

# Diakonia Annual progress report 2016

SUB AGREEMENT WITH CIVSAM 2016-2020

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## Introduction

The present report is the first annual progress report of the 2016-2020 agreement between Sida-Civsam and Diakonia. In line with the Civsam instructions, the main focus of the report is on deviations and internal processes. The update on processes concerning the Sida-Diakonia dialogue questions has been included in chapter 2.1. A short chapter on development effectiveness has been added due to its relevance for the Civsam agreement.

## 1. Deviations

2016 is the first year of implementation out of the five year agreement with Civsam. Despite the continued insecurity, shrinking space and natural disasters, few countries has reported major programmatic deviations for 2016. In large the programs are well on track. The notable exception is Egypt, where no partner got governmental approval of their projects. The lack of major deviations in most countries could partly be credited to the improved risk management. Risks are followed up on all levels within the organization, including on program level and country level. In the Global risk matrix (Annex 5) you find an updated version of the risks identified in the CIVSAM application and the risk management.

### 1.1. Externally driven

Shrinking space for Civil Society, meaning reduced operating space for partners, continues to be a major concern in countries where Diakonia operates; including Kenya, DRC, Cambodia, Bolivia, Peru and Zimbabwe. In these and other countries where the Civil Society is closely monitored, CSO's are intimidated not to participate in political processes and repressive legislation has been introduced. Human rights defenders (HRD) are criminalized, threatened and killed. According to Front Line Defenders, 217 HRD were killed in Latin America, representing more than three-quarters of the total number of killed HRD reported worldwide. Armed conflict, violence and insecurity explain shrinking space in some countries.

In most cases the risks related to shrinking space have been identified in the program planning process. Mitigating measures included coordinating with the embassies and the EU, strengthen the role of progressive religious leaders, and work in solidarity with other organizations (e.g. in the ACT forums). However, the Diakonia program in Egypt has been negatively influenced by aspects related to shrinking space and the ongoing conflict in the country. After four years, Diakonia finally got an answer that the application for office registration was not approved. And the Diakonia partners did not receive approvals from government to implement their 5-year agreement. This means that no program related results were achieved. As a way to adjust the implementation of the programme, the budget for capacity building was increased and capacity building activities were carried out. In 2017 the capacity building will continue, and also some partner contracts will be signed as partners received an approval from the Egypt government.

Armed conflict, violence and insecurity has been reported in countries including Honduras, Palestine, Mali, DRC, Paraguay and Myanmar, and was managed partly through protection and security strategies that improved partners' capacity to safely carry out actions in the area. However, the situation has an important negative effect by forcing organizations to spend time and energy on security plans and other protective measurements instead of implementing the actual work.

Natural disasters influenced several of the countries where Diakonia work. The effect of El Niño was, and continues to be a problem in several countries, particularly in East Africa and Central America. Disasters related to extreme weather (droughts and floods)

particularly affected the programmes in Somalia, Kenya, Myanmar and Sri Lanka. The affected countries has reported that these impacts where handled for example through contingency plans, and that the programs where not significantly affected. However some partners as well as rights holders were negatively impacted.

Reduced funding continues to be a problem in many countries. It influences both Diakonia and our partners, and makes it difficult to implement vital work. In Sri Lanka, Bolivia, Nicaragua and Thailand several large back-donors have pulled out. Mitigation measures have included development of resource mobilization plans and increased level of support from Regional offices and Head office.

### 1.2. Internally driven

Demanding administrative requirements during the first year of implementation has been noted by for example the Africa region. The administrative burden included in-depth capacity assessment of partners, levelling expectations and signing contracts. Moreover, it has also taken time to set up the projects in Diakonia's new it-systems. This reduced the time available for capacity building and accompaniment of partners for this first year.

Incidents/corruption. Eight incidents reports concerning Diakonia CIVSAM partners where reported through the Diakonia incident reporting system in 2016. Of those eight incidents five were due to late reporting of the 2015 projects. Two incidents reports where due to confirmed partners' fraud. One incident was made by an anonymous whistleblower; however after investigation of the partner no fraud was discovered. The management of financial risks continues to be a priority within the organization. The country offices applies mitigating strategies such as introducing partners to the Diakonia code of conduct, accountability framework, procurement guidelines, anti-corruption guidelines, and by reducing the number of partners managed by a program officer as well as improved monitoring.

### 1.3 Phasing in and out of partners

In total 20 partners were phased in and 22 partners were phased out (see Annex 4 Global summary of partners phased in and out 2016).

In Africa three new partners were included in Mali and Kenya and six partners were phased out. Three were phased out due to funding constraints (Somalia), two were phased out to avoid duplication of funding with ACT-members (Zimbabwe) and one due to weakness (Burkina Faso).

In Asia three new partners were included in the Sri Lanka and Cambodia programmes. In Cambodia one partner was phased out.

In Latin America eleven new partners were included in the programmes (five at regional level and six in Colombia, Nicaragua, Paraguay and Peru). Eleven partners were phased out. The majority were phased out due to changed thematic or geographic focus (Guatemala, Colombia) and change from Civsam to other funding (Colombia and Peru). Only two partners were phased out due to weaknesses (Guatemala and Nicaragua).

In the Middle East three new partners were included in Egypt (however, neither of them got government approval for their projects, see financial deviations below). Four partners were phased out, three in Palestine and Lebanon due to change of thematic priorities and one in Egypt due to other reasons.



## 1.4 Financial deviations

60% of the expenditures were paid to partner organizations, and 6% of the expenditures were used for capacity building with partners, in line with approved budget. The overall level of expenditure is high. There were some deviations higher than 10%. The regional office in Africa had an over expenditure (114%). It was mainly due to increased costs for traveling and increased expat staff costs, in addition the Regional Office got less contribution than expected from other grants.

In Egypt partners did not receive government approvals of their applications. Therefore budget for direct partner support in Egypt was decreased and budget for capacity building with partners in Egypt as well as budgets for the programmes in Lebanon and Palestine was increased. However, it was not possible to execute all funds for capacity building in Egypt which resulted in an underspending of the budget.

## 2. Internal processes

To meet organizational challenges Diakonia has developed an Organizational Development Plan (ODP) covering 2016-2020. The global ODP is the basis for planning and implementation of activities linked from head office to regional and country offices to ensure that the organizational development takes place throughout the organization. It covers four different areas: 1. Clear Roles and Responsibilities. 2. Relevant and focused programmes 3. Financial Sustainability 4. Good Partnerships and Relationships. Below is a list of major development in relation to the ODP.

### 2.1 Organizational Development

Diakonia's Environmental Policy and Global Implementation plan was adopted by the board in January 2016. The implementation plan has activities and indicators aiming to promote common planning, implementation and monitoring for environmental management.

The Annual report. For the first time, Diakonia elaborated a comprehensive Annual report. The Annual report follows up on the Country and Regional strategies in relation to the Global strategy. It also includes an analysis of Internal Organizational Development, Cost Effectiveness and Development Effectiveness etc. The Annual report has been elaborated in coordination with the CIVSAM reporting, as make the process effective and to avoid overlap.

CIVSAM result framework. Diakonia improved the 2016 reporting instructions and format for the analysis of goal attainment of the programmes. The adjusted instruction emphasized that progress has to be analyzed in relation to the situation described in the problem analysis. The 2016 CIVSAM report on progress of programme results will be analyzed and weaknesses and areas of improvements will be identified. Conclusions will be used in the dialogue with Civsam programmes, in the update the PME-handbook and in improving our capacity building of partners.

Incidents, complaints and accountability. Handling of incidents was strengthened through a more systematic approach and improved communication between Head office, regional offices and country offices. Head office worked with clarification of roles and responsibilities. Some regions have carried out trainings. Diakonia is planning to use the new e-learning system as a tool to ensure compliance and knowledge. Diakonia is constantly working to strengthen country level complaints handling procedures and feedback in a contextualized manner. All countries have initiated a process to put in place complaints handling procedures and feedback systems. Until now about 40% of the country offices have established a complaints system. Diakonia has initiated the

process of switching accountability standards to the Core Humanitarian Standard on Quality and Accountability.

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Update and follow-up of Audit guidelines After dialogue with Civsam the audit guidelines were updated 2016. Most regions have worked with PME-processes to strengthen monitoring where audit follow-up is an important part. In the 2016 audit report, the auditor concludes that the quality and contents of the audit reports vary but that several management letters conclude that there are improved areas in internal control. When Civsam have adjusted their general conditions Diakonia will analyze if further adjustments of the audit guidelines are necessary.

Leadership and management trainings took place in Asia and Africa regions improving the managers' capacity for and understanding of value-based leadership.

Human resource management was strengthened during 2016. This included improved human resources functions in MENA, and updated routines for new staff in the Diakonia staff systems. Africa and Asia also carried out regular work environment surveys with positive results. All regions have revised and updated job descriptions to harmonize, clarify and adjust roles and responsibilities.

Diakonia's IT-systems. The capacity to manage FixIT (the new project/program handling system) is progressing in all regions. A global PME and FixIT workshop was carried out in the beginning of the year. Training of country office staff has been carried out by the regional offices in Asia and Africa. The Head Office made a major effort to support and train all CO in FixIT and PME-compliance in connection with payments to projects, which improved the level of compliance. The global accounting system (PayIT) is used by all offices and routines have improved. However, in South America countries need to type the accounting in two accounting systems since PayIT does not fulfill legal tax requirements. This needs to be further analyzed. The human resources system (StaffIT) has several challenges and is still mainly used at Head office level. The use of intranet (VoiceIT) has increased but is still not fully implemented. More training is needed and additional resources will be put on internal communication during 2017.

Methods and structures promoting innovation have been elaborated for some countries. The Kenya programme has created a "value for money award" and Mozambique has introduced a budget line for innovation. The global Social and Economic Justice Innovation Program started in 2016 with the aim to find new constructive approaches and ways of working.

The humanitarian and disaster risk reduction work has been further developed in 2016. A workshop was conducted with relevant staff from Asia, Africa and MENA. The training material has been updated and it will be included in Diakonia's e-learning portfolio. The Global IHL programme application 2017-2019 has been developed and submitted to Sida (approved in 2017).

Resource mobilization and the funding environment continue to be a challenge. Most Country offices have developed resource mobilization plans to support their Strategies. Country offices are also taking advantage of Diakonia's membership in ACT Alliance to respond to some appeals jointly. The new regional Communication Officers will strengthen fundraising in Sweden.

PME. Head Office carried out a global FixIT and PME workshop with participants from all regions. A thorough FixIT and PME-compliance analysis and check before payments to projects was carried out with direct support to each country office. As a result common

understanding of PME routines and utilization of FixIT (the project/programme handling system) can be seen. HO has developed some of the PME guidelines and templates for project monitoring (both programme and administration/financial follow-up) and there was a focus on monitoring at regional workshops in Asia and MENA. Diakonia carried out a review the guidelines for evaluation in the PME handbook (as part as our evaluation plan).

Private Sector. Diakonia has taken steps to develop a coherent approach to work with the private sector. A working group in Head Office is up and running and a concept paper on private actors has been adopted by the Board.

The Sustainable Development Goals. Diakonia has analyzed how our work is contributing to the fulfillment of the Sustainable Development Goals. This analysis will be further used in 2017.

Global Gender Action Plan. A global working group with participants from all regions was formed and a five-year action plan has been developed and is being implemented.

Mainstreaming Conflict, Gender and Environment in strategies, programmes and projects continues to be a challenge in many countries. One constraint has been that not enough resources/time was allocated to include these perspectives when elaborating the strategies and programs in 2015. In “How we work” workshops carried out in all regions and countries during 2016, the progress made in regards to mainstreaming were analyzed. Based on this analysis Diakonia aims to update relevant programme/strategies to include all mainstreaming perspectives and improve the PME tools during 2017/2018. For *conflict mainstreaming* only a couple of offices apply the Do No Harm approach. Most offices however include a conflict perspective in some way, for example through the risk logs. With the amount and intensity of violent and armed conflicts increasing, models for working systematically with conflict sensitivity are gaining traction within the organization. Based on conclusions from the “How we work” workshops it has been decided that INFORM Index for Risk Management will be used to guide Diakonia’s conflict mainstreaming. An e-learning module for conflict sensitivity is under development, and it will be finalized in 2017. *Environmental risks and problems* have been included in the analysis in several programmes, there is however a lack of clarity on how the analysis has influenced the design. The implementation of the Diakonia Environmental Management Plan has the potential to improve the consistency of environmental mainstreaming within Diakonia on an institutional and operational level. For *gender mainstreaming*, most countries note that a gender perspective is well integrated at the strategy level, but that analysis and design is weaker at the programme and project level.

## 2.2 Cost effectiveness

HO has continued to develop the cost effectiveness indicators and this year the analysis and report has also been done at country office level. See more information in Annex 6 Cost Effectiveness.

The number of back donor agreements increased in 2016<sup>1</sup> (from 69 to 91) but the total expenditures decreased in comparison with last year (from 476 MSEK to 449 MSEK). The share of all Sida funding in relation to the total volume decreased from 77% to 71%.

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<sup>1</sup> The number of backdonor agreements include both ongoing agreements (activity phase) and the agreements that are in the reporting phase (when activities have ended but final reporting is remaining). 2016 there were 64 ongoing grants and 27 grants in reporting phase

The share of Civsam funding slightly decreased in Africa and in the Middle East, remained the same in Latin America and increased in Asia.

Through the diversified portfolio Diakonia support close to 400 partner organisations. But there are serious challenges, such as the difficulty to get cost recovery (Civsam is an exception). Most donors have high demands on detailed programme and financial follow-up but it is difficult to get funds for necessary follow-up, quality assurance and overhead/common costs. Another challenge is gaps in financing of partners and programmes. There are often high costs related to human resources (having to dismiss and then recruit staff again, with a loss of time and know-how).

The level of execution continues to be high in all regions<sup>2</sup>. This is both a result of the decentralization process as well as the implementation of the new IT systems that have improved overall planning and a closer follow-up of programmes and budgets. An additional global compliance check was carried out. As a result, the compliance with systems and handbooks is in general high which has led to increased effectiveness and better communication between country, region and head office. However, the implementation of the new systems and the updated PME handbook has required significant time and resources.

Several regions and countries have continued to analyze the appropriate follow-up of partners, both in regards to existing resources, institutional commitments and donor requirements. Some countries have higher costs than others due to high health risks, poor infrastructure, high level of violence and occupation. National legal and administrative requirements also affect costs and use of time and resources both for partners and for Diakonia.

### **3. Development Effectiveness**

Diakonia yearly follows-up of aspects related to Development Effectiveness and the Enabling Environment. This allows Diakonia to analyze and improve on how to be a Good donor and a Good partner. The analysis for example states that 20% of the countries share formats and/or monitoring with other donors when having common partners. And 30% of the CIVSAM partners receive core funding. The reporting also monitors the Enabling Environment, for example in 14 countries there are threats by authorities or non-state actors, like armed groups or organized crime towards the Civil Society. Annex 7 shows a summary of the analysis, as well as the answers from each country.

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<sup>2</sup> Sometimes the level of execution is above 100%, that is due to agreements with project cycle instead of annual cycle as well as the execution of balances from previous years that are included in the total expenditures but not in the annual budget.