

Evaluation of DFID Country Programme: Sudan 2005-2008

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to improve performance. When that performance was not evident we stopped our contributions to the MDTF, and have had to identify other channels to deliver that assistance. We continue to believe that an effective World Bank presence is essential, however, particularly for the South, and will continue to work for this. We will continue to pay very close attention to the performance of this MDTF and other multi-donor funds and will take action as necessary, in order to ensure the proper use of our contributions and better outcomes for the people of Sudan.

The reality of working in Sudan, however, means our choices were always limited. Many of the regular multilateral channels for direct support (e.g. World Bank, IMF and African Development Bank) are not available. The minimal presence of private sector implementing partners – e.g. PWC, Crown Agents - has increased our dependence on NGOs and pooled mechanisms through and with other development agencies. Concerning the South, we took a deliberate decision to try and reduce transaction costs for a new governance apparatus by using pooled funding mechanisms. In line with good practice in fragile states, the range of funding options that we kept open has meant that we spread our exposure, but inevitably therefore were exposed to the risks of a number of under-performing institutions. However we also consider it an appropriate part of our role to work with these essential institutions to ensure that they are capable of taking up their proper roles in the aid architecture for all parts of Sudan.

We partly accept the report's suggestion that the international community as a whole underestimated the very low levels of capacity in the South. The international community also did not anticipate the impact of John Garang's death, a matter of weeks after the signing of the CPA, on governance capacity in the South. The introduction of the Joint Donor Office in Juba was intended to ensure that donor demands on this weak administration were minimised. Following on from this, we agree that it is important to keep the organisation of our in-country presence under review. Our response currently to the capacity issue in Southern Sudan is twin-track: firstly to work with other donor partners on gap-filling of the

important operational roles against a single coordinated and prioritised strategy; and secondly to focus on the longer-term, for example with a programme to enhance teacher training. Organisationally, DFID is implementing a change management programme that places programme management responsibilities more clearly where they should be, deploys more staff to Juba, and reprofiles our portfolio to fewer, bigger programmes.

Particularly in the South of Sudan, DFID is constantly reviewing our choice of aid instruments in order to try and address the tensions that arise between state-building and peace-building objectives. As noted earlier, the latter has led us - for good reason - to by-pass the very weak state in order to achieve some level of basic service delivery usually through NGOs. But the international community has struggled with the sequencing and modalities of the transfer of these responsibilities so that we also begin to build state accountability and capacity. This is something that we are addressing in our policy dialogue with the Government of Southern Sudan and in the design of the basic services programme that will replace the Basic Services Fund.

The most significant disagreement we have with the findings of the evaluation report, is with regard to the Common Humanitarian Fund. We do not agree its remit should be broadened to include 'recovery' or state-building objectives. It is a new global mechanism and part of the UK's wider commitment to reform of the international humanitarian architecture. While it has had its share of teething problems, it has been independently and positively reviewed as a catalyst for reform: promoting more accountable financing, better sectoral coordination, stronger leadership by the Humanitarian Coordinator, and greater donor harmonisation. Learning lessons from the Pooled Fund in Democratic Republic of Congo, it has also recently begun reporting the cumulative results of the projects that it funds. This has helped to increase DFID Sudan's corporate reporting on targets in water and sanitation, health, and education sectors.

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Introduction

1 This report is the evaluation of DFID's country programme in Sudan over the period 2005 to 2008. DFID's aid to Sudan represents 9.7% of aid to Africa over the period and totals £444m. This evaluation had two main objectives: (i) to provide an account of the performance of the programme over this period; and (ii) to derive lessons for DFID in Sudan.

Context

2 Twenty years of civil war in Sudan ended in 2005 with the Comprehensive Peace Agreement (CPA) creating the Government of National Unity (GNU) and the Government of South Sudan (GOSS) subject to national elections being held in 2009. However, conflicts continue, notably in Darfur, arising from competition for land and resources. Two distinct aid environments exist. In the South, which remains one of the poorest regions in the world, support has focused on institutional capacity building. In the North, aid relations have been difficult, and recently exacerbated by the expulsion of 13 key NGOs following the International Criminal Court arrest warrant for the President. Although there has been rapid growth in the North as a result of oil revenues, this has mainly gone on defence spending. Latterly, the fall in oil prices has led to fiscal crisis in both North and South. Much of the UK aid has been channelled via multi-donor mechanisms and a Joint Donor Office (JDO) opened in Juba in 2006 to facilitate this, and to reduce transaction costs for GOSS.

Relevance

3 The 2005 Country Engagement Plan (CEP) had a relevant strategy for achieving poverty reduction by supporting post-war needs. The strategy supported a gradual transition from humanitarian to development assistance, with a focus on achieving sustained poverty reduction by supporting the peace process, improving Governance, and supporting the development and implementation of poverty reduction policies.

4 However, the CEP did not anticipate that most of UK aid would be delivered via pooled funding, nor the innovation of the JDO. These developments were in line with the CEP emphasis on aid effectiveness but the detail of the delivery was different, thus the CEP offered no guidance on the DFID approach to working through joint institutions.

5 Additionally, the conflict and humanitarian crisis in Darfur created intense pressure to respond and attracted much of the funding, diverting resources away from other needy areas of the country, despite the CEP and humanitarian strategy stress on the need for a country wide approach.

6 The new country plan, approved in 2008, envisages that the transition to peace should permit the phasing down

of humanitarian aid and proposes a reduction from 60-30% by 2010-11. The share of UK spending via multilateral and pooled funding channels will further increase, complemented by bilateral spending that exploits DFID strengths, seen as flexible procedures, good professional experience, and a willingness to work in areas shunned by other donors, such as the security sector and justice. DFID plans to more than double support for transition to peace and democracy, and for security and justice to nearly one third of DFID spending on the assumption that the success of the CPA and other stabilisation and peace initiatives is a necessary condition for progress on poverty reduction.

7 There is also a stronger effort to link peace agreement negotiation and implementation to grass roots, encouraging peace at the level of communities. The reduced focus on central state structures, and better extension of programmes to mid-level administration is enhanced by the recruitment of conflict and governance advisors.

8 The major problem with regard to the relevance of DFID strategy as it has developed is the loss of focus on the underlying DFID 'mission' of poverty reduction. Poverty and the MDGs, and DFID concerns with cross-cutting issues of gender and social exclusion, are barely mentioned in the July 2008 plan. The strategy seems unbalanced: the focus on the CPA is good, but there is no analysis of the options in terms of their likely contribution to sustained poverty reduction and progress towards the MDGs.

Efficiency and Effectiveness

9 DFID has been successful in consolidating the bilateral programme, reducing the annual number of new commitments while lengthening the commitment period and reducing the number of small projects. Where project assessments were available, these show 64-70% scoring as fully or largely achieving their project purpose.

10 However, the performance of the pooled funding mechanisms is markedly weaker than for other interventions, and raises some major questions about DFID reliance on them. The UN managed **Common Humanitarian Fund** (CHF) accounts for 40% of DFID spending, and this mechanism has shifted transaction costs from donors to the NGOs and UN cluster leaders, but not necessarily reduced these costs. Due to slow and unpredictable CHF allocation, the fund tends not to be used for critical needs, as originally envisaged. Quality control at entry also remains weak, as is monitoring and evaluation. The objectives remain relevant, but the procedures need reform.

11 The World Bank (WB) managed **Multi-Donor Trust Funds** (MDTF) have received 14% of DFID support. Both the Southern MDTF and national MDTF have been very slow to get off the ground due to underestimation of

the in-country staffing and support that would be needed from the Bank. Lobbying by DFID in concert with other donors has helped secure increased local staffing and WB management attention. Disbursement is picking up, and portfolio performance is moderately satisfactory.

12 The **Basic Service Fund (BSF)** was set up as an interim measure until MDTFs were fully operational. It provides support to NGOs for education, health and water supply investment. It has been very positively evaluated, attracting additional funding from other bilaterals. It has also begun to undertake useful capacity building work as part of the project support it provides. DFID plan to close the scheme in 2010 as the new Sudan Recovery Fund expands. However, as the best performing instrument, there are strong arguments for building on and expanding the BSF, though the issue of sustained post-project support from GOSS needs to be addressed.

13 DFID is the lead donor and main advocate for another new pooled fund, the **Sudan Recovery Fund (SRF)**, which is intended to fill the gap between short-term CHF and the larger scale and longer term MDTFs, and DFID plans to expand the SRF rapidly. However, the evaluation concludes that the SRF adds to the complexity of the aid architecture without offering significant benefits to aid coordination or efficiency. The SRF is already established, but past start-up difficulties would argue for reviewing performance of the fund and of the existing Phase 1 projects before funding major expansion.

14 Although support for the **police and justice sector** is to be scaled up, the expenditure to date has been relatively modest and performance assessment moderately satisfactory. Discernible impact is hampered by lack of buy-in in the north of the country, and the low level of capacity in the south. Sustainability has not been well thought through, neither for material inputs nor capacity building, and it is not clear if the scaling up will meet the country plan objective.

15 **Supporting the peace process.** HMG to date has been seen as one of the leading bilateral supporters of Disarmament, Demobilisation and Reintegration (DDR) in Sudan. Effective reintegration of former combatants is essential to consolidate the peace which has been achieved to date in the Three Areas and the South, and to build confidence for progress in the future. Over the evaluation period the number of people in armed forces has actually grown for a variety of reasons. However, the inputs provided by DFID are nevertheless credited with keeping the momentum of the process, and the preparatory work that has been done will permit faster progress when political conditions allow.

16 With unrivalled professional capacity available in the conflict related sectors, DFID is recognised as a lead donor, and its initiatives are endorsed by the larger bilateral agencies in country, creating a multiplier effect. The capacity to fully play this important role is limited by the need to spend time on project implementation and delays in this area undermine the quick and adaptable response that is essential for conflict programming. These problems derive from a wide range of administrative and country factors. Although the channelling of aid via multilateral and UN channels is intended to save administration costs for DFID, in practice the need to tackle frequent institutional bottlenecks has absorbed a significant amount of staff time. The need to solve process problems has arguably reduced the focus on achieving impact.

17 The cessation of DFID-led work on **debt management** for political reasons delayed progress on issues that will need resolution in the final CPA settlement – and may have damaged the credibility of the UK commitment to engage with GNU.

18 **Management arrangements** are operating effectively. However, while it is recognised that fragile states

often require greater human resources for programme delivery, the current nature of the pooled funding mechanisms reflects a pattern of inefficient multilateralism and reform is needed to release resources for more productive work, and in order that DFID does not miss opportunities to make more use of its bilateral capacity.

19 There is particular scope for increased bilateral engagement in the South, where the development challenges are most acute, including for CPA implementation, while the Government would welcome and could greatly benefit from DFID's professional approach and flexibility to adapt to local needs. DFID needs to consider with partners the implications for the JDO of increased UK bilateral spending and presence in the South.

Impact

20 The overall impact of the DFID programme is, in summary, positive and improving since 2008, but less than it might have been, and is confronted by powerful countervailing forces.

21 The impact of **peace and security work** is hard to assess, but capacity is being built to address drivers of conflict, and there is evidence of DFID influence on others. The risks to peace have increased over the period under evaluation. DFID's response with regard to supporting the peace and justice sector has been to lay the foundations of long term work, trying to build relationships and capacities that are capable of enduring under all scenarios for the country.

22 While **humanitarian programmes** across the country have achieved good results in providing food and basic services to target populations, the impact of both MDTFs has been limited. The bilateral BSF has helped fill the gap in service delivery in the South, building schools and health posts and has brought clean water to more than twice as many people as MDTF-S.

23 DFID has had a major impact on aid architecture but the proliferation and disappointing performance of pooled fund and multilateral mechanisms has undermined their original intent. DFID should have pressed for a more strategic approach to design at the outset.

Lessons and Recommendations

For DFID Sudan;

- **Consolidate the aid instruments**, where possible, phasing out support for those that do not meet the criteria of providing low management cost, predictable, timely, flexible, and longer-term funding, and moving to larger and preferably programmatic packages.
- **Work with other donors for reform of CHF** Sudan to meet these objectives by introducing some multi-year programmatic grants for funding predictable requirements of well-established agencies and NGOs – subject to supported activities being included in the Humanitarian Workplan.
- **Review the experience with SRF** to date before pushing ahead with expansion. If the CHF moves in the direction proposed consider absorbing SRF within the CHF.
- As an effective aid instrument currently operating in Southern Sudan, **repeal BSF and if possible, find ways to expand it.** If DFID management implications preclude this, consider BSF management via the JDO, given that the contractor is experienced and the operating procedures well established.
- Initiate discussion with GOSS, JDO, MDTF-S, UNICEF and other partners on the **development**

of a strategy, roadmap and coordination framework for capacity building in Southern Sudan, and promote a better resourced effort to both provide and build capacity at GOSS, state and local level.

- Review whether the **staff allocation in DFID Sudan** reflects priorities, given the balance of programme spending and the opportunities.

For DFID globally;

- In future **post-conflict situations**, and especially where starting capacity is very low, DFID should give far higher priority to working with other development partners to put in place timely and appropriate responses to capacity development and capacity provision, as the knock-on effect of poor capacity can compromise all other programmes.
- Country policy in post-conflict states needs to **retain a clear focus on the DFID 'mission'** of reducing poverty and making progress towards the MDGs. Assumptions about linkages of peace process support to these core objectives should be explicit, and an appropriate balance struck between peace related programmes and those bringing material benefit to the population.
- DFID should ensure that its country offices apply appropriate DFID guidance on the choice of aid instrument, appraising different options for aid effectiveness, **avoiding uncritical preference for pooled funding mechanisms** irrespective of design and management.
- Avoid over-reliance on the **management and procedures of the multilaterals**, especially in fragile environments, where DFID flexibility and professionalism is rightly valued.
- **A review of CHFs** in other countries should be undertaken, to see if they display the same problems as CHF Sudan. If so, DFID should press for similar reforms through the UN to those proposed in Sudan.

Management Response

We welcome this report, which contains many helpful conclusions and recommendations. These will help us to shape our programme to Sudan as we go forward.

The evaluation rightfully recognises DFID's programme in Sudan is one of the most complex and challenging of its programmes. Continued insecurity, unparalleled humanitarian need and weak capacity and systems, are major challenges for all aid donors. However, we consider the programme to be consistent with DFID's wider policy framework, including that outlined in the 2009 Development White Paper - Building our Common Future, and consistent with established good practice for operating in fragile and post conflict states.

In this management response we provide some general comments in response to the evaluation, as well address some specific issues raised.

Between 2005 and 2008, DFID's evolving mission was to deliver the 'peace dividend' expected from the Comprehensive Peace Agreement (CPA), while also addressing the surges in humanitarian need linked to the conflict in Darfur. The history for both Governments, in the North and South, is a predominantly military one, with an over-riding concern for defence, from both internal and external threats, and with complex international relationships. Both preside over hugely diverse populations, and continue to be challenged on the allocation and distribution of the considerable resources at their disposal

(the total aid budget to Sudan accounts for 3.3% of GDP). The abnormality of the aid and internal and external political environments impacting on Sudan was and remains absolutely fundamental to the design of the programme and we do not feel the evaluation takes sufficient account of this in its conclusion or recommendations.

Externally, the enthusiasm and commitment of the international community's response to the signing of the CPA in January 2005 was soon accompanied by a hardened international response to the long running conflict in Darfur. The collapse of the May 2006 Darfur Peace Agreement ushered in an era of increasingly generalised insecurity, heightened crime, much of it directed at humanitarians, and deteriorating humanitarian access. This ensured a strong international focus on Darfur, reinforced by influential lobbies, which we believe made it hard to maintain the desirable focus on implementation of the full range of components of the CPA. Three trade-offs followed: the continuing high profile of humanitarian work which limited our ability to focus on recovery and state-building activities across our portfolio; the need to find ways, without creating the wrong incentives for government, to provide basic services directly to a population ravaged by war in the South, instead of focusing on state-building; and the need to address security concerns to allow humanitarian access, prevent increased humanitarian need and build the confidence of citizens to invest in their livelihoods, while also demobilising soldiers and working to re-align government expenditure to service delivery priorities.

We accept the report conclusion that the links between programme activities and poverty reduction has not been as clearly articulated as it could have been and that it is important to continually review and test this link as the country strategy is implemented. The July 2008 DFID Country Plan clearly states our goal in Sudan is to secure "poverty reduction through a sustainable peace". DFID's policy on working in fragile environments – as set out in the September 2009 White Paper – is clear that addressing constraints like security is absolutely critical for enabling poverty reduction.

DFID is also about to produce new policy guidance under the title Building Peaceful States and Societies. This sets out an integrated approach that puts building peaceful states and societies at the centre of DFID's efforts in fragile and conflict affected countries and recognises that conflict and state fragility have emerged in recent years as the most significant challenges to international peace and security, and to achieving the Millennium Development Goals (MDGs).

One of a number of particularly tough trade-offs for the DFID Sudan programme is the balance between humanitarian and development spending. Humanitarian support made up over 40% of DFID Sudan's programme in Financial Year 2008/9. But without progress on political and security fronts, the UK must continue to meet its burden share of humanitarian funding requirements particularly in Darfur, Southern Sudan and the border areas, while continuing to expand the options for affecting transition to recovery and development. In Financial Year 2009/10, our humanitarian programme will make up some 35% of total spend, and also will provide us with better evidence that immediate and life saving needs are being met in a timely fashion.

We agree that there is some basis for the report's conclusions on trust funds. DFID has been at risk from a heavy reliance on pooled funds administered by multilateral partners, some of which have performed poorly. In the case of the World Bank administered Multi-Donor Trust Funds, we have consistently pressed the Bank