National Audit Office

Department for International Development,
Foreign and Commonwealth Office, Ministry of Defence

Review of the Conflict Pool

MARCH 2012

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Introduction

Scope

1.1 The Foreign and Commonwealth Office (FCO), the Department for International Development (DFID) and the Ministry of Defence (MOD) have worked together on conflict prevention, stabilisation and peacekeeping since 2001. There are two joint funding instruments for this work: the Conflict Pool and the peacekeeping budget. They are intrinsically linked and are managed tri-departmentally.

1.2 This NAO review focuses on the Conflict Pool and examines:

- governance arrangements;
- decision making and allocating resources;
- monitoring and evaluation; and
- how effectively the three departments work together.

We do not aim to make value for money conclusions on the funds spent, but to shed light on this area of spending, to highlight good practice and identify risks to value for money. We have not examined how the peacekeeping budget operates, except for where this has an implication for the work of the Conflict Pool, for example in-year funding.

1.3 We collected evidence by interview with the Board, Secretariat, Senior Responsible Owners (SROs) and programme managers in London at all three departments. We reviewed documentation held centrally by the Secretariat, by the devolved Programme Boards and by individual projects. We also visited two in-country teams in Lebanon and Sierra Leone, to view project delivery and assess how well the three departments work together overseas.

The Conflict Pool

1.4 The Conflict Pool and the peacekeeping budget are funded from a joint Treasury settlement which is separate from and additional to the three departmental budgets (**Figure 1**).

Figure 1

Conflict resources settlement for 2011-2015 (£million)

	2011-12	2012-13	2013-14	2014-15
Peacekeeping budget	374	374	374	374
Conflict Pool	256	270	290	309
Total settlement	630	644	664	683

Source: Written ministerial statements for 5 April 2011

1.5 The **peacekeeping budget** pays for the government's international obligations to United Nations, Organisation for Security and Co-operation in Europe and European Union peacekeeping missions. The 2010 Spending Review set funding for 2011-15 at £374 million per annum, but costs usually exceed this and were £431.2 million in 2010-11. When costs exceed this settlement, the Conflict Pool is the first revenue stream used to top up the peacekeeping budget.

1.6 The **Conflict Pool** funds discretionary activities that support conflict prevention, stabilisation and contribute to peacekeeping overseas. For 2011-12 the total settlement for the Conflict Pool is £256 million. £76 million of this settlement has been put aside to meet expected additional peacekeeping costs (peacekeeping costs are forecast to be around £450 million in 2011-12). This leaves £180 million for the Conflict Pool to fund five regional programmes, one thematic programme, the Stabilisation Unit, and the reserve (**Figure 2**). The Stabilisation Unit is the Government's centre of expertise and best practice in stabilisation (the process of establishing peace and security in countries affected by conflict and instability). The reserve is for responding to in-year pressures. The Conflict Pool budget increases over the Spending Review Period to £309 million by 2014.

Figure 2

Conflict Pool resource allocations for 2011-12 by programme

Regional programmes	(£million)
Afghanistan	68.5
Africa	33.1
Middle East	11.4
South Asia	15.5
Wider Europe[1]	27.5
Thematic programme	
Strengthening Alliances and Partnerships	5.0
Stabilisation Unit	12.0
Reserve	7.0
Total allocation	**180**

NOTES

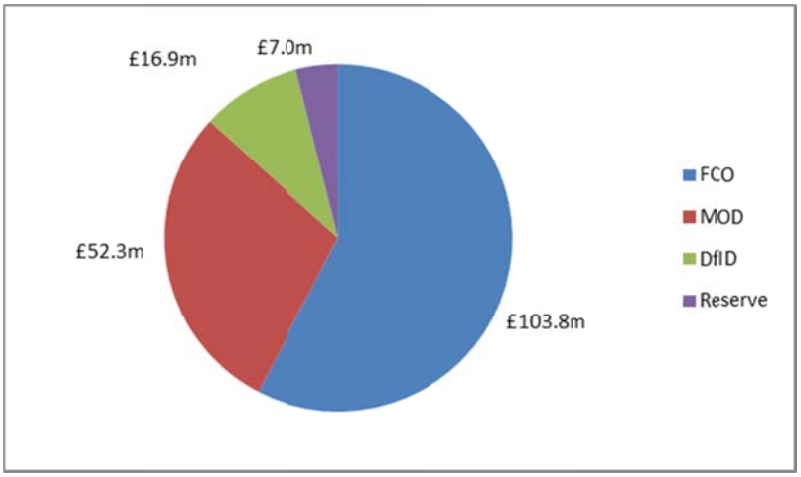
1. £18 million of which maintains the UK's contribution to UN peacekeeping in Cyprus

Source: Written Ministerial Statements for 5 April 2011

1.7 The £256 million is allocated from Treasury to DFID at the beginning of the year. From DFID's baseline, it is then split between the peacekeeping budget, with the remaining £180 million allocated between the three departments in line with annual project bids. In 2011-12, FCO was allocated 58 per cent of the funds, MOD 29 per cent and DFID 9 per cent with 4 per cent allocated to the reserve (**Figure 3**).

Figure 3

Conflict Pool resource allocations by department for 2011-12



NOTES

1. The DFID allocation for 2011-12 includes the £12 million Stabilisation Unit allocation

Source: Conflict Pool Secretariat

1.8 Individual Pool projects focus on factors that contribute to stability, such as security and justice. In Afghanistan, for example, projects include justice sector reform, supporting building the capacity of the police, anti-corruption work and strengthening civil society. Planned interventions for 2011-12 in Lebanon and Sierra Leone are set out in **Figures 4 and 5**.

Figure 4

What the Conflict Pool funds in Lebanon (2011-12)

Project	Description	£
Stabilisation adviser	Funding the annual contract and salary of the stabilisation adviser, his assistant and related expenses. To provide conflict analysis, bid, implement and evaluate projects, co-ordinate and co-fund with other donors, liaise with FCO, MOD and DFID counterparts and project partners	175,000
Support efforts to improve capability and professionalism of the Lebanese Armed Forces	Activities include producing a development plan, strengthening Lebanese Armed Forces' rights based security and stability role, improve border management and developing conflict sensitive training	475,000
Support efforts to improve professionalism & accountability of Internal Security Forces	Activities include revising Internal Security Forces' strategic plan to articulate donor assistance needs, completing the Internal Security Forces code of conduct and progress towards its implementation, senior leadership training	300,000
Support efforts to improve Palestinian refugee camp security and stability	Activities include support to governance efforts aimed at stabilising camps, support to improve Palestinian civil society rights-based mobilisation and efforts to promote positive change in the Lebanese Armed Forces' perceptions of refugees.	292,000
	TOTAL	1,242,000

Source: Lebanon Project bid 2011-12

Figure 5

What the Conflict Pool funds in Sierra Leone (2011-12)

Project	Description	£
International Military Advisory and Training Team (Sierra Leone)	Providing advice and assistance to the Sierra Leone Ministry of Defence and Republic of Sierra Leone Armed Forces and support continued development to a professional democratically-accountable, apolitical and self-sustaining defence capability within a broader, comprehensive security architecture. In order to meet Sierra Leone's Defence missions and tasks activities include: support to PSO; assisting the reorganisation of the Sierra Leone Ministry of Defence civil service, including the implementation of a Defence White Paper/ Vision 2020 paper; completing a post-Core Review and rebalancing exercise; developing terms and conditions of Service for Republic of Sierra Leone Armed Forces; progressing the Joint Maritime Committee programme, and delivering training courses for the Republic of Sierra Leone Armed Forces, and the wider security sector.	4,600,000
	TOTAL	4,600,000

Source: Sierra Leone Project bid 2011-12

Governance

2.1 This section reports on the strategy, structure and governance of the Conflict Pool. The NAO's expectations are for an agreed strategy, a plan to implement the strategy, a clear, understood structure, governance arrangements for accountability at the appropriate and efficient level and that those responsible are empowered to deliver. We found three main points:

- The new joint strategy is a positive move in clarifying high level objectives, but its implementation plan lacks clear focused outcomes.
- There is good practice in working collaboratively but we saw no incentives to drive efficiencies in this way of working and reduce duplication.
- Governance could be improved in places but we are encouraged by the new 'SRO Star Chamber' process.

Strategy

2.2 The aims and objectives of the Conflict Pool had not previously been defined in a clear strategy but there is now a Building Stability Overseas (BSO) Strategy[1] jointly owned by the three departments. The new strategy is a positive step forward as it sets out, for the first time, how the Conflict Pool, peacekeeping budget and Stabilisation Unit fit together at a high level to build stability overseas. The new priorities for multi-year funding (**Figure 6**) begin to set lower level aims, giving programmes a much clearer steer for their own strategies, as does the commitment to fund more 'upstream' conflict prevention (spotting and stopping conflicts before they break out). The BSO implementation plan is a step in the right direction as it sets out milestones for elements of the strategy, such as working with others and moving to upstream prevention. However actions such as receiving a commissioned report and introducing and piloting a new strategic conflict assessment tool are output based and not explicitly linked to outcomes.

[1] *Building Stability Overseas Strategy*, Department for International Development, Foreign and Commonwealth Office, Ministry of Defence, July 2011. http://www.fco.gov.uk/resources/en/pdf/publications/annual-reports/bsos-july-11

Figure 6

Conflict Pool multi-year funding will be increasingly focused on three priority areas

1. Free, transparent and inclusive political systems
2. Effective and accountable security and justice
3. The capacity of populations and regional and multilateral institutions to prevent and resolve conflict

Source: Department for International Development, Foreign and Commonwealth Office, Ministry of Defence, *Building Stability Overseas Strategy*, July 2011.

NAO recommendation:

The Board should put more detailed thought into articulating the expected outcomes for BSO which should include outcome focused indicators and targets for the Conflict Pool.

Board response:

The Results Offer process introduced in 2011 for deciding allocations for the next Spending Round placed a much greater emphasis than previously on outcomes at Programme level. This is the first stage in an ongoing process to improve the Conflict Pool's focus on outcomes and will be reinforced by ongoing contact between the Board and Programme SROs. The wide variety of Pool activities, including priority political commitments, makes development of measurable global outcomes challenging but we will look at ways in which we can develop better Conflict Pool-wide indicators. The BSOS Implementation Plan covers many other areas in addition to the Conflict Pool.

Tri-departmental structure

2.3 The tri-departmental nature of the Pool works well. There are clear high level common objectives for all parties and the structure promotes joint working at the top; the Board and Secretariat communicate well and enjoy a positive relationship. At a lower level, we found departmental teams have their own aims and approaches to conflict prevention, but this can provide positive challenge to projects, for example, at Programme Boards. Delivery overseas is largely FCO, DFID or MOD specific, depending on the required intervention, though there is a desire among project teams we interviewed to work more closely with colleagues from the other departments (**Figure 7** overleaf).

NAO recommendation:

The good practice evidenced here in working collaboratively should be shared with the rest of Whitehall. More joint working in-country could be encouraged and facilitated by the Centre, for example by setting joint indicators or using staff more flexibly between departments.

Board response:

We will continue to disseminate joint working good practice more widely. We encourage close working at the country level. The extent of this inevitably varies across programmes depending on tri-departmental presence in country and other individual departmental priorities. There is scope for more flexible use of staff between departments in London and overseas and there are already examples of good practice which we will promote. But scope for this can be limited by the fact that for many staff overseas and in London, Conflict Pool work is only part of their role. There are new developments which will further encourage joint working in-country e.g. the new jointly-owned tri-departmental Joint Assessment of Conflict and Stability which will facilitate a cross-departmental approach to conflict analysis with closer links to policy implementation. The new cross-Government Defence Engagement Board (Chaired by MOD and FCO and including members from DFID and other Government departments) will be another joint working body with scope for synergy and lesson learning from Conflict Pool experience.

Figure 7

Tri-departmental working in Sierra Leone

Decisions are made tri-departmentally in-country as all three departments have a presence, although DFID has tended to take a back-seat on delivery as it has its own £68 million bilateral aid programme. Conflict Pool money funds the International Military Advisory and Training Team (Figure 5), which largely focuses on the capacity building of the Sierra Leone Armed Forces. Towards its aim of improving the security situation, the UK Country Team has suggested that the Sierra Leone Police should be included in its intervention. DFID had been working with the Sierra Leone Police in recent years for its Security Sector Reform Programme and therefore a decision was made for the three departments to jointly commission a review of the Sierra Leone Police. This report establishes how both DFID and Conflict Pool interventions could best assist the Sierra Leone Police to help build capacity in the wider security sector.

Source: Sierra Leone in-country team

2.4 While beneficial, the tri-departmental structure duplicates roles with each department having representatives at all levels. There was a consensus among those we interviewed that transaction costs for this way of working were higher than they should be. The Secretariat estimated the cost of this way of working but the Board did not take action to respond to the estimated figures. For example, the Board has not set efficiency targets to incentivise more efficient practices.

NAO recommendation:

More work is needed to improve efficiency, reduce duplication where feasible and evidence the costs and benefits of this way of working.

Board response:

Agree. We will look at ways to reduce duplication and develop evidence and examples of good practice to encourage SROs and programme managers in this direction - in ways that retain confidence across the three departments that all important decisions are jointly agreed.

Governance

2.5 There is a clear and understood structure for the Conflict Pool (**Figure 8** overleaf); however accountability and responsibility do not necessarily follow this structure. For example, there can be disconnect at SRO level, who the Board should hold accountable, for the SRO's programmes. However, in the past SROs have not been systematically held to account for performance. In addition, programme managers we spoke to said SROs were often not as engaged as they would like them to be, and some lacked oversight altogether. There are signs of improvement; for example, governance arrangements in Afghanistan were commended by internal audits. We welcome this year's introduction of the SRO 'Star Chamber' which hopes to improve accountability for performance.

NAO recommendation:

We encourage the SRO Star Chamber to be repeated later in the year to hold SROs accountable for delivering results, which will communicate the importance of focusing on outcomes. In addition, programmes with strong governance arrangements should be used as a source of good practice.

Board response:

Agree. We will repeat the Star Chamber exercise later this year, focused on results from FY 11/12, progress in FY12/13 and bids for spend in the remainder of the Spending Round. Governance arrangements differ across individual programmes but we will continue our dialogue with individual programmes to ensure governance arrangements are sufficiently rigorous and that best practice is shared.

2.6 Programme governance is devolved through geographical Directorates in the FCO and DFID. Subsequently each of the six programmes has a different structure which follows the approach of the Directorate in which it sits. This is not a problem in itself and, in fact, provides a welcome flexibility for teams. However, there are implications for governance and performance incentives as responsibilities vary between roles geographically, which are not necessarily captured in staff appraisal systems.

NAO recommendation:

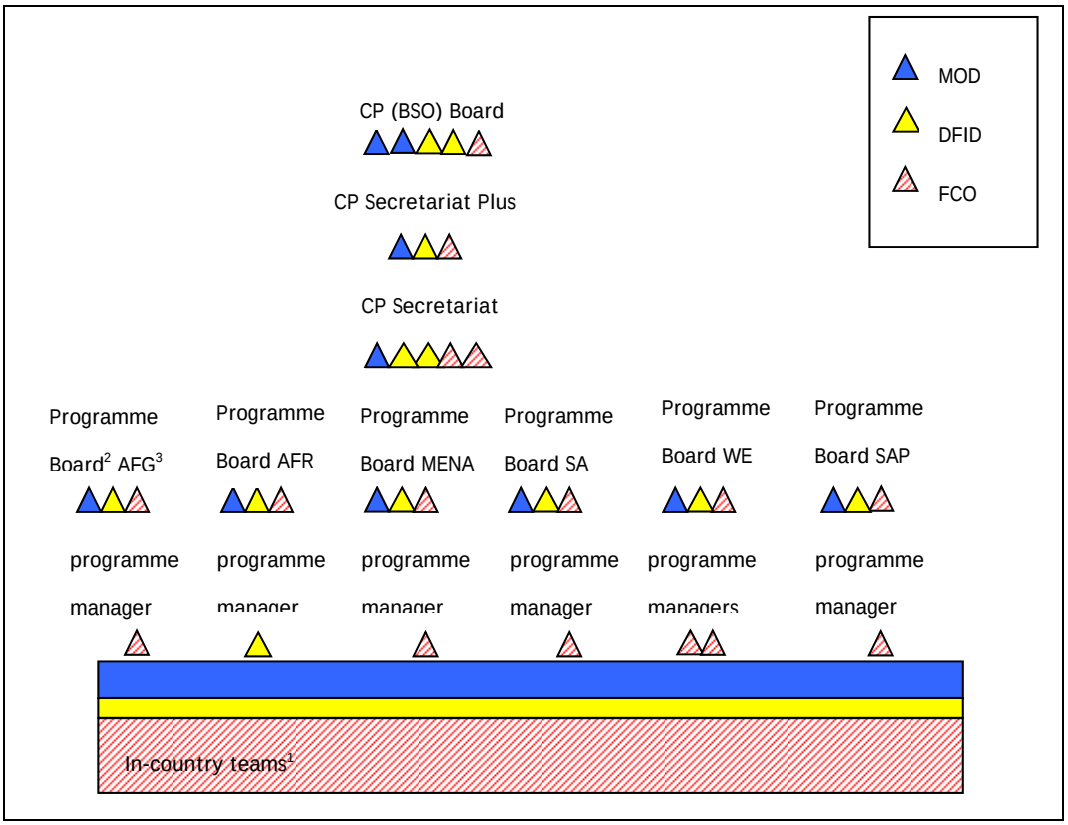
The Board must ensure all programmes have sufficient and appropriate governance arrangements to provide assurance, and performance incentives to deliver on objectives.

Board response:

Agree. We make this requirement clear in our allocations letters to SROs. The Secretariat also provides advice (and red lines) for programme managers on decision-making structures to ensure full accountability. We will look at the scope for developing greater performance incentives, for example by making supplementary allocations contingent on delivery of agreed outcomes, or requiring joint assessments for conflict and stability to be completed before allocations are confirmed.

Figure 8

Conflict Pool structure



NOTES

1. For 2011-12 FCO was allocated 59 per cent of funds, MOD 29 per cent and DFID 9 per cent. In country-teams include regional conflict advisers.

2. Programme Boards include SROs and counterparts from the other two departments.

3. AFG: Afghanistan, AFR: Africa, MENA: Middle East and North Africa, SA: South Asia, WE: Wider Europe, SAP: Strengthening Alliances and Partnerships.

4. The BSO Board is also responsible for the oversight of the Stabilisation Unit and the peacekeeping budget (not shown on this structure)

2.7 The role of the Secretariat is unclear and seems large for its current function. A five-strong tri-departmental team supports the BSO Board for Conflict Pool matters with part-time support from three more senior 'Secretariat plus' colleagues. Under the new arrangements the Secretariat is tasked with both supporting the Board and providing guidance to programme managers, as well as monitoring finances, Official Development Assistance and risks. While the Board believes the Secretariat function has improved recently, most programme managers we spoke to would welcome more support and guidance from the Secretariat. This is currently constrained, in part, by the generalist resourcing of the Secretariat (which does not necessarily have the skills to provide advice on conflict interventions and programme management) but also by the devolved nature of the programmes as the Secretariat has little knowledge of delivery on the ground. This is compounded by the Secretariat's high turnover of staff.

NAO recommendation:

*Now that the BSO Strategy is in place, the time is right to reassess the role of the Secretariat. This should be done in consultation with the Board and programme managers on what they require from such a central function (**Figure 9** overleaf), while managing expectations, with a view to making the structure more efficient.*

Board response

Agree. This is already underway. The Secretariat is drawing up clearer advice for programmes on the respective roles of the Secretariat and programme managers, including by identifying specific Secretariat leads on key issues in order to provide a more efficient response to programmes and allow greater specialisation within the Secretariat. This will be incorporated into the Pool's existing guidance in the coming months. We will ensure programme managers are fully consulted. The Secretariat is also reactivating its shadowing of individual programmes by members of the Secretariat.

Figure 9

Programme managers' suggestions for the Secretariat

To provide guidance on:

- how teams should monitor and evaluate projects and programmes
- best practice in evaluation
- administration costs and the use of consultants
- financial management and reporting
- holding back funding for potential peacekeeping overspends
- the roles and responsibilities of staff positions (Board, SROs, regional conflict advisers)

And:

- to have a better idea of programme delivery to be able to advise
- to perform evaluations

Source: Interviews with the six programme managers

Decision making and resource allocation

3.1 This section reports on the decision making and resource allocation within the Conflict Pool. The NAO expects timely and efficient tri-departmental decisions, taken at the right seniority (in line with accountability) with the necessary information, and in consultation with relevant stakeholders. We expect resource allocations to be evidence-based. We found three key points:

- Tri-departmental decision making throughout brings challenge to project plans, but can result in lengthy and overly bureaucratic resource allocation.
- Project bids lack a focus on expected outcomes, although we are encouraged by some capacity building in this area.
- Evidence-based resource allocation is constrained by changing Government priorities in-year, 'priority' countries, Official Development Assistance targets and peacekeeping commitments.

Decision making

3.2 Decisions are taken tri-departmentally at all levels. All decision makers are positive about this process which is said to work well, even when some parties are working in different countries. The three departments bring a useful mix of skills to the process, and provide challenge for proposed projects. At Board level, the three members discuss and challenge Conflict Pool developments, for example DFID and MOD challenged FCO's business case for frontline staff to be classified as administration spend in South Asia. At a programme level, there is evidence of scrutiny and challenge of bids; of 28 projects reviewed by the Wider Europe (tri-departmental) Project Board, 14 were approved (some with refinements), four pending (time not right), one was still to be discussed and nine rejected on grounds of sustainability, buy-in or fit with existing work. At project level in-country, DFID Sierra Leone challenged MOD's project bid regarding how the International Military Advisory and Training Team will demonstrate results.

NAO recommendation:

We recommend this cross departmental challenge continues to be encouraged throughout the Pool as there is clear evidence of its value.

Board response*:*

Agree. We will continue to emphasise this in our communications with SROs and programmes and build the principle more clearly into a forthcoming update of Conflict Pool guidance.

Annual resource allocation

3.3 We were unable to obtain a consistent view of the resource allocation process. Staff we spoke to all described it as lengthy and described a mix of top-down and bottom-up processes. The bottom-up process varies by programme but involves in-country teams submitting tri-departmental country proposals to the programme manager or regional conflict adviser, who puts together a regional offer. Programme Boards (including the SRO) in London discuss and submit to the BSO Board. In parallel, a regional breakdown is determined in terms of maintain/increase/decrease funding levels, in line with current priority countries. The BSO Board discusses regional offers in light of National Security Council priorities (referring back to project teams) and submits its overall proposal to the three Secretaries of State to agree and make a recommendation to the National Security Council. The Prime Minister has the final sign-off.

NAO recommendation:

This lengthy process with multiple stakeholders should be assessed for potential streamlining, and those bidding for funds would benefit from greater and earlier clarity regarding the relative priority of their country interventions.

Board response:

We are about to undertake a review of last year's results offers process, with a view to assessing whether and how it can be streamlined in future. This is however a challenging area – we need to ensure that all three departments retain a full sense of ownership. We also need to retain flexibility within the process so that Ministers and the National Security Council can provide political-level direction. We believe that SROs (Director level) have a good sense of the National Security Council political priorities that influence Board prioritisation.

3.4 Timely decision making of resource allocation is essential to avoid disruption to delivery. Overseas project teams we spoke to told us their funding allocation for 2011-12 was not confirmed until the end of April, despite the Board confirming programme allocations with SROs in March. Lebanon’s private sector partner, delivering Security Forces’ training, did not have its contract renewed in March, and therefore had to pay its staff during April, in the hope that by May, a new contract would be approved and work could recommence. Without good relations with FCO and MOD staff in-country, this project partner could have pulled out of the intervention, disrupting service delivery. In Sierra Leone, where there are no delivery partners, MOD continued to spend in April, assuming its bid would be approved largely as submitted.

NAO recommendation:

It is important to ensure future funding decisions are made sufficiently in advance of the start of the new financial year to maintain continuity of activity and governance of funds.

Board response:

Agree. The Board and Conflict Pool Secretariat work to a tight timetable, and we need to balance the time required by programmes to prepare their offers with time for review and Ministerial clearance. Timescales for Ministerial and National Security Council decision-making are inevitably sometimes difficult to control. We will seek to provide clearer guidance for programmes on what assumptions they can and cannot make on project continuity in advance of final allocations being confirmed. The introduction of multiyear funding should reduce these problems in the future.

3.5 Bid forms are comprehensive but in the past have lacked a systematic focus on outcomes. Forms vary in structure and requirements between programmes, making them difficult to compare when allocating funding. When asked for outcomes often outputs were described in their place, which did not adequately link to initial objectives. These forms are currently being revised and standardised, informed by DFID (with experience in developing business cases). This, in addition to the move to multi-year funding, and the 'Star Chamber' should help to make bids more competitive and focused on long-term outcomes, however programme managers have concerns about the additional amount of work this will generate. There are examples of good practice, for example Afghanistan's project documents set out goals, Key performance indicators, milestones and target dates. We also welcome the part funding of a DFID evaluation adviser to provide workshops on new results-based bids, although note this is a challenging task for a part-time adviser.

NAO recommendation:

Strengthening the outcome focus for bidding must start with the BSO Board leading by example in setting top level Conflict Pool outcomes, and a strong message from leadership about its importance, feasibility and the benefits of planning for (proportionate) monitoring and evaluation.

Board response:

Agree. The primary responsibility for individual programme outcomes lies with programme SROs and their tri-departmental programme boards. Throughout the Results Offer process the Board made very clear to SROs the necessity of a greater focus on outcomes and asked several programmes to resubmit their Results Offers to sharpen thinking in this area. New project documents place greater emphasis on the central role of monitoring and evaluation. We are reviewing the existing guidance and Learning and Development opportunities on offer in this area. We are also considering criteria whereby certain evaluation activities might be charged to programme budgets as frontline delivery costs.

Evidence-based resource allocation

3.6 The BSO Board's ability to make evidence-based resource allocations, which demonstrate need and capacity to deliver efficient and effective outcomes, are constrained by changing Government priorities in-year, the National Security Council list and Official Development Assistance targets as well as peacekeeping commitments. For example, last year, the Middle East and North Africa programme manager agreed to give up £1.5 million from their allocated Middle East and North Africa budget to fund new operations in Libya, in addition to the entire £7 million reserve the Board decided to allocate. Priority countries have had their funding protected, or increased, each year, whether or not the in-country teams originally bid for such funds, or provide evidence of their capacity to spend it. In addition, the requirement for £130 million (72 per cent) of Conflict Pool funds to be Official Development Assistance limits the amount of activity such as training that can be carried out by the military. We have not however found evidence of the impact of the constraint caused by Official Development Assistance requirements. The new £20 million Early Action Fund (to assist swift movement in response to warnings and opportunities), replacing the £7 million reserve, will help to some extent. The move to zero-based bidding for non-priority countries, and a band of +/- 20 per cent (of current year's) funding for priority countries should also lead to more evidence-based decisions.

NAO recommendation:

It is important to ensure that barriers to evidence-based decisions are minimised to ensure interventions are soundly based on capability to deliver outcomes.

Board response:

Agree. As indicated above the Board is encouraging greater focus on delivering outcomes. The Conflict Pool does however work in a political environment where there will inevitably be pressure to respond to political priorities. It will be important for SROs to continue to ensure that technical factors which reduce their programmes ability to deliver are minimised.

3.7 Assessed peacekeeping commitments, topped-up by the Conflict Pool, artificially inflate the size of the Conflict Pool and in the past, have required further reallocation of funds in year. Forward purchasing and forecasting peacekeeping requirements have reduced the risk of the need to unexpectedly top-up peacekeeping with Conflict Pool funds. However, in 2010-11, further funds were recalled from Conflict Pool programme budgets to manage an over commitment of expenditure within the Pool. The effect of this was fewer interventions focusing on conflict prevention from the outset and projects being curtailed mid-year, mid-delivery at short notice. The impact of this is not well understood by decision makers due to limitations in monitoring and evaluation. Post project reviews would not capture a cancelled project, and with a focus on outputs, not outcomes, the impact is not known. It also creates uncertainty for programme managers as to whether they should hold back on spending in case their budget is reduced in year.

NAO recommendation:

*Programme managers need to have a clear understanding of the impact of this in-year resource re-allocation by linking activity to outcomes and reporting on the impact of curtailments to decision makers***.**

Board response:

Agree. The Secretariat communicates regularly with programme managers, including via joint meetings held every 4-6 weeks as well as through email bulletins. The wider financial picture is always included. We have improved our ability to better predict assessed peacekeeping costs although inevitably there continue to be factors outside our control, with outcomes of UN budget negotiations only confirmed late in the financial year. We try to minimise the direct impact of unforeseen peacekeeping costs on individual programmes by managing risk at the centre but will encourage programmes to assess more clearly any such direct impacts.

Resource allocation at project level

3.8 Resource allocation and reallocation is overly bureaucratic and lengthy (**Figure 10** on page 21) due to the number of people who must approve changes at each level. In addition, in-country decisions often require sign-off from London-based programme managers for small changes. For example, the £50,000 uplift to a Palestinian Camps project in Lebanon required nine signatures for submittal to the programme manager in London, who signs off all project changes and refinements of this value. In Afghanistan, the Programme Board were set to review 67 project bid documents for funding approval this year to make decisions on their suitability. The process of approval and consultation with stakeholders can, however, provide effective challenge, and helps to ensure projects are effectively designed.

NAO recommendation:

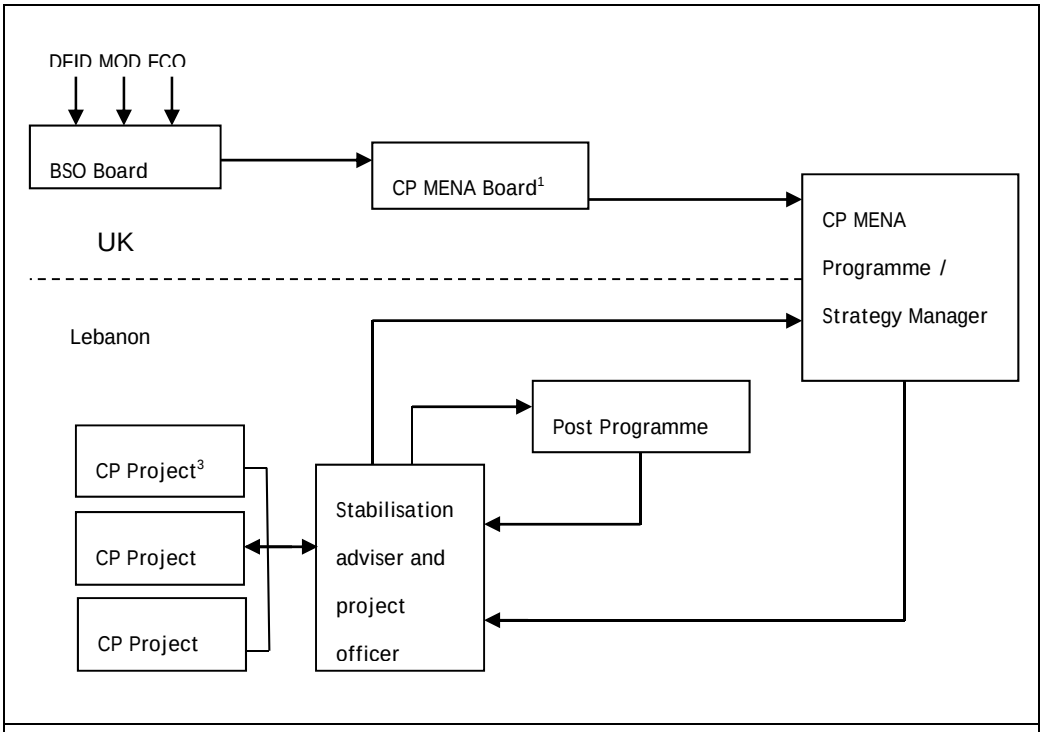
There is scope to improve the efficiency of this resource allocation process by streamlining and devolving responsibility down where capacity exists. Anticipated additional bureaucracy from the new standardised bidding forms should be minimised by emphasising proportionality.

Board response:

Agree. We will continue to encourage programme managers to devolve decision-making within agreed principles. New project level bidding forms are being developed with proportionality a key consideration. We are aware of programme concerns but believe programmes will be reassured that the new format does not produce significant additional work. The Secretariat is developing this documentation through close consultation with a wide range of Conflict Pool stakeholders, including regional conflict advisers and programme managers, and a pilot exercise.

Figure 10

Conflict Pool decision making process for Lebanon



NOTES

1. Includes the SRO (FCO Director), MOD & DFID counterparts

2. Includes the Ambassador (FCO) and MOD Counterpart in country & DFID regional conflict adviser remotely from London

3. Some of which are run and managed by external project partners

Source: Stabilisation adviser, Lebanon

Monitoring and evaluation

4.1 This section reports on the extent and quality of monitoring and evaluation within the Conflict Pool, and the skills available to do so. The NAO expects Specific, Measurable, Attainable, Relevant and Time-bound (SMART) objectives for outcomes, systems in place to monitor progress against objectives, performance and lessons fed back to decision makers for resource allocation and project managers to have access to staff with the required skills. We found two main points:

- Performance measurement has not been sufficient to date, and while there is appetite and activity to improve this, it will require a significant effort and culture change.
- The generalist resource model for the Conflict Pool means specialist skills such as conflict management, project management and financial management are not easily available to staff.

Monitoring and evaluation

4.2 All Conflict Pool staff we spoke to agreed performance measurement and evaluation, while difficult, has not been sufficient to date, but there is appetite to improve. Most staff we spoke to did not have training or experience in monitoring and evaluation, or receive central guidance on what is expected. Many projects are also too low in value to justify external evaluation (required for projects valued over £500,000 in FCO). The result is a mix of reporting mechanisms and quality of monitoring across regions and departments, which all agree could be improved. For example, the Middle East and North Africa programme uses the Stabilisation Unit for evaluation but other programme managers we spoke to were not aware of this resource (despite communication from the Secretariat). There is a common culture of believing measuring outcomes is 'too difficult'. This has led to a pre-dominance of stating outputs, rather than outcomes, with "too early to say" often reported. There are, however, examples of good practice (**Figures 11 and 12**).

NAO recommendation:

Good practice should be shared to build capacity in monitoring and evaluation from expertise existing within the Conflict Pool. Peer review of projects, by programme managers, would also assist in knowledge sharing and cost-effective 'external' evaluation.

Board response:

Agree. Work is underway in the Secretariat to develop guidance on monitoring and evaluation and to improve learning and development. We will encourage greater use of peer review. DFID's evaluation adviser will continue to contribute a proportion of her time to the Conflict Pool.

Figure 11

Monitoring performance by the British support team, Palestine

Outcome	Output	Indicator of success	Source of verification for indicator
The Palestinian Authority Security Force delivers security and rule of law in the West Bank	Contribute to the creation of a Government media operation, which supports the achievement of the Palestinian programme for statehood by maintaining public support	Functioning Government Media Centre which has continuous impact on local and international media, promoting the statehood agenda, and that contributes to the strengthening of free speech and open government	The international impact of the Palestinian Government's strategy for statehood was emphasised by Foreign Policy magazine naming the Prime Minister as one of the world's 20 most influential thinkers

Source: 2010-11 Quarter 4 Report, British support team, Palestine.

Figure 12

The importance of setting a baseline

The Conflict Pool in Lebanon funded a strategic assessment of the Internal Security Forces before designing its intervention to improve security. This included an opinion poll of the population that concluded 14 per cent of people fully trust the Internal Security Forces. When asked for people's drivers of satisfaction, 60 per cent of respondents reported improving integrity and conduct (2 per cent stated improving equipment). This, along with consultation with the Internal Security Forces, formed the base of the Internal Security Forces project; largely focused on devising an agreed code of conduct and introducing strategic planning. The 14 per cent statistic formed the baseline against which next year's survey will measure progress. This will be used alongside other qualitative indicators, such as the Chief of Police speaking publicly about the need to plan strategically and the Internal Security Forces questioning the US policy of providing equipment rather than capacity building, to measure performance.

Source: In-country project team, Lebanon

4.3 There is positive direction of travel in performance measurement, but it is a long-term goal. The BSO Strategy aims to improve achievement of results and changes are being made to bidding and reporting to improve the focus on, and accountability for, outcomes. There are concerns amongst staff we spoke to that while these recent changes are for the better; they have been ill-communicated with limited consultation. This will not assist with smooth implementation. The use of a DFID evaluation adviser to improve outcome-focused work is a welcomed step in the right direction, though the capacity building of the Pool will take some time as it will involve a culture change for most staff.

NAO recommendation:

It is important that a move to a more evaluative culture comes from the top, and leaders create incentives for all staff to be results driven. More consultation with programme and project staff, and communication between cross-programme staff would help with smooth implementation of realistic plans and good practice sharing.

Board response:

Agree. We believe the Results Offer process has made an important start in pressing and encouraging SROs and programmes on the importance of results. We see this as an ongoing process to embed a culture of continuous improvement across the Conflict Pool. Regional conflict advisers make an important contribution in this area and a review of regional conflict advisers' roles and responsibilities is underway. We have also agreed in principle that experienced programme managers may be recruited, initially on a trial basis, in two or three key locations overseas. Other incentives might include the flexibility to charge evaluations, etc to programme costs (within certain criteria), developing bespoke training, etc.

Skills

4.4 Programme management and evaluation skills are particularly important for stewardship of Conflict Pool funds; to ensure projects are aligned to wider in-country and UK objectives, and delivering effectively against objectives. Skills and experience in these areas vary across roles, departments and geographies. For example, the Head of Mission in Lebanon told us the stabilisation adviser's skills (integrating country, conflict and project management skills) are highly valuable as they ensure Pool projects complement the Embassy's other programmes, and are effectively scrutinised and monitored. In Sierra Leone however, core staff in the International Military Advisory and Training Team do not have these skills but do realise they will have to do more to demonstrate progress to secure future funding, as well as aligning the project with DFID's programmes. In this instance, in-country DFID staff are helping to strengthen the International Military Advisory and Training Team's business cases.

NAO recommendation:

The work of the Pool would benefit from using existing skills within the three departments more flexibly, for example, by more co-location or secondment opportunities, to promote knowledge sharing and pooling of expertise. There may also be a role for the Secretariat in ensuring programme staff have access to the skills required to do their jobs, which may require up-skilling the Secretariat in these in-demand skills.

Board response:

We agree where this is practical, and will encourage vacancies to be advertised tri-departmentally whenever possible. The Conflict Pool has always operated on the principle that the three departments contribute their own capacity and expertise (development, diplomatic and defence) to the management of jointly held programme resources; we see this is one of its strengths and we wish to maintain this approach. We see the primary responsibility for ensuring programme teams have the necessary skills and sufficient capacity as that of SROs and their programme boards, programme managers also have a role in ensuring effective tri-departmental teams delivery. We agree there is more the Secretariat can do both to develop and facilitate Conflict Pool-specific training and to set standards. Recent changes to the Secretariat's membership provide an opportunity to review its skills mix and to consider how to develop the team's capabilities, but we see the Secretariat's function as supporting and facilitating improvements, rather than delivering Learning and Development directly.

4.5 Managing conflict is not a specialist skill for the resourcing of the Conflict Pool, yet understanding conflict, and continuity of relationships in-country, is valued by project teams in Sierra Leone and Lebanon as a real asset in programming sustainable interventions that leverage larger funding (**Figure 13** overleaf). This contrasts with the resourcing model of using generalists for such posts in-country and in London, with the support of a limited number of regional conflict advisers. The available basic conflict training does not cover skills such as project management. The country specific emphasis of most programmes does not effectively utilise the skills and experience of staff across regions. For example, the stabilisation adviser in Middle East and North Africa only advises on the Lebanon, but as there are common causes of conflict within Middle East and North Africa, he could effectively support interventions in neighbouring countries as well.

NAO recommendation:

The Secretariat should build capacity in managing conflict, for example by sharing existing specialist knowledge, and ensuring access to adequate training. To efficiently use resources, a regional model for conflict prevention should be explored where practical.

Board response:

As above. The Secretariat will examine ways to better capture and disseminate specialist knowledge relevant to programmes. The Secretariat is already undertaking work on Conflict Pool-specific learning and development. We are not clear what a regional model would mean. Regional conflict advisers currently play the key regional role for the Pool. A review of their role is in hand and we will seek to strengthen the support available to regional conflict advisers, for example by strengthening their links to DFID's professional conflict cadre.

Figure 13

Understanding conflict and building collaborative relationships

The Defence Attaché in Lebanon believes the UK Conflict Pool money in Lebanon achieves a lot for a relatively small amount of money. One success has been attracting in money from the US for projects involving the Armed Forces and Internal Security Forces. The US invested $10 million on the back of UK work and ideas which in 2011-12 accounts for £775,000 of UK spend. The UK team had the idea of training villages and the US funded the build.

The stabilisation adviser believes that "in the conflict context, relationships are important to build trust and understanding of the complex environment. Over a longer period, you are able to develop a better understanding, better relationships, and better able to reduce programmes down to the things that really matter - to tackle the right bits of the problem in the right way, refine analysis and target interventions at the things you know will work - based on your knowledge of institutions and the people in them".

An official from the US Embassy described the UK as making a "meaningful contribution to reform of the Lebanese Internal Security Forces…collaboration with our UK colleagues was critical to the development of these two specific projects. The UK had the depth of knowledge, analysis and prior experience that was invaluable for our efforts to effectively target our assistance funds…many of our other initiatives benefitted greatly from the insight and prior experience of our UK colleagues".

Source: In-country project team and former US Embassy official, Lebanon

4.6 Quarterly reporting to the Board consists of financial reporting only. Efficient financial management and reporting is constrained by the three different reporting systems and lack of efficiency incentives. The quarterly reporting process is time consuming for project managers and the figures produced are not trusted by project managers or the Secretariat as the manual returns do not always reconcile with the three departmental reporting systems. The Secretariat does not have specialist financial expertise. Incentives for programme managers are to spend, rather than make efficiencies, the latter of which could provide a useful contingency should funding need to be re-allocated mid-year.

NAO recommendation:

The Secretariat should take greater responsibility for good financial management and reporting with the necessary up-skilling this may require.

Board response:

We believe there is a fundamental distinction between the role of the Secretariat, which has responsibility for overall financial management and monitoring, including managing the peacekeeping risk, and the delegated authority of SROs, Programme Boards and programme managers to manage their programme allocations. Programme teams have and should continue to retain delegated authority. They should recruit staff with the necessary programme management and financial skills, using the resources available within their individual departments, and ensure that any skills shortfalls are addressed through training and on-the-job learning. There are improvements to which we are committed on improving the Secretariat's skills base. We will also develop better Conflict Pool-specific training opportunities for programme and project staff and have allocated resources for this.