

## **FPA Watch Group Meeting – Exchange with ECHO**

	<b>MINUTES</b>
DATE	28.03.2019
TIME	14.00 – 16.00
PLACE	ECHO Rue de la loi, 86 Brussels
PARTICIPANTS	cf. List of participants

### **I. Presentation of the state of play of the FPA review by ECHO**

#### **i. Timeline and process**

Since the Annual Partners’ Conference (19-20 November 2018), ECHO explained having a broad vision on the proposed FPA review process.

ECHO thanked VOICE for the proposed timeline. Overall, it aligns with ECHO’s one.

On the revision of the Single Form, ECHO welcomed the useful contribution from the Task Force of the FPA Watch Group; it has been taken into account. There are three main strands on which ECHO works: simplification, easier data extraction, convergence as much as possible to the 8+3 template (ECHO is in contact with the German MFA on that matter). ECHO said the new Single Form would be ready by the end of the summer 2019 in order to give sufficient time to IT colleagues to adapt APPEL. The FPA itself should be drafted in the next months and be ready before the end of 2019.

Regarding the guidance and training material, this would be ready for the first half of 2020.

#### **ii. External assessment in the context of applications for FPA 2021 – state of play and feedback on paper submitted by the Task Force**

ECHO has been preparing the ToR for the external assessment. NGOs will be expected to commission auditors at their own costs and the report of this external assessment will form the basis of the application for the next FPA. The simplification of procurement provisions will be reflected in the ToR.

In relation to the timeline: the ToR are probably going to be published in May 2019. Initially ECHO was envisaging asking partners to provide the audit report by the end of the year. However, it becomes clearer that more time will be granted. Most likely, the deadline will be Spring 2020.

ECHO then explained that the request for an external assessment is the result of a process of risk assessment in which factors such as the challenging environment in which the HUMA is delivered, the associated risks to this environment and the results of recent audits performed by the ECA have been taken into account.

The external assessment will cover three chapters:

- Eligibility and principles;

- Operational capacity (IP selection process and monitoring, procurement, monitoring & evaluation);
- Internal control.

The external auditors will have a number of questions, tests and verifications to conduct on the partner's capacities. ECHO will fix a number of red lines (if one NGO is unable to provide a positive assessment in some area, this would be a red line and put in danger the FPA). There will also be questions to be looked at from a holistic approach. Once these tests and verifications have been completed, the audit report will conclude if the organisation may be granted an FPA or not.

The audit will be done at HQ level only but field documents might be asked for.

Partners will have to contract external auditors; this is up to the auditors to decide if there is a conflict of interest between them and the auditor (which might be the case with the NGO's statutory auditor).

### Questions and comments from the FPA WG

- The FPA WG asked if it would be possible to have a follow-up conversation on the FPA consultation process to address issues such as multi-partner grants, performance-based funding, risk managing and risk sharing. The Task Force asked as well for having feedback on former consultations before ECHO drafts the FPA in order to know what will be kept of the Watch Group recommendations.
  - ➔ ECHO said a discussion on these topics together with a feedback session would be possible around May or June 2019.
- Has ECHO an estimation to give regarding the cost of the external audit? Is there an articulation between the annual assessment and the *ex-ante* assessment? What about the external assessment and families?
  - ➔ ECHO replied it may cost between 10.000 and 25.000 euros, depending on the size of the organisation. ECHO explained that the annual assessment on financial capacity of the partner would still need to be performed every year. Regarding families, ECHO stressed that each NGO, as a legal entity, that wants to sign an FPA will need to provide the same degree of assurance (i.e. run the same audit).
- Could ECHO provide resource for the training of auditors?
  - ➔ ECHO said that there should not be any need for training. ToR will be detailed enough to guide auditors.
- Would there be cross-reliance with CHS standards?
  - ➔ ECHO recognized the FPA WG's fair point in suggesting cross reliance with CHS standards but explained that in order to have cross-reliance, NGOs need to have an equivalent level of assessment and provide same level of assurance. In the case of certification against the CHS standards, ECHO will look into the question and seek to provide more clarity on how CHS certification could be used to limit the scope of the ex-ante assessment.

### **iii. Presentation of the ECHO's unit D/1: "Strategic Partnerships with Humanitarian Organisations"**

ECHO presented the new Unit D/1 unit. It was created with the reorganisation of ECHO mid-February. The Unit was set up to reinforce the partnerships in all the different aspects and have one lead unit acting as an entry point for the strategic partners. Currently ECHO has a strategic dialogue with four UN agencies and 2 International Organisations.

This new unit is composed of three teams dealing with UN, IOs and INGO partners/programmatic funding process respectively. ECHO plans to launch one or two pilots in order to test programmatic partnerships with INGOs. This piloting exercise would start in 2020. In a first step, INGOs would declare their interest for taking part in this pilot by responding to a call for expression of interest that is being drafted by the Unit. In a second step the pre-selected INGOs would submit programmatic proposals for 2020.

The organigramme of Unit D/1 is annexed to the minutes.

#### **Questions and comments from the FPA WG**

- It was suggested to explore working with both simple and more complex organisations.
- VOICE asked whether the partner would need to go through a pillar assessment before undertaking this pilot exercise.
- ➔ ECHO is still developing the process and criteria; this question is not yet solved but ECHO D/1 is working closely with E/1 and E/2 in charge of the ToR for the external assessment to make sure there will be no duplication.
- Is ECHO thinking about how programmatic partnerships may affect HIPs processes and how programmatic partners will work with FPA partners in case of consortia or coordinated approach?
- ➔ The pilot aims to be a learning exercise. Whereas ECHO is trying to anticipate all these different elements, there will also be new challenges with this pilot that ECHO and the partners will need to learn from. At this stage ECHO aims at being as transparent as possible and the D/1 unit is involving colleagues from legal and financial departments but also from operational units in the development of this exercise to make sure it benefits them all.

## **II. Exchange on reductions for underperformance**

The FPA WG presented the outcome from the morning session.

- The Watch Group acknowledges that reductions for under-performance apply mainly when there was first an issue of lack of communication;
- The Watch Group notices that in case of reduction, different methodologies are used making it difficult for NGOs to understand it (flat rate on the whole grant or at result level, etc.);
- The Watch Group sees the increase of reduction of underperformance as a consequence of a complexification of the negotiation of contracting stage (NGOs feel more pushed to accept quite ambitious indicators);

- The Watch Group raises the question of the impact of this approach in the long term;
- The Watch Group recommends facilitating NGOs' demands for no-cost extension and modification requests to limit this issue in the future.

ECHO explained that the decisions about reducing the grants are made by the authorizing officer (i.e. heads of unit, or director depending on the amount of the grant). The legal and financial teams may be involved if required. In effect, there is at the beginning an operational judgment to be made. ECHO stressed that NGOs have to sign to something that is realistic. If NGOs do not think their objectives are realistic, they should not sign the proposed grant with ECHO.

In case of underperformance, the calculation of the amounts depends on the action and the issue at stake. If the underperformance is not quantifiable, ECHO applies a flat percentage. It needs to be proportionate to the seriousness of the contractual breach.

ECHO issues then a Pre-Advice of Reduction (PAR) and the partner has 30 days to reply. The dialogue is then engaged with operational units and the authorising officer will make the final decision.

ECHO and the Watch Group agree to maintain this conversation. The Watch Group will provide examples of contract negotiation where NGOs were asked to substantially revise their proposals – often reducing their budgets but maintaining the same level of ambition in terms of results.

ECHO stressed the importance of maintaining the communication flow open during the implementation phase and that in case of force majeure ECHO would not apply financial reduction in the same way.

### **III. Reporting on safeguarding and fraud reports**

ECHO explained that 20-25 NGOs report allegations of fraud (and for some on a 'regular' basis), but for the rest, ECHO did not hear anything.

ECHO is finishing new templates for fraud report; it will be uploaded on the partners website. Template 1 is designed for the use of partners and template 2 for whistle-blowers. ECHO will present those to the management before publishing the templates on the website.

ECHO wants to prepare another template to report sexual exploitation and abuse cases. There would be a template for the organisation to report (what happened and what has been done) and a template for the whistle-blowers or victims. However, ECHO is looking into the issue of anonymity for the latter, which is a challenging question.

### **IV. Reporting/revision of the Single Form**

The FPA WG presented its feedback on the 8+3 pilot template. The outcome is overall very positive.

ECHO said it was interested by this pilot and coordinating with other donors to the extent to which it will be able to ensure a sufficient level of harmonisation. Flexibility remains important. ECHO wants as well to keep the advantages of the Single Form as a tool used all over the project cycle.

Regarding coordination with other donors, ECHO has spoken to the German MFA. France and the CBPF have also committed to widen the use of the 8+3 template to all their funding.

On the overall approach, ECHO sees the point of harmonizing reporting. ECHO will see how to move in that direction without losing the advantages of the Single Form and the requirements ECHO has for its own reporting within the EU.

#### **V. AOB, including possibly Brexit issues and delays in HIP contracting process**

On the HIPs, ECHO said that there were uncertainties on many aspects. ECHO stressed that until the 12<sup>th</sup> April, the UK remains a member state and thus costs are eligible.

#### **Comment from the FPA WG**

The FPA WG appreciates the fact that rejection letters are sent much earlier in the process but there is still a huge number of proposals placed 'on-hold'. The Watch Group will keep on monitoring the contracting phase in the coming weeks.