

FPA Watch Group meeting

25th July 2002

Participants: Jeanette Adriaenssens (Red Cross EU), Jean Saslawsky (MDM), Elvira Rodriguez (ACF), Pierre Gallien (ACF), Salvatore Parata (IFTDH), Michael Roelands (ICCO), Lisette van Benthum (ICCO), Jane Backhurst (World Vision), Farida Chapman (IRC), Diana White (EU-CORD), Riccardo Stefanori (CISP), Cecilie Bjornskov-Johansen (DCA), Helen Holder (HelpAge International), Simonetta Risaio (Handicap), Kathrin Schick (VOICE), Marc Schakal (MSF), Floris Faber (Mission East), Aude Rigot (Atlas) Ed Thompson (CARE Int.), Gaelle Nizery (CARE Int.)

Apologies: Rachel Hastie (Oxfam), Francois Man (SCF), Luca Aiolfi (CESVI), Sophie Dima (IISA)

Chairperson: Jean Saslawsky

1. Update on Current Situation:

Jennifer provided the group with a brief update on the situation of the financial regulation, the implications of the derogations required and the status of the consultation process.

2. Staff Remuneration

Jean Saslawsky (MDM) then provided a history and update on the staff salary situation. Outlining the survey that was undertaken of all ECHO partners last year where lump sums were clearly the preferred choice with “pure” real costs being the preferred second option. As has become clear from the consultation process, lumps sums are not an option that ECHO can provide. Therefore the group are now looking at a real cost mechanism.

A staff salary table by ECHO was proposed and refused by the Watch Group as being unworkable. The ECHO proposal had 36 different categories of staff which would have different maximum amounts of salary.

Now, there appear to be two options:

Option one

Reas cost for budgeting and reporting with simple table of indicative amounts.

As ECHO is having problems with over-budgeting by NGOs they are very strongly insisting on having an indicative table of some description. ECHO also stresses that such an indicative table would reduce the need for discussion/negotiation with Desk Officers on project proposals.

The Task Force have developed a simplified table (see attached) which would outline indicative amounts for staff salaries. Each NGO would insert it's real cost in the budget without any negotiation with ECHO so long as it is below the amount described in the table. If it is over that amount then the expenditure would have to be justified with the Desk and approved. For this reason the Task Force will ensure that the amounts are generously reflective of NGO expenditures.

Each NGO would report on the basis of real costs with receipts, invoices, etc. If there is an over-expenditure on staff salaries then the deficit can be taken from the reserve. Once NGOs operate on real costs with justification ECHO guarantees to cover their staff costs up to a maximum of 6.000 euro per person.

Option two

Indicative budgeting with real cost reporting and a more complicated table system for salary calculation.

With this system each NGO would simply take the indicative amount for each staff category and insert it into the budget. At the end of the project, in the liquidation stage, the NGO would report on the basis of real costs. If they are over-budget on certain staff ECHO will pay the increased amount (from the reserve) once it does not pass 6,000 euro.

ECHO argues in favour of this system as a way of preventing any debate with desks on staff costs and preventing a comparison being made between two project proposals on the basis of staff remuneration.

The difference between the two options is slight but important. In option one, the Watch Group would determine the table with ECHO's agreement and it could be reviewed by the Watch Group with ECHO partners annually.

Option two would mean that NGOs would rely on ECHO to ensure that the table is updated. ECHO's proposed table is very complex, 36 staff categories with the rate determined by country.

Vote

- ◆ Vote unanimous in favour of option one.
- ◆ Vote on the mechanism for staff table developed by Task Force – unanimously approved.

Concept will be proposed to ECHO with the staff table being shown to ECHO without any figures included - if agreed in theory then staff salary amounts rated by country will be researched. All ECHO Partners will be asked to contribute their list of staff salaries (confidentially to VOICE) ranked by country from most expensive to least.

3. Other staff cost issues

Annually charged costs such as insurance, tax or shared housing etc. have to be included somehow in remuneration by ECHO. Difficulty with these is that it is not possible to have an individual invoice per person at times, or indeed, it may not be possible to have the invoice for insurance or tax at the time of liquidation of the contract. ECHO somehow have to accept invoices after the three month period.

Perhaps an estimation could be made by insurer and attached to the financial papers and if the NGO has over-estimated, then they could reimburse ECHO at the end of the year..

For taxes, it is complicated - we need to come up with a solution. The taxes are calculated globally and individually at the end of the year. After liquidation we could charge ECHO for the taxes on the basis of good faith and last years payment levels, if the tax bill is higher the NGO would have to pay the difference, if lower then the NGO would have to reimburse ECHO.

Potentially a tax estimate in each member state could be made through a tax consultancy annually.
-OR-

ECHO may be in a position to somehow allow NGOs to apply for reimbursement at the end of each year for their tax and insurance from a fund that is not designated to operational costs.

4. Depreciation

Most NGOs have their own policy, some do not even depreciate at all. Member state rules are applied by some not by others.

One option was to say that each NGO would show their depreciation mechanism to ECHO and get approval. This is problematic for NGOs that do not depreciate at all.

The Task Force came up with a proposal which is based on reality (see table attached). In essence

depreciation would be based on purchase price. Even if the vehicle is second hand, once it is under three years old depreciation would begin on the basis of its cost to the NGO.

Higher depreciation for first year due to security risks in country.

Depreciation question about cars of local implementing partners? Can they be depreciated? Ask ECHO due to question of non-EU NGOs who have to go through an office in Europe.

Through our depreciation mechanism ECHO would avoid the problem of ownership

Running costs would be calculated as a real cost and would also be provided for all vehicles over three years where depreciation is no longer possible.

It was agreed that the Task Force should try to ensure that the depreciation starts from the first use of the car rather than the date of purchase. Registration in country or insurance could be used as proof of date. Often there can be a three month delay between purchase and arrival of vehicle in the field.

Vote

- ◆ Unanimous vote in favour of depreciation table.

5. Training

ECHO asked us about what the NGOs want for the FPA and the new formats and financial regulations. ECHO trained forty people in two sessions last time and that was it. This was considered to be inadequate. Moreover, the consultants who were used the last time were not considered to be appropriate or helpful.

If ECHO wants the FPA training to be sustainable it has to be well documented and standardised. Ideally a cd rom which is both self explanatory and a teaching aid. When ECHO does their training of NGOs they have to be prepared to train all as the ToT didn't work last year.

In country training and some regional. More than one person per NGO, about three per NGO - to compensate for staff turnover and to enable people to go out to the field.

Watch Group willing to participate in a one day brainstorming to develop ToR for training.

Joint ECHO/ NGO training in Europe would be beneficial – both sides would understand the other better and would be sure that each have received the same information.

Training guide should accompany the User's Guide.

Meeting closed at 4.30pm