FPA Watch Group Meeting – Exchange with ECHO

This exchange between the FPA Watch Group and DG ECHO was the last planned for 2017. It offered a good opportunity to come back on the main issues discussed all along the year and start planning future exchange and cooperation for 2018.

DG ECHO was represented by: Kim Eling Head of Unit D1, Charles Pirotte Deputy HoU D1, Severine Casteleyn and Virginie Jonet Unit D1 and Alberto Garralon Perez Deputy Head of Unit D3.

1. Towards the next FPA:

ECHO is currently working on the basis of an extension of the current FPA and will communicate more formally with its partners in the coming weeks.

Regarding the FPA WG note: "Towards the next FPA", the proposed timeline broadly corresponds to ECHO own timeline. ECHO is still working internally on an official calendar for the next FPA process. Please find below a draft calendar that should be shared formally by the end of the year:

- Early 2018: gather information on points to be discussed, including drafting of concept papers and brainstorming notes
- Summer 2018: further consultation and start drafting the new FPA
- Autumn 2018: working on the new FPA draft
- Partners Conference 2018: presentation of the state of play for the new FPA
- January 2019: wrap up internal ECHO consultations, and start the development of new IT tools and discussions with other parts of the EC
- Launch of EC internal process by summer 2019
- September 2019: launching of a new FPA
- October – December 2019: training and guidelines development
- Signature of new FPA by end of 2019

The FPA WG welcomed this timeline and the potential extension of the FPA. The group raised concerns regarding the potential overlap between the launch of the new FPA and so the use of the new tools and the release of the HIPs 2020. ECHO took notes of the concerns but expects to be able to address these thanks to early planning and development of IT tools.

In terms of priorities, ECHO shared first ideas of thematic blocks to be discussed in the first phase of the process. Many overlap with the issues shared by the Watch Group in its note. However, the list below remains informal ideas that will be further shared with partners once formally finalised:
Simplified reporting
- Greater funding predictability (including possible multi-year planning/funding)
- Multi-partner agreements: signing agreements with several ECHO partners
- Simplifying the application process for FPAs
- Simplifying procurement and donation rules
- Results-based approach/payments
- Transparency, including by means of metrics such as 'total cost-transfer ratio' (TCTR)
- Simplified Costs Options

The issue of partnership will be mainstreamed in the FPA discussion. Localisation will also be addressed under partnership: ECHO is willing to look into existing relations between its partners and local partners and how the next FPA can further build on this to implement the localisation agenda.

If the FPA is officially extended by one year, the extension will be quite straightforward and ECHO will not re-assess partners before extending their FPA. However, external elements questioning the eligibility of some partners might have to be taken into account.

2. Brexit & UK ECHO partners:

So far, ECHO is not aware of any impact the Brexit negotiation may have on DFID external assigned revenues to ECHO.

UK NGOs partners are still eligible. However, if no specific agreement is signed on the eligibility of UK organisations to receive EU funding then they will no longer be eligible as of 30 March 2019. Thus, HIP TAs 2018, as other contractual documents issued by Commission departments (see DEVCO), will include a Brexit clause:

“For British applicants (non-governmental organisations): Please be aware that you must comply with the requirement of establishment in an EU Member State for the entire duration of the grants awarded under this HIP. If the United Kingdom withdraws from the EU during the grant period without concluding an agreement with the EU ensuring in particular that British applicants continue to be eligible, you will cease to receive EU funding or be required to leave the project on the basis of Article 15 of the grant agreement.”

Source: Technical annex HIP 2018 (as released to partners through APPEL)

ECHO recalled that, until Brexit, the UK and UK based entities enjoy the same legal position as any other Member States/entities based in those Member States; there should therefore be no discrimination towards UK organisations in the selection of 2018 proposals; however, it cannot be excluded that post-March 2019 uncertainty popped up in the conversation and might have some impact during the negotiation of the submitted proposals where the latter concern a project whose implementation period would end after 29 March 2019.

3. Exchange on the FPA WG Liquidation survey:

The FPA Watch Group presented the main findings of the liquidation survey to ECHO (see here). The second part of the survey on audits had already been discussed with the Task Force of the FPA Watch Group, ECHO and the auditors during a specific meeting early September (audits minutes available here).
Among the main findings the FPA Watch Group highlighted that:

- The number of partners having a threshold is remaining the same than in 2014. However, partners explained that the main issue linked to threshold is rather the way it informally influences ECHO decision making in the selection of proposals. Some NGOs explained not submitting proposals that go beyond their threshold as they know they will be rejected.

- The survey shows an increase of reductions of ECHO contribution for low achievement of results and NGOs are wondering how ECHO could explain this result and shared concerns regarding inconsistent practices given that no guidelines nor rules define this process in the FPA.

- The FPA Watch Group welcomes that more and more NGOs benefit from the fast track procedures since 2014.

- At the time of the survey, no NGOs reported having receive a 2% penalty for lack of visibility. But, in the meantime the FPA Watch group reported 3 cases of penalties, including for non-respect of extra requirements due to DFID assigned revenues.

**ECHO feedback on the survey:**

- Concerning the threshold, according to ECHO in 2017 there has not been any partner that had seen their proposal refused because it had a threshold. ECHO minimizes the impact of the spreading of pre-financings by paying the second and third instalments as soon as the partner informs that the 70% of the previous instalment has been paid.

- ECHO took note that the “stop the clock” letters with questions on the narrative and financial reports are sent closer to the 60 days’ benchmark and will therefore pay more attention in the future. They also reaffirmed that narrative and financial reports questions should be sent together.

- Regarding the increase of questions at final report stage, ECHO enhances that the quality side should also be taken into account and that a reduction in the quality of the reports submitted by partners could also explain the increase in the number of questions put by ECHO services.

- Performance-related contractual stipulations have been present in the general conditions since 2014. However, ECHO recognises that, with the increasing importance of having a result-based approach, ECHO might have looked more closely at performance and results than before. ECHO recognised that it should always provide explanations in the letter sent to partners in which ECHO warns partners of its intention to reduce the grant. The trend to measure performance will most likely be reinforced by the new financial regulation, thus ECHO and partners should use the opportunity of the next FPA to discuss further the issue. ECHO also reminds partners that it’s essential to inform desks and signal any modification request or operational constraints in order to prevent the surprise effect at the end.

- NGOs shared that it was not always clear to what extent ECHO understands and accepts that the operational context excuses and justifies under-performance. Moreover, reducing mathematically the financial contribution by applying a reduction to a whole result while the under-performance only concerned some activities is judged as a quite unfair method by NGOs. Finally, on the longer term perspective, such result based approach might result in partners reducing systematically the ambition of their proposals.
4. Exchange on the HIP 2018 and the recurrent top up issue

a. HIP process 2018

ECHO reconfirmed that the first HIPs with technical annexes should start being published without the amounts from 20 October, starting with the HIP on Horn of Africa, Sudan and South Sudan. The Horn of Africa HIP consultation already took place at field level.

This release without amount should allow partners to start working on their proposals earlier than last year. If this new approach works well then ECHO will keep this format in place for next year while trying to publish HIPs as early as possible. However, it is always difficult to control internal EC process as a lot of actors are involved.

Final HIP with amounts should be published by mid-November. If some of the “pre-HIPs” are not published by mid-November, then they will be released directly in their final version with the amount. First deadline for proposal submission are foreseen early December. Some of the deadlines might be tight this year and ECHO hopes the early release of the draft HIPs will help partners in coping with the proposal process. ECHO will also see with the desks to publish the calendar of the HIP consultations on APPEL or ECHO website.

Partners welcome ECHO efforts to publish a version of the HIPs without amount earlier which allows them to already work on the proposals. NGOs also suggested that it would be very useful for them if ECHO already shares within the HIPs when consortia are required, since it is easier to co-write a proposal rather than merging them afterwards. Moreover, the FPA WG requested ECHO to limit the use of extra requirements which add complexity and administrative burden for NGOs.

AP: VOICE to collect information on concrete example of extra-requirements and share them with ECHO.

b. Cash guidance note & the HIPs:

The FPA Watch group asked ECHO if and how the new cash guidance note will apply to the HIP 2018.

ECHO confirmed that the cash guidance note was being revised; in the meantime, the cash section of the HIP technical annex had also been revised. See in the HIP technical annexes 2018 the new paragraph on cash-based assistance.

c. The FPA WG feedback on HIP top-up issues:

- Late top-ups and different duration of WWD have an impact on the grant management, creating a misalignment of the funding cycle as the HIP top-ups at the end of the year overlap with the new upcoming year HIP. Partners who apply to the top-up and not the new HIP end up with a funding gap around summer waiting for potential top-ups or next year HIPs to re-apply.

- NGOs suggest ECHO to plan when possible the top-ups in advance and avoid the end of the year overlaps.

⇒ ECHO understands the NGOs issue and will try to better plan the top-ups (save obviously where the top-up is justified by with unforeseen new emergencies).

- The FPA Watch Group also raised the issue of access to funding. It seems for many HIPs top-up funds are already pre-allocated to partners who often submitted proposals earlier during the year. This
system of allocation lacks transparency and makes it difficult for FPA partners to decide whether it's worth developing proposals.

- ECHO would like to offer a chance to all partners to submit proposals but acknowledges as well that this is not always appropriate, in which case it agreed that which partners can apply under a given allocation round should be explained clearly in the HIP technical annex.

- Concerning proposal rejection, NGOs noticed that the justification of rejection can vary between the field and HQ, highlighting a clear lack of communication. (e.g. partners being told by HQ rejection is due to a lack of funding whereas being told from the field that it's because they did not perform well enough during their last project).

5. Update from ECHO on the use of the SAM guidance note

Members of the Watch Group expressed being still confused on the use of the SAM and would appreciate having more guidance from ECHO on how to proceed concretely.

ECHO met some weeks ago with DG DEVCO as they would like to make sure that if ECHO accepts an ex-ante method it will also be accepted by other EC DGs. One of ECHO auditors is currently looking at the simplified allocation method and how it could be applied effectively by partners.

Since ECHO does not have the capacity to finance external audits looking at all their partners' methodologies, some ToRs are being developed to be used by partners' auditors when assessing ex-ante partners' methodology.

In summary:

- If partners decide to use the SAM, they should first refer to it in the e-Single Form.

- Partners can submit an audit report certifying the method is in place and follows ECHO criteria and rules. To facilitate such process upcoming ToRs developed by ECHO will provide further guidance for auditors.

- On the basis of this audit report and the TOR used by the partner's auditors to issue it ECHO may or may not award an ex-ante validation of the SAM.

- In case the SAM had been ex-ante validated by ECHO, ECHO auditors would only check during the field work that SAM has been applied as it had been described by partner's auditors in his audit report.

At the moment, ECHO received 6 partners' requests. One of the solutions suggested by ECHO to ease the validation of the ex-ante SAM for partners would be to gather a number of organisations to work together to have a similar allocation method with the same principles.

AP: FPA WG to gather experience on the SAM in due time for next FPA negotiation.