

## MEETING BETWEEN THE FPA WATCH GROUP AND DG ECHO

13 October 2006  
(h. 14.00 – 16.30)

### MINUTES

#### I. BACKGROUND

The meeting was convened to discuss the following issues:

- ✓ Presentation of Unit B/2
- ✓ Presentation of FPA Watch Group's work and objectives
- ✓ Results of the annual assessment exercise 2004

#### II. PRESENTATION OF UNIT B/2 BY MR. MOSSELMANS – POWER POINT PRESENTATION AND MAIN CONCLUSIONS

Mr. Mosselmans introduced the members of his Unit<sup>1</sup> and expressed his will of having both financial and legal components of Unit B/2 involved in future Watch Group (WG) meetings.

Mr. Mosselmans presented the plans of the Unit as it follows.

Five underlying principles lead the overall strategy of Unit B/2:

- Promote sound financial management
- conceive legal and decision making framework
- apply service-oriented approach
- provide overall view for DG ECHO
- underpin reasonable assurance Director-General

What NGOs can expect in near future?

- unified advice and activities
- strengthened guidance
- reduction of the backlogs
- from partners assessment to partner appraisal

*Further explanation: One of the main objectives of creating a new Unit - incorporating legal and financial teams – is to reinforce the dialogue between these matters and develop common positions and interpretations.*

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<sup>1</sup> The new Unit B2 results from a merger between the NGO sector (previously one of the sectors of ECHO 4) and the financial management sector (previously one of the sectors of ECHO 6). The Unit B2 will deal with all financial, legal and procedural matters of the DG. The legal team will be in charge of all legal and procedural matters and related procedures and instruments. It will also continue to be responsible for the selections of new FPA partners and for the assessments of the partners. The names and the responsibilities of each member are as follow: **See annex.**  
The financial management sector continues to deal with the financial verification management of ECHO's grant agreements, contracts and related transactions.

### Further short-term development:

#### 1) Legal changes:

- New Annex V
- Revised FPA

*Further explanation: Concerning Annex V, ECHO's main goal is to have it reviewed by January 2007. Further changes to the discussion end 2005/beginning 2006 are expected concerning medical supplies and food aid.*

*Due to the new financial regulation in 2007, new elements will be integrated in the FPA; improvements and simplifications will be done in 2007. However the impact on the FPA should not be too big.*

#### 2) Enhancement working environment:

- Development of fact sheets
- Better tools
- Strengthened communication

*Further explanation: ECHO is preparing about 24 fact sheets, aiming to simplify and clarify the procedures and to avoid inconsistency in the interpretation of the rules. The fact sheets are planned to be presented to the partners during the 2006 Annual Partner meeting (13-14 December) and after that will be put on ECHO web site. The consultation with the FPA WG members is supposed to be started after a first stage aiming to develop consistency within ECHO.*

*Concerning its communication policy, ECHO aims to increase transparency towards its partners as well as mutual understanding. Strengthening its communication will become a high priority issues for ECHO.*

### What can NGOs expect on medium-term?

Global vision on DG ECHO's activities:

Per country

Per type of activities

Over several years

Per sector of activities

Etc.

### Real partnership based on experience:

Grouping several inputs

Guiding financial management (thresholds contracts, refinancing, etc.)

### Conclusions:

- Progressive approach
- Common sense and sound financial management are main drivers
- Training and information will be reinforced
- Openness and transparency is key
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### Discussion based on the PP presentation:

- WG members welcomed the initiatives presented by ECHO intending to develop the communication strategies and reduce the problems related to the interpretation of the rules. On the other hand it was suggested to initiate a consultation process before the fact sheets –as well as the new Annex V – become applicable for NGO partners and are published on ECHO web site.

- The WG asked ECHO to be consulted once the consultation process within ECHO units about the fact sheets is concluded and Mr. Mosselmans agreed to reflect further on the considerations presented by the WG.
- Considering the important legal changes planned for the near future (final revision of Annex V and FPA revision), WG members solicited ECHO to keep the positive consultation dialogue with the FPA WG.
- At the beginning of 2007, DG ECHO will manage directly about 217 M€ for Food Aid. A new Food Aid Unit (Unit 4) has been created for that purpose and it will give advice to the operational units. ECHO has asked to have more resources in order to raise the number of its staff working on food aid and is expected to have more people. 2007 will be a transition year for food aid. Food aid funds will be available, using ECHO's experience and practices, also taking into consideration some continuity constraints with food aid resources allocated by EuropeAid in the past.

### **III. – PRESENTATION OF FPA WATCH GROUP’S WORK AND OBJECTIVES - MAIN CONCLUSIONS**

The FPA WG is the main interlocutor for ECHO in the consultation process on the FPA. Facilitated by VOICE, the humanitarian NGO community established this group in order to represent the views of ECHO NGO partners when monitoring, reviewing and consulting of all matters relating to the FPA. This group – regrouping over 30 small, medium and big NGOs - is a positive example of improving partnership between ECHO and its partners.

Concerning the legitimacy of the group, in 2005, over hundred partner NGOs confirmed to VOICE that they wanted to be represented by the FPA WG.

The group meets 3-4 times a year to discuss potential problems and concrete cases in order to decide what reactions it needs to take towards ECHO. In order to facilitate its work, the FPA WG identified a Task Force (TF), responsible for informing the group and taking forward the practical work between the WG meetings.

In the last year, the TF prepared documents aiming at collecting examples and concerns concerning the FPA and drafted recommendations for an improved partnership.

In January 2006, the recommendations concerning the FPA were presented to Mr. Cavaco. An official reply from the Director General – expected in spring – will be provided, according to Mr. Mosselmans, before the Annual Partner meeting in December.

In June this year, two questionnaires prepared by the TF on reporting expectations and procurement procedures were circulated among WG and VOICE members. The main issues raised by the NGOs are the following:

- Pre-financing payments do not represent a problem.
- There is a growing concern regarding the delays in approving proposals and signing contracts. These delays represent a financial risk for NGOs.
- The WG welcomes a more transparent process in approving the proposals and on reporting expectations (inconsistency and lack of clarity concerning the documents to be presented with the reports are still an issue for NGOs).
- NGOs emphasize that the liquidation process has become a real concern and a significant uncertainty and lack of transparency concerning the documents that NGOs have to provide together with the final report are still present.
- An overwhelming majority on NGOs recommends that ECHO should recognise procurement procedures at least of those NGOs willing to have their rules recognised.

The WG welcomes the regular and constructive consultation that has been established with ECHO. Finally, ECHO was asked once more to involve the WG in the final revision of Annex V and in the preparation of the above-mentioned fact sheets.

#### Discussion:

- ECHO agrees on the need for a strengthened communication towards its partners.
- ECHO is aware of the late signing of the contracts and will reflect on it.
- Concerning the recognition of internal procurement procedures, ECHO can go very far in order to simplify working procedures, but it cannot recognise NGOs internal rules.
- On the other hand, NGOs restated their need to know from ECHO if their procedures are compliant, particularly in relation with the new version of Annex V.
- Mr. Mosselmans said that this last issue would be further discussed with ECHO audit.

#### **IV. - PRESENTATION OF THE 2004 ANNUAL ASSESSMENT OF PARTNERS – STATE OF PLAY**

Mr. De Keersmaecker presented the results of the assessment of partners realized after the introduction of the new FPA.

The main criteria on which the 2004 assessment was based on are the following:

- o Legal approach: does the NGO still comply with the eligibility and suitability criteria? (see Art. 11 FPA)
  - Eligibility criteria: not for profit status in MS, HQ in MS or third country
  - Suitability criteria: operational, administrative and financial capacity
- o Similar to selection procedure

#### Methodology

The assessment involved 170 NGO partners who signed an FPA until mid 2004. Inputs came from

- geographical units: operational experience
- auditors: assessment financial capacity

A group of external experts realised the first analysis and “flagged” 47 files. Out of these 47 files, ECHO 4/NGO (now legal team Unit B2) identified 16 files for further investigation.

Among these 16 files:

- 4 NGOs did not submit the annual assessment file
- 4 NGOs did not submit mandatory documents (Art. 93 declaration, audit statements, procurement self-assessment checklist)
- For 3 NGOs there was no evidence of the independent nature of audits
- For 1 NGO there was a potential risk of conflicts between non-profit and commercial activities
- 4 NGOs received an unfavourable financial assessment

#### Follow up

- 2 partners requested termination
- 2 partners will be terminated (because of the non-submission of the annual assessment file)
- incomplete files have been completed by partners and the assessment is thus still ongoing
- the assessment is still ongoing for those partners who has an unfavourable financial capacity and conflict of interest
- all other partners (157) were informed about the end of the assessment

### Lessons for next exercise

ECHO found the 2004 exercise very ambitious, thus a full assessment of all partners cannot be continued each year.

Next exercise (2005-2006):

- from legal approach to assessment partner profile
- “modulated” approach: 1) minimal assessment of all partners and 2) in depth assessment of partners selected on basis of specific parameters.
- Next assessment will be realised on the basis of:  
Information coming from the partners,  
Feedback of operational desk officers,  
Indicators on financial management,  
Results of audits done

### **List of Participants (FPA WG members)**

ACF	Elvira Rodriguez
ADRA (EU)	Mario Oliveira
ADRA Germany	Thomas Petracek
AVSI	John Makoha
CAM	Juliette Sand
CARE International	Jerome Lebouc
	Liz Steele
CESVI	Manuela Corda
Concern	Mireille Ndikumagenge
COOPI	Lorenzo Bianchi Carnevale
DanChurchAid	Birgitte Hagelund
EU – CORD	Diana White
German Agro Action	Annette Wulf
Handicap International	Simonetta Risaio
ICCO	Kees Klijs
IRC-UK	Chris Wilde
MAG	Lydia Good
MDM (F)	Laurent Bacos
Mission East	Mags Bird
MSF (B)	Inma Vazquez
Oxfam GB	David Bennett
Red Cross/ EU Office (observer)	Sara Hernandez
VOICE	Sonia Giannone
	Kathrin Schick
World Vision (DE)	Claudia Höchst

### **DG ECHO:**

Herman Mosselmans, Stefan de Keersmaecker, Pablo Ibanez, Isabelle Seroin, Nicolas Levine and Anna Sandh

Apologies: Gloria Mella (Save the Children), Riccardo Stefanori (CISP), Robert van der Wolff (CORDAID), Sandrine Rosenberger (Malteser)

SG/KS

## **ANNEX**

### **Unit B2 - Head of Unit: Herman Mosselmans**

#### **Team legal affairs:**

Pablo Ibañez: Deputy Head of Unit

Anna Sandh ([anna.sandh@ec.europa.eu](mailto:anna.sandh@ec.europa.eu)): contact point for ECHO A1 – follow up of procedures

Isabelle Seroin ([isabelle.seroin@ec.europa.eu](mailto:isabelle.seroin@ec.europa.eu)): contact point for ECHO A3 – follow up of legislation

Stefan De Keersmaecker ([Stefan.de-keersmaecker@ec.europa.eu](mailto:Stefan.de-keersmaecker@ec.europa.eu)): contact point for ECHO A2 – FPA related matters - HPC

Nicolas Levine ([Nicolas.levine@ec.europa.eu](mailto:Nicolas.levine@ec.europa.eu)): relations with partners, selection and annual assessment

Martine Fouwels is currently on maternity leave

#### **Financial Management:**

Stephanie Hardy ([stephanie.hardy@ec.europa.eu](mailto:stephanie.hardy@ec.europa.eu)): Head of sector

**Members of the Financial management sector:** Andreas Glatz , Brigitte Jank, Christina Ekstrand, Christian Eloy, Christine Voss, Dirk Vander Schueren, Fabiola Siles Lombardia, Geoffroy Van De Kerkhove, Helmut Kaiser, Jill England, Julie Holloway, Kathleen Rosiers, Laurent Notéris, Lukasz Placzek, Marianne Farray-Hockley, Maximilian Rodriguez Sanchez, Natalia Dolezalova, Olivier Thunus, Raffaele Terni, Virginie Jonet, Yves Tajchman