Donor Approaches to Risk in Fragile and Conflict Affected States

Case Study: Somalia

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Introduction

This case study on the Federal Republic of Somalia will feed into an OECD INCAF report on Donor Approaches to Risk in Fragile and Conflict Affected States. The study aims to provide country level evidence on the approaches used by donors in risk assessment and management. Research for this case study was conducted by Adam Burke of The Policy Practice, and was funded by DFID. The opinions and time offered by all those interviewed, as well as the support from INCAF and DFID are deeply appreciated.

The study is based on background reading, and interviews carried out in Nairobi and by phone and email during April 2013. Interviews targeted multilateral and bilateral donors to Somalia as well as NGOs. Somalia offers important lessons on risk management in peacebuilding and development work in conflict-affected areas. Risk assessments have gained a high profile given concerns that aid funds could unintentionally support Al-Shabaab, a political and military organisation designated as a terrorist group by many OECD governments. The risks of non-engagement, heightened both by recent widespread famine and by the perceived need to support the current government, also drive decisions and practices on risk management. Somalia's participation in the New Deal for Engagement in Fragile States further encourages aid agencies to work with the government.

The case study refers to the autonomous regions of Somaliland and Puntland, but time and logistical constraints mean that the focus is on the main area of the Federal Republic of Somalia. Somalia's conflict also needs to be regionally situated, with the interests of neighbouring Ethiopia, Kenya and Eritrea being significant factors. Cross-border flows of people and goods are also important. Internationally, Somalia has a history of wider external intervention that has often played a destabilising role, from the colonial era, through the Cold War to the present day. These international and cross-border factors are referred to in this study where they are relevant to donor approaches to risk in Somalia, although a proper analysis would warrant a separate study. This case study is divided into two parts. The first part discusses broad donor responses to risk in Somalia. This includes a profile of main types of risk confronting donors in Somalia, analysis of how donors approach these risks in their programming, and explanations of these responses to risk. The second part discusses practical approaches to risk management observed in Somalia. Three approaches are highlighted in this case study including: (1) using country systems and strengthening public financial management, (2) using specialised risk management services to monitor fiduciary and corruption risks, and (3) managing risk remotely where security concerns limit access.

Part 1 – Donor Responses to risk

1.1 Risk profile

Somalia's turbulent recent history has made the country an extreme example of a fragile state. Over two decades of conflict have destroyed state authority and institutions, and have created generalized insecurity that has enabled militant and extremist groups and criminal networks to flourish. Development and humanitarian challenges are enormous with the most recent famine in 2010-11 leading to the loss of an estimated 260,000 lives.

In 2006 military intervention from Ethiopia led to the appointment of an interim government whose authority was challenged by the emerging strength of 'Islamist' groups, in particular Al-Shabaab. Since 2011 increasing international military and diplomatic engagement alongside various domestic factors has helped bring about some stabilisation in southern and central parts of the country. Taking over control of the capital city, Mogadishu, with the support of troops from neighbouring countries and the African Union, a transitional government gave way to a constitutionally based permanent federal government in 2012. The federal government is internationally recognised and supported.

The last two years have seen major progress, but the federal government remains weak. Large areas of southern and central Somalia remain under Al-Shabaab control. The federal government's tenuous hold on power remains dependent on foreign military support. At all levels, its authority is fragile, and based on shifting alliances with local factions. Its authority does not extend to Somaliland and Puntland, self proclaimed independent and autonomous territories in the north. Government systems and structures are weak in terms of both their capacity to implement initiatives and their public legitimacy.

In this context donors see a major opportunity to promote stabilisation, statebuilding and peacebuilding. However, they face enormous contextual, programmatic and institutional risks identified in table 1 below. Security risks limit access to large parts of the country, which requires donors to manage programmes remotely. This heightens fiduciary and reputational risks.

Table 1 – Risk profile for Somalia

Contextual risks	
Political risks	Over the past two years there has been some political stabilisation with the establishment of the Federal Government of Somalia. However, government remains very weak, with low capacity, inadequate systems, limited accountability, and little control on the ground in southern Somalia. The autonomous areas of Somaliland and Puntland are more stable, but have an unclear relationship with the federal government in Mogadishu. Instability also affects – and is affected by – bordering countries.
Conflict risks	The military campaign against Al-Shabaab continues in southern areas involving government, and foreign troops. There is some risk that gains over the past two years may be reversed especially if foreign troops withdraw. The most likely scenario is one of continued instability and asymmetric counter-insurgency using bombings and assassinations. Further instability is likely given the contested legitimacy of authority figures and associated institutions. The absence of state authority and law and order will continue to fuel crime including piracy (which continues, although at lower levels given concerted international efforts to combat it).
Risk of humanitarian crisis	Conflict, vulnerability, drought, environmental change and limited access contributed to major famine in 2010-11. In 2011 an estimated four million people were in need of emergency food and medical assistance. However, only 2.2 million were being reached.[1] Humanitarian access became more difficult from 2008 as a result of Al-Shabaab consolidating and denying access. Donor government concerns about the legal implications of funds leaking to Al Shabaab or other conflict actors seriously compounded the problem as many donors and implementers withdrew. UNHCR also estimates that there are over one million refugees in neighbouring countries and 1.4 million internally displaced people, out of a total population of around 10 million.[2]
Programmatic risks	
Risk of programmes not achieving objectives	Major programmatic risks emerge because access to the field is limited, incentives to report underperforming projects are weak, and remote management systems only provide partial information on local events and programme performance. Relationships with local state and non-state partners are difficult to manage, due to lack of access, limited trust and limited capacity. Not enough resources are dedicated to continual risk analysis beyond the initial stages of a project cycle, leading to risks that programmes will head off-track during implementation.
Risk of backing a narrow political agenda before peacebuilding	There is a risk that the current focus on strengthening the current government will not be accompanied by sufficient attention to its legitimacy or to wider peacebuilding and reconciliation. Human rights organisations and NGOs have focused on salient issues including the status of women and the role of the military in documented cases of abuse.
Risk of doing harm	Humanitarian and development aid feeds the Somali political economy at all levels with uncertain consequences (box 1).
Institutional risks	
Security risks	Major security risks limit aid agency's access to Somalia. Remote management from Nairobi or elsewhere is a norm. Even for the small number of international staff in Somalia,

[1] OCHA (2011a) 'Horn of Africa Crisis: Situation Report No. 19', 21 October.
[2] http://www.unhcr.org/pages/49e483ad6.html

	movement is restricted and access is still impossible in some areas. Donor agencies have effectively transferred security risks to implementing partners.[3]
Fiduciary risks	Corruption and fiduciary risks are very high across all of Somalia, with limited access, poor security, weak governance, and the need to use informal money transfer systems adding to the challenges.
Reputational risks	The potential for aid funds to finance 'terror' groups is a major reputational concern.

1.2 Observations on donor responses to risk

Until recently almost all donor assistance to Somalia has been for humanitarian relief. Consequently the main risk management issues for donors have been concerned with maintaining access to vulnerable populations and ensuring the proper use of funds. Humanitarian access became much more problematic after 2008 as Al-Shabaab consolidated control. Resulting insecurity made it impossible to reach some parts of the country, and in 2010 the World Food Programme along with several other agencies were expelled by Al-Shabaab from areas under its control.

Donors and their implementing agencies became concerned of the legal implications of funds leaking to Al-Shabaab and other conflict actors. Payments to local facilitators and other ways of enabling engagement became unacceptable as donors and implementing partners tightened their regulations. These concerns led several bilateral donors to stop funding programmes in Al-Shabaab-held areas across southern and central Somalia for fear of both legal repercussions in the USA or Europe and public reputational damage. Resulting inaction on the part of humanitarian actors (due to both the cessation of donor funding, and Al-Shabaab's restrictions on access by humanitarian actors) almost certainly contributed to the 2010 / 2011 famine.[4] This recent experience makes donors and implementing agencies operating in Somalia acutely aware of risks, both of money going astray (and potentially supporting Al-Shabaab) and of failing to address humanitarian needs.

Donors have been highly conscious of fiduciary and reputational risks of operating in Somalia where their lack of access makes it difficult to monitor implementing partners directly. Until recently donors have tended to take a hard line, zero-tolerance approach to corruption. This goes beyond the risk of diversion of funds to armed groups. For example, one case of local-level fraud (unrelated to Al-Shabaab) meant that a large regional NGO, Adeso, had to return all funds received from a European bilateral donor. In another case, a small corruption case led to all Danish assistance being halted for six months in 2009.

[3] The Insecurity Insight SiND database records six events of kidnapping, killing or injury for 2010, and 20 less severe events affecting aid infrastructure or aid delivery for the same year www.insecurityinsight.org. The Aid Worker Security Database records 8 incidents of kidnappings, deaths or injuries of aid workers in 2012 https://aidworkersecurity.org.

[4] To be clear this inaction was due to both the cessation of donor funding, and Al-Shabaab's restrictions on access by humanitarian actors.

Rigid approaches to fiduciary and corruption risk have been criticised by humanitarian actors. Demands for full accountability and entirely clean financial processes are, according to many, unrealistic in Somalia and represent an unfair transfer of fiduciary risk to implementing partners. Donors' pursuit of a 'zero tolerance' approach to corruption, alongside anti-terror legislation, has generated strong disincentives limiting humanitarian engagement. Humanitarian actors face difficult dilemmas. In practice, although not publicly stated, humanitarian agencies commonly suppress information about the potential misuse of funds. Many view the Adeso experience as a case of an agency being punished for openly addressing a problem that others might have concealed. This and other cases have created a degree of tension between donors and implementing partners. The latter complain that they are bearing enormous security and fiduciary risks in order to fulfil their humanitarian mission, while donors impose unrealistic and unreasonable demands. International NGOs have themselves received some criticism for defining humanitarian access in terms of their own organisational interests, and taking a naïve view that ignores the connections between humanitarian aid and local power structures.[5]

In view of the challenges experienced in Somalia, donors have re-evaluated their approach to risk management. These steps make it less likely that implementing agencies – and donors – will conceal failure, as they have often done up until now. Greater flexibility is evident in donor approaches which now emphasise the need to maintain humanitarian access across Somalia, and to work jointly with implementing partners to find practical means to address problems when they arise. Purely humanitarian support has also been facilitated by exemptions from UN resolutions designed to limit funding reaching groups associated with terrorism. The US Office of Foreign Assets Control has taken measures to enable humanitarian support.[6] In this more collaborative environment, implementing partners are more willing to share information on problems encountered in the field and to engage in joint problem solving. A number of mechanisms support this approach including the UN Risk Management Unit described in section 2.2. Several other donors are proactively working to encourage open disclosure and to devise appropriate responses when addressing problems that intermediaries or local NGOs encounter. USAID, for example, helped Adeso to address problems and implement mechanisms to mitigate fiduciary risks.

International recognition of the federal government in Mogadishu is leading to a significant change in aid programming and risk management. Recognising the opportunity to promote stabilisation, donors are moving rapidly to support the new government. There is a strong willingness on the part of donors to support core government functions and to pay salary costs (both army and civil service salaries - see section 2.1). There has been substantial progress in discussions around the New Deal, including discussion of a Transition Compact. In view of the fragility of the federal government, the potential for a reversal of recent gains and the weakness of public financial management, this strategy represents both a considerable risk and a historic

[5] See Laura Hammond and Hannah Vaughan-Lee (2012) *Humanitarian space in Somalia: a scarce commodity.* HPG Working Paper, ODI, April 2012.
[6] "Under the current extreme circumstances on the ground, the Department of State and USAID and their contractors and grantees are authorized to engage in certain transactions in the conduct of their official assistance activities in Somalia, under rigorous controls aimed at preventing diversion of assistance or cash payments to designated parties." See *http://www.treasury.gov/resource-center/sanctions/Programs/Documents/somalia_faq.pdf*

opportunity. Managing these risks will require particular attention to understanding how aid interacts with the domestic political economy, and developing approaches to aid delivery that take local political dynamics into account (see box 1).

Box 1 – The importance of political awareness in aid delivery in Somalia

Humanitarian and development actors in Somalia have been criticised for a lack of attention to local political and economic context. Laura Hammond has found that they have tended to operate with little understanding of the complex and often fluctuating systems of governance that affect both stability and development. While donors are rightly frustrated by the co-option and diversion of international aid into the wartime economy, expecting to be able to isolate programmes from the wider context is unrealistic. Even if corruption, access payments, facilitation fees and other ways to extract resources are avoided, the large contracts and scope to provide or deny resources to groups at the local level means that aid agencies and intermediaries are all political actors.[7] Decades of funding to an extremely poor country makes foreign aid a key aspect of the local economy, with political actors operating to secure or direct resources in order to support their agendas at all levels.

Managing these risks will require donors to adopt more politically aware approaches. One example is provided by the USAID's Transition Initiatives for Stabilization (TIS) in Somalia, which provides funding for quick-impact stabilisation activities chosen by community representatives in collaboration with local governments. The programme, which has a budget of around $87 million over five years, forges collaborative partnerships and creates a space for interaction between government institutions, the private sector and civil society. Activities currently include the construction of government facilities, the provision of fishing equipment and trauma healing workshops. Effort is made to increase domestic ownership of the program, removing foreign branding and encouraging government outreach. Activities vary considerably, from provision of buildings and other facilities to support for peace committees and other measures associated with 'social cohesion'.

1.3 Explanations of donor responses to risk

Overall, international security and diplomatic imperatives to support the new, weak government generate risks that other issues – such as the legitimacy of the state, the impact of natural resource depletion on rural livelihoods, and humanitarian need – will not be adequately addressed. The case of Somalia indicates the influence of political and international security priorities on donor policies and risk management. Concerns about state collapse, Islamic extremism, lawlessness, piracy and humanitarian emergency have driven a high level of international engagement in Somalia. In general donors have judged that the risks of inaction

[7] See Laura Hammond and Hannah Vaughan-Lee (2012) (*op.cit.)*

exceed the risks of engaging in Somalia. However, they have been constrained in their ability to provide support by lack of access to the field and concerns about resources inadvertently funding Al-Shabaab. Donors have also been highly sensitive to the risk of funds being used corruptly or subject to other fiduciary losses. Rigid donor policies and practices can also be explained by the lack of presence of aid managers in Somalia and their lack of exposure to local realities. Several interviewees highlighted this point, and indicated that donor staff in-country (or in Nairobi) tended to be more flexible and facilitative, while problems stemmed from unrealistically rigid positions being followed in headquarters.

Donors are clearly taking a large, calculated risk in providing direct support to the federal government. This reflects recognition that after decades of conflict, there is a rare opportunity to promote stabilisation. There is also strong international pressure to support the new government that reflects foreign policy and international security interests in containing terrorism and piracy and promoting stability across the Horn of Africa. While this has generated strong interest in supporting the new government, there is a risk that it will lead to an uncritical approach to statebuilding that does not give sufficient attention to the government's domestic legitimacy and the need to promote inclusive policies and political mechanisms.

Discussions around the New Deal have injected energy and ambition into discussions between the federal government and the donor community on supporting statebuilding and peacebuilding processes. The government has shown leadership of the process and convened a taskforce, bringing together the government, civil society and lead donors (the US, UK, EU, World Bank, Norway and Denmark). A series of international meetings (London in May 2013; Brussels in September 2013) has lent further impetus to the process including significant progress in the preparation of a transition compact. Although these are positive signs, there are many challenges that will need to be addressed in implementing the New Deal, not least the question of the federal government's legitimacy, accountability, and commitments to promoting inclusion, justice and human rights, as well its relationship to authorities in Puntland and Somaliland.

Part 2 – Practical approaches to risk management

2.1 Using country systems and strengthening public financial management

Donors are already backing the new Somali Government with military, diplomatic and financial support, and are looking to step up this support under the New Deal. This poses a considerable risk management challenge because government's administrative and financial systems are very weak or non-existent. Currently, there is limited effective control over domestic revenue and little transparent management over government expenditures. There are major concerns about corruption, which weaken the government's legitimacy domestically (and provide succour for Al-Shabaab's rhetoric and agenda), and create considerable fiduciary and reputational risks for donors.

In view of these concerns, donors are actively developing systems to mitigate the substantial programmatic and institutional risks that inevitably accompany the drive to support the new government. Under the New Deal the planned Somalia Compact and its mutual accountability arrangements will provide an overall framework to monitor the use of funds and progress in strengthening government systems. In addition, two major initiatives are currently underway to manage the risks of providing aid to the federal government. These are: (1) a proposed Public Financial Management Strengthening Initiative for the period 2013-2016, and (2) the Special Finance Facility that will provide flexible funding for the payment of civil service salaries.

The Public Financial Management Strengthening Initiative. Both donors and government increasingly emphasise the importance of improved public financial management (PFM) as a basic condition for managing the risks of direct donor support to government. In 2012 the World Bank launched a new initiative with broad government and donor support to assess PFM needs in Somalia and develop a common approach for donor programming. The aim is to provide a guiding framework for PFM improvements, and to discourage individual donors from 'cherry picking' individual PFM issues. A piecemeal approach would risk diluting donor effort and influence, and would make it easier for reform opponents to obstruct progress.

The first step was the design and application of a self-assessment tool to prioritise appropriate interventions. Reflecting past experience of over-elaborate PFM interventions, the approach in Somalia is based on an incremental, 'bare-bones' approach that does not aim to deliver a perfect public finance systems in the immediate term, but to create conditions for progressive improvements over time. A simplified version of the Public Expenditure and Financial Assessment (PEFA) tool has been used to kick start the process. An initial public financial management (PFM) action plan, coordinated by the World Bank with the Government of Somalia, was discussed at a Somalia conference in London in May 2013. This incremental approach limited to modest and realistic goals reflects the findings of recent evaluations of donor assistance to PFM in fragile and conflict affected states. [8] The approach reflects donor recognition that concerns over corruption risks have in the past led them to be too rigid and unrealistic in their expectations of government reform. A sense of realism has emerged including recognition that the risks of working with country systems are worth taking: *"Ultimately, we aren't going to wake up and find that the shoemaker's elves have built Somalia a state-of-the-art PFM system overnight. We have to work with them, and if they can build a system their population can trust, that will help build the peace."* [9]

The PFM Strengthening Initiative has made good progress, but some challenges remain. Commitment from the Government of Somalia has been mixed. This partly reflects differences of views between senior figures. Donor efforts to promote a Joint Financial Management Board were turned down, the formal reason being concerns that it would erode national ownership. Mixed commitments and differences of opinion between senior officials or politicians are not unique to Somalia. This makes it difficult to respond to local ownership while limiting fiduciary risk and also maintaining a strategic direction. Strong political knowledge certainly helps, along with pragmatism and a willingness to learn from experience from other countries.

There are also challenges in ensuring donor coordination in support of a common approach to PFM. In particular this relates to donors' centralised decision making and limited presence in country. Strategic decision-making functions often rest in donor capitals, with the result that progress has been slowed by bureaucracy and oversight requirements. However, this risk has been partly mitigated by the design of the PFM Strengthening Initiative, which provides a broad framework rather than a rigid implementation plan, and provides flexibility for donors to adapt their support according to their priorities and risk tolerance. There is some frustration that discussions on the overall PFM framework are detracting from the urgency of financing the new government. This has spurred progress on the second initiative to enable direct donor support of government discussed below:

The Special Finance Facility (SFF). This initiative was launched in 2012 with Norwegian leadership. Aiming to build confidence in a new and weak government, the facility proposes a flexible fund to support regular payment of civil service salaries for the first time in many years. This initiative addresses the risk that donor governments were too slow to respond to urgent statebuilding needs in a post-conflict environment. The programme aims to address issues beyond fiduciary concerns and public financial management, with the wider aim being to strengthen the legitimacy of the state and build support among civil servants (an influential bloc

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[8] World Bank (2012) *Synthesis Report on Public Financial Management Reforms in Post-Conflict Countries*. This report finds that PFM programmes in fragile and conflict affected states work best in situations of strong government commitment and dependence on donor funding. It also finds that PFM in itself is not in the short or medium term correlated with better service delivery, state-building goals or improved public revenue-raising. It concludes that incremental, consultative approaches work best in fragile, low-capacity situations. It is unrealistic to expect a fully integrated system to be established right away and simple steps including some substitution of domestic capacity with external inputs can help build positive early momentum. Some parallel systems and donor inputs are acceptable as long as they are aligned with the general direction of reforms. These pragmatic conclusions suggest that there are risks in rushing into PFM without strong commitment by donors and government. They also show that while a common framework is needed, it is not vital that all agencies follow a single shared approach.

[9] Aid expert quoted in The Guardian (UK), 19 April 2013. http://www.guardian.co.uk/global-development/2013/apr/19/somalia-yardstick-new-deal-conflict-countries

in Somalia). By establishing the fund, it is hoped that confidence in government will increase. Around 70% of the fund's $30 million budget is being provided to enable the government to pay civil servants their regular wages, while the remainder will support small-scale community development initiatives.

The SFF responded rapidly in a post-conflict environment where speed is important for stabilisation. The less burdensome systems being employed by Norway facilitated swift project development. The Norwegian-backed SFF model is based on positively evaluated experience from other fragile environments including the West Bank and Gaza, Timor Leste, and Afghanistan. It aims to mitigate fiduciary risks through several measures. Funds are provided incrementally through 10% instalments of a total investment of $30 million. Each instalment is provided after auditing of the proper use of the previous instalment. Across the initiative, a low-visibility approach is being followed in order to limit attention from potential illicit rent-seekers, including non-state armed groups.

For the Norwegian-funded SFF, the selection process for development initiatives builds on lessons from similar programmes in Somalia and elsewhere. It is an example of an approach aiming to build local ownership and boost state legitimacy while also adding fiduciary safeguards. It is conducted under public scrutiny through an independent financial agent. For payments being made to civil servants, a civil service commission will present an authorised list of staff and grades to the Ministry of Finance. Recipients need identification cards and accounts in local banks. Further spot-checks occur and additional verification processes help to minimise risk.

2.2 Managing fiduciary and corruption risks using specialised risk management services

Donors' approaches to risk management in Somalia have rapidly developed over the past two years in recognition of the need to manage fiduciary and corruption risks in a more proactive manner. This includes the development of specific risk management functions, two examples of which are discussed here: (1) systems used by UNICEF in Somalia, and (2) the UN Risk Management Unit (RMU) covering all UN agencies. Further examples such as the Somalia Cash Consortium's combined risk analysis present further relevant material.[10]

UNICEF risk management. UNICEF has developed several mechanisms for strengthening risk management in Somalia. These include an Audit and Risk Management Working Group that was established to put in place strategic policies and plans for risk management. A Somalia Risk and Control Library has been developed to profile the risks of operating in Somalia and associated mitigation measures. In addition, a cross sector third party verification system has been developed into a full-fledged monitoring system designed to assist UNICEF in avoiding misappropriation, diversion and other forms of misuse of project funds/resources. The monitoring aspect of the system is complemented by research and assessment of potential risks of partnering with certain institutions or of intervening in certain areas or locations. Third party monitoring systems have been established for specific sectoral/programme components by subcontracting monitoring to selected NGOs and Somali organisations.[11] In addition to these measures, UNICEF actively uses the services of the Risk Management Unit discussed below.

UN Risk Management Unit. The Risk Management Unit (RMU) was established in October 2011 as a service supporting all UN Country Team agencies. The RMU is focused on managing fiduciary and reputational risks and relationships with partners. Denmark and some other donor countries provided support to assist in establishing the unit. It does not directly address security risks which remain the domain of UNDSS (the UN Department of Safety and Security) in Somalia and elsewhere.

The RMU consists of a small team based in Nairobi and travelling across Somalia frequently, along with a field team in Somalia that can conduct reviews and assessments according to demand. The team has established an information sharing platform/mechanism that supports UNCT agencies, and also conducts risk analysis, monitoring and surveillance, investigations support, direct agency support to strengthen internal risk management mechanisms, as well as enhanced UN due diligence processes and methodologies. Its operations follow the ISO 31,000 risk management standards.

[10] See http://www.cashlearning.org/downloads/1209-updated-Somalia-Cash-Consortium-Combined-Risk-Mitigation-draft.pdf

[11] Unicef has developed a similar multi-layered system in Pakistan.

The idea of a shared RMU reflects the demand from agencies operating remotely in Somalia where there are high risks of corruption and poor performance by contractors and where domestic and international media scrutiny is high. A shared unit enables the UN to pool information and expertise, as well as giving agencies an additional layer of control.

The RMU maintains a database of projects and contractors, recording problems that have arisen and sharing them across UN agencies. The database contains details of 1,200 partners involving contracts worth a total of over $450 million. Where problems have arisen, this information enables agencies to ensure that mistakes are not replicated. Rather than simply black-listing local bodies, the RMU aims along with its partners to address the problems and improve performance. It encourages UN agencies to work proactively with ground level implementers when difficulties arise. Emphasis is placed on risk management training for partners including UN agencies, International NGOs and implementing NGOs, encouraging good risk management practice. The RMU adds a valuable coordinating layer to risk management that enhances rather than replaces the in-house operations of aid agencies.

The RMU conducts investigations on request, following up suspected cases of malpractice. In doing so, its staff work with different levels of the typical implementation chain in Somalia: UN agencies, International NGOs, local NGOs and contractors, and beneficiaries. In one instance, fraud over issuing food vouchers was discovered at the local level. The RMU has also worked on public financial management, a growing area given increasing scope for donors to work with the government. The RMU has been approached by the Government of Somalia for support on monitoring and evaluation. Such opportunities demonstrate that the RMU is perceived to perform effectively, although its capacity to take on such tasks is limited and it is aware of the dangers of overextending its capacity. Partners already mention that RMU investigations involved considerable delays to their planned schedules.

Other challenges also exist: The RMU has limited analytical capacity to meet the UN's needs, and is still working to share tools and experiences with bilateral donors and NGOs (donors currently do not have access to the database). The danger of mission creep also exists, with its human resources at times being stretched by requests from different donors or the UN at senior levels. Increasing interest in working with the government and through pooled funding mechanisms will create new challenges that the RMU will need to develop capacity to address.

The RMU's information management processes have received criticism from International NGO partners, who are not able to access the database, and complain that accountability for the use of the information is unclear. Limiting access reduces its potential impact, but is defended as being essential for the effectiveness of the unit. The information contained in the database is often confidential, implicating organisations in fiduciary problems. Open access to the database would inhibit agencies from submitting any potentially damaging data, effectively rendering the whole exercise toothless.[12] Incentives against accurate reporting of problems including fraud

[12] There are a number of risks associated with the management and control of the information contained in the database. Leaks could put agencies and staff at risk. In addition, contractors or NGOs could use the database as a means to gain unfair advantage

and failed project operations have plagued aid agencies in Somalia for years, and the RMU is a positive step to reverse this tendency.

The RMU has received positive feedback, and in June 2012 was recognised as a best practice example in the Monitoring Group Report for Somalia. On the basis of this recognition, the RMU has been directly supporting the country teams of Mali, Afghanistan, DRC and Egypt. UN Country Teams in Mali and Afghanistan are likely to replicate RMU type arrangements in the near future. RMU staff have also contributed to OECD consultations on risk management approaches in recent years.

2.3 Remote management systems

The challenges of 'remote management' have stimulated a range of innovative distance monitoring methods. Examples mentioned by the Common Humanitarian Fund of UN OCHA (which is itself a good example of a pooled fund that helps reduce risk) [13] include:

- Use of satellite imagery to verify construction.
- Encouraging direct feedback from beneficiaries or intermediaries through SMS text messages and social media. This can be used to verify that humanitarian aid has reached beneficiaries, identify where supplies and services have not been received in the aid delivery chain, and to provide a feedback mechanism as an accountability and performance measuring tool.[14]
- Regular use of third-party monitoring. The challenge with third party monitoring is to identify reliable and independent firms willing to undertake regular visits to beneficiary groups in insecure areas at reasonable cost. Even with strong systems for third party monitoring in place, options for management to respond to identified problems are often limited.
- Using audit companies and other bodies to appraise institutional capacity and then taking action to address identified weaknesses with implementing partners.
- Sharing information. In addition to the UN's Risk Management Unit, an informal monitoring and evaluation working group allows for exchanges of information and experience.

International NGOs working on Somalia have also had to adopt remote management methods, for example the case of Médecins Sans Frontières described in the box below.

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over their competitors (unless information is properly vetted). These issues need to be addressed by the RMU to ensure the unit is fit for purpose and can deliver.

[13] The CHF is a good example on how donors have pooled risks and discussed risks and risk management at board meetings. It has been positively evaluated by various donors. Further information is available on the CHF-Somalia website at http://www.unocha.org/somalia/chf

[14] For an example of an SMS feedback programme in Somalia, see Danish Refugee Council SMS Feedback http://somcdrd.org/hif/

Remote management is clearly a second best approach to aid delivery, and is clearly associated with higher risks. However, the example of Somalia suggests that these risks can be managed, and the challenges of remote management are spurring interesting innovation that could usefully be applied elsewhere.

Box – Remote management methods used by Médecins Sans Frontières in Somalia[15]

On 28 January 2008 three MSF employees working in Somalia were killed by a roadside bomb prompting the withdrawal of all MSF international staff. A remote management system was established, starting with identification of risks and based on new or adapted tools and procedures. The remote management system is based on several key concepts:

- Centralised decision-making. To maximise control over resource flows and reduce the risks to national staff in the field, most resource-related decisions that would normally be taken at field level are instead taken by the Country Management Team (CMT) based in Nairobi.
- Micro-management and cross-checking. The Nairobi CMT is closely involved in project details. Information coming from the field, especially resource-related information, is cross-checked through other sources within and across departments.
- Support and training. Field staff are frequently brought out to Nairobi (and in some cases sent to Europe) for meetings and training.

Gradually mission culture shifted, and national staff, supported and held accountable by a mixed Somali, Kenyan and international Country Management Team took greater ownership of programme activities. Daily contact, through email, phone and now video, has been applied as standard practice in order to track developments and coach, support and advise field staff. There is a similar level of contact between Nairobi and field logistics staff, particularly around supply management. Financial control procedures are extensive. Staff in Nairobi approve all payments, orders and payroll adjustments. Cash is transferred directly to the supplier from Nairobi using a cash transfer order, increasing the potential for scrutiny.

Success seems to be based on a rigorous and transparent control system and the competence of national staff in the field. Another factor that may be critical to the success of the approach is the pre-existence of MSF programmes in Somalia. National staff in Somalia were already familiar with MSF principles and protocols, and this laid the groundwork for a shift to remote management that may not have been possible without this previous engagement.

[15] http://www.odihpn.org/humanitarian-exchange-magazine/issue-56/remote-management-in-somalia

Annex 1 Persons Interviewed and sources consulted

Meetings in Nairobi (unless otherwise stated)

15 April	Arranging meetings, reading.
16 April	*Risk Management workshop, hosted by the World Bank:* Kira Sindbjerg, Trine Barnoe, Frederikke Kam – all Danish Embassy Kerstin Hinds, Will Hellyar – both DFID Morton Petersen – ECHO Doris Jerop Kiplagat – European Union Puteri Watson, Mathias Kruger, Anne-Lise Klausen, Donald Mphande – all World Bank Veronika Martin, Nasri Hussain, Sean Brooks – USAID / US Embassy Stephan Massing – OECD Julia Kronberg – German Embassy Brigitte Pedro – UN OCHA / CHF Emily Rainey – AUSAID Stephanie Matter – Swiss Embassy Vincent Vinere – Belgian Embassy Kimani Mungai – Canadian High Commission *Also met:* *Winston Cole* – Senior Financial Management Specialist, World Bank Saba Khan – independent consultant for UN and INGOs
17 April	Degan Ali, Jean-Christophe Saint-Esteben – ADESO Peter Klansoe – Danish Refugee Council Nigel Roberts – Consultant to Norwegian Government (former World Bank Director / Special Representative) (by phone)
18 April	Abduba Mollu Ido, Frederikke Christensen Kam – Danish Embassy Brigitte Pedro, Pierre Br – Common Humanitarian Fund, UN OCHA Matthew Leslie – UN Risk Management Unit Ainhoa Jaureguibeitia, Deen Kaphle – UNICEF (both by phone)
19 April	Jan-Petter Holtedahl – Norway Embassy Nasri Hussein – USAID / Transition Initiatives for Stabilisation Rowan Yamanaka – DFID