

Report by the
Comptroller and Auditor General

Department for
International Development

Emergency Aid: The Kosovo Crisis

Ordered by the
House of Commons
to be printed 23 May 2000

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John Bourn
Comptroller and Auditor General

National Audit Office
18 April 2000

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For further information about the National Audit Office please contact:

National Audit Office
Press Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

Tel: 020-7798 7400

email: enquiries@nao.gsi.gov.uk

Web site address: www.nao.gov.uk

Executive summary

1 This report is about the humanitarian assistance provided by the Department for International Development (the Department) in response to the Kosovo emergency. The scale of the crisis has been such that the Department have budgeted to spend £110 million, of which by October 1999, £98 million had been allocated to specific elements of



their aid effort. To examine how this money has been spent, in late October/early November we visited Albania, Kosovo and Macedonia.

2 The Department were operating in an extraordinarily difficult and highly unpredictable context. The conflicts in the Balkans have led to large-scale displacements of populations in the 1990s. However, the speed of the refugee outflow from Kosovo into Macedonia and Albania was unprecedented; it was the largest and most sudden population movement witnessed in Europe since the Second World War. Immediate action was needed to provide care for the refugees. The Department took a leading role, both in the provision and co-ordination of assistance, while the wider international response was brought together. The Prime Minister said on 5 August 1999:

“I should begin by paying tribute to DFID’s enormously effective response to the humanitarian and rehabilitation challenges that faced us in Kosovo. I saw for myself the impact of DFID assistance to the refugee camps in Macedonia and Albania. I have been struck by how all those who have recently visited Pristina have singled out DFID’s role as absolutely crucial to the progress that has been made on rehabilitation. I saw this for myself last weekend. DFID has emerged from the conflict with its reputation further enhanced.”

3 Our report must also be seen in the context of the difficult and dangerous conditions in which the Department were operating on the ground, and the fast evolving political and policy situation. When we visited the region we saw how

difficult transport and communications were. There were just two narrow and overcrowded roads into Kosovo, with four hour traffic jams at the border a common occurrence. There was no banking or telephone system. There were frequent power cuts and water shortages. And there was still a strong undercurrent of violence – murder and mine-related death and injury were commonplace.

4 In the circumstances the Department had to act quickly – speed was of the essence, and at times may understandably have taken priority over administrative neatness. Also, the Department were working as part of the overall international response, and they had to vary the nature of their contribution – cash, stores, equipment, people – according to the circumstances. When the crisis broke out, the Department’s emergency response capacity was already heavily committed in Sierra Leone, Tanzania, the Caribbean and in support of the United Nations.

What have the Department achieved?

5 On announcing that they were making aid available for refugees from Kosovo, the Department got people into the region quickly. They established field offices in Albania and Macedonia in a matter of a few days, and the field office in Kosovo was established just four days after the NATO air campaign ended and two days after KFOR troops entered the province.

6 The Department made an almost immediate impact through rapid action at headquarters and in the field. For example, they were fully involved in the work to alleviate the refugee crisis – including arranging airlifts of humanitarian supplies. At one point, refugees were leaving Kosovo at rate of up to 30,000 a day. They also played an active role in establishing the international presence in Kosovo, including the provision of support to the United Nations-led interim civil administration.

7 The Department have also worked closely with a wide range of other organisations. The Ministry of Defence, for example, have carried out a range of projects – particularly the construction and supplies for refugee camps, and immediate reconstruction tasks after KFOR entered Kosovo. The Department have also provided funding - some £42 million as at 31 October 1999 – for international agencies involved in providing humanitarian aid to Kosovo and neighbouring countries. The agency representatives we spoke to consider that the Department’s response has been appropriate and that they have focused on areas in which other donors have been less active – for example mines, the health sector and electricity distribution.

8 We saw for ourselves how the Department have been at the forefront of major projects in Kosovo, including the restoration of power and water supplies, and the provision of health services. They have also played a leading role in mine survey and clearance operations – a crucial task, with the number of casualties from mines and unexploded munitions in Kosovo running at five a day at one point. The Department have contracted with organisations to carry out the mapping and clearance work, and those organisations were active in Kosovo within days of the suspension of the NATO air campaign.

9 Another major strand of the Department's contribution has been the £18 million in support that they have provided for some 130 non-governmental organisations delivering aid projects in the region, and those we spoke to commented favourably on the speed with which the Department responded. Using our rights of access we looked to see what was being achieved, and we found that while many projects were still underway there were clear signs of significant successes. To take just a few:

- a bakery provided 28,000 loaves of bread a day to feed refugees;
- schools have been rebuilt so that children can resume their education;
- water and power supplies have been restored in Pristina, the capital of Kosovo;
- Pristina hospital now has modern and well equipped emergency facilities.

What lessons are there for the Department?

10 In doing our work we identified several aspects of the Department's work in relation to the Kosovo emergency which offer lessons for the future.

Emergency response capability

Recommendation 1

When the Department rely on outside assistance to maintain their emergency response capability, they should ensure that there is no break in the supply chain for these services.

11 The Department have contracted the Crown Agents to provide an emergency response team. This team ran and staffed the Department's field offices and operations in the region. We noted that the Department did not re-tender their original contract with the Crown Agents until eight months after the original expiry date, and it was six months into the Crown Agent's involvement in the Kosovo crisis that they signed the new one. However, to ensure continuity of response to on-going emergencies the Department extended the original contract until the new one was signed. The Department agree with the principle of ensuring that re-tendering exercises are undertaken in good time, and told us that the eruption of the refugee crisis hindered the completion of the bidding process on the emergency response contract (paragraphs 2.21, 2.22 and 2.26).

Recommendation 2

The Department's responses to emergencies often involve reacting quickly to sudden adjustments in the demand for their services. The Department's arrangements must have the flexibility to enable them to respond accordingly and quickly.

12 We also noted that the Department arranged airlifts on the basis of arrangements which had expired in December 1997, and which had not been formally extended. The Department attributed this to the fact that the

arrangements had previously been little used, but confirmed that they expected to put in place a new air chartering contract by the end of May 2000 (paragraphs 2.28, 2.29 and 2.31).

13 We note that in extending their original contract with the Crown Agents, the Department agreed to a significantly revised cost structure to meet an increasing emergency workload, which had not been envisaged in the original contract. This involved an increase in staff. They agreed to pay a management fee for each additional staff member, at a rate agreed with Crown Agents in November 1998. The management fees for staff employed in the field to meet the exceptional requirements of the Kosovo emergency amounted to £154,000 by the end of October 1999 (paragraphs 2.23-2.26).

14 Neither the Department's original contract with the Crown Agents, nor the new one, is clear about what level of activity can be supported by the services specified under the core contract. The Department have now recognised this and are seeking to ensure that the core services to be provided reflect the level of service they require (paragraph 2.27).

Managing the supply chain

Recommendation 3

To achieve value for money it is important that there is proper management of the supply chain.

15 The Department awarded to the Crown Agents a new contract for emergency response support having received competing bids from prospective suppliers. But by the time this contract was signed, the structure and cost of the deal had changed significantly compared with the basis on which the Crown Agents became the preferred bidder. The Department accept that, technically, the contract should have been re-tendered, but consider that it would have been extremely difficult and impractical to have done this given the complex and uncertain nature of the interventions in the Kosovo region during this period (paragraphs 2.22 and 2.26).

16 As regards air charters, although they had identified two suitable companies to obtain quotes on their behalf, they obtained 54 of the 61 air charters through one broker between April and 1 July 1999. For these 54 air charters the total cost was £2.3 million. The Department consider that, since air brokers will, on the whole, be going out to the same pool of suppliers, equal value for money can be obtained through contracting one air broker to submit competitive quotes by air service suppliers. This will be the Department's future strategy. The Department told us they were taking steps to ensure that there are clear arrangements on commissions (the broker had previously received commission from the aircraft operators, not the Department), and that future invoices provide a proper breakdown of charges (paragraphs 2.30-2.32).

17 Where possible the Department's field offices sought to try to obtain goods and services by competition from local suppliers. However, £3.3 million of the procurement for the operation has been handled by the Crown Agents Procurement Services Group. For this service the Department pay a fee, which is charged on a sliding scale according to the value of the transaction. But, the staff who decide whether to use the Crown Agents are themselves employees of the Crown Agents. The new contract sets out rules for when Crown Agents Procurement Services Group should be used, based on the order value. The Department are considering what additional monitoring procedures are required to ensure that they have proper visibility of the procurement decisions taken on their behalf (paragraphs 4.7-4.10).

Funding cash requirements

Recommendation 4

The Department should review their method of funding the cash requirements of emergencies and ensure that the funds that they have made available are fully and promptly accounted for, and redeployed if not needed.

18 The Department transferred funds totalling some £14 million between 1 April and 30 September 1999 to bank accounts held in their name with Crown Agents Financial Services Limited to provide cash for field operations in the region. As a result of changing circumstances in the region, the funds transferred exceeded the amount needed - and each £1 million transferred in advance of need costs £5,000 a month in Exchequer interest. The Department transferred funds where they considered that the scale of expenditure was greater than Crown

Agents could be expected to carry, and were influenced by the anticipated speed of expenditure and the requirement for cash in an area with a fragile or non-existent banking system. There was a delay, ranging between four and seven months, between the establishment of the field offices and the production of formal monthly accounts of their expenditure. The Department had not exercised their right to examine the Crown Agents' books and records, but intended to do so before the end of the financial year (paragraphs 4.3 to 4.5).

Project monitoring

Recommendation 5

The Department should ensure that they put in place a clear and structured regime of monitoring for projects they fund. They need to be more consistent in their approaches to obtaining reports from grant recipients and visiting projects.

19 Both directly and through their field offices the Department have committed some £18 million to projects carried out by non-governmental organisations. However, the Department's field offices have not consistently asked grant recipients to report back to them on how the money has been used. At the time of our visits, the Department did not have in place a clear programme of visits to projects and the results of those visits had not been recorded in a systematic way. The importance of a fully effective monitoring regime was underlined by the corrective action taken as a result of those visits undertaken by field offices, and by our own visits to projects, when we found that not all had been implemented according to plan. The Department acknowledge that it would have been desirable for project visits to have been more systematic, but told us that it took time to develop their arrangements because of the sheer pace of events and the large numbers of projects approved in a very short period of time (paragraphs 3.10-3.26 and Figure 6).

Controlling cash and assets

Recommendation 6

The Department need to ensure that they maintain fully reliable accounting records.

20 Our test checks indicated that field office controls over payments were adequate, but we noted that the accounting records at field offices were maintained in a way which leaves them vulnerable to alteration and does not provide a reliable audit trail. We sought to track assets and stores sent to the region, and our test checks confirmed the location of Departmental equipment held in the region. But we were unable to confirm that a selection of 11 consignments of humanitarian supplies (including tents, food and medical supplies worth £350,000) sent to the region from the UK during the refugee crisis had been received by the distributing organisation because there was an incomplete audit trail – the Department themselves had not obtained documentary evidence of delivery. The Department are now putting in place procedures to obtain documentary evidence of delivery in future (paragraphs 4.2, 4.11-4.16).

Demonstrating value for money

Recommendation 7

To satisfy accountability requirements and to be able to demonstrate the achievement of value for money, it is essential that the Department maintain sufficient documentation supporting their decisions and transactions.

21 While we recognise that administrative neatness was not the priority at a time when the Department were dealing with a major humanitarian crisis, there were important areas where the Department had insufficient documentation to show how decisions were made and whether value for money was achieved. For example the basis for grants to non-governmental organisations was not always fully documented, although we found that the grants had been properly

authorised. And the Department did not obtain sufficient documentation from the company organising air charters to satisfy themselves that they were getting the best deal and paying the correct fee. The Department's future arrangements on air chartering will require the contracted broker to submit three written and fully costed quotes by air services suppliers for each charter, supported by evaluations of suitability (paragraphs 2.31, 3.3-3.8).

Standardising business processes

Recommendation 8

Bearing in mind that the staff running field offices are usually on short-term contract, the Department should ensure that work now underway to standardise basic business processes and controls (for this and future operations) is completed quickly.

22 We noted that for the field offices in Albania, Kosovo and Macedonia oral briefings of staff were not supported by detailed written guidance on matters such as financial controls, procurement practices and personnel matters. The absence of standardisation meant that the overall administrative effort was increased at a time when staff needed to give as much attention as possible to the emergency in hand, and it raised the risk of inappropriate systems being put in place. The Department agree on the need for standardised procedures for field offices and action to develop comprehensive Standard Operating Procedures is now in hand. Their absence arose, in part, from the Department's policy prior to the Kosovo crisis, that they would not be involved at such an operational level – hence there was no expectation that the Department would have emergency field offices (paragraphs 2.7-2.9 and 4.7).

Our overall conclusions

23 The Department have made a major contribution to easing the humanitarian crisis arising from the problems in Kosovo. They have worked quickly with a wide range of other organisations to deliver aid on the ground in difficult and dangerous conditions. This was achieved by the dedication of the staff involved in the Department and Crown Agents who worked long hours for several consecutive months. Looking back there are, as the Department recognise, things they could have done better. A number of our comments relate to the way the Department have managed their relationship with key suppliers, how that might be improved, and how it should be reflected in the contractual arrangements. In a number of areas the Department are already revising their procedures to address points we have identified as requiring attention.

24 Our recommendations are designed to help the Department in the remaining stages of their work in the region, and in responding to future emergencies. They are about helping to ensure that the Department are able to respond to future emergencies in ways that maximise the value for the taxpayer's money and satisfy the requirements of public accountability, whilst still enabling them to maintain their focus on saving lives and relieving suffering.