

FPA Watch Group 2-08-01

Participants:

Simonetta Risaio (HI), Morten Ronnenberg (DanChurchAid), Rachel Hastie (Oxfam GB), Annetter Frick (ADRA), Jane Backhurst (World Vision), Helen Holder (HelpAge), Encarnacion Guirao (IRC - Spain), Farida Chapman (IRC), Isabelle Lefort (Atlas Logistique), Clement Kone (World Vision, Observer), Gianni Rufini (INTERMOS), Frederic Bonamy (Premiere Urgence), Pierre Gallien (ACF), Jean Saslawsky (MDM), Jennifer Tangney (VOICE).

1. Apologies

Davide Martica (COOPI), Wil de Wolf (Caritas), Cinzia Laurelli (CINS)

2. Minutes

Minutes of the last FPA Watch Group Meeting accepted

3. Outline of Task Force Meeting with ECHO

The Task Force outlined the meeting of this morning with ECHO.

Welcome and explanation by Francis Smith of a "learning partnership" (that the new FPA as a five year tool should have the potential to evolve and improve).

ECHO stressed that the final documents may be slightly different than those agreed upon by the consultation process as they have to go through inter-service consultation as well.

Pablo Ibanez stressed the importance for NGOs to be proactive and to begin making suggestions on the Glossary and User's Guide.

Eligible Expenditure:

Chapters will remain divided in two. ECHO proposed to have real costs for personnel with a list of eligible expenses in Chapter I (specialists, local staff) without a ceiling but with a need for justification.

ECHO stressed that consultants can no longer be paid more than expats of similar experience.

Chapter II, still need to find a solution for expats. The FPA Task Force made a proposal of 3,000 Euros lump sum for salary, social security, insurance etc., with 1/3 of the European Community per diem as a lump sum. ECHO agreed to examine the proposal as it may be acceptable, given that with the per diem it reflects the country of operation.

Logistics:

Transport would be a real cost.

Stocks and Distribution would be a real cost with logisticians being included in this budget line.

Vehicles:

- ◆ Lump Sum running cost
- ◆ Lump Sum depreciation based on purchase price from one European country - ECHO

suggested to use Belgium as an average but this is open to negotiation.

The Task force asked for depreciation to be calculated on 36 months rather than 33 months as this is more realistic in terms of annual accounts etc. ECHO agreed to consider this.

ECHO also stated that the lump sum for running cost would also be based on purchase price as more expensive the vehicle the higher the insurance etc.

Services

All calculated on real costs.

Budget lines including Security and cost of External Audit

ECHO stressed that this enables HQ costs to be further covered.

Support Cost for local administration

Paid as a lump sum to cover cost of establishing and supporting structures in country of operation. However, there would no longer be a communication line in ECHO's proposal.

However, there will not be a straight forward percentage for this local administration line, as the overall 7% rule for administration cannot be passed. Therefore, the general administration line and this new local administration line will be calculated together to ensure a constant 7% in total.

Neither the HQ nor the field can fall below 1% of the total budget.

For example, if the HQ receives 2% then the field will receive 5%. At the start of a project the HQ will receive its maximum amount of 6% to cover start up, progressively this amount will be reduced as the programme gets underway until towards the end of the project the HQ receives 1% and the field 6%. A new, revised segment system would still be applied.

The issue of covering the cost of stress counselling will be considered by ECHO. ECHO stressed at this point that it is essential for expats to take their vacation time within the period of their contract. If the counselling was done externally outside of the NGO then it could be included in the Service heading. If it is done internally within the NGO then it would be more complicated and ECHO will consider the options.

The Task Force stressed that in terms of simplicity (one of ECHO's aims in the FPA) it is very important for staff to all be on the same calculation basis, it is not possible for NGOs to calculate some staff on real costs and others on lump sums. Moreover, it was stated that the consultation with ECHO partners showed a very strong intention in favour of lump sums. Particularly, as administrative costs of 7% do not come close to covering administrative costs.

The Task Force also stressed that communication costs have to be maintained on a separate budget line. This was justified by the Task Force in terms of the high cost of such equipment and its vital nature given the role of radios etc., in the security of staff. ECHO said that perhaps radios and satellite phones could go into the Security line as a real cost.

ECHO's future intentions

ECHO said that in the future (over the next years) that very few contracts of less than 200,000 euros would be signed. A reduction in the number of contracts, without reducing ECHO's budget would facilitate better management of projects by ECHO. 65% of ECHO's budget will be for forgotten crises so that NGOs would be able to plan ahead.

This proposal was not welcomed by the Task Force as it has direct implications for smaller NGOs, and the two year rule for FPA affiliation could mean that as less contracts are given out that NGOs find it difficult to remain ECHO partners.

4. Eligible Expenses

The issue of language was raised with ECHO as the Eligible Expenses document is only in French and as many of the FPA Watch Group find this difficult, ECHO was asked to come up with a solution.

ECHO said that as only one language could go to inter-service, and French had been agreed upon that there was not much that they could do. Any translation done now would be inaccurate, and given the problems with the current FPA in terms of translation they want to ensure that discrepancies are avoided this time.

Chapter I -

Personnel calculated by Real Costs

Full Flexibility

Chapter II

Personnel calculated by a flat rate

The fact that this divides staff was raised again and the FPA Watch Group was strongly in favour of keeping all expat staff together as a lump sum.

5. Vehicles

Lump sum system based on purchase price proposed by ECHO. It was agreed that research should be undertaken into the implications of ECHO's proposal to use Belgium as a guide for price. Atlas Logistique and Oxfam GB agreed to look into the options.

6. Communication

The FPA Watch Group proposed to have radios included in the Security budget line and satellite phones in Other.

7. Local Administration line

The new ECHO proposal was presented to the Group. A preliminary calculation was made and the gains from the new line were minimal, particularly when one considers that the Communication line no longer exists. It was agreed that the Task Force would strongly oppose such a development. As despite its generous appearance, it is not an adequate solution if everything is to be calculated by real costs.

8. General Conditions

Article 3 - change to include fraud

Article 5 - issue of negotiation of starting date of project

Point 3 what about modification? It is found in Art. 15 already but perhaps for clarity should be here too?

Article 6 - Point 2, ask ECHO to reconsider the language of the contract proposal by ECHO as the choice of English and French only means that those in Latin American countries will be forced to operate in languages other than Spanish, which is also a problem for ECHO delegates.

Point 3 - six weeks to give final report of Primary Emergency?

Point 4 - Add "unjustified" for failure to give reports

Article 9 - 50,000 euros rather than 45,000 euros

Article 10 - New article which takes up some of the former articles H and J. ECHO took on board our suggestion on the need to prepare an inventory of items bought wholly with ECHO finances which remain in the NGOs possession (new). The obligation to provide titles of transfer for goods has not been removed.

Article 11 - New article, partly former Article H. Introduces the mention of an autonomous controlled, recognised procurement centre. Needs clarification.

Article 12 - The NGOs guarantees that the products provided conform with the Existing rules of the country of operation. Obligation in certain Circumstances to undertake quality and quantity control.

Article 13 - Our suggestion to include that fact that visits/inspections should not be at the cost of the NGO was not included.

Article 15 - No text regarding modification of ECHO contracts.

Article 17 - The delay for reaction has become 20 days instead of 30. ECHO can terminate the contract if the NGO commits financial irregularities - the phrase "on purpose" should be added here. We need to check legal basis for this.

Article 18 - Deletion of the fact that the FPA is regulated by Belgian Law - why? Inclusion of potential for arbitration. Reference is now only made to the operational contract rather than the FPA. Arbitration method needs clarification.

Article 20 - Former Article O. We had asked for it to be deleted but it remains. Will

need discussion with ECHO.

Article 21 - Points 4, 5 and 6 - change the nature of the partnership. With this Article the local administrative cost line is only a mirage and we will lose out. Needs discussion.

Article 22 - Points 4, 5, 6 are extremely negative in tone. Needs discussion.

Article 23 - The maximum delay for payment of advances has gone from 60 to 30 with reference to the possibility to demand interest on delayed payments. Needs some clarification but seems ok.

Article 24 - no text.

Article 25 - 30 days for reimbursement by NGO - ok?

Article 26 - Point 1 - sentence is incomplete.

Formerly the hated Article X (4), ECHO took our comments into account and removed the necessary items. Article 22 takes away from this "victory".

Article 27 - The reference to co-financing remains, need to discuss with ECHO.

Article 28 - Term co-finance remains. Our suggestion to have a change to respond to an audit was not included. Needs discussion with ECHO.

Article 30 - Unclear.

9. Strategy for ECHO Meeting

It was agreed that the meeting with ECHO should be shorter than their proposal of 10 am to 5.30 pm. It was decided to end the meeting at 3pm as it is not feasible to work in a concentrated manner for so long.

The Task Force will present the lump sum proposal.

The Task Force will listen to ECHO's comments and give feedback on the General Conditions.

The Task Force will also ask about Document 14.

It was also agreed that a letter would be sent by David Church, President of the SCHA, informing all FPA Watch Group Directors of the problems of the consultation and the proposed meeting in September with Ms. Adinolfi to give political impetus to the consultation.

Also, the dissatisfaction of many within the FPA Watch Group with the consultation was noted and would be conveyed to ECHO the following day.