

FPA Watch Group Meeting Exchange with ECHO THURSDAY 5 MARCH 2020

14:00 – 16:30

Red Cross EU Office, Rue de Trèves 59/61, Brussels

FINAL MINUTES

DG ECHO representatives:

Charles Pirotte, deputy head of unit, International and Inter-institutional Relations, Legal Framework (ECHO.E.1)

Nathalie Thiberge, Team Leader - Legal Officer (ECHO.E.1)

Ruxandra Serdean-Verde, Legal Officer (ECHO.E.1)

Anne-Françoise Moffroid, Team Leader - Team leader for Afghanistan, Pakistan, Iran and Central Asia (ECHO.D.4)

1. Ex-ante assessment

ECHO received 81 questions before the webinar, and during the webinar some more questions have been put. ECHO is seeking to ensure that the written answers on all the questions are clear and specific enough for NGO partners. At the moment, ECHO is still working on finalizing the answers to the questions related to Annex 4A + 4B. In the next days, at least the answers to the other questions should be made available on [DG ECHO Partners' Website](#).

When the ex-ante assessment audit report is completed, NGO Partners can upload the auditors' report on APPEL. Annex 4A+B should be uploaded as well as separate document(s). The Yes/No questions from the first block of the Terms of Reference (ToR) are stated on the same APPEL webpage and NGO Partners are required to confirm the replies provided by the auditors on a dedicated page. There are no additional documents to upload or fill in to submit at this stage. However, DG ECHO might get back to applicant NGOs with additional questions after submission.

The FPA WG asked what NGOs have to do when they have a change in one of their policies that is (going to be) checked in their ex-ante assessment. ECHO responded that it is necessary to inform ECHO when one of these policies is significantly changed.

2. FPA Drafting

In the European Commission (EC), a new 'grant management' IT system (eGrant) is under development and deployment across all the DGs. ECHO may not use this IT system for the time being. However, the next Framework Partnership Agreement (FPA) and General Agreement (GA) will be aligned as much as possible to the new eGrant model agreements. This means that the structure of the new FPA changes. The basic provision of this FPA will be very 'light' and basic while a dedicated Annex will propose additional provisions linked to the specificities of humanitarian aid. A first draft version of the FPA has been submitted to DG BUDG and the Legal Service for approval; the first draft of the GA will be submitted to these

departments in the coming days. The FPA and the GA will be shared with NGO Partners in the month to come (depending on discussion with those central services).

Context wise, ECHO does not see fundamental changes in the next FPA (in comparison with the current FPA). Some simplifications are to be found in the next FPA, mainly in relation to procurement rules where conditions for remaining goods and equipment will be much lighter. Partners should nonetheless expect heavier focus on food and medical supplies – but rules might be of similar scope than those currently standing in Annex 3 to the FPA. Moreover, multi-partner grant agreements will be proposed and the request of the FPA WG to make it possible for consortia to share the responsibility will be reflected in this model.

As presented at the VOICE workshop on Counter-terrorism, a new clause on EU restrictive measures will be introduced in the next FPA. ECHO proposed to the central services a text which states that adherence to EU restrictive measures should not impede humanitarian actors to implement humanitarian activities; stating clearly that no final beneficiaries should be vetted. Lastly, at the proposal stage, ECHO will ask partners to be more specific and precise on the relations with Implementing Partners (IPs).

The FPA WG took notes of the latest development. Many consecutive questions were shared linked to the last point. While NGOs understand the importance of being very transparent when working with IPs (or family partners) it remains a source of concern whether maintaining the current operating modalities (be they working as a family and /or with IP) will still be possible under the next FPA.

The group also noted the fact that not a lot of changes are foreseen in the next FPA: this is understandable considering the limited time left to develop and finalise this FPA. However, this is also seen as a missed opportunity to reflect on the Grand Bargain commitments and a disappointment considering the significant time and efforts put into the consultation process.

3. Changes in APPEL / Single Form (SF)

To make sure that a revised Single Form (SF) is available as of 2021, the IT department needs to identify the changes to be made by April, as it takes six months to implement the changes. This means that in the framework of the FPA 2021, ECHO will only implement changes that are mature enough.

ECHO highlights that, since greening is a top priority of the EC, more focus on the environmental impact can be anticipated in the next year(s). ECHO might add a question in the SF on the environmental impact of the humanitarian operation. [The study](#), discussed during the Partners conference, is in the process to be finalised. Among the recommendations proposed in the study is the introduction in the SF of a 'greening marker' or the adaptation of the 'resilience marker'. The FPA WG shared concerns about the potential additional constraints that a heavy focus on environment might create as reaching people in needs is already a challenge in many contexts. In line with this, the group asked as well if additional funding from ECHO would be available to be able to make humanitarian operations greener.

DG ECHO welcomes further discussion with Partners on a longer-term perspective on different topics of the SF (data collection, reporting). ECHO is not ready (yet) for adopting the 8+3 template, but in the next SF it will be possible to generate an '8+3' final report of each ECHO funded operation to share with other donors.

4. HIPs

The FPA WG shared its feedback on the HIP process with Anne-Françoise Moffroid (Team Leader - Team leader for Afghanistan, Pakistan, Iran and Central Asia, Unit D.4, DG ECHO). On the positive side, the FPA WG welcomed the following:

- The timeframe of six weeks between the date of publication and the deadline for submission of proposals was respected in most HIPs.
- UK NGOs were grateful for the clarification given by ECHO on the allocation of 2020 HIPs.
- The possibility for follow-up grant to submit a request for modification instead of full proposal was appreciated.

Next to these positive developments, the FPA WG shared some feedback to further improve the HIP process. First, the WG witness an increasing number of additional questions raised at the launch of the negotiation stage. Among them are many questions on the efficiency of the project; asking more details on the cost per beneficiary and potential economies of scale. Moreover, in one region (a complex emergency), different NGO partners already received questions on the environmental impact of their operations. These are difficult questions and often out of the scope of the FPA. Furthermore, requests have been received on increasing the targets, merging consortia, and a request to move the coordination office of the organisation into another location. Such demands prove to be challenging to implement and respond to favourably. Lastly, some proposals received positive feedback, but with a dramatic cut in the budget (up to 80%).

The FPA WG asked for an improvement in the refusal letters. At the moment a standard template is used, but more explanation on the reasons of refusal would be very much appreciated. This is noted by ECHO. Moreover, DG ECHO could improve its communication when proposals are put 'on hold'. It is appreciated if it is communicated with the organisation that 'on hold' for example means that the proposal is on a 'reserve list' and could be funded if the HIPs would get a top-up. The FPA WG asks if the country/region and sectors that are covered by the PPP could be included in the new versions of the HIPs for transparency and efficiency purposes as it would send a signal to all partners in relation to already funded activities of a certain scale. NGOs would equally welcome if the changes made in each new version of a HIP could be highlighted. Other feedback that has been shared by the group is to hold (more) consultation meetings at field level to present the HIPs. Lastly, the FPA WG would appreciate if DG ECHO can publish on its website on an annual basis its funding allocation per grant (as it was in the past). At the moment, NGOs are referred to FTS (or EDRIS) but those two tools are not offering the same level of details and are not user-friendly.

5. Reduction / under-performance

Ruxandra Serdean-Verde (DG ECHO) presented the internal policy and way of working with operational under-performance. First of all, she stressed the importance of differentiating **reduction** and **disallowance**. A reduction of the EU financial contribution occurs where DG ECHO considers that an Action was not implemented in line with the Agreement or was implemented poorly, partially or late. A disallowance occurs where the Final Reports are not able to identify sufficient eligible costs to support the payment request.

Ms Serdean-Verde emphasized the importance on having a proactive dialogue with the desk officer during the implementation of an action as when analysing the Final Report, the desk should take into account any operational difficulties encountered by partners and the measures they put in place to overcome the difficulties. The Single Form has been adapted to be as flexible as possible to accommodate any changes during the course of the action. Important

to note is that an ECHO field expert (TA) cannot legally bind DG ECHO. It is thus suggested to reflect the conversation through formal communication with the desk in copy. When an NGO partner encounters operational difficulties (possibly leading to under-performance), formal communication is needed. Early communication is always appreciated and might lead to taking the most appropriate decision. Moreover, it is of utmost importance to fill in the SF in a proper way.

Recently, more reduction cases possibly appeared, because DG ECHO focuses more on compliance these last years than before. There has been more consistency as well among DG ECHO on assessing reduction cases. However, each request for reduction of the EU financial contribution due to under-performance is assessed on a 'case by case' approach, by the responsible Authorising Officer. When proposing a reduction, the Authorization Officer (often head of unit) discusses with various actors, including financial and legal officer, with the aim to ensure consistency, based on former similar cases and that the reduction is proportionate to the gravity and scope of the failing.

There exists an internal guidance which recommends how to determine the amount for reduction according to the degree and type of under-performance.

- Any reduction is to be calculated by DG ECHO in line with the actual implementation of the Action, meaning on the basis of the actual achievement of the results and assessed against the objectively verifiable indicators specified in the Single Form. Thus, when the improper implementation is related to specific expenditures, a reduction is to be applied proportionally to the results concerned, by linking the reduction to the budget allocated to the results which were not properly fully achieved. There might be failings in the proper implementation which, while they still have an impact on the achievement of the results, do not relate to certain specific expenditures as they affect the overall objectives and/or all the results (i.e. delays across the board in implementing the Action). In these cases, the amount of the reduction is to be applied in the form of a percentage of the total EU financial contribution. The proposed percentage can reach 10-20 or 30% of the grant depending on the seriousness of the under-performance and the final responsibility to determine the amount lies with the Authorising Officer.
- Other material breaches of contract may relate to obligations for which no direct relation can be established with the expenditure foreseen under the budget. This would be, for example, the case for late submission of reports, poor quality of reports, lack of supervisions exercised by an NGO on its Implementing Partners, lack of appropriate monitoring and evaluation of the action. For unjustified delays in submission of interim reports and other types of ad hoc reporting, a reduction equivalent to up to 1% of the EU financial Contribution is recommended as being appropriate, without prejudice to other specific reasons which would point to another amount. The same percentage is recommended for interim or ad hoc reports which are below the usual professional standards or where there is no information provided with respect to points that DG ECHO had expressly required to be covered. If these failing concerns the Final Report, a reduction equivalent to up to 2% is considered in principle as appropriate, without prejudice to other specific reasons which would point to another amount.
- Failure to comply with visibility and communication obligations as laid down in the agreements and in DG ECHO guidelines on communication and visibility, a reduction equivalent to up to 2% of the EU financial contribution is considered in principle as appropriate.

The FPA WG welcomed the presentation of DG ECHO as it provides some clarifications. However, the following questions and remarks were raised:

- *In case of operational under performance, is 10% determined as minimum by ECHO? Why is that percentage used as minimum? Experience also show the use of a reduction of grant when some indicators at objective level were not fully met whereas at result level they were*

achieved. This is particularly concerning since NGOs don't have necessarily the full control on the achievement of an objective.

DG ECHO clarified that 10% is not the minimum and lower percentages can be proposed, taking into account existing mitigating circumstances (i.e. steps undertaken by the NGO to maximize the achievements of the results).

- *How is the visibility percentage determined? We have experienced cuts between 0,5 – 2 % and we do not understand the differences.*

DG ECHO clarified that the recommended amount is up to 2% and that each case has different consideration based on which a financial reduction is proposed.

- *The FPA WG would welcome receiving some guidelines about the determination and methodology used in case of under-performance. It is in the NGOs and ECHO's interest to seek to minimize the use of this last resource modality. Having further clarity about the procedure can help NGOs raising awareness among their colleagues – particularly at field level; as much as it can help NGOs management to take that into account in their risk management.*

- *Lastly, the FPA WG shared its concern on the observation of a vicious circle. As highlighted during the exchange on the HIP, at negotiation stage, NGO partners are sometimes pushed to increase their targets and when in the end those indicators are not reached, NGOs risk seeing the grant reduced.*

DG ECHO explained that NGOs are ultimately the ones deciding, at proposals stage, what can and what cannot be implemented.