Management Audit of the Swedish Red Cross

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This report is part of *Sida Evaluations*, a series comprising evaluations of Swedish development assistance. Sida's other series concerned with evaluations, *Sida Studies in Evaluation*, concerns methodologically oriented studies commissioned by Sida. Both series are administered by the Department for Evaluation and Internal Audit, an independent department reporting directly to Sida's Board of Directors.

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Appendices

List of Acronyms

ALNAP	The Active Learning Network for Accountability and Performance in Humanitarian Action
BO	Business Objects
BPI	Better Programming Initiative
BRCS	British Red Cross Society
BuSy	The Federation's budgeting system
CAS	Cooperation Agreement Strategy
CBF	Capacity Building Fund
CODA	The Federation's core financial accounting programme
ECHO	European Community Humanitarian Office
DAC	Development Assistance Committee of the OECD
DFID	Department for International Development
DMR	Donor Monitoring Reporting system (An abbreviated version of FMR which allows PNS to monitor income and expenditure on projects)
DP	Disaster Preparedness
DREF	Disaster Relief Emergency Fund
FABS	The Federation's pledge management system
FD	Finance Development
FMR	The Federation's financial monitoring and reporting system
GS	General Secretary
HBC	Home Based Care and Orphan Support

HUM	Sida's Division for Humanitarian Assistance and Conflict Management
ICRC	International Committee of the Red Cross
IFRS	International Financial Reporting Standards
KoB	Disaster Response and Preparedness Dept (Katastrof och beredskap)
M&E	Monitoring and Evaluation (Monitoring and Evaluation Department of the International Federation Secretariat)
MoU	Memorandum of Understanding
NS	National Society
OD	Organizational Development
OECD	Organisation for Economic Cooperation and Development
ONS	Operating National Society
PAF	Pledge Approval Forms
PNS	Partner National Society or Participating (donor) National Society
PMN	The Federation's pledge management note system
PPAC	Policy and Planning Advisory Commission
PPP	Project Planning Process
PSR	Programme Support Recovery
RFU	The Federation's Regional Finance Unit
RRU	The Federation's Regional Reporting Unit
Sida	Swedish International Development Cooperation Agency
SEK	Swedish currency (Krona)
SMM	Senior Management Meeting of the International Federation and the ICRC
SRC	Swedish Red Cross
SWAp	Sector Wide Approach
TAG	The Tripartite Advisory Group
TOR	Terms of Reference
WB	World Bank
VCA	Vulnerability and Capacity Assessment

1. Executive Summary[1]

The International Red Cross and Red Crescent Movement is a family, comprising the ICRC, the Federation and national societies.

The Swedish Red Cross is the largest humanitarian volunteer organisation in Sweden, with approximately 300.000 members. The SRC has a clear identity based on strong values and committed staff. The organisation is divided into 10 regions with its headquarters in Stockholm. SRC has 530 employees, of whom 110 work at the HQ. Reorganisations during 2002/2003 have resulted in major downsizing of staff. In the new organisation, SRC has tried to integrate the national and the international activities. Beginning in 2002 there has been a focus on further development of local international activities in Sweden.

The International Federation of Red Cross and Red Crescent Societies comprises 179 member societies, a secretariat in Geneva and some 80 regional and country delegations around the world. The Federation as a whole and its Secretariat are in the middle of very significant changes.

The ICRC is an independent, humanitarian, non-profit organization. It has a legal mandate based on the Geneva Conventions and Protocols. The four Geneva Conventions of 1949, which protect the victims of conflict, bind almost all States. The ICRC comprises headquarters in Geneva and some 90 regional and country offices.

The Swedish Red Cross has a long and deeply rooted tradition of international activity, long-term international cooperation, refugee assistance and disaster relief. The international activities consist of humanitarian aid and OD/capacity building. Sida is channelling support to the Federation through SRC. The total amount of the support to SRC was 161 180 000 SEK during 2002, out of which 95 430 000 SEK was based on the Federation's annual appeal. More than 50% of the budget goes to OD/capacity building of ONS.

The management audit covers the following areas: organisation, management systems and financial management. For these various fields the management audit gives an analysis of the reliability and relevance of the systems, together with a general assessment of reporting by the Swedish Red Cross to Sida and of communication within the RC/RC Movement. The analysis also includes the organisational structure and dimensioning of headquarters in relation to its function and tasks.

It is a dynamic context in which the management review is supposed to fit in. This fact has to be taken into account when reviewing the organisations and their management systems.

Many initiatives have been undertaken in order to improve performance. Our conclusions can be summarised as follows: the management systems are relevant and reliable, generally well developed, known to the personnel and applied in practice. However, not all the new systems have been effectively implemented yet. We believe that the documentation supplied to Sida provides a reasonable reflection of actual conditions and can therefore be termed a good foundation for Sida's decision-making. In our review of information gathered at the Federation and ICRC we have not found any example of important information that has not been passed on from SRC to Sida. Our assessment is that SRC's reporting on deviations seems to be reliable.

Within SRC there is high level of dedication and responsibility, coupled with both formal and informal supportive structures. The division of responsibilities within KoB is adequate but should be further

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[1] The Executive Summary is also available in Swedish

clarified. Aspiration level and workload are high. The organisation is quite new and improvements in routines and processes are achieved continuously. There is a need for a more focused strategy and some changes when it comes to planning and agreements between SRC and Sida.

Our detailed recommendations are to be found in the end of each sub-section. Chapter 8 contains a summary of our conclusions and recommendations. In our opinion the following main recommendations may summarize the more detailed findings, conclusions and recommendations that are to be found in the report:

1. The agreement period should be extended

A major problem is the existing budget process. We recommend that Sida and SRC consider extending the agreement period to three years. We suggest starting with a two-year period 2005–2006 that is evaluated before a decision is taken on an extension. We suggest that the two or three year planning process is rolling.

We also suggest that Sida use the same timetable as is being used for the so-called frame organisations. That means the agreement would be signed in January instead of May/June. The application from SRC would then have to be submitted to Sida earlier than at present. Since the appeals are planned to be on a three-year basis in the future, it will be possible to find an alternative timetable.

2. Impact reporting should be further developed

SRC has chosen to split up the support into 64 different projects and programmes. That makes it difficult, if not impossible, to aggregate results information in an impact analysis on a more general level. SRC should consider the implications on a less diversified project portfolio.

SRC has made considerable efforts in response to Sida's criticism regarding the SRC annual report 2001. The reporting from SRC to Sida is comprehensive and gives an overview of the activities. The reports are in most cases very well done, including relevant information, and they are easy to read. There are a number of examples of achieved results but the general impression is that the reporting is more activity-related than results-based. There are few examples of advanced impact reporting. The reporting is mainly at an individual project or programme level. There are few examples of aggregated information and analysis on a more general level.

There are guidelines from Sida stating that the funds should be used in line with Sida's overall goals. In our opinion, SRC comments satisfyingly on these goals in its final reporting to Sida. However, the Federation's reporting to SRC lacks this information.

Aggregations could be on a regional and/or global level. When it comes to some activities a regional perspective seems to be adequate e.g. some disasters. In other areas the differences between the countries in a region are so significant that it may be more relevant to analyse effects globally for countries with similar context. This is the case when it comes to OD/capacity building.

In the comments on the SRC reporting for 2001, Sida has stressed the importance of a coherent analysis of the global programmes. However SRC's report for 2002 contains no overview of the nine global programmes. Some of the global reports are focused on activities and contain no information on results. Our overall impression is that the reports on the global programmes are less comprehensive than the other reporting. This is rather surprising, taking into account the fact that a global programme should be based on an idea of how a general approach is the most effective to address these problems. The indicators are thus not specific for only one country. On the contrary the indicators are the same, which means that it is possible to monitor and evaluate impact also on an aggregated global level.

Impact reporting has been focused in the discussions between Sida and SRC. Our assessment on the reporting from SRC to Sida confirms the criticism that Sida has formulated when it comes to lack of impact reporting especially at aggregated levels. There is a need for clarification on the terminology used by the different parties in order to gain a better understanding on how the impact reporting should be further developed. Consequently we have chosen to elaborate more in detail on this issue in our report in order to present more concrete recommendations: SRC should further develop its capacity to analyse the impact of different programmes in order to transfer resources to the most effective programmes; Sida and SRC should meet and agree on the concrete level of impact reporting; in the impact reporting to Sida, in most cases the intermediate outcomes should be focused; SRC should advocate a clearer project/programme structure within the Federation; impact reporting should be structured in accordance with such a framework on project, programme and global levels; SRC's reporting should be more focused on impact; SRC's reporting should include increased analysis on a more aggregated level; aggregations should be based on similarity in context and not always based on geography; in the aggregated analyses of the programmes, the results should be clearly linked to SRC's objectives, goals, visions, policies and strategies; the analysis should consist of the general lessons of experience and the consequences for SRC and its cooperation partners; SRC should provide Sida with a coherent analysis of the global programmes; the report on the Frame for Minor Emergencies should also include an assessment of the value for money compared with support in general; the individual reports on the ICRC delegated projects should have a common outline; SRC should provide Sida with an overview of the delegated projects; Sida should give a more detailed feedback on the reports from SRC.

3. SRC should review its strategy

The SRC main approach is capacity building, which forms part of all programmes supported. This is a strategic choice, which has the positive aspects of integration and synergy and aims at long-term effects. The integrated approach of SRC in practice results in decisions to allocate resources to a large number of projects and programmes instead of concentrating the available resources in fewer areas. According to SRC this is a deliberately chosen strategy in order to act in a complementary role in relation to the other members of the Federation. Thus, the support of SRC is many times the necessary complement to other resources that makes it possible to commence a certain programme. On the other hand, the impact of a complementary role is hard to demonstrate. As a consequence of the choice of strategy the report to Sida should include an assessment made by the Federation on the specific results of SRC's decisions when the strategy is practiced. We recommend that SRC evaluate the present strategy in the light of the new strategies in the Movement and the need for increased impact reporting to retain the trust of Sida and the general public. Our recommendations are in brief the following: SRC's project portfolio should be less diversified; more of KoB's time should be spent on assisting NS in OD/capacity building and less on administration of appeals and reporting.

In addition we recommend that SRC review its strategy for resource mobilization in order to find also other sources e.g. EU/ECHO.

4. SRC should continue to support the development of the Federation's monitoring & evaluation system

SRC's reports to Sida are to a very large extent based on the reports from the Federation. It is therefore of significant importance that SRC has an impact on the way the Federation develops their monitoring and evaluation systems.

Strategy 2010 stresses the need for the Federation to establish an evaluation system to measure progress in all core areas and incorporate learning into future programme development. As a consequence, a Monitoring and Evaluation Division was established in the Secretariat with the overall goal of helping

the Federation to improve its collective performance and accountability. In 2002, two important tools were launched: the Operational Framework for Evaluation and the Handbook for Monitoring and Evaluation. These documents are complemented by a series of training and information sessions. The result of these achievements is that evaluations are now being dealt with in a more systematic way and are contributing to organizational learning. For instance all major evaluations are available on the Federation website.

When it comes to measuring results (outputs, outcomes and impact) the Federation reporting is still weak but there is a growing awareness of the crucial importance of improvement in this field. The SRC is constantly trying to improve its own capacity to measure results and contribute to the Federation Secretariat's capacity.

In all project plans there is some information on follow-up of activities. However, in most cases there are only some general statements: indicators are often focused on activities but not the effects of these activities. Indicators should be used mainly as a means to improve learning and motivation. Collective evaluations of the wider capacity building of a NS would be useful. We suggest an increased use of peer review processes. *We also recommend increased use of NS self-assessments and the NS annual reports for gathering information for long-term impact analyses.*

Results may be defined as output, outcome and/or impact. In some cases it has been possible to measure impact in relation to the goals. But in most cases, when it comes to capacity building, it is not possible to measure impact against the long-term goals for a project or a programme. At the end of the project it may in these cases be possible to measure output or outcome, but not real impact. OD/ capacity building is not an end in itself but a means to better address vulnerability.

The evaluations that have commenced are of various kinds and quality. However, the new framework has addressed the shortcomings in the evaluations previously commenced. We strongly recommend that the framework be implemented. We also recommend an assessment of the framework and the handbook on M & E after a few years in order to further develop these instruments.

5. SRC should develop its strategy for institutional learning
SRC should develop its capacity to identify best practice and good practice and make use of this knowledge in future priorities. Development work within the Swedish Red Cross ought above all to be aimed at shifting the emphasis of work in favour of more follow-up, evaluation, impact analyses and dissemination of experience.

Supporting fewer projects and programmes will not only make reporting and analysis of results easier. It will also give SRC better opportunities to take part in the projects and programmes and thus contribute also with SRC knowledge and experience. In the present situation too much time at SRC is spent on intermediary activities related to appeals and reporting. More time should be spent on transferring knowledge and experience in order to meet NS needs for assistance in OD/capacity building.

Although lessons learnt are often integrated in the following phases of project cycles for adequate realignment, it is still recognised that the analysis of results has to be better captured. The Federation needs to define better indicators in the project design, in order to facilitate the continued monitoring of baseline data and results during the project timeframe.

SRC has in many ways been active in supporting institutional learning. There are a lot of good examples of institutional learning within the SRC and the Federation. However, there is no explicit strategy for organisational learning either on SRC or the Federation level. SRC should consider including the issue of institutional learning in the new strategy. SRC should also consider assisting the Federation on working on a strategy for institutional learning.

**6. SRC's Governing Board should be more involved in decision-making
related to the Sida-funded activities**

SRC's planning of work on an annual basis is to a large extent based on the appeals from the Federation and ICRC. The present division of work between SRC and other parts of the Movement seems to be rational.

The professionals at KoB have up till now handled the activities in this field mainly on their own, with acceptance from the Government Board but with a rather loose steering. There have in the past been very few decisions made by the Governing Board directly focused on the activities outside Sweden. Taking into consideration the fact that Sida is supporting SRC's international activities to a very large extent, the Board should pay more attention to these issues. Representatives of SRC's Governing Board should take part in the annual meetings with Sida.

In the past, budgeting and planning have been two separate processes within SRC. The result has been two separate documents on the Intranet without a clear relation between input (resources) and expected output, outcome and impact. A new planning model has been introduced in 2003 to be used in the planning process for 2004–2005. However, the Governing Board has a rather limited part in the process. Thus we recommend that the Governing Board discuss the suggested goals and SRC overall priorities at an earlier stage in the process.

**7. The planning process should be further developed to facilitate
the integration of projects and programmes nationally and internationally**

One aim with the new organization of SRC is a deeper integration between the national and the international work. Thus, it is of significant importance to have a planning process that facilitates the integration. *There is also a need for further coordination between the planning processes of SRC, the Federation and Sida.* The present planning cycle is the first one using the new planning tool. However, KoB has not participated fully in the internal planning process within SRC this year.

One aim with the introduction of a common planning tool in an organization is the harmonization of terminology in all the phases of the planning and decision process, including monitoring and evaluation. The Federation has developed a handbook on Monitoring and Evaluation. Its harmonised terminology facilitates use alongside the Project Planning Process (PPP). The Logical Framework Approach (LFA) used by Sida and most other donors has much in common with the terminology and approach used by the Federation and ICRC. Thus it is confusing that SRC has selected another planning tool for its own planning process. The differences in terminology may lead to difficulties not only in the coordination between the Federation planning process and the planning process within SRC but also in twinning arrangements and other OD/capacity building efforts. The new planning tool will be evaluated after two years (2006).

**8. A strategy on phasing out of projects should be developed,
where exit criteria are linked to performance**

Quality programmes that have clear plans, objectives and an exit strategy defined at the outset will help show impact. However, there is no strategy on phasing out of projects. Exit criteria should be linked to performance, not to time or money.

9. SRC should take a lead role in developing concrete concepts for coordinated bilateral support

SRC and the Federation have agreed to establish a framework agreement that will define the modalities for their cooperation in international activities, and more specifically that will define the modalities for the resources that the Swedish Government contributes to the international operations of the Federation through SRC.

Most of the budget (95%) is spent on multilateral support and only 5% on bilateral. SRC is thus working more on a multilateral basis than other PNS. Out of the total budget for international activities, 25% goes to the Federation's field structure and the Secretariat. SRC is one of the few PNS that can address a significant part of its support to this kind of needs.

The future structure of the Federation support on regional and country level is important for the discussions on the level(s) of cooperation between SRC and Sida. It is quite easy to understand the difference in impact and processes between bilateral and multilateral support. There seems to be more ambiguity in the concept of coordinated bilateral support. Thus, we recommend SRC to take a lead role in developing concrete concepts for coordinated bilateral support.

We also recommend SRC and the Federation to work on developing simple, common indicators of capacity building that could be used by everyone. SRC and Sida should discuss the possibility of making a joint pledge with joint approaches on capacity building with both the humanitarian and development arms of Sida.

10. All processes in the cooperation between SRC, the Federation and Sida should be reviewed in the light of decentralisation

There are a few examples showing the impact of decentralisation on the traditional decision-making structures in the Federation and Sida. It has opened up for horizontal contacts and agreements on regional and local level. Also the need for harmonisation between donors and thus more decentralised coordination on the country level will have an impact on the development of the multilateral, bilateral and coordinated bilateral approaches in the RC Movement's humanitarian and development cooperation.

Sida's vision is to create an optimal balance between an empowered and strengthened field organisation and a supportive organisation at headquarters. More authority will be delegated to the field.

In an international framework of support and cooperation, the Strategy for Change makes a point of reaffirming where the basic responsibility for implementation rests – with the National Societies (NS). Development work is on empowerment, ownership and participation. The Secretariat should be serving as leader instead of implementing partner. Issues relating to the whole cycle of programme planning and implementation are being moved from headquarters to the regional level.

The first example of the impact of horizontal processes on regional level was the project on HIV/AIDS and HBC in Southern Africa. Another discussion has emerged in New Delhi. We recommend Sida to include a field study in a second phase of the management audit for studying the relation between the NS and the Federation field structures and how these might be affected by decentralisation and initiative like the one on HIV/AIDS in New Delhi. The experiences made in this particular case should be used to broaden the discussion between SRC and Sida regarding all processes in the future cooperation.

Since the Federation is not the objective of this management audit we have just added some information and comments on issues that are important for the management audit of SRC. Our overall assessment is that the management systems and routines at the Federation are highly advanced, well documented and sufficiently and satisfactorily known within the organization. However, field studies have not been included in the management audit. Thus, we have not been able to follow the systems through the entire organisation.

Due to delays in approving project budgets, many go ahead without approval. At 4 November 2003, only 60% of the projects in the CODA system had been approved and 88% of total expenditure was on approved projects. The target was to reach 100% by 31 December. Apart from the loss of control

that this implies, it reduces respect for the budget. The target should not be to have all projects approved by the end of the year but by the start of operations. It is recommended that the budget preparation and approval process be analysed and amended with a view to having budgets approved before the relevant operations are started. We also recommend that SRC should advocate further development of the Federation's internal audit.

We recommend Sida to include field studies to two or three ONS in a second phase of the management audit. The field visits should include studying the entire responsibility for planning, monitoring and reporting to move from Delegations into ONS and the problems and advantages related to it. One of the field studies should be Nepal for studying also the chain of management systems based on cash transfers.

11. SRC should take a lead role in advocating the harmonisation process of the Movement
The issue of the Strategy of the Red Cross and Red Crescent Movement was an important step in view of improved cooperation within the RC/RC Movement. It had impact on both policy levels as well as on programme discussions, not least within the field of capacity building. Much progress has since then been made to improve coherence between the Federation and ICRC through harmonised planning. However, the ideas have to be better realised and demonstrated. There are duplicated structures and facilities. Most of the offices are not shared between the Federation and ICRC or with national societies. We recommend SRC to use its strong position within the Movement to take a lead role in advocating the harmonisation process. It is vital to improve Movement coordination in relation to NS development. This includes improving links to existing mechanisms such as CAS and harmonised planning between the Federation and the ICRC in the early stages. Thus, SRC should further develop its capacity to contribute to the development of the RC/RC Movement.

To respond to its mandate, SRC together with the other Nordic RC Societies has initiated a dialogue with the ICRC to improve cooperation and coordination. We believe it is important that Sida supports SRC's efforts of opening up ICRC as an organisation in areas where it is less transparent than the Federation.

We are not requested to come up with a specific recommendation when it comes to the further development of the relation beween Sida, SRC and ICRC. However, in our opinion there are good reasons for close contacts and good relations between (1) SRC and ICRC and (2) Sida and ICRC and (3) SRC and Sida. Therefore an agreement (contract) between all the three parties seems to be the best solution. In this cooperation agreement the division of responsibilities should be clearly defined and specified. Costs of administration should be closely linked to added value.

2. The Swedish International Development Cooperation Agency

The Swedish International Development Cooperation Agency (Sida) is responsible for the Swedish international development cooperation. The main goals for the cooperation are to help decrease poverty, increase democratisation and achieve a sustainable development in partner countries.

The Division for Humanitarian Assistance and Conflict Management (SEKS/HUM) is responsible for Sida's Humanitarian Assistance. The vision for this work is to create conditions for poor and vulnerable people to live in peace and retain and keep control of their lives.

The activities of the Division for Humanitarian Assistance and Conflict Management is guided by the following:

–   Poor and vulnerable people can make their voices heard through, for example, cooperation and organisation. The fundamental rights of the individual must be protected. Humanitarian and development activities shall complement and develop local knowledge and resources.

–   The work and engagement of Swedish and international organisations has a vital role to play in humanitarian and development cooperation.

–   The implementing organisations' planned activities must have a conflict perspective and the activities should aim to prevent or solve conflicts.

The most important policy documents for the humanitarian assistance are:

–   Sida's strategy for conflict management and peace building

–   Humanitarian assistance with a child's right perspective

–   Developmental humanitarian assistance.

Sida is faced with increasing demands for efficiency and results based reporting in development cooperation. Within its responsibility lies the follow up whether the funds have been used efficiently and for the right purpose, regardless of the channel of funding.

Sida's view on the ownership of the programme is that the co-operating implementing partner has the responsibility for implementation. As a consequence of this, the partner also has the responsibility for the control of the programme.

SEKA/HUM's cooperation with Swedish NGOs is based on trust, which requires follow-up for efficient control and to ensure the public's trust. The aim is to achieve a higher quality in the applications and follow-up as well as increased efficiency within the organisations and a better cooperation between the partners and Sida.

Over the years Sida has channelled substantial amounts of funding through the SRC. This funding has been used for Federation programmes within humanitarian assistance as well as development cooperation. Sida has also funded activities through the ICRC. During 2003 SEKA/HUM is estimated to have supported the Red Cross movement with a total of EUR 37 000 000[2].

3 An Overview of the Red Cross Movement

3. 1 The Swedish Red Cross

The Swedish Red Cross is the largest humanitarian volunteer organisation in Sweden, with approximately 300.000 members. The organisation is divided into 10 regions with its headquarters in Stockholm. SRC has 530 employees, of whom 110 work at the HQ.

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[2] CHF (Swiss franc) 1 = SEK (Swedish Kronor) 5.75 = US$ 0.73 =EUR 0.64

SRC has a long tradition of international cooperation. The international activities consist of humanitarian aid and OD/capacity building, which are of almost equal size. During the last few years, SRC has gone through a major change. Reorganisations during 2002/2003 have resulted in major downsizing of staff. In connection with this reorganisation, the parts of SRC working with development cooperation/humanitarian assistance have also been affected.

Sida is channelling support to the Federation and ICRC through SRC. The total amount of this support was 161 180 000 SEK during 2002, out of which 95 430 000 SEK was based on the Federations annual appeal.

3.2 International Federation of Red Cross and Red Crescent Societies

The International Federation of Red Cross and Red Crescent Societies was founded in 1919 and comprises 179 member societies (having 97 million individual members), a secretariat in Geneva and some 80 regional and country delegations around the world. The Federation has observer status with the United Nations, so it has the status of an international organisation in meetings of the General Assembly, OCHA, UNHCR, WFP, WHO, ECHO, etc.

The Secretariat provides a global profile for the organisation and speaks on behalf of its member societies. The General Assembly is the highest decision-making body and meets every two years. The Governing Board directs the organisation and meets twice a year. It comprises an elected President, Vice Presidents, 20 elected NS representatives and the Chairman of a Finance Commission. The chief executive officer is the Secretary General, appointed by the General Assembly.

The Federation core activities are: to promote human values; to provide health and care in communities; to build and strengthen disaster preparedness systems; and to respond to disasters.

3.3 International Committee of the Red Cross

The ICRC is an independent, humanitarian, non-profit organization. It has a legal mandate based on the Geneva Conventions and Protocols. The four Geneva Conventions of 1949, which protect the victims of conflict, bind almost all States. These Conventions give ICRC status with governments. New national Red Cross/Red Crescent societies have to meet the ICRC criteria for recognition and this facilitates their recognition by their home governments. The ICRC mandate is being continuously refined and adapted to emerging needs through International Conferences of the Red Cross and Red Crescent that are held every four years. ICRC conducts and directs the Movement's relief activities in situations of conflict, and under such circumstances it becomes the lead agency with the other segments of the Movement who work under its umbrella. It decides on the strategy to be adopted and is responsible for security.

After a process of self-evaluation, independent evaluations, consultation and testing the Plan Avenir (corporate plan) for 1998–2002 has been replaced by the Programme of the Directorate 2003–2006. The mission statement was confirmed:

"The ICRC is an impartial, neutral and independent organization whose exclusively humanitarian mission is to protect the lives and dignity of victims of war and internal violence and to provide them with assistance. It directs and coordinates the international relief activities conducted by the Movement in situations of conflict. It also endeavours to prevent suffering by promoting and strengthening humanitarian law and humanitarian principles. Established in 1863, the ICRC is at the origin of the International Red Cross and Red Crescent Movement."

Sida is granted the full mandate from the Government in the yearly Letter of Appropriation to take necessary decisions on the total yearly contributions to ICRC. To support SRC's cooperation SEK 15,000,000 of the yearly contribution goes to SRC for delegates and project delegations[3]. The pledge on cash contributions in 2003 to ICRC from Sida amounts to CHF 36,503,940[4]. In addition SRC has contributed with CHF 98,270.

3.4 The Cooperation within the RC/RC Movement

The adoption of the Strategy of the Red Cross and Red Crescent Movement at the Council of Delegates in November 2001 was an important step in view of improved co-operation within the RC/RC Movement. It had impact on both policy levels as well as on programme discussions, not least within the field of capacity building. One example of a theme embarked upon during 2002, as a consequence of the reinforced Movement perspective, is the clarification of roles and responsibilities during the period of a country's transition from conflict to a phase of increased stability. It was decided to make joint pilot cases of Sri Lanka, Sierra Leone and Angola to further define functions and relationships between the parties.

A so-called *harmonisation process pilot project* between the Federation Secretariat and the ICRC has started in the Americas in order to coordinate a Movement approach to NS capacity building in line with the Strategy for the Movement. At a meeting in Panama with all Heads of Delegation and organizational and co-operation delegates of the two institutions, five key areas were identified: NS statutes and revisions, strategic planning, addressing integrity issues and leadership training as well as priority NS. The meeting resulted in a plan of action that has since been followed.

4. The Assignment

4.1 The Purpose of the Management Audit

The purpose of the management audit is:

• To study the reliability and relevance of existing systems for management of work and of finance within SRC.

• Based on the collected information, determine whether the documentation sent from SRC to Sida reflects reality and if the information can be used for decision-making at Sida regarding funding.

• To give SRC input for its internal work with organisational development

The initial discussions held between Sida and SRC indicated that the audit, given the SRC's wide range of activities, is to focus mainly on parts of the SRC involved in Sida funding for:

– The Federation

– ICRC

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[3] Sida: Beslut 2003-02-13 samt Bedömningspromemoria 2003-01-31 med bilaga: Stöd till Internationella rödakorskommitteens appeller för humanitär fältverksamhet 2003.
[4] ICRC: Contributions to the ICRC Budgets Sweden, November 2003.

– Separate funding for specific disasters

– Other areas of interest indicated by the pre-study of interface between Sida /SRC

4.2 The Terms of Reference

The terms of reference are given in full at Appendix 1. In essence, the purpose of this assignment was to carry out a management audit, i.e. to assess SRC's management system and its ability to govern and control operations in a manner to insure that external funds are appropriately utilised, documented and reported.

Survey and documentation
The following should be documented:

• Organisation

• Management systems and routines

• Financial Management

Analysis and conclusions
The audit shall include a more general assessment of SRC's reporting to Sida and communication, management and delegation within the SRC organisation.

Recommendations
The audit shall result in recommendations concerning the above-mentioned points. The focus of the audit is SRC's organisational structure, systems and routines that help the organisation fulfil its obligations to Sida. We may also include other recommendations of relevance for the audit.

4.3 Execution of the Management Audit

4.3.1 The team
The assignment to perform the institutional assessment was given to Professional Management AB. To cover the different tasks, a multidisciplinary international team was formed with the necessary skills to address the issues raised in the ToR. The team comprised:

Mr Arne Svensson (Team leader). Mr Svensson is the President of Professional Management AB. He has 30 years of substantive experience in the administrative reform process of central and local government, including democracy and governance, legislative and parliamentary development, citizen participation, governmental relations, state and local governments, civil society, devolution, decentralisation, organisational development, management and public administration. He has been a senior consultant for more than 600 public and private organizations, including the United Nations, the European Commission and governments around the world. He has published more than 15 books on management issues.

Dr Tony Bennett. Dr Bennett is a chartered accountant and has a doctoral degree in economics. He has for many years been Interregional Adviser on Financial Management, United Nations Department of Economic and Social Affairs, New York. He has over 30 years of experience in financial management in the private sector and public sector, and in financial management capacity building for accountability, transparency and good governance in developing countries.

Mr Gunnar Danielsson. Mr Danielsson is a chartered accountant and Senior Manager with Ernst & Young. He has over 16 years of experience of auditing large, medium sized and small companies and organizations. He also has international experience from working 4 years at Ernst & Young's office in

Moscow, Russia. He is mainly responsible for the audit of large Swedish and international companies but has also carried out various audit assignments for Sida in Russia, Sri Lanka and Croatia.

Ms Malena Jönsson. Ms Jönsson has 12 years of experience from auditing large, medium sized and small companies. Ms Jönsson has also carried out numerous audit assignments for Sida in Estonia, Nicaragua and UK. She is also instructor/teacher at internal courses of audit methodology and audit documentation.

Ms Stina Wærn. Ms Wærn has long experience in the evaluation of companies and organisations, i.e. quality aspects, process analysis, management, etc. She has been Director General of IMPOD, a Swedish government authority with the aim of assisting the developing countries with their exports to the Swedish market.

4.3.2 Work plan and methodology
A work plan has been presented and accepted by the working group.

In the survey of systems and routines, the following has been documented

– SRC's mandate in development cooperation/humanitarian assistance

– SRC's activities within development cooperation/humanitarian assistance and its relation to the board

– Organisation and ways of work

– Planning of work including information gathering and analysis

– Policies and strategies

– Formulation of goals

– Measurement of results

– Decision-making

– Delegation

– Initiation of new projects

– Phasing out of projects

– Follow up of activities

– Evaluation (of activities)

– Reporting of deviations

– Reporting and final reporting

– Institutional learning

The survey included plans, budgets, organisation charts, etc. for SRC, the Federation and ICRC on a general level and all documentation regarding the Sida-financed projects according to the ToR. In order to be able to assess and evaluate the organisational structure for financial management, as well as the planning and budgeting processes, as much relevant documentation on the relevant management systems as possible was collected. We have reviewed all relevant written documentation. The team also reviewed audits made at SRC and the Federation for the period 1999–2002, to get an overview of

documented strengths and weaknesses. In addition we have reviewed the management systems. A bibliography is attached at Appendix II.

Interviews have been held with key persons at SRC, the Federation and ICRC. These key persons were selected for their responsibilities for the management of externally funded programmes. Also members of the SRC board, staff at Sida and SRC's financial auditor have been interviewed. A list of persons met and interviewed is attached at Appendix III. We have met with some of these key persons more than once.

In the survey of systems and routines for financial management the following has been documented:

– Agreement and follow-up of conditions in agreement

– Transfer of funds

– Delegation

– Budget/follow up

– Audit and quality of audit

– Strive for good administration, transparency regarding financing and management of funds and the fight against corruption.

On the basis of collected information we have analysed surveyed areas regarding relevance and reliability.

4.3.3 Time schedule and reporting

Professional Management AB carried out this management audit in the period August–November 2003. The team made a visit to the Federation and ICRC 3–7 November 2003.

The management review has been carried out with the close collaboration and cooperation of Sida and SRC. Oral reports have been made to the working group[5] during the review.

When the first phase had been finalised the scope of the study was discussed with the working group to decide what was realistic given the timeframe. Also the main focus of the audit was decided. It was decided that at the present stage no field study should be done. However, if the visit to the Federation and ICRC indicates that there are reasons for an additional phase including field studies, this should be discussed with the working group when the draft report is discussed.

To give a possibility to comment on errors and misunderstandings a preliminary draft has been sent to Sida and SRC December 1, 2003. We have received written comments from SRC and Sida. In addition the working group has provided us with comments. The comments have been carefully reviewed and taken into consideration.

We shall make two presentations of the results of the audit within two months of the completion of the report (one for SRC in Stockholm and a seminar with participants from Sida and SRC).

The report includes recommendations regarding SRC's ability to manage funds effectively and provide timely and relevant information/reports to Sida and other stakeholders, and recommendations on appropriate strategies for strengthening systems in order to attain the missions of the SRC. It also includes recommendations addressed to Sida and the Red Cross movement that would support the same objective. Since most of the work is executed through the Federation and ICRC their manage-

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[5] SRC: Anneli.Bergdahl, Bjorn Eder, Gustavo Ramirez, Mats Widlund, Paris Karlsson. Sida: Johan Schaar, Frederik Frisell, Bie Granbom, Marie Barck

ment systems are equally important for the management audit. Therefore we have in brief described our findings in three different chapters; chapter 5 on SRC, chapter 6 on the Federation and chapter 7 on ICRC. We have also defined areas for further analysis in Chapter 8. In addition issues on processes involving more than one of these parties are also discussed in Chapter 8. Finally we have in this chapter drawn some conclusions and submitted recommendations.

5 Findings at the Swedish Red Cross (SRC)

5.1 Organisation

5.1.1 Organisational development

The organigramme of SRC is attached as Appendix IV. SRC is in a comprehensive organisational development process that started four years ago[6]. It has been difficult tasks to significantly decrease the number of employees in a culture of growth. It was decided that SRC should focus on local voluntary work by the 300,000 members[7]. The new organisation is more decentralised. The former special associations on the district level were deleted 2000-01-01. The re-organisation has been assessed in a special project[8]. The history of the old organisation 1915–2000 is described in a book[9]. The SRC has a clear identity based on strong values and committed staff.

In the new organisation, SRC has tried to integrate the national and the international activities in all processes. The heads of the regions are now at the same organisational level as the heads of the departments at the headquarters. The former International Department worked quite isolated from the rest of SRC. It is replaced by a Disaster Response and Preparedness Department (KoB[10]) with a broader responsibility. The staff of KoB consists of 20 persons[11]. One position is vacant. KoB handles approximately 90% of the budget for SRCs international activities.

SRC has a pool of 200 delegates. Out of them, 50 have positions at present (70% for the Federation and 30% for ICRC). A recruitment policy is implemented but a strategy is missing for how to plan for the delegates on a long-term basis how to coordinate national and international missions. In the interviews it was also criticised that staff were employed in Sweden without taking into consideration if they were knowledgeable enough to work internationally.

Beginning in 2002 there has been a focus on further development of local international activities in Sweden (LISA). This is mainly an instrument to engage and support SRC branches in international co-operation and understanding (i.e. twinning projects in the Baltic's and Russia)[12]. The LISA concept is important, as it brings something back to volunteers and staff interested in international issues within the SRC. Efforts have also been made to integrate the SRC youth and various SRC institutions in this methodology.

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[6] SRKs verksamhetsberättelser för år 2001 och 2002

[7] There have been some efforts to calculate the value of the work carried out by SRC's members. It has been estimated at 1.600.000.000 SEK annually. This estimation is based on the following figures. According to a report to the SRC General Assembly 2002, SRC has 50 000 active members (out of 300 000). They are working on an average 160 hours a week. The total value is based on 200 SEK an hour.

[8] En organisation i förändring. Slutrapport från avvecklingsprojektet november 2000.

[9] Ann Marie Norén Dahlman: Vad hände mellan 1915–2000? Rödakorsdistriktens utveckling under 85 år.

[10] The Swedish abbreviation for the name of the department (KoB) will be used in the report.

[11] Budget 2003 och narrativa kommentarer till budgeten

[12] KoB övergripande verksamhetsplan för internationell verksamhet 2004–2005

Also, the Federation as a whole and its Secretariat are in the middle of very significant changes. This fact has to be taken into account when reviewing the organisation and its management systems. When we assess the reporting to Sida these reports from SRC are based on project initiatives taken many years ago when the situation was different. When we are assessing the previous management systems we know there are discussions within the Movement on further development of these systems. When we have discussed different possible changes with individuals in the organisation or with the working group we know that some of them, which we in the report recommend may already have been discussed in wider circles or already, approved or already rejected. Needless to say, it is a dynamic context in which the management review is supposed to fit in.

In addition, recently the traditional hierarchical structure of decision-making and financial agreements has been put in question. The Federation's support from Sida for projects and programmes has traditionally been channelled through the SRCs headquarter and the Federation Secretariat in Geneva. However, the decentralisation within Sida and within the Federation Secretariat has opened up for horizontal contacts and agreements on regional and local level. The first example of this new concept was the project on HIV/AIDS and HBC in Southern Africa. Another discussion has emerged in New Delhi.

A new challenge that arose in 2002 was the invitation from Sida to Swedish NGOs to participate in the Lake Victoria Initiative. The implementation of the initiative started in the beginning of 2003, but already in 2002 it was presented to the three NS in the Lake Victoria basin, as well as to the Federation and the ICRC. All these partners were interested to participate in this sub-regional cooperation. Also other NS have approached the SRC and suggested an extended cooperation. The Austrian and the Finnish RC are following the initiative with interest.

These are a few examples showing the impact of decentralisation on the traditional decision-making structures in the Federation and Sida. Also the need for harmonisation between donors and thus more decentralised coordination on the country level will have an impact on the development of the multilateral, bilateral and coordinated bilateral approaches in the RC Movement's humanitarian and development cooperation.

A strategic consultation on a new long-term strategy for SRC has commenced June–September 2003. The result was three alternative strategies that have been discussed during the autumn. This issue will be addressed in sub-section 5.2.2.

Recommendation:
• SRC should further develop the recruitment strategy

5.1.2 SRC's mandate in development cooperation/humanitarian assistance
The SRC Statutes and related documents

SRC mandate is clearly defined in the Statutes §2[13]. In 1999 SRC's General Assembly decided on a vision for SRC[14]. Three years later the General Assembly decided on new objectives for SRC 2003–2005[15]. In this document some changes were made in line with the Federation's Strategy 2010. The holistic approach with a focus on capacity development at all levels is further elaborated in the strategy for international cooperation[16].

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[13] Stadgar för föreningen svenska Röda korset gällande från 2000-01-01
[14] Svenska Röda Korsets vision, verksamhet, arbetssätt och organisation år 2005. Riksstämmobeslut 1999
[15] Svenska Röda Korsets verksamhetsinriktning för åren 2003–2005. Protokoll fört vid Svenska Röda korsets Riksstämma 2002 §26.
[16] SRK Strategi för Internationellt Samarbete (2001)

There has been some ambiguity within the SRC on the status of these steering documents. According to the strategic consultation recently the latter document is the starting point for the efforts to further develop SRCs strategy[17].

According to the latter document, work at the local level in the Swedish communities should be focused and be the base for all activities. The Governing Board and the HQ should support the local level in their main responsibilities.

The steering documents are to a large extent focused on questions regarding *how* SRC should be working. However it is not clear *what* should be prioritised and focused.

There are several reasons for the ongoing strategic consultation within SRC. One reason is the increasing competition among humanitarian organisations. SRC is from the outset a popular movement, which over time has become a professional humanitarian aid organisation. However, some of the competitors are professional organisations with a more business-like organisation and strategy. Thus, an important and interesting question is whether the Swedish national activities are a burden for SRC or a prerequisite for the international part of the organisation. Where is SRC needed most in the future – for elderly and vulnerable people in Sweden or in international humanitarian aid or maybe both?

SRC's role in the RC/RC Movement
The SRC aid for conflict regions has increasingly focused on operational support outside the direct conflict areas through the Federation. SRC and the Federation have agreed to establish a framework agreement[18] that will define the modalities for their cooperation in international activities, and more specifically that will define the modalities for the resources that the Swedish Government contributes to the international operations of the Federation through SRC.

The adoption of the Strategy for the Movement also reinforced the SRC emphasis of working with a Movement perspective at all levels. One difficulty is the continued decreased involvement of the SRC in ICRC operations[19]. This is a consequence of the change in the handling of the Swedish governmental contribution to ICRC that took place in 1995, including aspects of competence, knowledge, funding, secondment of delegates and in-kind contributions[20]. According to SRC, it has thus gradually lost its visibility in Sweden and, consequently its national and international image of being a major actor within the Movement in conflicts[21]. There are some ambiguities on the question whether SRC is representing ICRC in Sweden. NS is one party to the International Conference, whereas ICRC, the Federation and the Governments who are party to the Geneva Conventions are the other three parties.

It is still widely believed among members and the general public that SRC is working mainly with acute disaster relief. In fact more than 50% of the budget goes to OD/capacity building of ONS. The information on the impact of SRC efforts in this area has not been good enough. It is easier for the general public to understand concrete activities on disaster relief or health care services. Indicators in themselves do not replace the need to assess the level of trust and confidence warranted by an organisation as a whole.

Most of the budget (95%) is spent on multilateral support and only 5% on bilateral. SRC is thus working more on a multilateral basis than other PNS. A prerequisite for that has been the good relation

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[17] Strategisk konsultation juni–september 2003 (2003-06-23)
[18] Framework Agreement signed 2003-07-22
[19] Minnesanteckningar från möte den 30 oktober 2002 angående ICRC samarbete
[20] Avsiktsförklaring 1994-12-23, undertecknad av SRC och Sida
[21] SRC Verksamhetsplan för år 2004 Område: Katastrof och beredskap

to Sida and Sida's policy. The bilateral work has increased lately and will probably continue to grow due to the Federation's new strategy. The issue on the mix of multilateral, bilateral and coordinated bilateral support will be discussed in section 8.5.3.

Cooperation agreement SRC – Sida
Some 20% of the budget for international activities comes from the members and 80% from Sida, the European Commission, Radiohjälpen, private companies and institutional donors.

The five-year general cooperation agreement between Sida and SRC signed in 1997 is today obsolete. At present there is no signed general cooperation agreement between Sida and SRC. However, the agreement drafted last year is awaiting its finalisation. The agreement covers "Humanitarian Aid and Development" (Hum), "The Frame for Minor Emergencies" and "Humanitarian Efforts" (ICRC's emergency appeal). Sida's "General Terms for Contributions to Swedish Organizations" and "Instructions for Sida's Contributions to Single Organizations for Humanitarian Aid and Conflict Prevention" are integral parts of the agreements.

The relation between SRC and ICRC
Up to 1994 SRC was responsible for the entire Swedish support to ICRC. According to Sida's assessment[22], the added value of SRC's involvement in the application process didn't meet the additional costs, the duplication of work and the delay in the process (ICRC's appeal of December was ennobled[23] by SRC and submitted to Sida in March). After 1994 Sida and ICRC signed the agreement. The total Swedish support for 2003 is SEK 230,000,000, out of which SEK 15,000,000 goes to SRC for delegates and delegated projects. The grant for delegated projects has been the same since 1995. The division of responsibilities in this regard is thus donor-driven and not based on what is most effective in each project. Sida and ICRC are satisfied with the present situation. Sida is in a position to directly influence ICRC and ICRC finds it important to have a direct contact with Sida. In addition there is no administration fee paid to SRC. At the same time it is obvious that this arrangement can have a great impact on SRC's situation and the relation to ICRC in terms of accountability and transparency. The contacts between SRC and ICRC are less frequent in the field. The number of Swedish delegates has decreased. According to SRC the organization had more influence over ICRC's activities before 1994. For the general public in Sweden, SRC represented the whole Movement. Since many of ICRC's activities are more visible it is believed that this may have an impact on the members and the general public's willingness to contribute to SRC's work. On the other hand we believe it is fair to say that the organization of the Movement is far too complicated for the general public to understand. If all the funding for the RC/RC Movement were channelled through SRC the regional programme coordinators were in a better position to coordinate and evaluate the projects in each ONS.

Most immigrants to Sweden have been asylum seekers from conflict areas. We have one of the largest numbers of refugees and conflict-affected people in the world. Their rehabilitation and integration are key issues for SRC. Public awareness of the importance of solidarity with victims of conflicts is high. SRC's identity has been closely linked to its ability to mobilise and provide support to victims of conflict.

To respond to its mandate, SRC together with the other Nordic RC Societies has initiated a dialogue with the ICRC to improve cooperation and coordination (in the other Nordic countries the support to ICRC is channelled through the NS). We believe it is important that Sida supports SRC's efforts of opening up ICRC as an organisation in areas where it is less transparent than the Federation. For example evaluations are not published and ICRC has no open position lists for delegates.

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[22] Uppföljning av avsiktsförklaring 2002-10-16

[23] There is some ambiguity on the degree of ennobling. On one hand it is said to be only a translation, on the other hand it is said to be based on the appeal but ennobled by additional analyses and assessments.

SRC has good relations with the ICRC concerning issues related to IHL, family reunification and tracing. Moreover, on development of policy and methodology concerning displaced persons, weapons, detention, and dissemination of IHL to the armed forces, SRC continues to contribute.

At the beginning of 2003, six NS including Sweden were selected to address the trends of decreasing contributions and involvement of NS in ICRC operations. The "Privileged Partnership Initiative" will remain, for the time being, limited to the six partners selected. This initiative is aimed at achieving a more dynamic involvement for these selected PNS in conflict-related activities to achieve positive results for each partner. The objective is to find opportunities to increase PNS involvement in and contributions to ICRC operations in three main areas:

- Teaming up an ICRC Division and NS to advance needed work on specific fields (programme or service areas).

- Teaming up an ICRC Delegation and NS for complementarities i.e. in context of transition.

- Partnering to support NS domestic positioning on conflict-related work.

The aim is to capitalize on PNS resources, expertise and accessible competence for specific work needed in ICRC programmes. The aim is also to permit a gradual disengagement of the ICRC from activities that are still necessary and often vital to victims of conflict in transition periods but which can be carried out by other components of the Movement using complementarities to best effect. This means that it is of significant importance that the OD/capacity building of SRC makes it possible for SRC to address the commitment.

We are not requested to come up with a specific recommendation when it comes to the further development of the relations in this respect. However, in our opinion there are good reasons for close contacts and good relations between (1) SRC and ICRC and (2) Sida and ICRC and (3) SRC and Sida. Therefore an agreement (contract) between all the three parties seems to be the best solution. In this cooperation agreement the division of responsibilities should be clearly defined and specified. Costs of administration should be closely linked to added value.

5.1.3 SRC's activities within development cooperation/humanitarian assistance and its relation to the board

SRC's activities within development cooperation/humanitarian assistance
The following figures show the SRC's activities in 2002:

- 64 different projects and programmes in 11 regions and 35 countries were supported using the Sida-framework for *Humanitarian Assistance and Development Cooperation* and SRC's own funds. With some few exceptions, all these projects or programmes were included in the Federation Annual Appeal.

- 10 Global Programmes included in the Federation Annual Appeal were also supported with Sida funds. Some of these are operational, supporting projects or programmes in different countries, while others are strengthening the capacity of the Federation, e.g. by developing policies, guidelines and tools.

- The total SRC support to the Federation operations in 2002 (Sida and SRC own funds) amounted to approximately 17,700,000 CHF[24], or about 8,5% of Federation expenditures. In deciding on priorities, the SRC made a somewhat different analysis than the Federation. The priorities are seen in the following table:

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[24] CHF (Swiss franc) 1 = SEK (Swedish Kronor) 5.75 = US$ 0.73 = EUR 0.64

Exhibit 1: Regional expenditures of the Annual Appeal

Region	Federation expenditures in %	SRC support in %
Africa	28	45
Americas	7	5
Asia and Pacific	33	23
Europe	25	21
Middle East and North Africa	6	6

(NB. Percentage of the *regional* expenditures)

In the last few years, the SRC has prioritised the strengthening of global programmes and the SRC is one of the major donors towards these programmes, which is seen below:

Region	Federation expenditures in %	SRC support in %
Global Programme Fund	8,5	13,3

(NB. Percentage of total expenditures and of SRC total support)

• *Emergency appeals*
Conflicts and man-made or natural disasters in 2002 resulted in 36 RC/RC interventions on a magnitude that called for international cooperation through Federation Emergency Appeals. The SRC response amounted to SEK 22,5 million (about 5% of the total appeal budgets), out of which 89% emanated from the Sida "Frame for Minor Disasters". The reason for low contribution with own funds is that the SRC allocated its own disaster funds to ongoing operations within the Federation annual appeal.

• *Extraordinary Appeals*
A separate application due to the deteriorating Food Security situation in Ethiopia was made to Sida in late 2002. Sida contributed SEK 7 million to this emergency operation.

• *Support to the ICRC*
Sida contributed to the SRC cooperation with the ICRC with SEK 15 million (73%), while the SRC added another 5.5 million out of own funds (27%). Out of a total support of SEK 20.5 million, 12.6 million were used in 5 different project delegations. Another 5.6 million were used for personnel in 10 different operations (including the project delegations).

The Governing Board and SRC's activities within development cooperation and humanitarian assistance
The professionals at KoB have up till now mainly handled the activities in this field on their own, with acceptance from the Government Board but with a rather loose steering. There have in the past been very few decisions made by the Governing Board directly focused on the activities outside Sweden[25]. This is going to be changed in the new organisation when the new planning process is fully implemented. This process starts with a "declaration of intention" in May. Then priorities are discussed at the Board's meeting in August and finally the Governing Board makes the decision on the budget in December.

SRC regards the international activities as a core issue. Thus the Governing Board as a whole is involved in the discussions and decisions and no responsibilities are delegated to any committee.

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[25] Minutes from all meetings 2002 and 2003

At the SRC annual meeting with Sida in October 2003 the Board itself was not represented. The same goes for 2002. Taking into consideration the fact that Sida is supporting SRC's international activities to a very large extent it is surprising that the Board doesn't pay more attention to Sida as a donor.

It has been decided to expand the contact between SRC and Sida. Thus there will be quarterly meetings instead. However, it is not clear what status these meetings have. Should there be protocols? Can formal decisions be taken at the meeting or is it necessary to confirm agreements by traditional contracts?

Recommendations:
- SRC's Governing Board should be more involved in SRC's work on Humanitarian Assistance and Development Cooperation

- Representatives of SRC's Governing Board should take part in the annual meeting with Sida

5.2 Management Systems and Routines

5.2.1 Planning of work including information gathering and analysis
SRC has a very comprehensive KoB Handbook[26]. All the documents are available on the Intranet and there is also a complete handbook available on paper at the department. The team has carefully studied the handbook. We have no recommendations on changes when it comes to the documentation in the handbook on the overall planning of work. The handbook (file 3) consists of:
- Documentation (basic act and annual act)

- Statistics sheet

- KoB's annual planning cycle

- KoB's project cycle

- Planning for programme coordinators

- SRC's and the donors' routines

- Quality assurance

In a special file SRC has documented manuals for:
- Archive

- Signing for the company and authorization

- Travels

- Email

- Administrative routines

Master files are collected in four separate files for respectively:
- The Federation

- Sida Information

- KU Lisa-handbook (Handbook for local international cooperation)

- Financial information

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[26] The Handbook is in the Swedish language. Translations in this chapter are made by the team

In the past budget and planning have been two separate processes within SRC. The result has been two separate documents on the Intranet without a clear relation between input (resources) and expected output, outcome and impact. A new planning model has been introduced 2003 to be used in the planning process for 2004–2005.

Exhibit 2 Planning Process SRC[27]

Tidplan för verksamhetsplanering (VHP) 2004 - 05
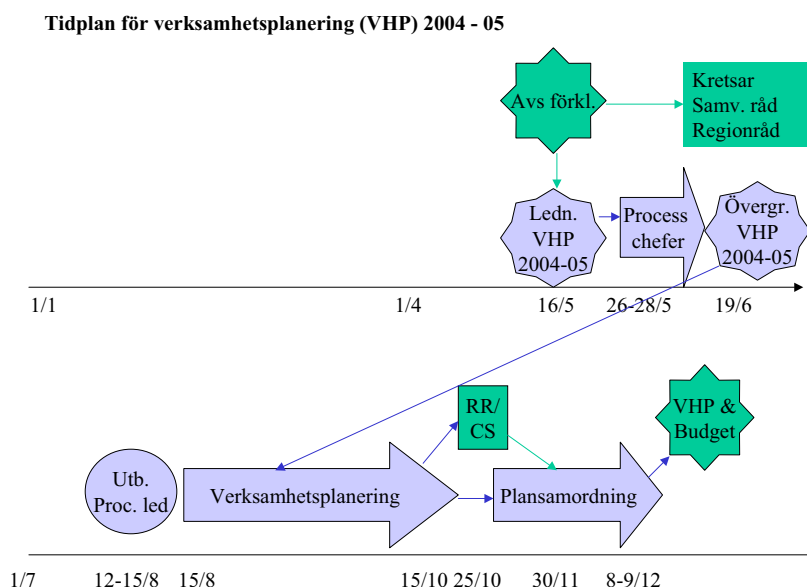
Exhibit 2 shows the time frame for the SRC planning process during 2003 for the two-year period 2004–2005. The process starts in May with a declaration from the Governing Board on main objectives and priorities. After a participatory process in the whole organization the plan is submitted to Governing Board for decision at the end of October. After some coordinating efforts a plan and budget is distributed in the organization during the second half of December.

The process makes it possible for the members to participate in the discussions. However, the Governing Board has a rather limited part in the process. After the declaration[28] at the beginning of the process it is not until the end of the year that the board has an opportunity to influence the process. At that stage it is very difficult to make changes to the detailed plans. Thus we recommend that the Governing Board discuss the suggested goals and SRC overall priorities at an earlier stage in the process[29].

Internal Audit has assessed the purposes, objectives and goals formulated in the Work Plan[30]. This first year KoB has not fully taken part in the new planning process. However, KoB has produced a Work Plan for 2004 with regional Work Plans for each region.

SRC's planning of work on an annual basis is to a large extent based on the appeals from the Federation and ICRC. In a membership-based organization like the Federation it is relevant to coordinate information gathering and analyses to avoid duplication of work. The added value of additional information gathering by SRC staff is limited compared to the costs. The present division of work between SRC and other parts of the Movement seems to be rational. However, as will be discussed

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[27] Exhibit from SRC
[28] Styrelsens avsiktsförklaring 2003-05-16
[29] I. e. on the document called "Ledningsgruppens övergripande verksamhetsplan för Svenska Röda Korset 2004-01-01 till 2005-12-31", fastställd 19 juni 2003
[30] Analys av syften 2004

later in this report, there is a need for increased M & E activities and reporting on impact. In many cases impact on projects and programmes emerges after these projects are ended. Additional information on impact may be gathered through professional evaluations. However, relevant information may also be gathered through NS self-assessments and the annual reports produced by the NS.

Recommendations:
- Increased involvement of the Governing Board in the SRC planning process especially on Humanitarian Assistance and Development Cooperation

- Increased use of NS self-assessments and the NS annual reports for gathering information for the long-term impact analyses

- Further coordination between the planning processes of SRC, the Federation and Sida

5.2 2 Policies and strategies
There are a lot of different policies and strategies in different sectors or areas. However, SRC has no coherent strategy for its activities and development. There is no clear distinction between these instruments in terms of hierarchical levels or priorities. There are some ambiguities on how important different policies, strategies and decisions are. The Management Board has addressed this need for clarifications by initiating a project to establish such a coherent strategy[31]. The suggested strategy will be submitted to the Governing Board in December 2003. The purpose of the strategy is to give the Governing Board and the management board a tool to make SRC more results oriented and efficient. A more focused organisation is more efficient, delivers more value for money and achieves a sharper profile. The goal is to distil from the existing policies and strategies in a participatory way what is the most essential and to submit a proposal on methods for an annual follow up on the strategy.

There are three key documents for SRCs international activities on the strategic level:
- The International Strategy for the SRC of 2001;

- The International Federation of Red Cross and Red Crescent Societies' Strategy 2010 (Strategy 2010) of 1999;

- The Strategy for the Red Cross and Red Crescent Movement (Movement Strategy) of 2001.

They form the basis for the holistic way of working adopted by the SRC. Behind these key documents there are many Federal policies (see sub-section 6.1.2) and also the Code of Conduct for the International Red Cross and Red Crescent Movement and NGOs in Disaster Relief. The SRC main approach is capacity building, which forms part of all programmes supported. This is a strategic choice, which has the positive aspects of integration and synergy and aims at long-term effects.

The SRC strategy is to allocate resources to a large number of projects and programmes instead of concentrating the available resources in fewer areas. According to SRC this a deliberately chosen strategy in order to act in a complementary role in relation to the other members of the Federation. Thus, the support of SRC is many times the necessary complement to other resources that makes it possible to commence a certain programme. On the other hand, the impact of a complementary role is hard to demonstrate. As a consequence of the choice of strategy the report to Sida should include an assessment made by the Federation on the specific results of SRCs decisions when the strategy is practiced (in terms of what would have happened if not……).

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[31] Direktiv för projektet "Strategi för Svenska Röda Korsets verksamhet och utveckling", fastställt av Ledningsgruppen 2003-04-08.

However, the team has not found in the documentation a decision on that strategy based on any discussion on the pros and cons with different strategies. We recommend that SRC evaluate the present strategy in the light of the new strategies in the Movement and the need for increased impact reporting to retain the trust of Sida and the general public. For the members of the Federation, the contribution of knowledge and experience is considered equally important as the financial support. Needless to say, the prerequisites for an active role in the individual projects and programmes are better if the areas of participation are more limited.

SRC relies heavily on Sida as the main donor. The relation between Sida and SRC is good and thus it is understandable to continue to expand the funding from Sida. On the other hand, the risk is extremely high for an organization that is so dependent on one donor. Therefore we recommend that SRC review its strategy for resource mobilization in order to find also other sources e.g. EU/ECHO.

Recommendations:
• SRC should evaluate the present strategy to allocate resources to projects and programmes

• SRC should broaden its resource base by mobilizing resources from e.g. EU/ECHO

5.2.3 Formulation of goals
KoB has not participated fully in the internal planning process within SRC this year. In the overall Work Plan, approved 2003-06-19, there is a goal for the international area, but no corresponding outcomes or activities. It is important that the requirements on LFA-based components of the planning process will be met.

In the report to Sida, SRC has related the activities in relation to Sida's objectives for development cooperation. The SRC support to the International Federation relates to Sida's objectives for development cooperation in a number of interrelated ways. According to Strategy 2010, a gender perspective in all programming is a prerequisite for sustainable development. The Federation is developing a systematic approach to environmental consequences aiming at risk reduction in the area of DP. Democracy and human rights are central to organisational development as defined within the Movement and are an important part of all OD programmes supported by the SRC. A well-functioning NS is a participatory and democratic organisation with an extensive network in all regions of the country[32]. Since the ambition of the Movement is to reach the most vulnerable in the communities, activities for DP and improved health contribute to poverty reduction. Lack of DP in disaster prone areas makes economic development difficult. Improved health and possibilities to protect oneself against disasters are therefore preconditions for poverty eradication.

5.2.4 Measurement of results
It is necessary to balance the time and resources spent on measuring results against those spent on the actual work. Ending up with an overload of reports does not contribute to learning. Indicators should not be used mainly as a donor tool of control, but as a means to improve learning and motivation. The NS have to be clear how to use this information. Collective evaluations of the wider capacity building of a NS would be useful. We suggest an increased use of peer review processes.

In chapter 8 and in Appendix 10 we discuss some basic principles of impact assessment and recent developments in this area and some comments on the work to date and challenges facing the Federation in this area. The Federation already has some excellent tools to work with, such as the Handbook on Monitoring & Evaluation and the Capacity Building Framework. The Federation has also produced a "Draft Indicators or Guiding Framework". We encourage the Federation to be more "imaginative"

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[32] IFRC: Characteristics of a well-functioning NS

and holistic in its approach to assessing results and impact. It is important that any process is participatory and that the framework is used to stimulate discussion in the early planning stages about specific indicators or other options to capture/measure results, particularly in relation to improved capacity to assist vulnerable people. It is vital that the indicators are seen as useful and owned by the NS, not imposed by the Secretariat.

Results may be defined as output, outcome and/or impact. In some cases it has been possible to measure impact in relation to the goals. One example is the Nigerian Red Cross, where a much improved organizational structure has been set up in a highly complex country with Africa's biggest population. The effect of this can be seen in the NS's disaster response to a wide variety of local emergencies ranging from political/ethnic clashes to natural and man-made disasters.

But in most cases, when it comes to capacity building, it is not possible to measure impact against the long-term goals for a project or a programme. At the end of the project it may in these cases be possible to measure output or outcome, but not real impact. OD/capacity building is not an end in itself but a means to better address vulnerability.

There has for some time been a discussion between Sida and SRC on how to improve impact reporting. Our assessment on the reporting from SRC to Sida confirms the criticism that Sida has formulated when it comes to lack of impact reporting especially at aggregated levels. This is a very important question and we have some concrete recommendations on this issue. It is further discussed in the final chapter.

Recommendations:
• A focus on measuring results is necessary to retain trust

• Increased use of peer review processes

5.2.5 Decision-making
It is already mentioned that the Governing Board makes few decisions on SRC's international activities. The decision process on the application to Sida is described and discussed in sub-section 5.3.1.

Decision-making is to a high degree a participatory process within SRC's Secretariat. In most cases decisions are based on consensus. Decisions are not documented in a systematic way. It is not always clear who made the decision. The decision process is not always transparent. SRC has decided to use LOTS as the planning tool. It is a quite comprehensive tool developed for the private sector. All planning tools have much in common and include more or less the same steps. The difference between planning tools lies mainly in the use of different terminologies.

The present planning cycle is the first one using the new planning tool. However, KoB has not been a part of the first entire planning cycle. Our understanding is that one aim with the new organization of SRC was the need for a deeper integration between the national and the international work within SRC. Thus, it is of significant importance to have a planning process that facilitates the integration of all projects and programmes.

One aim with the introduction of a common planning tool in an organization is the harmonization of terminology in all the phases of the planning and decision process, including monitoring and evaluation. The Federation has developed a handbook on Monitoring and Evaluation. Its harmonised terminology facilitates use alongside the Project Planning Process (PPP). The Logical Framework Approach (LFA) used by Sida and most other donors has much in common with the terminology and approach used by the Federation and ICRC. Thus the team finds it confusing that SRC has selected another planning tool for its own planning process. The differences in terminology may lead to difficulties not

only in the coordination between the Federation planning process and the planning process within SRC but also in twinning arrangements and other OD/capacity building efforts. The new planning tool will be evaluated after two years (2006).

Recommendations:
- The planning process should be further developed to facilitate the integration of projects and programmes nationally and internationally.

- The Governing Board should be more involved in decision-making in the international field

- Decision making within the SRC Secretariat should be more transparent

5.2.6 Delegation
The routines for delegating authorization rights seem adequate and are functioning according to the description of SRC's internal procedures. The programme coordinators at KoB have a defined responsibility for a region. Most of them have also a specified responsibility for one theme (or more). As an example one of the programme coordinators has a functional responsibility for two areas – the Web and reporting support. Both these functions aim at securing the quality of the reporting and other information from KoB internally within SRC as well as externally to Sida and other stakeholders.

The functional responsibility for the web includes supporting colleagues at KoB in their efforts to provide internal and external target groups with relevant and interesting information.

The responsibility for the reporting function includes support to other programme coordinators to safeguard a high standard of information to Sida.

The Annual Plan for 2004 clearly describes how these activities are linked to the overall objectives. In order to contribute to the goals, the programme officer shall, in cooperation with the programme officer for Monitoring & Evaluation (M & E) among others, further develop the SRC capacity to achieve a result-oriented reporting. This should be done in close cooperation with the Federation Secretariat, Sida, other donors etc. Other activities are the development of checklists and other support to reporting, reviewing reports, and individual discussions with each programme officer in order to follow up the work.

The division of responsibilities within KoB is adequate. The organisation is quite new and improvements in routines and processes are achieved continuously. In some instances staff is missing the former closer leadership and meeting points. In our opinion the following should be further discussed within KoB:

- Better coordination and increased discussions between the programme coordinators and the advisors was suggested in the interviews.

- There is some ambiguity on the division of responsibilities between the Head and the Acting[33] Head of KoB.

- In our interviews it was pointed out that many staff members still do not have any Work Description.

- KoB has a system for second hand responsibilities among the programme coordinators. However, there are not much time to allocate to this additional responsibility and no clear understanding what the commitment is.

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[33] According to the comments from SRC on the draft report there is no Deputy Head of KoB but an Acting Head with delegated responsibility for coordination of activities ("ställföreträdande som har delegerats verksamhetssamordning")

Recommendations:
- Every staff member should have a work description

- SRC should further clarify the division of responsibilities within KoB.

5.2.7 Initiation of new projects
The identification of new projects is a complex process, not following a systematic and standardized routine. However, there are specified requirements to be a part of an appeal. The NS in most cases identifies new projects. The Global Programmes are based on a process involving all levels of the Federation. The regional delegations and the regional offices have important roles in initiating projects at the regional level when several NS are involved.

The SRC initiative to facilitate a sub-regional contribution towards the Lake Victoria sustainable development framework was welcomed by the DP and Policy Department as an initiative in the fore-front of new programme approaches. This is one example of SRC taking an active role in the initiation of new projects. However, SRC initiatives are more likely to be introduced through the Federation, while some other PNS are initiating new projects mainly on a bilateral level.

5.2 8 Phasing out of projects
Quality programmes that have clear plans, objectives and an exit strategy defined at the outset will help show impact. However, there is no strategy on phasing out of projects. In some cases it is decided from the outset that the project has a limited timeframe that is not prolonged. In other cases projects have to be phased out because of lack of funding for any extension.

However, the exit criteria should be linked to performance, not to time or money. The Tripartite Advisory Group (TAG) has emphasised the importance of including an exit strategy or sustainability plan from the outset. It is important to be realistic about the timeframe for organisational change.

The Capacity Building Fund (CBF) is an un-earmarked, multi-lateral fund, which assists NS to build capacity and strive towards the Characteristics of a Well Functioning National Society. It receives its main support through the TAG. Any phasing out of the CBF should be based on performance against indicators laid down in the initial plan, rather than on any fixed funding period.

It is believed that these examples will be used in a larger scale in the future. More attention should be given to encouraging local resource mobilisation and longer-term funding could be allocated in de-creasing trenches over the programme to encourage the development of these local resources.

Recommendations:
- A strategy on phasing out of projects should be developed

- Exit criteria should be linked to performance

5.2.9 Follow up of activities
There are two key documents in the planning of the follow-up of activities. One is the handbook for Monitoring and Evaluation. The other is CAPI – Capacity Assessment & Performance Indicators. There are also guidelines for quality development formulated in a paper from the SG. This paper also includes methods for evaluation and monitoring.[34]

In all project plans there is some information on follow-up of activities. However, in most cases there are only some general statements and no concrete plans. Indicators are often focused on activities but not the effects of these activities.

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[34] GS riktlinjer för kvalitetsutveckling i Svenska Röda Korset, odaterad

There are some exceptions. One example: In Central Asia, efforts have been made to study more closely the effects of the DP training, through focusing on follow-up of the training. A number of simulations have also been conducted together with the local state emergency authorities, which will ensure a better impact of the DP training once a disaster occurs. There have also been successful attempts in Central Asia in 2002 to link early warning, risk mapping and mitigation to "bridge the gap" between the vulnerability in the communities and the existing capacity to respond.

The follow up on activities is supposed to be done by the implementing agency. It is not a responsibility of the programme coordinators at KoB. However, the information gathered by the programme coordinators at field visits is an important part of the overall assessment of activities. Thus, SRC share all reports from field visits with the partners. In our opinion these pieces of information should be integrated with other assessments done by different stakeholders and thus be a part of the data used by the project leader in his or her follow-up on activities. It is important to establish procedures within the Movement that make it possible to gather information in a systematic way.

We will summarise our comments and recommendations on follow-up, evaluations and analyses in Chapter 8.

5.2.10 Evaluation (of activities)

Strategy 2010 stresses the need for the Federation to establish an evaluation system that includes self-evaluation and peer review to measure progress in all core areas and incorporate learning into future programme development. As a consequence, a Monitoring and Evaluation Division was established in the Secretariat with the overall goal of helping the Federation to improve its collective performance and accountability. Apart from the big task of managing the NS Self-Assessments, the division has made significant progress in the area of evaluations. In 2002, two important tools were launched: the Operational Framework for Evaluation and the Handbook for Monitoring and Evaluation. These documents are complemented by a series of training and information sessions. The result of these achievements is that evaluations are now being dealt with in a more systematic way and are contributing to organizational learning. For instance all major evaluations are available on the Federation website.

The standard document on evaluation "Operational framework for evaluation"[35] contains a summary of internal functions, relationships and responsibilities relevant to evaluation activity. The evaluation mandate was approved by the steering committee in October 2002. The framework and accompanying guidelines advocate a systematic, standardised approach to the execution of the mandate in a participatory and collaborative setting.

Effective operation of the agreed procedures and system will be reflected in the following practical applications:

• Preparation of an annual work plan in consultation with participating departments

• Standardisation of evaluation ToR and methodologies

• A dedicated evaluation budget line will be included for all interventions above CHF 222,000. This budget will be used for funding a completion evaluation. Independent external evaluation of all interventions above CHF 1,000,000, managed by the evaluation department, will be mandatory

• The evaluation department will provide support for the integration and development of an evaluation framework at all stages of the project cycle

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[35] IFRS Monitoring and Evaluation Division: Operational Framework for Evaluation (January 2002)

- To facilitate implementation of evaluation findings all evaluation reports will have an accompanying agreed management action plan and time frame

- The evaluation department will promote and engender a culture of evaluation throughout the organisation for the benefit of all stakeholders.

A first edition of a handbook for M & E has also been published[36]. The objective of the guidelines is to provide the Federation, staff of NS and implementing partners with the necessary information to be able to design, manage and support a results-oriented monitoring and evaluation system for emergency and development operations. It is a very comprehensive document and contains nine modules. The module content is described in an overview. The team finds it even too comprehensive with a lot of overlapping information in the nine modules. We would suggest one or two actual case studies in each of the Federation's core areas, illustrated in a step-by-step fashion. How a programme is (a) monitored and (b) evaluated could be described in a very simple way using cartoons/illustrations with reference to other sources/websites for more details.

The following documents are evaluations of some of the Federation's field operations, National Society self-assessments and procedures in the Secretariat[37]. Independent consultants at the request of the Federation's Secretary General carry them out:

- Review of hosting arrangements for inter-agency initiatives (December 2002)

- Evaluation of the Goma volcano operation – DR Congo (September 2002)

- Evaluation of the International Federation's response to the HIV/AIDS pandemic – a seven country study (August 2002)

- Evaluation of CHARP – Chernobyl Humanitarian Assistance and Rehabilitation programme (July 2002)

- Evaluation of the strategic partnerships between DFID and the International

- Federation 1999–2001 (January 2002)

- Mid-term evaluation report of the Federation and Russian Red Cross Tuberculosis, HIV/AIDS and Visiting Nurses Service programme (October 2001)

- Evaluation of the India Gujarat earthquake response (September 2001)

- National Society self-assessment 2002

- National Society self-assessment 2001

The team has analysed the evaluations mentioned above. In the light of the number of the Federation activities we find the number of evaluations too limited. The evaluations that have commenced are of various kinds and quality with, in some instances, a very limited scope of work. However, the new operational framework has in our view addressed the shortcomings in the evaluations previously commenced. We strongly recommend that the framework is implemented in the way described above. We also recommend an assessment of the framework and the handbook on M & E after a few years in order to further develop these instruments.

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[36] IFRC Monitoring and Evaluation Division. October 2002

[37] These evaluations are available at the Federation's website. In addition a lot of other evaluations are available at the Federation's Secretariat.

When it comes to measuring results (outputs, outcomes and impact) the Federation reporting is still weak but there is a growing awareness of the crucial importance of improvement in this field in the Tripartite Advisory Group (TAG), in the OD Think Tank and among technical delegates etc.

The SRC is constantly trying to improve its own capacity to measure results and contribute to the Federation Secretariat's capacity. SRC has also made considerable efforts in response to Sida's criticism regarding the SRC annual report 2001.

The SRC process of reporting on the 2002 Sida support started with a seminar on the analysis of results on several case studies. A major constraint has been the fact that the Federation reporting does not generally include enough analysis of results. However, this constraint has partly been overcome by the fact that the regional coordinators and technical advisors regularly make field visits and are in a good position to add information to the Federation reporting. The importance of their assessment should be neither under- nor overestimated, but we would like to recommend a more systematic approach on documentation of results and the analysis of additional findings.

In addition, SRC has initiated a pilot project in Monitoring and Evaluation with Sida funding aiming at strengthening SRCs and the Secretariat's capacity in 2003. The SRC has been using the Federation Handbook for Monitoring and Evaluation as a basis for this project.

However, it is not only by focusing on monitoring and evaluation that better measuring of results will be achieved. There is a need to contemplate the entire project management cycle. The SRC has supported the Secretariat's development of a Project Planning Process (PPP), based on the Logical Framework Approach. This tool is now introduced[38] to all delegations and NS. The introduction will take some time, but already in 2002, 380 people from 50 NSs had been trained in using the PPP.

In a discussion on evaluation of activities it is important to take the timeframe into consideration. It could be monitored during the project timeframe that a Disaster Preparedness Programme develop the response and preparedness capacities of the NS. It is possible to evaluate if the capacities are available but if the volunteers will be able to reduce or avoid emergencies, make faster and better interventions and reduce the numbers of casualties can often only be evaluated some time after the project has been finalized.

The NS self-assessments and the annual reports of NS might include information on impact of the Federation projects and programmes also after these are finalised. The important question on impact reporting will be further discussed in Chapter 8.

Recommendations:
- SRC should stress the importance of implementing the evaluation framework as planned

- We would suggest one or two actual case studies in each of the Federation's core areas, illustrated in a step-by-step fashion

- The number of evaluations should increase

- SRC should support an assessment of the framework and the handbook on M & E after a few years in order to further develop these instruments.

- Increased use of NS self-assessments and the NS annual reports for gathering information for long-term impact analyses.

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[38] Interactive PPP CD-ROM and PPP training module (40h)

- SRC should develop its capacity to identify best practice and good practice and make use of this knowledge in future priorities.

5.2.11 Reporting of deviations

SRCs reports to Sida are to a very large extent based on the reports from the Federation. According to our assessment, deviations at the project and programme level are put forward openly in the reports to Sida. Also in the comments on the ICRC Appeal 2003, SRC has submitted some remarks on deviations[39]. The reports from the Federation are included in SRC's reporting and in addition SRC in many instances has commented on deviations. Also on a higher strategically (or even "political") level we have found SRC to be extremely open and honest in the reporting to Sida. In our review of information gathered at the Federation or ICRC we have not found any example of important information that have not been passed on from SRC to Sida.

One example may illustrate the openness when it comes to internal organisational discussions in areas where Sida has provided support. SRC participated in 2002 in a core group of NS supporting the strategic and policy development of the Federation. All work by the DP and Policy department was made possible through financial support from a small core group of donors (DFID, Sida, the Norwegian Government, the Swedish and Norwegian RC Societies and ECHO). *"Given the important nature of this department's work, this imbalance in support from the stakeholders must be addressed. It is the lack of performance from the members of the Federation that unfortunately puts the generally expressed commitment to improved accountability into question. The strong motivation shown by a small group of staff and an equally small number of stakeholders is not safeguarding the work. However, it is the firm intention of the SRC to strongly advocate for the continuation of the many initiatives taken by the DP and Policy Department, and SRC is strongly arguing for more and more diversified support for DP from other members of the Federation"*[40].

Another example may be provided of straightforward reporting of deviations instead of using the context as an excuse; Argentine Red Cross is going through a comprehensive change process, involving national and international NGOs and institutions. At the same time the social and economic crisis in the country became acute. *"The NS was not prepared to meet the needs of the population in this "new" type of emergency, and had to adapt its programmes and activities to the current situation. At the same time, it had to seek its role in relation to government, authorities, the private sector and civil society in a highly unpredictable situation."*[41]

Our assessment is that SRC's reporting on deviations seems to be reliable.

5.2.12 Reporting and final reporting

Reporting is regulated in the agreements between Sida and SRC. According to the draft General Cooperation Agreement between Sida and SRC the reports should be submitted to Sida no later than 15 September and contain the following:

- Financial reports ("ekonomisk redovisning")

- Narrative reports ("verksamhetsrapportering")

- Aggregated analyses of the programmes ("verksamhetsövergripande analys")

- Revised plans and budgets for next coming year for ongoing projects.

For the first time SRC has reported all activities to Sida at the same time (Sept 2003)[42]. The overview in the report highlights the context and cooperation within the RC/RC Movement and some of the

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[39] SRC: Betr Internationella rödakorskommitténs(ICRC) appell 2003 – Remissvar från Svenska Röda Korset 2003-02-03
[40] SRC Annual Report to Sida 2002
[41] SRC Annual Report to Sida 2002
[42] Swedish Red Cross (SRC) Annual Report 2002 on Humanitarian Assistance and Development Cooperation

results of the support. Detailed reports on global, regional and country programmes are presented separately. In addition there are 10 regional overviews, which outline the regional contexts. There are no overviews of the global programmes. Sida has commented on the report[43]. The report and the comments on the report have been discussed at the joint annual meeting between Sida and SRC at the end of October 2003.

The team has read and analysed the reports from SRC to Sida[44]. The reporting is comprehensive and gives an overview of the activities. The reports are in most cases very well done, including relevant information, and they are easy to read. There are a number of examples of achieved results but the general impression is that the reporting is more activity-related than results-based. There are few examples of advanced impact reporting. The reporting is mainly at an individual project or programme level. There are few examples of aggregated information and analysis on a more general level.

The analysis of results in the annual report's overview and effects is divided according to the four inter-linked core areas of the Federation's Strategy 2010[45]:

- Promotion of fundamental principles and humanitarian values;

- Disaster response;

- Disaster preparedness;

- Health and care in the community.

In addition there are also analyses of capacity building and organisational development (Strategy 2010's Strategic Direction "Well-functioning NS") as well as human resources, which are other areas supported by the SRC. The SRC is involved in a pilot project in the Democratic Republic of Congo (DRC), which is a good example of an integrated approach.

The field-level activities that benefit from the projects and the impact thereof has been divided in the report into two main categories: firstly, the training of and dissemination to staff, volunteers, members, the public and different actors. It is often under this category that the outputs are measured – e.g. how many people were trained, how many workshops were run etc. Secondly, and more important, the actual use of the knowledge and understanding of the above in planning, implementation and follow-up of different activities in the field. It is only here that the actual effects can be measured. Although lessons learnt are often integrated in the following phases of project cycles for adequate realignment, it is still recognised that the analysis of results has to be better captured. The Federation needs to define better indicators in the project design, in order to facilitate the continued monitoring of baseline data and results during the project timeframe. There are also guidelines from Sida stating that the funds should be used in line with Sida's overall goals: poverty reduction, democracy, gender balance, environmental awareness and conflict reduction. In our opinion, SRC comments satisfyingly on these goals in its final reporting to Sida. However, the Federation's reporting to SRC lacks this information.

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[43] SEKA/HUMs kommentarer till Svenska Röda Korsets avrapportering för 2002 (Promemoria 2003-10-27)

[44] The report to Sida, incl the following files:
   File 1: SRC's annual report of funds for humanitarian assistance & development cooperation SEKA 485/02, SEKA 508/02 2002
   File 2: SRC's annual report of funds for humanitarian assistance & development cooperation SEKA 485/02, SEKA 508/02, 2002
   File 3: SRK:s avrapportering. Ram för smärre humanitära insatser SEKA 622/01; 2002
   Swedish RC annual report of humanitarian assistance through the ICRC SEKA 441/01, 2002

[45] These four areas are presented in Strategy 2010 as a jigsaw with four pieces, where each piece grips into the other pieces. There is hardly any RC intervention that does not include health (and care) in some way.

The reports at the country level consist of the reports from the Federation and SRC's additional comments on results. Sida approved every single report for 2002. The annual report mainly consists of reporting on activities. In most cases interesting examples are given from different projects, but the results are not aggregated and impact reporting is missing. In many cases the report of activities is followed by repeating the goals instead of reporting achievements ("*In Central Africa the focus within the Disaster Response has been on training regional response-teams especially in water and sanitation issues and epidemiology. Participants from the Central African countries participated in a regional response-training course, ERDAC (L'Equipe Regionale de Réponse aux Désastres d´Afrique Centrale). The idea is that the region will have the ability to rapidly set up regional teams for assessment and response in relation to a disaster"*). It would have been of greater interest to know if the regional teams had been organized.

Regional reports
The regional reports consist of a description of the situation in the region, the Swedish support, activities, examples of results and the relation between the programmes and the objectives of the Federation. The Federation's reports are attached to SRC's comments. These reports give an adequate overview of the situation in the region. The imperfections are the same as commented on above.

Aggregations could be on a regional and/or global level. When it comes to some activities a regional perspective seems to be adequate e.g. some disasters. In other areas the differences between the countries in a region are so significant that it may be more relevant to analyse effects globally for countries with similar context. This is the case when it comes to OD/capacity building.

SRC reporting to Sida is based on the Federation's reports. It is therefore of significant importance that SRC has an impact on the way the Federation develops the Monitoring and Evaluation systems. There are several channels for SRC to have an influence on the Federation in this respect. The most concrete examples are the cooperation between SRC and the Federation on a special project on M & E and the TAG initiative on developing indicators for measuring effects of capacity development projects.

In the comments on the SRC reporting for 2001, Sida has stressed the importance of a coherent analysis of the global programmes. However SRC's report for 2002 contains no overview of the nine global programmes. Some of the global reports are focused on activities and contain no information on results. Our overall impression is that the reports on the global programmes are less comprehensive than the other reporting. This is rather surprising, taking into account the fact that a global programme should be based on an idea of how a general approach is the most effective to address these problems. The indicators are thus not specific for only one country. On the contrary all indicators are global, which means that it is possible to monitor and evaluate impact also on an aggregated global level.

SRC has chosen to split up the support on 64 different projects and programmes. That makes it difficult, if not impossible, to aggregate results information in an impact analysis on a more general level. SRC should consider the implications on a less diversified project portfolio. If SRC is supporting fewer projects and programmes it will not only make reporting and analysis of results easier. It will also give SRC better opportunities to take part in the projects and programmes and thus contribute also with SRC knowledge and experience. In the present situation too much time at SRC is spent on intermediary activities related to appeals and reporting. More time should be spent on transferring knowledge and experience in order to meet NS needs for assistance in OD/capacity building.

Projects delegated from ICRC
The reports of the delegated five projects are not summarised in the report from SRC. The individual reports are outlined in different ways and consist of different kinds of information. It is therefore difficult to compare the projects and aggregate the results.

Agreements based on Frame for Minor Disasters

Some of the 28 projects are not yet finalised and will thus be included in the next annual report. The reporting consists of the Federation's individual reports for every project with additional comments from SRC. Every report in itself contains adequate information. It is difficult to make an aggregated summary of impact since we here have 28 independent projects. On the other hand it would be of interest to have some kind of assessment of the value for money of the frame as such compared with the other programmes. Is the amount for the frame for Minor Disasters well balanced as a percentage of the entire support from Sida? What would be the pros and cons if the percentage were higher or lower? Will the aggregated impact of the total Sida support be higher with increased flexibility through a larger frame for Minor Disasters?

Feedback from Sida

Reporting takes a great deal of time. The one writing the report doesn't always know exactly what kind of information the reader may benefit from, so the feedback to the report writer is essential for improving quality. It has been a disappointment to many staff members at SRC that they have not received any more detailed feedback from Sida on their reports. The feedback may be given at seminars or by written comments.

Also for the Federation it is important to have this feedback from Sida in order to give feedback to the field.

Recommendations:

• SRC's project portfolio should be less diversified

• More of KoB's time should be spent on assisting NS in OD/capacity building and less on administration of appeals and reporting

• SRC's reporting should be more focused on impact

• SRC's reporting should include increased analysis on a more aggregated level

• Aggregations should be based on similarity in context and not always based on geography

• In the aggregated analyses of the programmes, the results should be clearly linked to SRC's objectives, goals, visions, policies and strategies.

• The analysis should consist of the general lessons of experience and the consequences for SRC and its cooperation partners.

• SRC should provide Sida with a coherent analysis of the global programmes

• The report on the Frame for Minor Emergencies should also include an assessment of the value for money compared with support in general

• The individual reports on the ICRC delegated projects should have a common outline

• SRC should provide Sida with an overview of the delegated projects

• Sida should give a more detailed feedback on the reports from SRC.

5.2.13 Institutional learning

As demonstrated in sub-section 5.2.10, the more systematic way of working with evaluations has contributed to institutional learning within the Federation. Sida recognises that the Federation as a membership organisation has a core responsibility to build the capacity of its members. Thus the

Federation's commitment to and capability in capacity building, through a better demonstration of results is essential. Trust is a key issue for donors.

A greater coherence from the Movement in its approach to capacity building is emphasised. Methods for institutional learning within the Federation include demonstrating the results of OD/capacity building, management audits and sharing experience at grass roots level between branches. The importance of strengthening the NS's volunteer base, representation and management has been stressed. It is important for NS headquarters to manage a bottom-up change process or replicate a branch-level success story. Links to other civil society actors, particularly at grass roots level, are also vital to improve the sustainability of a NS.

In order to provide a practical manual on the various intervention strategies and to give an overview of available tools and methods for local building of branches an Applicant Guide is being developed[46].

The handbooks, training manuals and other material that the Federation develops are most certainly important and useful. But the most important role of the Secretariat in supporting activities is to act as a link – or a focal point – for institutional learning which makes it possible for the different actors to share ideas and knowledge that will increase the impact of the different initiatives. This role could in our opinion be further strengthened.

SRC has supported the efforts on the Disaster Management and Coordination (DMC) Division to empower regional and local units and to adapt its systems to different disaster scenarios. The SRC is set on supporting the further work in this field – and to encourage other stakeholders to follow suit[47]. However, there is a need for increased efficiency in the division of labour and responsibility between centre and periphery, between what should be developed and catered for on an international level and what should clearly be owned regionally and locally. The build-up and delegation of ownership to the Pan American Disaster Response Unit (PADRU) could serve as a model of future regional disaster response hubs. In the new organisation it is important to clarify how disaster management should cooperate with the management of on-going mid- and long-term programmes, i.e. how new DMC structures for sudden emergencies should work with long-standing delegations. The stronger efforts to further strengthen the partnership across the humanitarian field and for multi-sector actions in crisis locations are one promising sign for future relief assistance with enhanced sustainable impact.

Strategy 2010 underlines that the Federation should make more use of its global network of committed and talented staff. Since 1997, SRC has supported the work to increase the diversity of the Federation workforce in the field. The initial goal – a standardised recruitment procedure, an international recruitment handbook and 30% of delegates from so-called non-traditional sources has been reached and the next step should be to evaluate the project.

Since 2001, SRC is also contributing financially to the global recruitment fund with the goal to facilitate the transfer of personnel from NS with less financial means and with no tradition in developing an international workforce among their staff and volunteers, to Basic Training Courses (BTC) organised by traditional donor societies, mainly in Europe. SRC has on a regular basis invited 2–3 persons to BTCs in Sweden.

Today some 30% of all Federation international staff/delegates come from non-traditional sources and while this is a positive development, there is a need to consider more in detail what negative implications the increased use of regional resources may have on the NS: the attraction of going on an inter-

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[46] Applicant Guide Draft 8/2003-08-15
[47] SRC Annual Report to Sida 2002

national mission may cause a brain drain of a NS's most talented personnel, which in turn would work against the aim of building the capacity of that NS.

SRC has in many other ways been active in supporting institutional learning. A few examples:

• In 2002, SRC has supported the Human Resource Department at the Secretariat through a staff on loan. The mission was focusing on support to the diversity work and to revise the Code of Conduct for Federation personnel. The new Code of Conduct was launched in March 2003.

• A constant challenge for SRC is to improve the gender balance among managers sent to the field. Preparations were made to identify and strengthen support to female candidates applying for management positions. By the end of 2002, SRC had six top management positions in the field. Out of these, two were females.

• SRC has participated in the Tripartite Advisory Group (TAG), which could be recognised as a learning network[48].

• SRC has also participated in various Swedish foras on international assignments such as Sida's network. SRC has participated in the process of drafting a Swedish Code of Conduct for international staff. The Federation's code of conduct was one of the documents used as a basis in the drafting.

On the individual level the Federation has designed a Performance Development Review (PDR) to help ensure that staff deliver against key objectives while building personal values and competences. It is an interactive process, which involves continuous communication between managers and their direct reports, as well as coaching, and feedback. One important area is knowledge sharing. For people in management positions also, organisation building is a key issue.

There are a lot of good examples of institutional learning within the Federation, including the SRC. However, there is no explicit strategy for organisational learning either on SRC or the Federation level (this also goes for Sida and most of the donors).

Recommendations:
• SRC should consider including the issue of institutional learning in the new strategy

• SRC should consider assisting the Federation on working on a strategy for institutional learning.

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[48] At the last TAG-meeting i.e. learning from the Sri Lanka experience was discussed by the visit team. The objectives of the visit of the TAG were in part to review the effectiveness and impact of the CBF funding to SLRCS and to draw out wider lessons for the CBF and the TAG, including initial work on indicators. The team's findings were outlined with regard to the organisational strengths and challenges of SLRCS. The experience of one branch was highlighted and the team supported SLRCS's plan to use this as a model for learning in other branches. Another key lesson was the importance of Movement coordination in terms of NS capacity building, particularly in a post-conflict or transition situation. It is vital that the Federation be present with the NS to lead the coordination and to maintain the focus on NS capacity building, particularly with mounting PNS interest in bilateral programme-based support and to work with the ICRC to clarify implementation of the transition policy. The Cooperation Agreement Strategy (CAS) is a tool developed by the International Federation to enhance cooperation and coordination within the Movement in support of a NS's strategic objectives. The CAS process can play a crucial role in ensuring this. It was also highlighted that this was the first CBF monitoring visit /joint TAG visit. TAG was keen to learn from this to improve future visits. One good lesson was the importance of having a practical task, such as developing capacity building indicators to ensure there is a focus for the visit. Working groups then discussed how to ensure the CBF creates capacity rather than dependency through building sustainability in programmes, financial resource base and external linkages. The group feed back highlighted a number of common issues. (Sida Reserapport 2003-10-06—08).

5.3 Financial Management

5.3.1 Agreement and follow-up of conditions in agreement

The agreements between the Federation and SRC and between ICRC and SRC are analyzed in subsections 6.3.1 and 7.3.1 respectively.

Sida's agreement with SRC

There are three main agreements with Sida for 2002; these are "Humanitarian Aid and Development" (Hum), "The Frame for Minor Emergencies" and "Humanitarian Efforts" (ICRC's emergency appeal). Sida's "General Terms for Contributions to Swedish Organizations" and "Instructions for Sida's Contributions to Single Organizations for Humanitarian Aid and Conflict Prevention" are integral parts of the agreements.

The Hum agreement is the largest of the agreements and granted funds may be used for projects complying with Sida's General Terms and Instructions. The agreement covers SEK 95,000,000 of which SEK 7,600,000 (8%) is designated for administrative support. A description of the recipient organization, the activities for which the funds shall be used and a budget are included in the application to Sida.

The Frame for Minor Emergencies is aimed at providing emergency aid to areas throughout the world. The agreement covers SEK 21,000,000 of which SEK 1,000,000 (5%) is designated for administrative support. The application process is fast: Sida grants its approval within 24 hours.

According to Sida's guidelines, the Frame for Minor Emergencies is to be used for natural catastrophes, the initial phase of efforts following the outbreak of armed conflicts, sudden crises occurring amid ongoing long-term efforts amidst armed conflicts, catastrophe-like epidemic outbreaks and reconstruction following natural catastrophes.

The funds provided through ICRC's emergency aid appeal are used to support SRC's activities within ICRC's operations. The agreement covers SEK 220,000,000 of which SEK 15,000,000 has been designated for SRC while the remaining amount has been designated for ICRC. The funding covers purchases of goods, delegation of projects and/or the recruitment of delegates. ICRC's application is a response to referrals made in ICRC's annual appeal.

Procedures for signing agreements

The procedures for signing agreements and the granting of funds between Sida and SRC are described below:

1. ONS identifies the needs and sends an application to the Federation in November.

2. The Federation decides, together with ONS, which multilateral projects shall be included in the application to Sida.

3. In November the appeal comes from the Federation (or if it is part of a so-called bilateral agreement the request comes directly from ONS). SRC reviews and evaluates the appeals and selects the projects that will be included in the application to Sida. The programme coordinator makes the selection after discussion with the advisors from the health care sector, emergency experts, organizational development and finance. An assessment of whether there is a connection to other programme support and whether the other programmes supplied funds and/or if the programmes could be linked is performed. Lastly, the KoB after discussions with the head of the respective area makes a proposal to the management. The application has to be approved by SRC Central Board. The

process takes place during the period November–January/February[49]. SRC submits a proposal no later than 15 February.

4. Sida decides what support shall be given and sends an agreement. This usually happens in May "June for Hum and for ICRC's emergency appeal[50]. The agreement is signed by SRC's General Secretary and by the Head of Sida's department for humanitarian aid and conflict management.

5. SRC writes a Pledge Management Note, PMN[51], for each ONS on the programmes that have been approved by Sida with a reference to the appeal. The PMN contains allocation of resources (from Sida and SRC own) and reporting requirements. This PMN is sent to the Federation, which signs it. The PMN can be updated later if the project plan is changed.

6. Sida transfers the funds to SRC for six months at a time in advance.

7. The funds are transferred to the Federation, except the administration fee.

ICRC emergency appeal:

The routines that apply to the ICRC emergency appeal agreement differ from those that apply to programmes supported through the Federation insofar as ICRC sends its appeals directly to Sida who in turn forwards them to SRC for an opinion. ICRC and Sida sign the agreement. The funds are paid to ICRC.

There is also a signed agreement between SRC and ICRC that is a standard agreement.

The Frame for Minor Emergencies/Emergency aid appeal:

Unlike the Hum agreement, SRC can, within the Frame for Minor Emergencies agreements, initiate payments of a maximum of SEK 1,000,000 at one time of the total budgeted amount designated for catastrophes. It takes approximately one to two days from the time the need is identified until the funds are dispensed.

Suitability of Agreements for their purpose
The agreement period between Sida and SRC is January 1–December 31. As described above, the final decision and first disbursement from Sida can be made in May/June. This leaves SRC six to seven months to use the funds, which SRC sometimes sees as a short period to use the funds. Funds that are not used at December 31 should be repaid to Sida. It has been discussed to have longer agreement periods. Our concrete recommendations are to be found in the final chapter of the report.

Responsibility for following up agreements
Every programme coordinator at KoB is responsible for ensuring that their projects adhere to the agreement signed with Sida. When Sida has granted funds, a PMN is written between SRC and the Federation. The programme coordinators are responsible for making sure the agreement is followed. If the agreement has not been adhered to, continued support is re-evaluated and confirmed with Sida.

PMN sets the deadlines for reporting. During our survey we noted that the reporting dates in the agreements were changed with Sida's consent. As of May 5, 2003 reporting deadlines were changed to September 12, 2003, for all agreements. The reporting deadline for ICRC was previously June 30,

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[49] According to the draft General Cooperation Agreement Sida should give SRC an indication on the highest level of annual grant.

[50] According to the draft General Cooperation Agreement between Sida and SRC the decision should be made within two months.

[51] PMN is a standardised agreement developed by the Federation and recently updated

2003, for Hum it was August 31, 2003 and for the Frame for Minor Emergencies it was October 31, 2003. The reporting shall be submitted in accordance with the agreement and form requirements[52].

According to the auditor's certificate from SRC's auditor, Jonas Grahn of PWC, no reporting for 2002 was submitted for several agreements. Those agreements include:

Agreements based on the Frame for Minor Disasters:
Agreements for Turkey, South Africa, Iran, Korea, Ethiopia, Iraq, Eritrea, and Burkina Faso which account for a total of SEK 9 million in funds. This was due to the fact that disbursements were made for catastrophes late in the year.

Agreements based on Extraordinary Appeals:
The auditor's report for the bilateral programme in Ethiopia for SEK 882 thousand.

The projects will submit the 2002 reporting along with the 2003 reporting.

Possibility to redistribute funds between projects
According to Sida's General Terms, funds may be reallocated from one project to another. SRC submits a written request for permission when significant changes are made to the planned activities. The programme coordinator at SRC writes a proposal for the reallocation that is signed by the manager of KoB and sent to Sida for approval. Sida usually accepts SRC's proposal for the reallocation of funds as recommended by the programme coordinator.

Sida's guidelines for the use of funds
Sida's guidelines are governed by its instructions. SRC's applications generally do not deviate from Sida's guidelines. The proposals for the use of funds are normally accepted as they are. Compared to the Federation, which is governed by the terms that are included in the project agreement, PMN, with Sida, Sida's requirements for including environment and gender, among other things, in the reporting are not always followed. SRC adds this information to these reports after it has contacted personnel that are on location and knows that these questions have been addressed. If the programme coordinators assessment is that the Federation has not met the reporting requirements the matter is addressed in the final report.

5.3.2 Transfer of funds
Reconciliation
Funds received from Sida are kept in a separate bank account to facilitate reconciliation of funds in accordance with the Sida agreements. The reconciliation is performed monthly on a project basis as well as on an overall basis.

Interest
According to Sida's General Terms and Conditions interest should be reported in the final report and repaid accordingly. It appears that interest is not disclosed in the final financial report. It is however repaid in relation to the report; in addition a preliminary payment is made as of June 30 during the year of the agreement.

SRC has quite a complicated and circumstantial procedure for calculating the interest due to Sida. Until Sida has approved appeals and disbursed funds, SRC uses its own funds for salary payments to delegates etc. SRC later compensates itself for these expenses. In addition they calculate, in high degree of detail, the interest loss due to use of own funds and compensate themselves for the interest loss.

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[52] According to the draft General Cooperation Agreement between Sida and SRC the reports should be submitted to Sida no later than 15 September.

For 2002 the interest on Sida funds were allocated as shown below:

Interest according to bank statement per 2002-12-31	1 140 TSEK
Preliminary interest payment to Sida per 2002-06-30	-91 TSEK
Remuneration to SRC per 2002-12-31	-737 TSEK
Balance to be reported and repaid to Sida	312 TSEK

Disbursements
After Sida has approved the application the funds are paid out. A PMN is written and signed by a programme coordinator and the amount is compared with the agreement and then faxed to the Federation, which signs the document. When the Federation has signed the PMN, payments are made from Sida's account to the Federation via the Swedish Bank SEB.

Upon the disbursement of approved funds to the Federation, a payment order is prepared. The payment order includes the name of the recipient, what the payment is for, the PMN number, where the funds are taken from, the amount, the most recent payment date and the project's name. The form also contains which account, programme, area and project number the payment is for. A check is performed using the PMN number to ensure the right amount is paid out. SRC can track and check disbursements through the PMN number in the Federation's web-based accounting system.

Disbursements per project were randomly tested and compared with account summaries from SEB and the general ledger. We have no remarks. However, when comparing the payment receipts with the PMN there was one instance where we noted that a partial payment of approximately SEK 900,000 was paid on February 27, 2003, which, according to the PMN, should have been paid in 2002. The expense was recorded and charged to 2002. SRC's auditor has not commented on this. Otherwise the payment routines are deemed as functioning satisfactorily as regards to the correct amounts being paid out and approved.

Audit of transfer of funds
SRC sends money to the Federation who has an auditor in Geneva that monitors the transfer of the funds to the projects.

SRC's auditor reviews interest on Sida contributions to SRC. The interest calculations for 2002 were reviewed; we have no comments. The certificate was sent to Sida along with the final reporting on September 12, 2003.

Recommendations on Transfer of funds
SRC does not disclose interest in the financial reporting but complies with the Sida agreement regarding repayment of interest in conjunction with the final reporting. We recommend SRC to start reporting interest in the final reporting and to consider simplifying the interest calculation and also not to spend time making the preliminary calculation and payment in June 30, as the amount appears to be immaterial.

Recommendation:
• SRC and Sida should agree on simplifying the interest calculations

5.3.3 Delegation
Authorization regulations
According to SRC's authorization regulations the programme coordinators may approve payments for their projects. If the budget is changed, the manager of KoB must be informed, make a decision and approve the new decision. In accordance with the documented principles for delegating the authority

to grant authorization for costs, the Head of KoB may permanently delegate a portion of their rights to authorize transactions to their subordinates who are responsible for budgeting. Two people must authorize transactions together (one approves and one authorizes) and for appeals a group must grant approval. The rights to authorize payments apply to amounts that are within the framework of the budget.

SRC has updated its rules for granting authorization. Random testing of authorization rights revealed that programme coordinators to whom authorization rights have been permanently delegated have approved payments with the area manager's approval. We have no remarks in this area.

Delegating authorization

The routines for delegating authorization rights seem adequate and are functioning according to the description of SRC's internal procedures.

5.3.4 Budget/reporting/follow up
Routines for the budgeting process
SRC begins preparing its budgets in October; every area prepares a budget based on identified needs. The person responsible for each area prepares a budget proposal for this area. The area manager and advisor then help with the overall structure, for example if there is a need to increase contributions given to a certain region. SRC maintains a policy of not being the sole financier for a programme to prevent the recipient from becoming too dependent on the organization.

The Federation submits its Annual Appeal, including the budget, in December (for more details on the Federation budget processes see sub-section 6.3.4). SRC's budget is adjusted when Sida accepts the applications and states the amount of funds it will contribute. The budget is documented and later approved in the PMN agreement with the Federation.

The programme coordinators continually follow up the budgets for the on-going projects to determine whether there are sufficient funds available to complete the project. If sufficient funds are not available the programme coordinator makes the decision to scale back the project or prolong the project.
If funds are not used during the year SRC sends a request to Sida asking for permission to give the remaining funds to another project.

Reporting and Follow-up
As noted in sub-section 5.3.1 "Responsibility for following up agreements" reporting has been made in accordance with the agreements and has been submitted for a greater portion of the projects with the exception of eight projects within the Frame for Minor Emergencies (total SEK 9 million) and a bilateral programme within Hum (SEK 0.9 million). As mentioned above this was due to the fact that disbursements for catastrophes were made late in the year.

The programme coordinators at KoB are responsible for following up the Sida agreements.
The programme coordinators are responsible for following up the PMN for the Federation given SRC's agreement with Sida. The Federation is in turn responsible for ensuring the PMN and the national committees follow Sida's instructions.

The report from to SRC is steered by the PMN, which states deadlines and how the report should be structured. The programme coordinators maintain continual contact with the ONS and with the Federation. The programme coordinators also conduct a field visit through which they obtain a more complete picture of the situation in the project.

When the report is submitted to Sida the project is described. The report includes what has been accomplished and not accomplished, the impact and comments concerning Sida's overall goal. The reports from the field visit and the Federation are attached as appendices. SRC has prepared a checklist for the reports in order to secure the quality of the reporting.

The formal standard report from the Federation to SRC is submitted twice a year as well as through final reporting. SRC reports back to Sida annually through the final report.

According to Sida, a financial review with comments on the impact and results of the overall budget should be reported. SRC's reporting has been randomly tested per project and in our opinion the reporting meets Sida's requirements satisfactorily. We noted that in its reporting to Sida, SRC evaluates the Federation's report by providing its own analysis of the outcome of a project, which may contain criticism. In several cases it was revealed that information about the impact of contributions was faulty. SRC has pointed this out to the Federation, which has currently added another comment on that matter in its report structure. At present there is still the need for the Federation, which monitors the reporting from the ONS, to make improvements.

Part of the funding received from Sida is funds for administrative support. It varies between 5% and 8% of the total amounts received. There is no specific follow up of how these funds actually are used by SRC and neither is it reported in detail. In the final reporting the amount used for administrative support equal the received funds.

Recommendations on budget/reporting/follow up
The total final report for the projects does not contain reconciliation with the budget. The accounting compared with the budget is only done per project. We recommend making such a comparison and including it in the overall summary. As mentioned earlier the total final report does not contain recorded accrued interest income and we recommend that this is also included in the future.

Recommendations:
- The total final report for the projects should contain a reconciliation with the budget

- Recorded accrued interest income should be included

- SRC and Sida should agree on how administrative funds should be used and that adequate follow up is done and reported.

5.3.5 Internal control and audit
Internal Control
We have assessed the internal control related to the areas within the scope of "Financial Management" in ToR, i.e. within the signing of Agreement, Transfer of Funds, Delegation, Budgeting/Reporting/Follow up and Internal and External audit. As described in other parts of the report, SRC appears to have segregation of duties with respect to approval and authorization and is subject to both internal and external audits.

Internal audit
By decision of the General Secretary, SRC established an internal audit function in January 1999. The internal audit function works according to the guidelines set by the General Secretary. The basic purpose of the internal audit function is to assist the General Secretary in his discharge of his responsibilities by supplying him with appropriate information that is related to the purpose, efficiency and security of the internal management and control of SRC.

During 2002 the internal audit completed 10 prioritised assignments, out of 14 planned. The assignments included audit of the finance function, the observance of travel policy, salary administration, an assessment of the effectiveness of the administrative procedures etc.

The internal audit has noted areas for improvement and planned follow up during 2003.

5.3.6 External audit and follow up

Audit requirements for the recipients

The Federation is an aid recipient on the first level and SRC places demands on the Federation through the audit instructions that are in place, while the Federation ensures that the national projects are audited. According to the controller at SRC, Sida's requirements for a qualified auditor and a well-known international audit firm to conduct the audit are met. According to the controller the auditors' reports in the respective countries refer to generally accepted auditing standards and applicable legislation.

The quality of the auditor's certificate

In the auditor's certificate from PWC in Geneva it states that the audit of the Federation was conducted in accordance with international auditing standards.

In Sweden SRC's accounting is audited by an authorized public accountant in accordance with generally accepted auditing standards and in accordance with Sida's audit instructions. According to the auditor's certificate the accounting and reporting were done in accordance with Sida's "Instructions" and "General Terms and Agreements".

Notations were made in the auditor's certificate that no reporting was submitted for 2002 for contributions made in Turkey, South Africa, Iran, Korea, Ethiopia, Iraq, Eritrea and Burkina Faso (refer also to sub-section 5.3.1). The reporting will be done in 2003 in conjunction with SRC's final reporting to Sida. However, SRC should also have highlighted in its reporting to Sida that the above listed projects had not submitted reports and therefore not been audited. It is otherwise difficult for Sida to know if some projects have not been audited. We recommend that this be included in future reporting.

We have noted that there are audit reports covering the three agreements between SRC and Sida; Hum, ICRS and Emergency appeals. SRC's appointed external auditors perform audits. The audit reports have been executed in accordance with Sida's "Instructions", "General Terms" and agreements.

Recommendation:
• SRC should in its reports to Sida clearly indicate which projects are not audited

6 Findings at the International Federation of Red Cross and Red Crescent Societies

6.1 Organisation

6.1.1 Organisation

The Federation is also in the middle of a very comprehensive organisational development process.

The Federation Acting Secretary General, M. Niskala, presented to the team an overview of the Secretariat's priorities for the year ahead. He explained the structure in the field and the planned changes to the structure at the Secretariat, with the purpose of being closer to NS. The organigramme of the Federation as at September 2003 is attached as Appendix V. We have been provided with a couple of drafts on the new organisation but since it is not approved yet we have chosen not to attach it.

The Secretariat coordinates and supports operational programmes in the field and recovers its costs by charging operations with a programme support recovery (PSR) percentage.[53] The recovery is made after proof of expenditure, i.e. the Federation has to bridge the gap pending recovery. In 2002, there was a programme support deficit of CHR 4.6 million.

The Federation is in a deteriorating financial situation due to a perception by some PNS[54] that the Federation is not adding value equivalent to its PSR. The trend of many donor countries other than the Nordic countries and UK is to shift to bilateral humanitarian aid (which gives them more national visibility in the field) rather than go multilaterally through the Federation. In addition, the American Red Cross has failed to pay a substantial part of its annual statutory contribution. In 2002, total statutory contributions of CHF 25.6 million were received against a budget of CHF 30.6 million. Reserves at the end of 2002 had been reduced to CHF 9.9 million. The organisation is downsizing to meet the financial constraint. Some 35–40 Secretariat posts will be made redundant by the end of 2003 (out of a present total of 207).

In addition, the organisation is restructuring its Secretariat and decentralising in preparation for the 2004–05 biennium. There is a gradual transfer of people and resources from Geneva to the regional delegations and regional finance units. The proposed matrix structure for the Secretariat indicates lateral relationships across the geographic divisions in core areas and organisational development. Planning, monitoring and evaluation have been brought together in the new draft organisation, while financial administration is still a separate support service. Internal Audit and Human Resources will be moved up the hierarchy and will report directly to the Secretary General from January 2004. These changes are commendable, and should make the Secretariat a leaner and more cost-effective organisation.

The names of all delegates working in the field are published monthly, including a summary of the number of delegates by contracting body and by nationality. In addition analysis of delegation expertise are included.

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[53] In 2003, the PSR percentage was reduced from 11 to 6.5%.
[54] A Participating National Society or donor Society (PNS) is a NS with resources to support the capacity building of a host or recipient NS

6.1.2 Capacity building

The Federation has a strong commitment to strengthening NS and its current thinking on capacity building and organisational development (OD). The Federation has worked to develop good capacity building policies and tools, highlighted in the 60 point *"Characteristics of a Well Functioning National Society"'*. The focus is now on training/supporting NS staff and volunteers to have a greater impact on the lives of vulnerable people. The Secretariat's OD role is to support any of the 179 members who are committed to and embarking on change. The focus for the wider Movement is to work together to pursue joint, long-term capacity building goals and to work together with NS and governments to provide more coherent support. A further challenge is to develop indicators to assess the effectiveness of OD and capacity building work, drawing on the experience of others.

The Federation has developed an agenda to take the self-assessment process forward[55]. Approximately 100 out of 179 NS have participated in the Self-Assessment process in 2001–2002.

The Federation has developed guidelines for the design of a National Society Development Plan[56]. A National Society Development Plan is a document which sets the long term direction of the NS: it defines the mission and long-term objectives, as well as the strategies and broad programmes through which they will be achieved, and the human, material and financial resources required. The Federation has also produced a comprehensive CD on Capacity Building Framework, containing sections on building capacities, understanding NS, organisational development and responsibilities in international cooperation[57].

There are considerable funds for capacity building managed by the ICRC and it is of significant importance to get a closer coordination between the Federation and the ICRC to ensure that this leads to optimal support for the NS. OD/capacity building planning and programmes should focus on addressing needs and ensure they are linked to delivering better programmes/services and not just for their own sake. The key role of the ICRC lies in building NS capacity during and after prolonged conflict and how that can most effectively be handled and handed over.

SRC advocates a more holistic approach to capacity building and to deepen the dialogue between the different stakeholders, particularly on the issue of a more coherent Movement approach to capacity building. The RC/RC Movement also wants to work with governments to build better links between humanitarian and development agendas and budgets.

The Tripartite Advisory Group (TAG) consisting of National Societies, Governments and the International Federation seeks to promote National Society and civil society capacity building and acts as an advisory group to the CBF. The aim of the TAG is to contribute to the debate and the Federation's work on capacity building in the context of the Stockholm Good Donorship Conference and the recent report to the UN on humanitarian financing[58]. The Federation has emphasised the contribution that the TAG can make around the area of convergence between humanitarian relief and longer-term development[59]. Raising awareness in the humanitarian community of the value of capacity building and development work is an important issue for the TAG.

TAG is a unique forum and one that needs to continue to connect into governments for technical advice and information. However, there is a need to clarify the role of the TAG and to address strategic issues beyond capacity building. The TAG has stressed the need for the Federation to build the credibility and trust of donors in its capacity building work, through demonstrating progress and concrete results.

[55] IFRC: Self-Assessment Against Strategy 2010
[56] IFRC: From global mission and strategy to a National Society Plan, July 1999
[57] CD on Capacity Building Framework, 2003-04-02
[58] NOTE of the TAG MEETING 6 & 7 October 2003, page 2
[59] NOTE of the TAG MEETING 6 & 7 October 2003

Recommendations:
- SRC and Sida should give TAG high priority also in the future

- SRC and Sida should advocate a clarification of the role of the TAG and to address strategic issues beyond capacity building.

6.2 Management Systems and Routines

Since the Federation is not the objective of this management audit we are just going to add some information and comments on issues that are important for the audit of SRC[60]. Our overall assessment is that the management systems and routines at the Federation are highly advanced, well documented and sufficiently and satisfactorily known within the organization.

6.2.1 Planning of work
Key Planning Documents
The key Secretariat planning documents are

- Secretariat Strategic Objectives 2004–2007

- "Continental" Strategic Plan

- "Plan of action" for Secretariat support to a NS

- Programme/project Plan (PPP)

These planning documents will have to be reviewed when the new organization is in place.

Project Planning Process
The Federation has developed a comprehensive Project Planning Process (PPP). In our opinion PPP provides a well thought out process. The PPP is tailored to the needs of the RC/RC Movement and applicable to both humanitarian relief and development interventions. The process consists of four parts: (1) analyses of the situation, (2) programming, (3) implementation and management and (4) evaluation. In the second part there are four steps defining what should be achieved, the overall goal, the project objective, the project's expected results and the project's activities. This logical framework is similar to the one used by Sida and other donors.

Recommendation:
- SRC should consider integrating PPP with the presently used planning tool

- Sida should include field studies to two or three ONS in a second phase of the management audit. The field visits should include studying the entire responsibility for planning, monitoring and reporting to move from Delegations into ONS and the problems and advantages related to it.

Building Better Planning
In order to create a useful, clear and comprehensive tool for Delegations the planning guidelines Building Better Planning has been published in May 2003. Secretariat planning will be linked to the annual appeals and CAS but is separate from them.

This tool has not yet been fully implemented. It is far too early to assess its impact on the Delegations planning.

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[60] It has been suggested that there should be two or three field visits and also visits to selected Regional Delegations and RFUs/RRUs. The field visits should include studying the entire responsibility for planning, monitoring and reporting to move from Delegations into ONS and the problems and advantages related to it. This would also then help to reinforce and further work out findings and recommendations in this area from the DFID review.

6.2.2 Policies and strategies

The policies, strategies and guidelines include:

- Code of Conduct

- Handbook for Delegates

- Handbook of the International Red Cross and Red Crescent Movement

- Strategy 2010

- A Change Strategy for the Secretariat

- Guidance for NS statutes

- Characteristics of a well-functioning NS

- Framework for capacity building in a NS

- Institutional development handbook

- Better Programming Initiative (BPI)

- Capacity Assessment & Performance Indicators (CAPI)

- Handbook for Monitoring and Evaluation

- Project Planning Process (PPP)

- Guidelines for NS development plan

- Emergency Response Policy

- Development Policy

- Development Cooperation Policy

- Volunteering Policy

- Gender Equality Policy

- Red Cross Red Crescent Youth Policy

- Governance – National Society – guidelines

Some of these documents have already been discussed in the Swedish context in Chapter 5. Others will be discussed below. Our overall assessment of the management systems within the Federation is that the systems have a high professional standard.

6.2.3 Follow-up and reporting

According to the framework agreement[61] between the Federation and SRC a narrative Programme Update on Annual Appeals is issued on the Federation web site with a contributions report on or before June 30th. A second Programme update is issued on or before December 31st. An annual narrative and financial report is issued after the completion of the annual external audit on or before May 31 the following year. The Emergency Appeals are regulated in a similar way.

The Agreement highlights the need for impact analysis: *"The Swedish Red Cross also emphasizes that as impact analysis is included in the new Federation standard reporting style sheets, they urge delegations to pay particular attention to this part of the report."*

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[61] Framework Agreement signed 2003-07-22

During the last year there have been significant improvements in Appeal based reporting. The style sheets and guidelines for appeal and pledge based reports have been revised to include narrative sections on the financial report, and also a commentary on the impact of the operation.

This issue is further discussed in Chapter 8.

6.3 Financial Management

The organigramme of the Finance Department is attached as Appendix VI.

We have been provided with the entire:

*   The Federation Secretariat finance procedures applicable to all operations.

*   The Federation Operations accounting procedures, specifically for finance staff guidance.

These are comprehensive documents covering all major processes.

6.3.1 Agreement and follow-up of conditions in agreement

The Federation has had a Framework Agreement with SRC since 1985. It was revised in October 2003 (yet to be signed at 5 November 2003) and is intended to have a four-year life. Other Framework Agreements are in progress. The Federation is aiming to make the SRC Agreement a model for all PNS. These will replace Pledge Management Notes as the main contractual basis for PNS/Federation partnership. PMNs, however, will still be required.

The Agreement with SRC formalises the existing appeals and reporting procedures. It specifies the reporting standards to be followed by the Federation (see sub-section 6.3.5 below).

Pledge Management Notes (PMN) are drafted by individual PNS and sent to the Federation Resource Mobilisation Department, then to the field for review and negotiation. On agreement, they are coded to budgets, entered into the Pledge Management System (FABS) and returned to the donor PNS.

The Federation accounting system identifies all uses of each donor's funds to facilitate donor reporting. If the Federation transfers SRC funds to a national society, it must do so on conditions that allow the tracking and auditing of how those funds are spent, and SRC may follow up and request all relevant information and documents. SRC has access to the Federation accounting system on Internet.

No interest is payable on neither unused SRC funds, nor does the Federation charge interest to projects.

SRC makes no condition on exchange gains or losses. The Danish Red Cross (DRC) requires exchange rate gains to be paid to DRC, but there is no offset allowed for exchange rate losses. In fact, the Federation nets all gains and losses and transfers the balance to the Income and Expenditure Account.

6.3.2 Transfer of funds

Sida transfers its contribution to the international operations of the Federation through SRC. All PNS make transfers to the Federation in accordance with the schedule agreed in the respective PMN. SRC funds that are unused at the end of the year may be carried over and used in the following year after written agreement with SRC on their proposed use. Failing agreement, the unused funds are returned to SRC.

The Federation makes transfers to certain NS (at present 10) to enable them to implement the Federation programmes/projects under their direct management. This is done either by: (1) Cash The Federation makes transfers to certain NS (at present 10) to enable them to implement transfers, or (2) Work-

ing advances to NS that do not meet the criteria for cash transfers.[62] Cash transfers are recorded in the Federation expenditure statements as a single item 'Transfers to National Societies' (CHF 3.9 million in 2002), whereas working advances are not brought to account until the NS expenditures from the advance are reported monthly to the Federation. These are then integrated into the Federation accounts and any remaining cash balance is treated as Federation cash balance. Cash transfers put more responsibility onto the national society and are regarded as a capacity-building tool. Some donors are nervous, however. In some ONS there is a high degree of accountability and transparency, in others not. In our interviews it has been strongly emphasised that field visits should be included in the management audit. Nepal has been suggested for studying the chain of management systems based on cash transfers.

Article 24 of the Principles and Rules governs cash transfers to NS for Red Cross and Red Crescent Disaster Relief. One rule is that such funds must be put into a separate bank account and not mixed with the general funds of the NS. Also, any NS project receiving such contributions may be audited annually by external auditors designated by the Federation RMA Department (see below).

Recommendation:
One of the field studies should be Nepal in for studying also the chain of management systems based on cash transfers.

6.3.3 Delegation
94% of projects have designated budget holders at September 2003. In principle, only the budget holder can authorise expenditure against an approved budget. The finance function validates that the person approving expenditure has the required authority, that the account coding is correct, that the documentation is appropriate and that there is sufficient budget to cover the expenditure. Heads of Delegations, however, still have ultimate authority.

6.3.4 Budget
The budget process starts about July and consists of the preparation of an Annual Appeal, showing details of all the projects for which the Federation is appealing for funds, and preparation of Emergency Appeals, which are additional to the Annual Appeal, and are launched in response to major individual disasters and needs. In fact, appeal budgets are based on the funds expected from donors: they are donor-driven rather than needs-driven.

This seems to be because planning is an annual process and has no wider needs-based framework. Usually there are no medium-term plans between annual budgets and the 10-year Strategy 2010. Many PNS also have no medium-term plans, but there are exceptions, e.g. NORAD has a 4-year plan for Bosnia, where the Federation now has a 4-year Mission and Objectives 2004-7. Also, the Federation planning seems to be quite apart from Poverty Reduction Strategy Papers, which are now the central coordinating device in developing countries (VCA might be seen as an effort to contribute to PRSP). The Federation has no role in the negotiation of PRSPs.

There is a need for multi-year programme funding to address crises of a chronic nature and improved population impact as in the case of the food security programming in Ethiopia (EU; USAID) and the integrated food security and health project in Kenya (Spanish Red Cross, EU).

The Federation's inter-agency lead role in the case of Somalia should also be noted in this connection. Collaborative efforts with the NS, the World Bank and other organisations provide the basis for a long-term strategy and a sustainable model for Mother and Child Health services.

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[62] The criteria relate to the financial management capacity of the NS. They were introduced in a revision of the NS cash transfer procedure in May 2003.

From the Global Strategy 2010, the Change Strategy for the Secretariat (2003), and the Project Planning Process (PPP), each Budget Holder prepares a Budget & Budget Approval Form. The Head of Delegation/Head of Geneva Department endorses the request. The Regional Officer (C & D) agrees that the income budget is realistic and in line with the Department's fundraising strategy. The Head of Department approves the Income and Expenditure Budget if the financial risk (expenditure minus income) is < CHF 200,000. High-risk budgets are approved by the Divisional Director or Secretary General, depending on the level of risk.

Due to delays in approving project budgets, many go ahead without approval. At 4 November 2003, only 60% of the projects in the CODA system had been approved and 88% of total expenditure was on approved projects. The target was to reach 100% by 31 December.

It is extraordinary that a respected organisation should tolerate a situation where a high proportion of project expenditure is not approved. Apart from the loss of control that this implies, it reduces respect for the budget. The target should not be to have all projects approved by the end of the year but by the start of operations. It is recommended that the budget preparation and approval process be analysed and amended with a view to having budgets approved before the relevant operations are started.

In both Annual and Emergency Appeals, the Federation may revise the amounts and operational details and periods as needed during the year. Changes are advised to donors through Updates. Any expenditure over budget requires a budget revision approval.

Recommendation:
• SRC should advocate multi-year funding

• The budget preparation and approval process should be analysed and amended with a view to having budgets approved before the relevant operations are started.

• SRC should advocate the use of PRSP

• SRC should advocate a role for the Federation in the negotiations of PRSP.

6.3.5 Accounting, reporting and follow up
In each delegation, the accounting and reporting function is the responsibility of a Finance Delegate. The Finance Delegate falls under the Operations Manager/Head of Delegation but reports functionally to a Regional Finance Unit, which in turn reports to Operations Accounting in Geneva.

Accounts are kept on a computerised accrual-based system (CODA version 9). This supports a web-based Financial Appeals and Budget pledge management system (FABS), an HR management system, a budget management system (BuSy), and a logistics system for managing purchases of materials.

Donors are encouraged to request appeal-based reporting as opposed to pledge-based reporting. In 2003, out of the 972 pledges received, 81% accepted the Federation standard appeal-based reports, 11.5% accepted standard pledge-based reports, and only 4.5% requested specific reports (including ECHO and UNHCR).

The following standard appeal-based reports are issued:

1. Programme Updates, being reports on performance and contributions, by 30 June and 31 December, issued on the Federation website. Donors can track expenditure against individual pledges, even down to the transaction level.

2. Annual Report on performance and financial statements is issued by 31 May of the following year, following receipt of the external audit report, issued on the Federation website. The financial

statements do not fully meet International Financial Reporting Standards (IFRS). In particular, contributions need to be brought to account at the time they are 'hard' pledged, and all aid in kind needs to be valued and brought to account. The Federation plans to fully comply with IFRS by the year 2005.

3. On emergency appeals, Operations Updates are issued within 30 days of the appeal launch, then a second during the course of operation and a final narrative and financial report by 90 days after the planned end of the operation.

4. Internal management reports (Financial Bulletin, Monthly Financial Report, Weekly Cash Report).

The Federation won a Global Accountancy Award for the quality of its website reporting.

An effort was made to consolidate the budgets and accounts of the Federation with those of its member societies. This would have given donors and other stakeholders a better overview of the global state of NS finances. However, each national society is legally distinct and autonomous, so its reporting to the Federation cannot be enforced. In addition, the high number of accounts in arrears prevented the exercise being completed.

6.3.6 Audits

The Risk Management and Audit Department undertake internal audit. It audits secretariat and field operations, coordinates the external audits of national societies, and provides independent appraisals of management systems and evaluations of organisational units to the Federation Secretariat, Finance Commission and national societies.

It prepares an annual audit plan based on a risk assessment that takes into account: size of operation; the date and results of the last audit; donor requirements; the number of concerned donors; inputs from management; major changes in operations; and the level of NS involvement through working advances. The draft plan includes time and resources for unplanned ad hoc reviews. The plan is circulated to management with a request for feedback. The final plan is then prepared by the Head, RMA and presented to the Secretary General for review and approval. The plan is adapted as necessary during the year, and any major changes are submitted to the Secretary General for his/her approval.

An internal audit plan should be solely at the discretion of the Chief Internal Auditor, in accordance with modern audit standards (such as the Professional Practices Framework of the Institute of Internal Auditors). It should take into account management inputs and requests, but the final plan should be decided by the Chief Internal Auditor so as to preserve his/her autonomy and independence of executive management. We recommend that inputs from management continue to be sought, but without disclosing the draft plan. Future annual audit plans should be approved by the Head, RMA and copied to the external auditor but not revealed to executive management.

The resources available to RMA are limited, comprising the head, three senior auditors and an assistant. Audits are not arranged on a rotational basis but rather on a risk basis. Countries spending below a certain cut-off level are omitted: only the remainder are assessed against a set of risk-related criteria and may be selected for audit. It would be dangerous to omit small countries permanently from the scope of internal audit, especially if the cut-off point were generally known.

It is recommended that all audit units be included in the selection each year and that every unit be audited at least once every (say) four years. If necessary, audit resources should be increased to meet this minimum standard of coverage.

Following each field audit and discussion within the Department, a draft audit report is issued to auditees for comment. Final reports (about 8 a year, on average) go to the Secretary General. Recommendations are usually accepted; their implementation is followed up by RMA Department.

An audit programme is not designed to uncover fraud. Even if it were possible to audit all transactions, documentary evidence can be faked. Moreover, a records-based audit will not disclose frauds that are not in the books, e.g. side payments on procurement, and no procedure can entirely prevent this. Staff members are expected to be whistle blowers where they know of matters that violate national law, a Federation Status Agreement, the Fundamental Principles of the Red Cross Red Crescent Movement, or any the Federation regulation, rule, procedure or the Code of Conduct.[63] The identity of whistle blowers is protected. Retaliation against a staff member who provides information to RMA is subject to disciplinary procedures.

The RMA Department undertakes special investigations when these are authorised by the Secretary General or the Director, Monitoring and Evaluation Division and in consultation with the concerned Division Director and Head of Human Resources. About 3% of its time goes into such assignments: most are outsourced or handled by the executive. The Head of RMA says that progress is being made in reducing corruption. At the time of this review, one case was outstanding (bribery of a procurement officer).

External audit is periodically put out to tender and is provided at present by PricewaterhouseCoopers. The audit is normally completed by end-March, ready for the Finance Commission meeting in April. The audit report on the financial statements of 2002 was unqualified (i.e. clean), but the auditors emphasised that the statements, while complying with the requirements of Swiss law, did not comply with International Financial Reporting Standards. The the Federation plans to be fully compliant with IFRS by 2005 (see above). The audit report is put up to the General Assembly for approval.

Copies of the financial statements and audit report are sent to SRC and other donors. The SRC, in its Framework Statement, has power to undertake further checks and verifications of documents related to the operations funded by SRC, or to organise supplementary audits of its contributions, if deemed necessary.

External audits of national societies in receipt of cash transfers from the Federation are normally outsourced and coordinated by RMA Department. The audit objectives are (1) to reconcile transfers made by the Federation and amounts received by the NS, (2) to express an opinion on whether the accounts for the Federation-funded projects meet generally accepted accounting standards, and (3) to provide a management letter addressing the key internal control weaknesses. The Federation uses this to encourage and monitor improvements in the NS.

Recommendation
• SRC should advocate further development of internal audit as indicated in this sub-section (an internal audit plan should be solely at the discretion of the Chief Internal Auditor, annual audit plans should be copied to the external auditor but not revealed to executive management, all audit units should be included in the selection each year and every unit should be audited at least once every four years)

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[63] The Code of Conduct was last updated in March 2003. Every recruit has a one-week induction course and is obliged to sign accepting the Code. In the last two years there has been only one case of financial impropriety. Strong action was taken.

6.4 Consequences of the Decentralisation Process

Recently the traditional hierarchical structure of decision-making and financial agreements has been put in question.

6.4.1 The Federation Secretariat's Strategy for Change

Strategy 2010 focuses on *what* the Federation should deliver. The Secretariat was concerned about the implementation of the Strategy, how to make the organisation more efficient and effective. A series of consultations resulted in a Strategy for Change, a radical approach that immediately started to affect the whole global set-up[64].

In an international framework of support and cooperation, the Strategy for Change makes a point of reaffirming where the basic responsibility for implementation rests – with the National Societies (NS). Development work is on empowerment, ownership and participation. The Secretariat should be serving as leader instead of implementing partner.

The main drift of the Federation Secretariat's re-organisation to support this is the delegation of responsibility from Geneva to the field structure. The bulk of issues relating to the whole cycle of programme planning and implementation are being moved from headquarters to the regional level. Management of operations is closer to the field, but accountability stays with Geneva.

Implementation of this radical change started in the autumn of 2002 with the formal shift of roles and responsibilities taking hold at 1 January 2003. The Strategy for Change implies a call to refocus on the NS and on how the Federation Secretariat contributes. A common approach around capacity building is evolving on a global level and, concretely, a new Capacity Building Framework has been launched to support this commonality.

On cooperation models, SRC still advocates a federative approach that is less visible in the Strategy for Change. While the Strategy acknowledges that many NS opt for bilateral and operational presence it goes a bit too easily with the anticipated flow of resources, and it does not elaborate enough on the qualitative aspects of bilateral cooperation. Endorsing the operational presence of PNS, the coordinating responsibility of the Federation Secretariat (Regional Delegations or appointed NS) becomes even more crucial than before. Horizontal, holistic, integrated and multi-sector programme approaches are not only the new buzz-words of international cooperation, but the actual attempt to marry humanitarian assistance with more long-term development efforts to provide some lasting change for vulnerable populations. This issue is further addressed in section 8.6.

In Geneva, the Secretariat will continue to maintain overall supervision of the regional delegations and their programmes. Moreover, it will also continue to develop its position as a policy and strategy maker in the forefront of humanitarian affairs.

6.4.2 The example of HBC in Southern Africa

SRC and the Federation has agreed to cooperate in supporting the implementation and further development of the Home Based Care and Orphan support (HBC) project in Southern Africa[65]. The HBC project covers a period of five years with a total project cost amounting to US$ 14,105,258 USD. Contractor for implementation is the Federation Southern Africa Regional Delegation in Harare.

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[64] IFRC: A Change Strategy for the Secretariat, 2002
[65] A Regional Approach: Home Based Care and Orphan support (HBC) project in Southern Africa 2002–2007

A MoU between SRC and the Federation records the agreement.[66] The MoU defines the roles and responsibilities of the SRC and the Federation in the implementation, administration and reporting of the HBC project in Southern Africa. The MoU is valid until 31 December 2007, or until the termination of the SRC/Sida Agreement. The cooperation is based on the Federation Regional Appeal and Regional Health and Care programme document and the HBC project document. Other donors to the HBC project include Governments of the Netherlands and Ireland.

The Federation Regional Delegation in Harare (RD) and the NS in the Southern Africa Region have for a period of about ten years been working to prevent further spread of HIV and to alleviate suffering among those already infected and affected. Since the beginning of the pandemic, the SRC has been supporting the Federation's HIV/AIDS programmes, projects and activities, in the Southern African Region. From 1987 the SRC has also been one of the main actors in the development of Federation policies and strategies in the field of HIV/AIDS. The SRC wishes to continue active support of the RD's Health and Care Programme.

During 2002 some of the objectives and activities related to the above, previously only described in the annual appeal, were presented to a number of donors as a project.

The SRC has signed an agreement for 2003 with Sida's HIV/AIDS Team for Africa, based in Lusaka, Zambia, providing support through the SRC to the Federation towards the project amounting of SEK 30 000 000 over a period of five years (SEK 6 000 000 per annum).

In accordance with the SRC/Sida Agreement, it has been agreed that 7,5% of the annual contribution from Sida will be kept by the SRC to cover administrative costs. The Federation therefore transfers to SRC upon receipt of Sida's annual donation the equivalent to 7,5% of such annual sum received. The SRC in turn, in accordance with the Pledge Management Note (PMN), makes a yearly contribution to the Federation equivalent to 6,5% of Sida's annual contribution to the SRC as Programme Support Recovery.

The responsibilities of SRC are to:
- Submit financial and narrative reports to Sida/Lusaka, as set out in article 11 of the SRC/Sida Agreement.
- Support the Federation Regional Delegation in Harare in its work to implement and improve the project by a continued support towards the Regional Delegation Regional Programmes and in particular its Health and Care programme.
- Participate in the annual Project Steering Committee meeting and in other relevant regional HIV/AIDS meetings.
- Bring to the attention of the Federation potentially suitable SRC delegates that the Federation could consider placing in the region.
- Pay to the Federation 6,5% of Sida's annual contribution as per the PMN.

The Federation responsibilities are to:
- Implement the project in accordance with the project description.
- Submit to the SRC yearly financial and narrative reports. These reports can be the same as those prepared for the Dutch and the Irish Governments. Reports should be submitted to the SRC in accordance with reporting agreements made between the Federation and the other donors to the

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[66] Memorandum of understanding between the Swedish Red Cross and International Federation of Red Cross and Red Crescent Societies in regards to Sida's support to the home based care and orhan support (HBC) project in Southern Africa (odaterat, 2003)

project, including guidelines articulated in article 11 of the SRC/Sida Agreement in order to facilitate SRC's compliance with said article.

• Keep the SRC informed of: 1. HIV/AIDS meetings, events, workshops, evaluations, activities, projects etc. in the region, initiated and/or implemented by the Federation and/or its bilateral and multilateral partners, 2. Any agreements between the Federation and its bilateral and/or multilateral partners (including partners outside the Red Cross movement) and agreements between the national societies in the region and national societies choosing to work with HIV/AIDS in a bilateral way in the region and/or in specific countries, 3. Any shortfalls in or changes of the conditions in which the project is implemented that might affect meeting project objectives

• Pay the SRC 7,5% of Sida's total annual contribution.

• Report accrued interest from the contribution to the SRC as stipulated in the agreement between Sida and the SRC, article 12.

When it comes to financial management and auditing it was agreed that:

• The Federation will assume responsibility for effectively managing funds transferred by Sida/Lusaka/SRC

• Financial and narrative reports for the project will be shared with the SRC and the other parties of the project as specified in the SRC/Sida Agreement.

• Funds made available for the project will only be used for this purpose. Specific audit procedures will be defined in the MoU signed by all parties to the project. Audits will be undertaken on an annual basis and in accordance with international auditing and accounting standards. Internationally approved auditors will carry out audits.

• Funds transferred to the SRC by the Federation will only be used by the SRC for administrative costs related to the project.

Monitoring and evaluation will be executed in the followin g way:

• The Project Steering Committee for the project will meet once per year, as per article 7 of the SRC/Sida Agreement

• Specifics regarding monitoring and evaluation of the project are set out in article 11 of the SRC/Sida Agreement.

• The SRC and the Federation will apply procedures for reviews and final evaluation as specified in the MoU signed by all parties to the project. The SRC may make available resources to assist in reviews and evaluations – human as well as financial, as it deems fit.

The provisions of the MoU can only be amended or modified with written consent of the partners concerned and with three months advance notice. In the event of any difficulty in implementing the terms of the agreement, the partners will consult each other promptly. If a solution is not found, then a mediator will be appointed by mutual consent of the partners. If any of the partners decide to terminate this agreement earlier than the contract period, they must serve formal notice in writing three months in advance to the other partners.

In addition to the MoU, it is noted that the past and continued active engagement of the SRC is recognized and appreciated by the Federation Secretariat (field and Geneva) and the NS in the region.

This example will be further analysed and discussed in the last chapter of the report (section 8.5).

7 Findings at the International Committee of the Red Cross

7.1 Organisation

7.1.1 Organisation
The International Committee of the Red Cross (ICRC) is an independent Swiss organisation taking its mandate from the Geneva Conventions to act as a neutral and impartial body in times of conflict and to promote International Humanitarian Law.

ICRC has a global organization structure divided over a headquarters and four zones (Africa, Asia and the Pacific, Europe and the Americas, and the Middle East and North Africa). In Geneva, there is the Assembly (supreme governing body of 20 eminent Swiss citizens), the Directorate (the top executive, consisting of a Director-General and five department heads), and a total of 843 staff. In the field there are 79 delegations (regional and country offices) and 18 missions, covering more than 80 countries. These offices account for about 11,000 staff, including 1,226 expatriate staff (at end of 2002).

Its income in 2002 was CHF 803 million and its expenditure 801 million, giving a small surplus, which was added to its reserves (CHF 256 million).

The general structure of ICRC is attached as Appendix VII. The organigramme of the headquarters is attached as Appendix VIII.

7.1.2 Policies
ICRC has established a policy on ICRC cooperation with national societies[67]. It consists of premises for cooperation and framework for implementation of the cooperation policy. There are specific objectives for operational partnerships with NS in their own countries and for operational partnerships with NS working internationally.

7.1.3 The Privileged Partnership Initiative
At the beginning of 2003, six NS including Sweden were selected to address the trends of decreasing contributions and involvement of NS in ICRC operations. The "Privileged Partnership Initiative" will remain, for the time being, limited to the six partners selected. This initiative is aimed to achieve a more dynamic involvement for these selected PNSs in conflict-related activities to achieve positive results for each partner. The objective is to find opportunities to increase PNS involvement in and contributions to ICRC operations.

The partnership is suggested to be organized around three main areas ICRC-PNS and one internal ICRC (not clear) as follows

1. Teaming up an ICRC Division and NS to undertake needed work on specific fields (programme or service areas). The aim is to capitalize on PNS resources, expertise and accessible competence for specific work needed in ICRC programmes. The teaming up should be envisaged for a 3–5 year period.

2. Teaming up an ICRC Delegation and NS for complementarities i.e. in contexts of transition. The aim is to permit a gradual disengagement of the ICRC from activities that are still necessary and often vital to victims of conflict in transition periods but which can be carried out by other components of the Movement using complementary resources to best effect. The teaming up

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[67] ICRC Doct/62-2003/1 may 2003

between a delegation and one or more NS should be based on determining jointly the strategy for involvement of NS over a period of three to five years.

3. Partnering to support NS domestic positioning on conflict-related work. This includes dissemination and advocacy on IHL related issues to NS stakeholders, the general public etc.

7.2 Management Systems

On a regular basis ICRC distributes PNS/Donor Briefing Notes (approximately 50 during 2003). This information is intended to keep donors abreast of current developments and is not for general distribution.

When it comes to impact reporting the same problems are to be found at ICRC and the Federation. In order not to repeat our findings and analyses the issue of impact reporting and related problems will be highlighted in Chapter 8 and Appendices IX and X.

In this chapter we have chosen to focus on financial management issues. There are a lot of differences in the financial management systems used at ICRC and the Federation.

7.3 Financial Management

7.3.1 Agreement and follow-up of conditions in agreement

Main agreement
This section focuses on the part of ICRC concerned with Sida funding. The interface with Sida is negotiated between SEKA/HUM and ICRC-REX and defined in an annual agreement[68] that specifies:

• The Sida contribution for the year (in 2003, SEK 230 million which is about CHF 40 million)

• Its general objectives (protection and assistance to all victims of conflict as specified in the ICRC budget)

• The timetable for disbursement, and

• Conditions to be met by ICRC.

For 2003, there were five conditions:

1. Most of the contribution (SEK 200 million) is earmarked to 26 countries, 11 regional delegations, and to five ICRC projects delegated to Swedish Red Cross for implementation. This level of earmarking is classified by ICRC as 'loose' and compares well with most donors. Only Netherlands, France, the UK and the US have less earmarking. Moreover, earmarked funds can be reallocated if a case is made out and accepted by Sida.

2. Spending from the unallocated portion (SEK 30 million) is subject to individual justification and Sida approval. This works expeditiously and the full amount for 2003 had been used at end September.

3. The deadline for *commitments* of Sida funds is one month after the end of the respective year, i.e. 31 January 2004 for 2003 funds, and the deadline for *payments* from Sida 2003 funds is 30 June 2004. This allows plenty of time for commitments to materialise. Unused funds have to be returned to Sida.

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[68] The agreement for 2003 is signed 12 and 18 March 2003

4. ICRC has to provide financial and narrative (performance) reports on the year by 30 June the following year. The financial report must be audited by a chartered accountant in accordance with international standards of audit. The narrative report has to summarise the extent of achievement of objectives. Follow up on this condition is described in section 7.3.5 below. ICRC has to provide further information 'as reasonably required' and facilitate visits by Sida representatives if so required.

5. Interest received on Sida funds held by ICRC shall be repaid to Sida. In practice, says the Head of Financial Administration, SEK funds are drawn only insofar as they will be required in the following 60 days, so as to minimise currency exposure. Therefore there are no significant idle funds or interest accruing, and no interest becomes payable to Sida. It was mentioned that some donors (such as DFID) have no interest condition in their agreements with ICRC.

The agreement is recorded onto Pledge Approval Forms (PAF), one for each country. This is added into the budget for each country.

If conditions are not met, or if there is substantial deviation from budget, Sida may reclaim the amount disbursed.

Agreement for delegated projects
A framework agreement was signed between ICRC and SRC on 18 February 2000. The agreement is amended each year to vary the list of projects delegated to SRC and the amount to be funded that year. ICRC remains responsible for decisions 'at the political level', while the national society is responsible for execution on terms and conditions that are jointly agreed beforehand. On abduction risk, for instance, ICRC has a 'no ransom' policy and requires written acceptance of no liability on ICRC.

The national society provides the Project Manager and pays him/her directly. Such an agreement gives more responsibility to the national society, while ICRC remains ultimately responsible. SRC field staff has to make the same pledge of confidentiality as ICRC staff. They are briefed by ICRC and may be given special training. The national society has to use the ICRC emblem, not the national flag. The delegated project remains an ICRC project. The division of responsibilities has to be clarified in each individual delegated project with respect to the existing prerequisites and the context in the country concerned.

In contrast, a *bilateral project* is a national society project, which is coordinated by ICRC. In effect, ICRC lends its name and authority to the activity and ensures its proper coordination with government authorities, other donors, NGOs, etc without taking any executive responsibility. This encourages the national society to take full responsibility and to 'learn by doing'. The costs of a coordinated project are not brought into ICRC accounts.

7.3.2 Transfer of funds
In accordance with the main agreement, Sida transfers most of its contribution for the year immediately on signature. According to ICRC Finance, the amount is limited to their needs for the next 60 days. This helps ICRC balance its cash flows as income is usually at its lowest level at this time of year (February), whereas expenditures are fairly constant. The balance is paid in November. At end October 2003, 65% of the 2003 pledges to ICRC (HQ + field) had been paid. The predictability and certainty of receipt of these funds enables better planning by ICRC and is a major factor in raising its efficiency and effectiveness.

ICRC makes transfers to national societies, for which the societies have to account in full, with vouchers. In other words, the societies act as contractors or agents for ICRC, and their expenditures are brought into ICRC accounts. The first advance to a national society is for just one month's expenditure, and each subsequent advance is contingent on full accounting for the previous advance.

Sida transfers the contribution for delegated projects directly to Swedish Red Cross on signing of the main agreement with ICRC.

7.3.3 Delegation

Authority to commit and spend Sida funds is delegated to ICRC project managers [69] (budget holders) in accordance with the budget. The system is working without problems.

For 'delegated projects', national societies have implementing authority and responsibility. Out of 27 delegated projects currently in operation, five are with the Swedish Red Cross (SRC) Society. In fact, ICRC Delegations make many of the expenditures and SRC is billed monthly for reimbursement, plus 6.5% as a contribution to ICRC HQ management.[70] This is delegation *downwards* followed by delegation *upwards*! If SRC has management responsibility and has been transferred the funds at the start of the year, it should not be necessary for ICRC to execute the payments and bill SRC for reimbursement. The ICRC role is surely to use its international and legal standing to provide greater security for the activities of such projects, not to implement them.

7.3.4 Budget

The financial year starts 1 January. Annual planning begins in Sub-Delegations (branches of country offices) the previous July/August. Plans and budgets are reviewed by each higher level, consolidated and edited into two documents – Emergency Appeals (for the field offices) and Headquarters Appeal, and finally approved by the Assembly in November. The Appeals documents are issued in December to all States that are party to the Geneva Conventions, to the Red Cross and Red Crescent national societies, supranational organizations (such as the EU), and private donors. All contributions are voluntary, though the contributions for the HQ budget (CHF 150 million in 2002) are assessed according to a formula based on ability to pay. Governments provide the bulk of contributions (84% in 2002).

This first budget is based on objectives set for the year as outlined in the annual Emergency Appeal. Additional budgets (Budget Extension Appeals and Special Appeals) are issued in response to new conflicts and new needs during the year, typically 3–4 a year.

7.3.5 Accounting, reporting and follow up

Since 1999, there have been major changes in the planning, budgeting, accounting and reporting systems as part of the 'Planning for Results' (PfR) initiative. The organisation is changing from activity-based management to results-based management and from a self-centred to a coordinated approach.

Income and expenditure is now classified over major programmes (protection, assistance, preventive action, cooperation with national societies, and general) and 16 sub-programmes and, within each programme/sub-programme, over 40 target groups. Each sub-programme for a target group is called an 'objective'. In 2003, there are said to be about 1,800 objectives. The accounting system distinguishes between financial accounting (the figures for the annual financial statements, which are on an accrual basis) and cost accounting (used for management and donor reporting). The cost accounting activity takes expenses from the financial accounts and allocates them to cost centres and cost units (objectives). Personnel and workplace costs are charged to objectives according to the amount of time spent by key personnel on each objective, as recorded on weekly time reports. Since 2001, ICRC has complied with International Financial Reporting Standards, including the recognition of donation income at the time it is pledged. Cash assistance is distinguished from assistance in kind.

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[69] According to ICRC it is not quite correct to say that project managers have the authority to commit and spend Sida funds. The overall responsibility in the field lies with the Head of Delegation but all funding allocations are approved in Geneva based on budgets that have been approved by the directorate and the assembly.

[70] The same 6.5% is charged by HQ to all field operations, to make a contribution towards the cost of HQ services to field operations.

The following reports are produced from the management information system:

- Weekly operational reports (internal)

- Monthly statistics report (internal)(see details below)

- Quarterly institutional report (wide internal distribution)

- Mid-term Donor Reports (progress to end May, based on monthly statistics reports and quarterly institutional reports), by geographic zone

- Updates (short-term) and special reports (more comprehensive and in depth) on specific operations such as extension appeals

- Updates on the ICRC's financial situation (four a year)

- External auditor's financial review of operations, annually, by geographic zone, about July

- Annual reports including financial statements and audit report, about July.

For each country, there is a monthly financial report showing for each programme and sub-programme: total expense for the year to date, a full-year extrapolation (at the same monthly rate as the year to date), the full-year budget, and the implementing rate (full-year extrapolation/full-year budget %). Users of the system can also drill down by target group, by expense type or to individual transactions. This system appears to be working well.

A delegated project such as the Colombia Mobile Health Units has a set of standard indicators for each sub-programme served (primary health care, secondary health care, etc). The Project Manager reports quarterly through the ICRC Medical Coordinators to External Resources Department and to SRC.

These standard reports are intended to meet 90% of the requirements of 90% of the donors. They are included in the ICRC web extranet, which donors and other registered users can access. A recent internal survey concluded that ICRC reporting is appropriate in quantity, relevant to donor needs and that donors use it. Additional and ad hoc requirements are met by special reports (oral and written), but these are expensive to produce and donors are encouraged to accept the standard reports.

The financial reporting system and the performance reporting system have developed independently. It is recognised that it is not yet possible for ICRC to relate costs to results systematically, nor to compare efficiency or cost-effectiveness of similar activities in different countries, except as a special exercise. The systematic integration of financial and performance data (data warehousing) is a long-term goal. One step is the integration of logistics (procurement) with the accounting system. This is targeted for end 2003.

7.3.6 Audits
ICRC has four levels of audit:

1. All Delegations have to submit their accounts, reconciliation and vouchers monthly to a Manila office, where they are 100% checked for conformity with the Financial and Administrative Manual (FAM). This is a big operation (about 25 CPAs review some 40,000 transactions a month). The check is for regularity (compliance with procedures), not value for money. The FAM is regularly updated: the last update was in October 2003.

2. A Financial Controller from HQ and four professional accountants from the Manila office tour the country offices, coordinating with Internal Audit, to ensure that procedures are being followed.

3. The Management Control (Internal Audit) Department carries out a continuous audit of administrative and financial activities. Its scope covers HQ and field delegations, and is has a well-defined mandate to reduce and manage fiduciary risk within a COSO framework. Its powers of access to persons and documents are sufficient, and its independence is unquestioned. The Chief Internal Auditor attends all Assembly Council meetings and weekly Directorate meetings. She reports to the Board and President on each audit, and to the Management Control Commission (Audit Committee), with copies to the Director-General and concerned Delegations for action. Internal audit recommendations are respected and generally implemented. Internal Audit follows up on actions taken. There are five full-time staff and an outsourcing budget that is equivalent to additional two or three auditors. The annual audit programme is drawn up for a period of three or four years and is rolled forward each year. This medium-term framework is important as the Department can cover only 7–10 delegations a year (out of a total of 65). Big delegations are audited more often, and smaller ones less often. According to the Chief Internal Auditor, this frequency of field audits is sufficient, and more emphasis should be put on HQ where purchasing is centralised. The high risk of irregularities in conflict areas is managed by the Manila operation and the oversight controls mentioned in (1) and (2) above.

4. The external auditor since 1998 is KPMG Geneva. The selection of auditor is made by a tender process. Audit has to be re-tendered every 10 years. The external auditors audit the financial statements of the ICRC in accordance with IFRS. In the course of their work they visit 2 or 3 different delegations each year. The external auditors report their audit opinion to the Assembly and prepare a management letter which is addressed to the Directorate. The Management Control Commission (i.e Audit Committee) reviews all of the external audit reports. External audit reports are normally clean (no qualification, 2002 for example).

8 Conclusions and Recommendations

8.1 Overall Assessment

The audit covers the following areas and procedures of management:

– Organisation

– Management systems

– Financial management

For these various fields the management audit gives an analysis of the reliability and relevance of the systems, together with a general assessment of reporting by the Swedish Red Cross to Sida and of communication within its own organisation. The analysis also includes the organisational structure and dimensioning of headquarters in relation to its function and tasks.

Our conclusions can be summarised as follows. The management systems are relevant and reliable, generally well developed, known to the personnel and applied in practice. Within the Swedish Red Cross there is high level of dedication and responsibility, coupled with both formal and informal supportive structures. Aspiration level and workload are high. We believe that the project particulars supplied to Sida provide a reasonable reflection of actual conditions and can therefore be termed a good foundation for Sida's decision-making in the handling process.

Detailed recommendations are given in the sub-sections in Chapter 5 in connection with the analyses and will not be repeated here. However, in this chapter we will summarize our analysis within some areas of significant importance.

The Swedish Red Cross has a long and deeply rooted tradition of international activity, long-term international cooperation, refugee assistance and disaster relief. The SRC has been restructured in recent years, and in our belief the Swedish Red Cross is in the process of creating an effective organisation, but with the present staffing level, vulnerability is high. There is a need for a more focused strategy and some changes when it comes to planning and agreements between SRC and Sida.

Sida's basic view regarding the ownership of initiatives means that the partner is responsible for implementation. Accordingly, the partner also incurs administrative responsibility for the control of activities. The purpose of the management audits is to enable Sida to follow up the ability of SRC to honour its contractual obligations towards Sida. In management auditing, the analysis must focus on how the organisation works, by scrutinising routines and systems within the organisation, which guarantee the dependability of work and reporting. As we see it, development work within the Swedish Red Cross ought above all to be aimed at shifting the emphasis of work in favour of more follow-up, evaluation, impact analyses and dissemination of experience. This issue is addressed in section 8.3.

The assignment also included visits to the headquarters of the International Red Cross and Red Crescent Federation and the International Red Cross Committee. Where the external dimension is concerned, we find the role, task and mandate of the Swedish Red Cross to be clearly understood by international partners. The same goes for the cooperation between the ICRC and the Federation. Internal interpretation of the mandate appears to be influenced by partly different cultures having to cooperate within the holistic entity of international development affairs, but a common organisational culture now seems to be emerging, and moves are being made towards a balance between the historical identity of these fields of activity and the wholeness of a common organisation for the RC/RC Movement. These issues are commented on in section 8.4. However, we are not mandated to give specific recommendations in this respect.

In addition to these broad issues we also have some conclusions and recommendations on two specific questions that have emerged during the management audit. These issues will be covered in the following sections:

• Effects of the decentralisation process within the Federation and Sida (section 8.5)

• Convergence between humanitarian relief and longer-term development (section 8.6)

8.2 Strategy, Planning and the Agreements

The administrative requirements for handling the demands in SRC's agreements with Sida for Hum, ICRC and the Frame for Minor Emergencies are deemed appropriate and the application process is deemed as functioning (see sub-section 5.3.1). A major problem identified above is the existing budget process. The agreement periods are generally one year and span the period from January 1–December 31. It has been discussed to have applications for two years instead of one year. Since Sida does not make its final decision until May/June, SRC only has six to seven months to use the funds. The extended administrative routines can thereby affect the success of the projects. We recommend that Sida and SRC consider extending the agreement period to three years. We suggest starting with a two-year period 2005–2006 that is evaluated before a decision is taken on an extension. We suggest that the two or three year planning process is rolling.

We also suggest that Sida use the same time table as is being used for the so-called frame organisations. That means the agreement would be signed in January instead of May/June. The application from SRC would then have to be submitted to Sida earlier than at present. Since the appeals are planned to be on a three-year basis in the future, it will be possible to find an alternative timetable.

An alternative would be keeping the one year agreements but changing the effective dates to July 1– June 30. This would give SRC 12 months to use the Sida funds as opposed to the six to seven months they have today. A problem with this solution is that Sida's budget is allocated for a calendar year. Therefore we recommend an extension of the agreement to two years to start with and then three years after an evaluation of the lessons of experience in the first two-year period.

We also suggest that SRC retain some unallocated resources for so-called coordinated bilateral assistance. The model could be similar to the existing one for disasters.

The draft framework agreement between Sida and SRC has not been signed yet. We suggest it to be signed.

Recommendations:
• Sida and SRC should sign the framework agreement between the organizations

• Sida and SRC should extend the agreement period to a two-year period (2005–2006) and that this is evaluated before a decision is taken on an extension to three years. The agreement should be based on a rolling two- or three-year planning process

• Sida and SRC should use the same timetable as is used for frame organisations

• The agreement should include unallocated resources for so-called coordinated bilateral assistance.

8.3 Impact Reporting

8.3.1 The Federation
In the past, Sida has criticised the lack of results evaluation and of organisational learning from the Federation programmes[71]. In 2002, two important documents were issued – an Operational Framework for Evaluation and a Handbook for Monitoring and Evaluation. Since then the Project Planning Process, based on the Logical Framework Approach, has included better specification of project impacts, both in programme budgets, and in monitoring and evaluation systems. For instance, whereas in 1998, an appeals project description would specify the output and perhaps the number of potential beneficiaries, a 2002 project would go further and relate this to the extent of the underlying problem and state the expected impact on its solution. Narrative reports in 2003 include in some cases actual impacts.

There are practical limitations. Outputs are relatively monitorable and fair measures of the performance of programme managers, whereas outcomes, results and impacts are less easily measured. Also, the latter indicators are often difficult to relate to the corresponding resource inputs, and they are more subject to exogenous and uncontrollable factors such as changes in the operational environment. They are used more for programme evaluation than programme monitoring.

The Federation has issued guidelines and 'style sheets' for reporting impacts of operations. These include a commentary on the impact of the operation. There is still a good deal of confusion of impacts with outputs, and insufficient baseline data, but the revised Project Planning Process defines 'expected results', and there is an ongoing training programme in the new strategy and policies that is expected to bear fruit from 2005.

[71] Minnesanteckningar från årsmöte Sida – Svenska Röda Korset den 30 oktober 2002.

It is observed that there is less money available for programmes that have less measurable impacts, such as NS capacity building. Though there are exceptions such as the Nordic countries and Canada, donors tend to prefer to fund programmes such as health, where impacts are more measurable.

8.3.2 An example on reporting[72]

In Appendix IX we have used the same example as in the discussion on the effects on decentralisation. This is not because we regard this example as a bad one; on the contrary is far above average. It is obvious from that example that there is a wide gap between the detailed description of activities and lack of concretisation when it comes to monitoring and evaluation.

8.3.3 Improvements of impact reporting[73]

Impact reporting has been focused in the discussions between Sida and SRC[74]. Therefore our conclusion is that there is a need for clarification on the terminology used by the different parties in order to gain a better understanding on how the impact reporting should be further developed. Consequently we have chosen to elaborate more in detail on this issue in our report in order to present more concrete recommendations.

The reporting from SRC to Sida is to a high degree based on the reports from the Federation. SRC has initiated improvements in the reporting in several ways:

- SRC has initiated a special project at the Secretariat to improve monitoring and evaluation, supported by Sida

- Seminars on monitoring and evaluation with participation from the Federation, SRC and Sida

- SRCs and Sida's participation in TAG, with the aim of further development of indicators for measuring effects of support to capacity development

In our opinion there have been improvements in the reporting from SRC to Sida. However, there seems to be some ambiguity when it comes to what kind of impact reporting Sida wants to have and what is possible to measure.

The negative aspect of the chosen approach (see sub-section 5.2.2) is that the great scopes of programme results are difficult to summarize in a way that fully reflects the totality. Therefore SRC has made an effort to improve the Regional Overviews where the organisation captures and analyses the effects and results of the programmes at national and regional levels.

Our understanding is that there are two main problems in the impact reporting:

1. On what level should the impacts be reported to Sida (project level, programme level, country level, regional level and/or global level)?

2. What kind of impacts should be reported to Sida (process indicators, output indicators, outcome indicators and/or impact indicators)?

In Appendix X we have discussed results based management at different organizational levels, performance measurement at the project level, project hierarchy levels and types of indicators.

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[72] IFRC Appeal 2002–2003 SOUTHERN AFRICA (Appeal 01.16/2002)

[73] The discussion is built upon some of Arne Svensson's books on Results Based Management (1989, 1993 and 1997), Sida's material on LFA, IFRC's Handbook for Monitoring and Evaluation (First Edition, October 2002) and OECD/DAC's review of experience (2000). There are different perspectives of impact assessment depending on purpose. DFID are now introducing a 'Multilateral Effectiveness Checklist'. Learning networks such as ALNAP have shared a lot of experience on impact analysis. See for example ALNAP Annual Reviews 2002 and 2003.

[74] Protokoll SRK-Sida årsmöte 30 oktober 2001

This terminology provides the structure around which performance measures or indicators can be constructed. Different types of indicators correspond to each level of the hierarchy.

Indicators on an aggregated (programme) level are generally conceptualised as long-term and significant sector or sub-sector development results. Development objectives differ primarily in perspective as they are viewed more explicitly as the consequence of multiple intermediate outcomes resulting from many different sets of project activities rather than from the perspective of one project. Intermediate outcome indicators on an aggregated level are similar in concept to outcomes from a project but are much more comprehensive. They are inclusive of all outputs from all projects and non-project activities, grouped according to the intermediate outcomes to which they contribute.

More attention should be given to developing good intermediate outcome indicators that are beyond outputs but still can be linked to individual project activities/contributions. A number of levels of intermediate outcomes between outputs and ultimate impact may be needed to adequately demonstrate and measure the cause-and-effect chain.

While taking a comprehensive approach is the ideal, it may create practical difficulties, in terms of keeping M & E reasonably simple. It is necessary to be clear what is the purpose of the impact assessment – will it be used as a monitoring and accountability instrument or a learning tool. Any monitoring/evaluation visits should tie into existing reporting and monitoring expected from the NS rather than add another layer of work for them. In our opinion, the Federation and thus SRC have the tools for impact reporting, but do not use them in a targeted way.

Recommendations:
• SRC should further develop its capacity to analyse the impact of different programmes in order to transfer resources to the most effective programmes

• Sida and SRC should meet and agree on the concrete level of impact reporting

• In the impact reporting to Sida, in most cases the intermediate outcomes should be focused

• SRC should advocate a more clear project/programme structure within the Federation

• Impact reporting should be structured in accordance with such a framework on project, programme and global levels.

8.4 Harmonisation Process of the ICRC and the Federation

The International Red Cross and Red Crescent Movement is a family, comprising the ICRC, the Federation and 179 national societies. As in all families, there are tensions among the members, especially between the ICRC and the Federation, due to overlapping mandates and overlapping sources of funds. For instance, all components of the Movement, including the ICRC through its cooperation work, are involved in capacity building and organisational development of national societies. In addition, the PNS maintains permanent capacity to act internationally, said to involve 50–100 persons, regional offices, etc. 'Much of this takes place in an uncoordinated manner and without an agreed framework and methodology'.[75] The ICRC provides information, technical advice and material support to national societies on which it spent CHF 60.4 million in 2002, while the Federation contributed CHF 11.1 million for similar purposes. Data for the PNS are not available.

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[75] Strategy for the International Red Cross and Red Crescent Movement (2001) p.13.

There are also duplicated structures and facilities: the ICRC has 90 regional and country offices, while the Federation has 78. Most of these offices are not shared between the Federation and ICRC or with national societies.[76]

These tensions, exacerbated in some countries by the failure of representatives to work together harmoniously, have led to a greater focus on the Movement as a whole. According to a recent report on Norwegian humanitarian assistance, these problems of overlap and lack of clarity and consistency in roles and approaches could become a thing of the past if a Movement-wide strategy were adopted.

The Council of Delegates has concerned itself with the overall strategy of the Movement since 1991. Since 1995, strategic thinking has increasingly focused on cooperation among the Movement's components. The first concrete result was the Seville Agreement of 1997. Broadly, this has allocated responsibilities as shown in exhibit 3 below.

Exhibit 3 The Seville Agreement

	ICRC	**The Federation Secretariat**
Lead agency	In conflict situations	Post-conflict, and in emergency and disaster situations in peacetime needing more resources than the national society can provide
Lead roles (acknowledged areas of special competence)	Dissemination of international humanitarian law	Development of national societies (see below)

Although they share the same principles, all components of the Movement are independent of each other. Each has its own individual status. The 1999 Council of Delegates requested the Standing Commission to set up a Working Group, comprising representatives of all components of the Movement, to develop the overall Strategy for the Movement. The Council of Delegates approved a Strategy in November 2001 and called on all components of the Movement to implement it and submit reports every two years to the Federation Secretariat for joint analysis by the Secretariat and the ICRC. The following Movement mission statement may be compared with the separate mission statements of the components:

• To prevent and alleviate human suffering wherever it may be found, to protect life and health

• And ensure respect for the human being, in particular in times of armed conflict and other

• Emergencies, to work for the prevention of disease and for the promotion of health and welfare,

• To encourage voluntary service and a constant readiness to give help by the members of the

• Movement and a universal sense of solidarity towards all those in need of its protection and assistance.

National societies include 'participating national societies' (PNS, those in the richer countries that participate in operations in other countries) and 'operating national societies' (ONS). The strengthening of ONS is a common objective of the ICRC and the Federation, in which the Federation has the lead role. A good example of ICRC/the Federation harmonisation (cooperation) is a pilot project in Latin America and the Caribbean. At a meeting in Panama in March 2002, the respective organisations agreed on areas of joint diagnosis, operations programming, monitoring and logistics. It was agreed also that the development plans of ONS and national Cooperation Agreement Strategies would be the basis for all ICRC and the Federation interventions so as to promote national ownership. A plan of action was agreed and is being followed.

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[76] In some cases, of course, a visible separation of the components is tactically useful in dealing with governments and/or opposition groups.

There are also other efforts taken in order to harmonise the work, e.g.:

- SMM – Senior Management Meeting of the International Federation and the ICRC – meeting once a month to discuss important issues of common interest to both institutions.

- The only joint ICRC/the Federation appeal so far was for the Balkans. According to ICRC, there was a 'mismatch' of reporting.

- Evaluation is also being harmonised. The Evaluation Unit of the Federation's Monitoring and Evaluation Division works closely with its counterparts in the ICRC, PNS and ONS.

Recommendation:
- SRC should take a lead role in advocating the harmonisation process

8.5 Effects of Decentralisation

8.5.1 Sida's decentralization process

Sida's vision is to create an optimal balance between an empowered and strengthened field organisation and a supportive organisation at headquarters. More authority will be delegated to the field. Sida will accordingly be an organisation with a strong field, in terms of resources and decision-making powers. According to the action Plan of the Field Vision, the issue of changing roles should be dealt with in a process-oriented way[77]. In a Synthesis Report the Action Program Secretariat and the Steering Group highlights issues, which needs further investigation and emphasis[78]. Among others employees, both in Stockholm and the field, note a lack of clarity in basic responsibilities, division of work and roles.

Sida's decentralization process had an impact on SRC programming in 2002, in particular in the area of HIV/AIDS. SRC maintains its mainstreamed approach to HIV/AIDS programming, where capacity building such as volunteer management and coaching are integral components of the activities. The regionalisation of Sida's HIV/AIDS funds for Africa led to separate applications for some of the components of HIV/AIDS programmes in the Southern Africa region. An agreement was signed in December 2002 between Sida/Lusaka and the SRC.

The SRC has been one of the main partners in the Federation scaling up of HIV/AIDS interventions. The SRC has been involved in working together with the Federation to develop policies and guidelines in how to work with HIV/AIDS. This can be clearly seen in the country and regional reports.

When Sida decentralises the issues of HIV/AIDS it is natural to establish contacts on regional level with the Federation's secretariat. On the other hand this means a lot of changes in the established financial and reporting processes with potentially significant impact for the partners involved, as seen in sub-section 6.4.2. However, as indicated in the first paragraph it is at this stage not possible to come up with a clear recommendation on new processes for SRC, the Federation and Sida/SEKA without taking into consideration the (unknown) result of the internal process within Sida steered by the Field Vision. Furthermore, Sidas Department for Evaluation and Internal Audit will make a review of the implementation of the Field Vision during spring 2004. The experiences made in Southern Africa should be used to discuss the future division of responsibilities within Sida.

Recommendation:
- The experiences indicated in this sub-section should be used to discuss the future division of responsibilities within Sida

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[77] Sida: A Commission on Future Roles and Division of Work, March 2003.
[78] Sida: Field Vision. A Strengthened Field Orientation. Achievements and issues for consideration (Nov 2003)

- If Sida choose to commence field studies as recommended in sub-section 6.3.2 one of the studies should focus on the issues highlighted in this sub-section

8.5.2 The decentralisation process within the Federation Secretariat

NS ownership of the process is important, with the NS rather than the Secretariat leading the assessment, planning, implementation, monitoring and reporting phases of any capacity building programme. However, this will be balanced with appropriate Federation support to "accompany" or guide the NS through the process. It is also important that the NS gains the capacity to "coordinate" and if necessary redirect donor interest[79].

The Federation is in the process of transferring resources and personnel to its regional delegations. From January 2003, it has established the Delhi Regional Office and Harare Regional Office. During 2003 there has been a lot of discussions on Sida are considering transferring funds (SEK 30 million over five years) direct to these offices.

The Fundamental Principles and Statutes of the International Red Cross and Red Crescent Movement, the decisions of the General Assembly of the Federation and resolutions of the International Conference are applicable in all circumstances. The Agreement on the Organization of the International Activities of the Components of the Movement signed in November 1997 (Seville Agreement) is always used as a reference for international activities requiring coordination among various components of the Movement. The Federation's Development and Development Cooperation Policies, as well as the Federation Policies and Strategies, are an integral part of all agreements and should be respected by the partners.

The HBC project in Southern Africa, described in sub-section 6.4, is an interesting example of the consequences of decentralisation within the Federation and/or within Sida. The SRC has been and is one of the main contributors to the Southern Africa programmes and activities as presented in the annual Appeals of the International Federation, since the late eighties. Through bilateral cooperation with National Societies in the region (e.g. Angola, South Africa, Zimbabwe) and multilateral support to Federation operations, both at national (e.g. Angola, Mozambique) and regional level, the SRC support has and will continue to be important in the development of the RC structures in the region.

The Federation Regional Delegation in Harare provides technical, programmatic and managerial support to the National Societies and coordinates with the Secretariat in Geneva in terms of other technical and administrative support of the project.

The project is regulated by

- An agreement between SRC and Sida

- An MoU between SRC and the Federation

The Objectives, Indicators etc in the Logical Framework for the project are based on the Federation Appeal for the region, where HIV/AIDS is a component of the Health Care Programme.

The Federation is reimbursed SEK 6,000,000 annually directly from Sida, despite the fact that the agreement is between SRC and Sida. Out of the six million SEK, the Federation shall pay SRC 7,5%.

SRC has the responsibility for reporting to Sida. SRC is also supposed to pay back accrued interest to Sida, but the Federation has the money (and the Federation is not calculating accured interest as shown

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[79] DFID has worked with IFRC to look at new ways of working in a decentralised setting through its Action Research project. See evaluation of DFID/IFRC partnership, ½.

in sub-section 6.3.1). SRC is not invited to the meetings between Sida, the Dutch government and the Irish Government.

In 2002, financial support from SRC represented some 20% of the total support towards regional programmes and activities in Southern Africa. Looking at the support to Mozambique programmes, the percentage is higher and, additionally, the SRC was the sole multilateral donor towards the HIV/ AIDS activities in that country. This included a delegate who played an important role in the development of the Regional HIV/AIDS project (HBC). Faithfully supporting the International Federation in a multilateral way, the SRC will sustain availability of programme support.

With a broad experience of, and continued preparedness, to work in the field (e.g. through SRC delegates), and considerable knowledge of development cooperation issues and challenges in general the SRC continues to work in strengthening the work of the Federation and its regional delegations.

Through active participation in the work of the Federation Delegations in the region, by future SRC delegates and short missions with facilitators in regional or national workshops, assessments etc., the SRC will further enhance the Federation Capacity Building of the NS.

Furthermore, the SRC is actively engaged in the Red Cross Movement development of policies and programmes in the area of Health, including Water and Sanitation and HIV/AIDS. This engagement, and the SRC long time and continued support towards all regional programmes (Disaster Management, Organisational Development, Health and Care), promote integration of the programmes and activities to the benefit of NS capacities to work with and assist the most vulnerable.

Currently the SRC plays an active and important role, at technical as well as on policy level, when the Federation and the NS in the region explore and consider the issue of Antiretroviral drugs.

In addition, the SRC works as an active advocate within the Swedish community through advocacy work, fund-raising campaigns, work with HIV/AIDS and its network of members and volunteers, thereby linking the Swedish community to the international community. Hence the SRC, in an important way, continuously contributes to the willingness/interest of the Swedish people to support international cooperation.

Based on the above, according to the Federation, it is in the best interest of the HBC Project that the administrative contribution of the Sida funds be used by the SRC, thus enabling the SRC to retain the high standard and level of support to NS and to the Federation Secretariat, first and foremost in the Southern Africa Region. This agreement on values and approaches augurs well for the parallel decentralisation of Sida and the Federation. It will increase contacts and effectiveness at the regional and country levels.

Regional cooperation and regional coordination and management are essential if the movement is to work together effectively with well-coordinated activities and plans for the region. This will avoid overlap and will increase coverage and impact in order to serve the most vulnerable most effectively. The regional office will hence aim to strengthen the SAPRCS cooperation. The regional office will aim to introduce simple and context-adapted monitoring and evaluation systems to allow for the measuring of impact and coverage of programmes that are otherwise difficult to measure such as for instance HIV/AIDS.

In our interviews it has been strongly emphasised that field visits should be included in the management audit. India has been suggested for studying the relation between the NS and the Federation field structures and how these might be affected by decentralisation and initiative like the one on HIV/ AIDS in New Delhi.

Recommendation:

• Sida should include a field study in a second phase of the management audit for studying the relation between the NS and the Federation field structures and how these might be affected by decentralisation and initiative like the one on HIV/AIDS in New Delhi.

• The experiences made in this particular case should be used to broaden the discussion between SRC and Sida regarding future cooperation.

8.5.3 Multilateral, bilateral and coordinated bilateral support

As noted in sub-section 5.1.2, 95% of SRC's support within the Federation is multilateral. Out of the total budget for international activities, 25% goes to the Federation's field structure and the Secretariat. SRC is one of the few PNS that can address a significant part of its support to this kind of needs.

High levels of uncoordinated PNS support have caused problems. It is vital to improve Movement coordination in relation to NS development. This includes improving links to existing mechanisms such as CAS and harmonised planning between the Federation and the ICRC in the early stages. It also raises a challenge to ensure PNS work within and contribute to an agreed capacity building framework when working in a particular country. PNS in country can often be a cost to a NS without any return on the investment in their core costs or capacity building. Suggestions included setting up capacity building task forces in country, issuing capacity building guidelines to/incoming" PNS and preparing a case study showing the value to all partners of coordinated support to NS capacity building.

The issue of multilateral or bilateral support has been discussed for decades within the Movement. More recently has coordinated bilateral support come into focus.

Exhibit 4 Bilateral Approach
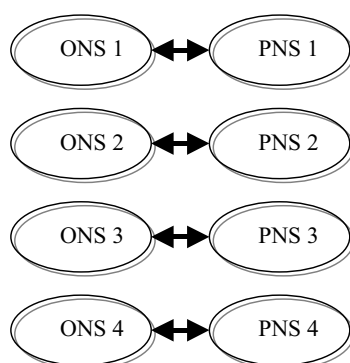
It is quite easy to understand the difference in impact and processes between bilateral and multilateral support. Exhibit 4 shows four PNS supporting four ONS bilaterally and exhibit 5 shows the same multilaterally. It is obvious that the bilateral approach has prerequisites to be more cost-effective as such if only one project is measured and only the direct results of this project is taken into account. The question is how to measure the added value of the increased opportunities for intuitional learning that are built in the multilateral approach.

Exhibit 5 Multilateral Approach

	PNS 1	PNS 2	PNS 3	PNS 4	FED Σ
ONS 1					
ONS 2					
ONS 3					
ONS 4					
FED Σ					

There seems to be more ambiguity in the concept of coordinated bilateral support. Exhibit 6 shows one approach of what may be called coordinated bilateral support and exhibit 7 another. In both cases the coordination is bilateral, involving more than one PNS and one or several ONS.

Exhibit 6 Coordinated Bilateral Approach (I)
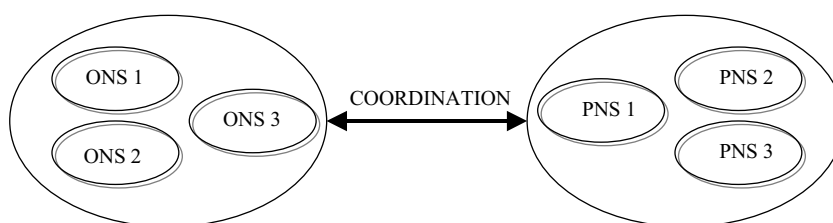
Exhibit 7 Coordinated Bilateral Approach (II)
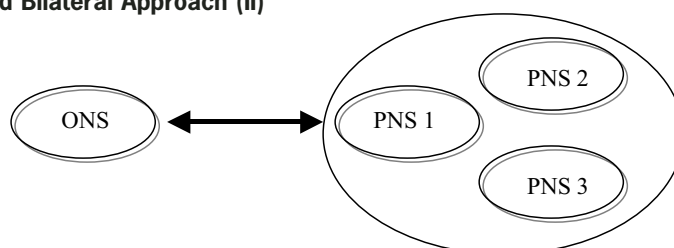
Exhibit 8 Coordinated Bilateral Approach (III)
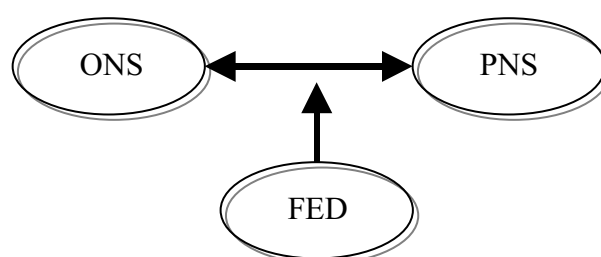
Exhibit 8 shows one approach of what may be called coordinated bilateral support where the Federation has a specified supporting role. However, there are different definitions of the word coordination.

The future structure of the Federation support on regional and country level is important for the discussions on the level(s) of cooperation between SRC and Sida. In the coordinated bilateral approach the federal functional and technical capacity will be used, even if a NS will manage the project and the responsible for the impact.

Recommendations:

- SRC should further develop its capacity to contribute to the development of the RC/RC Movement

- SRC should take a lead role in developing concrete concepts for so-called coordinated bilateral support

- SRC should further develop its work horizontally to define its role towards other organisations on local level in ONS

- Sida should support a project on developing concrete concepts for so-called coordinated bilateral support

8.5.4 Administration fees
A special issue to be addressed in this context is the size of administration fees and who is entitled to the fee.

According to Sida Guidelines for Humanitarian Relief the administration fee is limited to a maximum of 5%. When the responsibility for the agreements with SRC was transferred within Sida to SEKA/ HUM it was decided that SRC was allowed to still have an administration fee of 8% as before when another department was responsible for the contacts. It was agreed that this higher administration fee should also cover some additional commitments, e.g. the comments on ICRC Appeals.

The administration fee of the Secretariat has decreased from 11 to 6,5%.

When it comes to the HIV/AIDS programme in Southern Africa the administration fee from Sida to SRC is 7,5%. Then 6,5% is transferred to the Federation.

Recommendation:
- The administration fee should be based on added value in each case

8.6 Convergence between Humanitarian Relief and Longer-term Development

Originally both humanitarian and development representatives had been envisaged as attending TAG but this has not materialised. The TAG has encouraged the Federation to consider how to best engage in a coherent manner with both arms of government. It is equally important that donor governments show greater coherence between their humanitarian and development agendas and funding[80].

Much progress has been made to improve coherence between the Federation and ICRC through the Strategy for the Movement and harmonised planning. However, the ideas have to be better realised and demonstrated.

Disaster preparedness
The Federation has pointed out how some dramatic and sometimes politically interesting disasters tend to draw the attention of the media and the big donors[81]. But most disasters have a slow onset, they tend to have a long life span and they also tend to be forgotten long before the community has recovered. Sida and some other international aid agencies, have stressed the need to include rehabilitation already in the initial phase of a disaster response. The RC/RC Movement is responding to this need e.g. by including the building of capacity at all levels within the Movement.

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[80] Integrating humanitarian assistance into the DAC peer review system was one of the initiatives to come out of the Stockholm Good Donorship Conference.
[81] The World Disaster Report

DP covers numerous aspects, from the various community-based cooperation subjects and local empowerment issues, over a huge number of international accountability and quality initiatives, to planning and advocacy on regional and international level.. However, there is already a clear need for improved back-up and a diversified funding base, enabling the Movement to create a sound and focused agenda for DP and related work. Together, the health, DP and organizational development (OD) departments at the Federation are developing a platform for an expanded RC/RC interface towards sustainable development. This push towards multi-sector, horizontal engagements is clearly visible in a number of programmes, though it may not yet be organically reflected in the Federation's policies, strategies and organisation.

OD/Capacity Building

The mission stated in Strategy 2010 is to improve the lives of vulnerable people by mobilising the power of humanity. According to the new Capacity Building Framework the purpose of the Federation Secretariat's support to NS capacity building is to help NS better realise their potential to make a difference to the lives of vulnerable people. The understanding that a desire to change and develop must come from the NS themselves has also taken a much better hold on the work of the Federation in general. This pertains particularly to issues of OD and fits very well with Strategy 2010's clear expression that contributions shall be aligned with the NS's priorities and interventions tailor-made on a case-by-case basis. Programming based on conflict impact assessments is gaining ground within the Federation as well as in many other organisations. The Local Capacities for Peace "Do No Harm" initiative aims at reducing the negative impact of aid delivered in a conflict situation by proper programming. The SRC is one of the Secretariat's most reliable partners in capacity building together with the British and Finnish Red Cross Societies. In line with its International Strategy the SRC continues to support the global programmes for OD and the Capacity Building Fund. The SRC also supports the regional OD programmes in 11 regions. Many important features of the stronger capacity-building approach appear in the Regional Overviews. The SRC has made significant multi-level contributions to developing overall strategies for implementing Better Programming Initiative (BPI) and is represented in the steering group for BPI. A current objective of this group is safeguarding the inclusion of the BPI framework into Federation general programming.

If the BPI framework integrated in the programme planning process together with other tools such as the Sphere standards, Vulnerability and Capacity Assessments (VCA), and the Reach Out concept, it is an effective instrument also for improving quality improvement and control. Work is in progress within SRC and the Federation as a whole to incorporate these awareness-raising, quality-enhancing tools in project planning as well as in training in disaster management/assessment and in the basic training courses for delegates.

The approach of capacity building support is dual:

1. *Capacity building* is defined as the wider concept and as activities strengthening capacities within programmes in the four core areas e g:
   • Investing in people, such as programme managers and volunteers, through, for instance, training and on the job coaching.
   • Identifying areas where systems and structures linked to respective programmes can be improved, such as logistics and volunteer management.
   • Contributing to or triggering more far-reaching overall organisational change.
2. *OD* is the support to a systematic and strategically planned overall organisational change process. Support in this area aims to evolve more effective, viable, autonomous and legitimate organisations.

LISA has benefited from methodologies developed in the OD Department in the Federation Secretariat. Some of them have been redesigned and adapted to local capacity building needs both in Sweden and in the partner NS, including CAPI to measure local development. We suggest that SRC allocate an amount of at least 20% in every programme for OD/capacity building. However, OD and capacity building require clear objectives to deliver and report on.

Recommendations:

• SRC and the Federation should work on developing simple, common indicators of capacity building that could be used by everyone. The CBF could continue to play an important role in developing and testing these indicators.

• SRC and Sida should discuss the possibility of making a joint pledge with joint approaches on capacity building with both the humanitarian and development arms of Sida.

Appendix I.
Terms of reference for management audit of the Swedish Red Cross (SRC)

Note;
This translation has been made in order to inform IFRC/ICRC on the contents of the terms of reference for the audit only. The consultant shall use the Swedish version of this document for reference.

1. Background

The Swedish International Development Cooperation Agency is responsible for the Swedish bilateral development cooperation. Sida is also responsible for the main part of the Swedish cooperation with countries in Africa, Asia, Latin amerika and Europe. The main goals for the Swedish Development Cooperation are to help decrease poverty, increase democratisation and achieve a sustainable development in partner countries (see *www.sida.se)*.

The Division for Humanitarian Assistance and Conflict Management is responsible for Sida's Humanitarian Assistance. The vision for this work is

– to create conditions for poor and vulnerable people to live in peace and retain and keep control of their lives.

The activities of the division for humanitarian assistance and Conflict Management is guided by the following:

– Poor and vulnerable people can make their voices heard through, for example, cooperation and organisation. The fundamental rights of the individual must be protected. Humanitarian and development activities shall complement and develop local knowledge and resources.

– The work and engagement of Swedish and International organisations has a vital role to play in humanitarian and development cooperation.

– The implementing organisations' planned activities must have a conflict perspective and the activities should aim to prevent or solve conflicts.

The most important policy documents for the humanitarian assistance are:
– Sida's strategy for conflict management and peace building

– Humanitarian assistance with a child's right perspective

– Developmental humanitarian assistance.

2. Reason for audit

Sida is faced with increasing demands for efficiency and results based reporting in development cooperation. Within its responsibility lies the follow up whether the funds have been used efficiently and for the right purpose, regardless the channel of funding.

Sida's view on the ownership of the program is that the co-operating implementing partner has the responsibility for the implementation. As a consequence of this, the partner also has the responsibility for the control of the program.

SEKA/Hum's cooperation with Swedish NGO's is based on trust, which requires follow up for efficient control and to ensure the public's trust. The aim is to achieve a higher quality in the applications and follow up as well as increased efficiency within the organisations and a better cooperation between the partners and Sida.

2.1 The Swedish Red Cross (SRC)

The Swedish Red Cross is the largest humanitarian volunteer organisation in Sweden, with app. 300.000 members. The organisation is divided into 10 regions with its headquarters in Stockholm. SRC has 530 employees, of which 110 work at the HQ.

During the last years, SRC has gone through a major change. Reorganisations during 2002/2203 have resulted in major downsizing of staff. In connection with this reorganisation, the parts of SRC working with development cooperation/humanitarian assistance have also been affected.

Over the years Sida's has channelled substantial amounts of funding through the SRC. This funding has been used for Federation programmes within humanitarian assistance as well as development cooperation. Sida has also funded activities through the ICRC. During 2003 SEKA/HUM is estimated to have supported the Red Cross movement with a total of EUR 37 000 000.

3. Purpose

3.1 Management Audit / Organisational Capacity Study

The line between a management audit and an organisational capacity study can be unclear and overlapping within certain areas is unavoidable. However, in general can be said:

- The *organisational capacity study* has a broad and overarching focus and studies goal achievement, planning, administration, resources etc to determine the quality of the organisation's work

- The *management audit* has a more narrow and deeper focus to analyse how the organisation is working (as opposed to with what) through studies of the routines and systems within the organisation to guarantee reliability in work and reporting.

3.2 Purpose

The purpose of the management audit is:

- To study the reliability and relevance of existing systems for management of work and as well as finance within SRC.

- Based on the collected information, determine whether the documentation sent from SRC to Sida, is reflect reality and if the information can be used for decision making at Sida regarding funding.

- To give SRC input for its internal work with organisational development

4. The audit

The initial discussions held between Sida and SRC indicate that the audit, given the SRC's wide range of activities, mainly is to focus on parts of the SRC involved in Sida funding for:

- The Federation

- ICRC

- Separate funding for specific disasters

- Other areas of interest indicated by the pre-study of interface between Sida /SRC

As there was a need for further information to decide the final focus of the audit, it was decided that the audit was to be divided into two parts as below:

– The audit shall in its first phase give an overview of Sida's interface with SRC and other parts of the RC movement.

– After having presented the interface to Sida/SRC, The second phase of the audit shall focus on relevant parts of the SRC system. Sida will decide this focus of the audit in consultation with SRC.

The audit includes a survey of routines and systems for management (formal/informal) that are to be documented and analysed. The consultant shall also give recommendations on how to improve SRC's systems for management and control. The consultant may, after consultation with Sida, include or exclude areas of study to ensure the completion of a high quality audit.

4.1.Survey and documentation

4.1.1 Organisation
– Analysis of SRC's organisational development and particularly its change during the last 5 years.

4.1.2 Management
In the survey of systems and routines, the following shall be documented

– SRC's mandate in development cooperation/humanitarian assistance

– SRC's activities within development cooperation/humanitarian assistance and its relation to the board

– Organisation and ways of work

– Planning of work including information gathering and analysis

– Policies and strategies

– Formulation of goals

– Measurement of results

– Decision making

– Delegation

– Initiation of new projects

– Phasing out of projects

– Follow up of activities

– Evaluation (of activities)

– Reporting of deviations

– Reporting and final reporting

– Institutional learning

4.1.3 Financial Management
In the survey of systems and routines for financial management the following shall be documented:

– Agreement and follow-up of conditions in agreement

– Transfer of funds

– Delegation

– Budget/follow up

– Audit and quality of audit

– Strive for good administration, transparency regarding financing and management of funds and the fight against corruption.

4.3. Analysis and conclusions
On the basis of collected information the audit shall analyse and assess

surveyed areas regarding relevance and reliability. The audit shall also give a more general assessment of SRC's reporting to Sida and communication, management and delegation within the SRC organisation. The analysis shall include SRC's organisational structure and size.

4.4 Recommendations
The audit shall result in recommendations and a plan of action concerning the above mentioned points. The focus of the audit is SRC's organisational structure, systems and routines that help the organisation fulfil its obligations to Sida. The consultant may also include other recommendations of relevance for the audit.

5. Execution of audit

A consultant Indicated by Sida shall be responsible for the audit. A contact person at Sida and SRC will support the consultant.

5.1. Method
The audit shall be carried out through studies and analysis of existing material. Further, interviews shall be made with staff at SRC Stockholm and relevant parts of the RC movement in Geneva and possibly in the field. Also the SRC board, staff at Sida and SRC's financial auditor shall be interviewed.

The gender balance of the consultant's team shall, if possible, be even. Other questions regarding the choice of method for the audit is to be decided by the consultant.

5.2. Time schedule
The audit shall begin no later than August 11, 2003. A meeting where an overview of the Sida/SRC interfaces should be arranged within two weeks after the start of the audit.

To give a possibility to comment on errors and misunderstandings a preliminary draft shall be sent to Sida no later than December 1, 2003.

The final report shall be delivered to Sida no later than February 15, 2004.

6. Reporting

6.1 Format
The audit shall be presented in a written report and delivered to Sida on a computer disc (containing one file only) in word 6 alt 7 format, to facilitate correction and printing

The final report shall be essentially in line with the ToR. It shall be written in English (max 70 pages exc. annex). An executive summary in Swedish and English (app. 10 pages) shall be delivered together with the final report.

In order to make it possible for the SRC to comment on the report a preliminary draft shall be sent to Sida and SRC no later than December 1, 2003.

The final report shall be sent to Sida no later than 2 weeks after that Sida and SRC have commented on the report.

The format of the report shall be in accordance with Sida's guidelines for evaluations. The report shall be outlined in a way that allows publication without further editing. Sida has the right to publish the report in the "Sida evaluations". The audit includes the completion of the document *Sida's Evaluations Data Work Sheet* and shall be delivered with a summary in accordance with section G in the above mentioned document.

6.2 Monitoring
To ensure that the audit will be a basis for development the following meetings shall take place:

- When the first phase has been finalised the scope of the study shall be discussed to decide what is realistic given the timeframe. Also the main focus of the audit shall be decided (this might change the terms of reference for the audit)

- The consultant shall keep SRC informed of observations during the audit)

- Sida and SRC shall discuss a draft version of the report before the final report is finalised.

6.3 Presentation
The consultant shall – as part of the audit- make two presentations of the results of the audit within two months of the completion of the report.

- Make a presentation for SRC in Stockholm

- Participate in a full day seminar at Sida with participants from Sida/SRC

6.4 Other
The consultant shall be available for discussions on recommendations and conclusions on the request of Sida or the SRC. Sida representatives have the right to participate in the audit and fieldvisits.

7. Requirements

– The consultant should be able to enter into an agreement no later than June 30 2003.

– The consultant should have a documented knowledge and experience from management audits and experience of arranging seminars.

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Appendix III.
Persons Met and Interviewed

Sida

Eva Asplund	Head, SEKA
Johan Schaar	Head, HUM
Frederik Frisell	Program Officer
Bie Granbom	Senior Officer

The Swedish Red Cross

Anders Milton	Chairperson Central Board
Christer Zettergren	General Secretary
Gustavo Ramirez	Deputy General Secretary
Björn Eder	Head of KoB
Anneli Bergdahl	Acting Head of KoB
Katarina Mohlin	Head of Communication Department
Lars Rasmusson	Head Administration Department
Britta Sydhoff	Head Folkrätt & Flykt Department
Thomas Söderman	Coordinator Folkrätt & Flykt
Irja Sandberg	Coordinator, Delegate Function
Ing-Mari Öhman	Internal Audit
Paris Karlsson	Business Controller
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Staffan Wiking	Programme Coordinator, International Program
Elisabeth Jonsson	Programme Coordinator, Administrative Procedures
Henrik Herber	Programme Coordinator
Elisabeth Såltin	Administrator
Nina Paulsen	Programme Coordinator
Patrik Vinberg	Programme Coordinator
Lisbeth Magnusson	Cashier and Administration
Kjell Lidholm	Head Capacity Development Department
Mats Widlund	Controller
Per Allan Olsson	Lake Victoria Project
Maud Amrén	Advisor HIV/Aids
Christer Leopold	Project leader, Strategy Development
Hans Askaner	Planning Coordinator
Nina Paulsson	Programme Coordinator

International Federation of Red Cross and Red Crescent Societies

Markku Niskala	Secretary General
Jean Ayoub	Director, Cooperation and Development Division
John Burke	Director, Support Services
Abbas Gullet	Director, Disaster Management and Coordination
John Horekens	Director, External Relations
Rafael Bravo	Head, Risk Management and Audit Department
Santiago Gil	Head, Americas Department
Jeremy Hughes	Head, Resource Mobilization and Donor Relations Department
Stephen Ingles	Head, Finance Department
Simon Missiri	Head, Asia/Pacific Department
Peter Rees	Head, Donor Support Department
Ali Said Ali	Head, Middle East/North Africa Department
Mark Wilson	Head, Planning Department
Liz Franklin	Acting Head, Organisation and Staffing Unit
Mark Willis	Senior Officer, Africa Department
Nina De Rochefort	Senior Officer, Organisational Development Department
Martin Kroon	Senior Project Manager, Information Systems
Lorraine Mangwiro	Senior Officer, Resource Mobilization and Donor Relations Department
Miroslav Modrusan	Desk Officer, Europe Department
Fernando Soares	Officer, Donor Support Department
Brian Wall	Senior Officer, Monitoring and Evaluation Department
Martin Faller	Team Leader Business Process, Cooperation and Development Division
Charles Eldred-Evans	Operations/Programme Support, Asia Pacific
Jagan Chapagain	Regional Officer, Asia & Pacific Department
Ric Martin	Head operations, Accounting Unit
Miro Modrusan	Desk officer, Europe Department
Peter Rees-Gildea	Head, Donor Support Department
Paloma Vora	Senior Auditor, Risk Management and Audit Department
Markku Niskala	Acting, Secretary General
Oliver Van Bunnen	Manager, Financial Analysis
Andrée Lorber	Manager, Finance Training
Mike Davis	Manager, Financial Services

International Committee of the Red Cross

Feena May	Deputy Head, External Resources Division
Judith Greenwood	Head of Unit, External Resources Division
Angela Gussing	Head of Division, Policy and Cooperation within the Movement
Arnold Blaettler	Head of Planning, Monitoring and Evaluation Unit
Yves Giovannoni	Head of operations, Latin America
Dominique Desvignes	Head, of Internal Audit
René Zagolin	Head, Division Finance and Administration
Lena Birgitta Hansson	Regional Co-ordinator, International Programmes, Middle East and North Africa

Appendix IV.
Organigramme SRC

Organisation – Huvudkontor och regionkontor

Ledningsgruppen

Ledningsstöd

Internrevision

Christer Zettergren
Generalsekreterare

Gustavo Ramírez
Bitr. generalsekreterare

PROJEKT

Regions (top row)
- Region Syd — *Eva Hall*
- Region Sydost — *Tomas Seveholt*
- Region Väst — *Gisela Flood, t.f.*
- Region Stockholm — *Marco Helles*
- Region Gotland — *Göran Robsarve t.f.*
- Region Göta — *Liselotte Haraldsson*
- Region Mellan — *Mats Rikard Andersson*
- Region Mitt — *Ewa Hagberg*
- Region S. Norrland — *Tord Pettersson*
- Region N. Norrland — *Majlis Bertilsson-Mannberg*

PROGRAM- OCH FÖRENINGSSTÖD
- Kapacitetsutveckling — *Kjell Lidholm*
- Hälsa och Social trygghet — *Jonas Prawitz t.f.*
- Folkrätt och Flykting — *Brita Sydhoff*
- Katastrof och Beredskap — *Björn Eder*

VERKSAMHETSTÖD
- Personal — *Gabriella Gustafsson*
- Kommunikation — *Katarina Mohlin*
- IT — *Gun Liljeström*
- Fastigheter och inköp — *Paula Lamberg*
- Administrativa rutiner — *Lars Rasmusson*

Appendix V.
Organigramme the Federation

Federation Secretariat

Secretary General
Markku Niskala, a.i.

Governance, Principles and Planning
Stephen Davey
- Governance and Legal — Luc De Wever
- Movement, Principles and Values — Malika Aït-Mohamed Parent
- Planning — Mark Wilson

Monitoring and Evaluation
Ibrahim Osman
- Monitoring and Evaluation — Mathew Varghese
- Risk Management and Audit — Rafael Bravo
- Protection of NSs Integrity — Vacant

External Relations
John Horekens
- Humanitarian Advocacy — Christopher Lamb
- Communications — Christopher Sorek
- Donor Support — Peter Rees
- Resource Mobilisation and Donor Relations — Jeremy Hughes
- Inter-Agency Affairs — Arnhild Spence

Disaster Management and Coordination
Abbas Gullet
- Operations Manager, Americas — Iain Logan
- Operations Manager, Africa — Martin Zak
- Operations Manager, Europe and MENA — Kalle Loovi
- Logistics — Bernard Chomilier
- Disaster Preparedness and Policy — Eva Von Oelreich

Cooperation and Development
Jean Ayoub
- Africa — Jean Ayoub, a.i.
- Asia and Pacific — Simon Missiri
- Americas — Santiago Gil
- Europe — Lynette Lowndes
- Middle East and N Africa — Ali Saied Ali
- Organisational Development — Jean-François Goulay, a.i.
- Health and Care — Alvaro Bermejo
- Security — Tor Planting

Support Services
John Burke
- Human Resources — Amanda Batra
- Finance — Stephen Ingles
- Information Systems — John Burke, a.i.
- Administration — Jean-Claude Crépy

Appendix VI.
Organigramme the Federation's Finance Department

International Federation of Red Cross and Red Crescent Societies

Finance Department Organisation as of September 2003

BIS 17.9
PROG 2.4
    20.3

Tim MacGillycuddy
On secondment
User Manager
CODA Project
(PROG)

Mike Davis
Manager
Financial Services

Stephen Ingles
Head
Finance

Gabrielle Werril
Senior Assistant

Andrée Lorber
Manager
Finance Training
90%

Pedro Simoes
Financial
Training Officer
(PROG)

Olivier Van Bunnen
Manager
Financial Analysis

Ric Martin
Manager
Operations
Accounting

Daniela Munier
Operations
Accountant

Kristina Kapec
Operations
Accountant

Gabrielle Wolf
Senior Officer
Fixed Assets
Accountant 40%
(PROG)

*

Ole Petersen
RFU Head
Americas

Ian Briggs
RFU Head
Europe

Ahmed Osman
RFU Head
MENA

Mary McWeeney
RFU Head
Africa

Karl O'Flaherty
RFU Head
Asia Pacific

Country Finance staff
Country Finance staff
Country Finance staff
Country Finance staff
Country Finance staff

Virginie Keller
Accountant

Jean Meystre
Accountant

Michel Kihm
Senior Acct.
Contributions

Chantal Pellaton
Treasury Officer

Nicholas Campbell
Treasury Officer

Anna Wiedmer
Pledge
Accountant

Nathalie Perrenoud
Financial Analysis
Officer

Angela Eaton
Financial Analysis
Officer

Tricia Baglione
Financial Analysis
Officer

Hrant Sahakyan
Financial Analysis
Officer

* RFU staff member to be rotated through Unit as staff development initiative.

Appendix VII.
Organigramme General Structure of ICRC

General ICRC' structure

COMITE INTERNATIONAL DE LA CROIX-ROUGE

Appendix VIII.
Organigramme ICRC's Headquarters

Organigramme CICR siège

CICR

Appendix IX.
An example on reporting[1]

In this Appendix we have used the same example as in the discussion on the effects on decentralisation. This is not because we regard this example as a bad one; on the contrary it is far above average.

"… there are already beyond half a million OVC'ed children in Zimbabwe, Zambia and South Africa. Apart from leaving OVCs behind, HIV/AIDS has an overall negative impact on the region. Studies done in the region reveal that there has already been a socioeconomic impact in many communities. For example, the agricultural industry has been affected with a more than 20% reduction in agricultural production in 1999 (UNESCO 1999). Private companies have had profits reduced by 20% due to its impact on the work force. The education sector has also been affected with teachers dying of AIDS related diseases each day and less numbers of children attending school due to increased poverty and the failure to raise school."

There are nine excellent objectives formulated, for example:

"Objective 1

Knowledge, skills, attitudes, practices and behaviour of 650,000 youths (10–24 years of age) on HIV/AIDS prevention improved within the communities of the ten national societies by end of year 2003."

For each objective there are a large number of activities specified. Expected results by end of year 2003 are also specified.

The seven first ones are for example the following:
"• 650,000 youths in the countries have acquired improved knowledge of the nature of HIV/AIDS transmission spread and its control.

• The same youths will have dispelled misconceptions about PLWHA. There will be positive changes towards safer sexual activities and behaviour.

• Condom use will be consistent and increased.

• 300,000 PLWHA and their families empowered to cope with illness at home.

• Level and consistency of care of chronically ill persons within the community increased.

• Increase in social support available to PLWHA and their families within the community.

• Access to support and services to PLWHA and their families increased."

The following indicators are specified:
• Number of respondents who correctly identify means of protection against HIV/AIDS and its transmission.

• Number of youth peer educators trained.

• Number of sexually active youths who have changed behaviour and now negotiate for safer sex.

• Number of respondents who report changing their behaviour and now regularly use condoms.

• Number of care facilitators trained.

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[1] IFRC Appeal 2002–2003 SOUTHERN AFRICA (Appeal 01.16/2002)

- Increase in number of people expressing attitudes of acceptance towards people with HIV/AIDS.

- Number of households with chronically ill patients, who have received training in basic home care and first aid.

- Number of home-based care patients reporting improved quality of life.

- Number of households with chronically ill people who have received "Home-based care kits".

- Number of support groups established and number of people participating in support groups.

- Number of income-generating projects established.

- Number of sessions held in counselling to support PLWHA.

- Number of OVCs involved in support groups and income-generating projects.

- Availability of HIV/AIDS policy within the national societies for staff and volunteers.

- Prominent political and national personalities actively involved in breaking the silence of HIV/AIDS.

- Reduced stigma and discriminatory practices among PLWHA.

- Improved socioeconomic status among PLWHA.

- Availability and implementation of policies on HIV/AIDS at all work places.

- Number of active and trained volunteers in place.

- Number of OVCs referred to other CBOs or government.

- Number of OVCs cared for by families and communities.

- Number of OVCs counselled.

- Number of OVCs receiving support in their education from the national societies.

- Number of PLWHA and OVCs benefiting from food security projects.

- Number of nutrition gardens established.

- Number of food packs distributed to PLWHA and OVCs.

- Number of staff/volunteers who will have gone for V.C.T.

- Number of staff/volunteers who have received psychological and material support from the programme.

- Number of people mobilized by the Red Cross who have gone for V.C.T.

- Number of people counselled.

- Number of post test clubs established".

It may be noted that none of the indicators actually measure the impact.

Under "*Monitoring and evaluation arrangements*" it is said, "*The HIV/AIDS programme is one area which is not very easy to measure success and impact. The questions and the answers people give on their sex lives can, however, give a fairly reliable picture of trends in behaviour over time and this discovery has been helpful. The HIV/AIDS programme will be monitored through the keeping of records, the writing of quarterly reports and annual reports in addition to the annual reports from the national societies. Field visits and observations will be made by the regional HIV/AIDS coordinator. Situation analysis will be done prior to implementation of each programme and questionnaires will be developed to evaluate progress made. It is important to note that evaluations cost time and money, hence it is necessary to develop cost*

effective monitoring and evaluation tools. The areas to be evaluated in this programme are related to prevention *(resources, services, risk behaviour, incidence, supplies, IEC, staff knowledge) and* care *(resources, services, stigma, survival, supplies, IEC, discrimination, quality of life, staff and volunteers, knowledge support (treatment). Prevention interventions should reflect % age of HIV incidence reduction meanwhile the care and support intervention when evaluated should indicate the quality of life for PLWHA. Issues related to stigma are not easy to quantify. However, existence of legislation to protect against discrimination may be used as an indicator for progress made. Most of the prevention interventions will be measured by asking people what they understand about spread of disease e.g. use of condoms and availability of condoms. The monitoring and evaluation tools designed by UNAIDS will be used to facilitate this process.*"

It is obvious that there is a wide gap between the detailed description of activities and lack of concretisation when it comes to monitoring and evaluation.

Appendix X.
Improvement of impact reporting[1]

Impact reporting has been focused in the discussions between Sida and SRC[2]. Therefore our conclusion is that there is a need for clarification on the terminology used by the different parties in order to gain a better understanding on how the impact reporting should be further developed. Consequently we have chosen to elaborate more in detail on this issue in our report in order to present more concrete recommendations.

The reporting from SRC to Sida is to a high degree based on the reports from the Federation. SRC has initiated improvements in the reporting in several ways:

•   SRC has initiated a special project at the Secretariat to improve monitoring and evaluation, supported by Sida

•   Seminars on monitoring and evaluation with participation from the Federation, SRC and Sida

•   SRCs and Sida's participation in TAG, with the aim of further development of indicators for measuring effects of support to capacity development

In our opinion there have been improvements in the reporting from SRC to Sida. However, there seems to be some ambiguity when it comes to what kind of impact reporting Sida wants to have and what is possible to measure.

The negative aspect of the chosen approach (see sub-section 5.2.2) is that the great scopes of programme results are difficult to summarize in a way that fully reflects the totality. Therefore SRC has made an effort to improve the Regional Overviews where the organisation captures and analyses the effects and results of the programmes at national and regional levels.

Our understanding is that there are two main problems in the impact reporting:

1. On what level should the impacts be reported to Sida (project level, programme level, country level, regional level and/or global level)?

2. What kind of impacts should be reported to Sida (process indicators, output indicators, outcome indicators and/or impact indicators)?

Exhibit 3 illustrates the key organizational levels at which performance measurement and management systems may take place within a Federation.

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[1]   The discussion is built upon some of Arne Svensson's books on Results Based Management (1989, 1993 and 1997), Sida's material on LFA, IFRC's Handbook for Monitoring and Evaluation (First Edition, October 2002) and OECD/DAC's review of experience (2000). There are different perspectives of impact assessment depending on purpose. DFID are now introducing a 'Multilateral Effectiveness Checklist'. Learning networks such as ALNAP have shared a lot of experience on impact analysis. See for example ALNAP Annual Reviews 2002 and 2003.

[2]   Protokoll SRK-Sida årsmöte 30 oktober 2001

Exhibit 1: Results Based Management at Different Organizational Levels

Global Level

Regional Level

NS Programme Level
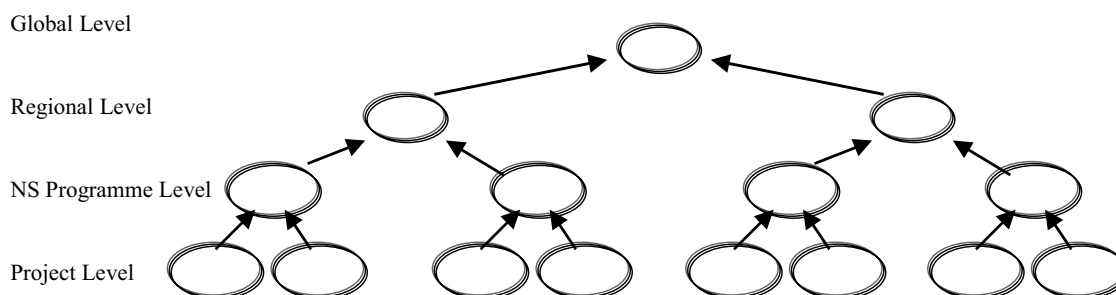
Project Level

The process of performance measurement at the project, programme, country, regional and global level involves the same five elements or phases:

1. Formulating objectives.

2. Selecting indicators.

3. Setting targets.

4. Monitoring performance (collecting data).

5. Reviewing and reporting performance data.

Performance measurement at the project level

Performance measurement at the project level is concerned with measuring both a project's implementation progress and the results achieved. These two broad types of project performance measurement might be distinguished as (1) *implementation measurement* which is concerned with whether project inputs (financial, human and material resources) and activities (tasks, processes) are in compliance with design budgets, work plans and schedules, and (2) *results measurement* which focuses on the achievement of project objectives (i.e. whether actual results are achieved as planned or targeted).

Results are usually measured at three levels — immediate outputs, intermediate outcomes and long-term impacts. Whereas traditionally the implementing organisations and ONS focus mostly on implementation concerns, as they embrace results-based management their focus is increasingly on measurement of results. Moreover, emphasis at the donor and PNS level is shifting from immediate results (outputs) to medium and long-term results (outcomes, impacts).
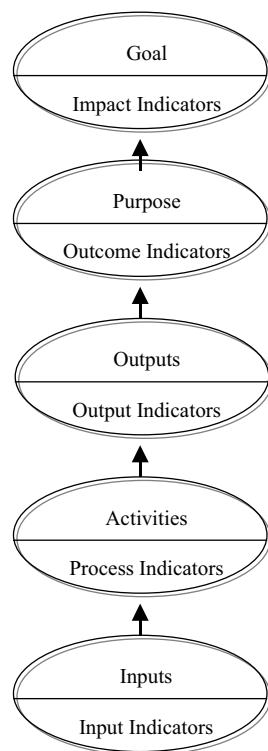
The Project Logical Framework includes:

- displaying the project design logic (statements of the inputs, activities, outputs, purpose and goal)

- identifying the indicators (and sometimes targets) that will be used to measure progress

- identifying data sources or means of verifying progress

- assessing risks or assumptions about external factors beyond project management's control that may affect achievement of results.

Project Hierarchy Levels and Types of Indicators

The planning concept contains a hierarchy of levels that link project inputs, activities, outputs, purpose and goal. There is an assumed cause-and-effect relationship among these elements, with those at the lower level of the hierarchy contributing to the attainment of those above. Thus, inputs are used to

undertake project activities (processes*)* that lead to the delivery of outputs, that lead to the attainment of the project purposes (outcomes) that contribute to a longer-term and broader project goal (impact).

Exhibit 2 Project Hierarchy Levels and Types of Indicators

Goal / Impact Indicators
Purpose / Outcome Indicators
Outputs / Output Indicators
Activities / Process Indicators
Inputs / Input Indicators

The achievement of each level is also dependent upon fulfilment of certain assumptions in the context that may affect its success. While there are no standard definitions for the five hierarchy levels that are agreed to or shared by all, there are certainly similarities among the definitions used. The definitions below attempt to capture some of these common aspects:

Inputs – the financial, material and human resources (e.g. funds, staff time, equipment, buildings, etc.) used in conjunction with activities to produce project outputs.

Activities (processes) – the concrete interventions that project personnel undertake to transform inputs into outputs.

Outputs – the products and services produced by the project and provided to intermediary organizations or to direct beneficiaries (customers, clients). Outputs are the most immediate results of activities.

Purposes (outcomes) – the intermediate effects or consequences of project outputs on intermediary organizations or on project beneficiaries. This may include, for example, their responses to and satisfaction with the services, as well as the short-to-medium term behavioural or other changes that take place among the client population. Their link to project outputs is usually fairly direct and obvious.

The timeframe is such that project purposes or outcomes can be achieved within the project life cycle. Project purposes or outcomes also go by other names such as intermediate outcomes or immediate objectives.

Goal (impact) – the ultimate development objective or impact to which the project contributes. Generally speaking they are long-term, widespread changes in the society, economy, or environment of the partner country. It is often very difficult to attribute impact on this level to specific project activities. They are often not achieved or measurable within the project life, but only ex post. Other names used at this level include long-term objectives, development objectives, or sector objectives.

The term *results* usually apply to the three highest levels of the hierarchy (outputs, purpose, and goal). A *target* specifies a particular value for an indicator to be accomplished by a specific date.

However, reality is often more complex than any model[3]. In reality, there may be many levels of objectives/results in the logical cause-and-effect chain. For example, suppose a HIV/AIDS-project provides media messages about safe sex and supplies subsidized contraceptives to the public. This may lead to the following multi-level sequence of results:

• Contraceptives supplied to pharmacies.

• Media messages developed.

• Media messages aired on TV

• Customers watch messages.

---

[3] See also World Disasters Report 2003

- Customers view information as relevant to their needs.

- Customers gain new knowledge, attitudes and skills.

- Customers purchase contraceptives (or handed out)

- Customers use new practices.

- Contraceptive prevalence rates in the target population increase.

- HIV/AIDS rates are reduced.

- Number of OVCs is decreased

- Population decrease is slowed.

- Higher growth rates in the country

- Social welfare is increased.

Different organisations might take somewhat different approaches when defining outputs, purpose and goal. Rather than think about categories, it might be more realistic to think about a continuum of results, with outputs at one extreme and goals/impacts at the other extreme. Results along the continuum can be conceptualized as varying along three dimensions — time, level, and coverage.

Timeframe: Results range along a continuum from immediate to medium-term to long-term. Outputs are the most immediate of results, while goals (impacts) are the longest-range, with purpose (outcomes) in the middle or intermediate range.

Level: Results also vary along a continuum of cause-effect levels logically related one to the next in a causal chain fashion. Outputs represent the lowest level in the chain, whereas goals (impacts) represent the highest level, while purpose (outcomes) once again fall somewhere in the middle range. Outputs are physical products or services; outcomes are often described in terms of client preferences, responses or behaviours; impacts are generally defined in terms of the ultimate socio-economic development or welfare conditions being sought.

Coverage: At one end of the continuum, results may be described narrowly as effects on intermediary organizations or groups, followed by effects on direct beneficiaries or clients. At the other extreme, the results (impacts) usually are defined as more widespread effects on society. Goals tend to be defined more broadly as impacts on a larger target population whereas purposes (outcomes) usually refer to narrower effects on project clients only.

A challenge of effective performance management is to choose objectives and indicators for monitoring performance that are balanced in terms of their degree of significance and controllability. Alternatively, there is a need to be more explicit in terms of which levels of results project managers will be held accountable for achieving.

Exhibit 3 Performance measurement
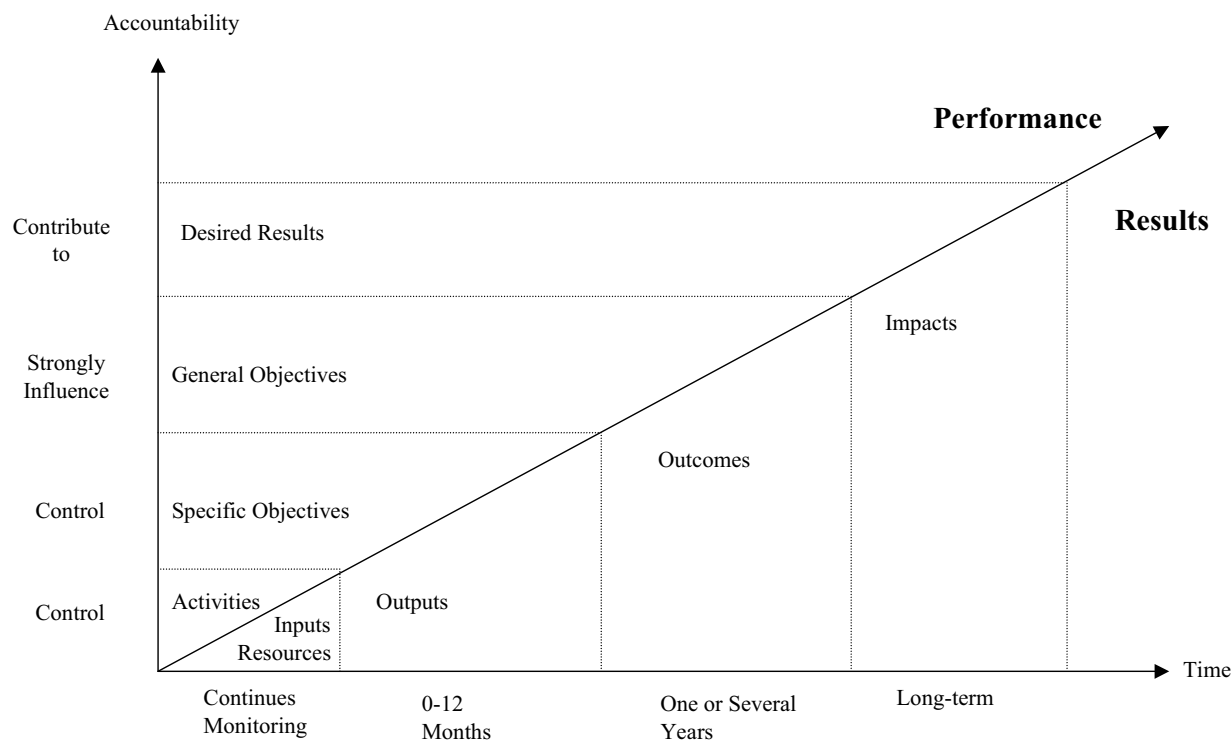
This terminology provides the structure around which performance measures or indicators can be constructed. Different types of indicators correspond to each level of the hierarchy.

Output indicators track the most immediate results of the project — that is, the physical quantities of goods produced or services delivered (number of contraceptives handed out). Outputs may have not only quantity but quality dimensions as well (contraceptives meeting a technical standard). They often also include counts of the numbers of clients or beneficiaries that have access to or are served by the project (examples: number of persons attending a workshop).

Outcome indicators measure relatively direct and short-to-medium term effects of project outputs on intermediary organizations or on the project beneficiaries (clients, customers) — such as the initial changes in their skills, attitudes, practices or behaviours. Often measures of the clients' preferences and satisfaction with product/service quality are also considered as outcomes (percent of clients satisfied with quality of health clinic services).

Impact indicators measure the longer-term and more widespread development changes in the society, economy or environment to which the project contributes. Often these are captured via national sector or sub-sector statistics (examples: reductions in percent of the population living below the poverty line, declines in infant mortality rates).

Indicators on an aggregated (programme) level are generally conceptualised as long-term and significant sector or sub-sector development results. Development objectives differ primarily in perspective as they are viewed more explicitly as the consequence of multiple intermediate outcomes resulting from many different sets of project activities rather than from the perspective of one project. Intermediate outcome indicators on an aggregated level are similar in concept to outcomes from a project but are much more comprehensive. They are inclusive of all outputs from all projects and non-project activities, grouped according to the intermediate outcomes to which they contribute.

The indicators at the very top of the hierarchy are too long-term and broad to be of much use for guiding shorter- or medium term project and non-project activity decisions, and moreover aren't much good for measuring individual project contributions.

More attention should be given to developing good intermediate outcome indicators that are beyond outputs but still can be linked to individual project activities/contributions. A number of levels of intermediate outcomes between outputs and ultimate impact may be needed to adequately demonstrate and measure the cause-and-effect chain.

While taking a comprehensive approach is the ideal, it may create practical difficulties, in terms of keeping M & E reasonably simple.

Exhibit 4 Levels of results

(There may be
Multiple levels
of intermediate
outcomes)
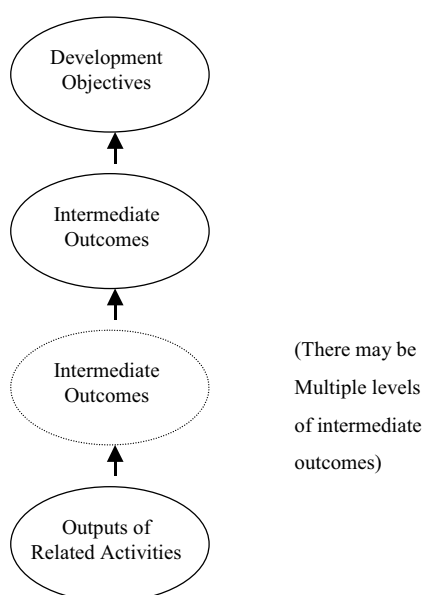
Much of what has been said earlier about selecting indicators at the project level is equally valid at the programme level. On the programme level attention should be given to linking specific project activities to the programme framework (and thus integrating indicators of project outputs, processes and inputs/expenditures within the broader framework).

When measuring the impact and linking it to a certain project or programme it is however important to take into consideration the complexity in the context in which the programme is implemented. Exhibit 5 illustrates some of the key partners and actors that may influence development objectives and intermediate outcomes. Coordination or allocation of responsibilities among partners for achievement of specific intermediate outcomes can take place in this context.

Exhibit 5 Multiple Partners Influence Development Objectives and Intermediate Outcomes
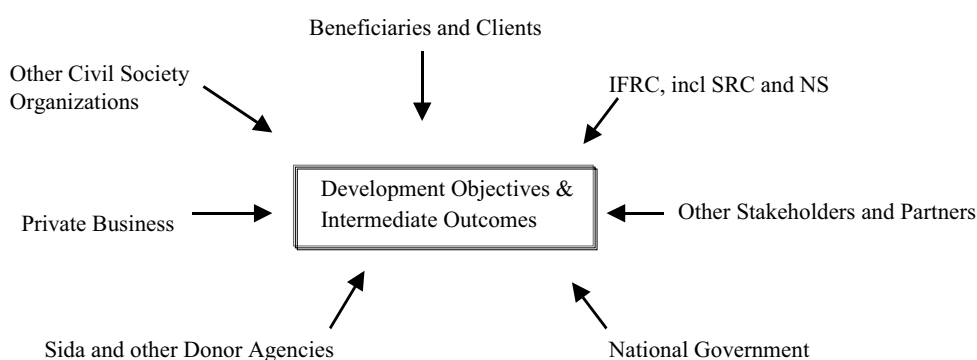
One example: Already in the late 1980s, the SRC supported the Uganda and Mozambique RC HIV/AIDS programme. Learning from these early programmes has influenced the development of policies and strategies guiding the RC/RC Movement in its effort to improve HIV/AIDS-programmes. But is

it possible to trace some of the impacts of the SRC support in the situation today? What is the measurable difference through the SRC-supported interventions?

It is necessary to be clear what is the purpose of the impact assessment – will it be used as a monitoring and accountability instrument or a learning tool. Any monitoring/evaluation visits should tie into existing reporting and monitoring expected from the NS rather than add another layer of work for them. In our opinion, the Federation and thus SRC have the tools for impact reporting, but do not use them in a targeted way.

Recent Sida Evaluations

03/33   **Baltic Agricultural Run-Off Action Programme 1998–2002: Siauliau, Matsalu-Haapsalu and Väinameri Projects**
Tomas Hertzman, Dan Vadjnal, Valts Vilnitis
Department for Central and Eastern Europe

03/34   **Office of the Status of Disabled Persons, OSDP South Africa: Impacts of it's Activities**
Safoora Sadek, Peter Winai
Department for Democracy and Social Development

03/35   **Sida's Support to the Univeristy Eduardo Mondlane, Mozambique**
Tom Alberts, Berhanu Abegaz, Peter Coughlin, GUnnar Jehrlander, Else Skjønsberg, David Wield with the collab. Salomão Manhiça
Department for Research Co-operation

03/36   **Enterprise Development Programmes in Tanzania and Zambia**
Kim Forss, Mikael Lundström, Oliver Saasa, Fortunata Temu
Department for Infrastructure and Economic Co-operation

03/37   **IOM Regional Counter-Trafficking Programme in the Western Balkans**
Carolina Wennerholm, Eva Zillén
Department for Central and Eastern Europe

03/38   **The Swedish Helsinki Committee Programme in the Western Balkans, 1999–2003**
Lars Weiss
Department for Central and Eastern Europe

03/39   **Sida's Program Twinning Cooperation between Municipalities in Sweden and in Countries of the South**
Bo Andréasson, Lennart Königson
Department for Central and Eastern Europe

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Pankaj Kumar, B M Kandpa
Department for Asia

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Department for Latin America

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Dan Hjalmarsson, Carl Fredriksson
Department for Europe

04/02   **Private Sector Development Support in Action: Sida's Approach, Working Methods and Portfolio in Russia and Ukraine**
Carl Fredriksson, Dag Hjalmarsson, Paul Dixelius
Department for Evaluation and Internal Audit

04/03   **Programa de Reforço da Capacidade Institucional (RCI) do Ministério da Educaçaõ em Moçambique 1998–2002**
Karin Schulz, Grayson Clarke, Maria Catela, André Calengo
Department for Democracy and Social Development