ECHO-NGOs Framework Partnership Agreement
-Towards a strengthened partnership

Recommendations for an improved relationship between ECHO and its NGO partners

Drafted by the Watch Group

Brussels, 7 November 2005
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Introduction

ECHO does not intervene directly on the ground. For the implementation of its humanitarian aid decisions, ECHO relies on United Nations agencies, International organisations and NGOs, all of them known as ECHO “partners”.

ECHO’s funding to NGOs is given through a Framework Partnership Agreement (FPA) that is a unique tool within the European Commission\(^1\). A pre-selection of NGOs, which comply with specific eligibility criteria, is made. Pre-selected NGOs can submit proposals without ECHO having to launch an official call for proposals. The assessment is completed by a re-assessment/evaluation carried out by ECHO every year. Other commission services and European donors are looking at this FPA as a model.

The new version of the FPA was signed by 193 NGOs and came into force in January 2004. NGOs implement today around 55% of ECHO annual budget of approximately 500 million Euro.

This new version was developed with the aim to simplify the administrative procedures linked to ECHO funding and to optimise the implementation and results of European Commission-funded humanitarian aid.

After two years, NGOs of the “FPA Watch Group”\(^2\) have made their own analysis of the practical implementation that has deviated from the original philosophy. Experience has shown that some of the objectives have been more difficult to achieve than initially foreseen by both ECHO and its partners.

\(^1\) “ECHO’s concept of ‘partnership’ is unique in the EC. (…). Besides financing their projects, ECHO gathers from its partners the essential information, experience and perspectives that permit optimal aid programming to meet humanitarian needs. In large part, it can be said that the symbiotic type of operational ‘partnership’ permits ECHO to be considered one of the most effective EC services (…)”, Partners in Humanitarian Aid, VOICE Briefing Paper, Brussels, Dec. 2004.

\(^2\) The FPA Watch Group is composed of representatives of the following NGOs: ACTED (F); ACF (F); ADRA (D); ALISEI (I); AVSI (I); Comité d’Aide Médicale (F); CARE International (EU); CARE Nederland (NL); CESVI (I); Church of Sweden Aid (SE); CINS (I); CISP (I); Comite d’Aide Medicale (F); Concern Worldwide (Ireland); COOPI (I); CORDAID/Caritas Europa (NL, EU); DanChurchAid (DK); Deutsche Welthungerhilfe/German Agro Action (D); EU-CORD Network (EU); Fondazione Terre des hommes Italia (I); Hammer Forum (D); Handicap International (B, F); ICCO (NL); IRC (UK); Malteser Germany (D); Médecins du Monde International (F); Mission East (DK); MSF (B); Oxfam GB (UK); Save the Children (UK); World Vision Germany (D).
This document identifies how a number of difficulties have emerged and formulates recommendations. The purpose is to reflect on the current FPA and influence future reforms that could improve the way funds are provided to NGOs for effective humanitarian aid delivery.
1. HISTORY OF NGO’s - ECHO PARTNERSHIP

ECHO’s concept of partnership has been developed through framework partnership agreements (FPAs). Initially conceived as a funding mechanism, the different versions of the FPAs have developed over the years on the basis of dialogue and mutual trust. Although the relationship between ECHO and the NGOs is still asymmetrical, ECHO’s model has managed to combine the necessary evolution towards forming a process with rules while retaining flexibility in order to allow a quick allocation of funds and the possibility to adapt and modify funding requests according to the humanitarian needs.

ECHO has taken proactive steps towards a formal recognition of impartial allocation of funds according to the NGOs needs assessments.

ECHO has also been an active actor in the Good Humanitarian Donorship Initiative (GHD), in which donor states commit to respect humanity, impartiality, neutrality and independence principles. ECHO has indeed, played an important role in promoting GHD among EU Member States, has insisted on the need for coordinated approaches and has made of GHD a permanent fixture on the agenda of the Humanitarian Aid Committee.

Strategically, ECHO has endeavoured to give a substance to the idea of partnership by progressively taking steps towards formal consultation both in Brussels and at field level. Different consultation groups have been constituted during the past and still exist today and some consultation tools were also formalised. ECHO is taking steps towards an improved consultation process.

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1The Good Humanitarian Donorship is an initiative started in 2003 by donor states. Donors signed a declaration and an implementation plan committing to a common set of objectives and principles to be respected in humanitarian action.
Recommendation 1

ECHO should maintain its commitment to respect humanity, impartiality, neutrality and independence.

Recommendation 2

ECHO’s renewed consultation process should contribute to favouring more participation and should include ECHO’s commitment to either take into account NGO’s suggestions and perception of the weaknesses of the FPA or give justified responses to the proposals refused.

2. PRINCIPLES AND IMPLEMENTATION OF THE 2003 FPA

The main purpose of the new agreement was to improve the quality of humanitarian aid while promoting a more transparent and effective management of European funds. Mutual trust, autonomy and responsibility principles would be built up and at the same time a more consistent monitoring would be developed. Aiming to develop a quality partnership, the new FPA involved also a new selection of NGOs described by ECHO in the following terms: “The selection of partners under the new FPA is carried out on the basis of precise eligibility and suitability criteria. These have been established taking into account:

- The existing legal and financial requirements, including those newly introduced by the recast Financial Regulation applicable to the general budget of the European Communities;

- The quality standards resulting from the debate developed over the years between ECHO and its partners on achieving quality”.

The new FPA presented a new approach to quality partnership constructed on the basis of the three following features:

SIMPLIFICATION OF THE FRAMEWORK AGREEMENT

The new FPA brought a much-welcomed simplification of procedures compared to previous FPAs which contained different annexes, addendums and obscure definitions. The new FPA also introduced a “single form” to be used for all funding requests and reports. This new form, based on a results-oriented approach, simplified narrative and financial requirements and aimed to decrease the administrative workload of both ECHO and the NGOs.

The need to incorporate the requirements of the new European Commission Financial Regulation and in particular all aspects related to procurement procedures had an important impact on the FPA legal text itself and on its later interpretation. The reform of the management and decision-making system

4 http://europa.eu.int/comm/echo/partners/selection_en.htm
included in the new Regulation has also greatly affected the implementation of the FPA.

In practice
NGOs welcomed the apparent simplicity of the single form. However, in order to assess the compliance of procedures with the FPA, it became clear that ECHO services required a greater detail of information than the single form captured, particularly with regard to the budget breakdown and procurement procedures. As a consequence, ECHO systematically requests extremely detailed information. This situation is leading to increased bureaucracy resulting in delays in the signature of grant agreements and subsequently has an impact on the delivery of aid, as not all the NGOs are able to advance funds. Furthermore, NGOs are confronted with increased costs and delays in the liquidation of contracts. Furthermore, these delays in the payment of the balance are not in accordance with Art. 16.4. of the General Conditions.

Pressured by their liability under the financial regulation, ECHO staff have generally multiplied the number of checks and controls, using articles such as article 2.1 which states that ECHO “may request additional information at any time and that information must be supplied within 30 days of the request”.

Recommendation 3

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.

RESULTS ORIENTED APPROACH

The results oriented approach introduced by the new FPA implied that pre-selected NGOs would have more operational autonomy during the implementation of the projects but would be evaluated on the basis of final achievements. The rigorous selection of partners described above, together with the development of consistent monitoring and evaluation tools, were to allow ECHO to focus on results. The results oriented approach’s objective was to enable the measuring of the efficiency of interventions while at the same time contributing to developing the autonomy of ECHO partners.

In practice
So far, the results oriented approach has been based on the follow-up of objectives, results and indicators described in the projects logical framework. What NGOs are concerned about is that ECHO would put more emphasis on quantitative indicators and ratios, leaving behind quality aspects and other outputs of the projects. While necessarily being subject to qualitative and quantitative accountability, NGOs would like to have reassurance of the mutual trust that was presented as underpinning the FPA, based on long-term

\(^5\) See table in Annex 1.
partnership, defined partner assessments, regular audit, etc…Instead, in practice NGOs have experienced demand for increasingly detailed justification of their plans and proposals.

NGOs have also observed that auditors have been recently extending the scope of audits into operational aspects. This is, in our opinion, a dangerous practice, as audit companies do not have the expertise to evaluate humanitarian actions.

ECHO has approved an indicative programme for evaluations (including operations, partners and thematic evaluations) and is starting to implement it. NGOs have not been consulted for the preparation of this plan.

**Recommendation 4**

*ECHO should ensure, while developing the results oriented approach, that monitoring, evaluation and accountability examine both qualitative and quantitative aspects. The audit Terms of Reference should not include the evaluation of operational aspects.*

**CO-FINANCING AND SINGLE LEGAL FRAMEWORK**

Aiming to achieve a larger impact of ECHO funds, ECHO promotes financial support to broader interventions co-financed by other donors and the NGOs themselves. A single legal framework would be valid for all donors co-financing the same project meaning that the rules to be applied would be those of the donor with the largest participation. Co-financing combined with a single legal framework would allow NGOs to undertake their own intervention thus avoiding the artificial splitting of projects according to each donor specific request.

**In practice**

Although the new FPA is based on the principle that the rules to be applied are those of the largest contributor, the reality is that other donors still require their own procedures and forms for their contributions. NGOs are confronted by a duplication of systems in which on the one hand, there is a need to respond to ECHO for the totality of the project and on the other, there is a need to prepare parallel justifications for each of the other donors on the basis of their own contribution. The differences in donor procedures and rules together with donors’ lack of flexibility to synchronize the implementing periods lead to complex budgets which are difficult to administrate. Co-financing has become for NGOs an administrative burden rather than an advantage.

**Recommendation 5**

*ECHO and Member States should improve harmonisation efforts, in order to lessen the administrative burden that NGOs are experiencing due to different procedures and reporting mechanisms.*
3. INTERPRETATION OF THE FPA 2003

The new FPA was to be a self-explanatory document, focusing on simplicity and results and leaving room for NGOs to apply their own internal procedures, instead of adapting each procedure to each donor requirement.

However, experience with its implementation has shown difficulties with the interpretation of its legal provisions. For the last two years, interpretation has been made on the basis of correspondence with the different ECHO services. Decisions were taken on a case-by-case basis and unfortunately, different sources of information (the horizontal services ECHO legal service, ECHO audit service, regional desk officers, field experts, NGO’s training tools…) have not always provided the same response.

NGOs are not always sure their procedures are compliant with the FPA provisions and for some key issues ECHO has avoided taking a position. As a result, NGOs are committing expenditures without the certainty of knowing if they are eligible, thus assuming that the expenditure could be considered non-eligible in the final liquidation of the contract or that the procedure applied could be considered non compatible with the FPA by a future audit. All this turns into a situation of legal insecurity that entails major financial risks.

Aiming to mitigate the situation, ECHO has recently published a number of guidelines for the FPA. Guidelines are a useful tool for facilitating the preparation of proposals and reports. However, they are not the adequate instruments to tackle legal insecurity.

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<th>The main interpretation shortfalls</th>
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**Justification of Expatriates Staff Costs**
Several NGOs have requested ECHO to examine whether the accounting method to allocate expatriate expenditures on the basis of an average of actual costs (house and living costs are shared by the expatriate team) is compliant with the new version of the FPA. So far, none of them has received a clear answer from ECHO. The NGOs are thus exposed to future audits recommending the expenditures to be rejected.

**Justification of stocks and equipment**
Several NGOs have made proposals to ECHO regarding justification and value of stocks (if stocks at the end of the project represent more than X% of direct costs, value of stocks according to last purchase price…) and depreciation of equipment (different calculations for depreciation have been presented). So far, none of them have received a formal and clear answer from ECHO.

**Application of procurement procedures**
NGOs and the FPA Watch Group have been requesting procurement guidelines/fact sheets and the clarification of some of the legal provisions of the FPA for some time. In July 2005, ECHO sent NGOs a note called “Some issues

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6 Liquidations of contracts takes place several months (and sometimes several years) after the contract has concluded.

7 Audits take place several years after the termination of the contract.
of concern about procurement issues”. The document contains interpretation of crucial issues but has not been publicly released, thus will have little legal value for future Audits.

**Recommendation 6**

*ECHO should take steps to ensure consistency and coherence in interpretation among ECHO field Offices and HQ staff in different units.*

**Recommendation 7**

*ECHO should establish a clear division of responsibilities with regard to procedural requirements.*

**Recommendation 8**

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

**Recommendation 9**

*ECHO should put more effort to use its Website as communication tool in order to channel information by ECHO in the same way and to reach all its partners. In addition, ECHO should continue to finance more FPA trainings in order to consolidate the partnership with partner NGOs.*

**4. PROCUREMENT PROVISIONS IN THE 2003 FPA**

When the 2003 FPA was introduced, it was compared at the annual Partners Conference of 2004 to a “swiss-knife”: The new FPA Annex V was supposed to provide numerous tools that would allow the creation of a balance between the respect of transparency and equal treatment and the need for rapid response in humanitarian interventions.

Amongst these tools, the FPA included the following: faster procedures for emergency and primary emergency decisions, the possibility of purchases through humanitarian procurement centres, the possibility of requiring derogations justified by the context-related needs or the specification of goods to be purchased. Unfortunately, the experience with the implementation of the FPA has shown that these tools have not

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9 “FPA Annex V – Procedures for the award of contracts. Some issues of concern to ECHO NGO partners”, prepared and distributed by ECHO, during the FPA Watch Group meeting with ECHO on 12th July 2005.
been as useful as initially foreseen and some of them led into legal insecurity or increased the administrative workload.

**In practice**

- **In case of primary emergency and emergency decisions**, procurement is allowed on the basis of a single quote. It is an ECHO prerogative to decide whether a financial decision is going to be classified in one or an other of these categories. The problem is that, for administrative reasons, ECHO sometimes adopts non-emergency decisions at a very early stage after a natural disaster or a crisis. As emergency decisions cannot exceed 6 months, NGOs and ECHO accept this practice because emergency contexts often involve forecasting mistakes and delays in the implementation of the operations. The situation ends up being a sort of a vicious circle as when an ECHO decision is classified as non-emergency, procurement rules are stricter and involve new delays.

- **Purchases through Humanitarian Procurement Centres** are allowed on the basis of a single quote. The problem is that ECHO has not released a list of validated procurement centres and the process of validation itself has raised major contradictions. The FPA acknowledges the existence of these centres since its former FPA of 1999. Since then, ECHO has, on a contract-by-contract basis accepted the purchases through these centres. However, the latest ECHO communication takes no account of past decisions and has informed partners that procurement centres are validated on preliminary basis and a final decision will only be taken after auditing the centres. The lack of formal recognition of procurement centres puts NGOs currently using them in a situation of legal insecurity and does not encourage other NGOs to use them.

- **Derogations on a case-by-case basis.** While the new FPA was conceived with the idea of limiting the need for derogations, reality has demonstrated that requests for derogations have become the rule rather than the exception. Moreover, although some of the rules are systematically derogated, derogations still have to be requested for each proposal. The system has created a substantial increase in the administrative workload of both ECHO and the NGOs and is causing major delays in the disbursement of funds and consequently, the implementation of aid. The justification needed for a derogation request involves a lot of administrative work and gives rise to different interpretations by ECHO desks. Moreover, if there is a need for derogation during the implementation of the project, a contract amendment has to be requested. As this amendment can take several months, NGOs have to choose between taking on this risk without formal approval from ECHO or waiting for a response from ECHO, which will delay the operation.

**The reforms announced in the FPA procurement procedures**

ECHO, aware of the difficulties which have arisen in the implementation of procurement procedures, and taking advantage of the reform of the European

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Commission Financial Regulation, is proposing major reforms aiming to increase clarity and solve some of the current problems.

The main characteristic of the reform is that ECHO procurement procedures will only be applicable for purchases over 60,000 Euro. For the rest of the purchases, NGOs will be allowed to use their own procedures provided that procedures are codified and respect the general principles (transparency, equal treatment, etc.) established in the FPA. NGOs welcome this initiative but have alerted ECHO that the system will not be effective if ECHO does not have the capacity to state whether the NGO procurement procedures are compliant with those principles. Although principles may seem easy to interpret, the reality is that within the same principles, procurement standards vary a lot for different donors and institutions (e.g., the World Bank, UNHCR, WHO, ECHO, EUROPEAID...have different standards for the number of minimum quotations and for the application of restricted tenders). If ECHO does not state its position, NGOs will have to be submitted to the auditors' interpretation of minimum standards.

The announced reform proposes that NGOs make use of independent “price verificators” to certify that NGOs are using market prices. NGOs have alerted ECHO of the danger and cost of this proposal. This request will involve delays and an even bigger administrative workload for NGOs. Moreover, NGOs are concerned about the lack of expertise of the companies doing price verification, to assess quality criteria and to evaluate the specificity of the requirements needed for the implementation of humanitarian projects.

NGOs welcome some of the other features of the announced reform, particularly the removal of Nationality and Origin rules, the inclusion of a “Quality Assurance” chapter and the possibility of extending the emergency context.

Recommendation 10

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

Recommendation 11

ECHO should introduce the possibility to extend emergency decisions.

Recommendation 12

ECHO should take urgent action in order to formally recognise Humanitarian Procurement Centres. ECHO should also publish the list of the validated centres.

Recommendation 13

ECHO should remove the proposal of introducing “price verificators”.

**Conclusion**

NGOs recognise ECHO as a key donor in the humanitarian sector and appreciate ECHO's efforts to develop a partnership model on the basis of dialogue and mutual trust as well as ECHO’s commitment to respect humanity, impartiality neutrality and principle of independence.

NGOs wish to maintain and reinforce the partnership with ECHO and believe that the concept of a framework agreement can be an adequate tool to facilitate a timely and efficient allocation of funds according to the humanitarian needs while at the same time allowing a transparent and effective management of European funds.

NGOs fully recognise the need for more transparency and professionalism and have, in their own interest, developed sound financial and procurement mechanisms improving at the same time the efficiency and quality of the interventions. NGOs have also worked on developing monitoring and evaluation tools. However, these tools cannot always be adapted to the specific requirements of every donor.

Consultation and dialogue are necessary in order to find solutions that could satisfy ECHO’s concerns about possibilities of fraud and about the respect of transparency and equal treatment in procurement and be consistent with NGO’s capacities and adapted to humanitarian contexts.

NGOs would like ECHO to be able to validate NGO’s procedures before the signature of the framework contract. This request is consistent with ECHO’s partnership-based system and with the co-financing principle developed in the new FPA. Prior analysis and validation of NGOs systems is a trend already adopted by major donor agencies in the US and in Europe and fully compliant with the principles and good practices agreed within the framework of the “Good Humanitarian Donorship Initiative” in which ECHO is an active participant.

NGOs as active partners invite ECHO to take into account the recommendations listed in this document, in order to further strengthen ECHO-NGOs partnership.
## ANNEX 1
### INFORMATION REQUESTS

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<thead>
<tr>
<th>1999 FPA</th>
<th>2004 FPA (As presented during consultations)</th>
<th>2004 FPA (In practice)</th>
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<tbody>
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<td>• Logical framework within proposal</td>
<td>• Logical Framework in proposal, intermediary and final reports</td>
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<td>• Indicative schedule</td>
<td>• Working plan</td>
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<td>• Stock and equipment list end of contract proposing disposal of remaining goods and equipment</td>
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<td>• List of expatriates with final report in order to justify the application of flat rate</td>
<td>• Publication of awarded contracts in web page</td>
<td>• Formal request of authorization</td>
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<td>• Procurement plan within proposal including list of dedicated supplies</td>
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<td>• List and request of authorization for “dedicated supplies”</td>
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<td>• At final report, list of all contracts, the name of the suppliers and the procurement procedures in purchases over 200 Euro</td>
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<td>• Publication on NGOs web page of the list of awarded contracts over 200 Euro</td>
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<td>• Additional requests of information before final liquidation of contracts</td>
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<td>• Proof of distribution of stock items</td>
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<td>• Listings of all purchases included in each of the budget lines</td>
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<td>• List of national staff with final report</td>
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# Recommendations

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