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Sida Decentralised Evaluation

NIRAS Sweden AB

Evaluation of the Anti-corruption Work of the Embassy of Sweden, Kampala, 2015–2019

Final Report

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Final Report
May 2019

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The views and interpretations expressed in this report are the authors' and do not necessarily reflect those of the Embassy of Sweden to Uganda or the Swedish International Development Cooperation Agency, Sida.

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Abbreviations and Acronyms

AP	Agreement partner
DGF	Democratic Governance Facility
DP	Development partner
EU	European Union
HoC	Head of cooperation
HQ	Headquarters
INGO	International non-governmental organisation
IP	Implementing partner
IRMG	International Risk Management Group
LDPG	Local Development Partner Group
NGO	Non-governmental organisation
PDG	Partners Group for Democracy and Good Governance
Sida	Swedish International Development Cooperation Agency
ToR	Terms of reference
UGX	Uganda Shillings
UN	United Nations
UNICEF	United Nations Children's Fund

Foreword

Sida commissions external evaluations for learning as well as accountability purposes. Publication of these evaluations are important for transparency in Swedish development cooperation and for making lessons learned available to a broader audience.

In 2015, the Embassy of Sweden in Kampala increased its focus on financial follow up of Swedish development cooperation projects. Efforts were made to better understand partners' financial management processes in practice, with the aim to more effectively prevent, identify and investigate any suspicion on irregularities. In order to conclude lessons learned from these efforts, as well as to capture reflections from agreement partners, the Embassy procured an external evaluation. Results from the evaluation will feed into the Embassy's and Sida's overall work to continuously improve anti-corruption and contribution management processes. In the joint Management Response by the Embassy of Sweden in Kampala and Sida, it is outlined that Sida has processes in place for preventing, identifying and managing corruption and other types of irregularities, and is continuously improving ways of working. Examples of actions from the Management Response that will be considered going forward include to give additional support to Embassies how to conduct effective on-sight visits as an important aspect of the financial follow-up, ensure continuous capacity development for all staff, build in certain controls in existing processes to institutionalize lessons learned from corruption cases and increase efforts to liaise with other development partners for improved coordination and information exchange. Most actions as suggested in the Management Response are aimed to be implemented during 2020.

Sensitive information presented in the evaluation team's final report to the Embassy, where names and organizations can be identified directly or indirectly, have been omitted in this publication for data protection purposes. Changes in relation to the Consultant's report, as well as Sida's comments to certain facts, have been indicated in footnotes 7, 8, 24 and 27.

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Executive Summary

Despite a strong anti-corruption legislative framework, Uganda is widely regarded as having high levels of corruption in all its forms and amongst both government and non-governmental actors. Given the context in which it operates, the Embassy of Sweden in Kampala ('the Embassy') has taken various steps to identify, uncover and prevent corruption in programmes supported by Swedish funding. These efforts have increased significantly in the period 2015-2019, with high levels of mismanaged funds identified and recovered, and various means implemented to limit the opportunities for corruption and prevent it from occurring. Nonetheless, challenges remain and the Embassy continues to seek insight and solutions to identify and deal with fraud, corruption and related offences to assist it putting in place better control mechanisms to improve processes within the Embassy, and that could be shared with Sida headquarters, other Swedish embassies, and other development partners (DPs). The current report thus considers the anti-corruption efforts of the Embassy in the period 2015-19, the impact this has had on the Embassy and its agreement partners, and what could be done to increase the relevance efficiency, effectiveness and sustainability of the Embassy's anti-corruption work.

Sida has a zero-tolerance to corruption and has made significant efforts to prevent corruption and the misuse of Swedish funds in all the programmes and projects it supports. In line with Sida principles, the Embassy has increasingly focused on anti-corruption actions and activities to deal with corruption and the mismanagement and misuse of Sida funding during the period under review. These efforts have included joint monitoring visits by controllers and programme officers, spot checks of agreement and implementing partners; developing checklists for on-site visits; new clauses for contracts to allow for better control of funds; an increased focus on due diligence and the preparatory phase, including in-depth budget analysis; attending entry and exit meetings for audits; and increased financial report analysis. Efforts have also been made to increase coordination amongst like-minded donors, such as the EU controller network and a March 2019 workshop with like-minded donors facilitated by the U4 Anti-Corruption Centre, and to support and work with the recently established International Non-Governmental Organisation (INGO) International Risk Management Group (IRMG).

All of the efforts undertaken by the Embassy are **highly relevant** given the context in which the Embassy operates, and are completely in line with Sida's approach to anti-corruption, Sweden's Strategy for Development Cooperation with Uganda 2018-2023, and the Government of Uganda's own Zero Tolerance to Corruption Policy 2018. The Embassy's approach has been adapted over the evaluation period based on lessons learned, which has helped to make the efforts more relevant over time. The main concern raised by many of those consulted is that there is somewhat of a 'one-size-fits-all' approach, where all funds misused or mismanaged are sought to be

recovered from APs where they are not verified and backed by supporting documentation¹, even in cases where there is only a suspicion of misuse or mismanagement rather than actual evidence or where the expenditure is inadequately supported. Although the Embassy's approach is in line with headquarters (HQ) rules and policies, under which all ineligible funds must be recovered, the relevant rule² also contains a provision that funds must be recovered (or efforts made to recover them) unless there are special reasons to the contrary. What constitutes 'special reasons' is not defined and it is left to the Head of Cooperation (HoC) at Embassies to decide (in consultation with HQ). A further difficulty arises where there is only a suspicion that funds were misused or mismanaged. Proving that the funds were actually misused may be difficult should the matter be subjected to arbitration – in which case, Sida would find itself in the situation where it either has to abandon part or all of its claim or lose the arbitration, both of which carry reputational risks. There is no doubt that where funds have been corruptly used or stolen, or where they have been used for clearly ineligible expenses, these should be recovered. But, given that there is some flexibility in Sida's rules, relevance (and efficiency and effectiveness) could be improved if guidance were provided to HoCs and controllers on how to deal with particular kinds of circumstances and/or what type of evidence is sufficient to confirm a suspicion. This would also be in line with the more 'scaled' approach suggested at the recent U4 Workshop in Uganda, including incentives (support) when transgressions are first noticed or where they are 'less serious', and disincentives (sanctions) where it is clearer that fraud, theft or corruption has occurred.

The Embassy has been very **effective** when it comes to both recovering funds and introducing preventative measures and approaches. And, based on lessons learned, the increased focus on anti-corruption has led to revised and better processes and ways of working within the Embassy. But given the high levels of abuse of funds and the fact that these are regularly uncovered when in-depth monitoring is performed, the increased focus has also increased the amount of time and effort required from the Ambassador, HoC, controllers and programme officers to identify and deal with cases of corruption, which has the potential to impact on their ability to perform their other responsibilities. Effectiveness would be improved by a more scaled approach that distinguishes between different types and levels of misuse / mismanagement / corruption and has corresponding courses of action, which would also allow more time and effort to be dedicated to vigorously pursuing clear-cut cases of fraud, corruption or theft and that sanctions are proportionate to the offence. A more formal focus on risk management and a possible change in the way funds are disbursed (with lower, bi-annual disbursements to those partners where the risk is greater) would also help to increase effectiveness. At the same time, the Embassy is increasingly working together with others, including like-minded donors and the Democratic Governance Facility, and has led the creation of an EU controller network – all of which helps

¹ In line with the agreements signed with partners.

² Rule for Managing Contributions: 3.5 §.

controllers to learn from each other, to reduce the burden on the Embassy and to share the load with others. Based on key lessons learned, an increased focus on building the capacity of boards of local NGO partners and continuing to focus significant effort on due diligence during the appraisal process will also help to minimise opportunities for corruption and increase the effectiveness of the Embassy's corruption prevention work. In addition, while controllers are provided with support from Sida HQ, less written guidance is available for HoCs when it comes to deciding on how to proceed when misuse of funds is uncovered. And while a whistle-blower facility is available on the Embassy's webpage, linked to the whistle-blower facilities at Sida HQ and the Ministry of Foreign Affairs, little has been done to raise awareness of the facility amongst partners.

Efficiency is enhanced by the Embassy's increased focus on prevention, particularly when compared to the costs of recovery of funds and the cost to Sida and the Embassy of inaction when it comes to misused funds – even though it is somewhat impossible to quantify how much money is actually saved by focusing on prevention. Nonetheless, it can be safely assumed that the cost of prevention is significantly outweighed by both the costs in terms of investigation and recovery. The costs of inaction are also potentially high:

- Whenever funds are lost to unintended purposes, fewer activities will be conducted, and fewer outcomes and results will be achieved.
- The reputational risk, and the potential costs related thereto for both the Embassy and Sida generally are also high if the Embassy or Sida be perceived as weak on corruption.
- Certain types of programmes (such as those allowing forwarding of funds to smaller NGOs) might also be avoided by the Embassy if the risks related to them are regarded as too high, which in turn may also include a 'cost' in terms of people (not) reached and results (not) achieved.

At the same time, the Embassy has only two controllers and limited capacity to deal with the high levels of misuse of funds. Although programme officers would benefit from training on how to spot 'red flags' to refer to controllers, and while some programme officers agreed that better financial management leads to better results and appreciated the support controllers provide, not all agreed. Around half of programme officers at the Embassy were of the opinion that focusing on financial management detracts from their focus on results and can lead to strained relationships with partners and diminished capacity of partners to achieve results. Efficiency might also be significantly enhanced by creating a 'support facility' programme – funded by the Embassy alone or jointly funded with other donors, or included in a contract with a firm of auditors – to **assist** the Embassy (and other donors) when it comes to financial management and monitoring. Alternatively, funds could also be included in APs' budgets to contract assistance in fraud and corruption risk management, procurement etc. ideally, as a project cost rather than coming out of the overhead.

The increased focus on anti-corruption has had an **impact** on both partners and the Embassy itself. Audits take a lot of time as do the processes to recover misused funds. Grants are often suspended during these processes (although fixed costs such as

salaries might still be provided), and some contracts have been cancelled, which impacts both on the partners' and the Embassy's ability to achieve the desired results. In some cases, smaller IPs that rely exclusively on sub-granted Sida funds are forced to close or to curtail activities, all of which impacts on final beneficiaries. While all of those consulted understood the need for the Embassy to ensure taxpayers' funds are properly utilised, and that better financial management can be expected to lead to better outcomes and results, relationships with agreement partners where problems have been identified are understandably severely strained. At the same time, there are many positive outcomes as a result of the Embassy's anti-corruption approach and it can be assumed that many opportunities for corruption have been eliminated. In turn, the ability of partners to achieve results is enhanced when corruption is avoided. Furthermore, the efforts of the Embassy in preventing corruption have led to better financial management amongst APs and IPs.

While the Embassy's efforts to prevent and uncover corruption are highly regarded, including by Sida HQ, there is a risk that these will not be **sustainable** unless steps are taken to institutionalise these within the Embassy and at HQ level.

Recommendations

Sida HQ

- It is recommended that Sida HQ consider developing a practical 'how to' guideline and/or training for HoCs and controllers on when deviations to the general rule in the Rule for Managing Contributions (3.5) that all misused funds be recovered might be considered. To assist in this, it is also recommended that research is conducted into what 'best practice' exists amongst other Development Partners for when deviations are allowed that would inform the guideline or training to be developed.
- As a general recommendation, Sida HQ should consider increasing its capacity to provide additional hands-on support, advice and assistance to all Embassies in the fight against fraud and corruption.
- Sida HQ should consider developing a guideline and training for HoCs on how to manage cases, the negative consequences that might flow from action or inaction, and how to work as a team with controllers (as part of, or as a separate guideline to the recommendation above).
- Sida HQ should consider developing a training programme for controllers and HoCs on how to conduct a corruption investigation.
- Sida HQ should consider further investigating what groups already exist at HQ level and analysing how such groups, including the World Bank coordinated Network of International Audit and Integrity Group, could best be used to increase coordination and cooperation in tackling and preventing fraud and corruption.
- Sida HQ should conduct visits and inspections to every Embassy at least every five years, and perhaps more frequently to those where risks of fraud and corruption are greater.

- Although some training is provided by HQ to programme officers on how to identify possible cases of mismanagement or misuse of funds ('red flags'), such training is voluntary. A more formal training programme should be considered by HQ for programme officers on identifying mismanagement and misuse of funds that should be provided to all programme officers.
- Sida HQ should consider the possibility of providing additional financial management staff and/or controllers to the Embassy, and to other Embassies operating in similar high-risk countries.
- In consultation with the Embassy and other Embassies in the region, Sida HQ should consider what additional support might be provided to the Embassy to institutionalise procedures and processes developed and improved by the Embassy in the work and processes of all Embassies through, amongst other things, further development of systems and procedures, training, the development of guidelines and practical guides, and including on-site financial visits in the job-descriptions of controllers.

Embassy

- Until such time as a guideline is developed by Sida HQ on when deviations from the standard Sida approach should be considered, it is recommended that the HoC, in consultation with HQ, give consideration to a broad range of factors (including strength of evidence; reoccurrence; recovery costs; relative size of the misused funds compared to the total size of the grant; organisational impact; potential for capacity building or other available options; effect on target groups; and possibilities of settling the claim more speedily if circumstances allow) in deciding how to proceed in cases where there is no clear cut evidence of fraud or corruption to allow for more flexibility and scaled approaches depending on the circumstances.
- While risk analysis of partners is conducted by the Embassy, the most recent process has yet to be finalised. It is therefore recommended that the Embassy conduct a thorough risk analysis each year, guided by the Sida Director General's 'Principle for Risk and Materiality Analysis and Resource Allocation for Internal Control'.
- To reduce risk, the Embassy should consider changing the way in which funds are disbursed with the most trusted partners receiving annual allocations in advance, but with bi-annual allocations to high-risk partners.
- The Embassy's discussions, coordination and collaboration with other DPs on conducting joint audits, joint monitoring, jointly contracting third-party monitoring services, and joint risk assessments should continue.
- The Embassy should develop a training programme for board members of local NGOs and should require boards to establish Financial Management Committees as part of their agreements with the Embassy. The Embassy should also consider including funds in APs' budgets for purchasing accounting packages and training for IPs to which they will be providing grants.

- The Embassy should continue discussions with IRMG as to how Sida (and other DPs) could support them and in which areas.
- The Embassy should take steps to raise awareness of the whistle-blowing facility amongst APs and IPs.
- Based on further discussions with HQ and other DPs, the Embassy should consider establishing a ‘programme’ within the Embassy, possibly supported by other donors, to provide assistance to the Embassy and APs in conducting due diligence, checking proposed budgets, ensuring boards and partners understand their obligations, conducting annual risk analyses, assisting partners with procurement, monitoring and spot-checks, assisting APs with financial monitoring, and training programme officers on how to identify red flags.
- Should such a programme not be possible, it is recommended that funds be included in the budgets of APs to contract assistance in fraud and corruption risk management, procurement etc. as a project cost rather than coming out of the overhead of the AP.
- Recognising that the Embassy’s approach has ‘softened’ over time, it is nonetheless recommended that more trust be shown in APs in line with the ‘partnership approach’: rather than starting from a position that corruption can be assumed, the approach should be to first identify problems and to discuss these with APs to see if they can be resolved.

Local Development Partner Group

- The Local Development Partner Group should consider requesting UNICEF to share its research and rates with all DPs for the controllers, with the support of HQ, to use to develop a draft common assessment tool for all DPs to use in assessing budgets and financial reports from partners and/or to discussing with the INGO IRMG as to how such rates could be used or agreed to by its members.

1 Introduction

1.1 BACKGROUND

Transparency International's 2018 Corruption Perceptions Index ranks Uganda 149th out of 180 countries and territories, with a score of 26 – a marginal improvement from its score of 25 in 2015, when it was ranked 139th. Corruption in Uganda is characterised by grand scale theft of public funds and petty corruption involving public officials at all levels of society as well as widespread political patronage practices. Corruption studies indicate that the most corrupt institutions include the police, judiciary and procurement entities³. Uganda's anti-corruption legal framework is strong, but effective implementation and enforcement of the law is widely regarded as weak⁴. According to a U4 Anti-Corruption Resource Centre report, the Government of Uganda itself acknowledges that 'corruption is one of the main challenges facing the country. But recent developments have raised questions on the government's political will to address it. Several reforms, laws and new institutions to fight corruption have been established. However, in spite of recent investigations and corruption trials, an effective enforcement of the laws in place is still lacking'⁵.

Given the context in which it operates, the Embassy of Sweden in Kampala ('the Embassy') has taken various steps to identify, uncover and prevent corruption in development cooperation supported by Swedish funding. These efforts have increased significantly in the period 2015-2019, with high levels of mismanaged funds identified and recovered, and various means used to limit the opportunities for corruption and prevent it from occurring. Nonetheless, challenges remain – including:

- The burden created for the Embassy by the high volume of cases;
- The amount of time taken to investigate and finalise cases, which creates pressure on programme officers, controllers and management;
- A slow, unresponsive and/or ineffective criminal justice system;
- Delays caused by investigations that impact negatively on projects' and programmes' ability to achieve their results; and
- The difficulties, cost and time taken to recover misappropriated or mismanaged funds (if at all), especially when these have already been spent.

³ For example, nearly half of Ugandans in 2017 perceived the Judiciary to be corrupt (https://www.transparency.org/news/feature/global_corruption_barometer_citizens_voices_from_around_the_world) while three-quarters perceived the police to be corrupt in 2015 (Uganda Bureau of Statistics, National Service Delivery Survey, 2015).

⁴ Key legislation includes the Anti-corruption Act 2009, Penal Code, Inspectorate of Government Act 2002, the Public Finance Management Act 2015 and Leadership Code Act 2002.

⁵ <https://www.u4.no/publications/uganda-overview-of-corruption-and-anti-corruption>

The Embassy continues to seek insight and solutions to identify and deal with fraud, corruption and related offences to assist it putting in place better control mechanisms that could be shared with Sida headquarters, other Swedish Embassies, and other development partners (DPs).

1.2 OBJECTIVES

According to the terms of reference (ToR) for the assignment (Annex 1), the **evaluation object** is the specific efforts the Embassy has taken to identify and prevent corruption from happening in development cooperation programmes, largely through an increased focus on financial analyses and monitoring. The **overall objective** is two-fold:

- a) To understand what effects the initiatives of a stronger focus on anti-corruption/financial follow up have led to, both from an internal perspective at the Embassy; as well as for agreement partners and other stakeholders.
- b) To provide recommendations on how the Embassy and/or Sida could continue working with these areas from a strategic perspective with a focus on prevention, which will include ideas for good practices/activities to focus on within the anti-corruption area.

1.3 EVALUATION PERIOD AND SCOPE

According to the ToR, the evaluation period is 2016-2018 and includes approximately eight programmes that have been subject to in-depth financial assessments. However, some of the cases shared with the team include those where problems were identified in 2015 and those where decisions are still being reached and actions still being implemented during 2019. In one case, two audits were carried out and two decisions reached, while in another, the investigations and case files relate to two implementing partners falling under the same agreement partner. Nonetheless, all of these have been included in the current evaluation, which really covers the period **2015-2019** as a result.

1.4 METHODOLOGY

The evaluation began with a **start-up meeting** (via videoconference call) with the Embassy on 13 March 2019, followed by an **inception phase** during which the process of reviewing all available documents, including 10 case files and decisions, began⁶ and the inception report was prepared and finalised⁷. The **data collection phase** began with an on-site mission to Uganda from 9-17 April 2019, followed by a

⁶ The list of documents consulted is included in Annex 2.

⁷ The inception report was approved on 29 March 2019, see Annex 3. *Sida comment: This Annex has been removed in order to protect individuals and organization from being identified directly or indirectly.*

series of telephone and teleconferencing interviews with Sida headquarters (HQ) and representatives of agreement partners based outside of Uganda⁸.

Given that senior staff at the Embassy would not be available after 16 April 2019, a **feedback/validation** meeting was held with the Embassy on 15 April during which the team presented their preliminary observations to that point. The **draft report** was then prepared and submitted on 2 May 2019. A presentation of the draft report, main findings and recommendations was made to the Embassy via videoconference on 16 May 2019 with a further presentation on main conclusions made to the Development Cooperation team on 28 May 2019. Based on comments received during the presentation, and written comments submitted thereafter, the report was revised and finalised and the **final report** submitted on 17 May 2019.

1.5 LIMITATIONS

The major limitation identified in the Inception Report was the limited time and budget available, especially given the fact that some of the evaluation questions in the ToR are broad and could be the subject of much lengthier analysis and evaluation on their own. To address these challenges:

- Face-to-face interviews and roundtable discussions were limited to those based in Kampala.
- Additional interviews were held via telephone or teleconferencing with Sida HQ and others outside of Uganda after the on-site visit.

Nonetheless, the team would have been able to produce more categorical and empirically valid conclusions if more time had been allowed. This was discussed and understood during the initial start-up meeting at which it was agreed that the team would do its best in the available time and would identify where further study, consultation or thought might be required by the Embassy and/or HQ as appropriate.

A further challenge related to the fact that at least one of the agreement partners⁹ has challenged the Embassy's findings and has stated that the Embassy will need to submit the case to arbitration. The case is thus the matter of an ongoing legal dispute and it was inappropriate for the team to consult the partner prior to the matter being resolved. Other than that, all of the APs agreed to make themselves available for interviews, even where adverse findings had been made against them, and, to provide a balanced view, the team was also able to interview four partners that have been subjected to the Embassy's rigorous processes, but where no impropriety has been found.

Finally, while the team considered the majority of the cases dealt with by the Embassy in the period under review and consulted all but one of the organisations

⁸ A list of all those consulted is included in Appendix 4. *Sida comment: For data protection purposes this appendix has been removed in the publication of this report.*

⁹ As confirmed in discussion with the Embassy, the names of relevant partners have not been mentioned in any reports.

that were involved in adverse findings, this was primarily to provide insight and to determine what lessons can be learned from them and cases are not assessed or examined individually in the report. In addition, auditors' reports are voluminous and would have require significant amounts of time to read in-depth. Doing so would have created a further limitation, but this was resolved by the Embassy's agreement to provide the team with all key findings or comments included in the reports that were not already reflected in the summaries of cases provided. Although this might be seen as compromising the objectivity of the evaluation, all of the findings and comments elicited were verified with the relevant partners and, other than disputing some of the actual findings in the audit reports, the summaries of the facts provided to the team were verified.

1.6 EVALUATION TEAM

The evaluation team was made up of:

- Greg Moran, Team Leader.
- John Max Bwetunge, Specialist on Financial Management and Anti-corruption.

2 Overview

Sida has a zero-tolerance to corruption and has made significant efforts to prevent corruption and the misuse of Swedish funds in all the programmes and projects it supports. For example, Sida HQ's electronic contribution management system (TRAC) for controllers, programme officers and programme administrators includes a detailed set of help texts covering, inter alia, where, when and how to identify and prevent corruption at all stages of a contribution process, from planning the appraisal to completing the contribution. In addition, numerous short, plain-language help texts have also been developed by Sida, including checklists for audit processes, budget requirements, disbursements, and financial follow-up. A checklist for Sida partners on budget and financial reporting has also been developed by Sida to assist partners in complying with financial reporting requirements, which helps prevent corruption by removing opportunities for partners to claim they did not know what is required.

During the period under review, the Embassy has increasingly focused on anti-corruption actions and activities to deal with corruption and the mismanagement and misuse of Sida funding. This increased focus coincides with the current controller's arrival at the Embassy in 2015 and the work of the controller and then Head of Cooperation's initial efforts to identify gaps in the way in which financial monitoring was being undertaken. Based on a risk assessment undertaken by the Embassy, Controllers began joining programme officers on field visits to programmes to focus specifically on financial management and systems of agreement partners (APs). For those APs whose grants allowed for the forwarding of funds to smaller non-governmental organisations (NGOs) as implementing partners (IPs), spot checks were also conducted with selected IPs. These monitoring visits and spot checks unearthed a range of financial irregularities from weak procurement systems and suspicious transactions, to outright corruption and theft of Sida funds.

Although all of the programmes had been regularly audited by auditors appointed by the relevant AP, discrepancies and weaknesses were identified with audit reports and, as a result, and in line with contracts that allow Sida to conduct their own audits, external auditors were contracted to conduct in-depth investigations into selected APs and IPs. Based on the Embassy's finding, supported by the auditors' findings and recommendations, processes were introduced to recover misused funds and to specifically prevent opportunities for corruption from occurring – such as financial monitoring visits to agreement and implementing partners and new checklists for on-site visits; new clauses for contracts to allow for better control of funds; an increased focus on due diligence and the preparatory phase, including in-depth budget preparation and analysis; attending entry and exit meetings for audits; and increased

financial report analysis¹⁰. Efforts have also been made to increase coordination amongst and collaboration with like-minded donors, such as the EU controller network and a March 2019 workshop with like-minded donors facilitated by the U4 Anti-Corruption Centre¹¹, common fraud risk awareness training for staff, and to support and work with the recently established International Non-Governmental Organisation (INGO) International Risk Management Group (IRMG).

¹⁰ At least some of these changes were based on lessons learned by other DPs and the Democratic Governance Facility (DGF), a multi-donor pool fund to which Sida also contributes.

¹¹ From 25-27 March 2019, DPs, INGOs, local NGOs, Government representatives, multilaterals and other stakeholders met for three days to discuss corruption within civil society, and what could be done to address it. The workshop was facilitated by the U4 Anti-Corruption Centre of the Chr. Michelsen Institute in Norway – a donor-funded centre that promotes a better understanding of anti-corruption issues and approaches in international development. The workshop is referred to in various places of the current report as ‘the U4 workshop’.

3 Findings - Relevance

Evaluation question:

How relevant are the anti-corruption efforts undertaken by the Embassy (and others), given the context within which development partners and implementing partners operate in Uganda (including the legal, civil society, and political situation), Sida headquarters' approach to anti-corruption and efforts conducted by other Embassies in the region¹²?

3.1 RELEVANCE AT START OF PERIOD AND OVER TIME

The Embassy's increased focus on financial monitoring, management and recovery of misused funds is completely in line with Sida's approach to anti-corruption, Sweden's Strategy for Development Cooperation with Uganda 2018-2023¹³, the Government of Uganda's own Zero Tolerance to Corruption Policy 2018, and the context in Uganda. As such, the efforts undertaken by the Embassy are highly relevant. Having controllers participate in conducting field visits and spot checks of APs and IPs and following up with external investigations and audits are particularly relevant, especially in a context where few cases are reported by whistle-blowers and audits conducted by APs most often do not identify or raise the issues that on-site visits and external reviews uncover. These also serve to make partners aware that they are being watched closely, that mismanagement of funds will be uncovered, and thus help to prevent or reduce opportunities for corruption.

The Embassy's approach has been adapted over the evaluation period based on lessons learned, including a more conciliatory approach with agreement partners when problems are initially identified, which has helped to make the efforts more relevant over time. The approach followed by the Embassy is regarded by many of those consulted as best practice and, according to HQ staff consulted, the Embassy is reportedly more active than other Swedish Embassies in the region even though corruption levels in some countries in the region are also high. The Embassy has, as a result, gained a great deal of practical experience over the years from which both other Embassies in the region and Sida HQ could benefit (noting that the experiences of the Embassy have already been used to inform two guidelines – budget analysis and how to conduct a monitoring visit – developed by Sida HQ). For example, help texts in Trac for controllers still lack practical, real-life advice on how to conduct a

¹² As described by Sida HQ staff.

¹³ Which states (at page 7) that all Swedish-supported activities in Uganda should contribute to strengthened capacity to fight corruption in society.

field mission, what to look for, how to assess financial reports and so on that would benefit from a documentation of the Embassy's experience.

3.2 THE NEED FOR A SCALED APPROACH

The main concern identified by respondents during the evaluation is that there is somewhat of a 'one-size-fits-all' approach, where all funds misused or mismanaged are sought to be recovered from APs even in cases where there is only a suspicion of misuse or mismanagement rather than actual evidence or where the expenditure is inadequately supported. As can be seen from the graphic below (Figure 1), fraud and/or suspicions of fraud constitute 32% of irregularities, while inadequately supported expenditure amounts to almost half (49%). While it is accepted that suspicions of fraud are often well founded, actual cases of fraud listed in the case files provided to the evaluators are few. Similarly, while there is no doubt that many expenses that are inadequately accounted for may well include cases of theft, fraud or corruption, there is insufficient evidence to support a finding of fraud or corruption and some expenses may well have been legitimately incurred despite the fact that accounting for them is inadequate.

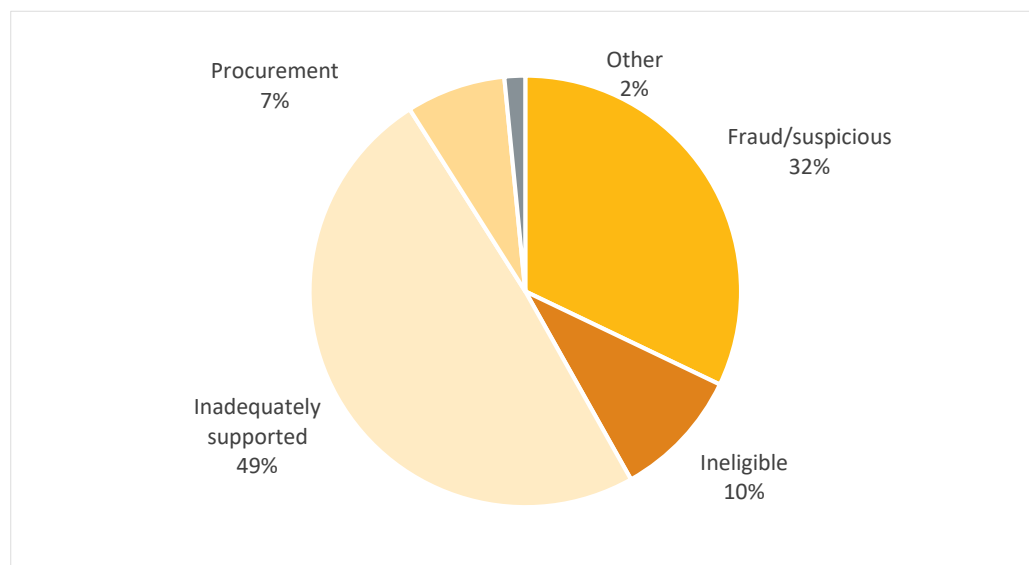


Figure 1: Types of irregularities. Source: Coordination and Anti-Corruption in Uganda

The Embassy's approach is clearly in line with HQ rules and policies, under which all unsupported funds, including those involving suspicious transactions or where there are suspicions of fraud, must be recovered. However, the relevant rule also contains a provision that funds must be recovered (or efforts made to recover them) unless there

are ‘special reasons to the contrary’¹⁴. What constitutes ‘special reasons’ is not defined and it is left to the Head of Cooperation (HoC) at Embassies to decide (in consultation with HQ), whereafter the relevant Head of Department at HQ¹⁵ must be informed of the decision and the special reasons on which it was based¹⁶.

Terms such as ‘special reasons’ are often included in rules to allow flexibility and for each case to be determined and decided on its own merits. However, they also have the potential to lead to different decisions even when the circumstances are similar, or to different HoCs in different Embassies defining the terms differently. As a result, some form of guidance can help to avoid confusion and lead to more consistent and fair decision-making. It should also be remembered that, where such terms allow for deviations from the rule in certain circumstances, it is incumbent on decision-makers to consider whether or not there are special reasons for deviating from the rules in each and every decision that they make. In deciding whether a deviation from the standard approach is justified, various factors might be considered by HoCs. Some of these, based on the evaluation teams’ own assessment, might include:

- Strength of evidence: The level of suspicion and the evidence giving rise to it.
- Reoccurrence: Whether similar infractions have occurred in the past.
- Recovery cost: The amount of money involved versus the cost of recovery (including the cost of inaction).
- Relative size: The amount of money versus the size of the total grant.
- Organisational impact: The impact of delays and any repayment of funds on the organisation.
- Potential for capacity building: The degree to which measures such as training or technical assistance might help to prevent future infractions.
- Other options: The nature of the organisation and whether other options for achieving the desired results exist.
- Effect on target groups: The potential impact on the ultimate beneficiaries – Ugandans.
- Whether or not the case could be more speedily dealt with if a settlement could be reached, provided there are ‘special reasons’ for settling the amount to be repaid.

A further difficulty with the current approach are the cases where there is only a suspicion that funds were misused or mismanaged. Proving that the funds were actually misused may be difficult should the matter be subjected to arbitration – in which case, Sida would find itself in the situation where it either has to abandon part or all of its claim or lose the arbitration, both of which carry reputational risks.

¹⁴ Rule for Managing Contributions, 3.5 § on page 12. The rule states: ‘When a breach of the agreement due to corruption, improper use of funds or other irregularities is detected, Sida shall demand repayment of any amount that has not been used for agreed purposes, unless there are special reasons to the contrary’ (emphasis added).

¹⁵ For Uganda, the Head of the Department for Africa.

¹⁶ ‘Hantera misstankar om korruption och oegentligheter’, Aktivitet 4, page 14.

Should HQ decide not to proceed with an arbitration on the basis that it is not certain of winning the case, the danger exists that word would get out that Sida do not follow up threats of arbitration, which could result in organisations simply deciding not to repay and to put Sida to the test.

There is no doubt that where funds have been corruptly used or stolen, or where they have been used for clearly ineligible expenses, these should be recovered. But, given that there is some flexibility in Sida's rules, relevance (and efficiency and effectiveness) could be improved if guidance were provided to HoCs and controllers on how to deal with particular kinds of circumstances (such as minor expenditure on office repairs that are prohibited in contracts with the Embassy) and/or what type of evidence is sufficient to sufficiently confirm a suspicion in case matters eventually need to be submitted to arbitration. For example, when there are only one or two suspicious transactions (as opposed to hundreds of similar transactions), the fact that only one or two have occurred may be insufficient to prove that actual fraud or misuse of funds has occurred. In such a case, a warning to the organisation that they are being watched and that serious consequences, including cancellation of the grant, might follow if funds are used in that way again might suffice. On the other hand, if funds are properly managed and no similar problems occur, the grant would continue and the organisation would be well-placed to receive further grants in future. This would also be in line with the scaled approach suggested at the recent U4 Workshop in Uganda, including incentives (support) and disincentives (sanctions) matched to the type of problem encountered (as illustrated in Figure 2).



Figure 2: Pyramids of support and sanctions. Source: John Braithwaite¹⁷.

While not all of the options presented would suit Sida or the Embassy (for example, awards to NGOs), a scaled approach would help to prevent situations arising.

¹⁷ <http://johnbraithwaite.com/responsive-regulation/pyramid-of-supports-sanctions/>

3.3 RECOMMENDATIONS

Sida HQ

- It is recommended that Sida HQ consider developing a practical ‘how to’ guideline and/or training for HoCs and controllers on when deviations to the general rule in the Rule for Managing Contributions (3.5) that all misused funds be recovered might be considered. To assist in this, it is also recommended that research is conducted into what ‘best practice’ exists amongst other Development Partners for when deviations are allowed that would inform the guideline or training to be developed.

Embassy

- Until such time as a guideline is developed by Sida HQ on when deviations from the standard Sida approach should be considered, it is recommended that the HoC, in consultation with HQ, give consideration to a broad range of factors (including strength of evidence; reoccurrence; recovery costs; relative size of the misused funds compared to the total size of the grant; organisational impact; potential for capacity building or other available options; effect on target groups; and possibilities of settling the claim more speedily if circumstances allow) in deciding how to proceed in cases where there is no clear cut evidence of fraud or corruption to allow for more flexibility and scaled approaches depending on the circumstances.

4 Findings - Effectiveness

Evaluation questions:

- To what extent have efforts by the Embassy led to an increased prospect of preventing corruption from happening in development cooperation programmes in the future? If they have not led to an increased possibility of preventing corruption, what is lacking?
- What effects have the efforts had on the Embassy, Sida and agreement partners, related to: (a) lessons learned, including any shifts in how programme implementation is designed; (b) internal working environments; (c) revised processes and ways of working; (d) relationship with implementing partners, capacity building and other potential effects; € how increased focus on internal control perspectives have affected the programme?
- How effective (and efficient) is it for the Embassy to focus on all types of corruption and mismanagement of funds? Should efforts only focus on the more serious types of corruption and mismanagement, or should all types be addressed?
- To what extent can effectiveness (as well as greater impact and sustainability) be increased through collaboration / joint strategies and approaches with others (including the EU, other development partners, and the INGO Internal Risk Management Group and EU-controller network)? For example, joint monitoring and evaluation, joint audits, and/or specific approaches to designing interventions in contexts of systemic corruption.

4.1 INCREASED PREVENTION

While those who wish to abuse or steal donor funds will continue to try to find ways to do so, the Embassy's efforts have reduced opportunities for corruption, made it clear to all partners that Sweden takes the matter very seriously and will do its best to uncover corruption and misuse of funds, that funds will be recovered, and that the consequences for APs are dire if they fail to properly manage funds. Although it was not always the case, most of the APs consulted during the evaluation, particularly those that sub-grant to others, acknowledged that their systems for managing funds needed to be improved and have taken steps to improve them in line with the advice and support provided by the Embassy. This, together with spot-checks conducted by the Embassy to IPs, in turn helps to reduce corruption amongst IPs as well. As is often advocated by fraud specialists, 'it is the perception of detection, rather than internal control itself, that is the strongest deterrent to fraud'.

4.2 IMPROVED PRACTICES BASED ON LESSONS LEARNED

Based on lessons learned, the increased focus on anti-corruption has led to revised processes and ways of working, including:

- An increased focus on the preparatory phase and budgets;
- Controllers accompanying programme officers on monitoring visits;

- The introduction of additional clauses and safeguards in contracts with INGOs and NGOs¹⁸;
- Increased use of external auditors to conduct reviews and investigations; and
- Changes in ‘approach’ to when financial irregularities are found – while the Embassy was more confrontational in the early part of the period under review, it has been moving towards a more conciliatory and constructive approach towards concerned APs over time.

If deemed appropriate based on the risk assessment, resources are also included in budgets to allow APs to contract firms to assist them to finalise the programme, set up office structures, and to review systems and controls to make sure they are relevant to the context. The Embassy furthermore provides assistance to new partners to assess their global policies and advise on how to strengthen these based on the Embassy’s previous experiences. All of these efforts help to reduce corruption, which is in turn more effective (and cost-efficient) than those to recover funds once they have already been misused and/or spent.

Given the high levels of abuse of funds and the fact that these are regularly uncovered when in-depth monitoring is performed, the increased focus has increased the amount of time and effort required from the Ambassador, HoC, controllers and programme officers to identify and deal with cases of corruption, which has the potential to impact on their ability to perform their other responsibilities. Sweden (in practice, the Ambassador) is now also the Chair of the DGF, where numerous irregularities have been uncovered amongst organisations the DGF funds that will place additional burden on him. At the same time, according to Sida rules and the zero-tolerance approach to corruption, no distinction can be made between those cases where only minor amounts of money are involved or there are only suspicions of corruption rather than proof beyond reasonable doubt. As has already been recommended above, effectiveness would be improved by a more scaled approach that distinguishes between different types and levels of misuse / mismanagement / corruption and has corresponding courses of action and that might lead to less effort being devoted to smaller amounts and/or those that are harder to prove, other options being pursued where there are special reasons for doing so, and might time and effort to be dedicated to pursuing more serious cases of fraud, corruption or theft.

Although the last formal risk analysis of partners was conducted in June 2018 (but has yet to be finalised in the Sida format), informal risk analysis is conducted by controllers on an ongoing basis, and controllers are very aware of where funds are most at risk based on their own experiences. Knowing where funds are most at risk helps to make the Embassy more effective, but consideration might also be given to changing the way in which funds are disbursed by drawing inspiration from the

¹⁸ For example, a clause has been introduced that requires APs to present their selection of IPs to the Embassy prior to finalising agreements with them. Furthermore, the level of consultation during the process of identifying IPs has increased – which allows the Embassy to raise concerns with these based on previous experience with the NGO and experience of others.

approach some United Nations (UN) agencies have adopted under the Harmonised Approach to Cash Transfers system. According to UNICEF, an annual risk assessment determines, inter alia, which organisations are sufficiently trustworthy to be provided with an annual allocation in advance, which organisations should have funds reimbursed to them bi-annually and only after their financial reports have been approved, and so on. While recognising that UNICEF and other UN agencies have far greater financial support capacity than the Embassy, an annual risk analysis of all partners might lead to different approaches to the release of funds that could in turn increase effectiveness and efficiency.

Importantly, in March 2018, Sida's Director-General produced a decision on 'Principle for Risk and Materiality Analysis and Resource Allocation for Internal Control' that specifically aims to address the capacity constraints that Embassies face when having to deal with high levels of financial risk and the burdens that these can create. The decision points to the need for directors, controllers and programme officers to work together in planning how to allocate resources taking both the amounts of money and also qualitative factors into account, such as whether the partner is a new or established partner, the levels of forwarding of funds, the ability of the partner to perform its functions without Sida funding and so on that would provide critical guidance on any formal risk analysis to be conducted as well as assisting the Embassy to determine where resources should best be focused.

4.3 JOINT EFFORTS AND COLLABORATION

Effectiveness of the Embassy's anti-corruption measures has been greatly enhanced, and could be further enhanced, by increasing the number of joint efforts and collaboration with other development partners. For example:

- The Local Development Partner Group (LDPG), attended by Heads of Cooperation of most DPs, was regarded by the Ambassador as very important. Cooperation at this level has led to agreements on the per diems and transport expenses for government and civil society participants at conferences. By agreement amongst members of the LDPG, these rates will now be attached to all contracts under which support is provided to government and civil society representatives. There is also agreement amongst development partners and Embassy staff consulted that the LDPG Secretariat could be strengthened to allow it more time to focus on operational issues and not only on high-level dialogues. The links between the LDGP and the Partners Group for Democracy and Good Governance (PDG), attended by Ambassadors, might also be enhanced and consideration given to including a standard agenda item for the PDG on whether any corruption has been discovered and how best to respond.
- The Embassy has already conducted at least one joint review with the DGF, of a common agreement partner, for which costs were shared. This helped to reduce costs and (at least in theory) make the audit process more effective and cost-

efficient¹⁹. Discussions with other DPs around joint audits, joint monitoring (including possibly jointly contracting third-party monitoring services) have been ongoing, including at the recent U4 Workshop. Support for the possibility of joint risk assessments, when one or more DPs are supporting or intend to support the same organisation that Sida support, was also found amongst those consulted during the evaluation.

- The informal EU controller network, led by the Embassy, allows controllers to share information and experience and to provide each other with tips and advice. It was highly regarded by members of the network consulted²⁰. A database has been created where DPs can share information about which organisations they work with, and what they fund, that helps to avoid ‘double-dipping’, and where information is also provided on what types of reviews, risk assessment or audits have been or are being conducted. This, together with the monthly meeting, provides an opportunity for sharing information on potential risks. Although some of those consulted felt it should retain its level of informality, there was some support for it becoming more formalised.
- An INGO International Risk Management Group (IRMG) has been established (late 2018), that is currently made up of 47 INGOs with a local presence in Uganda (the number may be increased in future). The aim of the IRMG is to align principles and policies, mutual exchange of experience, knowledge, information and actions in (a) fraud and corruption management (within their own organisations as well as amongst IPs, where fraud and corruption is more prevalent); and (b) sexual exploitation and abuse (now more commonly referred to as ‘safeguards’). DFID have provided USD 350,000 to cover the start-up activities in year one, which will include an external baseline study of patterns of fraud and corruption and safeguarding issues in the country; and subsequently the development of tools and training for members to identify patterns and prevent and respond to corruption. The IRMG is also considering appointing someone to assist in bringing local NGOs on board. Although the IRMG is still in its early phases, it has the potential to reduce the burden on the Embassy and other DPs and discussions around possible collaboration and future donor support should continue.

One of the main lessons learned when it comes to prevention is the need to closely focus on due diligence during the design phase of programmes, including rigorous examination of the proposed budgets, assessment of agreement partners’ financial

¹⁹ The quality of the work done by the auditors in this case, contracted under a framework agreement with DGF, was problematic and led to delays. According to the original audit, a total of around GBP 600,000 had been misused or misappropriated. Subsequent audits resulting from disputed amounts with the partner took around six months to complete and, after two or three such audits, the final amount found to be due for repayment to Sida amounted to only around GBP 10,000.

²⁰ The network began as an informal, monthly lunch amongst a few controllers but has grown significantly since then.

monitoring systems, and the selection of implementation partners prior to approval and implementation. In this regard, and in addition to the standard rates for per diems, transport etc. for government employees that have been adopted by the LDPG, UNICEF has also expended considerable effort on research into what rates various hotels charge for venue hire and refreshments, costs of renting equipment in various parts of the country. Although these are not added to contracts, they are invaluable for those having to assess budgets or monitor whether costs claimed by partners are realistic. Recognising that it would require significant effort for the Embassy to develop anything similar given their limited capacity, the Local Development Partner Group should consider requesting UNICEF to share their research and rates with all DPs and/or to discussing with the INGO IRMG as to how such rates could be used or agreed to by their members. With the support of Sida HQ, controllers at the Embassy could also assist in using the UNICEF research and rates to prepare a draft tool to assist them, and all other DPs, to better assess budgets and financial reports from partners.

It is also noted that Sida HQ have requested that, generally when it comes to Sida-supported programmes, the focus should shift from appraisal to implementation. While an increased focus on implementation is a good approach for programme managers, the appraisal process is critical when it comes to financial management and a failure to apply rigorous due diligence during appraisal could have negative repercussions, lead to funds being misused that then have to be recovered, and which would greatly affect effectiveness if there were less focus on appraisal when it comes to financial management.

A further key lesson learned when it comes to local NGO agreement partners (and IPs) is that their boards often do not have the required expertise, qualifications or skills to properly play their oversight role when it comes to the use (and misuse) of donor funds²¹. The Embassy is very aware of this and has already taken steps to ensure that boards are made aware of the nature of the agreement and their responsibilities under it, but such an approach has not been institutionalised. Moreover, boards that are well trained can potentially help to reduce corruption amongst financial staff²². Financial Management Committees to advise boards on financial reports received from IPs and for verifying internal and external audit reports before these are forwarded to the Embassy would also help to strengthen boards where board members lack financial knowledge and experiences.

²¹ In one particular case considered during the evaluation, the board was made up of elected representatives of small farmer NGOs, whose lack of experience was easily exploited by the chief executive officer to conduct a range of corrupt activities, including setting up a company to provide dryers to the organisation at grossly inflated prices, and then billing Sida and another DP for the same equipment.

²² PwC have been reportedly already been requested to come up with a proposal in this regard.

4.4 SUPPORT FROM SIDA HQ

Controllers are provided with HQ support via the Controller and Investigators Unit, headed by the Chief Controller, that includes the Corruption Investigators Team (to which any cases of corruption must be reported), Audit Advisors (to provide advice on financial audits and audits on internal control capacity with partners), and the Inspector General. The latter visits and inspects around 10 Embassies per year and also provides on-site training based on what the HoC identifies as the most relevant issues (although Uganda has not been inspected since 2013). The Controller and Investigators Unit contributes to the development of rules and regulations, produces various guidelines for controllers, provides ad hoc advice, develops templates, and is currently developing guidelines on dealing with exchange rates and asset management. An introduction programme has been developed for new controllers and a mentorship programme was introduced in 2019. According to the Chief Controller, voluntary training is provided for controllers twice a year by the Controller and Investigators Unit and compulsory training for all controllers is provided annually. In addition to being on-call as needed, the unit also hosts an ‘audit open house’ (a monthly video meeting where controllers are able to raise questions), a helpline, and a controllers’ network. Some support is also provided by the unit to programme officers, including two trainings each year that has included inputs on auditing, financial management and how to spot ‘red flags’, although it was noted that there are many programme officers to reach, scattered all over the world, and participation by programme officers in training is currently voluntary.

But while there is some informal sharing of experiences amongst HoCs in the annual HoC meeting, no formal guidelines have been developed on how to deal with particular corruption/misuse/mismanagement cases and it is largely left to the HoC to decide how to proceed (with the assistance of the HQ Investigation Department as required). This not only has the potential to lead to inconsistencies among Embassies, and among individual cases at each Embassy, but it also exposes HoCs to criticism should programme officers have a different view to controllers on how to proceed in any particular case. Having a scaled approach and being able to refer to a guideline such as that recommended under ‘Relevance’ above would help to avoid disagreement and clarify for everyone at the Embassy why a particular approach has been followed. But even if a scaled approach is not adopted (or not possible), HoCs would benefit from a guideline and training on how to manage cases and time, the negative consequences that might flow from action or inaction, and how to work as a team with controllers (as part of, or as a separate guideline to that recommended under ‘Relevance’ above).

In addition, it is noted that Investigators at HQ level have significant responsibilities when it comes to incidents or suspicions of corruption, particularly prior to the decision by the HoC at Embassy level on the matter, but limited capacity to provide hands-on support to controllers at each Embassy. Although the current evaluation has focused primarily at the level of the Embassy of Sweden in Kampala, increased capacity at HQ level to provide support to controllers during investigations could help to increase effectiveness.

Finally, it is noted that Sweden also participates in the Network of International Audit and Integrity Group, organised by the World Bank. Internal audit and investigative functions participate in the network at different donors and multilateral organisations and the network also provides a forum for discussion amongst donors at HQ level on issues such as risk management and learning from corruption cases (amongst other things). Although it has not been possible in the available time for the evaluation team to consider this network in any detail, such a network (and others that might exist) could potentially provide opportunities for better coordination and cooperation amongst donors, including Sida, at HQ level – particularly when it comes to working with INGOs that operate across a range of countries.

4.5 WHISTLE-BLOWERS

The Embassy's website has been updated to create a facility for whistle-blowers, linked to the whistle-blower facilities at both Sida HQ and the Ministry of Foreign Affairs. Although there have been few cases arising as a result of whistle-blowers, and while on-site visits allow opportunities for whistle-blowers to speak directly to Embassy staff, little has been done to raise awareness of the facility amongst agreement and implementing partners. At the same time, the Embassy needs to be wary of disgruntled employees that blow the whistle, guard against jumping to conclusions, and conduct some investigation into who the whistle-blower is before expending resources on following up lest time and effort be wasted^{23 24}.

4.6 RECOMMENDATIONS

Sida HQ

- As a general recommendation, Sida HQ should consider increasing its capacity to provide additional hands-on support, advice and assistance to all Embassies in the fight against fraud and corruption.
- Sida HQ should consider developing a guideline and training for HoCs on how to manage cases, the negative consequences that might flow from action or inaction, and how to work as a team with controllers (as part of, or as a separate guideline to that recommended under 'Relevance' above).

²³ A good example is provided in a case where the initial investigation was based on the allegations by an employee who had been made redundant, but which was rigorously pursued by the Embassy even though the audit found no evidence to support the whistle-blower's allegations. Perhaps coloured by the unproven allegations, the Embassy nonetheless cancelled the grant even though only minor infractions involving small amounts of money were found, which the organisation had already agreed to refund.

²⁴ Embassy comment to footnote 23: *Although the forensic audit did not substantiate allegations put forward by the whistle-blower, a number of exceptions were identified, including but not limited to "potential instances of fraud"; "non-compliance to internal procedures and weaknesses in internal control" and issues related to "value for money". Following various discussions with the partner, the Embassy concluded that a common understanding of what constitutes sound financial management practices regarding the project was lacking, why the Embassy decided to phase out the Swedish support*.

- Sida HQ should consider developing a training programme for controllers and HoCs on how to conduct a corruption investigation.
- Sida HQ should consider further investigating what groups already exist at HQ level and analysing how such groups, including the World Bank coordinated Network of International Audit and Integrity Group, could best be used to increase coordination and cooperation in tackling and preventing fraud and corruption.
- Sida HQ should conduct visits and inspections to every Embassy at least every five years, and perhaps more frequently to those where risks of fraud and corruption are greater.

Embassy

- While risk analysis of partners is conducted by the Embassy, the most recent process has yet to be finalised. It is therefore recommended that the Embassy conduct a thorough risk analysis each year, guided by the Sida Director General's 'Principle for Risk and Materiality Analysis and Resource Allocation for Internal Control'.
- To reduce risk, the Embassy should consider changing the way in which funds are disbursed with the most trusted partners receiving annual allocations in advance, but with bi-annual allocations to high-risk partners.
- The Embassy's discussions, coordination and collaboration with other DPs on conducting joint audits, joint monitoring, jointly contracting third-party monitoring services, and joint risk assessments should continue.
- The Embassy should develop a training programme for board members of local NGOs and should require boards to establish Financial Management Committees as part of their agreements with the Embassy. The Embassy should also consider including funds in APs' budgets for purchasing accounting packages and training for IPs to which they will be providing grants.
- The Embassy should continue discussions with IRMG as to how Sida (and other DPs) could support them and in which areas.
- The Embassy should consider requesting UNICEF to share its research and rates with all DPs and/or to discussing with the INGO IRMG as to how such rates could be used or agreed to by its members.
- The Embassy should take steps to raise awareness of the whistle-blowing facility amongst APs and IPs.

Local Development Partner Group

- The Local Development Partner Group should consider requesting UNICEF to share its research and rates with all DPs for the controllers, with the support of HQ, to use to develop a draft common assessment tool for all DPs to use in assessing budgets and financial reports from partners and/or to discussing with the INGO IRMG as to how such rates could be used or agreed to by its members.

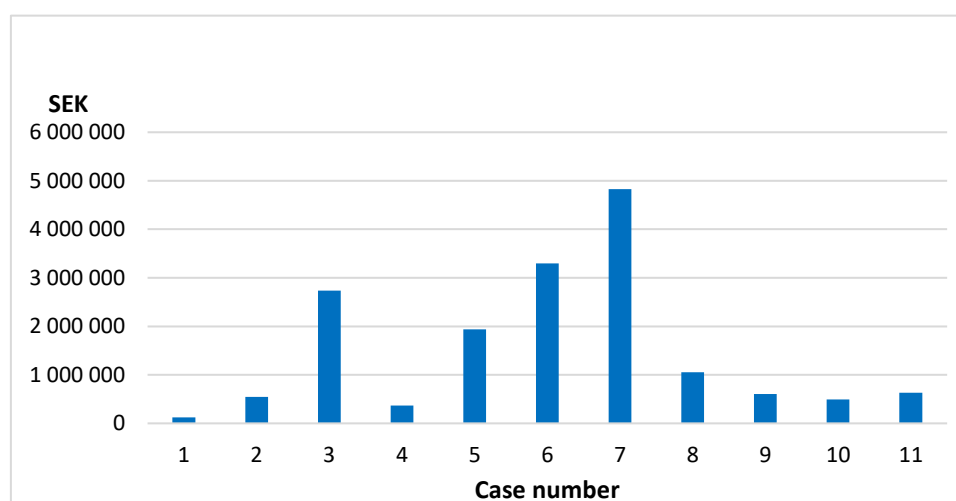
5 Findings - Efficiency

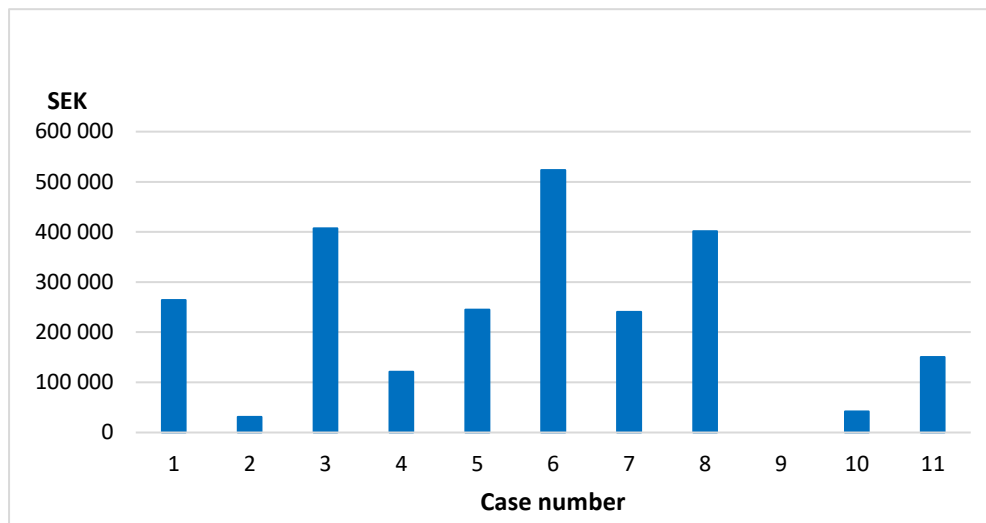
Evaluation question:

What is the cost of prevention compared to the cost of inaction (in relation to losing money to unintended purposes, cost of reputational risk etc., including appropriate risk appetite in relation to type of contribution and corresponding methods for a cost-effective follow up)?

5.1 COST OF PREVENTION VERSUS INACTION

As can be seen from the graphs below (which excludes delegated partnerships with DGF and the Agricultural Business Initiative), the cost of recovering funds during the period under evaluation – including audits, legal and other fees, but excluding the costs of salaries of controllers, the HoC, the Ambassador, Sida HQ staff and others – are often far in excess of the amount of money that has been misappropriated/mismanaged/misused and the eventual amount recovered.





Source: Embassy of Sweden²⁵

Costs of prevention are harder to quantify: some cost nothing (such as the inclusion of a specific anti-corruption clause in a contract); some can be relatively expensive (such as contracting a consultant to advise or assist a partner or potential partner; and it can never be proved what levels of funds were saved that might potentially have been stolen. Nonetheless, it can be safely assumed that the cost of prevention is significantly outweighed by both the costs in terms of investigation and recovery. The costs of inaction are also potentially high:

- Whenever funds are lost to unintended purposes, fewer activities will be conducted, and fewer outcomes and results will be achieved.
- The reputational risk, and the potential costs related thereto for both the Embassy and Sida generally are also high: should the Embassy or Sida be perceived as weak on corruption and the recovery of funds, partners will exploit that weakness, misuse or steal more Swedish taxpayers' funds, less money will be available for use on intended purposes, and fewer outcomes and results will be achieved.
- Certain types of programmes might also be avoided by the Embassy if the risks related to them are regarded as too high. Since the most at-risk agreements are those consisting of forwarding of funds to IPs that help to ensure significantly greater outreach and better local knowledge than INGOs, avoiding entering into agreements might also include a 'cost' in terms of people (not) reached and results (not) achieved.

²⁵ The figures provided for costs in the second graph are estimates since some expenditures were covered by agreement partners themselves. The original tables provided by the Embassy were in Uganda Shillings (UGX) and have been converted to SEK using the exchange rate as reflected on oanda.com for Uganda Shillings (UGX) to SEK on 24 April 2019: 1 SEK = UGX 397; 1 UGX = .0025 SEK.

5.2 EFFICIENCY GENERALLY

There are currently around 20 Sida-supported programmes running in Uganda (many involving forwarding of funds agreements with a multitude of IPs), numerous programme officers overseeing these, but only two controllers. Controllers cannot attend every on-site visit conducted by programme officers. Programme officers do not have, and are not required to have, finance backgrounds, are appointed on the basis of their expertise in the content of programmes being implemented and are understandably more focused on results than financial management. Around half of the programme officers consulted during the evaluation agreed that better financial management leads to more funds being available for activities and thus has the potential to increase results and they welcomed the support provided by controllers during on-site visits. However, others were of the opinion that focusing on financial management and control takes a lot of time, detracts from their primary focus on achieving results, leads to conflict with partners, and can lead to APs having to cut ties with IPs, which in turn reduces the ability of APs to achieve their objectives. For the latter group, only having two controllers is insufficient and it would be far better if the Embassy's financial management capacity were increased.

Nonetheless, efficiency could be increased by developing a guideline and/or institutionalising training for programme officers on how to identify 'red flags' when conducting on-site visits, and then alerting controllers to these for follow up.

Recognising that the Embassy cannot outsource its work to others, efficiency might also be significantly enhanced by creating a 'support facility' program – e - funded by the Embassy alone or jointly funded with other donors, or included in a contract with a firm of auditors – to **assist** the Embassy (and other donors) to (amongst other things):

- Conduct due diligence of potential partners, including background checks on directors and key financial management staff.
- Check proposed budgets.
- Ensure partners and their boards understand their obligations in terms of the contract and provide training to boards as required.
- Conduct annual risk analysis.
- Assist in procurement.
- Monitor / conduct spot checks of IPs.
- Assist APs with financial monitoring and provide fraud and corruption risk management when their systems are weak.
- Train programme officers on how to identify red flags.

Alternatively, funds could also be included in APs' budgets to contract assistance in fraud and corruption risk management, procurement etc. ideally, as a project cost rather than coming out of the overhead. While it is not possible in the time available to the evaluation team to consider all of these issues, and whether or not they might be permissible under Sida's rules and policies, a recommendation is included below

that these options should be further explored by the Embassy together with other like-minded DPs and in consultation with Sida HQ.

5.3 RECOMMENDATIONS

Sida HQ

- Although some training is provided by HQ to programme officers on how to identify possible cases of mismanagement or misuse of funds ('red flags'), such training is voluntary. A more formal training programme should be considered by HQ for programme officers on identifying mismanagement and misuse of funds that should be provided to all programme officers.
- Sida HQ should consider the possibility of providing additional financial management staff and/or controllers to the Embassy, and to other Embassies operating in similar high-risk countries.

Embassy

- Based on further discussions with HQ and other DPs, the Embassy should consider establishing a 'programme' within the Embassy, possibly supported by other donors, to provide assistance to the Embassy and APs in conducting due diligence, checking proposed budgets, ensuring boards and partners understand their obligations, conducting annual risk analyses, assisting partners with procurement, monitoring and spot-checks, assisting APs with financial monitoring, and training programme officers on how to identify red flags.
- Should such a programme not be possible, it is recommended that funds be included in the budgets of APs to contract assistance in fraud and corruption risk management, procurement etc. as a project cost rather than coming out of the overhead of the AP.

6 Findings - Impact

Evaluation questions:

- What impact (intended / unintended and positive / negative) and/or high-level implications have the described efforts had on the Embassy's portfolio, including ability of the Embassy and implementing partners to achieve results while addressing corruption and the mismanagement of funds?
- What impact have anti-corruption activities had on corruption amongst partners – has there been a reduction or not, and what success or otherwise is attributable to the efforts undertaken?
- What impact have the Embassy's efforts had on relationships with agreement partners?

The ability of partners to achieve results is obviously affected by the increased focus on financial management – not just when it comes to programmes funded by Sida, but also for those funded by other DPs. Audits take a lot of time as do the processes to recover misused funds. Grants are often suspended during these processes (although fixed costs such as salaries might still be provided), and some contracts have been cancelled, which impacts both on the partners' and the Embassy's ability to achieve the desired results. Adverse findings by the Embassy also have the potential to impact negatively on both INGOs and large national NGOs to secure funds from Sida and other donors (although it is noted that while some of the INGOs consulted faced increases scrutiny from Sida when it comes to grants for programmes outside of Uganda, none reported having lost funding as a result of the Embassy's investigations and decisions). In some cases, smaller IPs that rely exclusively on sub-granted Sida funds are forced to close or to curtail activities, all of which impacts on final beneficiaries. And, while some of the amounts involved are significant when compared to the overall size of the grant, some are relatively small, yet the consequences for the organisation and those it serves can be devastating, which obviously leads to concern amongst partners.

While all of those consulted understood the need for the Embassy to ensure taxpayers' funds are properly utilised, and that better financial management can be expected to lead to better outcomes and results, relationships with agreement partners where problems have been identified are understandably severely strained. Many of those consulted felt they were treated with suspicion 'from the outset', as if everyone is corrupt, that there was little trust in them on the part of the Embassy, and that the Embassy could have first given them an opportunity to rectify matters before launching into investigations and suspending grants. This view is perhaps to be expected amongst those partners suspected of mismanagement of funds. But some of the Embassy's staff have recognised that investigations into mismanaged funds should start with a different approach, in which the Embassy's approach should be that it is 'assumed' by the Embassy that any problems encountered relate to poor systems and monitoring rather than a 'suspicion' that money has been stolen.

The increased focus on anti-corruption has reportedly affected morale among partners, with at least one partner reporting that the fact that they achieve results despite the problems they encounter is not recognised, while others noted that the increased focus on monitoring IPs creates serious safety risks for the staff of APs when they are in the field, as well as for auditors commissioned by APs or the Embassy, given the risk that some corrupt people may be prepared to kill rather than be exposed²⁶.

At the same time, there are many positive outcomes as a result of the Embassy's anti-corruption approach. Recognising that it is impossible to measure whether or not efforts have led to a reduction in corruption or not, it can be assumed that many opportunities for corruption have been eliminated. In turn, the ability of partners to achieve results is enhanced when corruption is avoided. Furthermore, the efforts of the Embassy in preventing corruption have led to better financial management amongst APs and IPs.

6.1 RECOMMENDATION

In addition to the recommendation already made for a scaled approach to dealing with cases, and guidelines on how to apply it, the following recommendation is made:

- Recognising that the Embassy's approach has 'softened' over time, it is nonetheless recommended that more trust be shown in APs in line with the 'partnership approach': rather than starting from a position that corruption can be assumed, the approach should be to first identify problems and to discuss these with APs to see if they can be resolved.

²⁶ Again, this is not a hypothetical situation: some of those consulted pointed to actual cases where those about to expose corruption in banks and elsewhere have been killed before they could do so.

7 Findings - Sustainability

Evaluation questions :

- How can the Embassy continue and strengthen the anti-corruption agenda on a strategic level with focus on prevention, including reflections on good praxis for what level of follow up is appropriate taking the context into consideration?
- With specific consideration of other similar initiatives in Uganda, what measures should be considered to prevent larger systematic scams from occurring?

Given the context in which the Embassy finds itself, the thoroughness and dedication shown by controllers and management was lauded by many of those consulted, including Sida HQ, and provides examples of best practice that others can learn from and that could be replicated by other Embassies in the region or operating in similar contexts around the world. The main concern (as raised by the Embassy itself) is that some of these have been introduced and driven by controllers and management with high levels of knowledge, experience and energy that future staff may not share. That will impact on the sustainability of efforts unless the approaches are institutionalised and possibly even made job requirements for the position of controller.

Although some partners raised concerns about how strict the Embassy and Sida generally are, at least two pointed out that they learned a great deal and that they have improved their own systems as a result. Lessons learned have furthermore been shared with HQ and other offices in the region, which has led to better financial management amongst these as well.

When it comes to what measures should be considered to prevent larger systematic scams from occurring, it is difficult to imagine in what areas prevention measures could be improved, given the limitation the evaluation team faced in terms of limited time to conduct deep-dive research and analysis. It is clear that the Embassy has learned a great deal and led the way in many respects, and it is safe to assume that most if not all measures that could be tried are already being implemented by current staff. But the danger remains that, if these are not institutionalised at Sida HQ level, not all of the procedures and processes will continue to be followed in future.

7.1 RECOMMENDATION

Sida HQ

- In consultation with the Embassy and other Embassies in the region, Sida HQ should consider what additional support might be provided to the Embassy to institutionalise procedures and processes developed and improved by the Embassy in the work and processes of all Embassies through, amongst other things, further development of systems and procedures, training, the development

of guidelines and practical guides, and including on-site financial visits in the job-descriptions of controllers.

8 Main conclusions

The increased focus of the Embassy on anti-corruption efforts is highly relevant given the context in Uganda and the fact that so many cases of misuse of funds have been discovered. Of course, given the context, the problem the Embassy finds itself in is that, if one scratches hard enough, irregularities will often be found. The situation is compounded by the somewhat rigid rules that Sida has in place and the zero-tolerance approach, which requires significant resources in terms of time and effort, regardless of the amount of money involved or whether there are only suspicions rather than clear evidence of misuse of funds. Although there is some flexibility allowed, there are no clear guidelines on how to exercise the discretion created. Agreement partners raised the fact that Sida is a particularly strict donor, the processes are thorough but time-consuming, and that they often feel they have to repay whatever is claimed or run the risk of having their grant cancelled, their reputations damaged nationally and internationally, and the ability to serve their constituents severely constrained. While clear cases of fraud, theft and corruption must be vigorously pursued, a more measured and scaled approach, based on guidance on when deviations from the standard Sida approach can be considered and what factors to take into account, would help to increase relevance, efficiency and effectiveness and might lead to less drastic consequences for partners based on the level of funds misused or mismanaged.

Significant progress has been made by the Embassy on working with others, including other DPs and the DGF, through sharing of information and advice amongst controllers, and potentially through an increased relationship with the IRMG. Valuable lessons have been learned and the approach and actions of the Embassy are clearly examples of best practice from which others may learn. However, there is a need to continue to raise the capacity of key staff in all Embassies (including controllers and programme officers) and amongst partners when it comes to financial management and identifying corruption and other risk. And there is a risk that many of the approaches currently being followed by the Embassy have been driven by one or two staff members and, once they move on, there is the possibility that some of them may fall into disuse. This could be avoided by institutionalising practices within the Embassy that all relevant staff should adhere to, and also by documenting some of the key lessons, experiences and advice that the current controllers have implemented that could be shared with all Embassies. How that would be achieved is uncertain given the workloads controllers are under at Embassy level, but the results of such work could in turn be used to institutionalise knowledge and experience within Sida itself through incorporation into training programmes, written guidelines and guides, and increased support to the Embassy to continue its work as a best practice example of financial management and corruption prevention.

Annex 1 – Terms of Reference

**Embassy of Sweden
Kampala**

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UM2018/46819/KAMP

13163 ToR Evaluation anti-corruption work

2019-01-17 version 1.0

TERMS OF REFERENCE: EVALUATION ANTI-CORRUPTION WORK

The Embassy of Sweden in Kampala has a broad mandate to promote Swedish-Ugandan relations through political dialogue, development cooperation, trade and investment, cultural exchange and through service to Swedish and foreign citizens with issues related to Swedish authorities.

The key objective of the Swedish development cooperation with Uganda is to contribute to strengthening respect for human rights in Uganda and enhance the local population's opportunities to make a living and obtain improved health and freedom from violence.

For more information, our website <http://www.swedenabroad.com/kampala>.

Background to the assignment

The Embassy of Sweden in Kampala has during the last years had a strong focus on identifying and preventing corruption from happening in the development cooperation programmes. This has been done through a variety of activities, for example in-depth budget and financial report analysis, financial field visits, integrated ways of working between programme officers and controllers, collaboration with likeminded donors etc. See **Annex A** for more information on actions taken.

This has led to that many corruption cases have been identified, and several programmes have been restructured or closed. Results have been delayed or defaulted, and the handling of corruption cases take considerable amount of time, both from programme officers, controller and management. There are also several challenges to navigate through the legal system in Uganda, as well as to recover amounts lost due to irregularities. See **Annex B** for more information on some challenges and lessons learned related to handling corruption cases.

Despite many challenges, the Embassy finds it important to continue this work. The lessons learned from all cases that have been identified have and will assist the Embassy to put better control mechanism in place that are tailor-made to the specific local environment. This should result in lesser opportunity to commit fraud and/or corruption. See **Annex C** for an elaboration of lessons learned and reflections for way forward.

Evaluation object and scope

The evaluation object is the specific efforts the Embassy has put in identifying and preventing corruption from happening in development cooperation programmes, largely through increased focus on financial analyses and monitoring. The relevant time period is 2016-2018, where approximately eight programmes have been subject to in-depth financial assessments.

The scope of the evaluation will cover to study the specific financial analysis and monitoring visits that the Embassy has conducted of those programme, as well as the following investigations that have been conducted by audit firms, their findings, as well as the Embassy's decisions on going forward for each case. The scope also covers to assess and understand the learnings and effects on the Embassy, Sida and partners as a result of the increased internal control focus as well as recommend what particular controls should be in place considering the particular context.

Evaluation purpose: Intended use and intended users

The evaluation results will mainly be intended to:

- A) feed into a strategic discussion on how to take the anti-corruption work forward. Special focus should be put on how we can leverage on other similar local initiatives and how stakeholders can collaborate to find ways to prevent corruption
- B) feed into Sida's overall work with anti-corruption, and potentially leverage on what could be implemented across all Embassies, or how processes at headquarters potentially could be reviewed or revised a result.

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Evaluation objective and questions

Objective

The overall objective is two-fold, i.e.:

- a) to understand what effects the initiative of stronger focus on anti-corruption/financial follow up have led to, both from an internal perspective at the Embassy as well as for agreement partners and other stakeholders

- b) get recommendations how the Embassy and/or Sida could continue working with these areas from a strategic perspective with focus on prevention This should include ideas for good practices/activities to focus on within the anti-corruption area.

Questions

The following questions should be answered and/or analysed:

1. What high-level implications the described efforts have had on the Embassy's portfolio.
2. What effects the described efforts have had on the Embassy, Sida and agreement partners, related to (as and if applicable):
 - a. lessons learned, including any shifts in how program implementation is designed
 - b. internal working environment
 - c. revised processes and ways of working
 - d. relationship with implementing partners, capacity building and other potential effects
 - e. how increased focus on internal control perspectives have affected the program
 - f. any other areas deemed appropriate to assess
3. Whether the initiative has led to an increased chance to prevent corruption from happening in development cooperation programmes in the future, or if not, what is lacking
4. Document how unintended or contra-productive results have been prevented/stopped in identified cases.
5. Reason around the cost of prevention in relation to losing money to unintended purposes, cost of reputational risk etc. This should include ideas of appropriate risk appetite in relation to type of contribution and corresponding methods for a cost-effective follow up.
6. How the Embassy could continue and strengthen the anti-corruption agenda on a strategic level with focus on prevention, including reflections on good praxis for what level of follow up is appropriate taking the context into consideration. Considerations should also be taken to other similar initiatives in Uganda. This should include a reflection on if and what specific measures can be considered to prevent larger systematic scams from occurring, see further under Annex C, point 1. See **Appendix C** for more information.

Methodology and methods for data collection

The evaluator shall propose an appropriate methodology to answer the evaluation questions. It is however suggested that the following items are included, and that quantitative and qualitative methods are used in a combination. People to interview should be identified together with the Embassy.

Proposed methods:

1. Interviewing Embassy staff
2. Interviewing staff from Sida Head Quarters
3. Interviewing agreement partner's staff at various levels
4. Study investigation reports and the results/findings – approximately 10 reports from audit firms and decisions on way forward made by the Embassy.
5. Interviewing like-minded donors in Uganda as well as representatives from Risk Management Group (INGOs) and the local EU-Controller network
6. Other methodologies as suggested by consultant

Evaluation quality

The evaluators shall use the OECD/DAC Glossary of Key Terms in Evaluation as and where applicable. The evaluators shall specify how quality assurance, in accordance with DAC's quality standards, shall be handled during the evaluation process, as and where applicable.

Time schedule and deliverables

Tentative time schedule

The assignment shall be conducted as soon as possible, and finalised preferably before end of June 2019. The following is a tentative schedule which should be discussed and if applicable revised with selected evaluator. It is of utmost importance that the assignment does not take longer than suggested, since several programme officers and one controller are leaving the Embassy during summer 2019.

Jan- Feb 2019	Procurement process
Feb - Mar 2019	Start-up of assignment, preparation, read through material, introduction to various stake-holders
Mar – May 2019	Conducting the assignment, interviews, meeting
stakeholders etc.	
May 2019	First draft report submitted and presented
June 2019	Final draft report submitted and presented

Deliverables

The assignment should result in a report including:

1. Answers and or comments/assessments to all items listed under specific assignment, including conclusions. All conclusions shall be backed with reasoning as to how conclusions were made.
2. Specify who have been interviewed, including function and partner organisation
3. Specify what reports have been studied
4. Specify any other information used for making conclusions
5. Any other information deemed appropriate by the Consultant

Financial and human resources

The maximum budget for this assignment is 400 kSEK, excluding VAT including expected reimbursable costs (hotel, travel, per diem etc.).

Evaluation of responses

The proposal shall clearly stipulate the price in form of daily or hourly fee per consultant (excluding VAT), as well as other costs. The daily fee shall include any potential per diems or allowances. The total cost for the assignment must be clearly stated. If a daily fee is given per consultant, one day constitutes of 8 hours. Attached draft consultancy contract outlines principles for remuneration. The tender shall include short explanation of suggested persons suitability for the assignment, where number of years of relevant experience, relevant reference projects etc. are detailed. The proposal must include consultant(s) with extensive local experience and knowledge of anti-corruption within development cooperation. CVs and relevant reference projects (2 per consultant) shall be submitted with the proposal.

The response shall not exceed 20 pages, including any potential Annexes.

The proposal will be evaluated on price as well as below stated criteria. The most economically advantageous proposal will be awarded the contract.

Criteria for technical evaluation:

1. Team-leader's suitability
2. Other personnel's suitability
3. Appropriate method
4. Appropriate time-plan

Annex 2 – Documents consulted²⁷

During the data collection phase, the evaluation team has reviewed documents that relate to Sida's governance and internal control, such as:

- *Rules*
- *Guidelines*
- *Annual Reports*
- *Strategy documents*
- *Agreements*
- *Documents related to Sida's financial contributions to programmes have been reviewed including e.g. certain agreements, progress reports, financial reports and audit reports*

²⁷ Sida comment: The list of documents provided in the Consultant's report has been removed to protect individuals and organisations named, directly or indirectly, and replaced with a summary of type of documents consulted.



Evaluation of the Anti-corruption Work of the Embassy of Sweden, Kampala, 2015–2019

The evaluation report presents the efforts taken by the Embassy of Sweden in Uganda to prevent and identify corruption in development cooperation programmes, 2015–2019. It assesses the relevance, effectiveness, efficiency and sustainability of the Embassy's anti-corruption work as well as the impact on the Embassy and its agreement partners. The evaluation concludes that the Embassy's efforts are highly relevant and very effective. It is argued that the effectiveness would benefit from a more scaled approach that distinguishes between different types and levels of misuse/mismanagement/corruption with corresponding courses of action. A scaled approach where sanctions are proportionate to the offence would allow more time and effort to be dedicated to vigorously pursuing clear-cut cases of fraud and corruption. It is noted that efficiency is enhanced by the Embassy's increased focus on prevention, particularly when compared to the high costs of recovery of funds. To ensure sustainability there is a need to institutionalize the anti-corruption practices within the Embassy and at Sida. The team concludes that the increased focus on anti-corruption has had an impact on both partners and the Embassy. Furthermore, the efforts of the Embassy in preventing corruption have led to better financial management amongst agreement partners.

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