



Towards a new FPA: State of play and ways forward

**A base document on improving partnership between
DG ECHO and NGO partners,
in the context of the elaboration of the 6th FPA**

The FPA Watch Group

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Introduction

The present document 'Towards a new FPA: State of play and ways forward' is a base document developed by the FPA Watch Group on behalf of all ECHO NGO partners ahead of the elaboration of the 6th FPA.

Building on the experience of ECHO FPA partners reflected throughout the previous years in the FPA Watch Group work plan and main discussions points, the present document has been developed as a joint paper gathering the FPA Watch Group main recommendations towards the next FPA.

Framed around four main issues: Partnership, Humanitarian funding cycles, the result based approach and simplification& accountability and, the paper elaborates on key issues at stake (based on the NGOs experience with the current FPA), proposed ways forward including advantages and potential risks and a set of actionable recommendations.

The recently conducted evaluation survey of the current FPA has further helped the Watch Group in collecting evidence on the identified issues and re-confirmed some of the suggestions made since the introduction of the 2014 FPA.

The FPA Watch group has also taken into account the external environment in which ECHO and its partners operate and the ongoing debates or recent developments at EU and international level potentially affecting the humanitarian aid architecture. More precisely, the FPA Watch Group looked into the commitments taken by ECHO (and many NGOs) through the Grand Bargain: many of them directly linked to contractual relationship between donors and implementing agencies. To that end the collective work undertaken by the VOICE Grand Bargain Task Force has fed into this paper. Also, the recently negotiated EU Financial Regulation was looked into – exploring how the new regulation can provide space for further simplification in ECHO partnership framework while maintaining the appropriate level of accountability as set by the EC.

Based on the above, the paper was developed by the Task Force of the FPA Watch Group; and inputs from Watch group members were integrated. While this paper presents main recommendations from the Watch Group, it does not cover all topics DG ECHO has identified for discussion during the consultation period. Therefore, based on the survey, the present document and experiences from Watch Group members, additional inputs might be developed by the Task Force in order to contribute to the consultation lead by DG ECHO. The present document might thus evolve and be amended during the upcoming consultation and development of the 6th FPA.

1. Exploring opportunities and challenges of different forms of partnership

In the current international context of the Grand Bargain (GB) promoting efficiency, effectiveness and simplification, the principle of partnership, rooted in a shared normative framework (the European Consensus on Humanitarian Aid), should be at the centre of the dialogue between ECHO and its NGOs partners. The partnership cycle (from mapping potential partners to evaluating the partnership itself) is different from the project cycle and deserves time and investment. More than ever, working in partnership requires ECHO and its FPA partners to accept new ways of working while defending the importance of partners' diversity to cover all of the identified needs and recognise NGOs' diversity of expertise.

A joint understanding of what efficiency and effectiveness mean (based on concrete field evidence) and what impact they have on the partnership should be found to allow all of us to move forward together on the basis of this common understanding.

Working in partnership should also be translated into a fair distribution and acceptance of risks between ECHO and its partners. Risks sharing is essential for partners to increase risks acceptance and ultimately to be able to provide assistance to the most vulnerable populations in hard to reach areas.

Out of partners' assessment of the 2014 FPA, there are a few issues directly related to risk sharing that are worth exploring further and addressing in the next FPA: the translation of a result-based approach into a payment by results approach and in the case of consortia the distribution of risks and responsibilities among partners and leads.

Two new models of partnership are under discussions:

- **Differentiated / Strategic partnership:**

By introducing a differentiated partnership or so called strategic partnership, ECHO is aiming at addressing (at least partly) the question of simplification and flexibility. This proposal is one of the outcomes of the 2017 ECHO evaluation. The idea would be for ECHO to have a strategic partnership with a limited number of partners receiving via numerous contracts a significant share of ECHO annual budget. It would reduce yearly individual contracts and simplify access to funding based on specific pre-conditions. However, this strategic partnership will have to be further explored to make sure that such a relationship is technically feasible, with transparent criteria and advantages to both sides; and that such an approach will not affect ECHO's commitment to a diversity of partners.

- **Multi-partner FPA / Family FPA**

The second model discussed in this paper is the multi-partner FPA or "Family" FPA. It would be based on the main FPA but allowing different FPA partners to sign one agreement together which would aim at reducing the administrative burden on both sides. This new model is mainly proposed to be designed for NGO families or NGOs working within a recognised umbrella or established network.

Advantages and challenges of such methods are developed further in this paper.

The revision of the FPA might also be seen as an opportunity for ECHO to open its partnership to other actors. Therefore, this chapter also seeks to look at the relationship with the private sector in humanitarian contexts: highlighting the current practices, opportunities and risks for ECHO and NGOs. Finally, in line with the GB implementation, partnership with local and national responders and ECHO roles in enhancing this partnership will also be addressed.

A) Working in consortia / multi-partner grant under ECHO funding

Inputs based on VOICE consortia workshop notes from June 2017

Advantages:

- There are potential efficiency and effectiveness gains in working in consortia when deliberately chosen. The different partners can bring their specific expertise and, through the consortium, geographic coverage of the project can be substantially increased.
- Many NGOs found that working in consortia is often an advantage for dealing with local and national authorities (using respective partners' experiences, but also having more influence due to the weight that a bigger contract offers).

Risks and limits:

- Financial risk is not shared and the burden and responsibilities of these fully fall on the consortium lead. The lead organisation holds all of the risk and the coordination duties. This generates a financial burden which prevents small ECHO partners subject to thresholds from applying for a consortium project as the lead organisation, even though they might be best placed to do it.
- Forced consortia: when ECHO 'forces' consortia among NGO partners that do not share similar approaches or experiences, it makes it difficult to ensure smooth coordination and see positive gain from the consortium.
- The current short deadlines to submit proposals render the creation of consortia very difficult, if not impossible.
- Co-funding is an issue in consortia as it exacerbates coordination and reporting costs.

Suggestion for the next FPA:

- **ECHO should be more transparent** on consortia conditions (i.e. guidelines with good practices).
- Based on positive experiences, NGOs recommend that ECHO makes **more use of the coordinated approach** and, where necessary, suggest that partners adopt this model instead of consortia. ECHO should not be prescriptive on NGOs working in consortia given that the process of establishing partnership is complex and lengthy and cannot be forced.
- When a consortium gathers different FPA partners, ECHO should (as per in the case of coordinated approaches) **consider sharing responsibilities between the different partners** – instead of asking the lead agency to carry the burden alone. By accepting that risk is shared, it may allow the lead agency to rely on the FPA itself and to save the lead organisation from running numerous diligence processes. For all partners engaged in consortia, this may substantially reduce the administrative burden while strengthening trust-building.
- **Partners encourage ECHO to consider systematic 100% funding for consortia projects** to avoid extra costs/constraints due to co-funding. Coordination costs should be fully eligible under direct costs.
- Given that the **financial regulation** foresees the possibility to increase administrative fees for exceptional circumstances, ECHO should make use of this exception for consortia recognising the **increased administrative costs** consortia generate.
- Should thresholds be maintained in the next FPA, ECHO should foresee alternative measures (e.g. coordinated approach / risk and responsibilities sharing as above) to ensure thresholds are not limiting best operational modality.
- **ECHO should consider adapting APPEL to consortium application** and allowing multi-partner input into the single form.

B) Exploring the idea of differentiated partnership and a multi-party FPA

The FPA Watch Group welcomes the openness of DG ECHO while entering in this consultation phase ahead of the development of the next FPA. Exploring the potential of new models for partnership is seen as an interesting exercise particularly when the exercise intends to address critical challenges ECHO and its partners have faced under previous and current FPA.

Therefore, the FPA Watch Group develops below key elements of what each of the two models could look like – potential advantages and risks attached to each of the two. However, it also becomes clearer that having two (or more) new models introduced in the same time under the next FPA would exacerbate difficulties: it may trigger lots of potential differentiated rules and raise questions to how one model would link to the other and to standard FPA. Also added to the possibility for new operational / contractual modality discussed in this paper too (such as consortia, multi-year funding, etc.) each model (and possibly combination of models) would have to be further defined in light of the different operational modalities finally agreed upon at the end of the consultation (e.g. how would a family NGO establish a consortium with non-family member and could it apply for multi-year funding?). Therefore, the possibility of “Family FPAs” should be disconnected from discussions on possible multi-partner grants/family grants.

On top of the above reservation, the FPA Watch group would like to stress that whatever the outcome of the consultation is, it is extremely important to make sure that ECHO maintains its commitment to working with a diversity of partners (as highlighted in the European Consensus for humanitarian aid). New model for partnership should at no cost affect ECHO’s capacity to engage and partner with a diverse range of NGOs offering a large scope of competencies and operational approaches which are critically needed to answer the needs of the population we serve.

❖ *Programmatic partnership:*

The Programme-Based Approach (PBA) is a way of engaging in cooperation (development or humanitarian) based on an organisation or partners’ country programme strategy, while allowing for substantial flexibility in terms of programmatic interventions, budget allocation and geographic focus to adapt to actual shifts in the operating environment and the needs of and feedback from the target populations.

The PBA, was initially introduced to reduce administrative and transaction costs of external support and grant management to favour the development of programmes and to strengthen the ownership of the recipient government or organisation¹. The Paris Declaration (2015) explicitly strengthened the case for PBA as a way of operationalising the five principles of Aid effectiveness². Later, by signing the Grand Bargain (2016), the world major humanitarian donors and aid providers committed to increase flexible humanitarian funding in order to achieve greater efficiency, effectiveness and accountability of humanitarian action for affected people.

As part of their commitments, Norwegian Ministry of Foreign Affairs (NMFA)/Norad and Sida started in 2016 and 2017 testing the PBA with four humanitarian NGOs: MSF, ACF, NRC, IRC.

Advantages:

Although the PBA is still being tested, it is assumed that working with a PBA contributes to improving the timeliness and relevance of humanitarian programmes (e.g. by being more flexible to respond and adapt to changing needs of the targeted population and testing new implementing

¹ Sida, September 2008, Guidance on programme-based approaches, department for methodologies and effectiveness

² The five principles are: ownership, alignment, harmonisation, managing for development results and mutual accountability

strategies while being result oriented) and reduce and simplifying the administration between the donor and the implementing agency (e.g. by using the organisation's existing strategies and systems for proposal and reporting purposes, thus reducing the administrative burden for both parties).

The approach builds on the trust and the partnership between the partners and the donor and also calls for strong coordination and synergies.

Limits:

- Working with a PBA presupposes there is an existing trusted and collaborative partnership between the donor and the implementing agencies (e.g. via a partnership framework agreement) and that the implementing organisation have medium to long term and contextualized strategies.
- The principles of working with the PBA at design, implementation and reporting stages should be clarified from the start with the donor in order to manage expectations and avoid unexpected requirements.
- In addition, the PBA should be embedded in the implementing organisation's structure and processes, meaning the organisation should have strong M&E systems to measure its strategic outcomes, robust internal management, control and accountability systems and solid decision-making processes on programmatic and operational issues to manage flexibility.
- Challenges could be met also on reporting, as the programme should be able to report at outcome level for a specific country programme, rather than the level of implementation of each activity.

Suggestion for the next FPA:

Possible proposed scenarios for ECHO to start piloting the PBA on part of its financial envelop:

- **Access granted to preselected ECHO Partners.** Given the need for specific internal control systems in place, the possibility to access Programme-Based funding would be reserved to those organisations that are able to show a consistent and solid Internal Control System (ICS) both in terms of financial control but also in terms of Monitoring and Evaluation System and structure, reporting, strategic planning and intervention;
- **Access is granted only for specific crisis.** These crises can be defined as per specific criteria, if a common denominator can to be identified. Experience so far suggests volatile crisis as the best environment where the PBA has the most positive effects. This approach would clearly support generally more flexibility and focus on impact at outcome crisis level;
- **A specific funding mechanism applying different reporting rules and regulations.** This mechanism could be the result of merging the previous approaches.

❖ **Multi-party/Family FPAs:**

Under the current FPA, ECHO has signed FPAs with around 210 individual NGOs regardless of their potential affiliation to family based groupings. A few of these individual organisations are part of a "family", though through different shapes, sizes and governance structures corresponding to their organisational culture and history. These can take for example the shape of networks, federations or confederations which provide different levels of coordination amongst separate legal entities that generally share common values, vision and brand.

While signing individual agency FPAs should remain the standard modality in the next FPA, ECHO could also consider exploring with family based organisations that have the capacity and willingness to do so, a multi-party FPA modality. This modality should allow different affiliates or members of a family to co-sign one FPA together, while preserving their individual FPA status and ability to sign individual grants with ECHO.

Advantages:

For ECHO this could be an opportunity to:

- Work more strategically with key "family" partners.

- Potentially reduce overall number of FPAs signed while maintaining partner diversity (though not necessarily if all maintain its own FPA).
- Increase cost efficiency; reduce management costs of maintaining individual FPAs for all members of a family.

For families currently holding multiple FPAs, this could potentially allow them to:

- Work more strategically with ECHO and secure an FPA that reflects better their organisational model and ways of working.
- Reduce management costs and overall administrative burden of having to maintain several FPAs.
- Be able to better build on the pooled resources of all of the affiliates/members covered by the FPA.
- Benefit from more streamlined/consistent requirements from ECHO, notably on procurement, audit and reporting, and more autonomy on how funds are channelled internally.

Risks and limits:

- Given the diversity in families' structure and internal organisation, it is unclear as to how many of them would be able to adopt a multiparty FPA (i.e. it may very much depend on what ECHO asks for: same internal procedures? Joint accountability? Only 1 FPA for the whole family?). The level of internal coordination and integration varies considerably from one family to another, including in their ways of working with ECHO. Thus, it would be important to strive for a joint understanding of how the different families currently interact among themselves internally and towards ECHO.
- What would be the advantages from ECHO's side if each family decided to maintain their individual FPA? As the "families" only represent a small number of FPA partners, and ECHO would therefore not significantly reduce its number of partners.
- What would be the advantages for the "families"? The coordination costs would increase (e.g. aligning and unifying reporting, accounting, etc.) and administrative modality would need to be adjusted for both parties. The additional resources/efforts to completely harmonise the existing internal systems may ultimately outweigh the benefits to conclude such FPAs.

Suggestions for the next FPA:

- Some NGO members of families, networks or confederations might welcome the possibility to sign a multi-party FPA. However, to maintain their independence and capacity to respond to national legislative demands, they may also need to be seen in their own identity.
- **ECHO should make this multiparty partnership an option and not an obligation.** The benefits for partners to conclude such FPAs, taking into account the possible additional work and costs for coordination should clearly be presented. This would foster its use and encourage FPA holders from the same families to harmonise internal procedures and ways of working so that they benefit from this multi-party partner option.

C) Promoting a "localisation lens"

Local and national responders are fundamental actors in the humanitarian aid architecture. Being rooted in local communities and institutions, and because of the knowledge they have of the territory and resources and the ability to find solutions for different needs, makes them essential partners in the delivery of humanitarian responses. The Localisation workstream in the GB generates high expectations and enthusiasm and is expected to contribute significantly to the vision to "Leave No One Behind" as set out in the Agenda for Humanity.

Therefore, the new FPA consultation should be an opportunity to connect the dots between the GB commitments and ECHO's partnership with local and national responders.

Strengthening capacity building is where ECHO's FPA partners have a clear added-value in working with local and national partners. To be effective, this should happen as part of preparedness, ideally in 'peace time' or well in advance of disasters occurring. At present, there is a large gap in this regard, as development donors are not looking into capacity building for humanitarian response, whereas humanitarian donors tend only to fund the costs of specific operations. It is thus important to raise awareness of DEVCO colleagues on the importance of strengthening capacities of national and local actors to reduce need for international humanitarian aid.

The GB also aims at looking at the funding chain and how funding and funding conditions are being transferred all along the system. Workings with local and national partners require FPA partners to be able to adapt and adjust their own working modality in order to make the best of the partnership. In this relation it is essential to also look at the issue of risk. And for donors encouraging partnership with local actors (as per their commitment in the GB) to also accept a fair share of the risks inhibited via this partnership.)

Advantages:

- Many FPA partners already have long-standing partnerships established with local and national actors which ECHO has now a possibility to support.
- Working with local actors may ensure a rapid, high quality emergency response with local anchorage and make the best use of the expertise and knowledge of the context at field level.
- In certain context local and national actors may have better access to hard to reach areas. Working with local actors proves to support LRRD / potential sustainability and may help to close the gap between hum and dev aid.
- Many FPA partners already have long-standing partnerships established with local and national actors which ECHO has now a possibility to support.

Risks and limits:

- The limits to only focusing on the GB's objective of providing 25% of funding to local and national organisations "as directly as possible", when an increase of capacity building is key.
- Here again, a shared understanding of risks is essential to ensure that FPA partners do not bear all of the risks when working with local partners. A context specific (project specific) approach may be needed to adjust the degree of risk transfers.
- Requiring localisation as a funding requirement increases risks in terms of accountability and protection if local NGOs do not pass basic criteria that INGOs use to vet potential partner organisations.
- The new FPA should not limit ECHO in fulfilling its commitments towards local and national actors. Other essential steps (notably in advocacy) are to be taken to achieve fully the GB workstream (see VOICE GB TF paper).

Suggestions for the next FPA:

- **Explore options to support local and national actors in preparedness and response** with appropriate funding lines to support core costs during and beyond the timeframe of a response (such as adequate staffing, structure, adequate capacity building and hardware) – One way to achieve it would be to facilitate access to the EU Aid Volunteer programme for local partners of FPA partners as its pillar on capacity building and technical assistance is already a first step towards implementing the GB localisation agenda
- **It requires accompanying the organisations over time:** Implementing MYP- MYF programmes should be a first step to having a long-term approach and building good partnering with solid capacity building of local and national actors. Programme staff

dedicated to establishing and consolidating partnership with local partners should be eligible as direct costs

- While working on assessments at country level, **ECHO should keep in mind the Grand Bargain commitments on localisation** and make sure to give specific attention to local capacity and reflect this in the HIP. Moving forward ECHO should maintain its engagement with the IASC Task team on localisation and adapt the FPA based on the IASC TT proposals (regarding definitions and potential marker). Overall, ECHO should rely on the extensive capacity of its partners working with local actors at field level and provide incentives to strengthen localisation rather than making it mandatory.
- **Support at every level the implementation of the Principles of Partnerships (PoPs)** and its five key concepts of equality, transparency, a results-oriented approach, responsibility and complementarity which should further promote the implementation of the localisation between actors. ECHO could use them as a guiding tool in its policy and programming cycle.

D) Working with the Private sector: which kind of partnership?

In the last three years the discussion and preparation around the World Humanitarian Summit (WHS) accelerated the debate around the role of the private sector within humanitarian relief.

The High Level Panel on Humanitarian Financing and especially the Grand Bargain that was launched at the WHS dedicates an important part of its proposition to the role of the private sector. Thus, the 10th work stream of the Grand Bargain - "Enhance engagement between humanitarian and development actors" - encourages innovative partnerships with private sector and aid actors (e.g. risk insurance, data collection, and mapping).

At the same time, ECHO requests NGOs to work more closely with the private sector, and the private sector is getting more and more involved in the use of cash programming. So far, ECHO is only working with the private sector for non-humanitarian programmes (e.g. ECHO flight), as the Humanitarian Regulation does not mention the possibility of working directly with the private sector: Articles 7, 8, and 9.

Advantages:

- From a general perspective, the increasing involvement of the private sector in humanitarian relief tends to be welcomed as it may add to the overall humanitarian capacity. There is also consensus that the private sector can bring expertise, innovation and competencies, and help to improve practices and perspectives within the humanitarian aid sector.
- DRR partnership with the private sector could potentially represent concrete cooperation between humanitarian actors and the private sector as well as supporting linkages with development projects, e.g. risk insurance support.

Potential Risks and limits:

- The private sector does not have the same objective as the humanitarian NGOs, and are not accountable to the same principles and standards. There are ethical challenges that need to be addressed;
- Any cooperation with the private sector must align with the humanitarian principles, including an impartial approach, accountability to beneficiaries as well as donors, and coordination. NGOs engaging with businesses need to balance (and assess) the engagement of private actors in humanitarian actions: objectives pursued by private actors (in terms of factors such as customer image, communication and market development) need to be understood and measured against potential risks (also in terms of perception) and benefit in their engagement (added-value, expertise, financial leverage, etc.).

Suggestions for the next FPA:

- **Provide incentives for greater collaboration and dialogue** at the highest levels of humanitarian organisations and companies (including with EU Member States) to define guidelines and standards (including benchmarks and indicators) that need to be in place to ensure respect for needs-based and principled humanitarian action in any engagement of the private sector, and that companies' engagement is transparent and without any conflicts of interest.
- **Consider providing additional funds to develop partnership capacities of FPA partners**, including using the HIPs to better support this partnership agenda (supporting partners' proposal which include private sector collaborations and funding resilience efforts).
- **Promote a more systematic support of local businesses and market** in humanitarian responses (where relevant).
- If ECHO further develops its partnership with the private sector, it should request the same level of accountability as that is required of its FPA partners.

2. Funding mechanisms and funding cycle: the partnership in practice

In the past few years, ECHO has been using mostly HIPs to release funding, and to a lesser extent ad hoc decisions mainly as a bridging modality with EDF funds. The use of primary or emergency decisions is now rare, with a more flexible approach given to HIPs, which have seen their geographical scope extended and regular top ups to respond to new or increasing needs.

The key challenges over the past years with this way of working have been related to more structural issues such as the current EU budget architecture and levels of funding for humanitarian aid. Regularly facing a funding shortage, ECHO is pushed to use budgetary reinforcements (Emergency Aid Reserve) or other funding sources (EDF, assigned revenues and other EU instruments) to meet humanitarian needs. This has a negative impact on the overall timeliness and efficiency of humanitarian responses by delaying funding made available to humanitarian partners to respond to new emergencies, or by releasing funding in multiple rounds along the year for protracted crises.

While certain issues cannot be solved in the FPA itself, another set of practical challenges may be addressed by the new FPA. As highlighted by the Global Humanitarian Assistance report 2017, "an estimated 88% of official humanitarian assistance went to medium- or long-term recipients in 2015. Moreover, of the 20 largest recipients of international humanitarian assistance in 2015, 18 were medium- or long-term recipients facing recurrent or protracted crises."³ The need to implement the commitment to multiyear planning and funding does not require further demonstration, and the longstanding demand from humanitarian organisations for Multi-Year Planning and Multi-Year Funding (MYP-MYF) has been endorsed in the Grand Bargain.

A) HIP process

Despite these structural budgetary issues mentioned in the introduction there are also some areas for improvement within ECHO's remit. The way HIPs are developed, released and funding partners could be improved.

³ Global Humanitarian Report 2017, pp 9, <http://devinit.org/wp-content/uploads/2017/06/GHA-Report-2017-Full-report.pdf>

Advantages / benefits of the improved HIP process:

- Strengthened partnership for more coordinated response.
- Reduction of the administrative burden for ECHO and NGOs (reduction of HIP top-up publications, reduction of contracts and amendments, etc.).
- Increased predictability and flexibility to better adjust humanitarian responses.

Risks, limits and problems identified in the current process:

- Different practices / approaches from one region to another: different degree of consultations and partner engagement.
- Successive rounds of tops-ups generating confusion and adding on the administrative burden. as well as lack of visibility and predictability, generating extra-costs and time (e.g. re-scheduling an assessment to get update data)
- Annual HIPs preventing longer term approach.
- Long contracting phase and obligation to submit initial proposal in January even if funding is needed only later in the year (thus generating further work later on to adjust the proposal), especially when activities are closely linked to the seasonal calendar (e.g. shelter during the rainy season or seeds distribution after the farming season).
- With longer validity of the WWD (48 months in 2017 and 2018), the HIPs durations should be clearly specified (especially in light of potential MYP-MYF changes).

Suggestions for the next FPA:

- **Ensure a transparent, inclusive and streamlined HIP development process:** The development of HIPs is a key opportunity for ECHO and its partners to build a common understanding of the humanitarian situation for a given context, to further align response strategies, and to start planning for the medium to longer term. Building on existing best practices, ECHO should streamline the process across geographies and ensure that consultations are systemically held in country at the early stages of the process (taking the example of what has been done in the past years in West Africa). Alternatively, partners could be given the opportunity to provide written inputs with their assessment of how the humanitarian situation is evolving (taking the example of what has been done in the Syria Regional Crisis), gaps that they have identified in the current response, and suggestions as to how ECHO could respond.
- **Coordinate HIP publications and submission deadlines:** The recent approach to pre-release HIPs without funding allocations is welcomed by partners, and ECHO should continue working in this way. The FPA WG also suggests further spreading and coordinating submission deadlines to avoid concentration of work for both partners and ECHO in such a short period. ECHO could set a minimum of 6 weeks for the submission of general HIPs, and 3 weeks for emergencies. Tight submission deadlines also impact the quality of proposals, have a negative impact on the quality of partnership within the consortia, and generate back and forth communication between ECHO and partners after the first submission.
- **HIPs should also mention a clear list of countries eligible under the HIP,** as well as estimated funding allocations per country to guide partners in their submissions.
- **Consider ways to reduce the overall period between proposal submission and actual contracting:** In June 2016, the FPA WG presented the main results of a survey made on 62 different proposals from 2015/2016. The survey calculated the average number of days between each stage of the HIP process and concluded that there was an average of 101 days between first submission and the signature of the contract. Two suggestions could help mitigate this problem:
 - First, ECHO and its partners could explore together options for the cases when NGOs have to submit a proposal in January for actions taking place later in the year. A simplified e-SF (or concept note and estimated budget) should be enough as NGOs will have to re-submit an updated proposal later on. In addition, ECHO could explore the possibility to add a “pending funding” status in APPEL so that partners would be

- aware that the proposal has been evaluated but that the Desk is waiting for additional funding (or a better use of the status 'on-hold').
- Second, ECHO could explore the possibility of sending an official approval when requesting partners to start the actions ahead of signing the grant (in a similar way to USAID and OFDA "pre authorization letter"). It is important for NGOs to have a minimum of guarantees to hold this financial risk.
- **Refrain from introducing technical changes in the single form the preceding month and during the submission period.** In order to adapt the funding plans, rejected proposals could be directly "red lighted" in APPEL.

Crisis modifiers: joint understanding needed to maximise potential

For the first time, in some of the 2018 HIPs, crisis modifiers (CM) were formally mentioned and requested in the technical annexes. Crisis modifiers are mostly used before in DRR and DIPECHO projects. According to the exchanges held during a Watch Group meeting and the survey conducted on the evaluation of the FPA 2014, overall, NGOs are positive about the possibility to use and include crisis modifiers inside ECHO contracts. NGOs highlight the potential flexibility provided by crisis modifiers, to adapt to new or changing needs.

Current definition as defined in the Southern Africa and Indian Ocean ECHO evaluation: "CM are funding instruments devoted to contingencies, and are released when sudden crises such as droughts, floods or heatwaves appear. They support immediate, timely action and provide a vital bridge to a full-fledged humanitarian response. They are aimed at implementing partners who are already operational on the ground and running projects."

To take full advantage of the potential of crisis modifiers, NGOs would recommend further guidance on crisis modifiers to reach a common understanding on the conditions on their use. In particular, the following aspects should be looked at:

- *It should be made clear in the HIPs whether the inclusion of a crisis modifier mechanism is a requirement or an option and how it would weight on the project selection,*
- *Criteria for triggering the crisis modifier should be made clear in the contract,*
- *the crisis modifier size in proportion of the total budget of the action should be agreed upon,*
- *NGOs would also welcome more clarity on the geographical and sectoral scope of the crisis modifiers, i.e. whether it could be expanded or modified from the scope of the action,*
- *In case the crisis modifier is not triggered during the action, partners would welcome having more clarity on a potential Plan B to see how to reallocate the crisis modifiers fund to the action. Partners would need to know whether this Plan B has to be already included at the proposal stage and in the contract, or if the Plan B should be activated through a modification request.*

Crisis modifiers would be particularly relevant in the context of actions under multiyear planning and funding and in relation to the humanitarian-development nexus. It was suggested to consider the USAID/OFDA crisis modifier as a possible example.

B) Multi-year planning and funding

Implementing a multi-year strategy and where possible, multiannual programming and funding is the first recommendation of the Comprehensive evaluation of the EU humanitarian aid 2012-2016. The Watch Group welcomes this recommendation and based on the VOICE Grand Bargain Task force paper on MYP-MYF identifies the following elements:

Advantages:

- Provide efficiency gains and increase effectiveness at different levels by:
 - Supporting economies of scale and avoids duplication of spending;

- Giving room to improve human resources management in the field by providing longer-term contracts to staff and therefore recruiting more competent staff, reducing turnover and saving HR resources currently dedicated to the updating of documents and revision of the single form
- Avoiding multiple transaction costs
- Avoiding disruption of relationships (gaps between grants) between ECHO and FPA partners, and between FPA partners and their local or national partners (including authorities)
- Encouraging more coordinated and harmonised approaches between partners
- Mitigate issues due to misalignment between the calendar year and the grant implementation period
- Establish longer term relationships with the communities and thus improve accountability to affected populations
- It could increase visibility regarding the impact of the intervention in a specific crisis, fostering synergies both at planning and at the implementation level.
- Facilitate work under the humanitarian-development nexus with flexible funding (cf. further recommendation below on the use of crisis modifiers).

Risks and limits of MYF/MYP within ECHO funding:

- Cost-efficiency gains are not automatic: clear criteria for the selection of HIPs for MYP-MYF, and clear modalities for their implementation are essential
- Risk of ECHO requiring multiyear strategies from partners, while only securing yearly grants: no predictability on what ECHO's priorities and level of funding will be beyond the yearly HIP strategy.
- Possible impact of more MYP-MYF on the diversity of partners if MYP/MYF is only accessible to limited number of partners based on their administrative and organisational strengths rather than operational capacities in the given context.
- Impact of multi-year contracting arrangements with partners and particularly in relation to cash flow and the impact on ECHO's overall liquidity situation.

Suggestions for the next FPA:

- Given the numerous elements that need to be considered, ECHO should engage partners in an **open discussion to select HIPs and or countries and contexts that could be best for implementing MYP-MYF.**
- Multiyear HIPs should be drafted on a **three-year cycle with possible adjustments** (midterm review) for different crises or changing situations within a crisis.
- The regional/crisis set up approach is certainly favouring possible flexibility of funding in terms of contracting and moving the budget depending on crisis needs and developments. [The evaluation of ECHO Assistance in the Southern Africa and Indian Ocean Region 2012-2016](#) recommends ECHO to **embrace multi-country medium-to-longer-term efforts** that would also improve synergy and learning.
- **Multiyear funded programmes should come with systematic pre-agreed crisis modifiers** (or a locally activated change mechanism.) As highlighted in the evaluation of Southern Africa and Indian Ocean Region 2012-2016, this mechanism is widely considered as an added-value as it allows a swifter response to arising and unexpected humanitarian needs, particularly in the event of disaster preparedness projects in countries heavily exposed to natural hazards. ECHO could build on the experience from the region (which the evaluation informs extensively) and continue mainstreaming and enhancing its current use.
- **Planning for a three-year programme should focus on jointly agreed high-level humanitarian outcomes rather than detailed indicators.** Discussions should be held with partners to establish joint understanding on what results (and respective indicators) would look like and agree on the necessary flexibility partners will have (in order to maintain a fair degree of risks for partners)

- **Budgeting and unit costs should be flexible** to allow for reasonable inflation year on year. A clause should also allow partners to revise the initial budget if exchange rates become too volatile.
- **Suggested Reporting framework:**
 - Year 1 - Intermediary Report
 - Year 2 - Intermediary Report and updated planning/budget based on the HIP Mid-term Review
 - Year 3 year - Final Report

3. Results based approach: towards risk sharing

The European Commission as a whole is moving towards a more Results-Based Approach (RBA), as reflected by the Financial Regulation 2018. While it includes a clear push towards a “performance culture” with a focus on outputs and results, it also offers several opportunities for simplification (cf. dedicated section on accountability and simplification) that go together with a RBA.

A RBA to humanitarian action is already embedded in the way we work. For the past 20 years, ECHO has been working with a logical framework and proposal/reporting format that formalises their results based approach. Under the current FPA, this was further developed with the introduction of the KRI, KOIs and their integration in the e-Single form.

This approach has been accompanied by a pragmatic means of implementation which recognise that the complexity of the humanitarian contexts means that projects cannot always be implemented as conceived. Flexibility and the ability to amend a project’s design, through dialogue with ECHO, is essential for the final delivery of the project with the best possible outcome for the beneficiary groups.

While an increased focus on results is seen as a positive development as it allows for greater accountability in the use of EU taxpayers’ money as well as towards the beneficiaries, moving towards a Payment by Results (PbR) approach, which is a relatively new aid mechanism with limited evidence to date, can be challenging for NGOs due to the high levels of financial risk involved. It also requires high-level expert knowledge and skills on all levels within a donor organisation and a very robust and fair monitoring and evaluation system to avoid perverse incentives as striving for efficiency and effectiveness should not undermine the focus on quality. Clear definitions of “results”, “outputs” or “outcomes”, and a common understanding of efficiency, and what “essential conditions” would trigger the payment are imperative to remain objective and avoid conflicting interpretations.

Therefore, this also raises the question of risk management. The objective of the ECHO control strategy is to be able to fulfil its mandate, respect the humanitarian principles and ensure that the underlying transactions are legal. It is done through different layers, from the partners’ assessment, to the proposal evaluation, several reports on each funded action, the monitoring in field and the audit planning.

On their side, ECHO partners have a battery of measures and policies to mitigate risks that are embedded in humanitarian operations. But risk management also means accepting that there is no ‘zero risk’ situation. Each organisation develops its own level of risk tolerance and this can be different from one organisation to the next and from a period in time to another one. Humanitarian organisations are striving for a balance between the humanitarian imperative and a certain level of risk: they all want to be compliant and accountable while remaining agile to provide life-saving assistance. The other aspect here is the level of tolerance on the donor’s side. This has a direct impact on the ability of partners to reach the most vulnerable people in the most difficult situations, possibly affecting the diversity of the partners with which ECHO works and, ultimately, the EU as the second largest international donor of humanitarian aid.

Lessons learnt from DFID:

ECHO should also draw lessons from the review of DFID's PBR approach. A report was published by the International Development Committee entitled UK Aid: Allocation of Resources in June 2016. The Committee's interim report concludes that "there is only weak evidence in support of Payment by Results and that it can have negative consequences". As a result, it recommended 'DFID should reduce its use of Payment by Results until it has a stronger evidence base and the deeper knowledge and understanding to implement it without negative consequences (page 4, interim report).' However, in the subsequent final report, published in March 2017, the Committee reported that DFID rejected their recommendation on PbR, but agreed 'to expand the evidence base on what works best through learning-by-doing', and insisted that it 'is proceeding with caution and learning from experience to ensure that expansion of [Payment by Results] delivers increased value for money and development impact' (page 17, final report). Both reports available [here](#).

Current challenges:

- ECHO regularly reminds partners that they have to demonstrate 'value for money.' The discussion on results has shifted from a discussion on the quality of aid to one of cost effectiveness; this is expressed through a focus on results and indicators during the proposal stage but which then shifts to a focus on inputs and outputs during liquidation.
- The Financial Regulation already allows for the penalisation of grant holders due to any lack of performance, and ECHO has increasingly been making use of this mechanism. A lack of clarity in its use means that there is no clear rationale as to why or how a penalty is being applied. This makes it hard for its partners to manage the risk.

Advantages of a RBA:

- The increased focus on results allows for greater accountability in using EU taxpayers' money and towards the beneficiaries.
- It clearly identifies a set of results/outputs to be achieved by the action.
- It develops a robust monitoring, evaluation and reporting system.
- It is based in an integrated approach: narrative, logframe, budget (rationale).
- It requires a flexible/pragmatic approach from the donor and a good understanding and a swift process of how to manage and apply changes to the design (mutual responsibility with the partner).

Risks and Disadvantages:

- It can stifle creativity and innovation as partners will be less willing to take risks and pilot new approaches.
- There is a real risk that the most vulnerable or harder to reach populations or locations will be overlooked as organisations are forced to mitigate the risk presented by PBR by targeted "low hanging fruit" rather than those most in need. It can diminish the overall ambition of partners that might also be less willing to work in highly insecure/volatile environment / hard to reach areas.
- A result based approach translated into a payment by result modality might affect ECHO's diversity of partners since it may directly impact the 'smaller-size NGOs not having the financial and liquidity capacity to take such risk.

- From an administrative point of view, this approach might raise significantly the number of Modification Requests which will be introduced proactively and as a safety measure.
- As noted in the DFID report mentioned above there's also a risk that attention is on short-term, easily measurable goals, at the expense of potentially transformational programmes that respect context and complexity and that require long-term cooperation by disparate stakeholders.

Suggestions for next FPA:

There is a need for a coherent approach across the DG based on clear guidelines for ECHO staff, auditors and partners on the following points:

- **Clarity on how performance is measured and assessed**, including the use of KRIs, KOIs and markers
- **Clarity on the process behind determining the need for and scale of penalties**, non-payments of funds, or demands for reimbursement of already released funds
- **A fair and transparent appeal process** – consistent with the partnership principle
- **Communication and experience sharing between ECHO and partners** has proven to be key. A good example of that is the development of the alternative procedures for 'Exceptional Extreme Operational Conditions' (EEOCs), proving that the level of tolerance in humanitarian operations needs to be adapted to the context.
- The **KRIs and KOIs** were introduced as a new innovation for the results approach. However, ECHO has never shared **aggregated analysis** of the results compiled; this is important not only to ECHO partners who share the information with ECHO, but also in terms of external accountability towards the European Parliament, Member States and general public. **Furthermore, some KRIs and KOIs could benefit from further simplification/revision.**
- Embed the crisis modifier in the eSingle form as a standard text as a means to ensure that programme flexibility is maintained.

4. Accountability and simplification: joint understanding and work to achieve both

The need for accountability has often been presented to partners as the main reason for not simplifying procedures, notably in terms of reporting and data collection. However, FPA partners consider that in planning and working together more closely, accountability and simplification of processes can both be achieved.

A) Accountability

The current trend has led to requests, sometimes with worrying discrepancies and in an uncoordinated manner, for ever more data from partners. Some of the information requested is not part of any contractual/legal requirement and is therefore collected in an ad hoc way. The need for ECHO to collect such a wide range of data at project level – as well as the use made of the collected data - is often questionable and questioned.

Whereas partners fully agree that accountability is key to their work, they have to mobilise important human and financial resources to answer to ECHO's requests. The nature of the work, the urgency of delivering the assistance, and the vulnerability of beneficiaries should always be the priority. FPA partners consider equally important to ensure accountability in both ways: towards their own beneficiaries and population they are serving as towards donors (being public or private) and tax payers. These two ways of looking at accountability issues should be reflected in a balanced manner in the next FPA.

Partners also often do not understand the purposes of data collection since results/analysis are not shared (see the above recommendations on KRI/KOI). This leads ECHO being perceived as more focussed on compliance than partnership. While increased accountability is important, it should be a shared effort and limit negative effects on efficiency and flexibility wherever possible.

B) Simplification

The above elements go in an opposite direction from ECHO's Grand Bargain commitment to simplification. In an effective partnership, it is in the interest of both partners to be accountable and to ensure the effective implementation of its programmes in light of the normative framework and respective missions that guide the partnership (i.e. a needs-based humanitarian assistance to the people hit by man-made and natural disasters with particular attention to the most vulnerable victims).

There are also real discrepancies in the way in which ECHO accepts simplified reporting methods from its FAFA partners, whereas FPA partners do not benefit from a simplified regime. Furthermore, the current complex approach puts a disproportionate burden on the shoulders of FPA partners, creating de facto differences between ECHO partners.

The ongoing discourse within ECHO puts an emphasis on cost-effectiveness and efficiency. The limited harmonisation, and complex reporting requirements, and the additional information required by ECHO, generate additional costs for the partners, as well as considerable loss of time. It also does not allow for a comparison between different donors' contributions, especially in the case of multi-donor programmes.

Advantages:

- By assessing the systems as opposed to the project delivery of partners, ECHO could prove the solidity and reliability of its partners. The compliance with the rules and requirements could be verified punctually through unified audits. This approach would also reduce the amount of time and the resources dedicated to accountability on both sides.
- A robust two-way accountability process would help partners to understand the use made of the data they are asked to provide. Therefore, the data should be fed back to partners, and could also help partners to gain a better knowledge and understanding of the overall EU humanitarian response.
- ECHO should be able to understand the constraints put on its partners and should therefore request data with a degree of flexibility, whilst ensuring the consistency of its data collection approach. Similarly, extremely challenging contexts should be treated differently when demonstrating accountability.
- ECHO should deliver on its Grand Bargain commitment on simplification, and simplification should not systematically be presented as an obstacle to accountability.

Potential risks / Disadvantages:

- Having the overall partner's systems assessed could be extremely cumbersome for "smaller" partners.
- The unification of reporting should lead to simplification and should not result in extremely long lists to respond to every donor's requests.
- Partners and ECHO need to remain in a position to demonstrate the sound financial management of taxpayers' money, even in the context of emergency relief.

Suggestions for the next FPA:

- Establishing accountability measures that ensure that the structure and processes of the partners allow for **sound implementation as opposed to verifying on a project-by-project basis**. This would entail a deeper analysis of FPA applications as well as regular audits. If the scope of application process has to be widened and new standards established, ECHO should

make use of the provision made in the financial regulation and rely on other donors' application process and review to avoid duplication and therefore simplify the process while strengthening the overall degree of accountability. Similar approach to cross reliance on audit (or a single audit as applicable to UN agencies) should be envisaged.

- **Ensuring that accountability is understood as a two-way process:** ECHO, as a leading humanitarian donor, should also be accountable to its partners. This is notably linked to the feedback that partners should be receiving on the numerous data that is collected by ECHO.
- **ECHO should harmonise its reporting requirements and timelines with other major international donors,** in the spirit of the Grand Bargain commitments. To that end, ECHO should reconsider its participation in the GPPI "8+3" pilot project on harmonized narrative reporting and NRC led "Money where it counts" project on harmonized financial reporting.
- **ECHO should clarify and make better use of the fast track procedure,** or extend this procedure to all ECHO-funded actions under a reinforced partnership.
- **Thresholds should be assessed if they are to be maintained in the next FPA.** The evaluation should question whether they are a consistent way to prove accountability and reduce ECHO financial risk.

5. Additional recommendations from the FPA Watch Group

Clear concepts and definitions: Given the number of concepts used in the consultation (and most likely affecting the next FPA), and based on experiences of NGOs with the current FPA, the Watch Group suggests clarifying those concepts and providing definitions to ensure common interpretation. The following concepts or elements are to be clearly defined to be well understood by both parties when implementing the next FPA. For some it might be useful to ensure that within the provision of the FPA (and its guidelines) procedures for implementation (or use of those concepts) might also be necessary:

- output/outcome/result
- result-based approach
- payment by results
- crisis modifiers (see box on crisis modifiers)
- multi-year planning / multi-year funding
- programmatic approach/partnership

Training and support: Recent evaluations (conducted both by ECHO and the Watch Group) show the importance and benefits of DG ECHO trainings delivered by its external supplier. Both at HQ and field level partners positively assess the value of those trainings. Therefore, the Watch Group recommends maintaining those trainings and would suggest ensuring that each ECHO staff follows the FPA basic week covering most of the element of the FPA. Dedicated focus on the novelties of the next FPA has to be ensured.

Similarly, the helpdesk offers great support to partners and is very welcomed. Maintaining it is essential to ensure smooth transition from the current to the next FPA. And in the longer term it provides an essential tool for partners to seek reliable information on the FPA and reduce the risk of non-compliance.

Stability: Ensuring minimum level of stability in the next FPA and should changes be introduced ensure the reasons why is clearly explained to FPA partners and consultation is ensured with the FPA Watch Group.