

# **Management Audit of the Swedish Committee for Afghanistan**

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# 1. INTRODUCTION

## *Background and purpose*

In May 2001 the ÅF-Swedish Management Group in co-operation with Professional Management were commissioned by SEKA/HUM to carry out a management audit of the Swedish Committee for Afghanistan (SCA). The commission has been carried out during the summer and autumn of 2001.

According to the description of the commission, the purpose of the management audit is

1. to review and analyse routines and systems within the organisation that are intended to guarantee the reliability of work and reporting
2. to serve as a tool for SCA's own future organisational development.

Furthermore, SCA's implementation capacity is to be analysed.

## *Approach*

The management audit has applied to the entire chain of organisation in Sweden as well as in Afghanistan and Pakistan.

Our approach has been based on:

1. The formal agreements that SCA has concluded with Sida, and Sida's regulatory framework for collaboration in this context
2. An analysis of the expected results for which SCA's control systems are created.

## *Method and organisation*

The following work procedure has been applied:

1. Preparatory collection of information
2. Detailed planning of the commission.
3. Review
4. Checking-off through seminars.
5. Report writing

## **2. SWEDISH COMMITTEE FOR AFGHANISTAN**

SCA was created in 1980 as a reaction against the invasion of Afghanistan by the Soviet Union, by people with their roots in the Vietnam movement. The aim was to influence public opinion to work for the Soviet Union to leave Afghanistan and to support the Afghan people's struggle for national independence. In 1981 it was decided to link the solidarity work with some form of development assistance work. SCA's collections and Sida grants enable the development assistance work to start in 1983.

In 1982, one person was employed at the Stockholm Management Office. An additional person was employed in 1985 and a third in 1987. During the first ten years, work had a one-year perspective and it was only in the early 1990s that it was realised that this was a long-term undertaking, which meant that the organisation must be put on a professional basis.

Unlike other NGOs and donors, SCA considered that assistance should be provided to Afghans inside Afghanistan to try to prevent an increase in refugee flows. They thereby became one of the first organisations to work inside the country. The first SCA representative was established in Peshawar back in 1982. They started to build up a local office and employ local staff in 1983.

The first year's contribution was SEK 2 million focused on assisting the civil population with medicine and medical staff in areas controlled by the opposition movement. This activity was carried out as "cross border" activity, i.e. it was administered from Pakistan. In 1991, the first Regional Office was opened inside Afghanistan and a further two in 1992.

In Sweden the period up to the Soviet Union's withdrawal from Afghanistan was characterised by continual growth and expansion in the commitment for Afghanistan. At the end of 1989, which was SCA's best year to date, there were 18 000 members and donors, of which 4 297 were members in 55 local committees.

With the withdrawal in 1989 and the change of regime in 1992, the main political issue was realised. However, this led to many of SCA's members and donors deciding to leave the organisation and cease to support Swedish Aid to Afghanistan.

For a number of years, activities in Sweden were neglected and it was not even an area that was discussed within SCA. This can only be said to have changed when the annual meeting instructed the council to develop an overall Sweden strategy for 2000.

However, an increased interest in Afghanistan can be seen from 1998 and almost 50 per cent of the current members have joined during the past three years.

### 3. REVIEW OF BASIC MEANS OF CONTROL

The organisation's basic means of control are the overall rules, systems and support functions that the organisation has adopted to enable it to function. We have categorised the basic means of control as

- formal means of control
- informal means of control

#### 3.1 Formal means of control

The following areas have been reviewed in the group formal means of control:

1. The aim and purpose of the organisation
2. Clarity of the organisation's tasks and their acceptance internally and externally
3. Membership commitment and influence
4. The work of the board
5. The planning process
6. Objectives
7. Strategies
8. Organisational structure

##### 3.1.1 The aim and purpose of the organisation

###### *Conclusions and recommendations – The aim and purpose of the organisation*

SCA's development assistance policy establishes that handing over to suitable Afghan organisations is to take place in the long run. However, there is no long-term strategy as to how this is to happen nor is there any clear vision of how operations are to be carried out then. At present, it is difficult to see an end to SCA's activities in Afghanistan, at any rate for the reason of their no longer being required. None the less, it is important that this final goal is clear in every activity. Who should, for instance, schools eventually be handed over to? **We recommend** that SCA develop a clear vision for the organisation's long-term development.

The above recommendation refers to the positive scenario where SCA can engage in long-term, purposeful development. However, it cannot be excluded that circumstances arise that would lead to SCA being forced to leave the country. There might for instance be problems in co-operating with the authorities in the country, an escalating war, international interventions or that a major donor decides to withdraw their assistance for some reason. There should be a preparedness for this type of scenarios as well. **We recommend** that SCA develops strategies for a number of conceivable scenarios.

### **3.1.2 Clarity in the tasks of the organisation and their acceptance internally and externally**

According to its statutes, Swedish Committee for Afghanistan is independent of political and religious organisations in Sweden and in other countries. A number of decisions and minutes regulate the relationship between SCA and the Islamic Emirate of Afghanistan.

#### ***Conclusions and recommendations – Clarity in the tasks of the organisation and their acceptance internally and externally***

The possibilities of being able to operate in Afghanistan are wholly dependent on obtaining acceptance from the leadership of the country. The importance of obtaining acceptance for SCA's activities by the Afghan leaders can therefore not be stressed sufficiently. SCA has succeeded in becoming accepted in a skilful way without having to give up its basic values and principles. Those in the field organisation who have had the task of handling relations with the Afghan leaders have therefore acquitted themselves very well.

SCA's very extensive development assistance activity has been successfully built up from a platform that initially mainly concerned the shaping of public opinion. However, in our view, SCA has not fully drawn the consequences of this. The ideals and methods of work of the protest group and action group have survived to an extent that is not compatible with professional management of a very large organisation.

**We recommend** that SCA clearly indicates that the organisation is a professional development assistance organisation, with its core activity located in Afghanistan and that other activities in the organisation are primarily regarded as support for the work carried out in Afghanistan.

### **3.1.3 Membership commitment and influence**

Anyone who supports the Swedish Committee for Afghanistan's objectives can become a member. All members are to belong to a local committee. The **annual meeting**, which is the highest decision-making body of the Swedish Committee for Afghanistan, normally meets each year before the end of April, exceptionally at the latest by 15 May.

#### ***Conclusions and recommendations – Membership commitment and influence***

In our view, there is no reasonable proportion between the time the annual meeting devotes to different issues and the importance of these issues for SCA as one of Sweden's most important development assistance organisations. The fact that SCA is responsible for a staff of over 8 000, 167 000 students and 1.4 million patients is not reflected in the way the annual meeting deals with different issues. **We therefore**

**recommend** that the new board work hard to increase awareness among decision-makers at future annual meetings of the demands made on the running of an organisation as large as SCA.

### 3.1.4 The work of the board

The board is SCA's highest decision-making body between annual meetings. It consists of thirteen members elected by the annual meeting for a period of two years. The president and board member may be elected for at most four consecutive periods of office.

#### *Conclusions and recommendations – The work of the board*

In our view, the board would seem to have devoted far too little time to strategic issues.

**We recommend** that the board focus on important strategic issues for SCA. We consider that the board should have the following main tasks:

1. To employ the chief executive of the organisation.
2. To initiate and lead the process around and make decisions on policies and strategies.
3. To make decision on instructions for work with the Workplan & Budget.
4. To approve notification of the Workplan & Budget.
5. To keep itself informed about the situation in Afghanistan and the development of SCA's activities through reports to the board.
6. To carry out the decisions of the annual meeting and decide on who is authorised to sign for the organisation.

The changes that this entails compared with the present situation are motivated in other parts of this chapter. We will put forward points of view below on the areas in which strategies need to be produced and adopted.

### 3.1.5 The planning process

The present planning process was decided on by the board on 7 April 2001 and has accordingly been applied for a short period. The documents included in the annual planning process are mainly the following:



Some of the control documents in the planning process are only in Swedish and some only in English. None of the control documents have been translated into the Afghan languages.

The operational control document is Workplan & Budget. For 2001-2002, this document has 159 pages. Many of those interviewed have called into question whether it is reasonable for the board to be expected to take a position on a document at this level of detail.

Workplan & Budget is put into practice in detailed “action plans” within the various programmes.

### *Conclusions and recommendations – The planning process*

Most of the control documents included in the description of the planning process are only available in Swedish or English. The Afghan staff can accordingly only have access to certain of these control documents.

The level of detail in the control documents intended for the annual conference, the board and senior managers should be adapted to the needs of these organisational levels, which coincide with the division of responsibilities within SCA. The ambition in the field activities is for SCA to be a decentralised organisation. This assumes that executives at different levels have the right to make the decisions required to achieve sufficient freedom of action and adapt to changed situations. These efforts are counteracted by SCA’s board making too detailed decisions about activities. In our view, it is not functional for the board, for instance, to make decisions on the Workplan & Budget at the level of detail that is now the case.

**We recommend** that Workplan & Budget be produced in accordance with present principles and arrangement. **We further recommend** that additional efforts be made to ensure that staff in the field be given the prerequisites to take part in this process.

We note that the “Intentions Document” has an unclear function. The document, with a somewhat misleading name, constitutes a “shopping list” of a number of changes that require resources. A number of problems and proposed solutions are put forward there without a thought being given to financing and priorities.

**We recommend** that the “Intentions Document” be scrapped. Concrete changes in activities should be dealt with in Workplan & Budget. **We recommend** that the board instead of making decisions on a complete Workplan & Budget, make decisions on instructions for the planning process in the form of policies and strategies, and financial frames with respect to self-financing. The Country Director is responsible for balancing the budget through support from different donors. The adopted Workplan & Budget should be reported to the board rather than being an item for decision by the board.

The Annual Meeting is in no position to make decisions on a comprehensive document like "Handlingsprogram". **We recommend** that the document be scrapped.

### 3.1.6 Objectives

Five overall objectives for SCA's development assistance are listed in the Strategy Document.

"Immediate Objectives" are listed in the Workplan & Budget 2001-2002 for each programme and sub-programme. The structure of the objectives is further developed in the Workplan & Budget for 2002-2003.

The Workplan & Budget adopted by the board is then put into practice through a one-year action plan for each programme. More details of implementation is given in this plan.

#### *Conclusions and recommendations - Objectives*

**We recommend** an increased focus on the effects of SCA's work in the objectives. **We further recommend** that Workplan & Budget at the country level does not go further than to "Indicators for the Immediate Objective" in the three main programmes while the "Action Plans" at regional level state outputs, indicators for outputs and activities for schools, clinics and so on.

### 3.1.7 Strategies

SCA's view of its role in the reconstruction of Afghanistan and certain principles for activities are described in the organisation's development assistance policy. This was adopted for the first time at the 1991 annual conference and was revised in 1996. A strategy document was adopted by the annual meeting in 2000. This specifies five overall objectives for development assistance.

#### *Conclusions and recommendations - Strategies*

In our assessment, there is, in addition to the general strategy already adopted, a need of strategies for the respective main programme. These should have a time horizon of approximately five years and be revised when changes in the prerequisites are so important that the strategy can no longer be applied. Examples of issues that require a long-term strategy are how SCA is to cope with the long-term provision of staff within the Education Programme.

In SCA's strategy document the organisation's main areas of activity are defined. In our suggested strategies for the three main programmes SCA's core activities should be further specified, with the aid policy as the starting point.

Moreover, it is motivated to develop strategies when certain issues are cross-sector, for instance gender-related issues.

**We recommend** that SCA adopt and regularly revise strategies for the following seven areas:

1. Education Programme
2. Health Programme
3. Agriculture Programme
4. Gender Promotion Activities
5. Information
6. Community Participation
7. Financing

### **3.1.8 Organisational structure**

The present organisational structure was adopted by the Board on 26 August 2000 and is described in the document “Organisation SCA”. On the very first page of this document, it is declared that “The proposal is a compromise on the issue of organisation.”

According to the description, SCA has three executives who report directly to the board:

- Office Director
- Association Secretary
- Country Director.

The fields of responsibility of these three executives and their roles are unclear and partly overlap. In many cases, an executive is responsible for functions that primarily have consequences for the areas of responsibility of another executive.

In the field, the SCA has a pronounced matrix organisation. The Regional Directors are subordinated to the Country Director, while other managers at a Regional Office are not organisationally subordinate to a manager at the Central Management Office but report to the Regional Director. Co-ordination of programme development and support and control at the regional level is exercised, however, by central functions at the Central Management Office.

#### ***Conclusions and recommendations – Organisational structure***

In our assessment, SCA’s field organisation is an appropriate structure for its purpose. Changes in the organisation of the field organisation have as far as we have been able to establish been taken care of in a professional way previously and we think then that it is better that any changes in future are taken up and implemented in the customary manner. **We recommend** that all decisions and changes of the field organisation’s organisational structure be taken by the Country Director.

The major **problem** as regards SCA’s organisation is the Swedish part. Unfortunately, the organisational issue has been discussed in the board for a number of years. A couple of organisational studies have been made which have not led to a permanent solution of the problems, however.

It is thought-provoking that organisational issues in the field have been handled much more professionally. While the actions in Stockholm have had negative effects on the work climate in Peshawar, our impression is that field activity has none the less managed quite well despite the turbulence. The main reason for this is probably that the previous Country Director, in the best interests of activities, has sometimes acted more independently than allowed in the rule book.

An organisational unit, which the whole of SCA's activities is, should have one responsible director, not several. This director is the link between the board and the operational activity. The person must therefore be well acquainted both with field activities and the board's intentions and approach. He or she is the person who is to pass them on to the activity and put them into practice. With the requirement for deep insight both upwards and downwards so to speak, the question is whether SCA's chief executive should be located near the board or the field activity.

In the light of the extent and approach of SCA's activities, it is obvious to us to recommend an organisation where the chief executive of the organisation is located at the Central Management Office in Peshawar. It is despite everything easier to communicate with the board from there than it is to maintain an in-depth knowledge of field activities from Sweden.

The secretariat should primarily be regarded as a service organ for the board, the whole field organisation and the members. The tasks that are carried out at the secretariat are those that can be carried out more efficiently in Stockholm or where that is required for formal reasons. This includes writing minutes, collections and member service. Participation in recruitment of experts and parts of information operations can be included.

### **We recommend**

- SCA appoint a chief executive for the whole organisation to be stationed at the Central Management Office in Peshawar.
- that there should be a secretariat as a service organ in Sweden for the board, field organisation and members which is subordinate to the chief executive in Peshawar. It is vital that the secretariat's tasks in the membership activities and collection activities are catered for adequately in the new organisation.
- that a co-ordinator be appointed at the secretariat in line with the Central Management Office's "co-ordinators".

## **3.2 Informal means of control**

In addition to the formal means of control which were analysed in the previous section, we have also reviewed the informal means of control in the management audit. This concerns

- the organisational culture

- governing values, norms and attitudes
- ability to adapt in the event of changes in the surrounding world.

### **3.2.1 Organisational culture**

Over 99% of SCA's employees are Afghans. A number of the Afghans we have spoken to claim that managerial decisions in SCA are respected more than is "normally" the case. If a non-Afghan makes a negative decision, it is accepted, "no means no", which is not always the case with an Afghan manager. There is a large measure of agreement, among Afghans as well, that it is important that the senior executives of SCA are non-Afghans, since the latter would find it much more difficult to withstand pressure from relatives, authorities and others who make various demands.

The employees consider that SCA is a good employer although salaries are low in comparison to, in particular, UN bodies for similar work. This is partly compensated for by other benefits but above all by SCA being perceived as a long-term and secure employer which always behaves in a fair way in relation to its staff.

The reward of the field staff is that they see the result of their work. The further one comes from reality, the more other forms of reward are required. We believe that by subordinating the Stockholm Management Office to the Country Director, it will become a more appreciated part of the necessary support to the core activity.

### **3.2.2 Governing values, norms and attitudes**

A lot of the action group's governing values, norms and attitudes persist despite SCA now being a large and important development assistance organisation. Responsibility for extensive activities and over 8 000 employees makes quite different demands on the motivations of those who opt to become involved in leading positions and in the work of the board.

The popular movement tradition comes into conflict here with the values that characterise a professional organisation of SCA's size. The "ordinary" non-profit-making organisation is intended to look after the interests of its members, often in a particular defined issue. In general, members can decide over their own activity, to safeguard their interests in the best way without this being in direct conflict with the interests of others.

However, SCA must focus on the interests of the Afghan people and not in the first place its Swedish members. This means among other things that the decision-making process must be designed to create the best possible results in Afghanistan, even though these decision-making processes are not ideal from a traditional popular movement perspective.

### **3.2.3 Ability to adapt in the event of changes in the surrounding world**

Three types of changes in the surrounding world should be particularly important to monitor systematically:

- Monitoring of the development of development assistance policy
- Monitoring developments in Afghanistan
- Monitoring changes among donors.

## **4. REVIEW OF RECONSTRUCTION AND DEVELOPMENT ASSISTANCE**

In many respects, SCA is carrying out an exceptional activity in Afghanistan. They have succeeded in establishing a well-functioning activity in very difficult circumstances. This has been possible due to a particularly committed staff, which have planned, carried out and followed up activities in a well-conceived way.

In general, the instruments used for leading and controlling activities are of high quality. There is and always will be a certain potential for development. We will mainly concentrate on these, which is not to be interpreted as our disregarding everything that works well.

### **4.1 Programme implementation**

The two overall operational objectives are

- to promote a democratic society with economic and social development by engaging in reconstruction and development assistance in Afghanistan
- to promote the return of Afghan refugees and their rehabilitation in Afghanistan

These overall operational objectives are to be put into practice in concrete programmes in the different fields of activity.

These sections deal with SCA's three main programmes:

- Education Programme
- Health Programme
- Agriculture Programme

#### **4.1.1 Education Programme**

The central control documents in the Education Programme are

- General Directives for SCA Supported Schools: Rights and Duties for students and school staff (March 1999)
- Education Directives for SCA Education Programme (March 1999)
- SCA Criteria for upgrading (September 2000).

Furthermore, there is a very detailed description of "Basic Competencies of Learning" in Mathematics and Languages.

The programme is directed by an Education Co-ordinator. The Education Co-ordinator is subordinate to the Programme Co-ordinator and is the head of the centrally located staff in the Education Programme. However, the Education Co-

ordinator is not the head of those who work regionally with educational issues but these report to the Regional Director. The Education Co-ordinator has overall responsibility which includes setting standards and defining development in the programme, and, in close collaboration with the Regional Directors and those responsible for education in the regions, provide advice and support, following up activities, developing skills in the programme and working out development strategies for the Education Programme for the board.

### ***Primary education***

The focus has been on quality development in recent years. Insufficient quality of education is a key problem that SCA is attempting to solve by its own in-service training courses. Over a third of the teachers have not even completed secondary school education while only 14 % have teacher training. The rest have 12 years' schooling. The average age is high and the average teacher completed their education 20 years ago. The situation is made worse by the lack of secondary education and teacher training in Afghanistan today. This is a major problem with regard to the provision of personnel in the long term at the same time as the lack of higher education also creates problems in other sectors.

Various measures are planned, for instance

- better educational material for children in the lower grades
- introduction of Basic Competencies of Learning for guidance and follow up
- reinforce the role of the school consultant and increase their number
- follow-up of students' results and increased activity on the problem of drop-outs.

### ***Secondary education***

SCA's annual conference in 2000 decided that the issue of Secondary Education should be investigated. A report was submitted in April 2001 , Secondary Schools' Study by Abdul Salam Akbarzai, Educational Technical Advisor. It was stated there that "*The secondary school is a door; for getting new teachers for primary schools; to be enrolled in higher education and to be employed, etc*". A large number of alternatives are examined in the report, after which it is proposed that support be provided to secondary education on a small scale. The cost per student is estimated at approximately SEK 160 per year. On the basis of this report, SCA will produce a project proposal which is combined with proposals on how to tackle the lack of teachers.

### ***Adult education***

During 2000 education started of the present 30 school committees within the Community Participation (COMPAR) Pilot Project. A further 90 school committees are expected to start during 2002. Additional further training is to be provided based on the follow-up that has been made. Proposals for adult education for women are being produced in autumn 2001 together with the gender and health units.

### *Conclusions and recommendations – Education Programme*

**Primary education** is undergoing strong development. The ideas on further development inputs that we have examined seem to be well-conceived and we have no objections to these.

Activities in recent period have been affected by a number of key persons leaving their employment at the Central Management Office. It is therefore evidently of crucial importance that great attention be devoted to the staff situation and that recruitment of key staff take place with great haste.

It is a key issue for continued work that SCA safeguards the supply of trained teachers. We consider the question of **secondary education** a strategic question of high importance which should be given high priority. We do, however, not have an opinion for or against any particular solution.

**We recommend** that the recommendations made to carry out secondary education on a limited scale combined with basic teacher training be implemented.

There is some lack of clarity in the purpose of COMPAR. **We recommend** that the role of the school committees be defined in relation to head teachers, teachers and the staff of the Regional Office. **We recommend** furthermore that the development of the school committees is related to a long-term vision for SCA in accordance with the proposals put forward in Chapter 4.

#### **4.1.2 Health Programme**

SCA has focused activity on primary health care (PHC) with an equal right for all to health care with the aid of technology that is adequate and financially justifiable. An important part of the strategy is active involvement of the citizens in health care work.

There are 167 clinics that provide health care and preventive activities. Approximately 1.4 million patients are treated per year and over 1.5 million receive training each year. Over 2 000 employees, of which 25% are women, work in the programme.

In northern Afghanistan, SCA is taking part in disaster assistance by mobile clinics, by taking part in vaccination campaigns and distributing tents, blankets and mosquito nets.

The central **control documents** in the Health Programme are

- Health Facilities Management Manual (June 2001)
- Health Management Toolkit Part-1 (1998)
- HIS (Health Information System) Guidelines
- Action Calendar and Action Plan of Health Sector - 2001-09-01

There will be a **Health Facilities Management Manual** at every clinic, Regional Office and centrally. The manual is a file system with loose replaceable pages. The date of origin is stated on each leaf and the date of the most recent revision.

It is clearly stated on all parts that they have been confirmed in June 2001 by the Chief Technical Advisor. This post has been changed in summer 2001 to Health Coordinator. The Health Coordinator is subordinated to the Programme Coordinator and the head of the centrally stationed staff in the Health Programme. However, the Health Coordinator is not the head of those working regionally with health issues, who report to the Regional Directors.

The Health Coordinator has overall responsibility, which includes setting standards and defining development within the programme, and, in close collaboration with the Regional Directors and those responsible for health care in the regions, providing advice and support, following up activity, developing competence in the programme and producing development strategies for the Health Programme for the board.

**HIS Guidelines** (OPD Monthly Reporting System and Guidelines) were adopted in September 2000. HIS has been developed in collaboration between SCA, WHO, MoPH, UNICEF, IbnSina, Aide Medical International (AMI) and MSF.

**Action Calendar and Action Plan of Health Sector** contain a detailed plan for implementation of the programme.

A number of “sub-programmes” are carried out within the main programme, which are mostly based on SCA’s clinics.

### *Clinic activities*

The base for the activities is the 167 clinics in 136 districts, with a staff of 1 430 with some form of medical training and 252 without medical training. SCA is solely responsible for a third of all clinics in the country.

Three guiding principles control activities:

1. productivity and quality of the service
2. effectiveness of the programme
3. equality

Productivity is to be increased by intensified management, in particular of problem clinics, increased access to medicines and wage increases of 40%. The aim is to reduce staff turnover to thereby increase quality.

Quality is to be improved by improved follow-up of use of pharmaceuticals and increased training with regard to the ten most common illnesses. The efficiency of the programme is to be increased by closing all dental care clinics during 2002 and 54% (91 of 167) of the laboratories. The main reason is to transfer resources to the most cost-effective sub-programme Mother and Child Health (MCH) services.

The third principle means that everyone is to have the same access to care, which places special demands on access to female staff to meet women's needs. The number of clinics that offer MCH service is to increase from 54 (32%) to 60 (36 %) 2002 and 67 (40%) before the end of 2003.

There are clear objectives and indicators for the base activity at the clinics and a high level of ambition for control and follow-up.

### ***Skills development and quality development***

One of the major tasks in the Health Programme is to train SCA's over 1 600 Afghan health workers, half of which are women and half men. Nineteen different types of courses are being arranged during 2002. The courses are much by staff and are an important component in the build-up of competence in Afghanistan.

### ***Conclusions and recommendations – Health Programme***

Effectiveness is high with only 15-20% administrative costs totally for the programme. The problems in the programme are high staff turnover, deficiencies in the supply of pharmaceuticals and the per se effective system with delivery of "kits" does not take sufficient consideration to individual differences between clinics, irrational prescription of medicines (in particular antibiotics) and in certain cases less suitable location of clinics for historical reasons. The high staff turnover reduces efficiency and quality.

The internal evaluation that was carried out at the beginning of the year contained proposals for a lot of radical changes, including closure of the dental care clinics and a halving of the number of laboratories. Massive opposition could be expected to large parts of the reform package and a long-drawn-out process. However, when we compare the evaluation with Workplan & Budget 2002-2003 we find that most of the changes have already been implemented. This indicates a good ability to use evaluation results to implement changes. Although there has naturally been opposition, not least from the managers who were responsible for the criticised activity, the process has continued.

We have also studied notes from meetings where evaluation results have been dealt with and can note that each meeting leads the process forward. However, it would be surprising if the concrete measures are as easy to carry out. Support from a united management organisation in combination with active participation of all those affected by changes is important if it is possible to make use of the potential to improved performance that appears to exist to judge from the assessment.

The quantity of sub-programmes is a problem, which makes activity difficult to control. For instance, it seems as if the new mother and child programme is difficult to integrate with other activities. We have also perceived that there have been considerable difficulties in implementing this programme.

**We recommend** that there be an increased concentration on the sub-programmes where SCA is highly competent and has comparative advantages in comparison with other actors.

#### **4.1.3 Agriculture Programme**

Rural development is one of the three main areas in SCA's development assistance activities. After evaluation of the Agriculture Programme in 1997 and Sida's ceasing direct financial support, a start was made on phasing out the programme. During 2000 and 2001, however, external financing through Forum Syd and ECHO has made it possible to continue activities.

Activities have been subject to sudden changes. In 1994, the name was changed to Rural Development, which is still used in the organisation plan, and the activity was successively broadened to include micro loans to women as well, self-cultivated fruit tree cuttings, fish cultivation, egg hatching and rearing of chickens, etc.

During the period 1995-1998, SCA received Sida support for this broadened activity, which was perceived as rather a failure, however. Sida then ceased with its support after the joint Sida/EU-evaluation recommended a concentration to education and health care with a view to improving quality.

Given the lack of alternative financiers and a strategy in the area, the programme was phased out beginning from spring 1999. During 1999, 80 tonnes of seed were produced, compared with 600-800 tonnes in previous years. In April 2000 production of seed was resumed on a somewhat larger scale again, now with financing from Forum Syd. In 2001, the volume of this activity has further increased through financial support from ECHO.

The programme is implemented in accordance with a number of Guidelines and Standard forms.

The programme is led by a Rural Development Coordinator, who is subordinate to the Programme Coordinator and head of the centrally placed staff in the Agriculture Programme. However, the Rural Development Coordinator is not head of those working regionally with agricultural issues, but these are directly subordinate to the Regional Director.

Workplan & Budget is put into practice in concrete activities and the Agriculture Programme will develop a more complete action plan next year.

#### ***Conclusions and recommendations – Agriculture Programme***

The Agriculture Programme is one of the three main programmes that have been most called into question in the organisation. The motive is that, relative to the other

programmes, it is small, although it requires a lot of administrative capacity. There are therefore demands for concentration to both the other main programmes.

**We recommend** that SCA produces a strategy for the Agriculture Programme, where it, for instance, is clear whether it to be phased out or to expand, broadened or be concentrated. This discussion should be guided by the question of the respects in which SCA has comparative advantages to other organisations with regard to carrying out a particular activity.

Within the programme, informal meetings of various kinds are held with farmers on concrete issues. These provide opportunities for spreading knowledge and experiences and for an exchange of experiences between farmers. The recommendations in the evaluation in 1997 on “community development oriented package” has not resulted in any standpoint being adopted by SCA. Committees of the kind that exist in education and health do not exist. When the pilot activity with committees started, agricultural support was minimal, so that this was not of current interest. For activity on a larger scale, there may be reasons to investigate interest among farmers for more structured forms for their collaboration with SCA.

**We recommend** SCA to take up the issue of an exchange of experiences in conjunction with a strategy being produced for the Agriculture Programme as recommended above.

#### **4.1.4 Summary conclusions and recommendations – Programme implementation**

The three main programmes have different ways of carrying out their work planning. This only depends to a small extent on differences in the three areas of activity. We believe that the units can learn from one another’s experiences and therefore a common follow-up could be useful. On the basis of a discussion of this kind, it should be considered whether there are not predominant advantages with a common structure for the work plans. This would probably facilitate collaboration between the programmes and also facilitate co-ordination for the logistics unit among others.

**We recommend** that the main programmes make a common follow-up of the experiences of work planning of the respective units. We further recommend that the programme co-ordination group, on the basis of these experiences, discuss the advantages and disadvantages of a common structure for the work plans.

## **4.2 Programme support and programme development**

The following areas are dealt with in this section:

1. Rural Engineering
2. Support in gender-related issues
3. Information and PR
4. Programme Development and Co-ordination

5. Planning
6. External co-ordination

#### **4.2.1 Rural Engineering**

The rural engineering unit, which consists of the Rural Engineering Technical Support Unit (RETSU) and Regional Rural Engineering Units (REU), was established in 1992 with the aim to provide programmes with support for designing and building schools and clinics and water and sewerage. The first-mentioned unit makes design drawings and the technical specifications for the projects while the latter carries them out.

RETSU at the Central Management Office has four employees. The unit participates actively in the Water and Sanitation Sector Group. The group also includes UNICEF, WHO and DACAAR.

There is a unit for Rural Engineering at each Regional Office with three permanent employees. Other staff are employed on a project basis. The number depends on the type and size of the project.

#### ***Conclusions and recommendations – Rural Engineering***

The organisation and control of activity would seem to be appropriate for its purpose. Standards and Guidelines are of high quality.

The activity has the flexible construction that the irregular volume requires. The permanent personnel force copes with a considerable volume of new construction and it is therefore simple to expand this activity with project staff. The balance between permanent and project-employed staff is effective.

Funds were set aside in 1999 for an evaluation of the water and sewage programme. Due to the drought, the evaluation being postponed first to 2000 and then to 2001. Proposals for “Terms of Reference” (ToR) exist. Since the programme has not been evaluated since the start in 1992, and has partly changed character during the intervening period, it is important to obtain a basis for decisions on the future strategy for the area of activity.

**We recommend** that the evaluation be carried out immediately and not be further postponed. **We recommend** furthermore that ToR be developed so that it is clear that the pilot project with “self-help”, that has come into being since the evaluation was decided upon, be specially studied. **We recommend** finally that a strategy be produced for the whole of the rural engineering development, where the evaluation is an important foundation.

#### 4.2.2 Support in gender-related issues

During the past five years, SCA has increased access to health care, education and work for women and girls in the rural areas. These successes have been achieved thanks to the women and male personnel within SCA monitoring and driving forward the issue of women's equal right to participation.

SCA's gender unit was created in 1997 to hasten development towards equality between the sexes.

#### *Conclusions and recommendations – Support in gender-related issues*

Crucial for success is flexibility in implementation of the programmes. The responsible persons at all levels need to have considerable freedom in deciding on creative solutions in different situations. Many of those interviewed, including SCA's Gender Co-ordinator, warn about control from Sweden with regard to gender issues. Swedish valuations cannot be pressed on the Afghan society.

In relation to the authorities, both formal and informal contacts are required, where SCA's good reputation and appreciated work are a valuable asset. Confrontation strategies are doomed to failure. Despite various general orders from persons in authority SCA has skilfully succeeded in manoeuvring to obtain largely unchanged prerequisites for its activity as regards women's opportunities to take part in education, right to employ women, etc. which SCA has succeeded in using to move its positions forward.

The factual result is a strong increase in the number of female employees between 1999 and 2000. This shows that the strategy applied works. We therefore have no reason to recommend any change. However, there may be reasons to further confirm the principles applied in formally adopted Guidelines.

**We recommend that** a strategy based on local support for how gender-related issues are to be dealt with be produced, based on the experiences that exist in field activities. This strategy should clearly state the special prerequisites that apply to women's participation in skills development and the financial consequences of these. Finally, **we recommend** that the management show its commitment in these issues by an increased physical presence in the contexts in which gender-related issues are dealt with.

#### 4.2.3 Information and PR

The Information Unit was established in 1999, with a Swede responsible and an Afghan assistant. This is a service unit which is to provide information about and from SCA to development assistance recipients, media, potential donors and SCA's staff in Afghanistan. Furthermore, the unit is to communicate information about Afghanistan and SCA's field activity to SCA's Stockholm office and the Swedish general public.

### ***Conclusions and recommendations - Information and PR***

We have noted that the Information Unit in Peshawar is understaffed. Thanks to a whole hearted commitment from a Swedish volunteer, this activity can be sustained. Moreover we consider that the problems at the Information Unit show that the recruitment process must be reviewed.

#### **We recommend that**

- an information strategy be produced
- The Central Management Office be made responsible for internal information, while the Stockholm Management Office be responsible for external information. The Information Unit in Peshawar should, however, be given a clearer direct responsibility for a set part of the information on SCA's website. Interested members and the general public could in this way be reached considerably quicker by up-to-date information directly from the field
- the manning of the Information Unit in Peshawar be expanded on a qualified level
- the division of responsibility and work between the secretariat in Stockholm and the Information Unit in Peshawar should be reviewed in conjunction with the production of an information strategy.

#### **4.2.4 Programme Development and Co-ordination**

There is a special function as Programme Co-ordinator at the Central Management Office. The current holder of the post is relatively new in this position. The predecessor had a broader area of responsibility which also included the present planning function. Monthly programme co-ordination meetings were held during 2000 (10 meetings). At these, the Country Director, the Programme Co-ordinator, the Planning Manager, the Gender Co-ordinator and the persons responsible for the units for health, education, agriculture, rural engineering and information took part. Management Workshops are said to have been a good instrument for programme development.

The present Programme Co-ordinator has the ambition to achieve a real co-ordination between the programmes to use the possibilities for co-ordination benefits. At the same time, the organisation is being concentrated by the management group and the programme co-ordination meeting being held separately. Only the Programme Co-ordinator and the managers who report directly to him take part in the latter. The division of responsibility and decision-making procedure thus become clearer.

### ***Conclusions and recommendations – Programme co-ordination and programme development***

The current holder of the post as programme-co-ordinator has high ambitions with regard to collaboration between the different programme and the specialised staff and service functions. He wants to create functioning teams and moreover identify where there are co-ordination benefits through increased openness and collaboration. We share this view on the direction in which changes should take place and **recommend that** collaboration and co-ordination between the programmes be increased.

#### **4.2.5 Planning**

The Planning Unit is responsible for development and implementation of the overall planning, which includes initiation, co-ordination and compilation of the control documents, i.e. the Central Management Office's part of the Intentions Document, Workplan & Budget, Management Calendar and Annual Report.

The unit's responsibility also includes working out applications and reports to donors. The units develop and maintain SCA's Management Information Systems (MIS) and Human Resource Management System.

The planning process is controlled by

- Guidelines for the Workplan and Budget
- Who writes what (a detailed account of the responsibility for different chapters)
- Agreements at the Management Meeting (at a workshop on 21-23 August 2001, a second draft of Workplan & Budget was discussed)

MIS is a decision-support system based on a database for storage and processing information. The information in the system is used among other things to produce a common basis for planning.

At present, the Planning Unit at the Central Management Office is only responsible for the field activity's part of plans and reports. The Stockholm Management Office then compiles these with the part on Swedish activities and completes the plans and reports.

### ***Conclusions and recommendations - Planning***

The present Planning Director has further developed the planning process in the direction of an increased active participation from the field activity. Further simplifications of Workplan & Budget are necessary to obtain a reasonable level of ambition of the planning work at different levels. A change in this direction will have a very positive effect on the prerequisites for the local planning work and the possibilities of providing donors with tailor-made applications and reports.

The resources at the Central Management Office to compile and complete plans and reports are considerably greater than the Stockholm Management Office's reports. **We therefore recommend** that plans and reports be compiled and completed at the Central Management Office instead of at the Stockholm Management Office. This recommendation is also in line with our recommendation that the Country Director should be given the ultimate responsibility for the whole activity.

### **4.3 Handling of funds**

There is extensive handling of funds in SCA which is natural with the extensive and widespread activity that the organisation is involved in. Bearing in mind the extensive handling of funds and the conditions that the SCA works under in the field, the security aspects in the routines for fund management are of great importance.

There are no written routines for fund management in Sweden apart from the board's decision on persons authorised to sign for the organisation.

In the field, there are detailed rules and instructions for handling funds in two different documents:

1. Financial Regulations, 1997
2. Regulations and procedures for funds transfer and receiving Imprest cash (cash for official use).

There are also descriptions of routines for two specific activities:

- Operation Manual for SCA Clinics Income Generation
- Financial Procedures for EOC's.

#### **4.3.1 Fund administration**

Funds are kept and handled within SCA from Sida or from other financiers both at the Stockholm Management Office and in the field. At both these levels, funds are handled in the form of cash and deposits in bank accounts. Cash management at the Stockholm Management Office is of small scale, however. In the field, funds are handled at a number of different places.

The reason that the Central Management Office keeps such large amounts in cash is that many types of transactions are carried out in cash. Afghanistan lacks a banking system and there are no other possibilities than cash transactions there.

#### ***Safekeeping and transport of cash in the field***

Since Afghanistan lacks a banking system, SCA has been obliged to adjust to the situation that exists and it is therefore necessary that large amounts of cash are kept and handled.

SCA has undertaken a number of security measures to ensure safekeeping and handling of cash. Moreover, all cash which is transported both in Pakistan and in Afghanistan is insured.

### ***Conclusions and recommendations – Fund administration***

To start with, it is easy to note that control over fund handling would be better and the system more secure if Afghanistan had a functioning banking system and SCA could therefore do a greater part of its transactions via bank transfers. Now that is not possible and SCA has no alternative to handling large quantities of cash. Our view is that SCA strives to minimise handling of cash and that the organisation has built up a very well functioning security system for the handling of cash that is still required. However, it is worth noting that handling of cash can never be as safe as use of bank transfers and cheques.

We further note that security in SCA's handling of funds increases considerably by schools not disposing of or handling any funds whatsoever, clinics only handling very small sums and construction projects relatively small sums.

**We recommend that** SCA continues to eliminate or, if this is not possible, to minimise handling of funds in individual projects, for instance schools and clinics. All proposals to allow individual projects to handle funds should be examined very critically.

### **4.3.2 Transfers of funds within SCA**

In most cases, SCA's financiers pay their support to the Stockholm Management Office who then pass it on to the field. In certain cases, for instance, the UN, the financier pays directly to the Central Management Office.

Transfer from the Central Management Office to the Regional Office shall according to the "Financial Regulations" be made after an order signed by the Regional Director. Due to the method SCA is obliged to use for transfer of funds to the Regional Office, an order procedure is seldom used. Instead, the Regional Office withdraws the money locally based on its budget and liquidity plan, without approval in advance by the Central Management Office.

### ***Conclusions and recommendations – Transfer of funds within SCA***

As far as the Stockholm Management Office's transfers to the Central Management Office are concerned, we have no points of view.

For the Central Management Office's transfers to Afghanistan and transfers within Afghanistan, we note that the lack of a banking system in Afghanistan again means that security and control is reduced. Bearing in mind the very difficult situation, we

consider, however, that SCA has developed a system for transfers with an impressive degree of security. Transfer methods are strictly defined and prioritised, instructions very strict and security aspects have been taken into account in all parts of the system.

We have noted a minor weakness. By the Regional Office not ordering money from the Central Management Office but instead withdrawing it in advance through hawala, control over these transfers is reduced. The Regional Office has the opportunity to withdraw unlimited sums that the Central Management Office cannot later refuse to pay back. Since three signatures, including the Regional Director's, are required on the receipt for the advance, the risk can probably be regarded as acceptable.

An exception from the above rule is the branch office in Faizabad, which is on the other side of the front line from the Regional Office in Pul-i-khumri and therefore can only be reached with great difficulty from there. The branch office withdraws the advance through hawala without the Regional Director's signature, although only after his approval by e-mail. **We recommend that** the Regional Director, if possible sign the receipts in Faizabad as well, for instance by the branch office leaving a number of signed receipts with the amounts filled in.

### **4.3.3 Payments**

#### *Payments in Sweden*

The great majority of the payments from the Stockholm Management Office are made via giro that is written by authorised signatories appointed by the board.

#### *Payments in the field*

Rules and instructions for payments in the field, i.e. Pakistan and Afghanistan, are described in detail and comprehensively in the two documents:

3. Financial Regulations, 1997
4. Regulations and procedures for funds transfer and receiving Imprest cash (cash for official use).

As a basic principle, the second document states that all payments are to be made by bank transactions only to state in the next sentence that this is not possible in Afghanistan, since the country lacks a functioning banking system. All payments are made in cash there.

In Pakistan, however, payments are made to the greatest possible extent by bank transactions. When this is not possible, cash payments are made in the first place by the Central Management Office. Cash payments are made on site of smaller amounts in the last resort.

### *Conclusions and recommendations - Payments*

We consider that the routines for payments are satisfactory both in Sweden and in the field. In the field, the assessment is related to the situation that exists with an almost total lack of a banking system in Afghanistan. Of course, security would be greater if payments could be made through bank transactions. With this in mind, we consider, however, that SCA's routines are well conceived and take into account the security aspects in a satisfactory way despite the large number of cash payments.

**We recommend that** SCA continue its efforts to have as few people as possible handle and be responsible for as small cash amounts as possible.

#### **4.3.4 Summary conclusions and recommendations – Handling funds**

##### *Handling funds in Sweden*

Handling funds in Sweden is of small extent with regard to the number of transactions and types of transactions. Security and control are therefore satisfactory despite fixed routines being lacking to some extent and none being written down. **We still recommend** that SCA develop written routines for all the most important transactions at the Stockholm Management Office.

##### *Handling funds in the field*

Handling funds in the field is very extensive as regards the number of transactions and types of transactions. SCA's activity is extensive, geographically spread, all types of communications are difficult and Afghanistan lacks a functioning banking system. All these factors make control over handling of funds difficult and reduce security.

However, SCA has an extensive system of rules for handling funds which to the greatest possible extent formalises and structures the routines. Bearing in mind, the very difficult circumstances, we consider that SCA combines in an impressive way security consciousness with a general endeavour to solve all problems. However, although we consider that SCA has a satisfactory security and control in handling funds, it is still important to note that it is precisely due to the circumstances and that security would be considerably greater if the above circumstances did not exist.

#### **4.4 Financial checks and control**

##### **4.4.1 Accounting**

SCA's accounting is split up between Sweden and the field. The division is complete and clear. In Sweden, all activities in Sweden are entered in the accounts and the costs of Contract staff in the field. At the Central Management Office, all expenses

for field activity are recorded in the accounts, as well as the costs of the Contract staff.

The field activity's accounts are extensive and parts of the staff at the Central Management Office's accounts department have very high formal competence and great experience. Work takes place in accordance with fixed routines and the staff have clear areas of responsibility. At the Central Management Office, all the field activity is recorded in the accounts and all vouchers are kept here.

At the three Regional Offices, the competence of the account department is lower and only basic accounting is carried out here in the form of a cash book, which is kept by manually and a simple book of first entry, which is kept in Excel. All vouchers are then sent to the Central Management Office where the final accounting takes place.

### ***Conclusions and recommendations - Accounting***

The Central Management Office's systems and routines for accounting are mainly satisfactory and probably ensure true and fair accounts. However, we are doubtful whether all of the accounting work at the Regional Offices serves any great purpose. The Regional Offices' books of first entry are not used to any great extent but all accounting takes place ultimately at the Central Management Office.

**We recommend that** SCA evaluates the accounting work at the Regional Offices and takes a position on whether these should be given greater responsibility to keep complete and final accounts. If final accounting also took place in future at the Central Management Office, it should be considered whether the cash book alone provides sufficient control for the Regional Offices.

We also consider that the accounting at the Stockholm Management Office is also probably true and fair although the lack of fixed routines means that there is scope for improvement in the efficiency of the accounting work. **We recommend that** certain routine descriptions for accounting work are produced at the Stockholm Management Office.

#### **4.4.2 Financial control**

##### ***Control of fixed assets***

The value of the fixed assets at the Stockholm Management Office is relatively low and we do not have any indication that checks have been insufficient to any great extent.

The value of fixed assets in the field is considerable and the assets are of a number of different types. There is a large number of different types of checks and registers.

### ***Insurance cover***

In the audit memorandum for 2000, it is recommended that “there should be a review of SCA’s insurance needs at soon as possible”. We have therefore not examined the insurance situation at the Stockholm Management Office closely.

The following insurance policies exist in the field:

- All cash that is kept at any of SCA’s offices or which is transported by SCA is insured.
- All office equipment with a value over Rs 5 000 (SEK 900) is insured at all offices.
- For vehicles, only third-party insurance cover is taken out. The amount that is budgeted for car insurance each year is kept as a reserve during the year and used for repairs and any replacements of lost vehicles that an insurance would have compensated.
- Permanent employees have health insurance for which no external insurance has been taken out. Instead, an annual amount is funded in the balance sheet to cover the costs of the insurance.

No insurance has been taken out for equipment and inventories at schools and clinics. The value of these is limited.

### ***Audit***

According to the statutes adopted at SCA’s annual meeting in 2001, the annual meeting appoints two internal auditors. Moreover, the annual meeting is to confirm the board’s commissioning of an authorised public accountant. At the 2001 annual meeting, two internal auditors were appointed, although no authorised public accountant was confirmed.

For a number of years, the authorised public accountant Jan Nordh at Deloitte & Touche has served as SCA’s auditor. He has submitted an audit report for the whole of SCA. However, his examination has been restricted to the Stockholm Management Office. The field activity has instead been audited by the Pakistani firm of auditors A. F. Ferguson & Co, which has submitted their audit report for that part. Ferguson is not appointed by the annual meeting, however. In fact, they are not at all appointed by SCA but carry out their commission year after year, apparently by tacit agreement.

Jan Nordh’s, and the lay auditors’ audit report covers the whole of SCA. His only information on the examination of the extensive field activity is limited, however, to Ferguson’s relatively brief audit report on their examination. Otherwise, there is no contact between the auditors in the field and in Sweden. In general, there is no contact either between Jan Nordh and the Central Management Office.

### ***Internal audit***

In principle, SCA does not carry out any internal audit. At the Stockholm Management Office, the concept does not exist and no internal audit is carried out, neither of the Stockholm Management Office nor of the field activity.

There is no formal function in the field for internal audit although the concept is named on a few occasions in the control documents. There is also an explicit endeavour to introduce certain routines for internal audit, primarily carried out by the Central Management Office at the Regional Offices and the field offices. Staff from the Central Management Office undertake regular inventories of cash holdings and stocks and check equipment at the Regional Offices and field offices.

### ***Conclusions and recommendations – Financial control***

#### **Insurance cover**

We assume that SCA carries out the review of the insurance cover at the Stockholm Management Office which is recommended in the audit memorandum for 2000. In the field, we consider that the insurance cover is adequate and that the decision to cover certain insurance internally has been decided upon on an adequate basis. However, **we recommend** that some reserves are built up in the balance sheet for the internal vehicle insurance.

#### **Audit**

In principle, the auditors inspect SCA's board, since the board is the organisation's highest decision-making authority between annual meetings. We therefore consider it unacceptable that the board, according to the new statutes, commissions the authorised public accountant, which is the person that in practice carries out the audit. The result is that the board itself appoint the person who is to audit it. **We recommend that** the statutes are amended so that the annual conference appoints the auditor.

The Swedish auditors' basis for making statements on the field activity is relatively in-sufficient, despite that part of the organisation being incomparably largest and more risk-filled. We consider therefore that the Swedish authorised public accountant needs a better basis to be able to make a statement on the whole of SCA in the audit report. **We recommend that** SCA clearly gives their Swedish authorised public accountant responsibility for the whole audit, including the field activity. This assignment could also include responsibility for commissioning a local auditor and giving the latter instructions to inspect the field activity according to the Swedish auditor's instructions.

#### **Internal audit**

With the extensive external audit which is carried out by the field activity, there is no great need for internal audit there, with the exception of some examination of activity in Afghanistan where the Pakistani auditors do not carry out any inspection on site. The limited inspection is also carried out by staff from the Central Management Office. We see no need for internal audit at the Stockholm Management Office.

### 4.4.3 Internal financial reporting and follow-up within SCA

#### *Reporting to the board*

According to the document Organisation SCA (Accepted by the board on 26 August 2000), a review of the interim accounts are the responsibility of the board and cannot be delegated. This also takes place and both the executive committee and the board consider the interim accounts. In general, the financial officer from the Stockholm Management Office attends these board meetings. However, we have had indications that financial issues are dealt with in a relatively summary way by the board and that they have not been given any great weight.

The reporting routines to the board have been changed at an increasingly rapid rate in recent years. We have perceived development like this: earlier reports were made every full and half-year, some years ago quarterly reports were introduced and quit recently the routines were changed to reporting of the budget in relation to outcome taking place the second and third quarter. Many of those in responsible positions in the organisation are unsure, however, about exactly what is the case and we have had different reports from different people.

We have studied a report on the budget outcome for the first quarter of 2001. According to the new reporting procedures, no report is to be given since this evidently happened anyway. The comments on budget deviations are very general and difficult to follow. It is difficult for the reader from the report to understand the reason of individual discrepancies and to draw any conclusions.

#### *Reporting and follow-up in the field*

In the field, budget follow-up takes place **each month**. Reporting then takes place separately to each accounting unit, that is to the

- Central Management Office
- Northern Regional Office
- Southern Regional Office
- Eastern Regional Office
- CDAP.

According to information provided, the following monthly follow-up is made:

- Staff at the Finance Unit check for each accounting unit that no budget lines have been exceeded.
- The Finance Controller checks an aggregate budget follow-up.
- The unit managers at each accounting unit follow up the reports for their units.

Each **quarter** general budget follow-ups are to be checked by

- Country Director
- Programme Co-ordinator
- Administrative Co-ordinator
- the three Regional Directors.

In reality, however, reporting does not take place exactly according to the above description. We have not exactly followed up who is to make which reports but, for instance, two of the Regional Directors state that they receive monthly reports although they do not receive exactly the same reports as the other. They state that they do not receive any quarterly reports.

In opposition to the financial transactions and financial control there are no descriptions of routines or guidelines for the financial reporting or follow-up.

### ***Conclusions and recommendations – Internal financial reporting and follow-up within SCA***

If our indications are correct and financial follow-up does not have any greater weight in the board, this is naturally serious. **We recommend that** the board produce internal guidelines for its financial follow-up to ensure the quality of this work.

The frequent exchanges in reporting routines create confusion, which is particularly harmful in such a large organisation as SCA. **We recommend that** the present system with budget follow-up twice during the current year be established more clearly and that changes in reporting routines be more thoroughly prepared and better founded than previously.

Financial reporting and follow-up is not of the same high quality as the other financial routines in the field. A sufficiently careful check of the budget outcome is made to ensure that serious budget overdrafts do not take place although the activity-focused financial follow-up is lacking to a great extent. The most important reason for this is probably the lack of routine descriptions and guidelines and the lack of training of recipients of reports.

**We recommend that** routine descriptions be produced which describe who is to receive reports on which occasions. Guidelines should also be prepared for how recipients of reports are to follow them up. Finally, the report recipients should be trained in these guidelines. An important aspect is to involve the users of the reports, i.e. the manager at different levels, in the design of routines and guidelines to ensure that they correspond to their needs.

#### **4.4.4 External reporting**

##### ***Routines for external reporting***

Responsibility for external reporting is relatively unclear. The main part of the work with external reports takes place at the Central Management Office. Stockholm Management Office then adds the report on activities in Sweden and makes final adjustments. Reports to some donors are made wholly at the Central Management Office and it is not clear whether the Stockholm Management Office even sees all reports.

### *Reporting to Sida*

There are a number of features in reports to Sida which have been discussed for a long time between Sida and SCA. We take these up below.

#### **Exchange rate gains**

Most of the exchange rate gains reported by SCA are for currency transactions in the field. The foremost reason for exchange rate gains are the continually rising dollar exchange rate in relation to Rupees. We see no reason to question the occurrence of exchange rate gains or how they arise. Currency transactions are also inspected by SCA's local auditors in Pakistan.

The important issue is how these exchange rate gains are reported to Sida. Until the end of the 1999 financial year, SCA states that exchange rate gains were reported as part of the grant from Sida. After discussions with Sida, SCA did not report exchange rate gains to Sida in 2000, however. In this case, exchange rate gains can be used to cover costs for the year's activities or be reserved in the balance sheet for future use. Since this reservation is not related to any specific donor, the reservation may take the form of equity.

In the **income statement** in the "Revised accounts for 2000", there is a heading that is called "Excess of revenue over expenditure for the year's income". The item "Others" consists primarily of exchange rate gains although it also includes written-off balances from donors.

In the **balance sheet**, the heading "Reserved funds, donors" consists primarily of balances at specific donors although balances that are not related to specific donors are also included. Approximately 2.5 million are balances that do not relate to specific donors. The main part of these are exchange rate gains. This item can be viewed as equity or as non-restricted reserves.

In a letter from Sida dated 21 March 2001, SCA is ordered to repay exchange rate differences. Sida refers to General Conditions and Instructions for grants to NGOs for humanitarian assistance and conflict prevention. These state that grant funds that are not used are to be repaid to Sida. Exchange rate gains are not mentioned.

#### **Liquidity buffer**

In a letter dated 30 August 1999, SCA is permitted to establish a buffer of SEK 6 000 000. This buffer is primarily intended to finance SCA's stock of textbooks and medicine but may also be used as a general liquidity buffer. According to Sida, this buffer is to be established by a part of SCA's unused Sida funds being transformed into a permanent buffer.

The buffer has never been separately reported but is included in the item “Reserved funds, donors” in SCA’s balance sheet. In the specification of this balance-sheet item, the buffer is included in the item “Sida Annual”.

In reality, the buffer has never consisted of SEK 6 000 000. The following account describes the course of events:

	<u>MSEK</u>
1999-01-01 Opening Sida balance	10.4
1999-02-25 Permission from Sida to use SEK 6 861 816 of unused funds to cover a deficit in 1999’s activities.	-6.9
Sida balance after the above decision.	<b>3.5</b>
1999-08-30 Consent from Sida to establish a buffer of SEK 6 000 000.	Only SEK 3.5 million is available

As shown by the above account, only SEK 3.5 million was available when the decision on a buffer of SEK 6 million was made. In reality, the buffer has never in other words exceeded SEK 3.5 million and the Sida balance at the beginning of 2001 consisted of the same amount. These 3.5 million are still entered as “Reserved funds, donors” in SCA’s balance sheet.

Sida has stated to us that the intention of the buffer is that it can fluctuate but that it is not to exceed SEK 6 million. If the balance is larger than this, the difference is to be repaid to Sida.

### ***Reporting of inventories***

SCA today reports its stock of textbooks, medicines, pump equipment etc. as an asset in the balance sheet. This accounting method does not coincide with Sida’s cash accounting.

### ***Conclusions and recommendations – External reporting***

#### **Routines for external reporting**

Responsibility for the external reporting is unclear and the work is not always as effective as could be desired. In accordance with our recommendation that the Country Director be given total responsibility for the whole grant activity, **we recommend** that external reports be finalised by the Central Management Office. At the Central Management Office there are greater resources and better access to information for this work.

#### **Exchange rate gains**

Sida naturally has the right to make demands when they enter into an agreement with an organisation and to include these demands in the agreement. In the current

agreement between Sida and SCA, the issue of exchange rate gains is not regulated. Sida refers instead in its letter to the General conditions and Instructions. We do not consider that there is support for Sida's interpretation that exchange rate gains are a part of Sida's grant funds. This means that the issue is not regulated by agreement and that the parties must agree on a solution.

**Vi recommend** Sida and SCA to reach agreement on a solution that both parties are contented with. We would like to point out that if SCA is forced to repay exchange rate gains there is no reason for the organisation to continue its efforts to negotiate with "money dealers" and conclude favourable agreements. We would also like to point out that the possibility that SCA put forward in the quarterly meeting with Sida on 25 September 2000 that exchange rate gains would mean an opportunity for SCA to build up the necessary reserves according to our recommendation below.

#### **Liquidity buffer**

Our conclusion is that the liquidity buffer consists of the Sida balance currently reported of SEK 3 528 000. **We recommend that** Sida and SCA set the size of the buffer, how SCA is to report this and how it is to be dealt with in future. Note here our recommendation regarding reporting inventories.

#### **Reporting of inventories**

Reporting of inventories as an asset makes SCA's financial report to Sida unnecessarily complicated. SCA can keep a continued good inventory control by internal systems without including the value of the inventory as an asset in the external accounts. **We recommend that** SCA write off inventory assets on purchase to coincide better with Sida's desired accounting. Sida and SCA must then reach agreement on how the one-off cost is to be financed when the present inventory asset is written off. Sida can possibly waive the remaining part of the buffer decided upon which in practice has already been used to financing of these assets.

### **4.4.5 Financing of operations**

A big problem in SCA's planning process is lack of clarity about the financial frames at the disposal of the organisation. The short-term approach of certain donors is, of course, a serious problem for SCA but this lack of long-term approach is no excuse for the same kind of short-term view within SCA.

As we noted earlier in the report, SCA's activities have the character of programmes rather than projects. One of the most important effects of this is the need for continuity, since the result of disruptions in continuity are serious in the form of closed schools or clinics. Continuity and stability in financing are therefore a vital prerequisite for SCA's programme.

This activity is financed partly through grants from various donors, primarily Sida and EU, and partly through SCA's own collection activities. The resources of the organisation are minimal and it can be justifiably said that SCA lives from hand to mouth.

Sida has taken a considerable responsibility for financing of SCA's activities to date. SCA's collaboration with other financiers has been of an ad hoc nature. On occasion, Sida has been obliged to provide additional grants since financing has not been received from elsewhere. No worked-out analysis of conceivable financiers has been presented either.

There is no strategy for how SCA's activities are to be financed in the long term. On one or several occasions, SCA has built up limited reserves, which have then been exhausted in the next difficult situation. No explicit ambition to build up long-term reserves has existed.

SCA's budget is under great pressure and has small margins. We interpret the foremost reason as a wish to do as much as possible in Afghanistan. A positive effect of the tight budget is the organisation's continual endeavour to make the administration efficient. A negative effect is the increased vulnerability. Operations with a budget without margins is very vulnerable for disruptions.

### *Conclusions and recommendations – Financing of operations*

The combination of non-existent reserves and a tight budget, makes SCA very financially vulnerable. The situation also reduces the organisation's independence and puts it at the mercy of donors' changed priorities. With high demands on continuity and stability that must be made on SCA's activities, we consider the present situation to be unacceptable.

**We recommend that** SCA produces a long-term financing strategy. This should include an analysis of conceivable presumptive financiers that can be relevant to work together with on the basis of SCA's development assistance policy.

Furthermore, **we recommend** that SCA build up a reserve of considerable size. The reserve should not be related to a particular donor's but should consist wholly of equity. The reserve should be explicitly long-term and not intended to cope with temporary disruptions in financing. These temporary disruptions should be avoided by a more realistic budgeting, greater margins in the budget and possibly by reserves being granted by SCA's donors.

## **4.7 Personnel management and skills development**

### **4.7.1 Personnel management**

#### *Recruitment*

According to Organisation SCA (adopted by the board on 29 August 2000) the Office Director decides on employment of office and contract field personnel. The board employs the Office Director, the Country Director and the Association Secretary. The document does not state who decides on employment of local staff

although the Country Director has “the operational responsibility for activity in Pakistan and Afghanistan”, which probably includes recruitment.

Recruitment of permanent local employees is regulated in detail in HRM Manual with the personnel unit being principally responsible. Recruitment of project employee staff is handled by the programme units.

### *Project employees*

The project staff in Afghanistan, approximately 8 000, work at schools and clinics. They have an unclear position within SCA. Opinions diverge as to whether SCA is responsible for them as employer or not and what employer responsibility means in that case.

SCA recruits project staff, SCA writes contracts of employment with them and SCA pays their salary (sometimes referred to as wage contribution). Everyone in SCA is in agreement that no one else apart from SCA takes any responsibility for them as employer. These factors indicate an employer responsibility. On the other hand, this category of staff is not dealt with by the personnel unit but by the programme units. Unlike the permanent staff, they are not covered by the health and accident insurance and do not have the right to severance pay.

### *Staff turnover*

Staff turnover among managers and qualified health care staff in the field is experienced by most people within SCA as a big problem. Turnover among school staff is also a problem. One aspect that reduces the effect of high staff turnover is the well-developed control systems that exist in all areas. They make the activity less dependent on particular people and SCA has recently shown that it can cope with its high personnel turnover without too serious consequences.

Low wages are cited as the foremost reason for the staff turnover. SCA’s wages for the current personnel categories are said to be lower than the NGOs and considerably lower than UN wages. Wages for SCA’s staff in Afghanistan are also considerably lower than the wages at the Central Management Office in Peshawar.

Another reason for the personnel turnover is said to be that staff in Afghanistan endeavour to move to Peshawar where there is greater security and education is available for children. Staff at the Central Management Office in Peshawar endeavour to a certain extent to move west for a better life.

### *Conclusions and recommendations – Personnel management*

The Office Director’s responsibility for **recruitment** of contract employees means that the part of the organisation where the employee is to work, i.e. the field activity, does not fully have the opportunity to influence the specification of requirements

before recruitment or selection of applicants. This is unfortunate. **We recommend that** the Country Director be given responsibility for recruitment of Contract staff, which does not prevent he or she delegating this work to the Stockholm Management Office.

We make the assessment that **recruitment** of permanent local employees takes place in accordance with the guidelines in the HRM Manual. These are stringently defined to ensure recruitment of competent staff and to prevent nepotism. A weakness in recruitment of senior managers within the programme side at the Central Management Office is that the Programme Co-ordinator is not involved in recruitment, despite his being the immediate superior. **We recommend that** the Programme Co-ordinator be included in the recruitment committee for recruitment of managers directly subordinate to him.

The unclear position of the **project staff** in SCA creates some uncertainty as to how this large category of staff is to be dealt with. When SCA wants to draw attention to its size, the project staff are regarded as the organisation's own staff, when the responsibility for staff is discussed, they are not regarded as the organisations' employees. **We recommend that** SCA define the position of the project staff and their conditions. Special consideration should be given to the problem of staff turnover.

**Staff turnover** in certain categories of staff is an evident problem which SCA should deal with without delay. The situation places activities under an unacceptable high pressure. **We recommend that** SCA investigate the categories of staff that are most vulnerable, in which categories of staff wages are a main reasons for staff leaving and what other reasons there are. Finally, SCA should produce an action plan with specific measures to counteract the high staff turnover.

#### **4.7.2 Skills development**

SCA places great importance on skills development. The importance of skills development for the Afghan staff is emphasised in the organisation's policy document. The other control documents also place great weight on skills development, in particular with regard to the Afghan staff.

##### ***Skills development for staff in Sweden***

The document Personal policy in Sweden says that resources are to be made available for staff further training and skills development. In the report Review of the Swedish Committee for Afghanistan's (SCA's) office in Stockholm from 1998, it is recommended that a plan be worked out for staff skills development. Very little has happened in this field and work with skills development of the office staff is still minimal.

### *Skills development for staff in the field*

Initiatives in the field of skills development in the field are wholly focused on the Afghan staff, which everyone at SCA is agreed on. The contract staff are expected to contribute expertise for a limited period and no resources for their development have been provided. However, initiatives for the skills development of the local employees are massive and great importance is placed on training this category of staff.

Within the programme units, in particular health and education, the respective unit is responsible for developing staff skills training initiatives within these units are very extensive. The long-term perspective in this area is very strongly developed.

The Personnel Department at the Central Management Office is responsible for skills development of all permanent staff, apart from within the respective specialist area. Training initiatives are extensive here too, from courses in English and Computing to university studies abroad.

### *Conclusions and recommendations – Skills development*

Work on skills development at the **Stockholm Management Office** in Stockholm is almost non-existent and it is undoubtedly one of the reasons why the staff's competence has been criticised. It is extremely important that SCA has a competent, well functioning office, not least for the credibility of the organisation in relation to Sida. **We recommend that**, after the role of the Stockholm Management Office has been clearly defined, that SCA produce a skills development plan for the Stockholm Management Office which is then carefully monitored.

In the **field** the competence of the locally employed staff is markedly high. Given that this assessment to some extent applies taking into consideration the situation in Afghanistan, with a great lack of trained labour. An indication of staff competence is the indications we have received that SCA's staff are very sought after by other employers in the area and that SCA to some extent serves as a training institution for other organisations. This positive situation is undoubtedly largely a result of SCA's deliberate investment on staff skills development. It is not just restricted to training but also includes SCA's policy of giving a large and real responsibility to Afghan managers and the fact that staff learn to work in accordance with routines and systems that have been developed. SCA's well-developed recruitment work is also important here, of course.

### **4.7.3 Summary conclusions and recommendations – Personnel management and skills development**

We agree with the report Review of the Swedish Committee for Afghanistan's (SCA's) office in Stockholm from 1998, which draws the conclusion that "personnel work at the Stockholm Management Office is weak". Some attempts at improvements have been made since 1998 although personnel work is mainly still

weak. **We recommend that** SCA first carries out the organisational change recommended by us and then carries out broad improvements at the Stockholm Management Office in line with handling of staff in the field.

We consider personnel management to be of high standard in the field. One problem, however, is the high staff turnover, which probably is partly due to SCA's personnel management, in particular low wages for certain categories of staff, but also on different treatment of different groups of staff and of staff stationed at different places. Our recommendations on staff turnover are as outlined above.

## **4.8 Logistics**

The logistics function includes procurement, storage and deliveries, and is a very extensive function in SCA. Logistics work is controlled by the Logistics Unit Operations Manual.

### ***Logistics in northern Afghanistan***

The parts of northern Afghanistan that are controlled by the opposition, or the northern alliance, are difficult to reach and can only exceptionally be reached from other parts of Afghanistan. In this area, SCA has 77 schools and 22 clinics, and a branch office with four employees. Logistics does not function here and hardly any medicines and no textbooks have been delivered here in 2001. However, it should be pointed out that the logistics unit has made many attempts to solve the problem.

Control over the deliveries that has been possible to make here, primarily wages and emergency aid, have been less extensive than otherwise due to the small workforce at the branch office. Logistics staff from the Regional Office in Pul-i-khumri have, however, when possible travelled to the branch office to assist with deliveries.

### ***Conclusions and recommendations - Logistics***

We make the assessment that control and checking in the logistics function functions very well in SCA and that the routines and guidelines in the logistics manual are complied with. Sometimes, the checks can be considered as rather strict in relation to effectiveness and flexibility.

We do not regard the deficiencies in logistics that exist at present in northern Afghanistan as a systemic fault but as the result of a difficult-to-master, difficult-to-judge, and continually changing situation. SCA has done its best in a praiseworthy way to maintain activity despite all the difficulties. However, a limit must eventually be set for how long activities can be run in this not fully functional way. **We recommend that** SCA make a careful assessment of the situation in northern Afghanistan and establish permanent routines for solving the logistics problems there in a satisfactory way.

## 5. IMPLEMENTATION CAPACITY

According to our remit, we have been given the task of analysing SCA's implementation capacity. After discussions with Sida, we have agreed to define this as an overall assessment of SCA's capacity to handle the large activities it has.

Implementation capacity can be divided into the capacity in Sweden and the capacity in the field organisation. The capacity in Sweden can largely be described as capacity to create the prerequisites for carrying out SCA's activity while the field capacity primarily relates to operational capacity.

The demands on SCA's implementation capacity must be set at a high level both with regard to the type of activity that is carried out and the volume of activities. The activity consists of an ongoing programme rather than a number of projects with a clear beginning and a clear end. The organisation in reality runs a complete education administration and a complete health service. The continuity of operations is therefore of the greatest importance since disruptions in continuity have major negative effects. The professionalism of the field activity is also of great importance.

### *Capacity in Sweden*

The capacity in Sweden is without doubt SCA's weak point. This weakness runs through the whole chain of the organisation, from member influence through the board to the Stockholm Management Office.

**Member influence** takes place primarily through the annual conferences. In our view the member representatives there have not to a sufficiently great extent understood that the organisation is engaged in the type of programmes we describe above. The general view seems rather to believe that it is about a number of smaller projects with everything that that involves, primarily less vulnerability for disruption of continuity. The annual conference has therefore often been characterised by power struggles, detailed discussions and other destructive elements. It has not primarily been intended to create the prerequisites for the continuity of activities and professionalism.

**The board** has, in our opinion, like the delegates at the annual conference, not fully understood the organisation's type of activity or the consequences of the size of activity. The board has therefore been focused on its work which has not created good prerequisites for continuity and professionalism in the field activity. In many cases, the board has not consisted of members with the competence to control SCA's extensive activity which is naturally not the fault of the individual board members.

The activity of the **Stockholm Management Office** suffers mainly from the lack of clear directives and a clear mandate. The office staff do not know exactly what their task is. Through deficiencies in guidelines and mandates, the Stockholm

Management Office has not either to a sufficiently great extent created the prerequisites for continuity and professionalism in the field activity. However, the office staff are in no way incompetent although SCA's activity perhaps to some extent requires different experience and competence than that available today in certain functions.

### ***Capacity in the field organisation***

Despite the deficiencies in Sweden we have described above in creating good prerequisites for field activity, this is characterised by a high level of professionalism and effectiveness. This can probably to a great extent be put down to the field organisation's ability to mark its independence in relation to Sweden. A spirit of professionalism, competent staff and well-developed systems are contributory causes to the good performance of the field organisation.

We see no restrictions to the field organisation's implementation capacity in SCA's core activity, mainly primary schools and primary health care. In our assessment the organisation's system has the capacity to cope with considerably more activity than it carries out today.

However, we make the assessment that the systems and resources are placed under great pressure when SCA engages in activities which in any way deviate from the normal routines. For instance, in our view 10 or 20 new clinics of exactly the same type that are already operating would not put pressure on the organisation's control system or capacity. However, if clinics of a different type were started, capacity would immediately be under pressure. Through this pressure, there is a great risk that the control systems of the deviating activity would not be sufficient and that the additional resources required for the deviating activity would also imperil the normal activity. It is, of course, difficult to determine where the line is to be drawn between core activity and discrepant activity and we have no opinion.

### ***Summary assessment on implementation capacity***

In our assessment the field organisation's implementation capacity is sufficient for the current extent of activity and also to carry out considerably more activity. Both as regards the current level and an increased level, our assessment is limited to core activity. When SCA's activity deviates from core activity, this puts pressure on capacity.

Implementation capacity is restricted and imperilled by deficiencies in Sweden. The Swedish functions do not create prerequisites for continuity and professionalism in the field activity and as long as this deficiency remains, we place a question mark beside the organisation's implementation capacity. However, we do not see any general obstacles to functions in Sweden not being able to create the necessary prerequisites for the field activity, primarily by delegating the whole operational activity for activity to the Country Director and instead focusing on setting frameworks, supporting and deciding on the prerequisites for activity.