Budgetary control of EU humanitarian aid managed by ECHO

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The Committee on Budgetary Control unanimously adopted the report drafted by Martin EHRENHAUSER (NI, AT) on the budgetary control of EU humanitarian aid managed by ECHO.

Members recall the EU’s leading global role as a humanitarian actor and the increase in the number and frequency of interventions inside and outside the EU. In conjunction with the current budgetary constraints, they highlight the significance of sound financial management based on the principles of economy, efficiency and effectiveness.

Efficiency and effectiveness of the ECHO control, monitoring and supervision system: Members note that the relations between ECHO and its partner NGOs are governed by the Framework Partnership Agreement (FPA), while the method used for budget implementation is direct centralised management. In this context, they welcome the enhanced flexibility and efficiency afforded by the 2008 FPA, by comparison with the 2005 FPA, including a **more result-oriented approach**. Members call on the Commission to continue refining the measures which will improve the efficiency of cooperation with FPA partners in the post-2012 FPA. They stress that improving the efficiency of cooperation and reducing the excessive administrative burden for FPA partners is important, while at the same timing ensuring a **high level of accountability and transparency**.

The Commission is also called upon to ensure that the weaknesses identified during regular audits of the partners' systems are addressed by them in a timely manner and that the necessary measures are taken if they are not. The Commission should improve the methods for and practice of assessing whether a potential partner qualifies for the FPA or not. According to the report, the external auditors have to continue working on improving the quality of their recommendations to the partners, taking into account partners' specific structures so as to ensure their acceptance and feasibility.

International organisations, the United Nations: Members recall that relations between ECHO and its UN partners are governed by the Financial and Administrative Framework Agreement (FAFA). They stress that the terms for and the implementation of control and follow-up of EU funds under joint management have demonstrated serious weaknesses. They urge the Commission to agree, notably with the UN agencies, on the measures required to be able to rely on the audit work carried out by UN bodies and to reinforce and enhance the assurance gained from the existing checks, including verifications. The report stresses that the **control requirements for indirect management of the EU funds must be as rigorous as those for shared management**.

In general, Members regret the general character of UN reports, in which insufficient information is provided on results. They call on the Commission to ensure that UN reports contain **sufficient information** concerning the results – i.e. the output and outcome – of projects within the reporting time scale. Members also deplore the difficulties the European Court of Auditors (ECA) has encountered in accessing information about the actions carried out by UN partners. They stress that the UN must provide the ECA with the necessary access to information and thus fulfil the FAFA verification clause.

The report welcomes the positive results of the discussions with the World Food Programme (WFP) and the United Nations Children's Fund (UNICEF), as a result of which the WFP and UNICEF changed their rules to make their internal audit reports available to DG ECHO. In this regard, Members call on DG ECHO to conduct similar negotiations with the other UN agencies without delay in order to ensure easy and unbureaucratic access to their internal audit reports. Members also welcome the current efforts of the Working Group on Accountability for and Audit of Disaster-Related Aid established in the framework of the International Organisation of Supreme Audit Institutions (INTOSAI).

Members point out that, since the revelations of **misuse of UN funds for humanitarian and development activities by the Government of North Korea** in late 2006, there has been broad criticism regarding the lack of transparency, accountability, efficiency and effectiveness of the management of funds by the UN. They regret that the UN reform in matters of transparency and accountability has not yet made any significant progress and stress that EU Member States need to demonstrate more political will, determination and coherence to advance the reform and ensure greater accountability. They call on the High Representative of the Union for Foreign and Security Policy to prioritise this issue and play a facilitating role.

Efficiency and effectiveness of the implementation of EU humanitarian aid managed by DG ECHO: Members call for the diversity of the actors involved in financing and implementing the European humanitarian programmes – the United Nations, the International Red Cross and Red Crescent Movement, NGOs – to be borne in mind, given that disasters often transcend national borders and require multilateral, coordinated responses. They encourage the work being done to strengthen the capacities of local stakeholders and increase assessment and rapid response capabilities on the ground through DG ECHO's offices as well as field experts. The report points out that **accurate and coherent needs assessment** is an essential prerequisite for the effective implementation of humanitarian aid.

FPA partners: Members regret the complexity of the administrative access procedures, the excessive administrative charges, which are very high for NGOs, and the difficulties experienced with undergoing audits, given the lack of human resources, and call for the tools used to be appropriate to the specific requirements of the humanitarian sector and to local requirements. They commend DG ECHO's efforts to promote the use of innovative approaches such as the **cash-based approach**, and in particular unconditional transfers, which are directed at the most vulnerable groups.

Noting that there are issues relating to the provision of complete procurement files and the establishment of better-documented and solid procurement procedures, the report notes that the following issues must be addressed by the FPA partners: (i) establishing appropriate internal control mechanisms, (ii) improving their financial cost allocation systems and making them more transparent, (iii) improving weaknesses in their accounting systems and their management's commitment to quality standards, (iv) establishing a risk management process for the whole organisation and (v) raising awareness of the dangers of fraud and corruption.

Members stress the need to solve the issues relating to subcontracted implementing partners. They call for:

- a genuine and continuous involvement of beneficiaries in the planning and management of aid;
- putting in place a formal mechanisms to provide complaints/feedback from the beneficiary to the partner concerned or clear rules on the protection of whistleblowers;
- an improved distribution and post-distribution monitoring of aid.

Budgetary issues: Members draw attention to the frequent topping up of DG ECHO's budget, either through the use of the Emergency Aid Reserve or through transfers from other budget lines from the external aid heading of the EDF. They consider **budget top-ups to be a structural issue**. They stress the necessity to draw up a realistic budget, allocating appropriations for natural disasters or humanitarian actions on the basis of confirmed experience with spending in previous years.

The report stresses the fact that the European Union must strengthen its reaction capacity, given the growing number of major natural disasters. It recalls, with this in mind, that Parliament has for many years been calling for a more **realistic humanitarian budget** in the interests of remedying the chronic underfunding of the relevant budget lines. Members welcome the recent Commission communication on the 2014-2020 multiannual financial framework, which provides for an increase in the humanitarian aid instrument budget of EUR 6.4 billion over this period (i.e. an annual average of EUR 915 million, as against EUR 813 million in 2007-2013). They also note with satisfaction the increase in the Emergency Aid Reserve for the same period, bringing it up to EUR 2.5 billion, as well as the proposal for unspent funds in the reserve to be carried over to the following year, and ask the Commission to ensure that these funds continue to be earmarked principally for urgent humanitarian needs.

Moreover, they ask for:

- the EU budget to support actions designed to **anticipate disasters, prepare for them, avert them and react more quickly to them**, as well as measures to ensure greater flexibility in launching development measures as a means of emerging from crisis situations;
- more and better-managed resources to be deployed to guarantee continuity of aid in the transition phase between emergency and development;
- particular care for children, as well as expectant mothers and mothers of young children, with regard to the provision of food, clothing, evacuation and transportation, and of medical facilities with a view to preventing unwanted pregnancies and sexually transmitted diseases, as priority areas under the existing financial mechanisms;
- the primary focus of this transitional, rehabilitation-oriented phase between emergency aid and development to be capacity-building in local institutions and a high level of involvement of local NGOs and associations in the planning and implementation phases;
- clearer guidance to guarantee transparency and ensure that consortia do not negatively affect the diversity of the NGO community, with particular reference to small and medium-sized organisations.

Need for sustainability, coherence and complementarity: in general, Members point to the significance of linking relief, rehabilitation and development (LRRD) in order to strengthen the links between relief, recovery and development and to ensure a smooth transition from humanitarian aid to development aid. They stress that there is still much work to be done to improve the **coordination, efficiency, effectiveness and consistency of LRRD**. They call on DG ECHO to focus more closely on the sustainability of humanitarian actions and urge DG ECHO and other relevant Commission services to put greater emphasis on DRR and disaster preparedness, strengthen the resilience of the population at risk through capacity building, training and public awareness measures, and establish efficient early-warning systems in disaster-prone and crisis-hit countries, in order to enable them to react appropriately. Members call on DG ECHO to carefully consider the **possible negative effects of humanitarian aid**. They believe that the current acute food crisis in the **Horn of Africa** is also the tragic consequence of a lack of coherence and complementarity in international humanitarian and development aid.

Haiti and Pakistan: Members regret that 2010 will be remembered as the year of two disasters: the devastating earthquake in Haiti, and the unprecedented floods in Pakistan. They note that in 2010 ECHO allocated EUR 122 million to Haiti and EUR 150 million to Pakistan, and that the humanitarian assistance allocated to Pakistan by ECHO was the largest intervention ever conducted in one year. They recognise the added value of operating – as well as the need to operate – under the umbrella of the UN Office for the Coordination of Humanitarian Affairs (OCHA) during humanitarian aid operations.

Members deplore the fact that the experience in Haiti and Pakistan highlighted the currently insufficient coordinating ability of the OCHA. They stress that both disasters revealed that there is **still much work to be done to improve its effectiveness, efficiency and coordination and to reinforce ownership and accountability**.

Lastly, they deplore the fact that the Commission did not provide Parliament's rapporteur with the final narrative and financial reports of the ECHO partners on the implementation of humanitarian actions in the aftermath of the catastrophes in Haiti and Pakistan in 2010, on the grounds that they included sensitive information on ECHO partners. They point out that the Committee on Budgetary Control will send a delegation to Haiti in light of the problems reported in connection with the aid allocated to Haiti.