excluding design) exceeds the authority delegated to the Vice-President, the approval of the Minister is sought at the Concept Paper stage rather than at the Project Approval Document stage. In such cases, a decision memo is submitted to the Minister following approval of the Concept Paper by the Branch Head. The decision memo to the Minister will:

- Describe the proposed initiative, including budget and time frame;
- Provide the rationale for using the design/implementation approach;
- Indicate that the Project Approval Document will be completed following design work; and,
- Seek delegation of final approval to the Vice-President subject to a satisfactory design being developed.

For the international assistance provided by Canada to be considered as official development assistance under the ODA Accountability Act, the Minister (or the relevant official) must be of the opinion that the assistance will:

- Contribute to poverty reduction, take into account the perspectives of the poor and be consistent with international human rights standards; or,
- Be provided for the purpose of alleviating the effects of a natural or artificial disaster or other emergency occurring outside Canada.

In addition, for non-emergency assistance, consultations must have been undertaken in accordance with the requirements of sub-section 4(2)

Poverty reduction has been the central rationale for CIDA's assistance for many years. The Agency also has developed a variety of mechanisms for taking into account the perspectives of the poor and has endeavoured to ensure that its assistance is consistent with best practice in international human rights (see relevant sections for further guidance on these two issues). As these three criteria are now enshrined in legislation, project managers should use approval documents to articulate how the assistance being provided will contribute to poverty reduction, take into account perspectives of the poor and be consistent with international human rights standards. In addition, any relevant consultations with governments, international agencies and Canadian civil society organizations should be documented with an indication of how the views and recommendations of these groups were considered.

The Minister may choose to retain rather than delegate final project approval authority.

Specific standard documentation and content requirements are described in Chapters 2 (the

Concept Paper) and 5 (Project Approval) of the Guide to Directive Programming. At the Concept Paper stage, a simplified regime exists for initiatives valued at less than \$500,000.

9.5.4 Implementation (full or continuing)

Approval to proceed with full or continuing implementation of the initiative involves the amendment of the contract to include implementation of the approved design or signature of the implementation contract if two contracts with the same implementing organization are used.

Arrangements with the recipient country are modified as necessary to reflect the agreed-to design. Any other contracts for monitoring and other performance assessment and management compliance activities, if not already concluded, will be put in place. A contracts officer must be involved throughout the process.

During the implementation stage of a project CIDA supervises implementation (monitoring and control processes) through the management of contracts and other project agreements, monitoring, the use of consultative processes such as project steering committees, risk assessment and management, performance and other reporting, monitoring, audits and evaluations as necessary. For further information on management processes related to project implementation see [section 9.4.5](#) above.

9.5.5 Closure (April 2009)

Project closure is the final stage in the project cycle. Formal closure of a project ensures that CIDA's financial and contractual involvement in the project is ended and that any outstanding issues are addressed. The project completion stage also affords CIDA an opportunity to review project performance and results and to identify key lessons.

Formal closure of a project is undertaken when:

- All project activities are completed and reported upon, all contractual obligations have been fulfilled and cost audits have been resolved; or
- CIDA elects to terminate a project prematurely.

When a project is to be terminated prematurely, the responsible officer must first consult the contracts officer and Legal Services Division before undertaking any action with the implementing organization. See [Chapter 10 Early Termination of CIDA Funding to Projects or Partner Organizations](#).

If an end-of-project evaluation funded from the project budget is planned or in progress, closure should be delayed. Evaluations funded from a source other than the project budget should not delay project closure. When project specific audits or evaluations are undertaken, branch staff should consult with their branch performance manager prior to, during and after the completion of the audit or evaluation. The electronic version of all evaluations or the EDRMS reference number should be sent to "corporate_memory@acdi-cida.gc.ca".

When contracted activities are complete, specific steps are undertaken to close out contracts, release holdbacks and letters of credit, transfer assets, complete performance assessment, audit and evaluation activities and record and disseminate lessons learned. Chapter 8 of the Guide to Directive Programming describes the specific requirements with respect to project closure.

9.6 Additional information

For additional information please consult the Guide to Directive Programming.

Chapter 10 - Early Termination of Funding to Projects or Partner Organizations

10.1 Introduction

This chapter covers issues associated with the premature suspension or termination of funding to an organization, institution or project.

10.2 Application

The approach described in this chapter applies to initiatives funded using any of CIDA's business delivery models - Core Funding, Responsive Programming or Directive Programming.

10.3 Purpose

The purpose of this guideline is to provide guidance to program branch staff in situations where it is necessary to consider:

- Early termination or suspension of a CIDA project in a recipient country prior to the scheduled completion of the initiative (Directive Programming);
- Suspension or cancellation of funding to a partner for a specific initiative designed and implemented by them to which CIDA is contributing funds (Responsive Programming);
- Termination of all CIDA funding to an organization or institution in receipt of program funding from CIDA (Responsive Programming, Core Funding);
- Suspension or termination of CIDA's participation in a pooled fund or budget support initiative, or to a multilateral organization where CIDA is either the only donor or one of a number of donors (Core Funding).

10.4 Exclusions

This guideline does not apply when consideration is being given to terminating one or more components of an initiative (or subprojects funded as part of a local fund project in a geographic program) or to providing additional funding to permit the achievement of previously approved expected results. In such a case the change is considered as a change of scope. In those cases where a change in scope will result in the reduction of previously approved expected results without a corresponding reduction in cost, or where increased funding is required to permit the achievement of the previously approved expected results, a new project approval document must be submitted to the original approval authority. Staff should consult CIDA's Delegation Instrument and the Explanatory Notes to the Delegation Instrument for specific information.

10.5 Overview

All CIDA funding agreements (contracts, contribution agreements/arrangements, grant agreements/arrangements and administrative agreements) should contain clauses related to the right of CIDA to terminate CIDA funding for either "convenience" or "cause". When funding agreements are being prepared it is essential that the responsible CIDA officer consult with their Contracts Officer to ensure that these standard clauses form part of the

agreement which is signed by CIDA and the organization in receipt of CIDA funding. The existence of these clauses provides the "contractual" basis for CIDA to terminate an agreement should this become necessary.

Situations may occur where CIDA considers the suspension or termination of funding as a result of either external factors or specific issues related to performance or improper behaviour. In such cases the decision to terminate CIDA's participation relationship with a partner must be well documented and, based on sound management principles including an ongoing due diligence assessment of the initiative.

As part of its management of funding agreements and the discharge of its accountabilities for the appropriate stewardship of public funds, CIDA exercises due diligence with respect to all investments through:

- Preliminary due diligence assessments to confirm that the investment meets the criteria for soundness;
- Regular performance monitoring of initiatives;
- The use of consultative mechanisms such as steering committees and participation in multi-donor assessments;
- Participation on the boards of multilateral organizations;
- Stakeholder reviews with partners;
- Regular reviews of funding agreement performance;
- Assessment of progress in relation to results achieved, financial and variance reports; and,
- Ongoing assessments by CIDA field staff

CIDA's initial and ongoing due diligence assessments must reflect the requirements of Government of Canada acts, regulations and policies including the Canadian Environmental Assessment Act, the Government Contract Regulations, the Treasury Board [Policy on Transfer Payments](#), as well as CIDA specific requirements related to performance monitoring and reporting, and financial compliance reviews (See the [Contracts and Contribution Agreements Audit Policy](#) for further information).

In all cases the decision to recommend to the Branch Vice President the suspension or termination of an initiative or of funding to a partner organization must be made by the CIDA program director and must take into account the advice of appropriate actors within CIDA including CIDA's Legal Services, Finance Division, Branch Contract Unit Manager as well as CIDA staff in the field. In addition staff should consult the funding agreement (grant agreement, contribution agreement or contract) with respect to the specific provisions in the agreement and/or general conditions related to suspension or termination.

As part of their analysis, program directors must consider the impact that suspension or termination of funding may have on the overall CIDA program in the country in terms of our relationship with the partner. In the context of program-based approaches (PBAs) and of funding to multilateral organizations, the decision to terminate, suspend, or postpone CIDA's participation in an initiative may need to follow a prearranged process jointly established among donors and may be based on a joint due diligence process.

There are a number of reasons why CIDA may choose to suspend or terminate its participation in an initiative or with a partner. These include but are not necessarily limited to the following conditions:

- Budget allocation decisions at the Government of Canada or Agency level (see Section 10.6);
- Health and security considerations (see Section 10.7);

- Performance issues and risk factors (see Section 10.8);
- Corruption or inappropriate financial practices including fraud (see Section 10.9);
- Changes in the overall recipient country context which call into question the viability of an initiative (see Section 10.10); or,
- Overarching factors related to programming considerations in a country or region (see Section 10.11).

Each of these conditions is examined in more detail below.

10.6 Budget Allocation Decisions

- Overall Agency funding is reduced resulting in a need to reduce programming activities; or,
- CIDA funding is restructured at the branch or program level necessitating a need to scale back programming activities in a country or region or with an institution.

In such cases the program must assess whether to scale back or terminate specific initiatives or the funding to specific partners in order to realign program spending within revised budget allocations. When identifying initiatives or partner relationships which could be scaled back or terminated, questions related to performance and short, medium and long-term program level strategic fit must be taken into account in developing specific scenarios for program restructuring.

The program director must guide the development of an exit strategy for the program as a whole taking into account the time frame required for the completion of ongoing investments. This strategy must, on a case by case basis, include plans which protect the results being achieved, limit the liability of the Agency to implementing organizations under contract to CIDA, and permit partner organizations to undertake an orderly reassessment of their programs.

In the case of pooled funding and direct budget support, and funding to multilateral organizations, the appropriate joint donor documents will need to be consulted to ensure that the process undertaken is in line with CIDA commitments to the partner country (e.g. MOU off-ramps for changing the level of donor support, contribution agreements, etc.). It is essential that the CIDA program desk undertake comprehensive consultations with the Canadian Mission responsible for the development cooperation program in the field.

10.7 Security Considerations

- Personal health and safety of Canadian personnel and local staff working on a specific initiative (Directive Programming) or partner led programs or projects (Responsive Programming, Core Funding).

In such cases the CIDA program desk must assess the implications, in consultation with the Canadian Mission and, as necessary, the Department of Foreign Affairs and International Trade, Health Canada, as well as other departments with a strategic or operational interest in the country or region:

- The severity of the situation and the actual threat to life and health (both physical and mental);
- The geographic scope of situation (wide spread or locally contained);
- Whether the situation is considered to be temporary or ongoing; and,

- Whether the response of local authorities is considered to be adequate and timely.

This assessment will result in a recommendation to suspend or terminate (in whole or in part), CIDA involvement and will enable the program director to determine if some activities can be maintained or preserved (by local staff or by Canada-based project staff). Specific criteria must be established to monitor the situation in order to assess conditions on an ongoing basis to ensure a timely and appropriate response to changes which may permit resumption of activities or require the evacuation of personnel.

In the case of projects and programs implemented by partner organizations (Responsive Programming) accountability for the decision to suspend or terminate activities remains with the partner organization but it is incumbent upon CIDA to maintain a dialogue with the partner and to ensure that the partner is fully aware of CIDA and Government of Canada views, approaches and recommendations for dealing with the situation.

Where CIDA is providing funding directly to an organization, or through either a pooled fund or budget support initiative, the decision to suspend, terminate or continue activities rests with the organization with overall responsibility for the program. CIDA must advise the organization of CIDA and the Government of Canada's position with respect to the continuation of development cooperation activities in the country or region but does not have overall decision-making authority with respect to the organization's program.

10.8 Performance Issues and Risk Factors

- Project or partner performance is not satisfactory and cannot be addressed through changes in project scope in terms of either reduced expected results or increased budget (these would require the modified project to be resubmitted for funding approval);
- A project design flaw cannot be overcome even with the provision of additional financial and human resources beyond those provided for in the initial project approval and/or funding agreement with the implementing organization;
- A high impact risk becomes a factor in the attainment of results;
- The financial viability of the partner or implementing organization impacts performance; or
- Implementing organization performance is inadequate in relation to the terms of the funding agreement with CIDA, project plans, budgets and schedules.

Ongoing performance monitoring may identify conditions related to performance which can trigger a decision to terminate CIDA's participation in an initiative or with a specific partner.

Indicators include situations where:

- Progress towards results does not reflect approved project plans because of institutional or other factors not related to the performance of the implementing or partner organization or recipient country and does not improve when identified problems have been addressed by the parties to the initiative;
- Implementation work shows that the design of the initiative is sufficiently flawed to require either complete redesign or the preparation of a new project;
- The cost of redesign or significant corrective action is considered to be out of line with results to be achieved (is this still a good use of resources?) and will increase project costs by 25% with no increase in expected results;
- One or more risk factors identified during project design cannot be mitigated in a satisfactory manner or have become "killer" risks (high probability, severe impact);
- The implementing organization has temporary or ongoing financial issues which impact

- its ability to implement the initiative in accordance with the agreed schedule;
- The possibility of financial loss to the Crown becomes an issue; or,
- The implementing organization demonstrates inadequate performance in relation to the implementation of the initiative in accordance with the funding agreement and approved plans, schedules, budgets and reporting requirements or has a clearly demonstrated inability to work in an appropriate manner with local partners thereby threatening the achievement of results.
- The partner country demonstrates inadequate performance in relation to the implementation of the initiative in accordance with the contribution agreement or MOU.

Where performance issues on the part of the organization in receipt of CIDA funding are the key factor leading to a consideration to terminate or suspend funding, a decision is required as to whether the funding agreement will be terminated or suspended by CIDA "for convenience" or "for cause". Both Legal Services and the Contract Officer must be consulted with respect to the applicability of either course of action in relation to the reason for termination or suspension and will assist in determining the most appropriate course of action.

10.9 Corruption or Inappropriate Financial Practices Including Fraud

- An organization or institution engages in corruption by either seeking or offering benefits to officials or other organizations;
- Engages in fraudulent practices including the misrepresentation of its activities and the purposes for which CIDA funding is used; or
- Engages in inappropriate financial management or procurement practices.

CIDA has a specific protocol for dealing with entities accused of or found guilty of corruption. In such cases staff must consult [Contract Bulletin 2003-06 - Protocol for Entities Found Guilty of Corruption](#) and follow the specific procedures laid out in the Corruption Protocol.

10.10 Country Context

- Changes in local government commitment to an initiative or capacity to effectively support an initiative through the provision of human, financial or material resources or the creation of an appropriate policy context;
- Changes in the local or regional political, social economic or legal context which have a direct impact on the implementation of an initiative.

Ongoing assessment of the country context by headquarters and field staff and by implementing organizations may identify situations where an initiative may be adversely impacted by factors such as:

- A change in government or active and organized dissent leading to social and political instability;
- Excessive repression or abuse of human rights and freedoms;
- A breakdown in law and order;
- Inappropriate financial management or procurement practices on the part of the recipient government;
- Unreasonable delays in meeting commitments or the failure to meet commitments as agreed in the project agreement (Memorandum of Understanding) or by the Project Steering Committee or by local project partners and included in approved annual or

- more frequent project work plans;
- A change in government focus (e.g. new multi-year plans and strategies); or
- Lack of willingness and/or capacity on the part of the Canadian or local partner to fulfil project requirements.

In such cases the CIDA program desk must critically examine whether it is possible to continue with the implementation of the initiative or to continue to provide funding to the partner, whether activities must be scaled back, alternative delivery modalities considered or the funding either suspended or terminated.

10.11 Overarching Strategic Considerations

At times strategic considerations will be the key determinant as to whether CIDA should continue to support the implementation of an initiative or provide funding to a partner organization. These considerations will include but are not limited to:

- The cost to continue the initiative versus the benefit of the results to be achieved;
- Increased costs to enhance personal security;
- The political commitment of the Government of Canada to continue its participation in a project or with an organization in spite of other considerations;
- Negative changes in other donors' level of involvement or commitment;
- A change in the strategic focus of CIDA programming generally or in a country or region.

10.12 Action Steps

- Ongoing assessment of all initiatives and partners is essential.
- Problems and concerns must be identified and thoroughly reviewed within the CIDA headquarters project team or program unit (including the Contracts Officer and Financial Management Advisor), in consultation as appropriate with the Canadian Mission, with program management and with program stakeholders.
- Options for corrective action must be identified and costed;
- A strategic assessment of the costs and risks of continuing as opposed to terminating must be undertaken.
- Where project termination or suspension of funding to a partner is an option, Legal Services must be consulted and should be involved in every step of the process in order to ensure that all legal risks are identified, analysed and factored into the development of options to be presented to the Vice-President. In addition, a comprehensive exit strategy must be prepared that fully reflects the advice of Legal Services. Communications Branch must be consulted in the development of a communications plan to mitigate potential reputational risk.
- The need for consultation with other government departments must be considered and, based on the decision of the Program Director / Director General carried out.
- One or more action options must be reviewed with and accepted by the branch Vice-President prior to undertaking detailed discussions with the recipient government or partner organization. In addition to the Branch Financial Management Advisor and Contract Manager, CIDA's Legal Services and the corporate Finance Division must be consulted in detail during the development of the action options.
- The Canadian Mission must be fully informed and involved at all times given the ramifications of a decision to terminate CIDA participation in an initiative or to terminate funding to a partner.
- The decision to proceed with the suspension or termination of CIDA funding rests with the Vice-President of the branch concerned. The Vice-President may choose to consult

with the President on specific cases and will, in consultation with the President, determine the timing of any information or decision memoranda to be submitted to the Minister.

- The original approval authority (Vice-President, Minister, Treasury Board) must be advised of the decision to terminate CIDA involvement in an initiative or funding to a partner.

10.13 Communications considerations (February 2008)

When a decision is taken to suspend or terminate funding to a project or partner organization it is important to have a comprehensive communications plan. Poorly managed communications can increase the potential for reputational risk to CIDA, the partner and /or the implementing organization.

Communications Branch must be consulted and will assist in the development of a communications plan. The role of the communications advisor is to assist the program officer, not the partner or executing agency. At any stage in the process a communications advisor can be asked to provide advice to the program officer and can comment on the communications plan as needed. When suspension or termination of funding is contemplated, the early and continuing involvement of the communications advisor is essential to reducing the potential of reputational risk.

Afterword

While CIDA'S Business Process RoadMap Overview is designed to provide a guide to the business processes used to delivery CIDA's development assistance programs, it is only one of the resources available to CIDA staff.

The knowledge and experience of CIDA colleagues both individually and through a number of active and well-established networks is a valuable resource to program staff. Scientific and technical staff, contracts officers and financial management advisors bring specific and specialized knowledge and experience to bear on issues related to the planning and implementation of CIDA initiatives. CIDA's policy specialists and branch policy, planning and management divisions support the development and implementation of effective solutions to development issues.

CIDA's Development Officer Learning Program and the information resources available through Entre Nous toolboxes, branch pages and the "development" page complement and support program delivery. Finally, the Reference Desk and the business delivery model guides provide additional information in support of this document, the Business Process RoadMap Overview.

For additional information please consult these professional and information resources and your branch representative on the RoadMap Steering Committee.

The Business Operations Group thanks the RoadMap Steering Committee members and through them the many individuals in program and corporate branches who have contributed to the ongoing evolution of the RoadMap.