

National Audit Office

DEPARTMENT FOR INTERNATIONAL DEVELOPMENT
Operating in insecure environments

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CONTENTS

SUMMARY	4
PART ONE	
DFID's aid in insecure environments	8
PART TWO	
Adapting aid programmes to the demands of insecure environments	14
PART THREE	
Managing staffing and resources in insecure environments	27
APPENDICES	
1 What is an insecure environment?	34
2 Study methodology	36
3 Afghanistan	39
4 The Democratic Republic of Congo	42
5 Nepal	45
6 Sudan	48
7 Research on and experience of aid in insecure environments	51
8 Selected data on country programme administration costs in insecure countries	55
ENDNOTES	61



SUMMARY

1 Many of the poorest countries in the world are affected by insecurity and violence (Appendix 1). Over 50 countries have experienced violent conflict within the last decade. Where a government cannot assure the security of its citizens it is rarely able to tackle poverty effectively and insecure countries are lagging behind other developing countries in their progress against poverty reduction goals. Insecurity has human and economic impacts, both for affected countries and their neighbours. Many insecure countries also receive lower levels of aid per capita than stable countries. These are good reasons to provide assistance in insecure countries but there are also difficulties and risks.

2 This report examines how the Department for International Development (DFID) works in insecure environments, ranging from some of the world's most insecure countries where armed conflict is still present and stabilisation is required, to less insecure contexts where donors may have more scope to engage in long term development projects. It examines what DFID is achieving and how it designs and manages its programmes, including dealing with risks to its staff. We define insecurity by reference to the incidence of political violence and the level of threat to aid workers. Our work included four country case studies, literature and documentation review, data analysis and surveys (Appendix 2).

Our findings:

On DFID's increasing interest in insecure environments

3 DFID has more than doubled its support to insecure countries within the past five years and plans further increases. In 2007-08 it spent over £1 billion, or 46 per cent of its bilateral expenditure, in 19 countries with significant insecurity. DFID has also diversified its expenditure in insecure environments so that long term development projects now outweigh its humanitarian expenditure there. DFID spends around five per cent of its country programme budgets on administration costs. DFID's increases in expenditure in insecure environments followed its decision to increase support to 'fragile states' and conflict prevention. Post war recovery in countries emerging from conflict in the 1990s, such as Rwanda and Mozambique, also encouraged DFID to increase aid in currently insecure countries. It has been ahead of many other donors in recognising the importance of assisting insecure and often previously under-aided countries. As well as increasing its expenditure, DFID has encouraged other donors to work in some previously neglected countries and actively promoted coordination there.

On what DFID expenditure has achieved in insecure environments

4 The overall context is that income poverty has not yet reduced in most insecure environments, although there has been progress against some important indicators, such as those for health. Progress in reducing insecurity has been mixed and its damaging effects hinder poverty reduction in affected countries. DFID has invested in security stabilisation in some previously insecure countries, helping to disarm warring factions and establish the conditions to address poverty. At project level DFID is achieving results in difficult circumstances, working closely with governments and other donors in priority sectors such as infrastructure, governance and conflict prevention. Despite the high risk, complex situations and experimental nature of many of the projects it has funded in insecure environments, we saw examples of projects which had achieved tangible benefits for poor people in all the countries we visited.

5 DFID rated around two thirds of its development expenditure in insecure countries as achieving all or most of its objectives, compared with around three quarters in secure countries. In the most insecure countries, around half of development expenditure achieved these ratings. Around 87 per cent of humanitarian expenditure was rated as achieving all or most of its objectives in highly insecure countries, not far behind success rates elsewhere. In highly

insecure countries DFID has increased the proportion of assistance provided through development projects from 41 per cent of its country programmes in 2002-03 to 59 per cent in 2006-07. Much of the increase has been in governance and economic sectors, both of which are priorities in many insecure countries. But projects in those sectors performed less well in the most insecure countries than elsewhere. DFID has engaged in riskier or experimental projects in high risk contexts – many of which are unstable and operationally challenging – with a view to securing long-term benefits. Its average project success scores there declined as it did so.

On the design and management of country programmes

6 DFID's rationale for working in insecure countries is clear but its operational guidance is less developed. DFID country teams in most insecure countries assess the extent and nature of conflict, but these assessments rarely make explicit links to programme choices and management. There is guidance on the merits of different types of aid in different environments. But DFID has not so far made enough use of its staff's experience in the field to feed into more practical advice; on adapting preferred approaches to highly insecure situations, collating security information to inform risk assessments and programme management. There is also little guidance about ensuring that individual projects and whole country programmes have no negative side-effects for insecurity or conflict. Although some projects clearly addressed sensitivities, such as targeting of aid on particular groups, country teams are not yet consistent in how they assess and respond to problems of insecurity. We found that other important elements of good project design in insecure environments included setting realistic objectives and timeframes, retaining flexibility and explicit consideration of long-term viability.

7 DFID uses a range of partners, including developing country governments, multilateral agencies and non-governmental organisations, to deliver its projects. Research on the relative effectiveness of different partners in insecure environments is limited. At country level DFID does not have a consistent and thorough approach to assessment of the relative strengths and weaknesses of different potential partners. Two thirds of the projects we reviewed had problems arising from weak partner capacity. In managing and monitoring its aid DFID considers risks at various levels although the quality of risk assessment in project design varied widely. DFID has to balance the need to monitor project progress with the risks of travel in insecure areas. It has however encountered poor performance and corruption by its partners and in some cases was slow to identify such problems due to limited project monitoring.

On managing staff resources and costs

8 DFID staff are committed to delivering assistance in challenging circumstances. While staff express satisfaction with the skills of senior managers in country teams in insecure environments, there are still difficulties in building skilled and experienced teams. DFID has nevertheless been able to staff local offices in a range of insecure environments and in some cases it has more people on the ground than other donors. Issues such as high staff turnover, limited experience and staffing gaps remain challenges for DFID teams as they manage increasing budgets in insecure environments. DFID had not given security management sufficient priority when we began our study. Its approach to date in managing security and risk has varied between country teams, which led some staff to feel inadequately protected. But fully implementing the recommendations of a recent internal review should help DFID to tighten its security arrangements. DFID does not systematically collate or analyse the extra costs of running its business in insecure environments.

Value for money:

9 DFID's staff have worked hard in adverse circumstances and have delivered benefits for the poor. Achieving development in insecure environments is more difficult and requires different approaches compared with work in secure countries. DFID needs to ensure all its programmes in insecure environments are sufficiently adapted to the difficult context, in terms of both design and management. Learning has been hindered by incomplete project reporting. Quicker and fuller dissemination of the lessons from front-line experience will help DFID to improve the effectiveness of its aid there. The theoretical guidance which underpins DFID's policy needs to be complemented by practical guidance on security issues, drawing on lessons learned from different countries. DFID is now starting to improve its approach to security management and to attracting staff to work in difficult environments. Its management information on the human and financial costs of operating in insecure environments has been limited, and it needs to develop stronger comparative analysis and management of its administrative and security costs.

10 We make the following recommendations:

- a** **There is limited research and experience on delivering effective aid in insecure environments, so the information on which DFID is able to base its decisions is weak.** DFID should, with other development partners, continue to promote further research and evaluation of different ways of delivering aid in insecure environments. The emphasis of this work should be on practical approaches which work well in insecure situations, such as effective use of risk assessment and management to support staff to deliver projects safely in insecure areas. All annual and final project reports need to be completed and lessons on working in insecure environments should be well disseminated across its network.
- b** **DFID staff do not have enough practical guidance on working in insecure environments.** DFID should use the results of research and experience of its own projects to provide more practical guidance to its teams. This guidance should help teams to:
 - make better use of information on the actual security situation to inform their operational decisions, such as when insecurity makes the financial and practical risks of an approach unacceptably high;
 - inform their country programmes through conflict assessments which analyse the risk that aid, by benefiting some more than others, could increase inter-communal tensions and therefore insecurity; or that insecurity could impair the effectiveness of different aid mechanisms;
 - ensure the design and day to day management of projects and overall programmes have no negative implications for security.
- c** **Weak partner capacity has undermined effectiveness in some insecure countries.** DFID should establish a consistent approach to assessing potential partners' capacity to operate in insecure places when considering their suitability to deliver services there. Where partners have less capacity than needed, DFID should provide capacity-building assistance before scaling up its funding. It should increase its use of leverage from central funding contributions to encourage multilateral partners to increase their capacity in key countries.

- d Successful projects have good design features that should be applied more consistently.** DFID should ensure that the design of all bilateral projects in insecure environments includes:
- realistic objectives capable of being monitored and a realistic timescale;
 - a thorough risk assessment; in particular how all projects and programmes could affect insecurity or be affected by it, including monitoring the impact of aid on different groups;
 - consideration of the prospects of longer term success and how the project will be reviewed after completion to learn lessons arising and to assess sustainability.
- e Monitoring in insecure environments is difficult, but DFID needs to identify and respond to problems as early as possible.** Improvements should include more consistently:
- requiring implementing partners to provide details of how their oversight will be sufficient to identify and report irregularities before agreeing funding; periodically checking this oversight by conducting visits; and sharing the results of visits with other donors where possible;
 - requiring multilateral organisations to provide DFID with a similar level of detail in progress reports as non-governmental organisations;
 - disseminating innovative approaches to monitoring in insecure environments, such as using video footage or sharing transport for planning and monitoring visits with other donors.
- f DFID needs better management information on its costs to inform its decisions and achieve value for money.** To supplement improved information collection on results and experience of DFID's work in insecure environments DFID should collect better information on its costs to allow it to assess the relative risks and costs of operating in different environments. It should also seek to get the most out of its administrative inputs by:
- adopting a consistent approach to recording administrative and security costs;
 - obtaining data on the costs for other donors and UK government departments in each country and seeking to identify opportunities for cost savings and sharing, with consistent and transparent apportionment of costs;
 - promoting staff retention and productivity through better facilities and support for individuals who work in insecure environments.
- g DFID is now starting to give security management sufficient priority.** In responding to the findings of its recent internal review of security DFID should prioritise:
- increasing the level of senior staff oversight, to give security greater priority;
 - strengthening the oversight role of its central security team, including collecting, monitoring and analysing data on the extent, cost and quality of security arrangements in each country;
 - critically comparing DFID's own security costs and arrangements to those of other development partners in each aided country to ensure it is getting value for money;
 - setting guidance for country teams on the security levels they must attain and on their responsibilities to partners, including contractors and grantees;
 - making better use of practical innovations in risk management, such as the creation of the Risk Management Office in Nepal; and
 - redrafting its security manual to reflect the findings of its security review.



PART ONE

DFID's aid in insecure environments

1.1 In this Part we examine the progress to date of insecure countries in reducing both violence and poverty and the overall results of DFID's projects in insecure environments. We compare the results of DFID's projects there to those in more secure environments.

1.2 Insecurity, including war, armed conflict and communal violence can cause death and displacement, destroy communities and their livelihoods and exacerbate poverty. Armed conflict directly affects half of the world's poorest countries, with a number of other poor countries also suffering from localised or political violence.¹ So tackling poverty in insecure countries is important in meeting the United Nations' Millennium Development Goals adopted by the international community.

1.3 Insecurity also has major economic costs. On average the annual economic costs of civil war outweigh the £50 billion given as global development aid.² Estimates put average losses to annual economic growth rates during conflict at two percentage points.³ If sustained over the average length of a modern conflict this is likely to lead to a 30 per cent increase in poverty rates. And in some cases, conflict causes economic decline and development gains can be reversed. Neighbouring countries often experience refugee movements with associated economic and social impacts, and a slower annual growth rate.⁴

1.4 Localised insecurity can also retard national development, diverting government expenditure from social to military sectors and reducing investor confidence. In Ethiopia, the border dispute with Eritrea contributed to food insecurity across the country.⁵ In Kenya, two bouts of election-related violence in the 1990s contributed to a halving of economic growth rates and a near halving of the domestic investment rate. In that period the proportion of Kenyans living in poverty increased by ten percentage points.⁶ The economic and wider impacts of the 2008 election-related violence have yet to be fully understood.

1.5 There are sensitivities and practical difficulties in delivering aid in insecure contexts – many of which may be politically charged and unstable. In the past some aid has worsened conflict by becoming a valuable commodity which belligerents fight to control.⁷ Risks to aid effectiveness are high, particularly where conflict is ongoing and the outputs of aid spending may be damaged. For example in the Palestinian Territories £21.7 million worth of European Commission infrastructure projects were destroyed by conflict between 2001 and 2008.⁸ The risk of corruption also increases where aid workers are not able to monitor programmes closely. And there are risks to the welfare of aid workers: since 1997 around 500 aid workers – including non-governmental organisations, United Nations officials and donors – have been killed in the line of duty worldwide and another 500 have been kidnapped or injured.⁹

1.6 Some insecure countries receive significantly less aid than other poor countries. The Organisation for Economic Cooperation and Development noted that 10 of 14 countries which were particularly under-aided were insecure.¹⁰ Deterioration in under-aided countries may have detrimental impacts on neighbouring countries where DFID does provide assistance.¹¹ Government and donor funding is not always distributed evenly within countries, sometimes for security reasons, which can exacerbate poverty. In Uganda, the insecure part of the country has historically not received the level of support through government systems commensurate with the greater need there. And in Yemen the Government and donors have variable access to some areas in the north.

1.7 **Figure 1** explains how we defined insecurity in the study, nine of the 19 countries were defined as highly insecure. Our field visits and file review concentrated on this category but the findings have relevance to all countries, not least because security can rapidly deteriorate.

DFID's increasing emphasis and expenditure

1.8 DFID is responding to humanitarian need, the economic costs of insecurity and the need to reduce poverty in insecure environments by increasing its emphasis on conflict prevention and on supporting 'fragile states' – a category of countries which includes many insecure countries.¹² DFID's new focus on fragile states is in contrast to earlier approaches which led to aid being concentrated on the 'better performing' or 'more effective' states. DFID has been at the forefront of

1 Insecure countries as defined by two proxy indicators

Measuring insecurity is difficult given the rapidly changing nature of country circumstances and weak statistics. We used two indicators as proxies for the level of insecurity using data as at 2007:

- 1 The number of deaths due to political violence – a proxy for the level of general insecurity
- 2 The United Nations' country security assessments – a proxy for the level of threat to aid workers

We used these indicators to identify two categories of insecure countries. We only included countries where annual DFID bilateral country assistance was more than £5 million. Appendix 2 gives further details.

Highly insecure (Category A) countries	Other insecure (Category B) countries
Afghanistan	Ethiopia
Burundi	Indonesia
Democratic Republic of the Congo	Kenya
Iraq	Nigeria
Liberia	Pakistan
Nepal	Sierra Leone
Palestinian Territories	Sri Lanka
Somalia	Uganda
Sudan	Yemen
	Zimbabwe

Source: National Audit Office

NOTE

The categorisation is based on the indicators available in 2007 and does not reflect recent events such as those in Kenya or Zimbabwe. For countries such as Pakistan there are specific threats to UK nationals which may not be fully reflected by broader indicators on threats to aid workers or general violence.

a wider move within the donor community to support previously neglected countries and work in more difficult environments with more fragile governments. Its 2005 policy called for more effective working in fragile states, based on better donor coordination, prioritisation of governance reforms and finding new approaches to service delivery.¹³ It also identified progress in post conflict countries such as Mozambique as a reason to expect that aid would be effective in currently fragile states. It followed this with increased commitments to prevent and respond to violent conflict, tackle the underlying causes and to ensure that development work has no negative side effects for conflict, but rather, contributes to peace.¹⁴ Its policy also emphasises the linkages between insecurity and poverty.¹⁵

1.9 DFID's increased commitment to fragile states and addressing conflict has led it to expand significantly the size and number of its programmes in a range of insecure countries. While DFID's overall country programme expenditure increased by 68 per cent between 2002-03 and 2007-08, across insecure countries it increased by at least twice that rate. DFID's expenditure in insecure environments increased from £378 million (28 per cent of total bilateral assistance) in 2002-03 to over £1 billion (46 per cent) by 2007-08. More than two thirds of this expenditure is on development programmes rather than humanitarian assistance. Some of the biggest planned increases were in previously under-aided countries. For example, DFID has increased aid to the Democratic Republic of Congo five-fold since 2002-03. DFID is also increasing its aid to insecure countries faster than most other donors. DFID plans to increase expenditure in insecure environments further, reaching £1.28 billion in 2010-11 (**Figure 2 on page 11**).

1.10 In addition to increasing its expenditure in insecure countries, DFID has undertaken research and international lobbying to influence others. The Department has established a fragile states team which has produced a series of working papers for country teams on working in fragile states. DFID has also tried to influence policy at international and country level through:

- helping to promote the importance of fragile and conflict-affected states in international aid fora such as the Organisation for Economic Cooperation and Development where it co-chaired the working group on fragile states and drafted the group's guidelines on operating there; and
- encouraging other donors and agencies to re-examine their aid allocations to such countries.

1.11 DFID funding to insecure environments through multilateral agencies has also increased, though not at the same rate as DFID's bilateral expenditure. Multilaterals now allocate a greater proportion of their funding to insecure environments. Overall DFID increased its funding of multilateral agencies from £1.4 billion in 2002-03 to over £2.1 billion in 2006-07. The share of DFID's multilateral contributions spent in the same insecure environments (Figure 1) rose from 24 per cent in 2001 to over 30 per cent in 2005. The increase was greatest for highly insecure countries, where expenditure more than doubled.¹⁶

Progress in reducing poverty and insecurity

1.12 Despite the rapid increases in DFID's expenditure in insecure environments, achieving results is often most difficult in these countries because of low capacity of the country and potential partners, difficulties in reaching the affected areas, and the risk to longer term sustainability where violence is ongoing. We looked at progress in these countries. Progress against key indicators of poverty or security in insecure environments globally and in the countries in which DFID works has been limited. And programmes in highly insecure environments have on average not performed as well against their objectives as the rest of DFID's portfolio.

Overview of trends in security and poverty in insecure countries

1.13 The number of major armed conflicts has decreased between 1998 and 2006. DFID has directly supported conflict resolution in some countries including Sierra Leone and Sudan. The picture on general insecurity has been mixed. Between 1996 and 2006 political instability and violence improved in most of the secure countries in which DFID works, but improved in only a third of the insecure countries in which it has programmes, according to the World Bank's Worldwide Governance Indicator on political stability and absence of violence.¹⁷ Progress on the World Bank's indicator on the rule of law suggests improvements in around half the insecure countries, a similar proportion to that in secure countries in which DFID works.

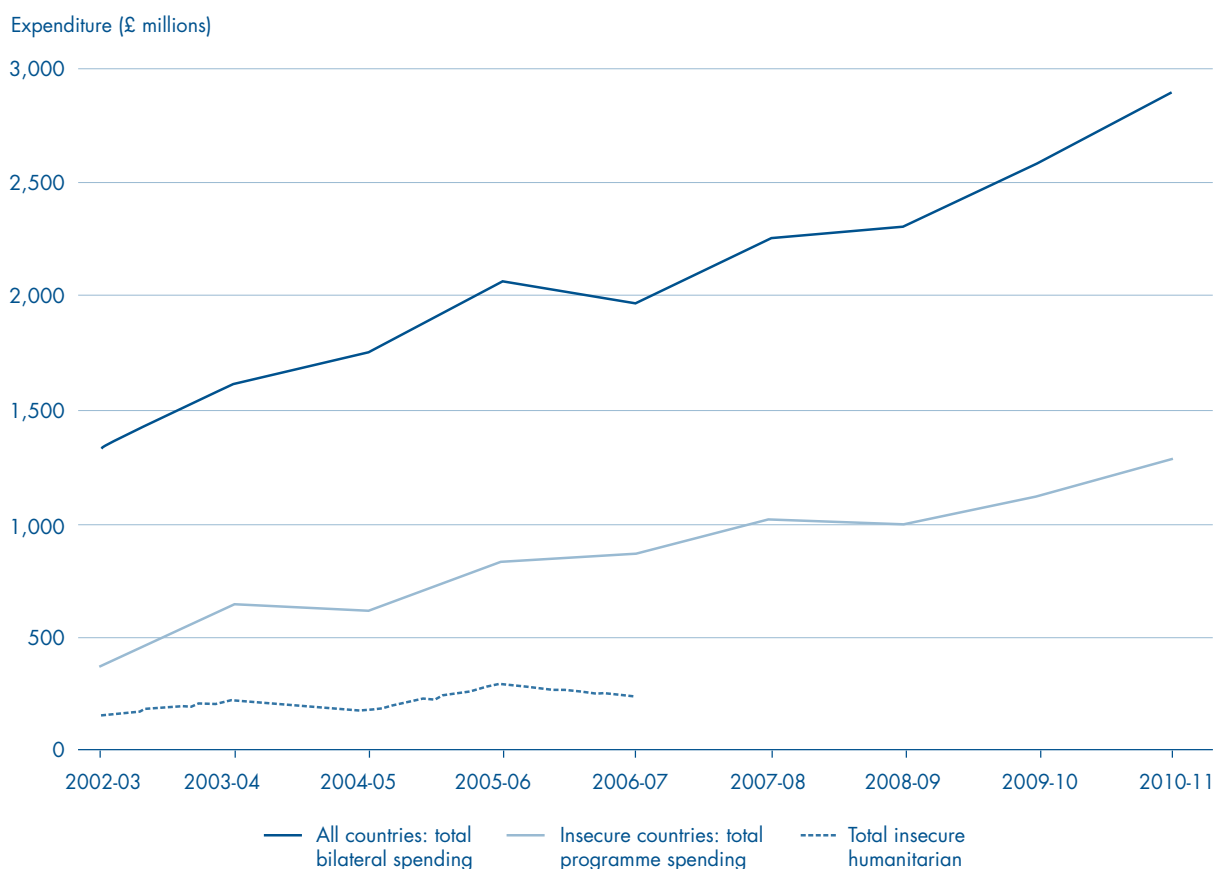
1.14 Overall donor support to insecure countries has historically been low and some countries remain under-aided. Progress in tackling poverty in currently insecure countries has been poor, with only two currently on track to achieve the Millennium Development Goals by 2015. Where data is available for the countries where DFID works, key indicators on poverty and under-nourishment show limited progress or deterioration in many insecure countries, in contrast to better progress in secure ones (Figure 3). Some other important intermediate indicators show more progress, for example against health targets. Such progress can take time to affect overall poverty levels. There has, however, been progress in countries such as Rwanda and Mozambique which were highly insecure some 15 years ago, but have seen relative security since then.

1.15 National data can hide differences in insecurity within a country. People in insecure parts of a country are less likely to benefit from development gains than those in safe areas. For example in the Democratic Republic of Congo one health project operating in different regions of the country was able to deliver only 17 per cent of the target for drugs in conflict-affected areas, while delivery rates to the safer areas were over 80 per cent. And in Ethiopia DFID committed £70 million to a "Safety Nets Programme" between 2005 and 2007. However, by 2008 this programme was not rolled out to the Somali region as planned in part due to insecurity there. In the insecure north-eastern part of Uganda armed cattle raiders have disrupted local markets, destroyed livelihoods, ruined health and education infrastructure, killed some public workers and driven others away. The district was ranked bottom in the country for health sector performance.

Progress in four case study countries

1.16 We visited four insecure countries in which DFID has worked for at least four years: Afghanistan, Democratic Republic of Congo, Nepal and Sudan (see Appendices 3-6). Of the four countries, three were not on track to meet any of the eight Millennium Development Goals and Nepal was on track to meet four. World Bank Worldwide Governance Indicators show that between 1996 and 2006 political stability and security also worsened in Afghanistan, Nepal and the Democratic Republic of the Congo.

2 DFID current and planned bilateral expenditure in insecure countries



Source: DFID Statistics for International Development and estimates from country teams

NOTE

Figures from 2008-09 onwards are based on DFID's plans as at 2008. Predicted humanitarian expenditure by country is not available. The fluctuations in insecure country expenditure in 2004-06 are largely due to the bunching of two years funding to Iraq in one financial year.

3 Change against key indicators of poverty in secure and insecure countries where DFID works

Indicator	Number of highly insecure countries showing improvement (category A – see Figure 1)	Number of other insecure countries showing improvement (category B – see Figure 1)	Number of secure countries where DFID works showing improvement
Per cent of population below \$1 per day 1990-2004	● Insufficient data	● 3 countries out of 7	● 6 countries out of 8
Per cent of population below the national poverty line 1990-2005	● Insufficient data	● 1 country out of 7	● 8 countries out of 8
Per cent of population undernourished 1991-2002	● 2 countries out of 6	● 9 countries out of 10	● 10 countries out of 12

Source: United Nations statistics

NOTE

The table shows countries where positive progress has been made. It does not necessarily mean that the countries are on track to fully meet the Millennium Development Goal. We have used available data for insecure countries but some data are not available. There are also limitations to the data for some countries. The secure countries are those included in DFID's Public Service Agreement.

1.17 Despite the lack of progress against high level country poverty indicators, at individual level DFID reported that its projects and programmes have often achieved good results in difficult circumstances. Our fieldwork broadly supported this and though success rates varied between countries we saw examples of successful projects in all four. More information about the four country programmes is given in Appendices 3–6 but examples of reported results of DFID projects include:

- In South Sudan DFID’s support to the “Education for Peace” programme enabled the United Nations Children’s Fund to deliver educational materials to 2000 schools and to repair buildings and install sanitation facilities in 90 per cent of targeted areas, despite ongoing security problems. These visible benefits of peace in areas long affected by insecurity may have helped to deepen support for the peace process.
- In the Democratic Republic of Congo DFID contributed £20 million to support the election process in 2006–07. The pooled humanitarian fund to which DFID contributed £60 million is estimated to have assisted over four million people, including vaccinating 1.2 million children, and treating 70,000 children in feeding centres.
- In Afghanistan DFID support to the government through the Afghanistan Reconstruction Trust Fund has helped build capacity in the government. The fund provides the wages of over 200,000 public servants each month. Support has also allowed the government to provide visible basic services to villages, giving it more credibility among local populations. DFID has also supported a basic infrastructure programme operating in each province (Figure 4).
- In Nepal DFID’s micro-enterprise development programme has provided micro-credit to over 3,000 entrepreneurs and its rural access programme supported the construction of over 400 kilometres of rural roads. DFID contributed £3 million to a multilateral polio eradication programme; Nepal has since been certified polio free.

Results of DFID projects and programmes

1.18 We examined the Department’s scores for its projects and programmes in insecure countries to identify trends. These scores assess how far projects succeeded against the original objectives. We found

that 87 per cent of humanitarian expenditure, which is usually short term emergency assistance, was assessed as completely or largely achieving its objectives in insecure environments.¹⁸ Scores for humanitarian projects in secure countries were similarly high. We found humanitarian projects often had a tightly defined scope and objective – factors generally associated with project success. Between 2002 and 2007, DFID spent an average of 44 per cent of its country programmes in highly insecure countries through humanitarian assistance¹⁹ compared with approximately three per cent for secure countries. In the same period the humanitarian share of spending in the most insecure countries has declined from 59 per cent to 40 per cent.

1.19 Development projects include a range of long-term interventions from service delivery to capacity building. Overall two-thirds of DFID’s development projects in all insecure countries achieved all or most of their objectives, a similar proportion to achievement in secure countries. But development projects, particularly higher expenditure ones, have been less successful in the most insecure countries. As a result some 50 per cent of DFID’s

4 National Solidarity Programme funded project in Danishmand village, Kabul province

In the four years up to March 2008 DFID provided just under £40 million to the Afghan Government’s National Solidarity Programme. This programme aims to strengthen community level governance and support community managed projects that improve the access of rural communities to infrastructure and services.

We visited a project in Danishmand, a village of 450 families in Kabul province. The elected Community Development Council had spent the National Solidarity Programme funds on three projects:

- an electricity generator which provided power for 80 per cent of the village;
- a health clinic (staffed by Red Crescent medical professionals) so villagers no longer had to travel six kilometres for healthcare; and
- six shallow well water pumps to provide safe drinking water. The water pumps and the health clinic had helped the village to halve the number of dysentery cases.

Beyond the three projects the Community Development Council in Danishmand has acted as a catalyst for further development. For instance, the community has expanded the primary school to include secondary pupils. The Council meets every Friday and now plays a role in settling local grievances.

Source: National Audit Office visit

development expenditure in highly insecure countries achieved all or most of its objectives, compared with around three-quarters of expenditure in secure countries. Projects in the economic and governance sectors performed 19-26 per cent below the average for those sectors in the most insecure countries. Such projects are often wide ranging in ambition and hard to deliver in highly unstable contexts, but could offer large development gains if they led to better developing country policies and increased capability. In less insecure countries, or those insecure only in parts, economic projects performed well.

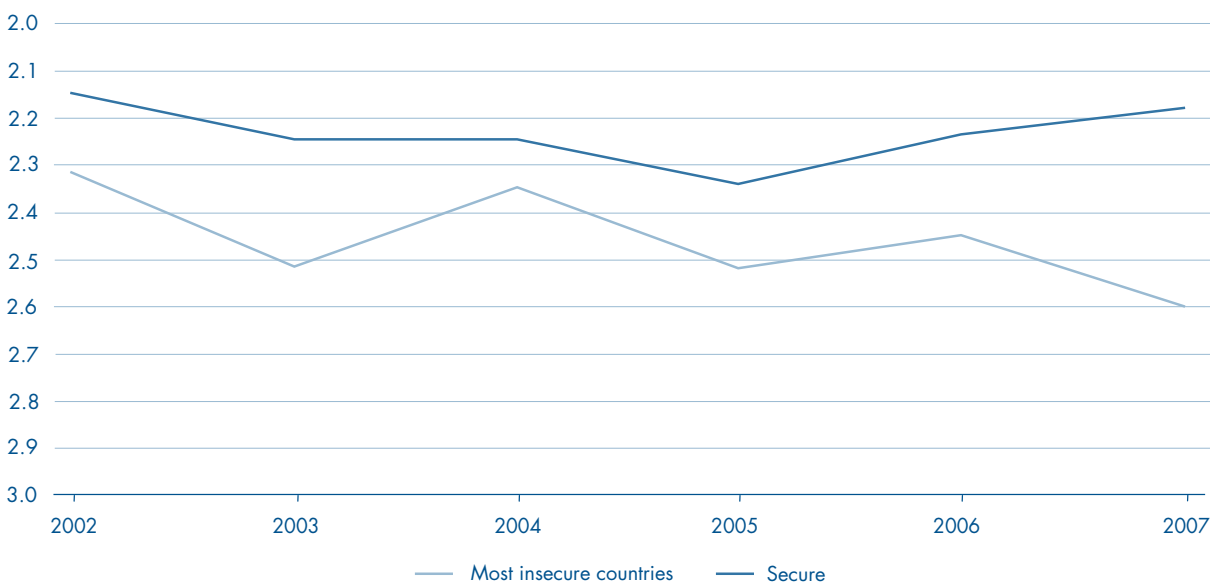
1.20 While on average scores for all DFID projects and programmes have improved over time, scores for development projects in highly insecure countries have worsened (Figure 5). The deterioration coincides with the Department's conscious decision to increase and diversify its expenditure in highly insecure environments, to take higher risks and to experiment. DFID is scaling up

its development assistance in highly insecure countries rapidly: between 2002 and 2007 the increase was more than threefold. The rate of increase within the economic and governance sectors was tenfold in the most insecure countries. In the same period it increased its humanitarian assistance there by two thirds. DFID is increasing its expenditure on development in very insecure countries because it hopes to secure better long-term impacts, promote peace and stabilise the government.

1.21 While comparing across groups of countries is difficult, given different contexts, these findings indicate that high levels of insecurity have affected achievement, particularly of some types of projects. Indeed DFID staff noted insecurity had contributed to problems in two fifths of the projects we reviewed. But as stated in paragraphs 1.8-1.9 DFID intends to continue to increase its expenditure in insecure environments. Part 2 draws from existing experience in insecure environments to support DFID to improve its future projects' outcomes there.

5 Changes in DFID's project scores (low number represents better result) 2002-2007

Average project score



Source: National Audit Office analysis of DFID's project database

NOTE

This graphs plots all projects for which project completion scores are available excluding humanitarian assistance. Average scores are based on DFID assessments in which a lower number indicates greater success. We have used a central moving average to smooth out short-term fluctuations, highlighting longer-term trends. DFID exempts some projects from requiring project completion reports, including those worth less than £1 million. However, not all projects which should have been scored, were. The number of projects in insecure environments has increased over the period, so that the population size in 2007 is larger than in 2002.



Adapting aid programmes to the demands of insecure environments

2.1 This Part examines DFID's programme management, looking at DFID's approach in insecure environments against good practice criteria and draws out lessons to help improve effectiveness there. Appendix 7 sets out the criteria used in more detail. We review DFID's approach under the following themes:

- Linking the design of DFID's aid programme to capacity. This includes the capacity of the country to make effective use of aid and of individual organisations to deliver projects.
- Matching ways of delivering aid to country circumstances. Here we stress the importance of balancing short and longer term needs, choosing the right types of aid and prioritising which sectors to support.
- Managing and monitoring aid. This covers the importance of good project design and risk assessment, sensitivity to the implications of and for conflict, monitoring and increasing coordination.

Linking the design of DFID's aid programme to capacity

2.2 We identified two main aspects which research and experience indicate are important in making the most of limited capacity to deliver aid in insecure countries (Appendix 7).

- Assessing country capacity to make effective use of aid and using the results to inform decisions about the volume and timing of aid. Capacity to use large amounts of development aid effectively may be limited in insecure environments.

- Assessing potential partners' capacity to deliver DFID's projects and using the results to inform decisions on the choice of partners and on capacity building needs. Poor partner capacity is a frequent cause of poor project performance in insecure environments.

Assessing country capacity to spend aid

2.3 DFID's allocation of resources to each country programme is guided by a simple theoretical model, complemented by other considerations. The model uses income and overall population size as a proxy for the extent of need, and World Bank Country Policy and Institutional Analysis data as a proxy for government capacity to use aid effectively. This model has led DFID to increase the proportion of aid going to populous poor countries, some of which are also insecure, such as the Democratic Republic of Congo. DFID also considers overall levels of donor aid to each country, political governance and humanitarian needs as well as the commitment to prevent conflict and support fragile states. This has led DFID to give higher aid than suggested by the model to some other highly insecure countries such as Sudan.

2.4 Low capacity is often a problem in insecure environments, particularly post conflict countries (Appendix 7). There are also practical difficulties in scaling up aid programmes quickly, where experience and country and partner capacity is limited. There are macro-economic risks in providing too much aid when country capacity is very low. But aid to post conflict countries in particular can support economic growth and help stabilise governments. DFID has sometimes decided that the benefits of rapidly increasing development aid during or very soon after conflict outweigh the risks. For example:

- In Sierra Leone, DFID tripled its aid around the time when the peace accord was signed and when other donor funds were low. DFID's aid included budget support to the Government – which aimed to help it pay its arrears. Capacity was very low at this time. The World Bank's Government Effectiveness indicator indicates that between 1998 and 2002 Sierra Leone was in the bottom four per cent of all countries, far lower than other countries where DFID provided funds through government. Over the following eight years DFID's annual aid to Sierra Leone increased by around 20 per cent (Figure 6). Projects which started when DFID scaled up its assistance show a downward trend in performance scores at completion although these started to improve in 2007; and
 - In Afghanistan DFID spent under £50 million in 2001-02 of which over 99 per cent was on humanitarian assistance. Two years later DFID spent £80 million, 87 per cent of which was developmental assistance. By 2007-08 DFID's budget was over £100 million. The average score for projects starting in 2003 or later was lower than for projects beginning earlier.
- 2.5** DFID scaled up its support in the Democratic Republic of Congo later (Figure 6) though areas of the country still suffer from insecurity. DFID has found spending increasingly large sums effectively on long term development a major challenge with a weak government, limited multilateral capacity in-country, high costs and ongoing insecurity in some areas. DFID plans to continue to channel increasing funds in this way, to secure benefits over the longer term.

6 DFID's expenditure in Sierra Leone and Democratic Republic of Congo before and after the formal end of civil wars



Source: DFID expenditure data from *Statistics for International Development*. Conflict data from Uppsala University, Department of Peace and Conflict Research.

NOTE

The vertical line in each graph denotes the end of formal conflict.

The capacity of organisations in-country to deliver aid

2.6 There is a range of options for delivering aid, such as through government systems, joint donor pools, multilaterals, non-governmental organisations or other civil society organisations, or the private sector. DFID uses similar development partners in insecure countries as elsewhere. In more effective states many donors, including DFID, consider that funding through government channels is the most effective method where the government meets certain conditions. The aim is to strengthen the government systems. In insecure environments the feasibility of using a developing nation government as a partner depends on its capacity and position in any conflict. Although it seldom provides budget support in insecure countries, DFID is often amongst the first donors to agree to channel funds through government. For example DFID is the biggest bilateral donor to the Afghanistan Reconstruction Trust Fund and has committed £240 million to the Afghan Government to fund recurrent costs such as public servant wages. The World Bank helps the Afghan Government to manage the funds. But over half the country teams we surveyed said that DFID's project and management procedures needed to be adapted for insecure contexts to acknowledge the challenges of delivering in more difficult environments.

2.7 Research on the effectiveness of different development partners is limited. Multilateral or joint donor action can have particular benefits in insecure environments of adding legitimacy and minimising national political sensitivities. But DFID's traditional partners in secure countries, such as the World Bank, often have limited presence in insecure countries and vary greatly in their performance. An independent study which looked at the United Nations' and World Bank's performance in managing joint trust funds in post-crisis countries revealed different strengths and weaknesses (Appendix 7). In 2007-08 DFID's central contributions to the United Nations and World Bank were around £200 million and £490 million respectively. DFID sees both organisations as key partners in insecure environments. Through the inter-departmental Conflict Prevention Pool DFID has supported some general capacity building programmes within United Nations agencies. But some staff thought that DFID could use its contributions to multilaterals better to encourage agencies to improve their capacity in key insecure countries.

2.8 Non-governmental organisations can also be crucial in reaching regions that governments and donors cannot. For example in Nepal DFID found that only non-governmental organisations could help it deliver in some areas during the conflict. In some cases their reach is also limited. A DFID funded basic services programme was active in eight out of ten states in Southern Sudan, but coverage within states was patchy. Private companies can also play a role; but procurement of consultancy and other goods and services can be challenging in insecure countries particularly where there is a lack of interested bidders. DFID's contracts in insecure environments received on average 6.8 expressions of interest from potential bidders compared with a departmental average of 9.4 for all countries during the period 2003-07.

2.9 While there are specific examples of assessment of partner capacity, DFID has not looked systematically at potential partners in-country to make maximum use of the capacity which does exist. Such capacity could lie with other donors, multilateral agencies, non-governmental organisations or the private sector. To supplement country planning DFID has introduced Country Governance Analyses, which analyse indicators of state capacity, but do not include analysis of the strengths of other partners and the wider economy. We did not see detailed country level analysis covering the relative strengths and skills of other major potential partners in-country. A minority of insecure countries had undertaken "Drivers of Change" studies, which gave a useful overall analysis of private sector and civil society strengths but did not assess capacity in detail. DFID now requires further reasoning on the use of specific partners as part of its country programme planning, which may encourage country teams to assess partner capacity more thoroughly. And it is developing with 10 other donors a common approach to assessing multilateral effectiveness in-country.

2.10 At project level the most frequent problem identified in our project review was low capacity amongst DFID's partners (Figure 7). Finding partners with appropriate capacity is difficult since few potential partners are willing to work in highly insecure environments. At country level DFID does not systematically assess the capacity of each potential partner to deal with insecurity, although some DFID country teams considered aspects such as experience in insecure countries, while others assessed the quality of their financial plans. In some cases, inadequate assessment of partners left unidentified gaps in capacity to deliver, which in turn has hampered DFID's ability to spend its funds and therefore reduced impact on the ground. Since our visit to Sudan DFID has introduced assessments of partner capacity in funding proposals of over £500,000 there; an example of emerging good practice.

2.11 An important aspect of employing suitable and capable partners is their ability to provide themselves with adequate security. At central level DFID has funded some work on conflict analysis and security through some of its Partnership Programme Agreements with large UK non-governmental organisations. But at country level, similar arrangements were not in place, and country teams did not systematically assess the security arrangements of their implementing partners. DFID does not require information on the costs of providing security in project proposals, making it difficult to ensure that costs are

appropriate to each situation. Of the countries we visited, only DFID Afghanistan routinely and systematically looked at partners' track records, security provisions, and experience of working in post conflict environments. In Afghanistan DFID also provided technical assistance to partner organisations to improve their management of risk and staff security. In Nepal the Risk Management Office, co-funded by DFID, provided basic operating guidelines and training for non-governmental organisations operating in insecure environments (Figure 23 on page 31).

7 Limited capacity amongst DFID's partners in insecure environments

Country	Capacity issues	Impacts on delivery
The Democratic Republic of Congo	DFID deployed large sums for governance programmes through the United Nations Development Programme. But the agency was 'severely understaffed given the volume of work'. ²⁰	DFID commissioned a review of United Nations Development Programme's in-country capacity. The report found that lack of capacity had led to delays in start-up of projects and insufficient monitoring of results. It has helped identify weaknesses that need addressing to improve future performance.
Afghanistan	DFID committed £20 million to an Afghan Government counter-narcotics programme between 2005 and 2008 but the Government lacked the capacity to design and implement component projects. The United Nations Development Programme also lacked the experience to manage the fund. DFID staff later reported " <i>Politically and conceptually the idea might have been sound but the practical realities of implementing it were not</i> ".	By June 2007 the United Nations Development Programme had received £21.2 million, approved projects of £11.45 million but only £0.68 million had been disbursed. Overall progress on reducing poppy cultivation has been disappointing and cultivation actually increased in 2007.
Iraq	Starting in 2004, DFID contributed £70 million to the International Fund Facility for the Reconstruction of Iraq. The fund had two parts, one managed by the World Bank and the other by the United Nations. Neither organisation had many staff in country but DFID gave a larger proportion of funds to the World Bank based on good experience with the Bank in secure countries.	The United Nations was able to disburse funds more rapidly than the World Bank: by mid 2007 the World Bank had disbursed only 25 per cent of its funds compared with 44 per cent by the United Nations.
Sudan	DFID has contributed £49.6 million to the World Bank managed Multi-Donor Trust Fund. But the World Bank had limited capacity in-country and did not adjust its normal approach to fund management for the context. The Bank's operational procedures were too cumbersome to provide quick results to conflict-affected communities.	Slow disbursements to individual projects led to delays in service provision. And because donors stopped direct funding to non-governmental organisations before the trust fund was operational there was a reduction in existing services delivered on the ground. DFID and other donors had to set up a Basic Services Fund to plug the gap. This also faced delays leaving some gaps in service delivery.

Source: DFID project documentation

Matching ways of delivering aid to country circumstances

2.12 Each country DFID works in is different, and insecure countries are often particularly different from the countries where DFID has most experience of working. We identified three main aspects that can help ensure aid is matched to insecure country circumstances. Supporting the right priorities, through the best mechanisms, is important but learning the lessons from experience of these can help improve effectiveness. Appendix 7 provides further detail for each and good practice criteria. The aspects are:

- Getting the balance right between addressing immediate humanitarian needs and longer term development.
- Choosing the right type of aid – whether support to government systems, multi-donor pools or non-governmental or other organisations.
- Prioritising what to support – including strengthening a country's ability to make use of aid through economic and governance projects, encouraging policy reform and preventing further conflict.

Getting the right balance of humanitarian and development aid

2.13 Country teams must decide on the balance between humanitarian and development approaches. Humanitarian projects typically address immediate needs and may be easier to deliver in difficult circumstances. Development projects are intended to have longer term impacts. But there is no rigid cut off between the two approaches as humanitarian projects can involve developmental components and vice versa. Compared with many other agencies DFID has relative freedom to decide on the balance and to switch resources between humanitarian and development programmes; although DFID encourages teams to use long-term development approaches as soon as possible. But where insecurity is ongoing development projects are difficult to deliver; they may also signal support for particular parties to the conflict, such as government. New opportunities for longer term development can also arise without immediate humanitarian needs subsiding. Making a well considered selection from humanitarian and development approaches is important if gaps in basic – often life saving – assistance are to be avoided and programme success maintained. We found different approaches in the four countries we visited.

2.14 Making a quick transition. Following the 2005 peace agreement in South Sudan DFID and other donors sought to shift from a humanitarian approach to a developmental one, working closely with the new government. DFID considered that the need to establish functioning systems and institutions and work with the new government, rather than continued reliance on humanitarian assistance, outweighed the risks. But the change was made quickly leaving significant gaps in service delivery with some areas receiving less than they had under the humanitarian system (Figure 7). In Afghanistan DFID switched from a humanitarian programme to an almost exclusively developmental one in two years. It now channels most of its aid through the Government, which does not have equal levels of access or control across the country. Despite also allocating £20 million per year specifically for development in Helmand Province, Afghanistan, DFID has not been able to deliver all its planned development projects there. But the high level of insecurity in Helmand makes delivery of all types of aid, including the most basic humanitarian assistance, difficult.

2.15 Combining development and humanitarian approaches. In the Democratic Republic of Congo DFID considered the security situation in the east to rule out straightforward development activities. But it has incorporated some medium term projects into its humanitarian funding there, including in health and education. In some areas of Nepal DFID was able to continue or adapt some of its existing developmental work during the conflict, supplementing it with humanitarian assistance. In Darfur delivery of even basic humanitarian aid is difficult because of high levels of insecurity. More ambitious programmes are not yet possible. However, donors are considering how a planned pooled fund might switch to delivering more complex medium term services, should the security situation improve significantly.

Choosing between different aid instruments

2.16 There was variation between the aid instruments used in different countries at the time of our audit (Figure 8). Often the rationale for DFID's choice was set out in its Country Assistance Plan. But research on the relative effectiveness of different aid types is limited, so there is little empirical data available on which DFID can base important choices. DFID uses sector budget support only in Nepal, where it supports the Ministry of Health. But in Afghanistan more than three quarters of country programme funding is spent using government systems.

8 DFID's use of aid instruments in four case study countries in 2007

Aid instrument	Afghanistan	Democratic Republic of Congo	Nepal	Sudan
Sector budget support			✓	
Multi-donor trust fund to support government expenditure	✓	✓	✓	✓
Funding of specific government programmes or projects	✓		✓	
Multi-donor pools for humanitarian funding	✓	✓		✓
Direct funding of United Nations agency programmes		✓	✓	✓
Direct funding of non-governmental organisations	✓	✓	✓	✓

Source: National Audit Office analysis of DFID data

2.17 DFID often uses joint funding and has encouraged other donors to participate. In both the Democratic Republic of Congo and Sudan DFID supported joint humanitarian pools contributing £89 million and £40 million respectively. It has also contributed to multi-donor trust funds in many insecure countries. Experience so far has pointed to some clear benefits of working through joint approaches. In the Democratic Republic of Congo and Sudan pooled humanitarian funding helped to improve coordination of needs assessment and donor responses, particularly in terms of ensuring coverage of different regions and sectors. Pooled funding can be slow, however, as seen with the Multi-Donor Trust Fund in Sudan where cumbersome procedures resulted in delays to disbursement, slow start up, and requirements for significant amounts of DFID staff time (Figure 7, Appendix 7). DFID uses non-governmental organisations in all the countries we reviewed to differing extents (Figure 8, Appendices 3-6).

2.18 DFID is increasingly operating in countries where security is an ongoing problem, but has not yet defined the level at which risks to aid effectiveness and aid workers become too high or whether some types of assistance are more vulnerable to insecurity than others. DFID has guidance to inform the choice of aid instruments in 'fragile states' some of which may be insecure, but has no formal means of helping country teams take decisions informed by the security situation on the ground.

Prioritising what to support

Economic and governance projects

2.19 In framing development programmes, DFID guidance emphasises the importance of state-building to increase capacity and to promote legitimacy. In insecure countries DFID has particularly increased its emphasis on

the governance and economic sectors where expenditure has tripled between 2000 and 2006. In highly insecure countries the increase over the same period was more than tenfold, albeit from a low base. The governance sector includes state-building, support to elections and some security sector projects, while the economic sector includes infrastructure. Support to both of these sectors is broadly in line with research findings and DFID's view about what is most effective, in that these aim to help countries to absorb and make better use of aid. But the results of DFID's expenditure in the most insecure countries for these sectors were below its overall sector averages. So lessons from past projects may help DFID to improve effectiveness in these areas.

2.20 In three of the four countries we visited DFID was directly funding basic infrastructure – particularly roads. Road building and repair is expensive but often crucial to providing both humanitarian access to deprived areas and to build economic capacity and create jobs. The projects we saw delivered real benefits for local people and economies. But some also highlighted lessons about the difficulties of providing and maintaining infrastructure in the most insecure countries. For example, in Sudan and the Democratic Republic of the Congo DFID supported road projects primarily to meet the short term needs of the distribution of humanitarian aid. But the quality of the roads in both countries has been variable and some have deteriorated rapidly. In the Democratic Republic of Congo rehabilitation of an earth-surfaced road 128 kilometres long cost £4.6 million. The project was designed while insecurity was ongoing in the area, limiting access to the site. Problems with the design and delays in establishing a system of maintenance led to rapid deterioration of the road, necessitating further investment from DFID. DFID has drawn on the lessons from this experience to inform its future £36 million road-building programme there.

2.21 DFID often looks to improve government systems through technical assistance projects. The need for capacity building is high. But DFID has found that capacity is so low in some countries that governments' ability to make use of technical assistance is limited. Between 2002 and 2007 DFID's 'technical cooperation' expenditure in insecure countries increased at half the rate of DFID's other assistance. DFID used technical assistance to some extent in all the countries we visited, at different stages and to different parts of government. In Afghanistan DFID provided capacity building to the Ministry of Finance to help it to manage the main government development programme. In Nepal DFID planned to provide technical assistance to support a health sector programme, although such assistance had not started half way through the five-year programme due to planning problems and legal difficulties. DFID has also provided technical assistance where existing capacity was extremely low, for example by supporting newly established local government in Iraq and South Sudan. Both projects only partly achieved their objectives. These projects illustrate the difficulties faced in building capacity where administrative and physical infrastructure is almost non-existent – as opposed to improving the functioning of existing structures. A basic level of operational capacity is needed before donors can channel aid through government systems. It can take new governments some years to reach this level.

2.22 Policy reform is often essential in insecure countries to respond to new circumstances and to help prevent the re-emergence of conflict. DFID aims to contribute to policy reform and does so using staff time and skills rather than direct expenditure. In all four countries we visited DFID had made efforts to influence government policies, but progress can be difficult to measure. In Afghanistan DFID had a lead role in promoting and discussing the Afghanistan National Development Strategy being developed by the Afghan Government. Individual DFID teams also identified where they could add value. The DFID Afghanistan livelihoods team's objectives in 2007-08 identified specific areas where they planned to seek opportunities to influence others; this has enabled DFID to track progress (**Figure 9**).

Preventing further conflict

2.23 DFID shares responsibility for conflict prevention with the Foreign and Commonwealth Office and the Ministry of Defence through a joint Public Service Agreement target. In its 2006 policy paper "Preventing

Violent Conflict" DFID pledged to spend more on conflict prevention, including security sector reform. Some but not all of the commitments in the paper have been implemented at country level so far. DFID's funding for conflict prevention through bilateral projects and through contributions to two regional conflict prevention pools has increased over the last five years, from £35 million in 2002-03 to £40 million in 2006-07. But expenditure has declined slightly as a proportion of overall DFID expenditure. Conflict prevention work has often been squeezed by specific country initiatives and by post-conflict reconstruction work, particularly in Iraq, Afghanistan and Sierra Leone. In 2007 the Treasury announced that the two existing conflict prevention pools would be merged, providing an opportunity for lessons from their operations so far to be applied systematically in the future. The new structure should allow the Pool to refocus on prevention. And the cross government Stabilisation Unit²¹ will play a leading role in running a new separate Stabilisation Aid Fund to finance initiatives in countries emerging from conflict.

2.24 The large number of people under arms when conflict ends can make security sector reform an essential component of economic and social development. DFID's experience in Sierra Leone has shown how important security sector reform is in post-conflict situations. The UK's strategy to prevent a return to conflict in Sierra Leone strongly focused on security sector reform including disarmament, demobilisation and reintegration of warring

9 Afghanistan livelihoods team influencing objective

The livelihoods team, which works to help find alternative sources of income to poppy cultivation, set an objective to encourage the Government of Afghanistan to promote integrated planning for rural areas. The objective was supported by specific activities:

- to promote the use of community development councils to deliver services;
- to contribute to the development of national development strategies and those of ministries such as rural livelihoods;
- to coordinate between Government ministries responsible for rural matters;
- to engage in discussions on rural enterprise and links to private sector development; and
- to promote improved expenditure in line with the budget in rural ministries.

Source: DFID Afghanistan livelihoods team objectives 2007-08

factions. In all four of the countries we visited DFID had funded projects in the security sector. Some donors are not able to fund such programmes because it does not accord with their definition of poverty reduction. But DFID has increased the attention it gives to the security sector, though it is usually a small part of country programme expenditure. For example, in South Sudan the joint donor team could not reach consensus on this topic so DFID developed a separate security sector programme to strengthen the police force. In the Democratic Republic of Congo DFID is providing shelter and facilities to unpaid soldiers and their families to stop them preying on the civilian population. DFID also supported a range of health and education projects in post-conflict countries aiming to prevent a return to conflict by demonstrating the benefits of peace.

Managing and Monitoring aid

2.25 We identified five main criteria that are important for effective management and monitoring of aid in insecure environments. Appendix 7 provides further detail and good practice criteria for each.

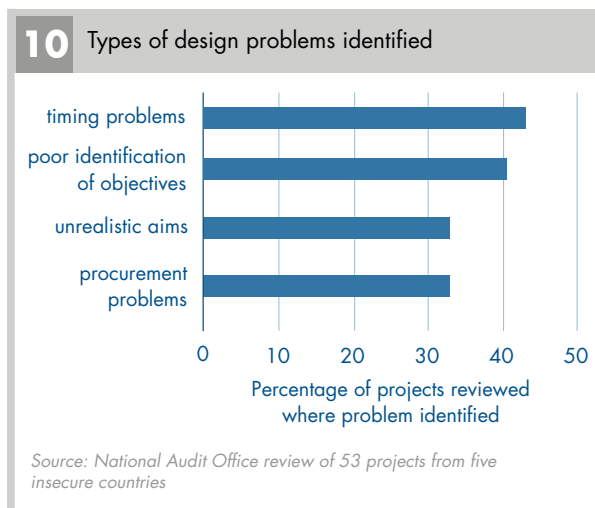
- Thorough but realistic project design which considers long term sustainability and potential risks in detail at the outset.
- Being sensitive to the implications of and for conflict in project design, implementation and monitoring.
- Monitoring expenditure in contexts with often heightened risks of corruption and rapidly changing circumstances.
- Coordination with others.
- Learning and disseminating lessons from experience.

Good project design

2.26 Working in insecure environments can be a slow process, particularly when working with partners with limited capacity. And designing projects can be particularly problematic when staff face difficulties in travelling to the area to assess needs. Our project review found that problems with the initial design of projects often contributed to underperformance (**Figure 10**).

We also found that important elements of good project design included:

- a challenging but realistic assessment of what a project might achieve. This factor is particularly important for longer term capacity building or governance projects which are often wide-ranging. Some projects we reviewed had set very optimistic goals for progress;
- realistic planning. Some of the projects we reviewed had unrealistic timescales and were unable to achieve planned outputs in the time allotted; and
- combining flexibility with clear objectives. We found good flexible design included scenario or contingency planning and considered the impact of a changing security context on the programme itself. We found that vague objectives contributed to under-performance. For example in both Sudan and Iraq we reviewed technical assistance programmes where the design documents lacked detail, the terms of reference were not detailed or priorities not established and these factors caused problems with delivery. We also found good examples: one health project in the Democratic Republic of Congo benefited from thorough contingency planning, which allowed the project to move to delivery through mobile health centres when the security situation deteriorated. Good specification of required outputs is particularly important where DFID's monitoring is constrained (**Figure 11 overleaf**).



11 An example of a project in Iraq with design and monitoring problems

Iraq

Technical Advisory Team Transition Programme South 2004-2006

DFID committed £7 million to this project. Of this £1.9 million was spent on consultancy and just over £5m on security and related expenses.

DFID gave the project a score of 3 meaning it partially achieved its objectives. DFID gave it a medium risk rating.

DFID contracted consultants to work with and advise the Iraqi authorities on reconstruction. The project suffered from many problems, though it did achieve some results in a difficult context, particularly in the water sector. As the programme developed the consultants were asked to take on a number of different roles which considerably altered their terms of reference. But the resulting terms of reference were weak and not linked to outputs. As a result the consultants did not have a good idea of what was expected and DFID did not have clear targets against which it could monitor their performance. Despite significant changes to the original role the consultants were recruited to carry out and a rapidly changing context, DFID did not conduct a formal review until 18 months in. Overall communication between the DFID team and the consultants was poor. DFID was unaware that the consultants were not following procedures until it conducted a monitoring mission. There were significant financial and procedural errors and the consultants had not consulted DFID on key funding decisions. DFID found various contractual irregularities. For example, one sub-contracting consultant had 'wildly overstated their inputs'. Another doubled their daily rates mid-way through the project though these had not been agreed at the outset. The difficulties resulted in a number of unnecessary project delays.

Source: DFID project documentation

Promoting sustainability

2.27 Often DFID must respond rapidly to opportunities and design projects quickly despite travel and security restrictions which hamper planning. In such circumstances and where insecurity is ongoing it is unsurprising that some projects had reduced long term effectiveness. In a third of the projects we reviewed DFID staff identified poor prospects for sustainability. Where insecurity is ongoing development benefits can be difficult to sustain:

- projects have incurred extra expense, delays and curtailment. For example, services provided by clinics funded by DFID in South Sudan have been interrupted due to increased hostilities;
- lack of access to an area due to insecurity can limit information needed for appropriate design or management. In Afghanistan DFID funded 300 new wells in Helmand Province but did not carry out a geological survey because of the security situation. The area is prone to drought, the water table has subsequently lowered and some of the wells have run dry.
- some projects have been damaged or destroyed by conflict (**Figure 12**).

2.28 Reviewing projects after completion and learning lessons from approaches in insecure environments are also important as DFID scales up its assistance. But, DFID does not usually return to review individual projects after the project completion report to learn lessons for future projects and ensure results have been sustained in often unstable contexts.

12 Examples of physical damage to projects in insecure environments

- Afghanistan: a DFID-funded irrigation project managed through the Ministry for Rural Reconstruction and Development in Helmand province was destroyed when fighting reignited in the area.
- Democratic Republic of Congo: in 2006 a DFID-funded referral hospital in the east was looted and equipment destroyed.
- Palestinian Territories: in 2007 the DFID-supported Office of the President in Gaza city was damaged and equipment destroyed.

Source: National Audit Office survey of DFID country teams and country visits

Assessing risk

2.29 Eleven out of 14 country strategy documents we reviewed considered the risks to the effectiveness of the country programme, and nine of the plans considered ways to mitigate these risks. A minority of country teams are taking a more comprehensive approach to monitoring and updating risks. For example the Iraq team updates risks to each project and its overall portfolio on a monthly basis. We found that in all of the four countries we visited DFID staff had carried out a scenario planning exercise to identify what the aid programme might look like in response to different events. We found significant variation in the quality of risk assessment during project design stages. Project documents typically identified five or six generic risks and rated the probability and impact of each, giving an overall risk rating. A minority of the documents contained a more thorough assessment

of risk, but this did not guarantee mitigation strategies were applied or effective in practice (Figure 13). Overall though, our review of projects found that insecurity had led to logistical difficulties in nearly two thirds of projects and had led to reduced coverage, early termination or increased costs in more than 40 per cent of these projects.

Being sensitive to the implications of conflict

2.30 Aid can exacerbate conflict unless it is ‘conflict sensitive’; that is unless it considers the implications of the planned aid for the country context. Figure 14 shows some important considerations when providing conflict sensitive aid.

2.31 In conflict situations people’s perceptions about the distribution of aid are important. Aid which is perceived as favouring one area over another, or not reaching particular groups because of interference by those in positions of power, runs the risk of exacerbating grievances and contributing to insecurity. In Sudan the east has received less attention from donors than South Sudan or Darfur, and insecurity there is increasing. In Nepal donors did not pay close attention to geographical allocations of funding, including that channelled through the Government of Nepal. Perceived disparities have contributed to recent increases in insecurity in the south of the country. In one northern province in Afghanistan, a decline in donor support was followed by an increase in insecurity. DFID teams have become increasingly aware of this problem and are now working with other donors to improve the distribution of aid in insecure countries.

2.32 Many country strategy documents we examined explicitly assessed the level and extent of insecurity and most highlighted the link between insecurity and poverty. But few considered whether their country programme might exacerbate conflict or division.²² Some country teams have carried out Strategic Conflict Assessments but these rarely linked high-level analysis to aid programming decisions. At project level engaging with different parts of a community is a key aspect of ‘conflict sensitivity’. For example, DFID reassessed the Rural Access Programme in Nepal when conflict there escalated. The redesign increased targets to address poverty in poorer groups and this later became an important component in the project’s success. But in only a fifth of the projects we reviewed DFID staff identified that efforts to target socially excluded groups contributed to success. We also found that DFID has not yet fully integrated conflict sensitivity in practice into the design of country programmes and of individual projects and programmes. DFID is currently piloting a ‘conflict audit’ in some countries which may help teams re-design their interventions and aid portfolio to be more sensitive to the conflict situation.

13 Risk assessment for two projects in Sudan – two contrasting approaches

DFID contributed £1.6 million to the United Nations Development Programme’s pilot Local Government Recovery Programme in Southern Sudan which ran from 2005-07. At the design stage 17 risks were identified in the United Nations Development Programme’s proposal document, their probability and impact estimated, and mitigation strategies suggested. Specific risks were categorised under a range of headings:

- macro-political and conflict factors;
- policy factors;
- technical systems and skills;
- infrastructure;
- ownership and sustainability;
- programme design and management.

One of the key risks identified, recruitment and capacity of programme staff, materialised. This caused delays and reduced the team’s ability to manage other risks effectively. The pilot under-performed, achieving few of its objectives.

DFID has so far contributed £1.2 million to another capacity building programme in South Sudan, largely intended to provide training to government officials. DFID’s project memorandum includes two paragraphs about risks to the project in which only four very broad risks are identified.

No assessment is made of each one’s likelihood or impact or detail given of how DFID might be able to mitigate the risks. Despite this, the project still provided training to civil servants and identified needs for further capacity building.

Source: National Audit Office review of DFID documents

14 Conflict sensitive project design and management

Analyse the project’s potential impact on conflict including:

- who will and who will not benefit;
- actual and perceived benefits for different groups within assisted communities;
- actual and perceived impacts on communities not assisted.

Identify ways to:

- monitor key risks and benefits by disaggregating indicators which can be used to track impacts on different groups;
- ensure links to wider peace building objectives;
- build in flexibility to allow changes in the rapidly changing security context.

Respond to monitoring information and:

- adjust project day to day management and targeting to offset problems or shortfalls;
- re-assess wider objectives and prioritisation if necessary.

Source: National Audit Office summary of non-governmental organisations’ conflict sensitivity guidance

2.33 High levels of transparency and openness also contributed to the success of projects in insecure countries. In particular, providing communities (and sometimes conflict ‘participants’) with as much information as possible on the delivery of aid encouraged community participation and acceptance. ‘Public auditing’ – meetings where the general public could hold service deliverers to account for progress – was used in DFID’s community projects in Nepal. Organisations implementing DFID-funded projects in conflict-affected areas were also able to talk to representatives from rebel groups to explain the developmental and apolitical nature of projects. This approach allowed DFID and its partners to continue to deliver development assistance in rebel held areas.

Monitoring in insecure environments

2.34 For projects over £1 million DFID monitors progress through reports from project partners, field visits, annual reviews and project completion reports. In insecure countries visiting project sites can be expensive and dangerous (**Figure 15**), so DFID often relies heavily on written reports from implementing partners. But the standard of reporting which DFID requires from different organisations is inconsistent. For example in Sudan and the Democratic Republic of Congo non-governmental organisations provided more detailed and tailored reporting information than United Nations agencies although they were funded from the same programme. A basic reporting template is now planned for use for projects supported by the Democratic Republic of Congo’s Humanitarian Pooled Fund. If this can gather reliable and comparable data on results it will be a useful tool for donors to review progress, needs and performance.

2.35 Reduced project monitoring can undermine the effectiveness of expenditure and lead to increased risks of corruption. Our review of projects found that in over 40 per cent of cases DFID identified practical difficulties in implementing their planned monitoring due to insecurity. And almost 25 per cent had experienced minor frauds or problems ensuring financial accountability. Despite these difficulties, our file review of over 50 projects revealed only one that was seriously impaired by corruption. In southern Iraq DFID spent £20 million on an employment and services programme which was

subject to fraud. It uncovered the fraud only when it was able to carry out monitoring activities a year into the project (**Figure 16**). In our visit to DFID funded programmes in the north of the Democratic Republic of Congo we found difficulties in monitoring had left problems undetected for some time:

- some equipment was missing or not properly accounted for;
- the construction of one road had been poor, with insufficient drainage;
- insecticide treated bed-nets had not been available free to pregnant women at the clinic we visited for over a year despite a project to provide these nets. Women there told us that they could not afford to buy bed nets and that they had noticed malaria increasing; and
- managers of the humanitarian pooled fund were unable to visit 14 projects so had little independent assurance of their use of funds.

15 Practical difficulties of getting into the field

In most insecure environments there are restrictions on where and when DFID staff can travel due to:

- *Staff safety and security concerns.* In countries such as Afghanistan and Iraq DFID staff travel is severely restricted by the prevailing security situation. In addition, security concerns raise logistical difficulties associated with travelling in armoured cars with close protection. Significant restrictions also apply in some other countries.
- *Poor infrastructure, leading to reduced travel options and high costs.* Conflict often destroys physical infrastructure. In the Democratic Republic of Congo and Sudan DFID staff are almost entirely reliant on air travel, which is costly and only reaches limited locations. In the Democratic Republic of Congo safety restrictions leave staff reliant on either United Nations flights or international airlines. Staff estimate that international travel may involve as much as 120 extra staff days per year. In South Sudan transport is expensive. Hiring a basic aircraft for three hours costs over £1,000 and many roads are impassable. Transport limitations restrict the extent to which donors travel to South Sudan from either Khartoum or Nairobi.

Source: National Audit Office visits and DFID

2.36 Other donors sought independent assurance in various ways. For example in Afghanistan the United States aid agency used contractors to carry out monitoring, and some other donors used Afghan staff specifically for monitoring. DFID Afghan staff reported that they would value the opportunity to increase the frequency of monitoring visits. More widely, there were only limited examples of DFID sharing the burden of monitoring with other donors or of coordinating visits for several projects into broader monitoring missions. Individual country teams have started to respond innovatively to the difficulties of monitoring amidst insecurity. For example in Iraq video evidence and aerial photography is now used. Since our visit to Afghanistan, DFID has begun exploring increased use of national staff and independent consultants to carry out monitoring missions. In the Democratic Republic of Congo DFID is considering increased use of joint donor transport and monitoring missions.

16 Southern Iraq Employment and Services Programme

DFID spent £20 million in total through this programme. It included funding intended to generate jobs and to provide electricity. It ran from 2004-06.

After DFID began to implement the programme security in Southern Iraq deteriorated and the planned spot checks by DFID staff became impossible. Sufficient monitoring by the military was also not possible.

New provincial council officials had responsibility for the implementation of the £4 million employment part of the programme. But in some provinces funds were subject to fraud by officials, whereby the number of 'work days' created was far lower than sub-contractors reported. Such fraud went undetected for a year. Once DFID was able to investigate, relying heavily on the ability of locally recruited staff to travel into still dangerous areas, it uncovered serious fraud. DFID investigations reported reasonable confidence that £1 million of the £4 million had been spent as planned. There was either a lack of evidence or indications of misuse for the remainder. From the information available, it estimated likely levels of misuse of £0.5 million. In 2006 DFID wrote off the £0.5 million.

DFID assessed the programme's purpose as only 'achieved to a limited extent' and its outputs as 'partly achieved'.

DFID's project report noted that: *"It is essential that projects in Iraq are closely monitored and evaluated by independent, foreign monitors"*. DFID has not always been able to ensure this happened in projects since then.

Source: DFID documentation

Co-ordination with others

2.37 Coordination is challenging in all developing countries and DFID works hard to promote co-ordination through liaison and joint working. At the global level DFID co-chaired an Organisation for Economic Cooperation and Development working group on fragile states, some of which are insecure. At country level all of the Country Assistance Plans we reviewed recognised the need for increased donor coordination. In all four of the countries we visited DFID staff were instrumental in encouraging other donors to contribute to joint funding mechanisms. In South Sudan DFID worked closely with other donors to set up a joint office. In Nepal DFID staff told us that donor coordination had improved but that it remained difficult to co-ordinate at local or sectoral level, which had led to bunching of aid to particular geographic regions with other parts of the country marginalised. In the Democratic Republic of Congo DFID staff thought that donor coordination could be further improved and this was a priority amongst the team.

2.38 DFID has embraced a "whole of government" approach to development and we saw how coordination between UK departments had improved in the countries we visited. In the most insecure countries, in particular, DFID now works closely with the Foreign and Commonwealth Office and the Ministry of Defence. For example, agreeing a joint UK strategy and closer working engagement has helped to improve coordination in Afghanistan. Early experiences in insecure countries provided useful lessons on how departments needed to improve practical coordination mechanisms and establish shared priorities. In the early stages, there was variation in the extent to which pooled funds were used for mutually agreed priorities. For example, in Nepal in 2004 UK funds were used to purchase helicopters for the army, despite different perspectives among departments as to its contribution to development and peace-building. As in other areas, coordination around pooled funds has improved over time. All departments now agree there is a strong association between conflict and poverty. DFID country teams told us that they now devote considerable effort to liaising with other UK government departments. Some countries have benefited much more from the conflict pools than others, and DFID country teams work increasingly closely with other UK government departments to use the African and Global conflict prevention pools (paragraph 2.23). In post-conflict Sierra Leone a joint commitment to security sector reform at the outset, and access to jointly pooled funds, encouraged close working between UK Departments. The Stabilisation Unit (previously the Post Conflict Reconstruction Unit) has also helped to promote collaboration within Whitehall, particularly on Afghanistan and Iraq.

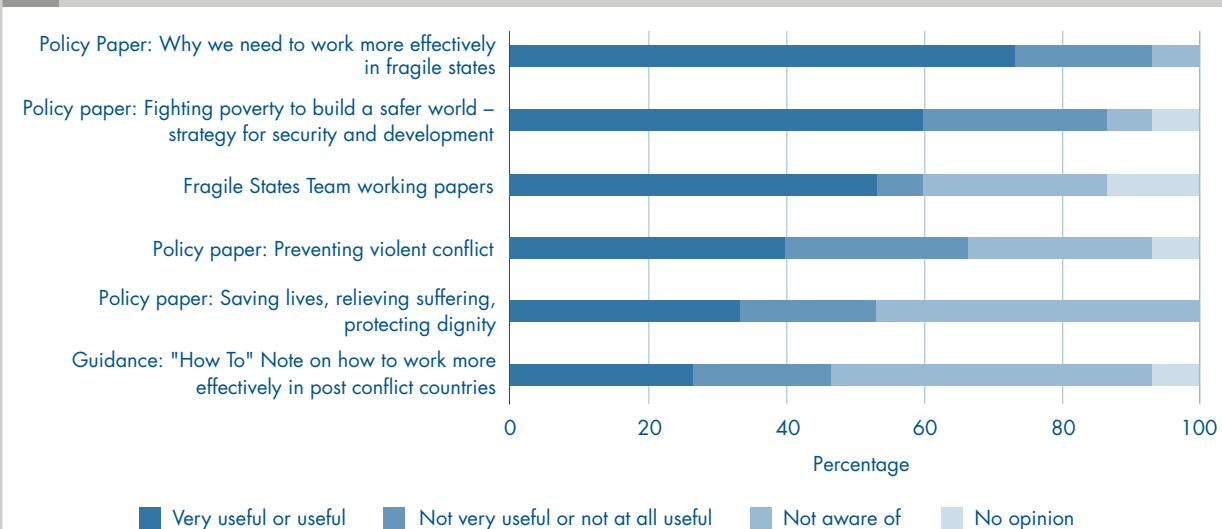
Learning and disseminating lessons from experience

2.39 DFID intends to continue to work in a range of insecure countries in the future and so lessons from its experience there will be invaluable to ensuring aid can be as effective as possible in these difficult contexts. DFID has written policy and strategy papers that are relevant to designing effective aid programmes in insecure environments. These documents are complemented by general guidance on choosing aid instruments and policy papers on issues facing ‘fragile states’ – over half of teams found these policy papers useful (Figure 17). Half were aware of the “How to” note on working in post-conflict countries. DFID has also produced a handbook on Quick Impact Projects aimed at the military working in areas of active conflict. Practical DFID guidance on how to operate in insecure environments is limited. In particular there is no operational guidance on how to ensure that aid is conflict sensitive or how to use information on the security context to inform operational decisions, partner assessments and risk management. Country teams we surveyed reported a need for better publicity of existing guidelines and more

practical, “how to” and “hands on” guidance and briefings containing country examples. DFID Nepal had produced a practical guide on *Safe and Effective Development in Conflict*, which has been useful in country. Our survey of country teams indicated that limited dissemination meant few other teams were aware of it.

2.40 Teams highlighted a need to learn lessons from the experiences of others. Responding to this demand DFID held its first ‘workshop on fragile states’ in Autumn 2007 which covered some practical issues such as risk management and should help inform DFID on the type of guidance staff would find most useful. The workshop included dissemination of the success of the practical guidance developed in Nepal. DFID has also commissioned further research on aid effectiveness and mapping of its work in fragile states which should be completed in 2009. Some of this could help inform more practical guidance for insecure environments. Further, DFID has increased the number of conflict advisers it employs from 15 to 18. This addition will help to ensure crucial staffing gaps are filled and the conflict advisory group may provide a focus for lesson learning activities.

17 Country team views on key guidance and policy documents



Source: Country team responses to National Audit Office survey



PART THREE

Managing staffing and resources in insecure environments

3.1 Insecurity has a major effect on development organisations. It increases staff time and costs and poses a direct threat to the personal safety of aid workers. In this Part we consider how DFID attracts staff to work in such difficult environments, how it ensures staff safety and how it monitors the costs of operating in insecure countries.

3.3 **Figure 19** illustrates where DFID staff have been involved in security incidents. DFID needs to manage these risks if it is to provide assistance in the most cost-effective way without putting its staff or partners at risk. It faces challenges in attracting staff to work in these circumstances and ensuring their welfare and security.

Threats to aid worker safety

3.2 Although working in insecure environments may deliver significant development benefits DFID staff and other aid workers are exposed to increased risks. Such risks are particularly high in countries such as Iraq, Pakistan, Somalia and Afghanistan where UK nationals are explicitly targeted. A 2005 study by the Overseas Development Institute found that almost 500 aid workers (comprising staff from non-governmental organisations, multilateral agencies and bilateral donors) have been killed between 1997 and 2005 and another 500 kidnapped or injured. The number of aid worker deaths per year from violent incidents has increased from 34 in 1997 to over 70 in 2005. **Figure 18** gives some examples in countries where DFID operates.

18 Aid worker incidents in selected countries 1997-2005

Country	Aid workers killed	Aid workers kidnapped
Afghanistan	36	No data
Iraq	32	9
Sudan	29	27
Democratic Republic of Congo	18	19
Somalia	16	42
Burundi	11	12
Liberia	5	8

Source: Overseas Development Institute: "Providing aid in insecure environments: trends in policy and operations" Humanitarian Policy Group Report 23 September 2006

19 Examples of security incidents affecting DFID staff

Country	Dates	Description of incidents
Democratic Republic of the Congo	January 2005, August to November 2006 and March 2007	Demonstrations and violence related to elections with road blocks and fighting between army and rebel forces. In 2007 DFID staff and partner buildings came under fire.
Ethiopia	June and November 2005 and March 2007	Two incidents of rioting each lasting three days. Around 200 people were killed and an unknown number injured. Kidnap of two DFID expatriate staff members while visiting Afar Region. Two Foreign and Commonwealth Office staff members and one family member were also held. Staff were released after twelve days.
Nepal	2005	Maoist activists forced way into DFID compound in search of financial contributions/extortion. No DFID staff were hurt.
Afghanistan	2006	Kidnap of two privately contracted DFID Gurkha guards. One guard died.

Source: DFID

Managing staff and resources

DFID's in-country presence

3.4 In response to its increasing emphasis on insecure countries DFID has set up and staffed new offices in high risk places such as the Democratic Republic of Congo and Sudan. Attracting home civil service staff to work in insecure environments is difficult and fewer apply to work in insecure countries than other overseas posts. In some countries pools of locally qualified people are also limited. In 2005 and 2006 there were 3.4 applications per vacancy in insecure countries, compared with 4.2 in secure countries over the same period. In early 2007 the number of applications fell to only 1.7 per vacancy in insecure countries. In 2005-06 over a third of posts for Afghanistan and Iraq – where non local staff cannot bring their spouse or family – had no applicants. In Sudan and the Democratic Republic of Congo half of all posts advertised received no applicants which led to vacancies being left open.

3.5 DFID has pursued ad hoc solutions such as specific recruitment exercises, marketing of difficult to fill posts, secondments from other UK government departments and temporary promotions. In June 2006 DFID undertook an exercise to identify the barriers to attracting the right staff to difficult posts in fragile states. In some countries DFID has deployed more home civil service staff than many other donors. It is now implementing four new initiatives aimed at improving its staffing of country teams in insecure areas:

- ensuring the Head of Office is experienced – using head-hunting if necessary;
- improving locally engaged staff career progression – by creating regional and international opportunities;
- improving non-financial benefits – such as “breather breaks” and the flexibility of travel;
- psychological profiling and personal awareness training – to identify which staff are best suited to working in difficult environments – which is now standard for postings to Iraq and Afghanistan.

3.6 DFID has recognised the importance of effective senior management in country and our staff survey showed that 85 per cent of respondents rated country heads in highly insecure posts as strong leaders. This compares well with the results of DFID's 2006 management survey in which 66 per cent of staff overall agreed that their area had good management. But country teams reported that it is difficult to attract experienced mid-grade staff to insecure environments. In Afghanistan

and the Democratic Republic of Congo a relatively high proportion of staff have no prior experience of working overseas or in insecure environments (**Figure 20**).

Moreover, candidates filling posts in the most insecure countries were less likely to be assessed as strongly suitable for the specific post – with around a fifth awarded the highest suitability scores – than candidates in more secure countries, where nearly two thirds achieved the highest scores.

Staff satisfaction

3.7 Our survey of DFID staff in insecure countries found that three quarters gained personal satisfaction from working in a challenging environment. Only one in ten felt they had not made a worthwhile contribution to DFID's work. But there were some areas in which staff expressed dissatisfaction. Some 70 per cent of staff reported that they had initially believed that working in an insecure country would have a beneficial impact on their career, but only 30 per cent of respondents who had completed their posting reported that it had. Only one third of DFID staff in highly insecure countries reported they were able to relax outside of work. Just under half of survey respondents expressed dissatisfaction with healthcare provision and a similar proportion considered that leisure facilities were poor.

Impact of staffing arrangements on delivering aid

3.8 Because of the hardships and stress involved, the contract length of postings varies between countries. In Iraq and Afghanistan, the standard initial length of a posting is 6 and 12 months respectively whilst for secure countries it is often 36 months. Shorter contracts are important to safeguard the welfare of DFID staff but the resultant staff turnover needs to be managed well if it is not to be harmful to DFID's development efforts. Our country survey found that 40 per cent of teams believed that the standard length of the overseas posting in their country was not long enough to promote staff development or to operate most effectively. Developing country officials and DFID staff also reported that staff turnover has been disruptive to relationships with key stakeholders and contributed to a loss of institutional memory. DFID is now addressing this problem by filling vacancies as they arise rather than holding a small number of large posting rounds. Weak induction procedures worsen the effects of turnover. 40 per cent of respondents rated the standard of induction as poor or very poor. In Afghanistan, however, the team had improved the in-country induction process and handover notes.

20 Previous experience of DFID country team staff in selected countries

	Staff with overseas experience in an insecure country (per cent)	Staff with overseas experience but not in an insecure post (per cent)	Staff with no previous overseas post (per cent)
Afghanistan	15	35	50
DRC	30	62	8
Iraq	50	25	25
Palestinian Territories	50	17	33
Sudan	50	25	25
Nepal	82	10	8

Source: National Audit Office survey of country teams

Managing security

3.9 Major terrorist attacks and security threats against British targets, together with DFID's increasing attention to insecure countries, have led the Department to strengthen its approach to managing the security of its staff. However some inconsistencies and problems remained. Alongside our audit DFID conducted an internal review of security management. The resulting action plan, if implemented, will promote a higher profile for, and more consistent response to, many security issues.

3.10 DFID has a central security committee which oversees security concerns and regional directors also have responsibility for ensuring adequate security management is in place. But some regional plans did not acknowledge the practical risks to DFID staff or resources. There is also a small central team responsible for managing security policy, but this team did not have a strong oversight or challenge function. It had limited knowledge of current security needs and arrangements. Central guidance emphasises information security, but guidance on physical security was minimal. DFID's internal review also noted a need for greater capacity, oversight and guidance. DFID is now starting to increase capacity and oversight of the central security team and the security committee will meet at least quarterly. The security manual had not been updated at the time of writing.

3.11 At country level responsibility for managing staff security is held by the Heads of Offices and sometimes Foreign and Commonwealth Office employed security personnel. The autonomy of country teams led to differences in approach. In some of the most insecure countries such as Iraq and Afghanistan, security procedures were well-established, but in some other countries Heads of Office with little security experience have been given a large degree of discretion and the types of security arrangement vary without obvious reason. For example, one country office's security arrangements were significantly weaker than other comparable organisations in the country, which left staff feeling vulnerable. **Figure 21 overleaf** gives an example of a security incident which took DFID and the Foreign Office by surprise, making the existing security plan difficult to implement. DFID now plans to introduce 'critical incident plans' in all offices but had not done so at the time of writing.

3.12 Our staff survey found that overall three quarters of DFID staff in insecure countries were satisfied with the security arrangements and only ten per cent were dissatisfied. But satisfaction varies by country. DFID's most recent management survey looked at health and safety more generally. It found that in a minority of countries significant numbers of staff reported that their office was not "healthy and safe". The most affected countries were Nigeria (59 per cent), Afghanistan (45 per cent) and the Democratic Republic of Congo (40 per cent). Dissatisfied staff that we spoke to said it affected their stress levels and their willingness to stay in the posting.

21 Violent events in Kinshasa March 2007

The week of 19–26 March 2007 was a violent one in Kinshasa. There was a build up of tension and troops in the capital following electoral disputes. After shooting in town, fighting intensified and continued for three days. The DFID Head of Office and Deputy Head of Office, the British Ambassador and the Defence Attache were all away during the fighting. Security briefing had not predicted that the security situation would become so sensitive.

Most DFID staff remained on the Embassy compound but families and staff not there were initially instructed to stay at home. When fighting intensified it was no longer safe for any British staff or families to remain outside of the compound. But one member of DFID staff's family and three DFID consultants and their partners remained trapped in their houses. One consultant's house was directly attacked with him and his partner inside. Another was hit by bullets with the family stuck inside. Because fighting was taking place right by staff homes, the Embassy did not have the 10 minutes the emergency plan relied on to reach them. The United Nations rescued and brought them to the Embassy two days into the fighting following direct intervention by the Secretary of State.

Source: National Audit Office visit

Six of the nine Gurkhas employed to secure the Embassy were also unable to get there, which left the Embassy compound only lightly defended. DFID staff offices were in a two-storey portacabin with an external staircase. As a safety precaution staff could not access the offices during the period. At one point there were 120 people on the British compound. One DFID staff member reported to the Head of Office on his return that "It was only by the grace of God that no DFID/Embassy staff member, family or consultants were killed or seriously injured".

Since the events DFID has relocated all staff homes to a residential area near the Embassy. DFID staff still work out of portacabins. Foreign and Commonwealth Office Overseas Security Advisers visited Kinshasa in May 2007. DFID and the FCO have since jointly implemented the report's recommendations.

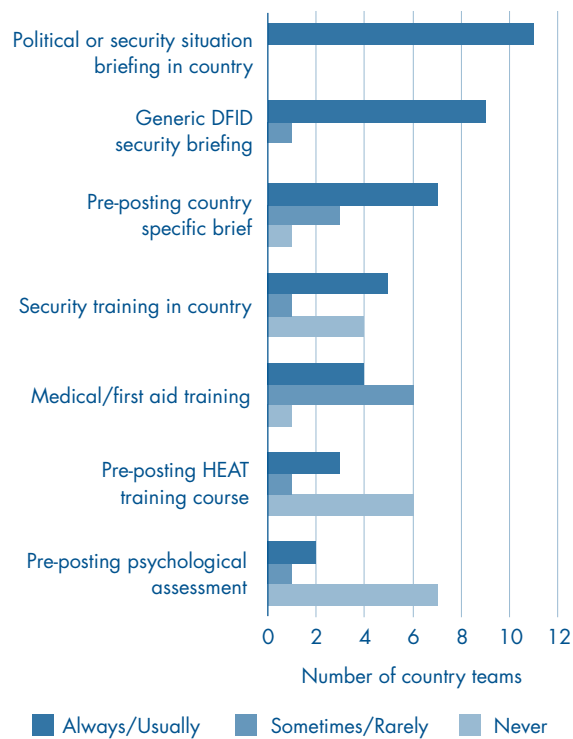
Security training

3.13 The extent of security training for staff varied between country teams (Figure 22). For Iraq and Afghanistan all home civil service staff must complete Hostile Environments Awareness Training prior to arriving in-country. In countries such as Sudan and the Democratic Republic of Congo this training was not compulsory. Teams have to pay for the training from their country budget. The DFID Pakistan team reported spending £45,000 to provide security training to its staff. Our survey of staff showed that only a third of respondents had received security training prior to their posting. Locally engaged staff received far less training than UK based staff – they often received a generic security briefing and a country specific brief, but less than a fifth of country teams sent their locally engaged staff on medical or security training. DFID recently started using the Foreign and Commonwealth Office's course on security management for senior managers. At the time of writing five senior staff had attended the course. Greater use of Foreign and Commonwealth Office courses for other categories of staff is planned.

Clarifying DFID's duty of care

3.14 Until recently DFID headquarters, its Conflict and Humanitarian Affairs department and the cross government Post Conflict Reconstruction Unit (now the Stabilisation Unit) all had different duty of care guidelines. When we spoke to DFID staff there was confusion about what DFID's duty of care should be for

22 UK Staff training associated with postings in insecure environments



Source: National Audit Office survey of country teams

partners and consultants, and different country teams had used their own judgements and taken different approaches. Following DFID's internal review of security a new staff security policy statement was issued in November 2007. This statement made clear that DFID requires assurance that its duty of care to staff seconded to other organisations is fulfilled – an annex provides teams with some guidance on the extent of their obligations to contractors and partners – but the details are left for country teams to decide. From 2008 DFID introduced a duty of care provision in a minority of its contracts. It plans in future to suggest country teams mention duty of care in consultants' terms of reference. However, most of DFID's partners do not work to this type of contract but through accountable grant arrangements or specific Memorandums of Understanding, where the duty of care provision has not been adopted.

Assessing the security situation

3.15 Under a Service Level Agreement Foreign and Commonwealth Office security advisers review the adequacy of security arrangements at all DFID offices at least every four years. In our four case study countries, visits were more frequent because of higher levels of risk – ranging from every three months for Kabul and once a year for Kathmandu and the Democratic Republic of Congo. DFID offices stated that the reviews provided helpful advice for compound and residential security. Assessing changes in security levels are also important and DFID country offices do not currently always collect broad information on country-wide security trends and statistics from a full range of sources. In many countries DFID relies on security information from the Foreign and Commonwealth Office to advise it on risks to staff, but such advice is not always tailored to areas outside the capital where aid was delivered. In Nepal the DFID team and the German aid agency addressed the need there by setting up a joint Risk Management Office, which advises all staff and partners on security issues (**Figure 23**).

The costs of managing programmes

3.16 In addition to increased risks, working in insecure countries carries some increased costs (Appendix 8). DFID's management information shows that in 2006-07 country teams in insecure countries spent over £46 million on administration costs. As a proportion of country programme expenditure reported administration costs in one country can be as much as three times as much as in another (**Figure 24 overleaf**). In the case of Nigeria DFID has established four separate offices to establish a presence in States beyond the capital. Other reasons for increased costs include the need for better security

23 The Risk Management Office in Nepal

Established in 2002, the Risk Management Office is jointly funded by DFID and the German aid agency (GTZ). DFID expects to continue to contribute to the office up to 2009, at a cost of around £100,000 a year.

The goal of the Office is to enable DFID, GTZ and their partners to continue to operate in a conflict and unstable post-conflict environment, without exacerbating conflict. It provides direct support to aid workers in the field, and has developed guidelines on how to operate safely and ethically in the context of ongoing conflict. The Office has:

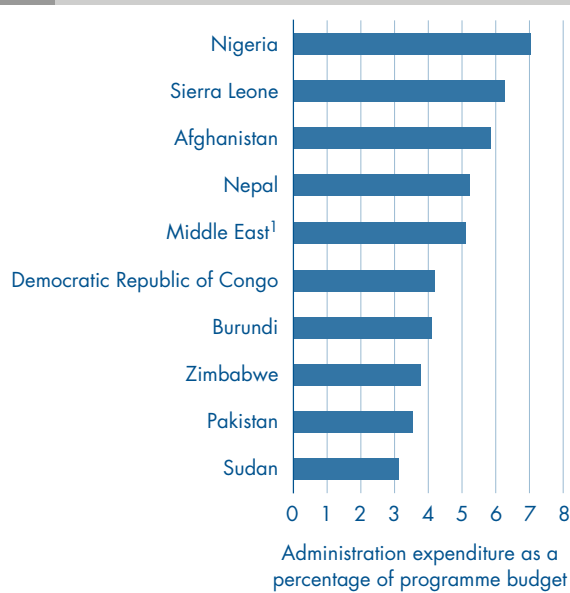
- collated and analysed risk and security information (including field assessment);
- provided regular risk and security briefings;
- provided incident management support to programmes;
- provided training on risk management;
- helped integrate risk management approaches into programme and project implementation;
- disseminated the Safe and Effective Development in Conflict approaches to programmes; and
- advocated the use of the Basic Operating Guidelines.

DFID staff consider that the Risk Management Office provides valuable support for DFID's activities.

Source: National Audit Office discussions and document review

measures, variation in local costs and higher staff allowances. But differences are not always easy to explain. In 2007-08 DFID spent a further £2.9 million on administration of the cross departmental Stabilisation Unit (previously the Post Conflict Reconstruction Unit) and £4.6 million on the Conflict, Humanitarian Affairs and Security Department, which handles many of DFID's emergency programmes. In Iraq and Afghanistan significant security spending is categorised as programme rather than administrative expenditure. In some projects in highly insecure places security can be the largest single cost component of a development programme (**see Figure 25 overleaf**). So some of the extra costs of operating in insecure environments are not reflected in headline administration figures. The £46 million figure also does not include administration costs within projects and programmes implemented by other agencies, which vary both by country and by partner. In extreme circumstances security and administration costs can outweigh actual project costs (see for example **Figure 11**). A new management information system should help increase uniformity of country teams' reporting of their administration costs though it will not enable DFID to see variation in administration costs within project expenditure.

24 Expenditure on administration costs for selected country offices 2007-08



Source: National Audit Office calculations using DFID's administrative data

NOTE

¹ The Middle East includes Iraq, the West Bank and Gaza and Yemen as well as smaller programmes in other countries in the region. DFID's administration data does not provide a country breakdown for this region.

3.17 Staff costs are higher in insecure environments. DFID uses the hardship rates calculated by the Foreign and Commonwealth Office to compensate staff for privations in areas such as health, security and isolation. The payments are not intended to be incentives to work in difficult environments. DFID considers cost, staff safety and operational effectiveness when deciding the location of staff but has generally adopted a highly decentralised approach. For most country programmes staff are all located overseas, even administrative staff. The exceptions are Iraq, where the majority of the country team operate from London; and Afghanistan, which has three staff members out of 42 based full-time in London. DFID South Asia has calculated the cost of placing each staff member overseas and found significant variations. For example placing a UK-based member of staff in Afghanistan costs £250,000 per year compared with £116,000 in Nepal. Estimated security expenditure in Afghanistan of over £100,000 compared with £3,600 in Nepal explains much of the difference. DFID has not calculated the unit costs for other countries.

25 The armed protection contract in Iraq

In June 2003 DFID established an office in Baghdad. But the security situation in Baghdad had deteriorated to the extent that DFID urgently required an armed protection team for DFID staff and consultants. Due to the immediate risk to staff the Permanent Secretary agreed that the Department would award the contract to Control Risks Group without using normal procurement procedures, which would have taken some months. The contract was finalised on 14 July for 16 guards over 180 days and four armoured vehicles at a cost of £1.7 million.

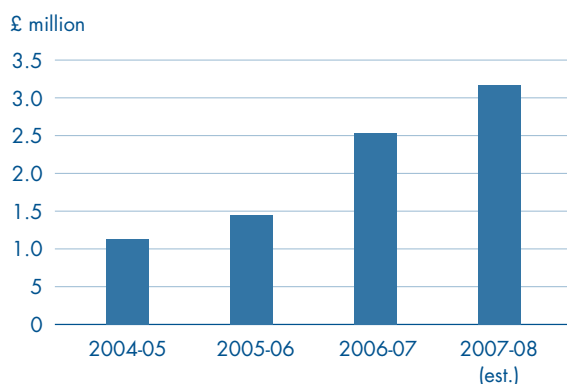
From 31 October 2003 the contract was extended to 31 March 2004, taking the total cost to £8.5 million. This second contract increased the guard force to 68 and covered operations in Basra too. DFID considered whether other suppliers should be considered but decided not to issue an invitation to tender. In March 2004 the contract was again extended without open competition to 30 June 2004, with the total cost rising to £11.7 million.

The full cost of this security was initially categorised as project rather than administrative expenditure. From July 2004 the Foreign and Commonwealth Office took on responsibility for all UK government departments staff security and accommodation in Iraq and charged DFID for security protection under the terms of the Service Level Agreement. DFID allocated 17 per cent of the costs to its administration budget to cover security for its own staff – and 83 per cent to project expenditure to cover security for DFID's consultants. This ratio was still in use in 2008.

Source: National Audit Office review of DFID management information

3.18 Aside from staff costs and accommodation expenses, security expenditure was another major component of administrative overheads. DFID does not record its security costs separately but we asked country teams to provide the relevant information. Excluding Iraq, we found that expenditure had increased by over 100 per cent over the last four years (**Figure 26**). Expenditure varied significantly according to the level of security required and costs in-country. Despite such significant increases in security expenditure, DFID has not monitored centrally what country offices spend or what they get for their money. Our survey found some significant variations in costs (Appendix 8). Prevailing market conditions, import and delivery costs are important when comparing these costs across countries. DFID has made only very limited comparisons of its costs with others donors' within countries.

26 Security costs have increased between 2004-05 and 2007-08



Source: National Audit Office survey of country teams

NOTE

Data taken from ten countries which provided full data. The figure excludes security costs in Iraq which have declined from £24 million in 2004-05 to £6.7 million in 2007-08.

3.19 Eleven of fifteen DFID offices in insecure countries are collocated with the Foreign and Commonwealth Office. Collocation allows DFID to share security and accommodation maintenance services. In Nepal, where DFID is not currently collocated, it is considering whether doing so would reduce administration costs. In the most insecure countries DFID considers it important to collocate purely to ensure staff safety, but in other situations it has not always fully assessed the costs and benefits of such an arrangement. Service Level Agreements between Foreign and Commonwealth Office and DFID had resulted in increased overall administration costs for all the collocated DFID country offices we visited. For example, in Afghanistan the cost of providing security increased by approximately 50 per cent when DFID moved into the British Embassy compound, although the level of security protection also increased. A lack of transparent information about how costs were apportioned left some country teams uncertain whether rapid increases in their security costs reflected a fair apportionment of costs, or a higher specification of protection. DFID and the Foreign and Commonwealth Office are negotiating a joint overarching Service Level Agreement structure which will be used by all country offices from 2008-09 onwards. This could ensure that a standard and transparent system for apportioning costs is used and that DFID's interests are reflected.

3.20 In some cases shared arrangements constrained DFID's ability to make improvements. In Sudan the Foreign and Commonwealth Office conducted a security assessment, which identified a number of threats to the DFID office. One of the recommendations was to lease a derelict building that overlooked the DFID site. The Foreign and Commonwealth Office led the process, which took eight months to complete. DFID also requested some maintenance work to improve the quality of staff accommodation but the Foreign Office Technical Works Team were not qualified to make the changes DFID desired. These factors have led to a decrease in staff morale and left some DFID staff feeling vulnerable to security breaches.

APPENDIX ONE

What is an insecure environment?

Definition

Our definition of an 'insecure environment' is based on an assessment of two dimensions of security and a stated level of materiality.

1. Personal security

We measured the threat to personal security using the United Nations' Department of Safety and Security's 'Security Phases'. The phases are used across the United Nations' agencies to judge security requirements and the feasibility of a presence in a country (Figure 27).

2. General security

We assessed the threat to general security using the Human Security Report 2005 data on the number of reported deaths due to political violence.²³ We defined a country as insecure where deaths from political violence exceed 1 per 1,000 people per year.

27 United Nations Security Phases				
This study examined those countries where all or a significant part of the country is rated as Phase II or worse, as assessed in March 2007.				
Phase I	Phase II	Phase III	Phase IV	Phase V
Precautionary	Restricted Movement	Relocation	Emergency Operations	Evacuation

3. DFID bilateral funding

DFID deploys bilateral funding to over 100 countries worldwide. For practical reasons we only included countries where DFID provides bilateral support of over £5 million per year, based on the financial year 2005-06, in the category of insecure countries where DFID works.

Categories of insecurity

Where DFID operates

Figure 28 shows the countries which meet the criteria set out above. We identified nine countries in Category A, where all or the majority of the country is considered insecure and ten further countries in Category B where most but not all the criteria are met for the whole of the country.

28 Countries assessed as insecure		NOTE
Category A:	Category B:	1 Zimbabwe is only in phase 1 under 2007 United Nations security assessments and no data is available on number of deaths due to political violence. However, its rating under the World Bank's World Governance indicator on political stability and violence shows general insecurity in Zimbabwe is at a similar level to Nigeria and Uganda.
Afghanistan	Ethiopia	
Burundi	Indonesia	
DRC	Kenya	
Iraq	Nigeria	
Liberia	Pakistan	
Nepal	Sierra Leone	
Palestinian Territories	Sri Lanka	
Somalia	Uganda	
Sudan	Yemen	
	Zimbabwe ¹	

Additional insecure countries

Figure 29 shows the additional countries which were insecure but where DFID did not have a large bilateral programme.

29 Additional countries assessed as insecure	
Category A:	Category B:
Central African Republic	Republic of Congo
Chad	Georgia
Colombia	Macedonia
Cote D'Ivoire	
Eritrea	
Guinea – Bissau	
Haiti	
Lebanon	
Papua New Guinea	
Timor – Leste	

APPENDIX TWO

Study methodology

Review of literature

We reviewed a range of sources:

- documents published centrally by the Department, including strategy and policy documents;
- DFID country programme documents including country assistance and engagement plans;
- policy and strategy documents from other bilateral, multilateral and non-governmental organisations.

Review of management documentation

We reviewed documents relating to:

- management of security;
- assessment and management of risk;
- human resources and training;
- internal audit visits.

Analysis of project data

We took a census of data from DFID's project database after excluding:

- those that completed before the year 2000; and
- projects DFID exempts from requiring project completion reports.

DFID does not provide full information on all projects. DFID exempts more than half its bilateral expenditure from requiring a project completion report. After all exclusions, 1325 projects and programmes in insecure countries should have been given a score at completion stage. In fact over 200 of these projects were not scored. Analysis of project success rates are therefore based on the remaining projects plus a further 226 projects which were also scored (though scoring these was optional). This gave a population of over 1,000 compared to nearly 2,000 for secure countries.

We reviewed available documentation for a sample of 53 projects from five countries: Afghanistan, the Democratic Republic of Congo, Iraq, Nepal and Sudan. The sample included a range of projects in terms of size, success and sector. It covered over 30 per cent of programme spend in each of the countries. The review included the following types of documents:

- planning and approval documents;
- monitoring and annual reviews; and
- evaluation or completion reports.

This analysis established:

- DFID's policy and strategy for insecure environments;
- country programme approaches in insecure environments; and
- how DFID's approach compares to that of others.

This analysis established:

- the Department's approach to managing itself in insecure environments.

This analysis established:

- trends between project performance and sector, risk, cost and level of insecurity;
- common factors affecting the success or underperformance of projects in insecure environments;
- illustrations of how insecurity affects delivery and strategies used to deal with this;
- the extent to which project design and risk assessment considers insecurity; and
- the strengths and weaknesses of DFID's planning, monitoring and evaluation documents.

Review of financial data

We undertook an analysis of DFID's costs and expenditure in insecure environments. This included:

- tracking DFID's bilateral programme expenditure over time;
- identifying the allocations made to multilateral agencies;
- drawing on data from the Organisation for Economic Co-operation and Development on the level of funding for insecure countries considered to be 'under-funded';
- analysis of DFID's expenditure on administration, security and human resources; we also tried to benchmark this against others', but data availability was poor;
- analysis of DFID's procurement data. The database contained 3045 entries of which 726 were in insecure environments. The database did not contain full information on all projects. Analysis was therefore based on the data available.

Country visits

We visited four countries: Afghanistan, the Democratic Republic of Congo, Nepal and Sudan. All four have annual expenditure of over £40 million but the extent and nature of insecurity varies between countries and DFID is providing different types of assistance.

In each country we interviewed a selection of DFID's staff, partners and intended beneficiaries. In addition, we reviewed documentation held in country offices. We also visited projects in each of the countries except for Sudan, where we could not leave the capital due to heightened security problems at the time of our visit.

This analysis established:

- trends and changes to DFID's expenditure over time;
- the level of DFID's funding to insecure environments compared to other countries;
- comparisons between the DFID's funding to insecure countries and that from other organisations;
- DFID's response to under-aided insecure countries;
- DFID's spending in insecure environments through multilaterals;
- trends in DFID's administrative expenditure and human resource management in insecure environments; and
- trends in DFID's use of procurement.

This analysis established:

- the views of key stakeholders and intended beneficiaries;
- the perspective of DFID's in-country staff;
- first hand experience of the effect of insecurity on project delivery;
- the challenges to risk management, security arrangements and programme implementation; and
- how DFID manages country programmes in insecure environments.

Surveys

- We conducted a survey of 15 DFID country teams working in insecure environments. We tailored the questionnaire depending on the level on insecurity within the country and DFID presence there:
 - we sent full surveys to six country teams (Afghanistan, Democratic Republic of Congo, Iraq, Nepal, Palestinian Territories and Sudan);
 - we sent an abridged version to six countries which are only insecure in parts (Ethiopia, Nigeria, Pakistan, Sierra Leone, Uganda and Yemen); and
 - we sent a shorter version to three countries where DFID has only a minimal in-country presence (Burundi, Liberia and Somalia).

We received written responses from all 15 country teams.

- We conducted a voluntary survey of DFID staff currently or previously based in insecure environments. We received 61 responses representing 14 per cent of DFID staff in insecure environments.

Focus group

In cooperation with the British Overseas Non-governmental organisations for Development (BOND) we held a focus group to discuss key issues facing DFID, its partners and staff operating in insecure environments. Representatives from eight non-governmental organisations took part.

Use of consultants

We also commissioned Harewelle International Ltd to undertake three tasks as follows:

- A literature review of what programmes and implementation techniques work well in insecure environments based on the lessons learnt from past interventions.
- Collation of security cost data featuring private sector spending on security and security company prices; and
- Validation of the results of a sample of the Department's interventions in two countries.

Expert panel

We invited academics and practitioners with expertise in aid effectiveness and operational issues in insecure environments to review and comment on an early draft of the report. The panel included:

- Professor Paul Collier, Oxford Centre for African Economies
- James Darcy, Head of Humanitarian Policy Group, Overseas Development Institute (comments given in writing)
- Claire Hickson, Head of Advocacy and Communications, Saferworld¹
- Howard Mollett, Humanitarian Aid Adviser, Care International UK¹

This analysis established:

- details about individual country programmes;
- the extent to which in-country staff are aware of DFID's policies and practices, including the dissemination of research, guidance and best practice information;
- approaches to risk management and security arrangements;
- the extent to which security affects programme implementation; and
- a better understanding of staff motivations, experiences, skills and concerns regarding working in insecure environments.

This analysis established:

- the experience and challenges faced by non-governmental organisations operating in insecure environments; and
- the perspectives of partner organisations on the Department's strengths and weaknesses.

This consultancy established:

- what the academic literature says about operating in insecure environments;
- how the Department's approach to insecure environments compares with that of other donors;
- limited information on others' security costs; and
- more detail on the results of a sample of interventions in two countries: Nepal and Sudan.

This panel established:

- that the content of the draft report was balanced and fair; and
- that it covered the key issues.

NOTE

- ¹ Nominated to represent members of the umbrella organisation British Overseas Non-Governmental Organisations for Development.

APPENDIX THREE

Afghanistan

Country context

The Islamic Republic of Afghanistan is a landlocked mountainous central Asian country with a population of around 32 million people. Data for Afghanistan is particularly weak so it is not included on country human development rankings. The country is not on track to achieve any of the Millennium Development Goals.

Afghanistan has been wholly or partly in conflict for over 20 years. After the overthrow of the Taleban in 2001 a new government was established. President Hamid Karzai was elected in 2005. But many areas of Afghanistan remain highly insecure. Some parts of the country are not under direct government control but are run by warlords, others are still a battle ground for remaining Taleban fighters. Lawlessness – including poppy cultivation and smuggling – have increased in recent years.

DFID in Afghanistan

Since 2001 DFID has spent over £490 million on reconstruction and development in Afghanistan. The UK is Afghanistan's second largest bilateral donor, after the US, spending over £100 million in 2006-07. Most of this is spent through the DFID programme which is closely aligned to the UK Government's wider objectives in Afghanistan. DFID has 42 staff in country – 25 home civil service and 17 locally recruited staff. Since 2005 the team has operated from an out-building inside the British Embassy compound in Kabul.



Strategy

The Department plans to publish a full Country Assistance Plan once the Government's poverty reduction strategy is finalised. But its current approach is aligned to some key pillars of the government's interim strategy. DFID's approach to development in Afghanistan is closely tied to the wider UK Government strategy. DFID has also chosen to work closely with the Afghan Government, channelling the majority of its funding through it. DFID's programme in Afghanistan is concentrated on three broad areas:

1. State building.
2. Economic management.
3. Rural livelihoods.

Expenditure trends

DFID's early programme in Afghanistan was focused on providing immediate humanitarian relief and supporting the building of an effective state through technical assistance and training to key Ministries. Since 2003, DFID has diversified its programme to cover the three strategic priorities (Figure 30). DFID also plays an important role in encouraging coordination across the donor community.

What DFID expenditure supports

DFID Afghanistan's programme has supported:

State building and Economic Management

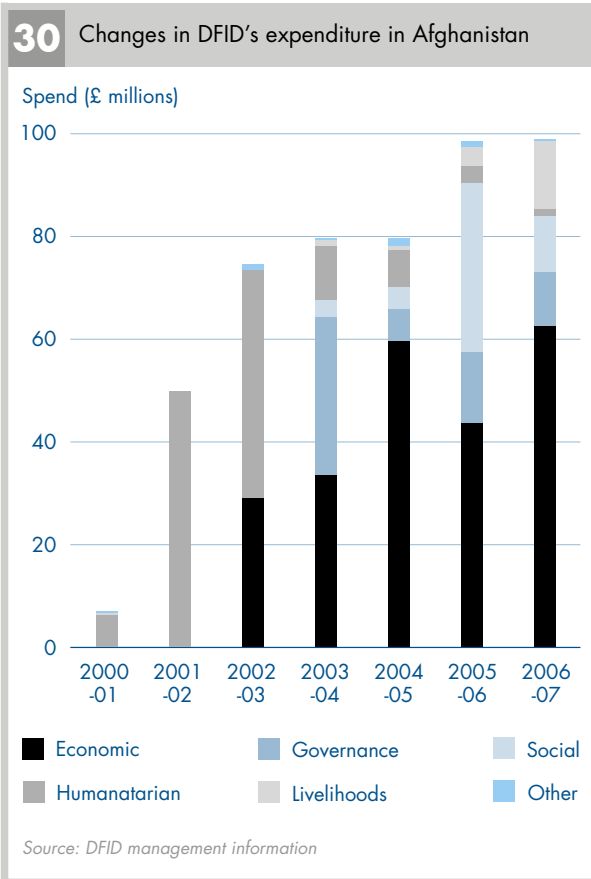
- international experts to give training and help with policy development and reform of key institutions;
- the Government to reform civil service pay and grading;
- the Government's recurrent spending through the reconstruction trust fund which funds the wages of over 200,000 public servants; and
- the Government's capacity to collect tax; revenue collection has increased by about 30 per cent per year.

Rural Livelihoods

- the National Solidarity Programme which has established over 18,700 Community Development Councils across Afghanistan to implement locally driven projects;
- the Micro Finance Investment Support Facility for Afghanistan to which DFID has contributed £35 million. It has issued over £150 million worth of small loans to 405,000 Afghans. Over 70 per cent of its beneficiaries were women;
- DFID also contributed £18 million in 2005-06 to the National Rural Access Programme, which has generated over 14.3 million days of labour for local people. Around 9,790 kilometres of rural roads have been built or repaired, as well as schools, health clinics and water schemes.

Helmand Province

The UK is currently the lead nation in the Helmand Provincial Reconstruction Team. DFID works closely with the Foreign and Commonwealth Office and the Ministry of Defence to deliver the four strands of the Joint UK Plan for Helmand: Security; Governance; Social and Economic Development and Counter Narcotics. DFID has had a development advisor and co-financed with the Stabilisation Unit, a programme manager operating in Helmand since 2006. DFID has provided £6 million since April 2006 to support the implementation of over 150 joint-UK Quick Impact Projects that aim to provide immediate and visible benefits to the people of Helmand. The difficult security situation in Helmand has meant that DFID has been able to disburse only half of the funds it had hoped to in the province.



DFID's partners

Eighty per cent of DFID aid to Afghanistan goes through the central Government, much of it via the World Bank (Figure 31). The majority of DFID's funding via government goes through the Afghanistan Reconstruction Trust Fund. Half of this is not earmarked to particular sectors or uses. This is mainly used to support recurrent costs such as civil servant wages. Where security permits, DFID uses local non-governmental organisations to deliver smaller projects. It also works closely with other UK Government departments particularly in Helmand and on its work in the counter narcotics sector.

The challenges of working there

Afghanistan faces tremendous challenges. Poverty is high but the Government is finding it difficult to tackle it, because of ongoing insecurity. Some areas of the country are still in a state of war. Daily attacks are waged against government and international troops, officials and aid workers.

The opium industry continues to fuel insecurity, corruption and indebtedness. The production and trafficking of opium in Afghanistan increased by 34 per cent in 2007 and represents more than half (53 per cent) of Afghanistan's Gross Domestic Product. It is estimated that 3.3 million Afghans are financially dependent on poppy cultivation and sales.

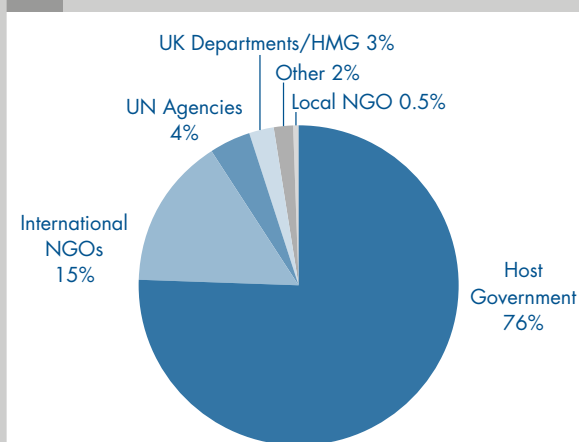
The country's infrastructure is in poor condition. Thousands of settlements across Afghanistan are effectively cut off from each other due to the lack of transportation links and the difficult terrain in much of the country.

The costs of working there

Providing basic security for its staff in Afghanistan is costly. In 2006-07 DFID spent over £1.8 million on security and it expects to spend in excess of £2.1 million in 2007-08. DFID offices are within the embassy compound. DFID pays a flat rate to the Foreign and Commonwealth Office for security costs calculated on the basis of headcount. DFID's partners also have to pay security costs and this cost is passed on to DFID's programme expenditure.

DFID spent nearly £1 million on staff accommodation in 2005-06. In 2006-07 this reduced to around £781,000. DFID estimates that it costs around £256,000 per person to station staff in Afghanistan. This is around double the unit costs for Nepal, Pakistan or Bangladesh (Appendix 8).

31 Partners which DFID uses in Afghanistan



Source: Country team estimates based on 2007-08 programme expenditure

NOTE

Funds channelled through the Government include the Afghanistan Reconstruction Fund, which is administered by the World Bank and other Government programmes.

APPENDIX FOUR

The Democratic Republic of Congo

Country context

The Democratic Republic of Congo is the size of western Europe and has an estimated population of nearly 60 million people. The country faces enormous challenges in bringing peace and prosperity to its citizens. Although in terms of natural resources the Democratic Republic of Congo is one of the richest countries in the world, its people are amongst the poorest. On the Human Development Index it is ranked as the 10th poorest country in the world.²⁴ It is not on track to meet any of the Millennium Development Goals for which there is data.²⁵ Gross domestic product per capita (which was at \$380 in 1960) stood at US\$139 in 2006.²⁶ Annual economic growth is at around six percent.

During the war 1994-2003 conflict over three million people were killed and many more displaced. Eastern Congo in particular became the battle-ground for a war which involved the country's neighbours and an array of rebel groups. In 2006 Joseph Kabila won the country's first democratic election for over four decades. But insecurity is still a problem. In 2007 more than 370,000 people were displaced in renewed fighting in the East. Other parts of the country also have security problems.

DFID in the Democratic Republic of Congo

Since first supporting the Democratic Republic of Congo in 2001 DFID's expenditure there has increased exponentially. Now at £70 million per year the country programme is expected to reach £100 million in 2009-10. DFID first established a staff presence in country in 2003. It now has 38 staff there – 14 home civil service and 24 locally recruited staff. The team is based inside the British Embassy compound in Kinshasa. Although they have commissioned construction of their own building on the compound this has been delayed. The team are therefore still working out of two portacabins next to the Embassy.



Strategy

DFID's interim country strategy, on which its programme has been based to date; emphasised five priority areas:

- re-establishing security and reforming the justice sector;
- supporting the transition process, including the holding of democratic elections;
- investing in transport links, health and education services;
- providing humanitarian aid; and
- improving the management of natural resource exploitation for the benefit of all of the people.

The country team is currently re-designing its strategy to produce a Country Assistance Plan. In the process it is seeking to better prioritise and rationalise its engagement. The new plan's overarching aim is to help the people and Government of the country to achieve sustainable peace and long-term poverty reduction. Though it identifies just three priority areas, the country programme will still cover a broad range of activities:

- 1 To meet urgent humanitarian needs.
- 2 To support an accountable and effective state.
 - Support the state to deliver security and access to justice.
 - Promote an inclusive and accountable political system.
- 3 To support a sustainable peace leading to poverty reduction.
 - Promote economic growth that benefits the poor.
 - Promote access to basic services by the poor.

Expenditure trends

DFID's early programme in the Democratic Republic of Congo was almost wholly humanitarian. But in the last three to four years it has significantly increased in size and diversity. It now includes a range of developmental activities (Figure 32).

Currently around half of DFID's country programme is humanitarian assistance; most of this is delivered in the east of the country where conflict is still ongoing. Since 2005 DFID's biggest developmental programmes have been in the governance sector – one supporting the national elections (£16 million) and another supporting the rule of law (£12 million). In future DFID intends to spend £30 million on health, £50 million on education and £36 million on roads.

What DFID expenditure supports

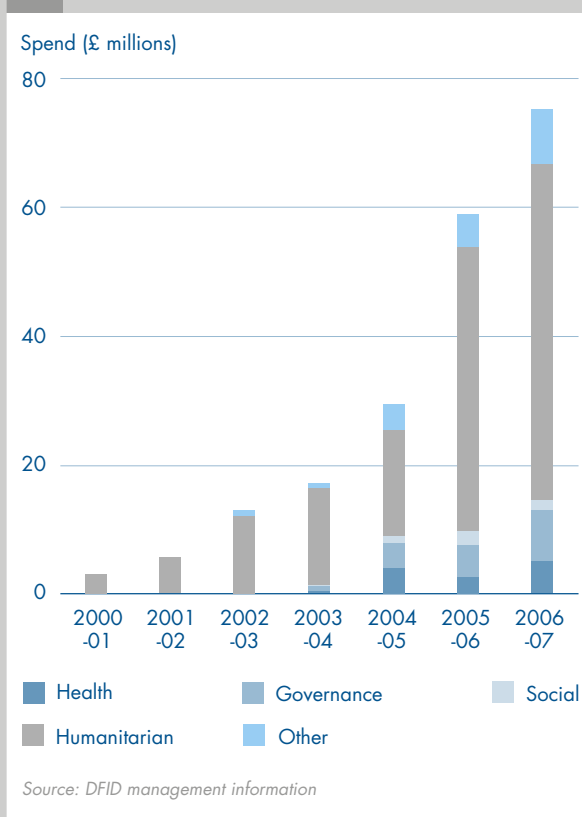
DFID's expenditure has supported a range of activities. For example DFID funds supported:

- logistics and civic education for national elections in 2006;
- a 'participatory poverty assessment' which consulted 35,000 people and provides some basic data to help planners;
- the purchase and distribution of 500,000 bed nets to be given to pregnant women or sold at a subsidised rate;
- a programme to purchase police equipment including radios and vehicles;
- a programme to improve access to justice;
- an independent radio station, which is now one of the country's most popular;
- a hospital specialising in treating complications during pregnancy linked to sexual violence.

The joint humanitarian action plan, to which DFID contributed, has provided:

- emergency assistance to over 1.6 million people;
- education to 5,000 children in crisis areas;
- vaccinations for 1.6 million children;
- health and nutrition programmes for 82,000 children;
- reproductive health services for 500,000 women;
- water and sanitation for over 500,000 people.

32 Changes in DFID's expenditure in Democratic Republic of Congo



DFID's partners

DFID uses a variety of partners to deliver expenditure in the Democratic Republic of Congo. For humanitarian programmes DFID uses United Nations agencies, and international non-governmental organisations. Since 2006 it has channelled the majority of its humanitarian expenditure through a pooled fund managed by the United Nations. For its development spending, DFID also used agencies, such as the United Nations Development Programme and some non-governmental organisations (Figure 33). It has channelled only small sums through the government. DFID intends to increase expenditure through both the Government and the World Bank in future – focusing on roads and education.

Challenges of working there

Decades of under investment, followed by a damaging war have left service delivery and infrastructure minimal; and non-existent in some areas. Government and rebel forces are not fully demobilised – exacerbating insecurity and the potential of a return to war. Donors and the government face a massive (re)construction and development task. But low capacity is a generic problem: both for the government and for the international aid community there.

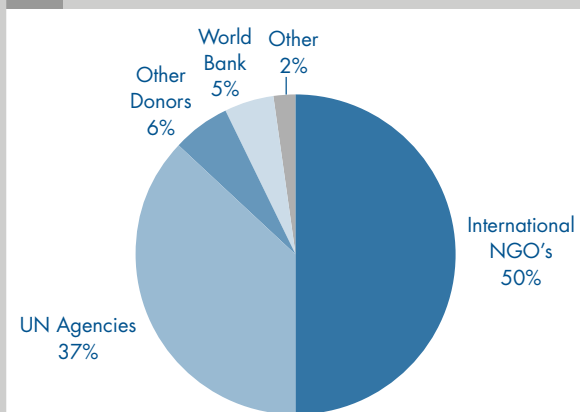
There are major problems with access, infrastructure and workload which hinder the extent to which monitoring can be done regularly. But staff also face other work pressures. For DFID staff their own capacity is stretched further by having to work in a second language. A recent new language training policy provides for language training to ensure staff are operational before arriving in Democratic Republic of Congo. But several staff were in post before this and received only a few weeks training. DFID has found it difficult to fill posts in the Democratic Republic of Congo and the team there has suggested some methods to make Kinshasa a more attractive posting. The country also has a limited pool of qualified local people to recruit from, due to years of war and low investment in education and the flight of qualified people overseas.

The costs of working there

Despite widespread poverty, the Democratic Republic of Congo is an expensive country for aid agencies. For example:

- endemic corruption and a small formal private sector can also make operating there difficult and costly. There are few international companies willing or able to operate there and the pool of local companies is small – this lack of competition pushes up prices. DFID has experienced these practical difficulties first hand as it has tried to construct its own office building – a project that is now nearly two years behind schedule;
- accommodation in Kinshasa – of a standard acceptable for DFID staff and in an area of the city considered safe – is in short supply and is expensive. In 2006-07 DFID spent nearly half a million pounds of staff accommodation there – more than double two years earlier. It is now looking into negotiating a lease with a single landlord which should provide better value for money over a 10 year period.
- As DFID is based on the embassy compound, it pays half of all security and running costs for the compound, which are managed by the Foreign and Commonwealth Office through a locally arranged Service Level Agreement. Security is a major component of this and in 2005-06 DFID paid just over £116,000 towards security costs under this agreement, but in 2006-7 its contribution increased to nearly £575,000.

33 Partners which DFID uses in insecure areas of the Democratic Republic of Congo



Source: Country team estimates based on 2006-07 programme expenditure in response to National Audit Office questionnaire

APPENDIX FIVE

Nepal

Country context

Nepal is a landlocked mountainous country with a population of about 30 million. Nepal is on track to meet four of the Millennium Development Goals and is ranked 142nd in the Human Development Index of 177 countries.

Reforms in 1990 established a multiparty democracy within the framework of a constitutional monarchy. During the 1996-2006 conflict between Maoist rebels and Government troops the King twice assumed executive powers. And in 2001 a member of the royal family massacred ten family members – including the King and Queen. A state of emergency was also declared in 2005. In 2006 a Comprehensive Peace Agreement was signed. In 2008 the Maoists won a general election and declared Nepal a republic. Approximately 100,000 people have been confined in refugee camps in southeast Nepal since 1990. Thousands of combatants are now awaiting demobilisation in camps across the country.

DFID in Nepal

DFID established an office in Nepal in 1999. In 2006-07 DFID spent around £42 million; by 2009-10 the country programme budget will be £46 million. DFID reviewed its Nepal programme in 2005 in response to deterioration in the political and security context and decided not to increase the size of the country programme at that time. In 2007 DFID announced a 20 per cent increase. If peace is sustained, DFID will consider scaling up its Nepal programme – to up to £90 million. And it intends to increase its alignment with government systems.

DFID now has 53 staff in Nepal – nearly three quarters locally recruited. DFID's compound is in a different part of the city from the Embassy. The office is a free-standing three-storey building with gardens.



Strategy

DFID's Nepal Country Assistance Plan 2004-2008 has five pillars, the first four of which were chosen to reflect the Government's poverty reduction strategy:

- broad based economic growth;
- human development;
- social inclusion and targeted programmes;
- good governance; and
- establishing a basis for lasting peace.

DFID is currently developing a new Country Assistance Plan. It hopes this plan will ensure all aspects of its programme ultimately support peace. It will be based around three basic aims:

- supporting the implementation of the peace agreement – combining diplomatic efforts with financial support;
- helping to build a more effective and inclusive state – supporting delivery of “peace dividend to the people”. Investing in building government systems where opportunities allow; and
- promoting inclusive economic growth – helping to build badly needed rural infrastructure, particularly roads.

Expenditure trends

DFID has operated in a range of sectors since 2000. Overall spending in the governance, health and education sectors has increased while that in the rural livelihoods sector has decreased (Figure 34).

What DFID expenditure supports

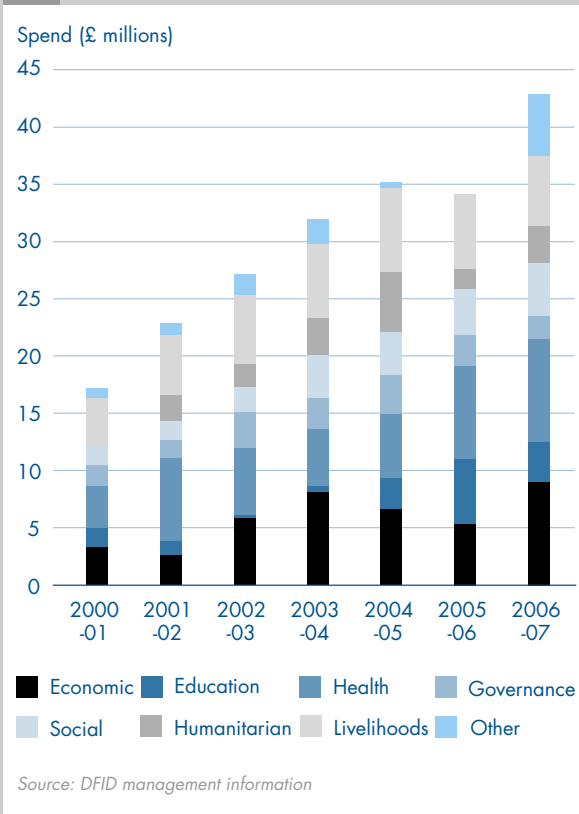
One of DFID's key achievements in Nepal was its ability to continue to deliver some development assistance during conflict. DFID's partners delivered health and humanitarian assistance to different regions. DFID also continued to support infrastructure and livelihoods sectors. Since the peace deal was reached DFID has scaled up and diversified its assistance. Examples of DFID support include:

- a contribution to the national Education For All programme. Primary enrolment rates have increased to 90 per cent for boys and 83 per cent for girls;
- the national Safe Motherhood programme which has contributed to a three per cent increase in the national skilled birth attendance rate;
- the Nepal Tuberculosis Programme, which helped to almost eradicate the disease in Nepal;
- the Rural Access Programme which has delivered over 600km of rural roads and created six million person days of work; and
- funding to two major NGO projects supplying 22,000 households with water and sanitation services.

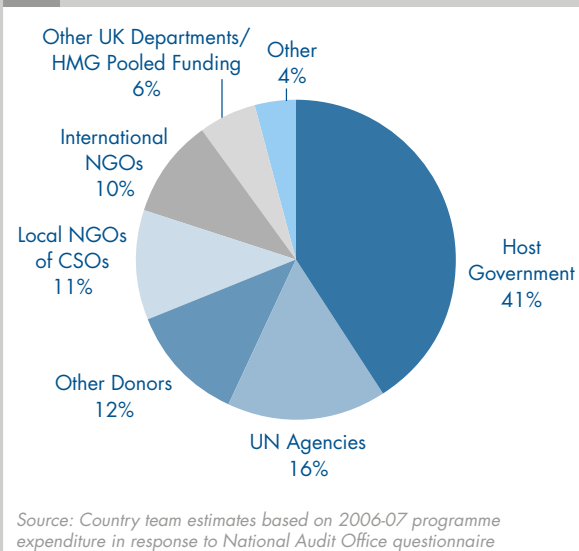
DFID's partners

DFID works with a broad range of partners in Nepal (Figure 35) Even in the more insecure areas the government is a key partner for DFID. The relative strength of local non-governmental organisations also makes them important partners for DFID. During the conflict DFID used both local and international non-governmental organisations. However, in some parts of the country the high number of non-governmental organisations makes coordination difficult for local government. In one district we visited, local officials who told us that more than 700 non-governmental organisations were registered to work in the area. They found it difficult to coordinate them all.

34 Changes in DFID's expenditure in Nepal



35 Partners DFID uses to deliver aid in insecure areas of Nepal



The challenges of working there

Despite the election, some tensions remain. Violence and protests can flare up with little warning and there are fears that some animosity is increasingly being linked to ethnic identities.

Outside of the Kathmandu valley, infrastructure is minimal. This and the mountainous terrain mean that some poorer regions remain isolated. However, throughout the conflict key human development indicators have not significantly deteriorated. Indeed some gains have been made; for example in tackling tuberculosis and increasing primary school enrolment rates.

The costs of working there

The cost of living and of accommodation in Nepal is relatively low. DFID Nepal estimated that the unit cost of posting a middle grade person was around £116,435. Security costs in Nepal are amongst some of the lowest of the countries we looked at. However, the cost of the Risk Management Office was counted as programme funding rather than administration costs. DFID's office is separate from the Embassy and it manages its own security and maintenance costs.

Kathmandu is a relatively popular posting for DFID's home civil service staff. DFID is also able to draw from a pool of educated and experienced local people to staff its office there. DFID Nepal also recently made specific efforts to recruit Nepalis from the Diaspora.

Despite a rationalisation exercise, DFID Nepal has a large number of projects and some of these are run through project offices which are established specifically for the programme – separate from both DFID and any implementing partners. This system tends to increase the proportion of programme costs which are spent on administration (on top of those costs categorised by DFID as administration). DFID Nepal is starting to move away from this system but some of its key programmes are still run in this way. For example, the Enabling State Programme is an umbrella programme designed to support small organisations working in the governance sector. Of a total budget of £27.5 million 18 per cent is spent running the secretariat. This in turn does not include the proportion of grants that recipient partner agencies use on their own administration.

APPENDIX SIX

Sudan

Country context

The Republic of Sudan is the largest African country by area with a population of about 36 million. Despite wealth in natural resources, including oil, Sudan is ranked 147 of 177 countries on the Human Development Index. And 90 per cent of the country's population survives on less than \$1 per day.

In 2005 – after two decades of conflict, which led to over 600,000 casualties and displaced four million people – the Government of Sudan and the Sudan People's Liberation Movement signed a Comprehensive Peace Agreement. This led to an autonomous government in Juba for the South and the prospect of full independence by 2011. Meanwhile conflict has escalated in the large western province of Darfur where more than 400,000 people have been killed and over two million displaced.

DFID in Sudan

Throughout the 1990's UK assistance to Sudan was humanitarian and the programme was run from neighbouring Kenya and the UK. From 2004 DFID started to support peace negotiations and has since scaled up its spending rapidly. Over the past five years the UK has provided £355 million in aid to Sudan, out of a total of £1,100 million from the international community. In 2007-08 the UK gave £115 million. In April 2006 DFID relocated the management of the Sudan programme to Khartoum. DFID currently has 25 staff in Sudan, including 10 locally engaged staff and two based in a joint donor team in Juba. The UK also has a joint Foreign and Commonwealth Office/DFID Sudan Unit based in the Foreign Office in London.



Strategy

DFID's country programme is based on an interim country engagement plan. It focuses on four areas:

- helping to meet humanitarian, recovery and reintegration needs to benefit the poorest people and communities;
- assistance to implement the peace agreement;
- support the development of effective governance;
- work with the Sudanese to develop and implement policies that will benefit poor people;

As DFID's Sudan programme is now one of its largest it is currently finalising its first Country Plan. But as yet there is no government Poverty Reduction Strategy to draw from.

Expenditure trends

The signing of the Comprehensive Peace Agreement in 2005 prompted DFID to increase and diversify its support to South Sudan (Figure 36). Its increased humanitarian assistance is now focused on Darfur. But elsewhere DFID's aid is largely developmental and in the South it includes investment in governance programmes. Some stakeholders believe that development aid has replaced humanitarian assistance too soon in South Sudan; others argue that the distinction between development and humanitarian aid is more blurred.

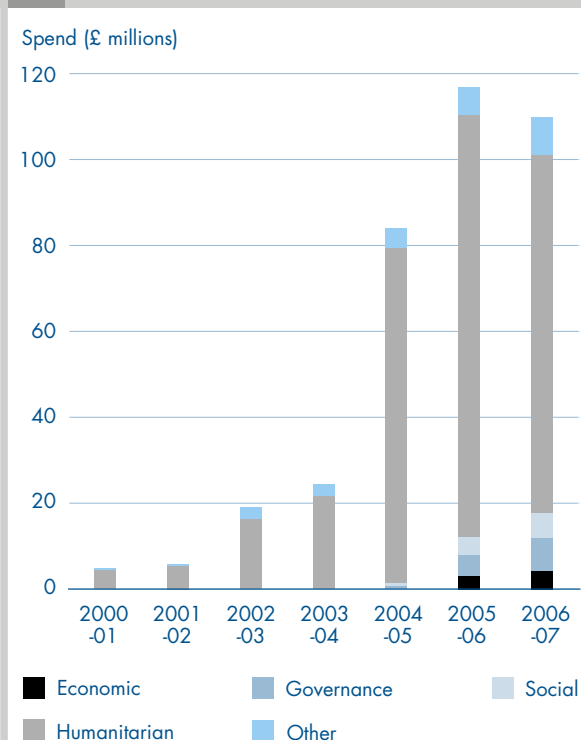
DFID's partners

In Darfur DFID's main partners are international non-governmental organisations, United Nations agencies and the World Bank. Though it does not work directly through the government it channels a large proportion of its development funding through the World Bank managed Multi-Donor Trust Funds, which support a range of partners. Low capacity amongst local non-governmental organisations means DFID is not able to use them extensively (Figure 37).

The majority of DFID's development support in Sudan is delivered through pooled funding mechanisms. Two World Bank administered Multi-donor Trust Funds have been established to disburse development funds in the North and South, DFID has committed £47 million to them. But they have been hindered by delays in disbursement to the extent that DFID set up its own Basic Services Fund to provide development aid more quickly. However, NGOs complained that this was also subject to unacceptable delays.

In 2006-07 half of DFID's £80 million humanitarian funding was spent through the multi-donor Common Humanitarian Fund – which funds United Nations agencies and non-governmental organisations. The fund operates across Sudan but its disbursement rate in 2006 was lower in South Sudan (61 per cent), the south/north border province of Abyei (51 per cent) and Darfur (69 per cent) than in more secure areas such as Northern Sudan (89 per cent) and Khartoum (73 per cent). Similar to other pooled funding mechanisms in Sudan, it has been hindered by delays and has struggled to monitor and evaluate the effectiveness of its funding. Some stakeholders have also expressed concerns about the potential conflict of interests for UN agencies which both administer and receive support from the funds. Discussions have begun on a Peace and Stability Fund for Darfur. This would be a pooled fund with an emphasis on early development rather than humanitarian intervention.

36 Changes in DFID's expenditure in Sudan

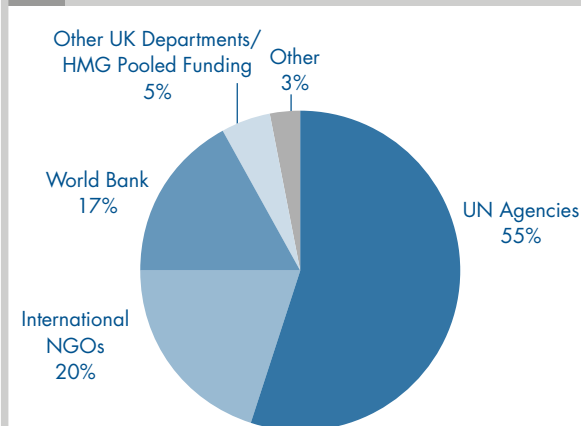


Source: DFID management information

NOTE

The graph shows expenditure trends for the whole of Sudan, but there are differences between regions. The major increases in humanitarian expenditure have been concentrated in the Darfur region, the diversification of expenditure has been concentrated in other areas, particularly South Sudan.

37 Partners DFID uses in Sudan



Source: Country team estimates in response to National Audit Office questionnaire based on 2006-07 programme expenditure

DFID Sudan also works closely with the Foreign and Commonwealth Office and has been instrumental in driving the joint departmental strategy paper for Sudan. And in 2006-07 the country received £3.4 million from the Africa Conflict Prevention Pool, mainly for the security sector.

The challenges of working there

DFID does not work closely with the national Government of Sudan. However, the two World Bank managed trust funds support government programmes in the North and South. In the South DFID has also directly invested in government capacity building.

Security is an ongoing problem in Sudan. In 2007-2008 Darfur was one of the most dangerous locations for aid workers. Some non-governmental organisations and United Nations agencies were directly targeted and some programmes had to be suspended, including some supported by DFID. The security situation there seriously constrains the ability of any humanitarian workers to reach people in some areas.

Despite the end to the conflict in the South there are still problems with insecurity, so aid workers cannot travel to some border areas. Working in the South is complicated by the July-September rainy season. In the past some DFID funded assistance has not been delivered before this three month period when many areas are inaccessible. Poverty is widespread in Sudan and not simply concentrated in the South and West. The East is very poor and marginalised but donors do comparatively little there.

The costs of working there

Sudan has a mixed economy, with wealth due to the oil economy, alongside widespread poverty. Prices in Khartoum, particularly for goods and services required by the many aid agencies present in the country, can be very high. Accommodation for example is increasingly expensive partly because there is a small pool of suitable housing and increased demand from the international aid and private sectors. Security costs are also increasing (see Appendix 8).

APPENDIX SEVEN

Research on and experience of aid in insecure environments

Every insecure country is, by its nature, different. Each faces different challenges and opportunities. Providing effective aid in insecure environments depends on designing assistance for the specific context. There are, however, some common features of insecure environments. Academic research and past experience provide valuable lessons for improving future assistance there. It also demonstrates that trying to do 'development as usual' will not work. Aid programmes need to be tailored, politically sensitive and realistic. Some of the most useful findings from research, experience and from our audit are summarised below. We have drawn out three key themes: assessing capacity, matching aid types to country circumstances and good practice in managing and monitoring aid. It is not an exhaustive synthesis of all evidence but provides some helpful guidance on best practice in insecure environments. DFID has commissioned some further research but a more systematic review – not only of research but of lessons from practical experience – would also prove useful to donors such as DFID.

Key criteria on assessing capacity

Research findings/considerations

Assessing country capacity to spend aid

Insecure and post-conflict countries often have small or weak economies, with low capacity to provide public services or promote growth. Sudden influxes of development aid can have damaging macro-economic side effects such as increased unit costs and inflation which can reduce aid effectiveness. Research indicates that on average between the fourth and seventh year in a post-conflict transition a country can start to absorb significantly more aid and have a greater positive effect on economic growth.

Choosing the right partners

Choosing the right partners is important in insecure environments, where not all traditional partners will have a strong presence. Making full use of all partners' capacity to contribute to development is important to maximise impact. Some partners may lack experience of the country or the context. The local population may perceive some partners to be biased.

Leading to the following good practice criteria:

Thorough assessment of:

- the country's current and likely future capacity to absorb aid, including the potential macro-economic side effects and their implications for economic development, national stability and poverty reduction;
- the relevance to the specific country context of research on the most effective timing of aid; and
- the capacity of all potential partners, including their experience in insecure countries, their understanding of country circumstances, and their perceived legitimacy amongst the population.

Using these assessments to inform overall decisions on:

- the volume and timing of aid; and
- choosing the most suitable partners to maximise impact.

Key criteria on matching the aid programme to country circumstances

Research findings/considerations

Humanitarian and development aid

Humanitarian aid can satisfy immediate needs for food, security and shelter, sometimes extended to provide basic services such as health and education. But it can encourage aid dependency and inhibit rehabilitation. Development aid ranges from work on livelihoods through to broader infrastructure and social service provision, often through the government. But development is vulnerable to insecurity. Securing the right balance of humanitarian and development approaches, is important, as is avoiding inconsistencies or gaps in coverage.

Choosing the right type of aid

All types of development aid have advantages and disadvantages in insecure contexts. For example:

- Budget support is rarely appropriate in the most insecure countries due to unacceptable levels of risk but aligning with government systems may help aid effectiveness;
- Technical assistance to governments is helpful where there is commitment by governments to reform but needs to be well coordinated and well directed;
- Support through NGOs can reach local people effectively, but requires coordination; and
- Multi donor pools can be very useful but sometimes slow. A recent analysis of 18 pools found some generic strengths and weaknesses, and some specific features depending on which organisation managed the funds.²⁷

Strengths of multi donor pools

- Helped coordinate donor funds and operations.
- Helped agencies to pool experience and information.
- Helped coordinate United Nations agencies and non-governmental organisations.
- Sometimes perceived as more legitimate and impartial than bilateral funding in politically charged situations.

Weaknesses of multi donor pools

- Often set up quickly, administrators – usually the United Nations or World Bank – have found it difficult to get experienced staff in fund secretariats quickly enough.
- Governance structures have been over-complicated.
- Few have developed a medium term strategy or vision for capacity development work.
- United Nations' administered funds required less reporting from United Nations agencies than from non-governmental organisations.
- World Bank administered funds applied procedures designed for working in secure countries with effective government to insecure contexts.

Working in priority sectors

Research has highlighted some key areas for donors to focus their assistance on:

- **Strengthening country systems:** increasing the country's ability to manage its own development early on will promote recovery and allow the country to make effective use of aid later. Technical assistance can strengthen government institutions, train and support individuals and contribute to policy reform. Some studies suggest that this is particularly effective in the early stages of a post-conflict transition.²⁸ Others indicate that it can actually be counter productive in the early stages if government commitment to reform is not established. Once donors are assured of government commitment, technical assistance should be made available quickly but should be recipient led and well coordinated.²⁹ Early support to basic infrastructure and post-primary education can also help countries to absorb aid later. Large influxes of aid can otherwise allow the aid sector within the economy to boom yet lose efficiency, while overall growth rates are reduced.
- **Encouraging policy reform:** bad public policies can often be a source of grievances so early policy reform is crucial. Aid is often more effective in a good policy environment.³⁰ But many insecure countries have weak or poor policies, particularly those affected by civil war.³¹ Despite this, research indicates that aid can be effective in post conflict and fragile countries.³² But prioritisation of policy reform is important if donors intend to increase aid and particularly if they intend to use government systems.

- **Preventing further conflict.** Preventing conflict is the most cost effective way to save lives and reduce poverty. Some estimates suggest that every pound spent on conflict prevention will save four pounds over the longer term.³³ Conflict prevention is particularly important in post conflict settings as in their first five years post conflict countries face a 44 per cent chance of a return to conflict.³⁴ Development projects require a basic level of security to be successful and their benefits are very difficult to sustain where security remains a problem.³⁵ So early investment in peace-building is a priority. Support to demobilisation, disarmament and reintegration of combatants in post-conflict situations and wider security sector reform are also therefore important.³⁶

Leading to the following good practice criteria:

Assessment of :

- needs within the country; by region and sector, including assessment of immediate humanitarian and longer term development needs;
- the risks and benefits of using different aid types;
- the needs, risks and feasibility of aiding different sectors; including key blockages to a country's ability to develop, which targeted aid may help to address;
- what areas of conflict prevention will best support peace, including possible drivers of peace and conflict; and
- priority areas of public policy reform and how influence may be deployed to bring about change in these areas;
- where and how DFID should push for policy reforms.

Key criteria on managing and monitoring aid

Good practice in project management concludes that:

Designing aid to be sensitive to conflict and promote sustainability

The design of projects must be realistic for the context, budget and timeframe. It must also be sensitive to the impact which aid may have on insecurity (i.e. "do no harm") and ensure that specific groups or areas are not excluded. The international community has learnt from experience that aid can exacerbate conflicts.³⁷ Elite groups or belligerents can capture the benefits of development programmes. Aid programmes in all insecure environments must therefore be 'conflict sensitive'. That is, aid should be a driver for peace not a source of tension.³⁸ Inequalities between groups can cause conflicts and aid should help to address not exacerbate real and perceived disparities.³⁹ 'Pockets of exclusion' should be avoided.⁴⁰ In practice, mapping local relationships and stakeholders; and assessing potential winners and losers and their possible responses is necessary to ensure an intervention is conflict sensitive.

In insecure environments assuring sustainability is difficult and must be planned for. Aid has often been particularly unpredictable in insecure countries. Ensuring the results of projects are not undermined by insecurity is important for overall effectiveness.

Co-ordination with others

In many insecure countries there are few practical coordination mechanisms between donors, agencies and developing country governments; in the past this has led to duplication and gaps. It is important that agencies within each donor country are joined up and recognise links between political, security and development objectives.

Monitoring and reviewing aid

Although it is difficult to monitor aid in insecure environments, donors have a responsibility to ensure that tax payers' funds are not subject to unacceptable risks of corruption. Actual and perceived corruption can also fuel tensions and undermine peace. Experience has demonstrated that safeguards against corruption are often weak in insecure and post conflict countries. And in some post conflict situations winners and their supporters expect financial rewards. In post-conflict and highly aid-dependent contexts few other sources of funds exist. This can mean aid is a particular target for fraud. At this stage fiduciary risk is often too high to channel support through the government.

A basic standard of monitoring is required to guard against corruption and to ensure aid programmes have maximum impact and reach the right people. Such monitoring should examine overall progress and the impact of aid programmes on different groups. It is also important to review projects after completion to ensure that lessons for long term viability of projects are identified and learnt.

Leading to the following good practice criteria:

- consider how the choice of aid might impact on conflict dynamics, with particular attention to who will benefit and how to avoid marginalising groups. Evaluate the impact of aid on different groups. See Figure 14;
- build in some flexibility to project design to allow for rapid changes in circumstances;
- consider, monitor and manage risks of project design to aid staff and to the success of the project;
- co-ordinate with other donors and with other national government departments;
- ensure a minimum standard of monitoring for each project to gain sufficient assurance over safeguarding funds, whether through direct monitoring or through shared arrangements; and
- routinely share good practice and lessons between country teams to promote better future design.

Source: National Audit Office summary of evidence

Principles for engagement in fragile states

The Organisation for Economic Cooperation and Development's Development Assistance Committee and member states have agreed ten principles for engagement in fragile states (Figure 38). Although the fragile states category is different and far broader than the insecure environment one, it provides a useful starting point. DFID has signed up to these principles. Following a pilot review in nine countries the Organisation for Economic Cooperation and Development is now deciding what each very broad principle should mean in practice.

38 Organisation for Economic Cooperation and Development's principles for good international engagement in fragile states and situations

Ten principles for engagement in fragile states

- 1 Take context as the starting point.
- 2 Do no harm.
- 3 Focus on state-building as the central objective.
- 4 Prioritise prevention.
- 5 Recognise the links between political, security and development objectives.
- 6 Promote non-discrimination as a basis for inclusive and stable societies.
- 7 Align with local priorities in different ways in different contexts.
- 8 Agree on practical coordination mechanisms between international actors.
- 9 Act fast, but stay engaged long enough to give success a chance.
- 10 Avoid pockets of exclusion.

Source: Organisation for Economic Cooperation and Development

APPENDIX EIGHT

Selected data on country programme administration costs in insecure countries

DFID's accounts data suggest that teams working in insecure environments spent around £46 million on administration in 2007-08. Over half of this went on staffing costs and over a fifth on accommodation and payments to the Foreign and Commonwealth Office. The data also indicates that teams spent varying amounts on administration (**Figure 39**).

Country teams categorise their administration differently and some data does not match that held elsewhere. Nor does it include one off capital costs incurred by setting up new offices. For example: in Ethiopia expenditure of

£3 million on office accommodation is not included in the administration figures. In Afghanistan DFID categorised £1.4 million of costs incurred by starting up a Kabul office in 2002 as bilateral disaster relief rather than administration or capital costs. In Iraq accommodation costs alone came to over £5 million in 2006-07 and the security contract there cost over £10 million for three years. Such data is therefore of limited use in telling us what it really costs DFID to operate in a country. DFID carried out a useful exercise to collect unit cost information for a small number of countries in Asia which provides more information (**Figure 40 overleaf**).

39 Country programme spend on administration 2007-08

	Actual spend on administration (£)	Administration as a per cent of programme spend (%)
Afghanistan	6,246,661	5.8
Burundi	411,091	4.11
Democratic Republic of Congo	3,275,066	4.2
Ethiopia	3,150,658	2.2
Kenya	2,754,325	5.4
Middle East & North Africa ¹	5,706,051	5.1
Nepal	2,246,503	5.2
Nigeria	7,141,411	7.1
Pakistan	3,231,592	3.6
Sierra Leone	2,549,605	6.3
Sudan	3,607,353	3.1
Uganda	2,703,172	3.8
Zimbabwe	1,709,676	3.8

Source: DFID management information

NOTE

¹ This category includes Iraq, the Palestinian Territories and Yemen.

40 Predicted 2007/08 unit cost information for three Asian countries

Unit costs	Afghanistan	Nepal	Pakistan
Familiarisation Visit (includes flights, accommodation and subsistence)	1,500	2,000	1,700
Pre-posting (Briefing, training and other costs)	5,000	6,000	5,000
Passport – 1x diplomatic passports with visa	200	200	120
Medicals – (estimated figure)	400	400	400
Relocation allowance	2,000	2,000	2,000
Freight	5,000	4,979	4,000
Intra Contract freight		1,835	2,000
Car Shipment		4,148	3,500
Allowances/entitlements			
Flexi-Travel package (1 adult at post)	4,000	3,000	4,000
Breather break package	13,000		
Storage/Insurance	1,000	1,000	1,000
COLA –	6,378	466	
Hardship	16,732	3,379	8,000
Representational	1,000	500	1,000
Entertainment Allowance			1,000
In country:			
Accommodation rental	20,940	7,200	10,500
Utilities (gas, water electricity)	6,000	4,200	
Security	106,104	3,600	
End of tour:			
Freight (Post to UK)	5,000	6,301	6,500
Car Shipment		3,468	2,500
Relocation (balance from start)	1,000	1,000	1,000
Total non salary	195,254	55,676	54,220
A2 salary cost	60,759	60,759	60,759
Total	256,013	116,435	114,979

Source: DFID Asia

Comparison of significant costs

Staff costs

DFID's data indicate that around 60 per cent of country team administration costs in all insecure countries are staff costs – including pay (over £18 million) overseas allowances (just under £4 million) and training

(£1.5 million). DFID uses a flat rate system of hardship allowances for its overseas postings (**Figure 41**). These are not designed as incentives to ensure unpopular postings are filled but to reflect specific hardships as assessed annually by the Foreign and Commonwealth Office.

41 2008 hardship rates for UK staff posted to insecure environments

City	Country	Accompanied	Unaccompanied	Change on 2007 rates
Lashka Gah	Afghanistan	£41,098 (Though no partner allowed in country)	£20,549	Increase
Kabul	Afghanistan	£32,740 (Though no partner allowed in country)	£16,370	Increase
Kinshasa	DR Congo	£10,231	£5,115	Decrease
Addis Ababa	Ethiopia	£8,743	£4,372	Increase
Jakarta	Indonesia	£15,092	£7,546	Decrease
Basra	Iraq	No partner allowed	£40,130	Increase
Baghdad	Iraq	No partner allowed	£37,498	Increase
Nairobi	Kenya	£8,272	£4,136	Decrease
Monrovia	Liberia	£12,879	£6,440	Decrease
Kathmandu	Nepal	£7,329	£3,664	Increase
Abuja	Nigeria	£15,092	£7,546	Increase
Islamabad	Pakistan	£19,156	£9,578	Increase
Freetown	Sierra Leone	£10,231	£5,115	Increase
Colombo	Sri Lanka	£8,272	£4,136	Increase
Khartoum	Sudan	£15,673	£7,836	Increase
Juba	Sudan	£17,995	£8,997	Increase
Kampala	Uganda	£7,800	£3,900	Increase
Jerusalem	Palestinian Territories	£4,136	£2,068	Decrease
Sana'a	Yemen	£12,335	£6,168	Decrease
Harare	Zimbabwe	£9,723	£4,862	Increase

Source: DFID management information

Security

DFID did not record its security costs separately from other administrative costs. We asked twelve offices to provide us with detailed capital and running costs of security such as static guards, close protection, upgrades of physical infrastructure, armoured vehicles and communications equipment. Some countries such as Afghanistan and Sudan found it difficult to break down security costs and so provided estimates based on analysis

of their administration account code and share of costs under their Service Level Agreements with the Foreign and Commonwealth Office. DFID Pakistan maintains account codes for security within administration costs and were able to provide line by line costs for all their expenditure, except where this was paid to the Foreign and Commonwealth Office under the terms of the Service Level Agreement. **Figure 42** indicates some examples of specific items of expenditure. Overall costs are increasing (**Figure 43**).

42 Examples of types of security expenditure

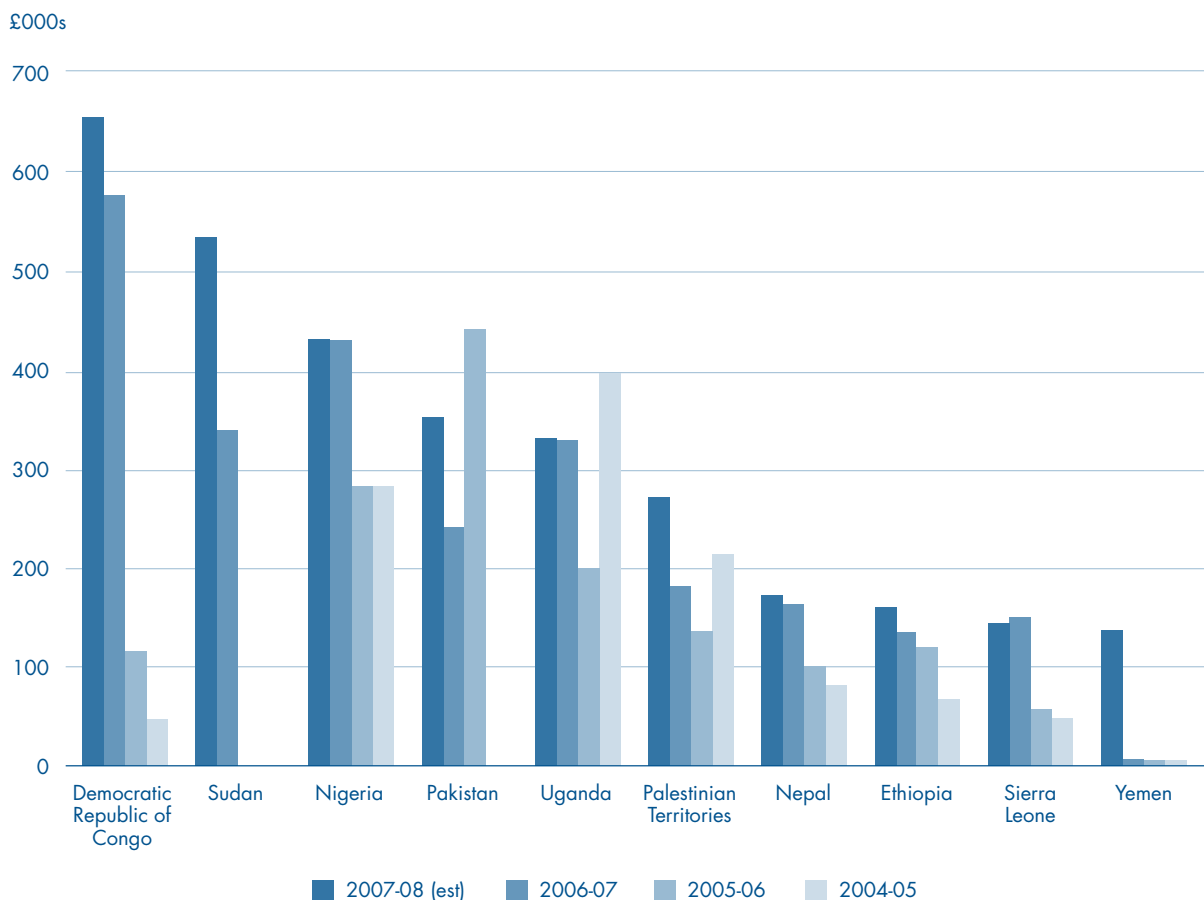
Category	Country examples
Static guards	<ul style="list-style-type: none"> ■ In 2006-07 DFID Nepal paid £92,000 for static guards to patrol the office and staff living accommodation. (14 UK staff) ■ In 2006-07 DFID Sierra Leone paid £140,323 for static guards to patrol the office and staff living accommodation. (13 UK staff) ■ In 2006-07 DFID Uganda paid £313,207 for static guards to patrol the office and staff accommodation, including the provision for an armed Quick Reaction Force. (13 UK staff) ■ In 2007 DFID Afghanistan paid £857,000 for static guards to patrol the office and staff living accommodation. In addition, the cost of armed close protection was £1,170,357. (for 25 UK Staff)
Armoured vehicles	<ul style="list-style-type: none"> ■ In 2003-04 DFID Iraq bought 9 armoured Toyota Land Cruisers for Baghdad at £83,000 each and 6 for Basra at £82,000 each. These 15 vehicles came to a total of £1,239,000. ■ In 2002-03 the DFID office in the Palestinian Territories paid £132,682 for one armoured Mercedes vehicle. In 2004-05 they bought one armoured Toyota Land Cruiser for £79,437. ■ In 2006-07 DFID Pakistan bought an armoured Toyota Land Cruiser for £106,623.
Secure accommodation	<ul style="list-style-type: none"> ■ DFID Pakistan have calculated that their rents for staff living accommodation are approximately 41–49 per cent higher than would otherwise be the case due to the need to be located in a secure part of the city. As the cost of staff accommodation was £293,432 in 2006-07, the additional cost to DFID for providing accommodation in a secure area is at least £80,000. DFID Pakistan also estimates that it incurred additional costs of between £10,000 and £30,000 to renovate each new property acquired. ■ In 2006-07 DFID Sudan paid £157,000 for blast-proof windows and £106,000 for a secure access doorway with CCTV for the new office in Khartoum. ■ In 2006 DFID Afghanistan paid £700,000 for a new office to be built within the British Embassy compound. The decision to relocate the DFID office was taken after the September 2005 riots in Kabul which highlighted the security risk of being situated away from the secure HMG compound in the city's 'green zone'. Subsequent improvements to private accommodation have totalled £180,000.
Equipment and miscellaneous	<ul style="list-style-type: none"> ■ In 2003-04 DFID Iraq bought 53 sets of body armour (helmets, jackets and plates) totalling £28,832. ■ Between 2004 and 2006 DFID Sierra Leone spent a total of £14,307 on the construction and ongoing renovation of static guards posts. ■ Between 2004 and 2007 DFID Uganda spent £55,165 on maintenance of vehicles and travel for the Quick Reaction Force. ■ Between 2005 and 2007 DFID Pakistan spent £45,000 on Hostile Environments Training for new staff. ■ In 2006-07 DFID Nepal paid £35,000 to replace their VHF radios and satellite phones for all 49 staff members. Between 2004 and 2007 the office spent a total of £19,800 on service charges for their communications equipment.

Source: DFID country team survey response

The use of Service Level Agreements to share services – including security – and costs is a sensible approach that, when set up properly, can offer DFID good value for money. During the study we found two methods of apportioning costs within Service Level Agreements. Country teams such as Yemen base their share of costs on headcount levels within the shared compound. The Service Level Agreement between DFID, the Foreign

and Commonwealth Office and the British Council in the Palestinian Territories is more detailed and calculates different proportions of costs for each service provided by the FCO. For instance, based on actual usage rates, DFID pays 34 per cent of security costs, including 15 per cent of the Deputy Security Manager’s costs and 44 per cent of the guards costs.

43 Security expenditure



Source: National Audit Office survey of country teams

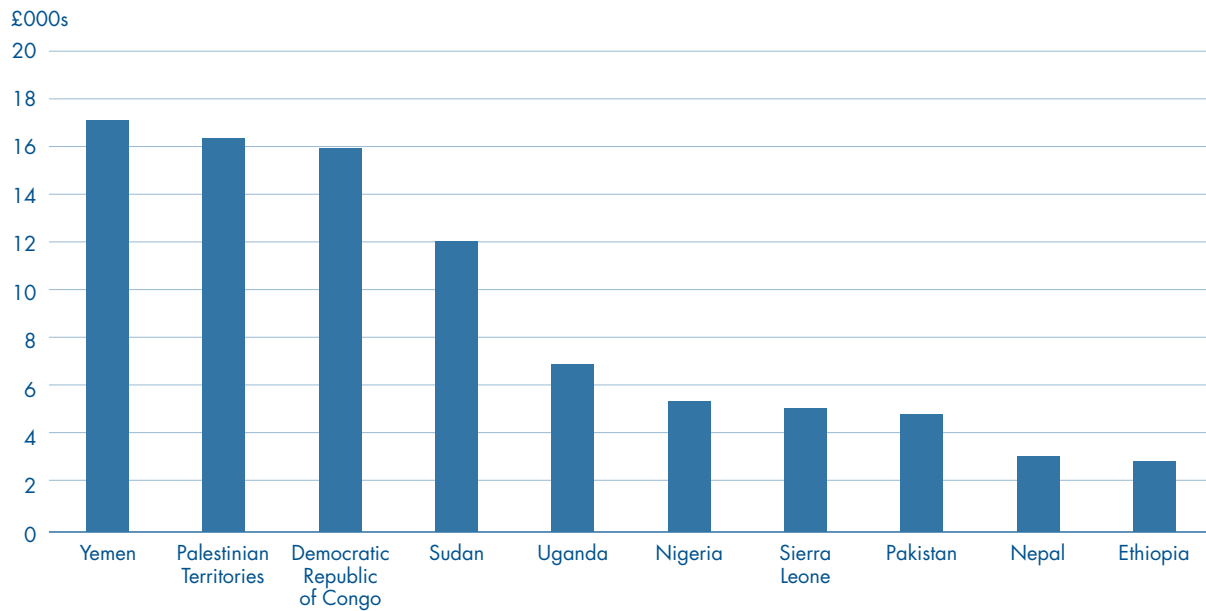
NOTE

This graph does not include Iraq and Afghanistan which spent £10,368,944 and £1,838,028 on security respectively in 2006-07.

As **Figure 44** illustrates, once one off capital expenditures are excluded there is still significant variation in recurrent security expenditure per head. The security costs provided to the NAO by country teams show some unexpected variations. For instance, DFID’s recurring security costs per head were higher in Sierra Leone than in Pakistan in 2006-07, yet the Sierra Leone office does not have the same level of security threat or provision for staff. Unlike in Sierra Leone, staff at the Pakistan country office

usually travel in armoured vehicles and with trained local security personnel when in insecure areas of the country. Both country teams have Service Level Agreements with the Foreign and Commonwealth Office in country but the total presence in Pakistan is larger than in Sierra Leone. It is not clear whether Pakistan benefits from economies of scale or whether the Sierra Leone team have not been able to negotiate as good a deal.

44 Recurring security expenditure per head in 2006-07



Source: National Audit Office survey of country teams

NOTE

This graph does not include Iraq and Afghanistan which spent £2,073,789 and £51,056 per head on security respectively in 2006-07.

ENDNOTES

- 1 This figure relates to armed conflict and does not include less intense forms of insecurity such as localised communal or political violence which affect an even higher proportion of poor countries. The term 'poor countries' relates to those in the World Bank category of 'low income' countries.
- 2 In 2006 the Organisation for Economic Cooperation and Development said that global development assistance was at \$106 billion.
- 3 Collier and Hoeffler 2004 *The Challenge of reducing the global incidence of civil war* University of Oxford.
- 4 Collier, P. and Hoeffler, A. 2002. Aid, policy and growth in post-conflict societies.
- 5 White, P. 2005 *War and food security in Eritrea and Ethiopia 1998-2000* in 'Disasters', 29, (1), 92 -113.
- 6 Figures from Kiragu, K. *Security and crime: do we see a light at the end of the tunnel?* published by PriceWaterhouseCoopers. The bouts of violence refer to "tribal clashes" around the time of national elections. The author provides separate estimates for the impact of crime.
- 7 De Waal, A. 1997 *Famine Crimes* and Anderson, M. 1999 *Do No Harm: How aid can support peace – or war*.
- 8 Calculations carried out by the European Commission.
- 9 Overseas Development Institute 2006 *Providing aid in insecure environments*.
- 10 Organisation for Economic Cooperation and Development 2006. *Monitoring resource flows to fragile states*. Insecure countries here are those identified using indicators on political violence and threat to aid personnel, but including countries which DFID does not support. Eight of the countries the Organisation for Economic Cooperation and Development has identified as under-aided receive bilateral support from DFID of over £10 million per year.
- 11 For example, Guinea, the Central African Republic, Cote D'Ivoire and Togo are all severely under-aided countries. DFID does not have bilateral programmes in these countries but all of them neighbour countries with large DFID programmes.
- 12 DFID 2005. *Why we need to work more effectively in fragile states* Policy paper. In this paper DFID defines fragile states as low income countries scoring poorly on the World Bank's Country Policy and Institutional Assessment Index. However the list does not include Iraq or the Palestinian Territories.
- 13 DFID 2005. *Why we need to work more effectively in fragile states* policy paper.
- 14 DFID 2007. *Preventing Violent Conflict* policy paper.
- 15 DFID 2005 *Fighting Poverty to build a safer world: a strategy for security and development*.
- 16 These Figures are based on the country allocations of each multilateral to which DFID contributes and DFID's annual contribution to each. Data is taken from DFID's 2007 annual report.

- 17 The “political stability and the absence of violence” indicator and the “Rule of law” indicator are two of five of the “World Governance Indicators” collected by the World Bank. The data used has its limitations but it is the best available to plot change over time.
- 18 This is based on those projects that DFID has filed a project completion report for. It does not do so for all projects (see Appendix 2).
- 19 Humanitarian assistance reached a peak of 84 per cent of highly insecure country programmes in 2002 due to DFID’s responses in Afghanistan. Humanitarian assistance dropped to 6 per cent of total country programme by 2007.
- 20 2007 Assessment of United Nations Development Programme, Capacity Development Needs for the Management and Implementation of the 2007 – 2011 Governance Programme in the Democratic Republic of Congo.
- 21 The Stabilisation Unit is a cross-Departmental body supported by the Foreign and Commonwealth Office, DFID and the Ministry of Defence.
- 22 The principle of “do no harm” was one of ten set out by the Organisation for Economic Co-operation and Development for working in fragile states.
- 23 The Human Security Report of 2005 published by the Uppsala Conflict Programme.
- 24 The Human Development Index is a composite index designed to capture more than the economic aspects of poverty. It includes for example indicators on health and education.
- 25 Democratic Republic of Congo Donor ‘Country Assistance Framework’.
- 26 World Bank country brief version updated September 2007.
- 27 NAO field visits and Scanteam, 2007 *Review, post-crisis multi-donor trust funds*.
- 28 Collier and Chauvet 2004. *Development Effectiveness in Fragile States: Spillovers and Turnarounds*.
- 29 Collier and Chauvet 2004. *Development Effectiveness in Fragile States: Spillovers & Turnarounds*.
- 30 Collier, P. and Dollar D. 1999 *Aid Allocation and poverty reduction*.
- 31 Collier, P. and A. Hoeffler, 2004, *Aid, Policies and Growth in Post-Conflict Societies*.
- 32 McGillivray, M. 2006. *Aid allocation and fragile states* United Nations University Discussion paper 2006/01.
- 33 Chalmers, M. 2004 *Spending to Save? An Analysis of the Cost Effectiveness of Conflict Prevention* University of Bradford.
- 34 Collier, P 2003 *Breaking the conflict trap: civil war and development policy* World Bank.
- 35 For example the European Commission has calculated that £21.7 million worth of projects have been destroyed since 2000 in the Palestinian Territories by ongoing conflict.
- 36 Picciotto, R. 2004 *Aid and conflict: the policy coherence challenge*.
- 37 Anderson, M. 1999 *Do no harm: How aid can support peace or war*. And De Waal, A. 1997 *Famine Crimes: Politics and the disaster relief industry in Africa*.
- 38 Anderson, M. 1999 and Organisation for Economic Cooperation and Development *Best practice principles for working in fragile states*.
- 39 Stewart, F. 2005 *Policies Towards Horizontal Inequalities in Post-Conflict Reconstruction*.
- 40 Organisation for Economic Cooperation and Development principles for good international engagement in fragile states.
- 41 See for example Dobbins, G. et al *A beginners guide to nation building* or Goldstone, J. 2005 *A Global forecasting model of political instability*.
- 42 Tiri 2007 *Reconstruction National Integrity System Survey – Sierra Leone*.

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