

## FPA WATCH GROUP UPDATE PAPER - OCTOBER 2006

### BACKGROUND

The FPA Watch Group's work plan 2006 included a key focus on issues related to project approvals and project payments, audit and procurement. These also constitute some of the core issues in the document "*ECHO-NGOs FPA – Towards a strengthened partnership. Recommendations for an improved relationship between ECHO and its NGO partners*"<sup>1</sup>, drafted by the FPA Watch Group (WG) in November 2005.

This paper follows up the recommendations of the FPA WG dossier and correspondingly presents the views of the Watch Group as of October 2006 on the issues of i) clarity of reporting expectations, ii) the approval of NGO procurement procedure, iii) start up of operations (project approval).

The Watch Group will continue to follow all the recommendations made in the dossier and looks forward to further interaction with ECHO on the same. Meanwhile, it is hoped that this update paper provides a useful input to issues of primary concern to ECHO partner NGOs.

### 1) CLARITY AND CODIFICATION OF REPORTING EXPECTATIONS

#### Recommendations made to ECHO in the 2005 FPA WG dossier:

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#### Recommendation 3

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***ECHO should establish a clear codification of its reporting expectations. Consultation between NGOs and the different ECHO services involved (ECHO legal services, ECHO Audit service and ECHO operational departments) should be allowed in order to find solutions that could satisfy the different ECHO services and be consistent with NGOs capacities.***

According to an internal survey carried out by the Watch Group, NGOs emphasize that the liquidation process has become a real concern for them, not only because of the long gaps before the final payment but above all because ECHO requirements are not clear: they vary from one desk to another, and from one unit to another. Thus, it is quite impossible for the NGO to anticipate ECHO questions and it leads to a certain degree of confusion amongst NGO staff.

NGOs are still uncertain concerning the documents that they have to provide together with the final report. The general perception is that there are still too many grey zones both in the guidelines and in the information (e.g. List of contracts, list of staff...) that has to be presented with the Single Form.

Requests for additional information in the liquidation process frequently appear to be issues that should rather be dealt with during the audit process. It has also been noted that these requests appear in a lot of cases to be due to ECHO Desk Officers

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<sup>1</sup> Hereafter « FPA WG Dossier »

and ECHO Finance having different opinions. NGOs consider that the FPA does not state the need for this information and therefore should not delay the final payment.

Examples given by NGOs include supporting documents such as:

- ✓ different quotations,
- ✓ copies of invoices,
- ✓ list of all expenditures within each budget line (breakdown to 10 or 12 digits)

## **2) RE – PROCUREMENT PROCEDURES**

### **Recommendations made to ECHO in the 2005 FPA WG dossier:**

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#### **Recommendation 8**

*ECHO should be able to assess NGO's procedures compliance with the FPA and answer with due diligence to NGO requests regarding the acceptability of their internal procedures.*

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#### **Recommendation 10**

*ECHO should be able to validate the NGO procurement procedures before the signature of the framework contract.*

The introduction of thresholds proposed by ECHO (meaning that NGOs would apply their own procurement procedures under 60.000 €, respecting at all times the general principles enunciated in Annex V) is warmly welcomed by NGOs who view this as a positive development towards the recognition of the various contexts they work in.

According to the above-mentioned survey, an overwhelming majority of NGOs, regardless of size, recommends that ECHO should go a step further by recognising individual NGOs' procurement procedures without any threshold. This would allow more flexibility and minimise the legal insecurity that NGOs are currently facing. Most consider that such recognition would have a positive impact on their operations.

Further rationales to date from NGOs in relation to these recommendations include the following:

- ✓ recognition of procurement procedures would give more confidence to field staff to proceed with procurement,
- ✓ it would ensure better adherence to procurement rules as NGO staff would be expected to know their organisation's set of regulations,
- ✓ it would avoid confusion in interpretation,
- ✓ would avoid the need to request derogations,
- ✓ it would enable NGOs to build up their internal capacity and develop procurement procedures that would be acceptable to all donors

### **3) TIMELY START UP OF OPERATIONS**

The FPA WG dossier made no specific recommendation regarding the question of proposal approval, but this has come to the attention of the Watch Group as another area of concern to NGOs.

NGOs appreciate ECHO as a responsive donor, and feedback indicates that in general timely pre-financing payments (once proposal is approved) are not a problem. However, there is a growing concern that efficient and timely delivery of aid by its partner NGOs is not maximised due to delays in approving proposals and signing contracts.

#### **Specific areas of concern raised by NGOs:**

- ✓ Length of time between project proposal submission and approval. Although ECHO procedures enable a start date prior to signature of contract, many NGOs, especially 'small' partners, will not begin an action without a signed contract for reasons of financial security.
- ✓ The process and reasons for delay between proposal submission and approval are not always clear. A more transparent process would help. Sometimes additional information requested is not of core importance to carrying out an emergency operation and appears to create unnecessary delays.
- ✓ There is inconsistency between Desks on treatment of proposals. Again, a clearer codification of requirements and process may help.

4<sup>TH</sup> OCTOBER

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