


B1. The Business Case format and system compliance requirements

Background

The delegated authority levels and approval process are detailed in the Government Spending Controls and must be read and understood before presenting your Business Case for approval. These are published on the  [Cabinet Office website](#). All proposals for DFID funding must be accompanied by a Business Case

Format

There are five interdependent cases within the Business Case:

- Strategic Case - makes the case for DFID intervention
- Appraisal Case - explores how you will address the need in the Strategic Case in a way that optimises value for money
- Commercial Case - outlines the approach that delivers value for money through procurement
- Financial Case - sets out issues of affordability and the sources of funding
- Management Case - sets out the appropriate arrangements to ensure successful delivery of the project/programmes

In its final form the Business Case is the main record of the proposal, summarising value for money considerations and intended results. The logframe is an Annex to the Business Case

On completion of stage 3, an Intervention Summary should be completed. This is a synthesis of the intervention and is intended as a short, non-technical, easily understood introduction to the intervention. The Intervention Summary is embedded in the Business Case template.

Proportionality

The level of detail in a Business Case is a matter of judgement and at the discretion of the person with delegated authority to approve the spending. It should be proportionate to the level of funding and take into consideration other issues such as political economy sensitivities or whether the intervention is novel or contentious.

Compliance tasks

1. A Business Case is mandatory for all funding proposals. This includes funding to extend the duration or scope of existing projects, programmes, delivery routes or approaches to funding. Each Business Case must include an Intervention Summary and a logframe.

Task assigned to: Head of Department, Project staff

2. The appropriate Business Case template (Generic, Multilateral Core, Programme Partnership Arrangement) and Approver/Assurance checklist available in Word templates must be used. The Logframe format is available in Excel templates.

Task assigned to: Head of Department, Project staff

3. An Intervention Summary must be written when the Business Case design is complete. The template is included within the Business Case template. Where appropriate the Intervention Summary must be translated into the local language using the template available in Word.

Task assigned to: Project staff

4. The Business Case and Intervention Summary must be written in clear English, using 12pt Arial single spaced. They should be correctly spelt and punctuated, with proper use of capital letters, with minimal use of acronyms and abbreviations and explanations in the text when used.

Task assigned to: Head of Department, Project staff

5. A small number of exclusions apply to publishing Business Cases. Exclusions must be approved at Directors level and go before the Minister of State for final sign-off using the process detailed on MoneySight. Commercially sensitive information and funding must be excluded from publishing until contracts are issued. Details covering this process can be found in the [Business Case HTN](#)

Task assigned to: Director, Head of Department, Project staff

6. Sensitive or Restricted information must be detailed in the Submission and not included in the body of the Business Case. Sensitive or restricted information must not be published.

Task assigned to: Head of Department, Project staff

7. Business Cases must be approved at the correct level of delegated authority. Details can be found in sections [A4](#) and [B2](#)

Task assigned to: All staff, Head of Department, Project staff

8. Once approval has been received, the email indicating approval must be stored in the same folder, linked to the Business Case, and Declared as a Record.

Task assigned to: Head of Department, Project staff

9. Once approval has been received, the Request for Ministerial Approval of Business Case form must be Declared as a Record. Tag the document with the content type "Ministerial Approval of Business Case form". This will ensure that the form does not automatically publish to the external website.

Task assigned to: Project staff

10. The Business Case, including Intervention Summary, must be Declared as a Record once any final amendments arising from the approval process have been made and approval received. Each document must be given the correct content type when declaring it as a record on QUEST as this is the trigger for publishing the Business Case and Intervention Summary, in keeping with our transparency commitments

Task assigned to: Project staff

11. All Business Case Intervention Summaries and Logical Frameworks must be published on DFIDs external website inline with our Transparency commitments. Project staff must ensure documents are created and saved correctly in Quest for publication.

Task assigned to: Head of Department, Project staff

Risks of non-compliance

- DFID open to challenge on its support to a particular country or region
- No direction for country or regional programmes
- No clear performance or framework
- Protracted time spent seeking clarification on who is doing what and why


B2. Design, appraisal and approval of the Business Case

Background

The Business Case includes a single appraisal of all relevant dimensions of the intervention (political, social, cultural, economic, fragility and conflict, environment and climate change, institutional etc) and therefore requires a multi-disciplinary team based approach to its development. Guidance and information on how to complete your Business Case can be found on MoneySight.

All Business Case proposals must be approved at the appropriate level of delegated authority set out in Blue Book template A4.

Spending decisions must be consistent with the International Development Act 2002, the Human Rights Act 1998 and DFIDs strategic priorities reflected in individual Operational Plans (OPs) and should give due regard to the Equalities Act 2010.

You must also read and understand the Government Spending Controls published on the  [Cabinet Office website](#).

Compliance tasks

1. A Business Case is mandatory for all new investments with one exception: The original project document (pre Jan 2011) explicitly stated that subsequent phases would follow, you are advised to use a Business Case format for the subsequent phase(s) rather than a submission. Final decisions rest with the approver. Submissions must cover the key elements including; strategic need, options analysis, value for money considerations, commercial issues, affordability, due financial process, monitoring process and evaluation

Task assigned to: Head of Department, Project staff

2. FCPD must be consulted at the earliest possible stage when considering the use of Trusts, Endowment Funds or where the intervention involves guarantees, indemnities or other similar arrangements.

Task assigned to: Head of Department, Project staff

3. Modest external early design costs need to be incurred these should be approved with a submission to the person with the appropriate delegated authority to approve spending.

Task assigned to: Head of Department, Project staff

4. Early design costs relating to admin funded Consultancy above £20,000 must be approved by the Minister of State. Submissions to the Minister of State must be in the prescribed format detailed in the Resourcing Policy and Procedures guidance on inSight. Approvals below £20,000 should be

submitted in a standard submission and approved within delegated authority levels.

Task assigned to: Head of Department, Project staff

5. All Business Cases for novel or contentious interventions and / or investments at or over £40 million must be sent for review by the Quality Assurance Unit (QAU). This includes programme extensions that bring the total value of the commitment to £40m or over. Before Business Cases are sent to the QAU they must have been agreed by the person with the appropriate delegated authority as detailed in Blue Book template A4 - Delegated Authority.

Task assigned to: Head of Department, Project staff

6. Following Ministerial approval of Business Cases for novel or contentious interventions and/or investments of £40 million or over, HMT must be consulted, details of the process are detailed in Blue Book template A4.

Task assigned to: Project staff

7. Ministerial approval is required for all projects £5 million and up to £40 million. Any exceptions e.g. certain humanitarian cases, must be agreed with Private Office. Submit completed Request for Ministerial Approval of Business Case form to the appropriate Ministers via:

ministerialspendingdecision@dfid.gov.uk following the prescribed process on MoneySight

Task assigned to: Head of Department, Project staff

8. Business Cases below £5million must be approved at the appropriate level of delegated authority detailed in Section A4

Task assigned to: Head of Department, Project staff

9. All novel or contentious interventions, regardless of value, should be submitted to Ministers, drawing on information and analysis already completed within the draft Strategic and other cases at the early design stage. Submissions must be presented in the standard format through the appropriate Minister for approval by the Secretary of State.

Task assigned to: Head of Department, Project staff

10. The Appraisal Case must present a robust appraisal of the design and delivery options drawing on relevant analyses and must identify the option that delivers the best value for money.

Task assigned to: Head of Department, Project staff

11. The person approving the Business Case must quality assure the draft before approving it for publication.

Task assigned to: Head of Department, Project staff

12. All Business Cases, translated Intervention Summaries and logframes must be published on the DFID website to ensure compliance with DFIDs commitments under the Transparency Guarantee. Staff must follow the guidelines for saving documents in Quest detailed under the Processes and Tools tab below.

Task assigned to: Head of Department, Project staff

13. All cost extensions must be approved within delegated authority levels and follow the process set out in the guidance. The final decision as to whether a new Business Case is required or a Submission rests with the approver.

Task assigned to: Head of Department, Project staff

System requirements

14. The Funding Types and Input Sector Codes must be set up in ARIES, as in the Business Case, before expenditure can be incurred. In addition budgets should be loaded at component level; before payment can be made. It is essential that the correct project details are used to ensure accurate performance data and statistical reporting. The person approving the expenditure must also approve the project data on ARIES.

Task assigned to: Head of Department, Project staff

15. For each Business Case, a separate ARIES `live project` must be created. This in turn will create a folder on Quest which must contain all relevant correspondence, analyses, the Business Case (including Intervention Summary), Logframe, Approval / Assurance checklist, Request for Ministerial Approval of Business Case form, and any supplementary documents.

Task assigned to: Project staff

16. The Appraisal Case requires a Climate and Environment categorisation and impact assessment. You must secure sign off of the outcome of this by a Climate and Environment Adviser and approval through ARIES.

Task assigned to: Project staff

17. All documents relating to the Business Case must be stored in the QUEST folder and given the correct content type, with version control used to manage changes to documents over time. Where any document has been classified as 'Restricted, etc.', it should be stored in an appropriate folder on Quest.

Task assigned to: Project staff

Risks of non-compliance

- Spending not consistent with the International Development Act 2002, the Human Rights Act 1998, the Divisional Performance Framework and/or Country/Regional Planning or Institutional Strategies.
- DFID open to legal challenge
- Poorly designed projects
- Unrealistic expectations of partners
- Detrimental impact on resources
- Detrimental impact on the Environment
- Inaccurate official statistics
- Inability to properly track and record project lifetime budgets and targets.

B3. Formalising Approved Project Proposals

Background

DFID formalises its approved project proposals to development partners (governments, international organisations, bilateral donors or civil society organisations) by setting out in writing the understanding reached on development objectives, respective obligations and how we will work together.

DFID provides development partners with Financial Aid or Technical Assistance (mainly in the form of personnel, research, training or goods and equipment) purchased by DFID.

Different options require different arrangements for assurance, accounting and audit (for more information see the Formal Exchanges Flowchart B4 and Text B5). Approved projects must be formalised using one of the appropriate non-legally binding exchanges. Staff must download the appropriate model document from office templates available on Word.

- Memorandum of Understanding (MoU): For all aid to a partner government the standard model, including conditionality and any specific conditions governing the funding must be used. For aid provided to bilateral donors/international organisations/Whitehall departments when there is no existing Framework Arrangement, standard MoUs can be used for each type of partner. When using a partner's alternative MoU format, the MoU must contain details of the financial contribution, tranching, reporting, management and audit arrangements.
- Delegated Co-operation Arrangement: DFID Project Managers are encouraged to use this when co-financing with like-minded bilateral donors (see 'Working with Others' under Tools and Processes).

- Frameworks: DFID has concluded Framework Arrangements with several international organisations (IADB, UNDP, UNIDO, UNICEF and WFP) and plans others. Where a Framework Arrangement is in place, there is no need for an individual MoU. You should complete the standard 'Administration' or 'Contribution Arrangement'.
- Grant Arrangements to Civil Society: There are two main types of grants given to civil society organisations/Non-Government Organisations or Not-for-profit organisations. These are strategic-type, high-level grants in the form of Partnership Programme Arrangements and Accountable Grants.
- Contracts: DFID procurement should ensure value for money which is best assured by competition but can be achieved by other means. For more details on the competition thresholds, procurement procedures and the choice of contracts please see Blue Book Section D.
- Official Letter: For low value projects to bilateral donors, international or other organisations there is no set format but essential information must be included (see Compliance Task 6). For funding of any size to a partner government you must use the MoU format.

Compliance Tasks

1. Staff must not formalise DFID support before obtaining reasonable and adequate assurance on prospective delivery partners. The assurance process to be followed is set out in the Due Diligence Framework. In the case of Budget Support

aid the process to be followed is the Fiduciary Risk Assessment.

Task assigned to: Departmental Finance Officer (DFO), Head of Department, Project Staff

2. Staff must not formalise DFID support until financing authority has been obtained at the appropriate level of delegated authority.

Task assigned to: All Staff, Head of Department, Project Staff

3. Any subsequent changes to the approved spending proposal (for example, a change to the financial contribution or period of the arrangement) must be recorded in an Amendment Letter (the format of the Amendment Letter can be found in the Word directory as outlined above).

Task assigned to: Head of Department, Project Staff

4. Approved Business Case proposals and amendments must be formally recorded with partners in writing using the appropriate format. Copies of all formal exchanges and Amendment Letters must be recorded in Quest and the originals sent to Financial Accounting Group.

Task assigned to: Head of Department, Project Staff

5. Any proposal to use an MoU/Official Letter drafted by a donor partner must be checked against the MoU explanatory note and checklist. Any amendments necessary to ensure that it meets DFID's mandatory requirements must be made. If

there are any specific areas on which guidance or legal advice is required, email the FCPD Information Desk.

Task assigned to: Project Staff

6. All Financial Aid (including General and Sector Budget Support) paid directly to a partner government is channelled through Accounts Payable in the UK. Accounts Payable must be provided with copies of the signed MoU and of any subsequent Amendment Letters as they are agreed.

Task assigned to: Project Staff

7. Approved low value Business Case proposals to bilateral donors or international organisations confirmed by means of an Official Letter must include the scope and extent of DFID funding and where appropriate the following:
 - a. The purpose for which the funding will be used and any other specific requirements
 - b. Procurement arrangements
 - c. The responsibilities (that is, the obligations or contributions) of each participants
 - d. Monitoring and reporting
 - e. Accounting and Audit arrangements (See Blue Book template C4)
 - f. Indemnity and Termination (see para 17 of International MoU)
 - g. Arrangements for resolving any problems arising.

Task assigned to: Project Staff

8. If any approved Business Case proposal is subsequently increased to £1m or above, an MoU is required and other project management disciplines, including managing portfolio performance, monitoring, reporting and review, must be applied.

Task assigned to: Head of Department, Project Staff

Risks of non-compliance

- DFID funds could be used for purposes other than originally intended and lead to fraud or non-compliance with the International Development Act 2002 or the Human Rights Act 1998
- Confusion as to the responsibilities of DFID and the recipient
- Waste of resources negotiating MoUs when there are accepted templates available.

B4. Aid Spending - which Formal Exchange to use with development partners – Flowchart

Background

DFID provides development partners with finance and/or technical assistance. The flow chart provides a list of formats/templates and guidance to be used when engaging with development partners

Compliance tasks

1. You must refer to both links under Processes and Tools : Aid Spending - Which Formal Exchange to Use With Development Partners? - Flowchart and Aid Spending - Which Formal Exchange to Use With Development Partners? - Text.

2. All Business Case proposals on Non-Grant Financial Instruments (NGFI), Trusts or Endowment Funds must be submitted via FCPD Service Desk for clearance before any formal submission is made.

Task assigned to: Head of Department, Project staff

3. Staff must download the Formal Exchange Templates from Word (in the folder File>New>Templates on my computer>Project Management).

Task assigned to: Project staff

Risks of non-compliance

- DFID funds could be used for purposes other than originally intended and lead to fraud or non-compliance with the International Development Act, 2002
- Confusion as to the responsibilities of DFID and the recipient
- Waste of resources negotiating Memoranda of Understandings (MoUs) when there are accepted templates available.

B5. Aid Spending - which Formal Exchange to use with development partners – Text

Background

DFID provides development partners with finance and/or technical assistance.

Circumstances surrounding funding will influence the choice of DFID's formal exchange, including consideration of partner's documentation.

Compliance tasks

1. You must refer to both links under Processes and Tools : Aid Spending: Which Formal Exchange to use with development partners? -Text and Aid Spending: Which Formal Exchange to use with development partners? - Flowchart.

Task assigned to: Project staff

2. All proposals for Non-Grant Financial Instruments (NGFIs), Trusts or Endowment Funds must be submitted to FCPD Service Desk for clearance before any formal submission is made (see Processes and Tools).

Task assigned to: Head of Department, Project staff

3. Where using DFID's format, staff must download the Formal Exchange templates from Office templates available on Word (in the folder File>New>Templates on my computer>More>Project Management for MoUs and Financial Management for the Accountable Grant Letter)

Task assigned to: Project staff

4. All Formal Exchanges, once signed by partners, must be saved in Quest in the appropriate project live folders.

Task assigned to: Project staff

Risks of non-compliance

- DFID funds could be used for purposes other than originally intended and lead to fraud or non-

compliance with the International Development Act 2002

- Confusion as to the responsibilities of DFID and the recipient
- Waste of resources negotiating Memoranda of Understanding (MoUs) when there are accepted templates available.

B6. Managing Portfolio Performance, Monitoring, Reporting and Review

Background

Regular and effective monitoring, reviewing and lesson learning are key to how DFID measures the performance of its aid programme, including the results we expect to achieve and the delivery of Value for Money (VfM). All project reviews are routinely published in keeping with DFID's transparency commitments.

How we monitor and review our projects, including our approach to project scoring, is important since it allows us to establish progress against planned Outputs and the Outcome in an objective and transparent way. Fundamental to our approach to monitoring is the setting, at project design stage, of realistic results we actually expect to achieve through the project. The DFID Business Case underpins this approach. Annual scoring now measures what we have actually achieved over the last year, compared to what we expected to achieve.

Monitoring and reviewing also provide a means of:

- a. encouraging ownership and participation through working closely with project partners and other stakeholders.
- b. ensuring the funds of DFID and those of partners and other donors are used effectively and efficiently to deliver outputs/outcomes within the agreed budget

c. ensuring that evidence of what is, and what is not, working and important lessons are better understood so that we can apply and share knowledge across DFID for future project design and implementation.

Each review captures information on the degree to which the results are being achieved, how the actual costs compare to financial forecasts, the strength of the evidence base, a review of the risks and a Value for Money assessment. This information and other portfolio quality measures are reported in the Quarterly Management Board Report (QMR), the DFID Annual Report (AR) and other corporate reports.

DFID records project performance data in ARIES. The Head of Department/Overseas Office is responsible for ensuring that all data entered are relevant, accurate and up to date.

Compliance Tasks

Regular monitoring

1. All projects should be monitored regularly. Those reviewing projects must ensure that the Monitoring Strategy, as set out in the Management Case of the Business Case, and the logframe, provides a strong basis for assessing the Impact, Outcome and Outputs of the project and helps with the assessment of Value for Money.

Task assigned to: Project Staff

2. Teams should regularly review the measures to manage and mitigate risks identified in the Business Case and specific project risk assessment. New and emerging risks should also be identified in line with the Guidance on Risk Management in DFID.

Task assigned to: Project Staff

Project Reviews

3. It is mandatory for all projects, irrespective of value, to be reviewed and scored annually and at project completion. Projects of between 12 and 15 months duration do not require both a separate Annual and Project Completion Review (PCR) - such projects just require a PCR.

The first Annual Review must be completed within one year from the approval date in ARIES and annually thereafter by the same due date.

Task assigned to: Project Staff

4. The standard AR and PCR templates must be used for each review. Once completed they must be stored, with the correct content type, and then declared a record in Quest to meet our transparency commitments.

Staff must download and use the specific Annual Review or, Project Completion Review templates from office templates on Word (under File > New > Templates on my computer > More> Project Management, and then select the appropriate form). This downloading must be done each time. Old ones should not be filed and reused.

Task assigned to: Project Staff

5. Key information from the AR and PCR templates must be entered in the ARIES Project Performance

Tab for each review.

Task assigned to: Project Staff

6. Heads of Department/Overseas Office must ensure the quality and accuracy of the data entered in ARIES. This is in addition to the quality assurance checks undertaken by Project Staff.

Task assigned to: Head of Department, Head of Overseas Office

Project Completion Reviews (PCRs)

7. Completion of the PCR template, ARIES inputs, and Quest document storage / publication issues follows the same requirements as for Annual Reviews (see Compliance Tasks 3 to 6 above).

A PCR must be completed for all projects, unless (exceptionally) an exemption has been granted. A PCR will be required where DFID is working as part of a multi donor funded arrangement and is not the lead donor; where appropriate drawing on performance reports produced by partners as the basis for the assessment.

ARIES will alert Programme Staff when a PCR is due (three months before the project end date). A PCR will not be considered as "overdue" in DFID's portfolio quality statistics provided it has been completed within 3 months of the actual due date.

Task assigned to: Head of Department, Project Staff

8. Those projects below £1m that were approved prior to the Business Case coming into force (January 2011) and which will cease after January 2012 must be reviewed through a simplified PCR assessment in order to meet our transparency commitments. A brief Intervention Summary titled "Intervention Summary PCR for projects below GBP 1m and approved prior to January 2011" template is available for such projects.

Task assigned to: Head of Department, Head of Overseas Office

9. Approval to exempt a project from either an Annual Review or PCR will be very rare and must be given by Head of Department/Overseas Office.

Reasons for exemption are:

- Next Annual Review due date is within three months on the Project Completion Review due date
- Project is under £1m in value and was approved before 1 Jan 2011
- Project duration is less than 15 months
- Project is for debt relief
- Core contributions to a multilateral organisation can be exempt once the replenishment period has finished or once all deposits have been made, whichever is later

- EC attribution

Before seeking approval to exempt a project from a AR/PCR the exempt justification field must be completed in ARIES.

Task assigned to: Head of Department, Head of Overseas Office, Project Staff

10. Approval to defer an Annual Review must only be in exceptional circumstances and must be given by the relevant Director-General. Reasons for deferring an Annual Review could be:

- To align with the reporting schedule of partners
- To align with the timetable for data being available
- To meet a new timetable as a result of a Programme Improvement Plan
- To set the Annual Review date to be 12 months from the last Annual Review
- Other – to be specified

Annual Review deferrals will be for 3 months. An AR must not be deferred more than once. When requesting an AR deferral you must confirm the "deferral justification" field in ARIES and include the QUEST document number which contains the Director-General's approval.

Task assigned to: Director-General, Project Staff

11. Approval to defer a PCR must also be given by the relevant Director-General and must only be granted where there will be a delay in obtaining all the required evidence or information on which to undertake the complete analysis for the final review.

PCR deferral will be for 3 months. A PCR must not be deferred more than once. When requesting a PCR deferral you must confirm the "deferral justification" filed in ARIES and include the QUEST document number which contains the Director-Generals approval.

Task assigned to: Director-General, Project Staff

Risks of non-compliance

- Projects do not achieve the planned results and benefits for the poor
- DFID funds could be used for purposes other than originally intended and lead to fraud or non-compliance with the International Development Act (IDA) 2002 or the Human Rights Act (HRA) 1998
- UK taxpayers funds not spent as intended
- Parliament incorrectly informed of DFIDs performance
- Lesson Learning severely curtailed
- Reputational damage to DFID and UK Government