

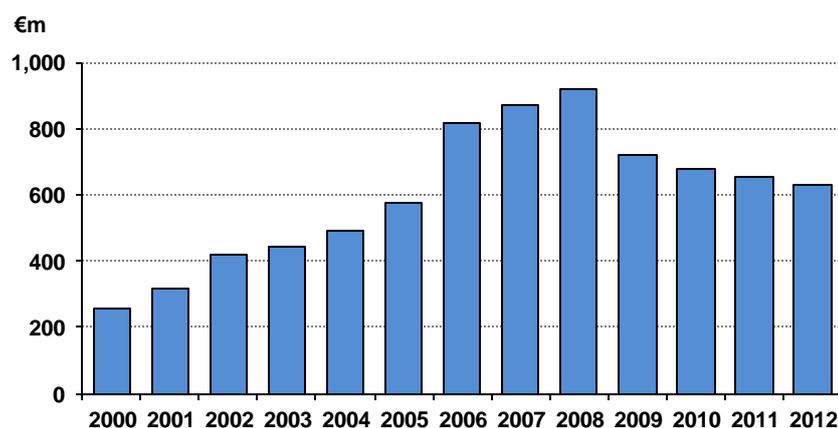
13 Official Development Assistance

- 13.1 Official development assistance (ODA) is the transfer by state agencies of resources – either in cash or in the form of commodities, services or technical co-operation – to developing countries or territories, or to multilateral development agencies.¹
- 13.2 Irish Aid is the Government’s programme for overseas development. The programme is managed by the Development Co-operation Division of the Department of Foreign Affairs and Trade.
- 13.3 The purpose of this report is to present all ODA flows in one statement and to outline the control systems in place in respect of the major components of the Irish Aid programme.
- 13.4 The Department has an Evaluation and Audit Unit which aims to provide assurance that public funds administered by the Department are used for their intended purposes and that value for money is achieved. The Unit’s work covers the main activities of the Department, accounted for under Vote 28: Foreign Affairs and Trade and the development assistance accounted for under Vote 27: International Co-operation. In view of the relative size of the budgets and the nature of the expenditure programmes, the Unit focuses particularly on Irish Aid operations, funded under Vote 27.²

Official Development Assistance Transfers

- 13.5 Irish ODA totalled €629 million in 2012. This included a €70 million apportionment of the EU ODA budget, which accounted for 11% of the total. Figure 13.1 shows the trend in the level of Irish ODA since 2000.

Figure 13.1 Irish official development assistance, 2000 to 2012

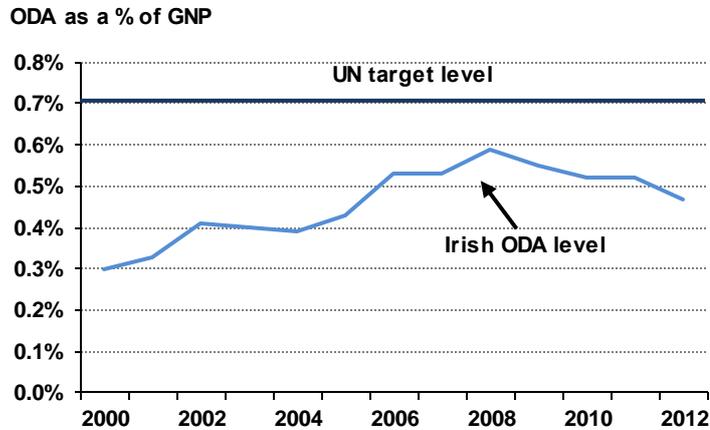


Source: Irish Aid Annual Reports; Department of Foreign Affairs and Trade

1 Transfers only qualify for inclusion in estimates of ODA if they are directed towards the promotion of the economic development and welfare of developing countries.

2 The total gross expenditure for Vote 27: International Co-operation and Vote 28: Foreign Affairs and Trade, in 2012, was €509 million and €208 million respectively.

Figure 13.2 Irish official development assistance relative to GNP, 2000 to 2012



Source: Irish Aid Annual Reports; Department of Foreign Affairs and Trade

- 13.6** The United Nations (UN) has set a target for developed countries to contribute ODA equivalent to 0.7% of their Gross National Income (GNI) each year.¹ In 2005, the EU Council set an objective for member states to reach the 0.7% target level by 2015.²
- 13.7** Ireland's ODA contribution in 2012, at 0.47% of Gross National Product (GNP), was 7th highest among OECD countries.³ As Figure 13.2 indicates, Irish ODA increased from 0.3% of GNP in 2000 to a high of 0.59% in 2008, before falling back to its current level of 0.47%.
- 13.8** Five donor countries exceeded the UN target in 2012: Luxembourg (1%), Sweden (1%), Norway (0.9%), Denmark (0.8%) and the Netherlands (0.7%).⁴ Luxembourg first reached the target level in 2000 and has met it each year since. The other four countries have consistently met the target since the 1970s.
- 13.9** Ireland's new policy for international development, launched in May 2013, sets out the vision, goals and priorities for Ireland's aid programme over the coming four years.⁵ The policy renews the Government's commitment to achieving the 0.7% GNI target. In recognition of the economic situation in Ireland, it states that the short-term aim is to maintain ODA at current levels, while moving towards the 0.7% target when the economy improves.
- 13.10** Assistance is provided to developing countries either directly through bilateral contact with the countries themselves or indirectly through pooled funds managed by international aid organisations (multilateral assistance). Excluding administration costs, approximately two thirds of Irish ODA is provided through bilateral co-operation programmes, with the remainder consisting of general contributions to the cost of development work undertaken by a range of multilateral organisations.
- 13.11** Figure 13.3 presents an overview of the major elements of Ireland's ODA in 2012, highlighting the programmes that were funded, in whole or in part, under Vote 27. Annex A outlines the key programmes under which ODA was provided in 2012.

1 UN General Assembly Resolution 2626 (XXV), 24 October 1970.

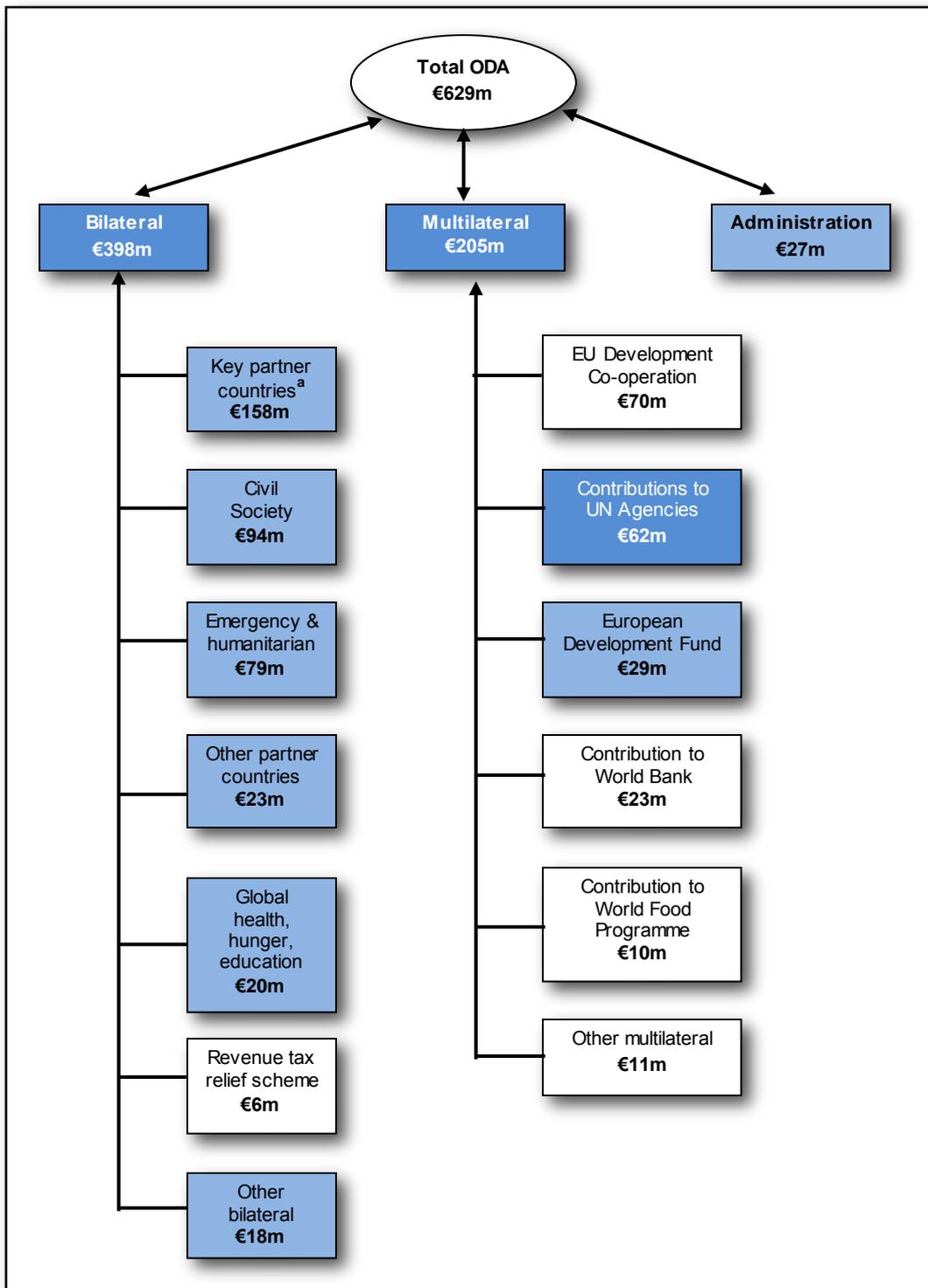
2 Council of the European Union Meeting No. 2660, External Relations Council, Brussels, 24 May 2005. The objective does not apply to member states that joined since 2002.

3 Irish Aid reports ODA as a percentage of GNP rather than GNI. The European Commission's Eurostat website states that GNI and GNP are conceptually identical, although calculated differently.

4 OECD, Net Official Development Assistance (preliminary data for 2012), April 2013.

5 One World, One Future: Ireland's Policy for International Development, May 2013.

Figure 13.3 Overview of Ireland’s ODA in 2012



- Funded by Irish Aid
- Funded in part by Irish Aid
- Funding from other sources

Note: a Key partner countries were previously referred to as programme countries

Control Framework

- 13.12** Given the inherent risks of fraud and corruption associated with the delivery of development assistance, a robust system of control is required to provide assurance to Irish taxpayers that funds reach their intended destination, are used for their intended purpose and are having the desired impact in targeted countries and communities.
- 13.13** Due to the breadth of the ODA programme and the diversity of funding arrangements in place, the nature and extent of the controls that are appropriate vary between individual measures. In general, controls are applied at three levels
- Ex-ante assessment is carried out at the planning stage of new funding initiatives to inform decisions on the most appropriate format of the intervention and the funding channel through which ODA is to be delivered.
 - Audit work focuses on the appropriateness of the accounting and financial management systems of partner organisations and aims to provide assurance that funds have been used for their intended purpose.¹
 - Evaluations assess the design, implementation and results of projects in order to determine their efficiency, effectiveness, impact and sustainability.
- 13.14** Information sharing with other donors is an important element of the control system, enabling the Department to identify emerging risks. Co-operation measures include regular meetings between ambassadors and other embassy officials, as well as briefings with the World Bank and the International Monetary Fund.

Multilateral Assistance

- 13.15** Multilateral assistance programmes typically involve the application of a pool of funds from multiple donor countries for development purposes. As a result, it is difficult to isolate and carry out ex-post audit of the funds contributed by Ireland. Consequently, reliance is placed on the existing audit arrangements in force for the international aid organisations.²
- 13.16** The multilateral organisations through which Irish ODA is delivered each have their own evaluation units and management boards which conduct regular reviews of all aspects of their operations. Reports of evaluations carried out are made available to Irish Aid and many are also publically available.
- 13.17** In addition, Ireland is a member of the Multilateral Organisation Performance Assessment Network, which is a group of 17 donors with a common interest in assessing the effectiveness of major multilateral organisations.
- 13.18** Assessments on behalf of the Network were carried out during 2012 in respect of a number of UN programmes – the Global Alliance for Vaccines and Immunisation, the African Development Bank and the World Bank. Assessments planned for 2013 include the UN Food Programme, the World Health Organisation and the Asian Development Bank.

¹ Partner organisations are the intermediary bodies through which Irish Aid funding is delivered to the developing countries.

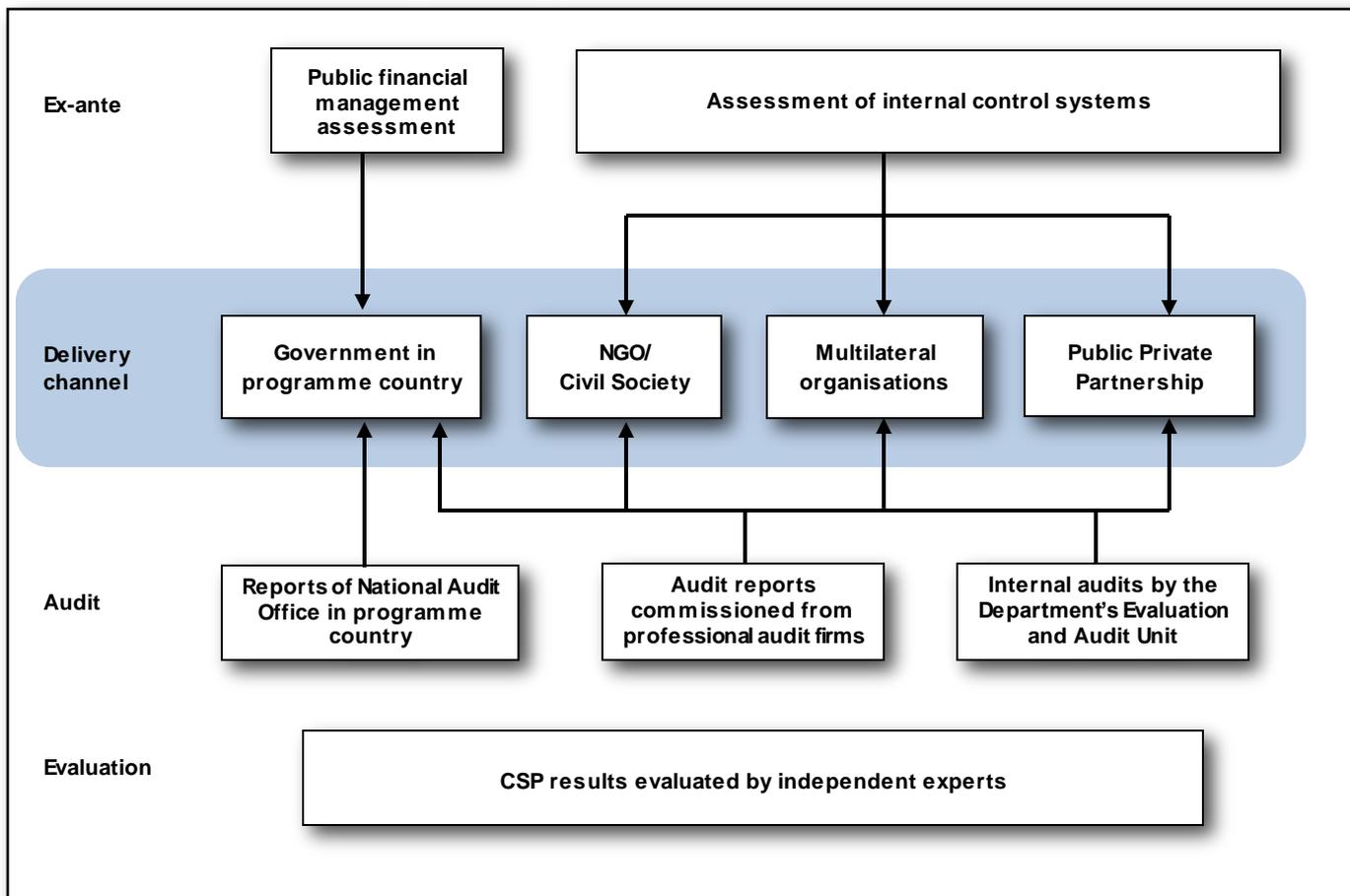
² The majority of multilateral funding from Ireland is delivered through EU or UN organisations.

Bilateral Assistance

13.19 Assistance provided to key partner countries in accordance with agreed multi-annual country strategy papers (CSPs) accounts for about 40% of bilateral ODA¹ Figure 13.4 sets out the audit and evaluation regime in place in respect of funding provided to key partner countries.

13.20 For other types of bilateral assistance, the audit and evaluation arrangements are generally stipulated in the funding agreements with partner organisations and, at a minimum, involve the submission of annual audit reports prepared by independent bodies.

Figure 13.4 Audit and evaluation regime for key partner countries



¹ Country strategy papers set out the strategies, objectives and expected results of development engagement in individual countries over a five year period.

Ex-ante Assurance

- 13.21** In early 2011, the Department implemented a new policy of undertaking ex-ante financial management assessments when considering whether to deliver ODA through government systems in key partner countries. The assessments cover all elements of the public financial management system, including accounting, auditing, reporting and parliamentary oversight. Particular emphasis is placed on assessing the status, independence and capacity of the national audit office.
- 13.22** The policy is to undertake two public financial management assessments in relation to each CSP. The first assessment is carried out during the planning phase when the strategy is being developed. A follow up assessment is carried out at around the mid-point of the five year plan. By October 2012, initial public financial management assessments had been completed in respect of all Irish Aid key partner countries with the exception of Uganda.
- 13.23** Where it is proposed to deliver ODA through NGOs, multilateral organisations or public private partnerships, ex-ante assessment focuses on the strength of the internal control systems of the potential partner organisations.

Audit Assurance

- 13.24** Expenditure in key partner countries, including management and administration costs, was €198 million in 2010, which is the latest year for which the audit programme has been substantially completed.¹ The level of audit assurance achieved to date in respect of 2010 expenditure is about 94% - Figure 13.5 outlines the source of that assurance.

Figure 13.5 Source of audit assurance for 2010 key partner country expenditure^a

| Key partner country | NAO reports ^b | Commissioned from professional audit firms ^c | Internal audits by Evaluation and Audit Unit | Total expenditure audited |
|---------------------|--------------------------|---|--|---------------------------|
| | €m | €m | €m | €m |
| Mozambique | 11.2 | 26.3 | — | 37.5 |
| Uganda | 16.7 | 17.9 | — | 34.6 |
| Tanzania | 26.5 | 4.6 | — | 31.1 |
| Ethiopia | 18.4 | 7.5 | — | 25.9 |
| Zambia | 12.6 | 4.6 | 0.1 | 17.3 |
| Vietnam | 7.0 | 6.3 | — | 13.3 |
| Lesotho | 0.3 | 9.8 | 0.2 | 10.3 |
| Malawi | 2.1 | 6.1 | — | 8.2 |
| South Africa | — | 4.0 | — | 4.0 |
| Timor Leste | — | 3.3 | — | 3.3 |
| Total | 94.8 | 90.4 | 0.3 | 185.5 |

Source: Department of Foreign Affairs and Trade

Notes: a This figure captures assurance up to end April 2013.

b Reports of the national audit of offices in programme countries.

c This category includes reports commissioned by Irish Aid, partner organisations or joint donors in a particular project.

¹ This expenditure includes just over €4 million in respect of South Africa. While it is not one of Irish Aid's key partner countries, an agreed multi-annual country strategy paper is in place in South Africa and the programme management arrangements are similar to those for key partner countries.

- 13.25** Where assistance is delivered via governments in partner countries, assurance is generally in the form of audits of public bodies carried out by the partner country's national audit office as part of its annual certification programme. The Department examines the audit reports to identify the issues relevant to Irish ODA, which can be difficult because Irish funding assistance may be related to one part of the programme of the body, and the audit reports vary in content and approach. In addition, while the audit reports may be qualified in terms of an overall audit opinion, the reasons for qualification vary and may be based on issues not related to programmes funded by Irish Aid.
- 13.26** Reports commissioned from professional firms tend to be more focused on specific projects or funding programmes supported by Irish Aid. As a result, the interpretation of audit findings and opinions in these reports is more straightforward.
- 13.27** Figure 13.6 presents an analysis of the audit opinions expressed in audits carried out by professional audit firms in relation to 2010 expenditure.

Figure 13.6 Audits by professional firms of 2010 key partner country expenditure

| Key partner country | Total expenditure audited €m | Audit opinion | |
|---------------------|---------------------------------|---------------|-----------|
| | | Unqualified | Qualified |
| Mozambique | 26.3 | 99% | 1% |
| Uganda | 17.9 | 99% | 1% |
| Lesotho | 9.8 | 100% | — |
| Ethiopia | 7.5 | 100% | — |
| Vietnam | 6.3 | 100% | — |
| Malaw i | 6.1 | 100% | — |
| Zambia | 4.6 | 100% | — |
| Tanzania | 4.6 | 98% | 2% |
| South Africa | 4.0 | 98% | 2% |
| Timor Leste | 3.3 | 100% | — |
| Total | 90.4 | | |

Source: Department of Foreign Affairs and Trade

- 13.28** The Department stated that qualifications in reports by professional audit firms have tended to relate to systems issues, lack of documentation or failure to fully comply with grant conditions.

Internal Audits by Evaluation and Audit Unit

- 13.29** The Department employs a professionally qualified internal auditor in each of the key partner country embassies. The internal auditors report directly to the heads of mission and to the Evaluation and Audit Unit. The primary role of the internal auditors is to ensure that appropriate internal control systems are in place and are being adhered to.
- 13.30** In addition to carrying out some assurance work themselves, they are responsible for examining audit reports received from other sources and following up on issues relevant to Irish Aid. An important aspect of this work is engagement with the developing country's national audit office. In most key partner countries, internal auditors are members of working groups, along with other donors and local government officials, engaged in the monitoring of public management reforms.
- 13.31** Internal auditors prepare quarterly reports which are approved by the Head of Mission and then submitted to the Evaluation and Audit Unit. The reports provide an update on audit coverage achieved and highlight issues identified in the audit reports received during the quarter. Where significant issues are identified by internal auditors or are brought to their attention, these are to be notified immediately to the Head of Mission and the Evaluation and Audit Unit. The Department stated that the Evaluation and Audit Unit analyses risks identified in audit reports and may carry out further audit work itself in respect of specific funding schemes.

Evaluation

- 13.32** It is the policy of the Evaluation and Audit Unit to carry out an evaluation in the final year of each five year CSP for key partner countries. In addition to assessing the results achieved from funds invested, evaluations aim to identify lessons that can be applied in the design of future plans. Three formal evaluations of key partner country aid programmes were completed in 2012
- Ethiopia CSP (2008-2012)
 - Lesotho CSP (2008-2012)
 - South Africa CSP (2008-2012).

Fraud in Uganda

- 13.33** On 19 October 2012, the Auditor General in Uganda reported on the misappropriation of €11.6 million of donor funding intended for the Peace, Recovery and Development Plan (PRDP). A total of €4 million had been contributed by Irish Aid. The balance of the misappropriated funds came from Norway, Sweden and Denmark.

Overview

- 13.34** The PRDP is a programme of reconstruction for Northern Uganda, managed through the Office of the Prime Minister. Funding for the PRDP is included under Irish Aid's current CSP for Uganda (2010-2014). The total budget for the first phase of the PRDP was €473 million, of which Ireland contributed €7.25 million over two years.

- 13.35** The agreed funding arrangements for the PRDP involved payments from Irish Aid and other donors being made into a designated holding account in the Central Bank of Uganda and then being transferred promptly into the Government of Uganda's consolidated account. An Irish Aid payment of €3.25 million made into the designated holding account in October 2010 was promptly transferred to the Government's consolidated account and applied to the PRDP as intended.
- 13.36** The fraud related to an Irish Aid payment of €4 million in July 2011 that remained in the Central Bank holding account until December 2011 when it was transferred to a previously dormant account under the control of the Office of the Prime Minister. The money was subsequently withdrawn by various fraudulent means, including transfers to personal accounts, the use of fake vouchers and bogus suppliers and the forging of signatures.
- 13.37** Following the publication of the Ugandan Auditor General's report, the Tánaiste and Minister for Foreign Affairs and Trade announced the suspension of all Irish Aid funding channelled through the Government of Uganda. In December 2012, €4 million was recovered from the Government of Uganda.

Effectiveness of Controls

- 13.38** This section considers the effectiveness of the control system operated by the Department in respect of Uganda at the time that the fraud took place.

Ex-ante Controls

- 13.39** The Department did not carry out a formal public financial management assessment prior to the current CSP for Uganda (2010-2014), since the CSP had commenced before the new assessment model was introduced. However, the Department has stated that consideration was given to the strength of systems in place at the time the CSP was adopted. This consideration was informed by assessments of the public financial management system in Uganda that had been carried out around this time by various international agencies.
- 13.40** The Department referred specifically to a fiduciary risk assessment carried out by the UK Department for International Development and a number of Public Expenditure and Financial Accountability (PEFA) assessments which it stated contained generally positive findings about the public financial management system in Uganda.¹
- 13.41** In addition, Ireland and other donors, including the EU and World Bank, were monitoring a number of indicators of Government performance through a joint annual assessment process. One of the conclusions of the process in December 2010 was that the budgetary controls in place in Uganda satisfied the basic conditions for good public financial management, including transparency, accountability and effectiveness in the use of resources.
- 13.42** The Department has stated that significant progress was being made at that time towards ensuring the independence of the Office of the Auditor General in Uganda. The mandate of the Auditor General was set out in both the constitution and the 2008 National Audit Act. A corporate plan has been in place since 2006, aiming to ensure the financial and operational independence of the Auditor General and to provide policy direction for annual operational plans.

¹ The PEFA programme is a partnership between several donor agencies and international financial institutions, under which assessments are carried out of the condition of public expenditure, procurement and financial accountability systems in developing countries.

- 13.43** Ireland has provided technical and financial assistance to the Office of the Auditor General in Uganda since 2006 to build the skills and capacity required to conduct complex examinations.
- 13.44** In 2006, Irish Aid commenced supporting the financial oversight institutions in Uganda through a financial management and accountability programme. Ireland's contribution to the programme had exceeded €7 million by the end of 2011, of which about €0.8 million has supported programmes in the Office of the Auditor General. The Department has recently signed an agreement with the Office of the Auditor General in Uganda to provide €304,000 as direct project support towards the establishment of a directorate of forensic audit.
- 13.45** In addition, Irish Aid provides funding to the International Organisation of Supreme Audit Institutions (INTOSAI) to support capacity building measures for national audit offices in developing countries. The Office of the Auditor General in Uganda is one of the beneficiaries of support through INTOSAI.

Audit Reports

- 13.46** As indicated in Figure 13.5, audit assurance in respect of development assistance to Uganda is obtained through a combination of audits produced by the Office of the Auditor General and reports commissioned from professional audit firms.
- 13.47** In April 2011, the Office of the Auditor General in Uganda initiated a value for money study of programmes managed by the Office of the Prime Minister, as part of its annual audit work programme. However, due to the absence of key records, the study could not be finalised in time for inclusion in his annual report to parliament. Following media coverage regarding the alleged mismanagement of funds by the Office of the Prime Minister, the Auditor General was requested to carry out a special investigation. It was the report of this special investigation that highlighted the fraud in respect of PRDP funds.
- 13.48** During the course of this examination, I asked the Accounting Officer whether the Department had been aware of any deterioration in the public financial management system in Uganda prior to the fraud incident that occurred in December 2011 or the publication of the Auditor General's report in October 2012. In his response, the Accounting Officer did not refer to any specific concerns that had been noted. He indicated that the Department had obtained assurance on the overall robustness of government systems, including the independence of the Office of the Auditor General, through close co-ordination with other donors in relation to risks and key financial management and governance indicators.

Evaluation and Audit Unit Investigation

- 13.49** Quarterly reporting to the Department's Evaluation and Audit Unit by the internal auditor based in the Ugandan Embassy commenced in 2007. Reports have been received in respect of each quarter since then. The quarterly reports have provided details of issues raised in audit reports received, highlighting any qualified reports and outlining the follow-up action proposed. The Department stated that the reports also provided regular updates on public financial management reform issues as well as information on governance issues, corruption allegations and prosecutions as a result of Government investigations.

- 13.50** Following the publication of the Ugandan Auditor General's report, a team from the Evaluation and Audit Unit was sent to Uganda to investigate the circumstances around the fraud and to identify any system weaknesses that may have facilitated it. In November 2012, the Unit completed a report outlining its findings and making a number of recommendations. Annex B presents the report recommendations and provides an update on the Department's progress in implementing them.
- 13.51** The overall conclusion of the Unit's report was that the misappropriation involved a high level of collusion that would have been difficult for normal control systems to pick up, as key controls were bypassed by the individuals that were responsible for implementing them. However, the report did identify a number of weaknesses and internal control failures in relation to systems operated by both the Government of Uganda and the donor countries. The areas of concern relating to Irish Aid included
- **Systems for tracking funding** – there was no documentation supporting the receipt for the €4 million payment and no confirmation of its subsequent transfer into the consolidated account.
 - **Management information** - the financial management reports agreed at the outset of the PRDP that would have provided a clear overview of programme funding and expenditure were not received.
 - **Management structures** – there was no detailed action plan allocating responsibility between donors for specific tasks in relation to monitoring of the programme.
 - **Human resources** - issues affecting the capacity and experience available to the Irish Embassy in Uganda included changes in the two key senior management posts, the fact that cover in respect of the internal auditor's maternity leave was on a part-time basis and that there was a vacancy in the role of development specialist.

Evaluation

- 13.52** The most recent evaluation of the Irish Aid Uganda country programme was published in 2009 and related to the 2007-2009 CSP. In terms of relevance, the evaluation found that the CSP was well aligned with the Government of Uganda's policies and supported the country's strategic priority of poverty reduction. It was also noted that support for programmes in the area of governance and public financial management was appropriate.

Department's Response to Findings

- 13.53** The Department has undertaken a number of initiatives aimed at enhancing controls across the bilateral assistance programme, since the completion of the Evaluation and Audit Unit's investigation into the fraud incident in Uganda.
- 13.54** In November 2012, the Accounting Officer requested the heads of mission in all key partner countries to undertake an immediate review of internal controls, risk management systems and reporting procedures. The areas covered under the reviews included the adequacy of management structures, human resources, management communications and systems for tracking funding provided through government systems.

- 13.55** In February 2013, the Accounting Officer hosted a meeting in Lusaka, for all heads of mission, to discuss common themes arising from the internal review exercise including dealing with resource constraints and specific funding risks associated with multi-donor scenarios. In addition, the head of the Department's Evaluation and Audit Unit discussed management of the key risks associated with the ODA programme, which are the misappropriation of funds and the failure to achieve results.
- 13.56** In March 2013, the Department's Evaluation and Audit Unit commenced a series of audit visits to key partner countries with the aim of formally assessing the adequacy of controls in each country and identifying any common weaknesses that may exist. The terms of reference for the assessments cover all areas of programme management including systems for grant approval and management, organisation structures, risk management processes, internal control systems and management information systems. Once all of the visits have been completed, a synthesis report covering the results of all of the assessments will be prepared. It is expected that this report will be complete in October 2013.
- 13.57** The role of Chief Risk Officer has been assigned to an Assistant Secretary within the Department. The Chief Risk Officer works closely with all other areas of the Department, including the Development Cooperation Division and the Evaluation and Audit Unit in particular. The main responsibilities of the role include
- overseeing, in conjunction with the Department's management committee, the development and maintenance of the risk management system
 - establishing the type and extent of risks that the Department is prepared to tolerate
 - ensuring that the Department's risk registers are kept up to date
 - monitoring the most significant risks on a regular basis
 - advising management regarding the mitigation of risk
 - engaging with other government departments and offices in relation to good practice in the area of risk management.

Conclusions and Recommendation

- 13.58** Irish ODA totalled €629 million in 2012, which is just over two-thirds of the peak figure of €921 million recorded in 2008.
- 13.59** The statement of policy for international development, launched in May 2013, renews Ireland's commitment to achieving the UN target of annual ODA equivalent to 0.7% of GNI. The proportion achieved for Irish ODA in 2012 was 0.47%.
- 13.60** In view of the nature of development assistance, risks of fraud and corruption are significant factors that must be addressed by donor countries. Controls applied by the Department in respect of ODA funding include ex-ante assessments in relation to potential partner organisations, as well as audit and evaluation work aimed at providing assurance that funds distributed are being used as intended and programmes funded are having the desired impact. Intelligence on emerging risks is captured through information sharing with other donors. In addition, internal auditors based in the embassies in key partner countries liaise with other donors and officials from the partner country government and monitor developments in relation to public financial management.
- 13.61** In October 2012, a report by the Auditor General of Uganda, highlighted the misappropriation of funds from a number of donors, including €4 million from Irish Aid. The Ugandan Auditor General's report refers to negative media publicity (prior to June 2012) regarding funds managed by the Office of the Prime Minister.
- 13.62** Through its presence on the ground in Uganda and information sharing with other donors, the Department should have been aware of concerns in relation to funding provided through Ugandan Government systems, prior to publication of the Auditor General's report. While this may not have prevented the fraud from occurring, it may have allowed the Department to put additional checks in place that would have uncovered the fraud at an earlier stage.

Recommendation 13.1: The Department should implement a risk dashboard system for key partner countries, based on key risk indicators. This should facilitate timely identification of a deteriorating risk environment so that appropriate action can be taken at an early stage.

Accounting Officer's Response: Agreed. The Department has already commenced a process of strengthening its risk management systems at key partner country level. Once the report on risk management systems in key partner countries is produced by the Evaluation and Audit Unit (due in October 2013), immediate steps will be taken to implement the recommendations of that report and to ensure that an appropriate risk dashboard system is in place in key partner countries.

- 13.63** The report prepared by the Department's Evaluation and Audit Unit noted that the fraud involved a high level of collusion at senior levels within the Office of the Prime Minister and the Central Bank of Uganda. However, it also identified some weaknesses in Irish Aid systems and made a number of recommendations. Details of progress made by the Department towards implementing the recommendations are included at Annex B.

13.64 At an overall level, the Department's response to the reported fraud appears to have been appropriate and proportionate, both in terms of the initial investigation and suspension of funding and the subsequent initiatives aimed at enhancing controls and addressing the weaknesses identified. In particular, the assignment of the role of Chief Risk Officer provides an opportunity to implement enhanced risk management measures in relation to Irish Aid.

Annex A Key Assistance Programmes

Bilateral Development Assistance

Ireland delivered bilateral assistance worth €398 million in 2012. Figure A1 presents a breakdown of bilateral transfers.

Figure A1 Bilateral ODA, by type, 2008 to 2012

| | 2008 | 2009 | 2010 | 2011 | 2012 |
|---|--------------|--------------|--------------|--------------|--------------|
| | €m | €m | €m | €m | €m |
| Vote 27 International Co-operation expenditure | | | | | |
| Assistance to key partner countries | 218.6 | 195.0 | 181.7 | 180.5 | 157.6 |
| Assistance to other countries | 38.2 | 24.5 | 20.2 | 21.3 | 22.6 |
| Civil Society Support, including co-financing with NGOs | 134.2 | 107.6 | 99.9 | 92.0 | 93.6 |
| Global health, hunger and education initiatives | 67.6 | 27.8 | 18.6 | 23.9 | 20.4 |
| Emergency and humanitarian assistance | 108.4 | 67.7 | 64.2 | 66.2 | 78.9 |
| Other programmes | 39.5 | 25.1 | 22.2 | 22.6 | 18.4 |
| Bilateral ODA by other government agencies | 8.3 | 7.2 | 6.1 | 7.9 | 6.0 |
| Total bilateral ODA | 614.8 | 454.9 | 412.9 | 414.4 | 397.5 |

Source: Department of Foreign Affairs and Trade

Assistance to Key Partner Countries

A total of €158 million was spent in 2012 on formal country assistance programmes which are long-term strategic partnerships with the governments of selected countries to support poverty reduction and development. The key partner countries supported are Ethiopia, Lesotho, Malawi, Mozambique, Tanzania, Timor Leste, Uganda, Vietnam and Zambia.¹ Development assistance is managed by the Irish embassies in key partner countries and can be provided as support for the partner governments' national development plans, as well as through civil society organisations and NGOs in these countries.

Assistance to Other Countries

Assistance of almost €23 million was also provided in 2012 for selected other countries. A programme is supported in South Africa and supervised by the Irish embassy there. A recovery programme in Sierra Leone and Liberia is delivered mainly through UN specialised agencies and NGOs and supervised from an office in Sierra Leone.² Support was also provided for a programme in the Occupied Palestinian territory and for a HIV/AIDS programme in Zimbabwe that is delivered through NGOs.

¹ Timor Leste is no longer a key partner country, following the closure of the mission in October 2012.

² Ireland's new policy for international development, launched in May 2013, provides for Sierra Leone to become a key partner country.

Civil Society Support

The civil society budget provides NGOs, missionary groups and other civil society partners with funding for development interventions. Expenditure in this area rose marginally in 2012 to nearly €94 million. The principal channels of expenditure are

- Programme Fund (€64.9 million) – long term and predictable funding is provided to 18 NGOs to support implementation of their strategic plans.¹
- Mísean Cara (€16 million) – this management agent for missionaries provided sub-grants to 61 missionary organisations in 2012. It also supports capacity building and oversees development interventions.
- The Civil Society Fund (€5.2 million) – multi-annual funding is provided for projects across a range of social and economic sectors. In 2012, some 42 NGOs were funded under this scheme.
- Development of the NGO sector (€3.7 million) – funding is provided to build capacity in the NGO sector.
- Development education funding (€3.2 million) – funding is provided through an annual development education grant and strategic partnership programme for organisations engaged in promoting understanding of and engagement with global development and justice issues.
- The In-Country Micro Projects Scheme (€0.6 million) – budgets are allocated to seven Irish embassies and one consulate to provide direct support for small-scale development projects. The scheme operates in developing countries where there is no Irish Aid development programme but Ireland has diplomatic accreditation.

Global Health, Hunger and Education Assistance

Expenditure on health, hunger and education schemes in 2012 amounted to just over €20 million, which represented a 15% decrease on 2011. Expenditure is mainly targeted at HIV/AIDS prevention and care, activity under the global hunger initiative and the provision of basic education in less developed countries. Assistance is delivered through civil society organisations, UN agencies and global funds.

Emergency and Humanitarian Assistance

Assistance relates to emergency situations that arise as a result of natural disasters or humanitarian crises. The objective of this assistance is to save lives, alleviate suffering and maintain human dignity. Funding is provided to NGOs and international organisations, such as the Red Cross and the UN, that have a proven ability to deliver the required assistance quickly and effectively. Emergency and humanitarian assistance totalled almost €79 million in 2012, representing an increase of nearly 20% on the equivalent figure for 2011.

In order to facilitate rapid response, €26.8 million was contributed in 2012 (an increase from €18.8 million in 2011) to pooled funding arrangements, including the UN's Central Emergency Response Fund. Other UN agencies received about €20 million through consolidated appeals and basket funding. The NGO sector was provided with €17.7 million, of which €15.4 million was provided to Irish-based organisations. A further €12.1 million was channelled through the Red Cross and the remaining €2.4 million was distributed through various other channels.

¹ The Programme Fund was introduced in 2012 and replaced the previous Multi-Annual Programme Scheme and Block Grants.

Multilateral Development Assistance

Multilateral assistance involves contributing to international aid organisations that pool funds from member countries and apply them for development purposes. Figure A2 presents a breakdown of the organisations funded.

Figure A2 Multilateral ODA, by organisation, 2008 to 2012

| | 2008 | 2009 | 2010 | 2011 | 2012 |
|--|--------------|--------------|--------------|--------------|--------------|
| | €m | €m | €m | €m | €m |
| United Nations, including voluntary contributions to UN agencies | 102.1 | 60.1 | 59.9 | 60.7 | 62.3 |
| European Community agencies and initiatives | | | | | |
| EU Budget for Development Co-operation | 85.3 | 95.0 | 77.5 | 72.0 | 70.4 |
| European Development Fund | 22.0 | 22.0 | 23.2 | 29.5 | 29.0 |
| World Bank and other multilateral institutions | 53.6 | 32.8 | 28.3 | 30.8 | 25.0 |
| Co-financing with multilateral agencies | 7.7 | 21.2 | 43.7 | 21.4 | 17.8 |
| Total multilateral ODA | 270.7 | 231.1 | 232.6 | 214.4 | 204.5 |

Source: Department of Foreign Affairs and Trade

Multilateral co-operation funding is directed mainly to the following areas

- UN Agencies – The UN plays a role in addressing poverty globally and in helping to deliver on agreed international objectives and the Millennium Development Goals. The majority of Ireland's support for UN funds and programmes contributes towards the cost of their core operations and activities. In addition, a proportion of Irish ODA supports specific reform measures and programmes in areas including democracy building and electoral reform, education and training, protection of human rights, developing health systems and protecting the environment.
- EU Development Co-operation – The European Union (including the contributions of its member states) is the largest provider of development assistance at a global level and influences development agendas at international level. The assessed ODA contribution from Ireland (€70.4 million in 2012) represents Ireland's deemed share of total overseas development assistance disbursed from the EU development co-operation budget in 2012.
- The World Bank and regional development banks are significant aid delivery channels and important agents in policy and reform issues at country level. Ireland, through the Department of Finance, contributes to the World Bank's International Development Association and the Asian Development Fund. It engages with the banks on debt management, aid effectiveness and development financing policy, as well as on specific issues related to Irish Aid's key partner countries.
- Co-financing with multilateral agencies includes support for agricultural research to help the poor through the Consultative Group on International Agricultural Research and the Global Crop Diversity Fund. The development of entrepreneurship and small-scale business is supported through the International Labour Organisation.

Annex B Implementation of Recommendations from Evaluation and Audit Unit Interim Report

| | Recommendation | Status (July 2013) |
|---|---|---|
| 1 | Full recovery of the €4 million should be sought and funds should be returned to an account under the control of the Department of Foreign Affairs and Trade. | €4 million was recovered from the Government of Uganda in December 2012 and deposited in a Ugandan Embassy account. |
| 2 | No further disbursements should be made to the Government of Uganda until all the follow up audits planned by the Office of the Auditor General (OAG) are completed, the Government's response to the findings has been assessed and there is credible evidence of sustained improvement in internal controls over the public financial management system. This is likely to be late second half of 2013 at the earliest. | Follow up audits by the OAG are on going and will be concluded Summer 2013. Funding through Ugandan Government systems was suspended in October 2012. The aid programme for 2013 does not provide for direct funding through government systems, with the exception of bilateral support to the OAG. |
| 3 | It would be inadvisable to proceed with any programmes managed or under the supervision of the Office of the Prime Minister for the foreseeable future and at least until the further reports are received from the OAG and substantively addressed. | The office of the Prime Minister does not have any involvement, either funding or technical, with any aspect of the 2013 aid programme. |
| 4 | Any further audit work in respect of controls for the PRDP, the Office of the Prime Minister and the Ministry of Finance Planning and Economic Development should be left to the office of the OAG. Irish Aid should establish a mechanism for communication with the OAG to ensure that areas of concern are included in future audits. | Embassy staff meet with the OAG on a regular basis to discuss follow-up on the fraud incident and any associated areas of concern. The OAG is conducting audits of approximately 16 ministries. A summary of issues will be included in the annual statutory report for 2011/12, which is due to be presented to Parliament in the coming months. |
| 5 | If so requested, support should be considered for the OAG to ensure that the work programme outlined is completed in the shortest possible timeframe. | The 2013 aid programme provides for support to the OAG. A proposal for capacity building support to the OAG is currently being considered. |
| 6 | In implementing programmes, in particular new programmes, consideration should be given as to whether additional audit work over and above the annual statutory audit by the OAG is necessary. This should be discussed with the OAG and could include internal audit, specific programme audit, or some form of ongoing audit of internal controls at various levels of the programme. | The Embassy, with the support of Irish Aid staff in Ireland, is in discussion with the OAG about this. Appropriate measures will be agreed and put in place. |

| Recommendation | Status (July 2013) |
|---|--|
| 7 Provisions of Memorandum of Understanding (MOUs) must be translated into specific systems, processes and actions at operational level. This applies in particular to the requirement that proper financial information is available. All programme managers should understand the financial flows and key obligations agreed to in programme MOUs and have the tools to assess risks in the programme they are managing. A basic understanding of the system of national accounts is essential in this. | An MoU tracking matrix has been put in place and is regularly monitored by the programme management team. With the support of Irish Aid staff in Ireland, the Embassy will ensure that the requisite systems, tools and documentation are in place and documented, and any appropriate additional training is provided to programme staff. |
| 8 Embassy Kampala should review and strengthen where necessary its implementation of the requirements of the Irish Aid Financial Policies, Guidelines and Procedures Manual and also ensure that roles and responsibilities in this area are clearly defined and properly understood. | With the support of Irish Aid staff in Ireland, the Embassy continues to review and strengthen its internal systems. Further training will be provided to all programme staff on systems and procedures. A senior financial and risk officer, with international experience, has been recruited to assist the Embassy in strengthening systems. |
| 9 Embassy Kampala must ensure procedures are in place to track clearly that funds disbursed to Government are properly received into and transferred to the agreed accounts on a timely basis and reflected in published government accounts. | A system of programme fund tracking and monitoring is now in place and the management team ensures adherence through monthly checks. |
| 10 The required structures for regular interaction and communication between internal audit and senior management at the Embassy should be fully activated and utilised and relevant issues arising should be brought to the attention of headquarters promptly in accordance with existing policies. | More formalised procedures for financial, audit and risk information sharing are now in place and include more frequent interaction with Irish Aid staff in Ireland. |
| 11 The Evaluation and Audit Unit should review its work plan and consider ways to further strengthen its focus on risk areas. Linkages and communications between internal auditors at headquarters and field level should be strengthened including increasing frequency of visits. | Evaluation and Audit Unit has increased the number of supervision and support visits to the Embassy, with clearly defined and agreed outputs and outcomes. |
| 12 The adequacy of the Department's policy around handover processes should be reviewed to ensure that there is adequate continuity between changing staff in managing complex programmes of this nature. This should include provision for substantive face-to-face handover in the Embassy. | At embassy level, handover processes have been reviewed and improvements implemented. This will include face-to-face handovers where feasible. The incoming Head of Development assigned to Kampala will have a substantial handover period on the ground with the outgoing Head of Development and the programme team. The general issue of handover processes, including training requirements, across missions with responsibility for delivering the Irish Aid programme is also being reviewed. |

| Recommendation | Status (July 2013) |
|--|--|
| 13 Regular risk assessments should be carried out across all programmes including risk assessments of specific programmes or projects. This would take account of the changing risk profile which is characteristic of many developing countries. | A specific programme risk register has been developed and agreed with HQ as part of the internal business planning process. The programme risk register will be reviewed and where appropriate, updated in regular programme team meetings. |
| 14 In the light of issues raised in this report a review should be undertaken of the management arrangements, including risk and financial management, in all key partner countries to ensure that all procedures and protocols are being properly implemented and risks appropriately identified and managed. | At the request of the Secretary General in November 2012, ambassadors undertook immediate reviews of internal control and risk management systems. The Secretary General has also met with ambassadors to reinforce the importance of having appropriate systems in place. A comprehensive review of management arrangements by the Evaluation and Audit Unit in all key partner countries is nearing completion and a report with recommendations will be presented to the Secretary General. |