

FPA Watch Group meeting
18th July 2006
10h30 – 16h30
at VOICE (43, Avenue Louise, Brussels)

Participants

Elvira Rodriguez (Action Contre la Faim); Mario Oliveira (ADRA); Jerome Lebouc (CARE International); Frederike van den Bos (CARE, NL); Efrem Fumagalli, Lorenzo Bianchi Carnevale (COOPI); Pia Tingsted (Danish Refugee Council - OBSERVER); Annette Wulf (GermanAgroAction); Michael Roelands (ICCO); Sandrine Rosenberger (Malteser International); Laurent Bacos (Medecins du Monde); Jan Boeynaems (MSF); Suzi Faye (Oxfam- UK); Eric Ducos (Premiere Urgence - OBSERVER); Gloria Mella (Save the Children); Sonia Giannone, Kathrin Schick (VOICE); Claudia Höchst (World Vision - DE)

Apologies

Juliette Sand (CAM), Clare Collingwood (MAG), Angela Macher (DanChurchAid), Brid Barrett (Concern), Chris Wilde (IRC-UK), Simonetta Risaio (Handicap International), Mags Bird (Mission East), Robert van der Wolff (Cordaid), John Makoha (AVSI), Diana White (EU-CORD), Manuela Corda (CESVI)

Minutes

1. Approval of the minutes of the last FPA WG meeting

The FPA WG approved the minutes of the meeting on 23rd January 2006.

2. New organigram within ECHO

There is a new ECHO organisational chart. All operational Units remain as before but under Directorate A, which is responsible for Operations. This change is in place since 15th May 2006.

Concerning Directorate B (resources, finances and legal affairs), B/1 is in charge of budgetary planning and procedure, audit, information technology and information system.

The FPA (legal and procedural affairs) and the finance management are under B/2. The former ECHO 6 dealing with budget implementations and the previous ECHO 4, NGO sector, composes this unit. This change is applicable since 16th June 2006.

Unit 0/1 is in charge of policy questions and the relations with partners; relations with European Institutions, partners and other donor institutions; strategy and general coordination; evaluation, and thematic funding. This Unit is headed by Mr. Johannes Luchner and will continue to deal with the Grant Facility as well as the Policy Dialogue with the NGOs.

- Report on the meeting between VOICE and Mr. Mosselmans (Head of Unit, B/2)

On 10th July VOICE met Mr. Mosselmans, the new head of the Unit B/2, and Mr. De Keersmaeker. The main objective of Mr. Mosselmans is to create synergies in work and vision within the unit. The priority is also to have a common approach with the former ECHO 6 and the desks. In order to have one common voice, further guidelines will be developed internally.

Another objective Mr. Mosselmans mentioned is the improvement of the liquidation process and realization of quicker payments. By the end of the year backlogs within ECHO should be reduced.

Assessments: In July, NGOs - where there are no additional requests - will receive a communication from ECHO. About 10% of ECHO partners will receive a communication in the following months.

Audits/assessments: the idea is to reduce the numbers of audits. Audits could be done every 2-3 years.

New applications: Currently there are about 20 files on which ECHO has to take a decision. New applications consist of NGOs dealing less with HA. At present around 50% of partners spend 50% of their budget on HA.

FPA coordination support group: The ToR were adopted and the first meeting has to be launched. B/2 and representatives of the operational units compose it. The main objective of this group is to develop a common position on the most relevant FPA issues.

Regional FPA information Focal Points: a training to set up the focal point in Latin America was realized. However, at present, the focal points do not represent a priority for ECHO.

3. Update on the revision of Annex V

Annex V will most probably be finalized by the end of the year. Mr. Mosselmans would like to add ECHO 6 reflections concerning Annex V and develop proper guidelines available for partners. The FPA WG will be consulted in due time.

During the meeting with Mr. Mosselmans, the possibility of a meeting between the FPA WG and B/2 was discussed. The meeting will be organized in order to present the members of the Unit, discuss the outcomes of the questionnaire and discuss Annex V. A possible date will be suggested by VOICE at the end of August.

4. First results of the Questionnaires

In general the questionnaire - sent to FPA WG members and VOICE members on 9th June – was perceived as a helpful exercise. 33 NGOs replied. Only 10 are medium or small NGOs.

The questionnaire wishes to identify the main constraints and impact related to late payments and procurement procedures. The facts and figures collected should help the WG to better develop its strategy and its consultation process towards ECHO in the best interests of NGOs.

First conclusions of the questionnaire on late payments:

- For the majority of NGOs present at the meeting, late payments seem not to be an issue as such. A major problem seems to be the delay of the pre-financing payment since particularly small NGOs are not able to advance money or start the activities without the first installment having taken place. However according to the questionnaire's results, 45 days is the average gap between the signing date of the grant and the date of reception of the pre-financing payment.
- The biggest cause of delays is the amount of request for additional information coming from ECHO. ECHO should be more predictable concerning payments. Possibly an

- indicative timeframe – after the 45-day period ECHO has to revert to NGO with a request – and applying for both parties should be considered and given to NGOs in order for them to be more proactive. Incoherent questions coming from ECHO delay all the process. More examples have to be provided by FPA WG members.
- ECHO should have internal guidelines in order to avoid inconsistencies among different units concerning interpretations on the FPA.
 - According to the questionnaire, the delays are most often due to ECHO Desks and ECHO finance-audit. More examples on which additional information ECHO finance is asking have to be provided by FPA WG members.
 - NGOs still have many doubts concerning the documents that have to be provided together with the final report. The general perception is that there are still too many grey zones both in the guidelines and in the information (e.g. List of contracts, list of staff...) that has to be presented in the Single Form to ECHO.

First conclusions of the questionnaire on procurement procedures:

- NGOs never received feedback on the ECHO self-assessment checklist.
- According to the questionnaire, many NGOs made changes in their organisation's existing procurement and tendering procedures, in keeping with the introduction of the 2004 FPA. The changes mainly relate to: introduction of international open tenders, non-exploitation of child labour, and publications on the web. Many NGOs introduced also procurement guidelines.
- The 60.000 € thresholds, foreseen under the new draft Annex V, is welcomed by the large majority of interviewees, although a few NGOs consider it as a possible risk since they are unsure about the correctness of their own procedures.
- Concerning the demand by the WG for the recognition by ECHO of NGOs' internal procurement procedures, majority of interviewees believe that this will have a positive impact.
- It was agreed to investigate more on the implications, the requirements and the practical consequences of a formal recognition by ECHO.
- At the same time NGOs have to lobby for more harmonization and consistency within ECHO. Participants proposed tools to improve NGO procurement procedures for the short and medium term: development of best practices, new tools, workshops on humanitarian procurement practices as well as more precise info on how to present derogations.

Next steps:

- VOICE and NGO families will try to further distribute the questionnaire in order to increase the number of questionnaires filled out.
- The TF will organize a meeting at the end of August in order to prepare more comprehensive reports on the on the outcomes of the questionnaire.
- Members of the FPA WG will be interviewed in order to have wider information on the most relevant issues.
- The results will be presented to ECHO B/2 during the next FPA WG meeting (end September – beginning of October)

5. Update and discussion on possible problems related to audits

It was agreed to postpone the questionnaire on the audit until next year, since many NGOs did not have any new audits so far.

Each organization expressed which are the main problems related to audits:

- Audits relate to old projects (previous FPA). This creates particular challenges concerning: the availability of original invoices, implementing partners and staff turnover.
- Audits are stuck on original contractual documents; official (signed) letters are the only documents valid (no e-mails).
- The auditors especially target procurement procedures and visibility issues.
- Audits cause time constraints. Having a clear timetable in advance and knowing which will be the projects audited would be useful.
- Auditors are not always aware of the changes occurring in the FPA and on the different rules applying (in some cases auditors asked for invoices for the lump sums).
- The criteria defining high, medium and low risks are not clear. It is not clear which are the practical consequences of these categories (lower pre-payment? etc.).
- The WG believes that audits on newer projects represent a good opportunity to learn more about the application of the new FPA.
- Auditors should be prepared and come with a deeper knowledge of the 2004 FPA. In some cases, auditors have interpreted the procurement procedures and the FPA. FPA WG members will provide more examples.

Next steps:

These trends and concerns will be shared with ECHO. More examples of interpretations done by the auditors will be collected.

More information on the impact of the level of risk given by the audits to NGOs will be investigated.

6. Planning and update of the 2006 work plan - Conclusions

- The TF will draft exhaustive conclusions including fact sheets on the results of the questionnaires.
- The results will be presented to ECHO B/2 during the next FPA WG meeting (end September – beginning of October).
- Trends and concerns relates to audits (see above) will be shared with ECHO.
- Taking into account the outcomes of the questionnaire, if necessary, the recommendations drafted in 2005 will be updated before the Annual Partner meeting. VOICE will look into the possibility of presenting the work done by the FPA WG on behalf of ECHO partners during the Annual Partner Meeting.

SG/KS