

FPA Watch Group Meeting – Exchange with ECHO

Internal Notes

	MINUTES
DATE	19 March 2015
TIME	14.00 – 15.30
PLACE	ECHO Offices
PARTICIPANTS	FPA Watch Group (Cf. Participants List) ECHO: Jean-Pierre Buisseret (Head of C/3) with Anne Simon (Team Leader C/3 – 3.3 Partner & Desk Support Coordination), Alberto Garralón (C/3 – 3.1 Finance), Galina Samaras (C/3, 3.3 Partner & Desk Support Coordination), Philippe Navarre (C/3 – 3.3 Partner & Desk Support Coordination)

- Tour the table of participants
- *The Task Force presented the FPA Watch Group Workplan 2015. The main objective is the monitoring of new FPA, identifying the positive outcomes and difficulties of its novelties.*
- *This exchange with the Watch Group concentrates on the HIPs, the incurred costs and stock management, and the liquidation process.*

Incurring costs and stocks

Some clarifications are still needed, particularly on the implementation. Key concerns from the Watch Group include:

- *There is a need to ensure the same level of information among ECHO staff.*
- *Partners are concerned about providing proof of incurred costs: what documentation will be requested, in particular at audit stage.*
- *Automatic no cost extension for distribution of remaining socks.*
- *Application and calculation of 5% on amount spent and charged – on price or quantity?*
- *ECHO template for list the stocks and calculation of the 5% and the eligibility.*
- *Misunderstanding about confirmation from ECHO on the possibility to transfer stocks.*
- *Auditors took date of invoice to decide on eligibility.*

Principle: When there are remaining goods at the end of an action, ECHO takes the assumption that if they were not distributed during the action they were not necessary, and thus are not eligible. There are some exceptions, for example if a constitution of stock for preparedness was already stated in the Single Form. ECHO tries to be flexible with the 5% rule: if 100 were bought and 95 are distributed, 100 are eligible; if 50 were distributed, 55 will be eligible. The 5% is calculated on the basis of price, not on quantity.

Remaining goods: The main solution for a huge amount of goods not distributed is to discuss with ECHO for a no cost extension. In most of the cases, these extensions are accepted. ECHO has assessed partners and assumes that they have management and control systems trustable enough to differentiate actions and avoid overlapping costs for two different actions. However, when there is a follow-up action, ECHO might prefer to pay for the remaining stocks within the second action. ECHO has received questions from partners on calculation of remaining goods. ECHO uses an internal

template to show how the calculation on eligible/ineligible is been made. It can be shared when an organisation has issues with it.

Remaining money: If there are money left at the end of the project and ECHO staff suggests buying additional stocks, the safe solution is to have an amendment with a new result introduced into the action. This will be checked in Brussels who will decide if this is acceptable or not. The partner can always buy stocks if there is an activity linked to it – this information can be found in the [FPA Guidelines document](#) on the Partners website.

Stockpiling: ECHO understands that in some situations stocks need to be bought: it is advised to include it in the proposal. Mismanagement is considered when a partner uses half of its purchased stock and claims the objective of the activity has been achieved.

Incurred costs: the partner should be able to demonstrate to the auditors that goods have been distributed during the action: there should be no difference in the type of documentation that is required compared with the previous arrangements (distribution lists, proof of delivery of services etc.). If existing, the Auditor will also look at the monitoring report conducted by ECHO e.g. if ECHO is satisfied with the distributions auditors are less likely to request the actual distribution list.

In the general ledger, ECHO filters per date and looks at the description of the expenditure; therefore, for accounting line out of eligibility period, partners are advised to clearly state in the description that the services or goods were used within the eligibility period of the action.

Regular information is sent to all ECHO staff on those issues, but if there are specific cases, partners should feel free to contact directly ECHO C/3. It is easier to understand an issue through specific and concrete cases than in general terms.

Liquidation

The Watch Group did a consultation on the liquidation process. It concluded that the majority of the actions were transferred to the new FPA. It also seems that partners receive frequent questions from ECHO and the fast track process is not yet felt by NGO. The main outcomes of the consultation are not judged by the Watch Group as relevant to be shared with ECHO since most of the results were biased by the ECHO funding situation. However some data will be used as a baseline for further consultation. Another survey will be launched by the end of the year.

Fast-track procedure: When a final report is submitted, the Financial Regulation states that ECHO has 60 days to make the payment. The desks and the financial unit check their own parts and decide whether they need to ask for more information. The fast track is affecting ECHO internally and supports the work of financial team. Financial reports are reviewed on the basis of the risk analysis of the partner, implying a more or less extensive work per project liquidation. Nevertheless the operational review remains the same. Once the operational and the financial people agree, either the payment is done or additional information is requested. So even if there are no questions on the financial side, there might be on the operational side which still delay the process.

HIPs process

- *This year partners received clear directions from Brussels on the field that can be negotiated once the proposals were approved. The Watch Group considers this 'pre-selected letter' as a very positive step. However, there is still inconsistency in the pre-discussion with the TAs and*

a lack of consultation before the release of the HIPs. West Africa consultation process and discussions on the HIP is considered by NGO partners as a good practice that should be promoted within ECHO.

- *The flexibility of the regional HIPs is overall welcomed. However, clear information on the volume of funding available per country or for cross-border actions and main priorities is said to be lacking in some of these regional HIPs. Same thing for DIPECHO: the flexibility is welcomed, but the integration in the HIP is sometimes difficult. The information is not always made clearly available to all partners.*
- *The challenge of tight deadlines is still there. The launch of HIPs at the same time with similar deadlines to submit proposals generate difficulties within FPA partners organisations. Field teams were particularly concerned since they also had to adapt to the new Single Form, the resilience marker and in some places the regional HIP.*
- *The Watch Group also wants to ensure that there won't be any additional requirement for project financed by ECHO thanks to assigned revenues. The FPA Watch Group considers very important that only the FPA rules apply for ECHO-funded project with its partners whatever the origin of the funds.*

ECHO will share these points with Director B.

Regional HIPs: They were decided in order to have more flexibility. Unless written, it was not an obligation to submit regional proposals. Directorate B will be asked for clarification for HIPs integrating DIPECHO.

Deadlines: ECHO has already postponed deadlines to January, but recognizes that still, many HIPs include same deadline to submit projects proposal. *The Watch Group highlighted the good example of Asia where the HIP foresees different dates for different countries and for the DIPECHO.*

Engagement with the TA: Before it was difficult for new partners to engage, now it is clear that, even if it was clearly stated to avoid pre-discussion related to contractualisation, it is not always applied. Everybody has the chance to submit a proposal because it goes directly to the system. A consultation before the HIPs should indeed be organised. It will be mentioned to the Unit B.

Assigned revenue: ECHO is receiving funds from DFID which has some additional requirements (for instance on the timing for the reports and on value for money).

Statistics on ECHO Funded Actions: The data presented in the attached document were requested to ECHO by the FPA TF. They were presented to the Watch Group.

On the HIPs, not many contracts are already signed for 2015; they are being signed nowadays.

Regarding previous actions, ECHO has already received 200 final reports.

Number of revised versions: In 2014: for half of the agreement signed, there were 3 versions of the proposal. The target is to have an average of 2 versions of the proposal. 50% of the cases are between 4 and 8 versions.

Annual assessment

The periodic assessment is an ongoing process since 2014. Since the introduction of the new FPA, 98 questionnaires have been finalised, which represents around 60% of the number of questionnaires

sent out. 90 closing letters were posted; 8 are in the pipeline and 66 are currently being analysed. 25 reminders were sent in January.

Exercise is going faster than previously; it takes less than 2 months in general. The process seems to go quite smoothly making it a positive experience so far. No serious problems have been identified so far with the new procedure. Most concerns relate to the financial documents that need to be submitted. ECHO usually replies to questions in 1-2 days.

As of today, 83 cases have stable financial situations, keeping their initial status (or threshold). 7 cases have deteriorated (the threshold decreases) out of which 4 cases go from no threshold to a threshold. In 8 cases there are improvements; 7 out of 8 move to a no threshold situation.

The overall picture is thus likely to stay the same:

- 102 of partners without threshold
- 30 with 20% threshold
- 46 with 15% threshold
- One possible suspension is still being discussed in-house

The operational performance is overall positive. More than 90% of partners report full implementation of audit recommendations, the rest partial implementation with justification.

It is important to note that this analysis is based on non-exhaustive information. *The FPA Watch Group wondered how the feedback from the operational colleagues influences the assessment.* ECHO explained that if the reports are systematically late, there will be a note in the report. If it is something more important, the partner will be contacted. For the audit, it will be checked in the next ECHO audit.

AOB

- *The Watch Group expressed some concerns on how the depreciation of the Euro with the US Dollar is affecting projects and asks for flexibility.* ECHO explained that the Financial Regulations and General Conditions are quite clear: the partners assume the advantages and disadvantages of the exchange rates. It is the general rule for the whole Commission and ECHO cannot change on it.

While the Watch Group understands the rule, it stresses that many NGOs will be requesting to revise their proposal and it would be helpful if ECHO desks are aware of the situation and ready to adjust the agreements in consequence. ECHO explained that there is little possibility to increase ECHO contribution to the projects since nearly all budget lines are fully allocated after the first selection of proposals. The Desks will be only ready to negotiate to a reduction of the activities, decision that is disappointing for everyone since the beneficiaries would be the ones affected.

- *The Watch Group heard about Commissioner Timmermans asking for simplification: what are the implications for ECHO or other DGs?* Mr. Buisseret explained that it is not only about simplification but also about better regulation. ECHO was asked to make 3 proposals for better regulation: the most important one was about the simplification in the FPA in general terms. Some Member States are using the ECHO Single Form, so ECHO also proposed to have an EU Single Form. It will be up to the Member States to use it. If one of these proposal is accepted by the Commission ECHO will come back to the partners

- *The Watch Group explained that among their priorities this year, they will be working on audit, and proposing to ECHO to suggestions to simplify the audit process. ECHO explained that they are currently looking to simplify the audit. They proposed to use Appel for partners to upload their documents which would prevent them from doing it for each audit. Only when changes were made should they upload the new ones.*