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Court of Auditors

97/C 143/01

Special Report No 2/97 concerning humanitarian aid from the European Union
between 1992 and 1995 together with the Commission's replies 1



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I

(Information)

COURT OF AUDITORS

SPECIAL REPORT No 2/97

concerning humanitarian aid from the European Union between 1992 and 1995 together with
the Commission's replies

(submitted pursuant to Article 188c, paragraph 4, indent 2, of the EC Treaty)

(97/C 143/01)

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1. INTRODUCTION

The humanitarian aid context

1.1. Aid from the European Union to non-Member States includes a substantial humanitarian element which is earmarked for crises arising as a result of either natural disasters or situations of armed conflict. In recent years the European Community and the Member States together have accounted for about one half of total world humanitarian aid, and Commission expenditure has almost doubled. *Annex 1* shows the commitments of appropriations and the payments made between 1992 and 1995. The majority of the aid measures were financed from specific humanitarian aid headings, namely Chapter B7—21 of the general budget 'Humanitarian Aid' ⁽¹⁾ and Article 254 of the Lomé Convention ⁽²⁾. Despite the Commission's efforts to concentrate the financing of these humanitarian activities on budget headings specifically intended for this purpose, some other headings were used for aid measures which, contrary to what the Commission asserts in its reply, were of a humanitarian nature. Total annual payments increased from 335,3 Mio ECU in 1992 to 616,3 Mio ECU in 1995. For the whole period from 1992—1995 these payments amounted to 2 272,5 Mio ECU.

1.2. Apart from their extended duration, the other characteristic of the crises in countries such as Somalia, former Yugoslavia, Angola and Rwanda is the migration of large numbers of people to areas where resources are, in many cases, already scarce. The ensuing problems rapidly go beyond the immediate problems associated with the emergency, requiring mobilization of very costly resources, especially in the case of armed conflict.

1.3. The European Union's response is to involve a variety of bodies ⁽³⁾ in the mobilization of the financial resources which the Commission holds on behalf of the Union, and the Commission has to act as the catalyst by providing funds for all or part of the action undertaken by the various parties ⁽⁴⁾.

1.4. Several United Nations agencies ⁽⁵⁾ and international organizations, such as the International Committee of the Red Cross (ICRC), normally play a key role in organizing the aid effort. Unlike the European Union, which has its own financial resources, these agencies and organizations are heavily dependent on contributions from public and, to a lesser extent, private sponsors. The United Nations General Assembly radically reformed the coordination of its humanitarian aid provision by setting up a Department of Humanitarian Affairs (DHA) ⁽⁶⁾. Within the United Nations this Department is responsible for liaising between humanitarian agencies and also coordinating political, military ⁽⁷⁾ and humanitarian operations. Within that framework it launches coordinated appeals, the proceeds of which are subsequently distributed among the various agencies.

1.5. Hitherto the DHA has not always had the necessary authority to coordinate all the humanitarian aid systematically during major crises.

1.6. In this context, relations between the Commission and the DHA only very occasionally result in concrete action in the crisis areas. The cause of this can be attributed in equal measure to local conditions (Angola) and the DHA's lack of financial and human resources (Armenia, Georgia and Azerbaijan). The difficult relations between two of the main organizations called upon to act jointly in humanitarian crises are detrimental to the effectiveness of any action which they undertake.

The establishment of ECHO

1.7. Around the same time, the Commission was confronted with problems concerning the coordination, visibility and effectiveness of its own humanitarian measures. On 6 November 1991 it decided to create a special office which would be 'responsible for administering humanitarian operations to aid people in any non-member country who have been victims of natural disasters or exceptional events in cases calling for a swift response and/or implementation of expedited procedures'. The existence of this office was in principle restricted to a period of seven years, after which an in-depth assessment of its performance was supposed to be made. One of the purposes of this review was to explore the possibility of setting up an external, European-wide agency.

1.8. The European Community Humanitarian Office (ECHO) was thus set up initially to operate particularly in the area of *emergency* humanitarian aid to the people of third countries.

1.9. The Commission had, in fact, found that the Community's political will to take action in the area of humanitarian aid lacked visibility under the organizational arrangements which existed prior to 1991. At that time the organizations that were traditionally associated with the Community's action merely perceived it as a financial staging-post, whereas the Community saw itself as one of the lead players.

1.10. In setting up ECHO, the aims were:

- a) 'focusing of administrative responsibility... to ensure managerial consistency and the expertise needed to handle emergencies and adopt the appropriate procedures;
- b) capacity to take direct action at various stages, enhancing the Community's presence on the ground: identification of requirements, mobilization of personnel and material for the relief operation, monitoring and checks, ex-post evaluation;

- c) improved *coordination* with the Member States, other donors, NGOs and specialist international agencies, notably through joint operations and framework contracts;
- d) easier mobilization of the necessary budgetary resources in major emergencies' ⁽⁸⁾.

1.11. In January 1993 the Commission extended ECHO's mandate to cover the whole of its humanitarian aid, instead of emergency aid only. At the end of December 1994 the Commission set out ECHO's responsibility for emergency food aid and that of DG VIII ⁽⁹⁾ for programmable food aid.

The Court's audit

1.12. In mid-1994 the Court carried out an audit with the object of:

- a) assessing the clarity of the European Union's humanitarian aid policy, its aims and the resources to be utilized;
- b) examining the consistency and complementarity of the various instruments being used;
- c) establishing whether the Commission was adequately equipped to implement the aid effectively;
- d) verifying that appropriate procedures were in place for reporting under satisfactory conditions on the measures implemented and the results obtained.

1.13. The operations audited by the Court relate to the period between 1992 and 1995. The Court did not structure its audit by zone or country of crisis. Particularly at the beginning of the period covered by the Court's checks, the Commission for the most part responded to individual requests for funds from the

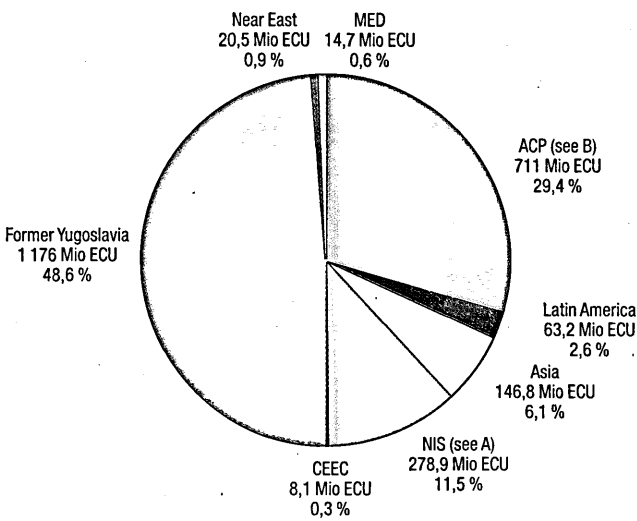
humanitarian aid organizations. It was only later that the Commission began first to consolidate requests by countries/zone, and then to develop global plans (see various passages of paragraphs 3.1—3.7). The Court, therefore, focused its audit initially on the operational relations between the Commission and its partners. *Annex 2* sets out the sample of projects selected for detailed examination.

1.14. The first stage was to review, at the Commission, the procedures followed for the choice of operations, the examination of project files, the conclusion of contracts and the monitoring and control of funds. This was followed by checks at the head offices of the Commission's main partners, with the aim of assessing the reliability of their management information systems and their bookkeeping procedures. A questionnaire on the Union's humanitarian aid policy and the Commission's practice was sent to 38 organizations in October 1994; 29 replied, many in detail. Interviews with the national departments responsible for the Member States' own humanitarian aid effort were used to assess the extent of collaboration between them and the Commission. Finally, the auditors visited Angola and former Yugoslavia (Croatia, Serbia and Bosnia-Herzegovina) in order to monitor the effectiveness of aid, on the ground, in the crisis areas. Regarding the crisis in Rwanda, audits of the files at ECHO's offices were supplemented by a review of the conclusions published in March 1996 by the Steering Committee for Joint Evaluation of Emergency Assistance to Rwanda, following the initiative of the Danish Ministry of Foreign Affairs at Copenhagen in November 1994.

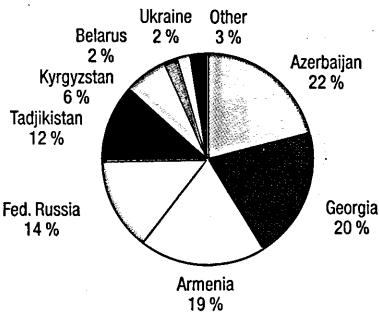
Allocation of aid

1.15. The geographical distribution of European Union aid administered by ECHO from 1992 to 1995 is shown below.

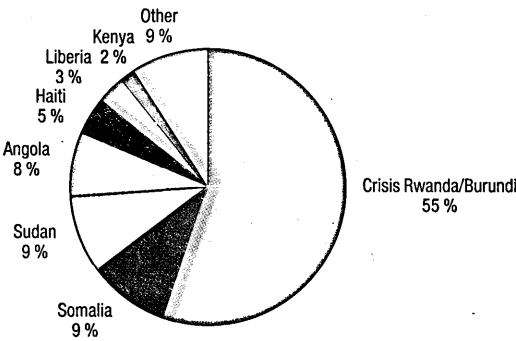
GEOGRAPHICAL DISTRIBUTION OF HUMANITARIAN AID 1992-1995



(A) NIS - PRINCIPAL BENEFICIARIES

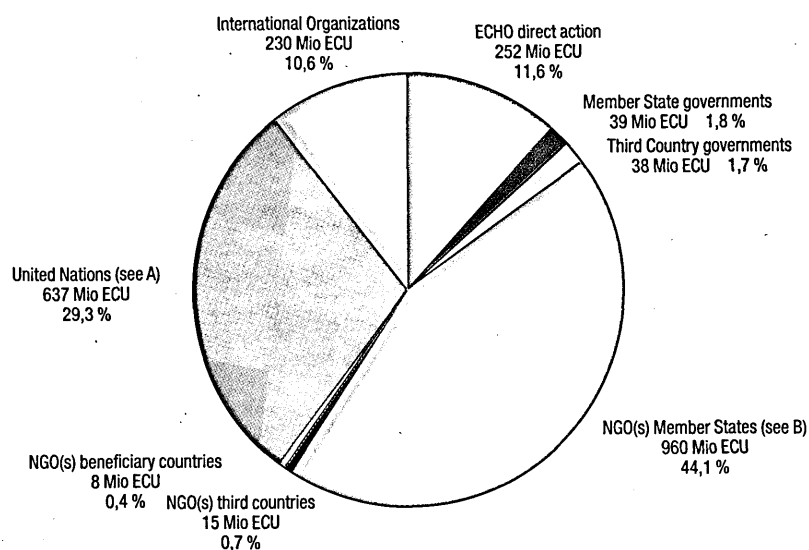
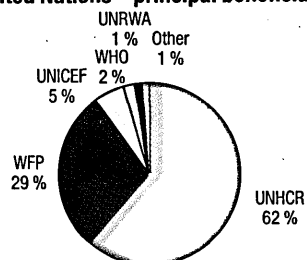
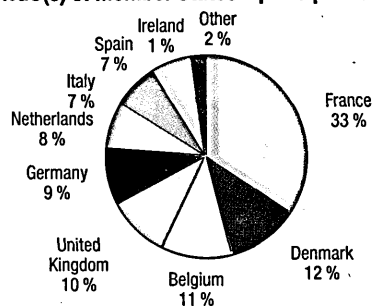


(B) ACP-COUNTRIES - PRINCIPAL BENEFICIARIES



MED = Mediterranean countries
CEEC = Central and Eastern European Countries
NIS = Newly Independent States
ACP = African, Caribbean and Pacific countries

1.16. Analysis of the contracts concluded by ECHO, by type of partner, between 1992 and 1995 shows that the NGOs of the Member States, the United Nations agencies and other international organizations together received 83 % of the aid. A summary of the contracts for the same period, by partner category, is published in Annex 3. Annex 4 lists the 20 largest NGOs in terms of contributions paid by ECHO during that period.

CONTRACTS BY NATURE OF PARTNER 1992-1995**(A) United Nations – principal beneficiaries****(B) NGO(s) of Member States – principal beneficiaries**

UNHCR = United Nations High Commissioner for Refugees

UNICEF = United Nations Children's Fund

WHO = World Health Organization

UNRWA = United Nations Relief and Works Agency for Palestine Refugees in the Near East

WFP = World Food Programme

1.17. Whilst the Commission is indeed responsible for implementing the European Union's humanitarian aid policy, some of the difficulties that have been encountered go beyond its capabilities and should not be held against it. In this particularly sensitive area, it is essential that all the parties involved, by common consent, implement measures that are devoid of any ambiguity. Whatever the difficulties encountered during the period 1992—1995, especially as regards the qualitative assessment of the aid's impact, it should be borne in mind that the Commission has succeeded in deploying an unprecedented amount of aid using relatively limited resources in particularly difficult areas suffering from armed conflicts. The European Union's contribution to the international community's urge to show solidarity is a major achievement for which the Commission must take the credit. Accomplishing this task has undoubtedly been facilitated by the setting-up of ECHO. Nevertheless, the Court's inquiries have highlighted various areas to which the Commission needs to devote further consideration and where it must improve its procedures.

1.18. Throughout the audit, the Commission's departments were regularly briefed on the Court's inquiries and the provisional findings of each of its audit visits. On several occasions, ECHO staff accompanied the Court's auditors on their visits. In some cases, staff from the Commission's departments themselves made subsequent visits to the partners whose operations had been examined by the Court in order to take stock of the checks which had been made. Initially, the provisional findings of the checks on each operational contract examined by the Court were notified to the Commission. Then, when the work was sufficiently advanced, two summary notes were sent to the Commission, one on the partnership agreement mechanism (November 1995) and the other covering the whole audit (February 1996). These various communications helped the Commission to target its own checks and to improve its own working methods. It is because of this approach adopted by the Court that some of the observations contained in this report have already been taken into consideration by the Commission.

1.19. In 1996, after the period covered by the Court's audit inquiries (1992—1995), the Council adopted two Regulations, one relating to humanitarian aid⁽¹⁰⁾ and the other to rehabilitation and reconstruction operations in developing countries⁽¹¹⁾. These two Regulations set out some of the principles governing measures in the humanitarian field and therefore serve to remedy some of the shortcomings mentioned in this report. Their application is not widespread, however, as they are used for specific budget headings. As they have been adopted only recently, it is not yet possible to gauge their true impact. They are undoubtedly an important stage in the process of making the European Union's humanitarian aid policy clearer, but they do not constitute the final stage of this process, and, in the Court's view, cannot be cited as the definitive solution to the issues raised in this report.

2. THE COMMUNITY'S APPROACH TO HUMANITARIAN AID

The European Union's intervention strategy

2.1. The regulations adopted in 1996 lay down principles which are such that they make a serious contribution to clarifying the humanitarian aid policy pursued by the European Union. Nevertheless, the Court considers that the clarifications which have been made do not entirely cover all the aid measures of a humanitarian nature, whether it be the decision-making machinery, the eligible measures or the procedures for collaboration with international organizations. This appears to be connected with the fact that the Member States, whose individual positions may vary considerably, have not sought to establish an overall strategy for European Union humanitarian aid.

2.2. For example, up until June 1996, on specific questions there were in existence Council resolutions⁽¹²⁾, resolutions of the European Parliament and the ACP-EC Assembly, Lomé Convention provisions and Commission communications (see paragraph 1.19). In addition to these various texts there are the Council's common positions⁽¹³⁾.

2.3. In a joint declaration of 25 November 1994, the Council and the Commission expressed the view that a legal basis should, in particular, define the scope of action of a humanitarian measure, describe its coordination and set out the possibilities for cooperation between the Community, Member States and international organizations, including the DHA and NGOs.

2.4. In view of this the Council adopted the Regulation of 20 June 1996 concerning humanitarian aid⁽¹⁴⁾. However, since its first objective is to create a legal basis for the implementation of the appropriations entered under certain general budget headings, it should have been stated that the Regulation is to apply to all the aid of a humanitarian nature in the general budget, and to the aid financed by the EDF as well (see paragraph 1.19).

2.5. The aim of Council Regulation No 2258/96 on rehabilitation and reconstruction operations in developing countries⁽¹⁵⁾ is to meet the needs of people who have suffered serious crises or who are recovering from such situations and thus to ensure continuity of aid after the emergency, leading on to development. According to Article 1 of this Regulation, reconstruction and rehabilitation operations 'must progressively take over from humanitarian action' (see paragraph 1.19).

2.6. This wording could create an overlap between the terms 'humanitarian' and 'rehabilitation' which might give rise to duplication, omissions and, even, conflicts between the measures adopted. In this respect, the outcome of the crisis in Yugoslavia is an example of a situation where the Commission did not allocate responsibilities between its departments clearly. The Commission may be subject to pressure from some of its partners, and there is, therefore, a risk that this form of words may encourage the prolongation of humanitarian operations beyond what is necessary, under the pretext of continuity. The concepts 'humanitarian' and 'rehabilitation' should, therefore, be clarified in operational terms, at least as far as the measures financed by the Commission are concerned⁽¹⁶⁾.

2.7. A proposal for a Council Regulation was submitted by the Commission on 4 September 1995 designed to provide a legal basis for implementing general budget appropriations to aid uprooted people (refugees, displaced persons and returnees) in Asian and Latin American countries⁽¹⁷⁾. Article 1 of the Common Position adopted by the Council on 27 June 1996 states that 'The Community shall implement a programme of support and assistance to uprooted people to contribute to the urgent requirements not covered by humanitarian aid and for the longer-term realization of projects and action programmes aimed at the self-sufficiency and integration or reintegration of such people.' This draft regulation, therefore, introduces a further concept, that of urgent but not humanitarian assistance, which is not, however, defined any further. The distinctions between measures to be financed under this Regulation and those financed under the rehabilitation/reconstruction Regulation, or the humanitarian aid Regulation are not clear. It is symptomatic of the confusion that can arise that, although the draft Regulation states that it is concerned with (inter alia) urgent requirements not covered by humanitarian aid, in 1996 the budgetary appropriations have been placed in Title B7—21: Humanitarian Aid.

2.8. In its communication to the Council and the European Parliament 'Linking Relief, Rehabilitation and Development (LRRD)' (see endnote 16), the Commission recognized the potential problems that can arise from the implementation by different Commission departments of separate budget headings with separate legal bases for humanitarian assistance, aid to displaced persons in Asia and Latin America and aid for reconstruction/rehabilitation. This Communication sought, amongst other things, to find a solution to these problems.

2.9. In order to eliminate these ambiguities and allow the Commission's partners to perceive clearly the objectives and resources of the European Union's humanitarian aid, it would be expedient for the latter to give an unequivocal global commitment, at the highest political level, on the basis of clearly-defined principles and in keeping with the provisions of paragraphs 1⁽¹⁸⁾ and 3⁽¹⁹⁾ of Article 130u of the Treaty establishing the European Community.

2.10. Without general guidelines there is a persistent risk of inconsistencies in the definition and implementation of the Union's policy.

Decision-making mechanisms and dispersal of financial resources

2.11. The European Union's decision-making procedures are a function of the origin of the financial resources, and not the nature of the proposed operations or the scale of the crises. It is thus possible for different procedures to be followed for one and the same operation.

2.12. In respect of the EDF, when the amounts involved have been small the Commission's response time has been short. However, when major crises have erupted (Somalia, Rwanda), the mobilization of appropriations has proved more difficult, especially where the allocations reserved for emergency aid had been used up. The mechanism whereby appropriations are transferred from financial instruments other than aid to refugees is not provided for by the Lomé Convention and obliges the Commission to implement exceptional measures⁽²⁰⁾.

2.13. The Commission split up some of the aid measures into instalments of 1 Mio ECU or 650 000 ECU, according to the circumstances. For this reason a series of decisions concerning amounts of 1 Mio ECU were adopted from 1993 onwards for Angola, Somalia, Liberia⁽²¹⁾, Burundi and Rwanda. This is a purely administrative approach and when such an approach has been applied, it has complicated the planning of the overall aid approach (see paragraphs 3.1 to 3.7), added to departments' administrative workload and ultimately obscured the management control process.

2.14. The creation of an emergency aid reserve in the budget⁽²²⁾ has not functioned satisfactorily. This reserve, provided for in the conclusions of the Edinburgh European Council, was supposed to permit a rapid response to specific aid needs, resulting from events which could not be foreseen when the budget was established. In practice, however, the budgetary procedure applied has imposed a constraint on the implementation of the humanitarian aid programme.

2.15. Firstly, the appropriations initially provided for on the humanitarian aid budget headings were inadequate during the period of the major humanitarian crises in former Yugoslavia and Rwanda (1993—1995), so that in each year the Commission was obliged to mobilize the whole reserve. Secondly, the Commission only requested reinforcement from the reserve at a late stage. Thirdly, the transfers from the reserve were considerably delayed in 1994 and 1995. Further, as

shown by the Court in its Annual Reports⁽²³⁾, this pattern of decision-making has contributed to very large under-utilization of payment appropriations, followed by very large carryovers to the next year when such carryovers should have remained the exception.

2.16. The Committee on Budgets of the European Parliament has concluded that either there should be a more rapid procedure for the release of the bulk of the reserve, or that the substantive humanitarian aid headings should be increased from the beginning of the financial year with a smaller volume of appropriations being put into the reserve⁽²⁴⁾. The continuing high level of needs for humanitarian aid that can be seen supports this second option.

2.17. Foodstuffs, a main component of the products supplied for humanitarian purposes, have, during the period covered by the Court's audit, been mobilized from a variety of budgetary sources and governed by different sets of rules. For example, in 1992, in former Yugoslavia, direct supplies of foodstuffs were simultaneously financed from the budget headings for emergency aid (B7—5000) and for the PHARE programme (B7—6000) and (by somewhat unorthodox procedures⁽²⁵⁾) from European Agricultural Guidance and Guarantee Fund (EAGGF) appropriations. During the crisis in Angola, the bulk of the food products supplied by the Commission in 1993 and 1995, for distribution free of charge, was financed by Chapter B7—20 'Food Aid', managed by DG VIII and DG VI, with only a few operations being financed from the specific humanitarian aid appropriations managed by ECHO.

2.18. Since the adoption of Council Regulation No 1292/96 of 27 June 1996 concerning the food aid policy and management⁽²⁶⁾, the food aid managed by DG VIII and DG VI is considered to be a structural instrument of food safety. Except in the case of large-scale crises requiring the use of all the Commission's instruments, the supply of foodstuffs under humanitarian operations should be covered by the appropriations from Chapter B7—21 'Humanitarian Aid'.

Complementarity and coordination with Member State aid

2.19. The concept of complementarity of Community aid and aid from Member States was written into the Treaty establishing the European Community, but it requires clarification. Although not all Member States devote substantial amounts of financial resources to humanitarian aid, certain of them are, however, able to deploy considerable physical and logistical resources. The Commission and the Member States should endeavour to bring these resources into play more effectively in connection with the implementation of humanitarian aid from the European Union.

2.20. The Community should also clarify what is meant by the term coordination as used in Article 130x of the Treaty⁽²⁷⁾ ⁽²⁸⁾. Depending on the circumstances, the term can, in fact, cover very different measures and coordination may range from simple, one-way transmission of information to the systematic pooling of resources that have been mobilized in a coordinated way. It may also consist of making the best use of the capabilities of one or other of the parties, where they are relatively advantageous, by judicious allocation of tasks and resources (see paragraph 1.10).

2.21. Whereas in the area of development aid the Court of Auditors usually found that, on the ground, there was a certain amount of coordination between the Commission's representatives and those of the Member States⁽²⁹⁾, this did not apply to humanitarian aid. In the only case where large-scale operations were attempted (European Community Task Force — ECTF, see Box 1), cooperation dwindled rapidly, because of a lack of adequate commitment on the part of the Member States. The bilateral aid that was already in place was continued on an individual basis, alongside the ECTF, by the Member States concerned. In this context, in Croatia, at the end of 1994, there was found to be no effective coordination, with the result that bilateral food aid was distributed to the same recipients as the Community aid.

Box 1 — ECTF — European Community Task Force, Zagreb

The ECTF was set up in October 1992 during the European Council in Birmingham 'to support the efforts of the UNHCR to deliver humanitarian aid to the former Yugoslav republics'.

Its objectives were:

2.21.1. to provide logistical and technical support to the UNHCR (although the latter was not consulted as such);

2.21.2. to improve coordination on the ground, principally by facilitating, between donors, the exchange of information on actions funded, with there being an implicit obligation on the Member States and the Commission to inform the ECTF of all their actions.

ECHO, by integrating its own bureau in Zagreb into the ECTF, gave it the additional objectives of implementing the direct food aid actions in Croatia and of supervising the Commission's partners.

From the outset, the planned information exchange proved difficult. Some Member States even initiated actions directly within the responsibilities of the ECTF without consulting it.

Despite declarations of intent, most of the Member States did not provide the contributions, and ECHO had to bear most of the running costs (5,62 Mio ECU between February 1992 and February 1996). As the Commission financed virtually all the running of the task force and as it was generally involved with its management, the ECTF in effect became the operational arm of ECHO in Croatia, Bosnia-Herzegovina and Slovenia. In doing so, the ECTF was generally perceived as an office of ECHO. According to an evaluation carried out by an external consultant, some of the Member State representatives did not understand the role of the ECTF, nor how it related to ECHO.

2.22. During the period covered by the Court's inquiries, coordination essentially took place at central level, at the quarterly meetings arranged by ECHO, in response to a Council Resolution⁽³⁰⁾, between the directors of the national humanitarian aid services. However, the minutes of these meetings show that the coordination had little concrete effect in the short term. Firstly, it consisted in providing the Member States with information on Commission financing decisions and the implementation of them. Then, it served to initiate discussion of various questions of principle, such as relations with the United Nations agencies. Some specific questions were also raised. On every occasion the Member States' representatives closed up whenever there was a possibility of anything more than an exchange of views, and suggestions for studies or coordinated action were referred to higher authority (see paragraph 1.10(c)). During the period 1992–1995, the Member States which systematically informed ECHO of their own humanitarian measures were the exception. This being so, unless there is a radical change in behaviour, there can be no extension of coordinated action between the European Union and the Member States because of the lack of

adequate commitment on the part of the authorities in the latter.

Cooperation with the United Nations and international organizations

2.23. Cooperation with the United Nations agencies and international organizations such as the International Committee of the Red Cross are an important part of the European Union's humanitarian aid policy. Decisions at the highest level of the Union are required on how it should be put into practice. Framework partnership agreements such as those between ECHO and some agencies are inadequate in this respect, because their purpose is to set out the operational details for individual measures, rather than to lay the foundations for the cooperation provided for in the Treaty.

2.24. Although relations between the UNHCR and the Commission are long-standing, it was not until the beginning of 1994 that a high-level working party was set up in order to try to produce a more consistent definition

of the procedures for operational and financial cooperation with the Commission. In order to boost its staff's coordination effort in the area of aid to refugees, displaced persons and returnees in third countries, the Commission set up a standing interdepartmental working party (GPIS) in November 1994. One of the working party's first objectives was to define the Commission's position vis-à-vis the UNHCR. By mid-1995 the working party was still not very active and its actual role had still not been defined.

2.25. Since the setting-up of ECHO, the UNHCR has acted as lead agency in former Yugoslavia and Rwanda. Although both agencies are covered by the same framework partnership agreement, cooperation between ECHO and the UNHCR has taken two very different courses on these occasions:

- a) in former Yugoslavia, management of the food aid programmes was entrusted to ECHO in Croatia, to the WFP in Bosnia and to both at once in Serbia-Montenegro⁽³¹⁾. In addition, the Community placed ECTF⁽³²⁾ logistical resources at the disposal of the UNHCR (Box 1) and financed a team responsible for evaluating requirements for the restoration of infrastructure in Bosnia⁽³³⁾. In other areas, the Commission treated the UNHCR as one partner among many and, between March 1992 and December 1994, ECHO entrusted it with the execution of agreements worth 379 Mio ECU;
- b) in the context of the crisis in Burundi and Rwanda, the Commission financed its partners direct until the massacres in April 1994, when it began to channel a substantial part of its aid through the UNHCR⁽³⁴⁾. Under these new arrangements the UNHCR, in agreement with the Commission, shared out approximately half the sums received between the NGOs present on the ground. The agreements concluded were to be communicated to ECHO. In addition to improving coordination, the new system had the advantage of simplifying the Commission's work of administrative follow-up. In the case of a few large European NGOs⁽³⁵⁾ ECHO continued to provide funds direct, under the framework partnership agreement. At the same time ECHO sent a dozen technical assistants to these areas, to liaise with the UNHCR and other international organizations. At the end, the UNHCR was to make a report in accordance with the framework partnership agreement (see paragraphs 4.11—4.21).

Conclusion

2.26. As of the end of 1995 the European Union's humanitarian aid policy had not been set out clearly and there was no executive summary to apply to all operations irrespective of their source of finance (see

paragraphs 2.1—2.6). The Council Regulations of 1996 concerning humanitarian aid and aid for rehabilitation, and the Commission Communication of April 1996 linking relief, rehabilitation and development are inadequate as a document setting out the EU's overall policy on all aspects of humanitarian assistance. That is why it would be preferable for the principles set out in these various documents to be consolidated. This could facilitate coordination with the bilateral aid from the Member States and the aid from international organizations. The consolidated document could form the Union's humanitarian aid charter, with a clear embodiment of the basic principles, guidelines, definitions and concepts, and laying down its specific characteristics in relation to aid from other donors.

2.27. Complementarity, like the coordination of Union aid with that of the Member States, still falls far short of the positions of principle set out in the Treaty and Council resolutions. Owing to the national administrations' cautiousness when applying the principle of complementarity to the European Union's humanitarian measures, the contacts between the Commission's departments and the national humanitarian aid authorities have failed to have much practical effect on the ground (see paragraphs 2.19—2.22).

2.28. Although the Treaty specifically provides for cooperation between the Commission and the United Nations⁽³⁶⁾, this collaboration is still unstable, partly because of the lack of any overall policy regarding the latter organization. A global agreement should be concluded with the Secretariat-General of the United Nations in order to ensure that relations between the Commission and the United Nations humanitarian agencies are consistent and transparent. Supplementary agreements could then be concluded with each agency (and the UNHCR and the WFP in particular) in order to clarify the prospects and practical procedures for collaboration between the agencies and all sections of the Commission (see paragraphs 2.23—2.24).

3. MOBILIZATION OF HUMANITARIAN AID BY THE COMMISSION

Mobilization of appropriations (global plans)

3.1. In times of crisis the Commission has normally responded on the basis of requests from its partners. For protracted crises, these requests for support have been consolidated by ECHO and have formed the basis for global plans on which the Commission decisions have been made. These global plans, the guiding instrument for ECHO's intervention in a given humanitarian crisis, set out a brief background of the crisis, the total financing proposed and the period covered by the plan

(generally three to nine months), as well as details of previous funding and Member State allocations, if known. Also included is a summary of the organizations to whom funding is to be allocated, together with a sectoral analysis of the proposed actions. In protracted crises, the limited duration of the global plans has led to contracts being awarded with implementation periods that have proved to be too short (see paragraph 4.15 f). Although the quality of the information provided in the global plans has improved since 1995 (for example, details about priority areas), the plans examined by the Court before the setting-up of the Humanitarian Aid Committee were still incomplete.

3.2. In none of the cases which were examined for the period 1992–1995 did the global plans explain the medium-term strategy that had been adopted for the Community's aid measures, nor how it was to be coordinated with the strategies of the other main donors. It has thus been difficult to relate the priorities adopted by the Community in terms of the overall needs and to ensure that they were consistent, especially with those of the Member States (see paragraph 2.19). The global plans did not systematically specify the aid measures of all the Commission's departments, as these plans basically concerned ECHO.

3.3. Furthermore, it is not always possible to identify the negotiations leading to the overall amounts of financing to be raised. The Commission often confined itself to responding, fully or partly, to proposals submitted by partners, keeping within the limits of an amount of total financing determined beforehand and shared out in a manner that endeavoured to ensure a certain balance between the sectors involved, the groups of partners and the geographical origin of the NGOs.

3.4. The global plan of 18 Mio ECU decided for Angola in February 1994 included data only on humanitarian aid provided by ECHO and the DG VIII food aid unit. No details were provided on the DG VIII-managed rehabilitation plan, although this was an important element of the Commission's support⁽³⁷⁾. Furthermore, the ECHO global plan not only included actions of the same kind as those provided by other Commission departments, notably for basic health care and distribution of food products, seeds and tools, but also made no mention of how the actions which were financed were coordinated with those of the UN agencies and especially the WFP. The interaction between the global plan and the strategy of the UN Appeal was not mentioned. The target beneficiaries were not identified in terms of their status or location. In April 1995, the DHA coordination unit (UCAH)⁽³⁸⁾ asked the EU Delegate in Luanda to send it the coordinated strategy of the Commission in Angola. The global plan of 14 Mio ECU proposed in 1996 for the period May–December 1996

makes no mention of the 55 Mio ECU rehabilitation plan launched by DG VIII in early 1996.

3.5. In commenting on the Food Aid and Rehabilitation Aid programme in Azerbaijan between 1992 and 1995, a consultant engaged by ECHO pointed out that no comprehensive strategy had been defined and that the programme was a compilation of the requests of NGOs and other organizations working in Azerbaijan. ECHO's strategy paper 'Transcaucasus Humanitarian Assistance Strategy 1995' was seen by the consultant as an important step in establishing a sound strategy.

3.6. In former Yugoslavia, although broad objectives were identified for the proposed decisions, these were too general to constitute a precise strategy. For example, in the Commission decision of 100 Mio ECU of June 1993, the aims were to provide aid in the various regions⁽³⁹⁾, but without identifying the target beneficiaries in terms of status⁽⁴⁰⁾, nationality or geographical location, nor their needs and how these were being met by other organizations. The document did not define the EU policy towards the UN agencies or the ECTF (see Box 1), nor did it mention the existence of any privileged partners. Similar comments apply to the objectives set out in the decision of 156 Mio ECU of November 1994, where one of the objectives was to fund urgent rehabilitation activities, without these having been defined or located, despite the existence of the IMG-IBH which the Commission had already been financing since the end of 1993 (see endnote 33).

3.7. When the Commission adopts global plans, the NGOs' proposals for projects (see paragraph 3.1) may be put aside for several months before being included in series of financing decisions, for reasons relating to the decision-making process. The partners often see this practice as a source of complication: 45 % of the NGOs which replied to the Court's questionnaire (see paragraph 1.14) took this view.

Internal coordination of the Commission's aid measures

3.8. Several administrative departments of the Commission are involved in (see paragraph 3.12), and several sources of funding are available for, similar or related actions (see paragraphs 3.10 and 3.11). The UN agencies and many NGOs obtain funds under different Commission programmes, managed by different departments:

- a) both the Food Aid department of DG VIII and ECHO provide significant amounts of aid to the WFP (see Box 3). However, it has only been since December 1994 that ECHO has actively participated in defining the position to be taken by the Commission in key policy-making Committees of the

WFP, such as the Committee on Food Aid Policies and Programmes;

b) in Angola, in 1995, different Commission departments responsible for humanitarian aid, food aid and rehabilitation assistance were implementing programmes, sometimes through the same partners. There was insufficient coordination between the departments in Brussels and on the spot (see paragraph 3.4). Because of difficulties in sending information, the Delegation staff were not well informed about ECHO's humanitarian aid actions;

c) in the independent states of the former Soviet Union, the Commission is financing humanitarian aid, food aid programmes and the Tacis Programme. With regard to the 204 Mio ECU food aid programme provided to the Transcaucasian republics in 1994/1995, the ECHO-managed component (± 20 Mio ECU) was not coordinated with the food aid operation managed by other Commission departments.

3.9. The involvement of different Commission departments gives rise to two main issues:

a) the question of coordination of interventions between the Commission's departments, which must ensure that the total programme in a country is coherent and that there is no duplication or contradiction in the approaches of the different departments (see paragraph 3.10);

b) the question of the diversity of the various departments' procedures and contractual terms, which tends to increase confusion and inefficiency (see paragraphs 4.23 and 4.24).

3.10. Although there have been a number of institutional initiatives to improve inter-departmental coordination, these have had a limited impact (see paragraph 2.24) and, in practice, the most effective coordination in specific areas has come about through the efforts of individual desk officers. In its Communication of 30 April 1996 to the Council and Parliament on linking relief, rehabilitation and development (see endnote 16), the importance of the need for a global Community policy and coordination of departments to improve the efficiency and impact of actions was recognized. Community task forces, comprising officials from all the departments concerned, are to be set up at both headquarter and field level for a limited number of pilot countries (Angola, Haiti, Liberia, Somalia and the Great Lakes area). These task forces, also involving NGOs and UN agencies, are to formulate joint global framework policies for EC aid in the short,

medium and long term for the countries concerned, and eventually for each region or country affected or threatened by a crisis. The global framework policies are also to establish the criteria and conditions under which each of the different departments will intervene.

3.11. The following are examples of NGOs which have received support from different Commission departments and have been faced with different procedures for managing the grants and drawing up implementation reports:

a) in Liberia, both DG VIII (EDF Refugee Aid) and ECHO financed the programme of one medical NGO during the period from July 1992 to June 1993 (1,3 Mio ECU). A similar case involving a sister organization also occurred in the same country during the period from March to September 1994 (1,4 Mio ECU). The terms and conditions applied by the two departments were different, which meant among other things that the NGOs had to prepare separate reports in different formats for the two departments. It would have been more efficient to use one source of funds only;

b) in Rwanda, during the period from August 1995 — January 1996, a legal NGO received a grant of 0,3 Mio ECU from ECHO to carry out registration activities in four prisons. Other activities, concerning defence of prisoners and training of legal personnel, were financed by DG VIII for an amount of 0,3 Mio ECU, from March 1996 to December 1996. These various activities still concerned the total activities of the NGO in Rwanda in one and the same field, but required different procedures to be followed depending on which Commission departments were involved;

c) in Angola, two NGOs, one medical and one involved in agricultural development, both received aid from ECHO and DG VIII rehabilitation aid at the same time. Although the activities were carried out simultaneously, they were governed by different implementing and accounting procedures.

3.12. One case was noted where similar operations were being funded by different Commission departments: the 60 Mio ECU PHARE humanitarian aid assistance programme to FYROM (Former Yugoslav Republic of Macedonia), which was entirely managed by DG I A-B4, included a 5 Mio ECU programme to import essential pharmaceutical products in short supply, for distribution to hospitals, medical centres and state pharmacies. This was in essence similar to ECHO-managed projects in the same period, aimed at providing essential medical supplies in former Yugoslavia.

Identification of individual projects and appraisal of proposals

Choice of individual operations

3.13. In respect of the operations examined for the period 1992—1995, partners were not required by ECHO to provide precise information on the objectives and scope of the proposed actions and the targeted beneficiaries, but mainly to provide a list of personnel, supplies and services for which they were seeking financial support (see paragraph 4.14). In contrast with the procedures followed by the Commission departments prior to the establishment of ECHO, Commission delegation staff on the spot were not required to comment on these proposals systematically. The process of appraisal by ECHO staff in Brussels was reduced primarily to the choice of items that ECHO was willing to finance, but the files contained little information relating to the appraisal of requests or to the reasons for modifications to proposals, which sometimes seemed hard to justify⁽⁴¹⁾. In 74 of the 104 projects examined by the Court, the way in which the project file had been prepared could not be clearly established.

3.14. Seven NGOs (which between them received 19% of all funds allocated to NGOs during the period from 1992—1995) considered that greater attention needed to be paid to the pertinence and content of the proposed action. This is confirmed by several of the consultants contracted by ECHO to evaluate individual operations (see paragraph 5.12). At the end of 1995, ECHO tightened up its procedures for appraising its operations.

3.15. Furthermore, at the time of the Court's audit in 1995 ECHO had no criteria or organized records of previous experience with which it could determine the relevance of the action and the competence and efficiency of the potential partner (see paragraph 4.15 a). The files examined contained little or no evidence of why certain implementing partners were chosen rather than others. In paragraphs 5.22 to 5.28 of this report, the consequences of the inadequate initial preparation are set out. The revised procedures introduced in autumn 1995 whereby ECHO staff are required to document the preparation, follow-up and appreciation of each action should enable better targeting.

Co-financing

3.16. The Court is not opposed to the principle of earmarking funds for specific expenditure⁽⁴²⁾. However, it has found on several occasions that operational

contracts formed part of a wider programme which was also financed by other donors. Of the 104 operations examined by the Court, 32 were of this type. In the case of major humanitarian operations in which a small number of donors is involved, it would be desirable for them, together with the partners concerned, to adopt a harmonized approach when defining the programme, with regard to their respective financial contribution and the joint system of reporting, monitoring and control.

3.17. The audit showed that one NGO was granted 12,6 Mio ECU to cover the cost of medical interventions in Bosnia-Herzegovina in the period from July 1992 to September 1994 and that during the same period, the organization received other grants, without the Commission's knowledge, from the United Kingdom and the UNHCR, and also received conditional funding of 4 Mio HFL (1,85 Mio ECU⁽⁴³⁾) from the Netherlands Cooperation to complement the funds provided by ECHO. The same organization received 2,1 Mio ECU for its intervention in Liberia for the period from May 1993 to August 1994, in addition to grants from other Member States.

3.18. In 1993 an NGO submitted a rehabilitation programme in Northern Iraq for funding, informing ECHO that it was seeking funds from other donors, including a Member State humanitarian aid agency. ECHO agreed to finance a large part of the programme, but not the roads component, which was outside its mandate. This component was, however, an essential element in the programme. The NGO managed to obtain the necessary additional funds from four other sources. ECHO, in its monitoring of the project, showed interest only in the financial execution of the components which it had financed. At the end of the programme, only one of the funding sources (another NGO) requested a narrative and financial report covering the whole programme, showing total income and total expenditure.

Conclusion

3.19. Until early 1996 the global plans for mobilizing Community appropriations, drawn up periodically by the Commission as each major crisis arose, did not lay down a medium-term strategy for the aid measures financed by the Union. It was difficult to pinpoint the priorities and the main lines of coordination with the bilateral aid of the Member States. Consequently, these plans were often no more than lists of amounts of financing allocated to organizations designated by name, and so it was not possible to assess their overall consistency and to verify whether funds were being allocated to the most urgent priorities.

3.20. Where the contribution forms part of a programme and is not in reality a separately identifiable project, it is inadvisable to seek to impose administrative and financial control procedures which create pointless complications for the partner and for ECHO, and which give the impression of control rather than providing an effective control of the use of Community funds.

3.21. Control procedures for programmes form an area where increased cooperation between ECHO and Member States' humanitarian aid agencies is essential if more effective management of public funds in the field of humanitarian aid is to be achieved.

3.22. Although the Commission has made progress in assessing needs for individual actions, it is still largely dependent on the evaluations made by its implementing partners. Whilst taking account of the needs assessments drawn up by its specialized partners, the Commission, without duplicating work, should develop its capacity to acquire, in an independent manner, an overview of the needs in order to ascertain the relevance of the partners' proposals. In this manner, it could play a more active role in directing what action should be carried out.

3.23. In its appraisals of individual actions, ECHO needs to ensure that each proposal identifies clearly the objectives of the action and its scope, the strategy and action plan envisaged to achieve the objectives, the beneficiaries that are targeted and how the operation is integrated into any overall programme of aid involving other organizations. Indicators should be specified by which the implementation of the action plan and the impact of the measures can be judged. In situations of great uncertainty and rapidly changing circumstances flexibility is needed, but required changes to actions should be clearly motivated (see paragraphs 3.13 and 3.14).

3.24. Where ECHO and Member States are jointly funding an NGO's operations they need to agree on a much greater degree of information-sharing and on joint, programme-oriented verification procedures. In this respect, the OECD Joint Evaluation of Emergency Assistance to Rwanda (see paragraph 1.14) recognized that, whilst donors have a responsibility to improve accountability to the public, they should have an important role in promoting consistent standards for reporting (see paragraphs 3.16 and 3.21).

3.25. The various departments of the Commission also need to improve their coordination in the area of the examination and audit of the procedures and systems of the organizations to which they grant funds, in order to determine whether these organizations are able to manage and account adequately for the use of the funds they receive.

4. ECHO'S ORGANIZATION AND WORKING PRACTICES

ECHO's organization and resources

4.1. ECHO was set up at a difficult time, when major humanitarian crises were proliferating, thus requiring speedy responses to the problems of internal organization and to urgent external requests.

4.2. When it became operational in early 1993, ECHO took over not only the tasks but also a large part of the staff of other departments, in particular DG VIII/5 (emergency aid) and DG VIII/B1 (food aid). Redeploying the staff in this way enabled the office to begin its work straight away. However, quite a number of these staff left ECHO between 1993 and 1995. Several partners thus complained that those in charge of cases kept being replaced and that some of the new recruits lacked experience.

4.3. ECHO's organizational chart, drawn up at the end of April 1996, is shown in *Annex 5*. *Annex 6* shows a breakdown of ECHO's staff and how they are divided up between the various departments on a geographical basis. The operational departments do not seem to have sufficient resources to cope with the needs for analysing and summarizing found in the field of individual measures (see paragraphs 3.13 — 3.18 and 4.26—4.27).

4.4. In recent years, because of a restriction on the number of posts available, ECHO has made considerable use of temporary staff, auxiliaries or persons providing services (44 staff in 1994 and 36 staff in 1995) for carrying out permanent day-to-day management tasks. At the end of 1995, 43% of the staff had temporary contracts lasting a maximum of three years or 12-month auxiliary contracts or contracts for persons providing services, lasting between one and 12 months. The ECHO 4 unit (the former budgetary cell), responsible for committing appropriations and settling expenditure (general budget and the EDF), was thus run entirely by external staff, except for the head of unit and one official responsible for the unit's coordination. At the end of April 1996, more than 60% of the staff in the financial unit were temporary (see *Annex 6*).

4.5. Temporary staff, auxiliary staff and providers of services had to deal with complex cases such as those concerning the crises in Rwanda⁽⁴⁴⁾, Somalia and Mozambique. When performing the job of desk officer, the external member of staff employed by the Commission becomes the main point of contact with the partners as he analyses the requests for financing and draws up contracts for the operations. Duties such as these should normally be carried out by experienced staff who have a good knowledge of the Commission's procedures and who, because they have contracts of considerable duration, can validly represent the Commission.

4.6. The procedures for recruiting staff not covered by the Staff Regulations are not very transparent. In the case of auxiliary staff (financed from Item A-110), as in that of providers of services (Item A-178) made available by temporary employment agencies, it is ECHO which presents the names of the staff to be recruited. They are chosen on the basis of personal intuition, without any selection criteria or tests to assess abilities.

4.7. As the contracts mentioned above are of limited duration, the only way in which the staff can continue to carry out the same tasks is by moving from one set of employment arrangements to another until they have reached the maximum length of service of three years. Once this period has expired, some staff may be granted a contract as a consultant financed from operating appropriations, but most of them, once trained, have to leave the department just when they have gained the experience needed to perform their duties. This being so, employing staff not covered by the Staff Regulations to carry out permanent tasks is unsuitable. In general, the regulations relating to the staff of the Commission, even those applicable to temporary and auxiliary staff, have proved to be too constricting where the mandate given to ECHO requires a degree of flexibility.

4.8. Since its creation, ECHO has recognized the need to have an increasing number of technical assistance personnel on the spot to evaluate needs correctly, to monitor and supervise the implementing partners, and generally to ensure a presence of ECHO in the field. During 1995, some 80 technical assistants were employed in 28 countries. These technical assistants are usually employed on short-term (six-month) renewable contracts. In practice, in some countries there have been frequent changes in technical assistance personnel. As a result, there is a danger not only that control of the operations financed by ECHO might be lost but also that its image as perceived by its partners might deteriorate. It is thus essential that the technical assistants whom ECHO employs on the ground are carefully selected, have considerable experience of humanitarian aid work and are sufficiently conversant with the way in which the Commission's departments work.

4.9. The role that the technical assistants are required to perform — coordinating with UN agencies and local authorities, and monitoring ECHO-financed operations — means in practice that they perform a representational function for the Commission. As technical assistants on short-term contracts, there are severe limits on what they can and indeed should do in this regard.

4.10. As Humanitarian Aid is a permanent programme of the Commission, there is a need to develop a capacity for representation in the field. An effective 'corps' of humanitarian aid experts, who could be deployed as required where humanitarian operations are carried out, and who could also spend periods at the ECHO

headquarters in Brussels, would permit the Commission to strengthen its expertise. This should be done as part of a system of rotation of personnel similar to that in operation between headquarters and the delegations⁽⁴⁵⁾. In any case, the Commission needs to provide a much stronger institutional framework for its field supervision (see paragraph 4.37).

ECHO's working practices

Framework partnership agreement (FPA)

4.11. In order to be able to respond speedily and effectively to emergency humanitarian situations, the Commission, starting in 1993, has gradually set up a system of structured cooperation with its partners. This system, known as the framework partnership agreement, is based on establishing relations built on trust and on an agreement which lays down the detailed rules for granting ECHO financing and the procedures which its partners undertake to follow in order to account for their actions, in both operational and financial terms. This is not a closed system and does not prevent new operators from receiving financial support from the Commission.

4.12. The Court is in favour of the principle of a framework partnership agreement which is applied to partners whose effectiveness and reliability have been established and which is supposed to enable often large amounts of funds to be mobilized under good conditions, whilst at the same time curbing the periods of time usually needed for the administrative and contractual procedures. Indeed, in the past the Court has recommended that agreements of this kind be introduced, in the context of the co-financing of development projects with NGOs⁽⁴⁶⁾.

4.13. The framework agreement system consists of three parts:

- a) the actual contract itself, a recital in general terms of the principles and intentions of the parties;
- b) general conditions governing the procedures for appraisal, mobilization, rendering the accounts and payment. They lay down the form of the documents to be used for each individual operation;
- c) specific conditions, laid down for each operation⁽⁴⁷⁾, which set out the work programmes and specify precisely which expenditure is eligible for ECHO financing during a strictly defined and usually short period.

The FPA is in practice concerned with the contractual conditions governing individual humanitarian aid actions,

and does not cover more general conditions for a specifically designed longer-term partnership between the Commission and each of its partners in responding to humanitarian needs. Contrary to what the Commission states in its reply, the Court considers that, for the purpose of establishing genuine partnership relations which take into account the special features peculiar to each partner, the commitments of a general nature, mentioned in the framework partnership agreement, are clearly inadequate.

4.14. Whilst about a third of the NGOs questioned during the audit considered that the introduction of the framework agreement had indeed made their relations with the Commission easier by clarifying the financial procedures, the others took a less clear-cut view. Many of them perceived the framework agreement as an administrative instrument which was in some cases rigid and whose constraints were in fact felt only by ECHO's partners. They also thought that the FPA was an instrument basically geared towards quantitative checks on the purchasing, transportation and distribution of supplies (see paragraph 3.13). Quite recently, some of the large NGOs and the international organizations informed ECHO of the difficulties which they were encountering in implementing the framework partnership agreement and suggested some modifications to it. However, pending the Council Regulation on humanitarian aid (see paragraph 2.4), the agreements which expired at the end of 1994 have been renewed without any change being made.

4.15. The checks carried out at ECHO's main partners (*Annex 2*) have given rise to the following observations:

- a) the partnership agreements have usually been made without ECHO having had the opportunity beforehand to make an in-depth analysis of its partners' working methods and administrative and financial procedures (see paragraph 3.15). This being so, ECHO has had no other choice than to propose just one approach to humanitarian aid, i.e. the approach which best satisfied its own budgetary and financial control constraints;
- b) whilst the framework partnership agreement and its operational contract are well suited in their present form to simple humanitarian aid measures which basically involve procuring, delivering and distributing supplies, they are less able to satisfy the requirements of complex major operations which form part of longer-term programmes involving several donors. Similarly, whilst the very detailed budgets are in keeping with what may reasonably be expected for simple operations, this level of detail is, however, ill-suited to complex measures which call for a certain amount of flexibility. Whilst it is quite legitimate to want to ensure that the expenditure incurred corresponds to categories which have been

authorized beforehand, it is going too far to try to stipulate the supplies too precisely, as this complicates the partner's action;

- c) it is not realistic to take the attitude that the partner must in every case adapt to the donor's conditions because the latter holds the purse strings. This in fact runs contrary to the aim of sound financial management. The aid recipients either have to perform accounting contortions which ECHO can detect only by means of on-the-spot checks, or they put ECHO in a *fait accompli* situation, safe in the knowledge that, because of their size and their political weight, they are key partners;
- d) whereas in the framework agreement ECHO's partners undertake to follow certain procedures for individual measures, ECHO for its part makes only undertakings of a general nature. Thus, for example, ECHO does not specify the level of financing which its partners can expect, the time-limits within which they will obtain a response to their proposals or the explanations which will be given to them in the event of their proposals being altered;
- e) some of the accounting methods applied by the ECHO departments are not very explicit and result in cases where ECHO refuses to bear expenditure even though there is no question as to the availability of the appropriations or the relevance of the expenditure. The following aspects of the framework agreement should therefore be explained more clearly: the detailed rules for applying the flat rates, especially for staff expenditure (see paragraph 4.22), the mechanisms for using the contingency reserves, the arrangements for reviewing the budgets and the procedures for converting advances and expenditure⁽⁴⁸⁾;
- f) since the operational contracts relate to measures which are complex or part of large-scale aid programmes, the set time-limits for the eligibility of expenditure are often too short and do not correspond to the real duration of the measures⁽⁴⁹⁾. In 41% of the operational contracts which were examined, the contractual periods proved to be unsuited to the partners' constraints. For the convoys organized by the Danish Refugee Council in former Yugoslavia, ECHO, for example, made 25 agreements between June 1992 and September 1994. Even though this may be an extreme case, it shows that where the duration of the contracts is insufficient, this complicates the planning and management of the aid measures and thus leads to loss of effectiveness and unnecessary costs;
- g) expenditure is not finally settled until a narrative report on the implementation of the measure has been submitted. However, whilst the financial statements

of costs are subject to very strict checks on their compliance with the budgets or as regards the dates of issue of the invoices, in none of the cases examined during the audit was it found that ECHO's

departments had sought explanations when the reports were too vague or else too brief for the real extent of the implementation of the work programme to be judged⁽⁵⁰⁾.

Box 2 — Application of the framework partnership agreement to the UNHCR

The main observations arising from an examination of the agreements made in respect of the aid measures in former Yugoslavia for 237 Mio ECU are as follows:

- a) ECHO did not make any general contribution to the UNHCR's action programmes, but financed individual measures within these programmes. In practice, ECHO links its financing more to pre-determined measures than do the other donors. This practice is ill-suited to UNHCR's mode of operation and creates grave administrative and accounting difficulties for the UNHCR, because the financing is so brief and unpredictable in the medium term;*
- b) because of the war situation, the UNHCR's estimates of needs for equipment and provisions have remained very rough and have included the setting-up of reserve stocks in order to cope with contingencies. For its part, despite being represented on the spot, ECHO has often been unable to assess the validity of the requests submitted by the UNHCR;*
- c) even though the UNHCR's ability to monitor the final distribution of goods on the spot was limited, ECHO accepted implementation reports which were very general and whose information value was low, despite the fact that only the individual operations were regarded as eligible;*
- d) despite the size of the amounts involved, ECHO has not obtained from the UNHCR independent evaluations of the operations financed.*

For the crisis in Rwanda, an examination of four agreements made with the UNHCR for a total of 73 Mio ECU gives rise to the following observations:

- a) the Commission's agreements do not correspond to the UNHCR's programmes of operations; this is simply a consequence of the fact that the Commission has made appropriations available gradually;*
- b) by deferring the expiry of the agreements by several months and accepting that only one overall report be submitted for the four agreements, the Commission has adapted the standard system which it initially set up to the operational needs of the UNHCR in this crisis. ECHO's various contributions can be seen as a piecemeal response to a global appeal, a system which the Commission is usually against;*
- c) the UNHCR has not always responded to ECHO's requests for information: for example, as at September 1995 it had not sent ECHO all the agreements made with the NGOs;*
- d) because of the large number of operations and because the detailed information is dispersed, the system which ECHO has set up does not enable it to exercise its operational and financial control under the conditions provided for by the framework partnership agreement. Notwithstanding these points, the manner in which the Commission provided block funding to the UNHCR in Rwanda was judged effective in the circumstances by the evaluators mentioned in paragraph 1.14 above.*

4.16. However, although the purpose of the framework partnership agreements is to establish cooperation which is geared towards effective action, simplified administrative procedures and a higher profile on the scene of crises, the number of these agreements

tends to be restricted by two constraining factors: ECHO's limited human resources and the need to have a thorough knowledge of its partners' capabilities and working methods.

4.17. The system of the framework agreement, as implemented, serves basically as a formal support for the submission of draft budgets and then as an accounting control instrument for expenditure. At the very most it was permitted that the supporting documents would no longer be sent to ECHO at the time of the final settlement, but would be kept at the partners' headquarters for subsequent verification if need be. So long as the partners' constraints and operating conditions are not taken into account and the same treatment is applied to them all, the framework agreement will fail to be any more than a reasonably suitable instrument for rationalizing procedures for appraisal and for settling expenditure within the framework of subcontracting relations for purchases of supplies and services. In respect of the Commission's reply, the Court would point out that, like the European Parliament and the Council, it unreservedly supports the principle of a framework partnership agreement as an instrument for managing humanitarian aid (see paragraph 4.12). However, in the way it is at present worded and being applied, it will not be seen as an instrument leading to an effective partnership geared to aid objectives to be achieved by means of acknowledged know-how in specific areas (see paragraph 4.16).

4.18. The above observations, together with those set out in paragraphs 3.16—3.18 concerning co-financed operations, point to the need for the Commission to introduce some differentiation into the provisions of the FPA to reflect the different types of operation being financed. This should be done as part of the process of amending the provisions of the FPA already begun in 1994 but postponed while the humanitarian aid Regulation was prepared. Where the operation is a relatively straightforward one, involving the procurement, delivery and distribution of humanitarian supplies as a self-contained action, then the existing FPA provisions, with the improvements already under consideration, are appropriate. For more complex actions, where the resources provided by the Commission are combined by the partner with the resources of other donors and the own resources of the partner, the contractual terms need to be more explicit about the total programme, the different components of that programme and the sources of funds that will cover it.

4.19. As a major donor it is normal that the Commission should be closely involved with the definition of the programme or its partners, and should be able to influence priorities. The FPA conditions for this type of contract should be precise about narrative and financial reports — form and content — that will be supplied at the level of the partner's whole programme, so that the partner is sufficiently accountable to its donors. Also, such contracts should include audit arrangements for the operation as a whole, to avoid the situation where each donor seeks to apply its own audit requirements in isolation.

4.20. In order for this to be effective, other major donors would need to agree on a similar approach, which is unlikely to be easy. Nevertheless, the Commission and the Member States of the EU are in a position to take a lead in this area. The Joint Evaluation of Emergency Assistance to Rwanda made specific recommendations to donors, agencies and the OECD/DAC on the need to define 'consistent standards, including adequate breakdown of data by activity and area, for the humanitarian assistance community as a whole.... Donors have a responsibility to standardize among themselves the formats they use for reporting requirements of agencies to whom they provide funding'⁽⁵¹⁾.

4.21. Differentiation of the contractual terms of the FPA on the lines set out above implies a degree of differentiation by groups of organizations with which the Commission works. One group consists of the major UN agencies and the ICRC, with whom particular agreements are needed both because of operations financed, and because of their particular multilateral and international status (see paragraph 2.23). A second group consists of the NGOs operating on an international scale, with medium or long-term programmes of humanitarian assistance in a given country, for which they obtain funding from several sources. A third group consists of NGOs which implement individual humanitarian actions, normally on a limited scale and with simple financing formulas.

The personnel costs of projects

4.22. Frequently, personnel expenses constitute a major part of the costs of a project. Unlike the purchase of goods and materials, where ECHO requires details of actual costs, a system of flat rates⁽⁵²⁾ is used, with different rates for expatriate and local personnel. As currently applied, the system suffers the following problems:

- a) although the term used is 'flat rates', and in practice ECHO pays the standard rates in full, it has tried to argue⁽⁵³⁾ that what is in fact meant is that the 'flat rates' are ceilings up to which payments will be made;
- b) the remuneration actually paid by ECHO's partners to their staff varies considerably: for some, the flat rates are insufficient to cover the costs (e.g. the UN agencies, international organizations and some NGOs which pay near-professional rates), while for others, whose staff work for volunteer rates, the flat rate sometimes exceeds actual costs substantially⁽⁵⁴⁾;

- c) the rates for local personnel are also standardized across the world, and are based on the levels of pay in the poorest countries⁽⁵⁵⁾. They are totally inappropriate for middle-income countries such as former Yugoslavia. A majority of the partners contacted considered the local flat rates far too low to enable them to appoint good local staff, especially in highly-qualified professional categories. In these circumstances, there is an incentive for partners to appoint expatriate personnel rather than local staff, which penalizes both the country in crisis and the budget of the Community.

Standardization of contract terms and conditions

4.23. The Commission has not standardized its contractual terms and conditions for its partners receiving funds for humanitarian aid actions managed by ECHO (governed by the FPA), food aid operations managed by DG VIII (the Official Letters), refugee programmes managed by DG 1B and DG VIII (letter contracts), and the co-financing of development projects with NGOs, managed by DG VIII (letter contracts). About 45 % of the ECHO partners consulted pointed out that they did not understand the reasons for the considerable variation in procedures. While it is true that contract formats, terms and conditions cannot be strictly identical for the different types of action financed, there is scope for considerable standardization and improved coherence between the requirements of the Commission's different departments, notably in the following areas:

- a) payment conditions (for example, advances, conditions for release of funds);
- b) other financial conditions, including treatment of interest⁽⁵⁶⁾, payment of flat-rate amounts for personnel or transport;
- c) procurement rules;
- d) inspection and surveillance;
- e) transport and delivery conditions;
- f) provisions concerning the presentation of narrative and financial reports, including the deadlines specified.

4.24. The Commission has recognized that the application of different procedures, including contractual ones, in the administration of refugee programmes is unsatisfactory⁽⁵⁷⁾. In 1994, the Commission departments involved with refugee actions examined whether the FPA was applicable to their longer-term actions, but found

that it was not. Since then, there has been little progress towards harmonization of contractual conditions. The review of the terms and conditions of the FPA by the Commission should explicitly take this into account.

Tendering

4.25. Generally, it was found that the large organizations, such as the UN agencies, the ICRC, the large NGOs, apply appropriate procedures for market-testing and tendering, and seek to obtain the best offers in terms of price, delivery, reliability of supply, and similar criteria. These organizations, including the large NGOs, generally have specialized procurement departments and keep their procedures under review.

4.26. With regard to the procedures followed by the Commission, out of 20 operations examined by the Court⁽⁵⁸⁾ those carried out by two organizations showed procedures which fell short of what should be expected:

- a) the first case concerns contracts for the supply of food parcels to Serbia. Although this was in practice a direct operation of ECHO — ECHO Belgrade was responsible for the distribution of the parcels —, the funds were passed to an NGO which purchased the food parcels from a supplier without tendering. It was not until the fourteenth contract, in May 1994, that a competitive procedure was followed, and the supplier reduced the price of the supplies by 16 % and that of the transport by 37 %⁽⁵⁹⁾. In this case, the Commission should have been more active in ensuring proper competitive tendering from the outset;
- b) in the case of supplies of seeds and agricultural tools to Angola, the way in which the ECHO staff issued a call for tenders made it impossible to make a valid comparison of the bids received, with the result that contracts were several times awarded to the same supplier. Where the size of contracts makes it necessary for performance to be spread over several months it is impossible for urgency to be cited as justification for direct negotiations. Discipline must be improved in this area.

4.27. Until the end of 1995, for emergency food aid financed from budget heading B7—211, ECHO was obliged to follow the mobilization rules laid down in Regulation No 2200/87. For all other procurement for its direct operations, e.g. in former Yugoslavia, ECHO was able to apply mobilization procedures which it managed itself. In this respect, the Commission should consider whether it would be expedient to set up a single procurement and tendering system for humanitarian and food aid, in which procurement expertise could be concentrated. Furthermore, emergency procurement

procedures should be used only where situations of real urgency exist. Where direct operations are being implemented in situations of protracted emergencies, such as in Croatia and Serbia, normal procurement procedures can be applied.

Monitoring the progress of operations

4.28. Monitoring occurs at several levels. First, the implementing partners must monitor their own operations so that they can report back to the Commission and, if necessary, propose timely amendments to the action. In some cases, notably where the UN agencies and international organizations are involved, ECHO's partner subcontracts international or local NGOs to distribute the aid to the final beneficiary. A second level of monitoring by the agency or the international organization is thus involved. A third monitoring is that of ECHO itself, by technical assistants in the field or by headquarters' staff. ECHO's own monitoring role is particularly important in relation to its direct actions. An additional element in the monitoring process is the evaluation activity, whereby consultants, at ECHO's request, undertake on-the-spot evaluations of the action (see paragraphs 5.1—5.40). Usually these are organized before the end of the action, and so contain an important element of monitoring.

Direct operations

4.29. In its direct aid measures, and, more especially, the food aid operations in Croatia and, to a lesser extent, Serbia-Montenegro⁽⁶⁰⁾, the Commission was able to set up an efficient system of monitoring through the agency of its local representatives: The NGO teams of expatriate and local staff in Croatia were good and were relied on as a means of keeping the programme under control, despite strong pressure from national and local authorities and, even, on occasion, refugee communities. On this point, the UNHCR representative in Zagreb highlighted the exceptional reliability of the information gathered by the teams that had been financed by the Community. The monitoring teams engaged by the Commission to check the delivery of food aid supplied to Armenia, Azerbaijan and Georgia in 1994/95 played an important role in ensuring that the food reached its destination with minimum losses.

Operations carried out by partners

4.30. Senior management of the major UN agencies recognizes that as they rely more and more on NGOs as implementing partners, there is a need to review their practices and improve monitoring. This requires agreement between the agencies and the Commission on who is responsible for monitoring what. If an agency such as the WFP delivered humanitarian supplies to 'extended delivery points' (EDPs), after which other implementing partners or local organizations ensure final distribution to beneficiaries, the agency's own information systems are not geared to detailed reporting on distribution beyond the EDPs. Its monitoring at this level is restricted to what its field officers can do, otherwise it relies on reports supplied by the partners or local organizations. ECHO, however, expects the agencies to be able to report back fully a detailed distribution. The difficulties the agencies have had in doing this have contributed to the dissatisfaction expressed by the Commission with the performance of, for example, the WFP and the UNHCR (see Boxes 2 and 3).

4.31. Neither the WFP nor the UNHCR have their own resources to fund monitoring activities. If more intensive monitoring by the WFP and the UNHCR is required by the Commission, then it has to be taken from the grants allocated by the Commission. The example of the Croatia and Serbia direct food aid actions is illustrative in this regard (see paragraph 4.29). In large, extended crises such as former Yugoslavia, where the amounts of mobilized humanitarian aid are enormous, there is a need for the major actors such as ECHO, the UNHCR and the WFP to agree upon what monitoring is required and to fund it as a specific item.

4.32. Tracking large volumes of aid supplies through a distribution chain with many links and subdivisions is very complex and the large agencies do not have satisfactory systems for tracking commodity beyond EDPs⁽⁶¹⁾. Developing and operating management information systems that generate accurate, reliable data is very difficult. The Commission and other donors should, however, continue to work with the large agencies on improving their systems.

Box 3 — European Union aid implemented by the World Food Programme (WFP)

Whereas the WFP has, traditionally, been responsible for the food element of the United Nations' development aid, it has carried out an increasing proportion of the humanitarian operations in recent years. The European Union and its Member States are the WFP's leading source of funds.

With the increase in its humanitarian operations, the WFP is experiencing difficulty in covering its operating costs. These difficulties are associated with the management systems and operational procedures, which are not designed to keep accounts at the level of individual contributions from the programme's sponsors. They have recently occasioned comments by several donors, including the Commission. In this context, a multi-donor working party was set up in 1994, to develop the specifications for an information system that would be acceptable to all. As of the end of 1995 the working party had still not completed its work.

The Commission's concern is increased by the fact that, far more than for the other United Nations agencies, the visibility of the European Union gifts distributed by the WFP is relatively poor, because the trail is difficult to follow at grass-roots level⁽⁶²⁾. Moreover, the time taken to transfer the aid is relatively long and the estimates of requirements are often 'cautious', so that it is not always possible for the WFP to mobilize all the appropriations committed by the Commission and they then lapse in consequence. Finally, the level of incidental costs associated with each operation⁽⁶³⁾ is, in the Commission's opinion, high.

In the opinions of the WFP staff interviewed during the audit:

- a) the framework partnership agreement prepared by ECHO did not allow the WFP to recover the full cost of its operations;*
- b) departments of the Commission imposed different accounting requirements as a function of their own individual procedures;*
- c) the duration of Commission financing was too short and poorly adapted to the length of operations.*

In practice, the WFP's role of lead agency is confined to food aid. Only in Angola did it play an increased role, probably for historical reasons⁽⁶⁴⁾.

Despite a recent improvement in high-level relations between the Commission and the WFP, there are still practical difficulties which will not be overcome until all the parties have become fully conversant with each other's constraints and procedures. The audits carried out in the central and local offices of the WFP and the Commission showed that there had been misunderstanding on both sides, because of ignorance of their respective procedures. In this context the Commission should specify how it is to operate vis-à-vis the WFP⁽⁶⁵⁾ and should arrange for its local delegations to be closely involved in monitoring operations.

4.33. As far as operations implemented by NGOs are concerned, there is a widespread recognition amongst the major organizations of the need for rigorous self-monitoring both by field staff and headquarters, but performance remains variable. Inadequacies in initial preparation of projects, with poorly defined objectives and action programmes (see paragraph 3.13), make monitoring and reporting results difficult. The lack of

definition by ECHO of what should be included in narrative reports is one reason why many narrative reports (more than 20% of the 104 operations examined) provide little information about monitoring and what the project had achieved. Thus, even where there had been adequate monitoring, the reports did not show it.

4.34. The NGOs visited on the spot in Angola and former Yugoslavia were, in general, monitoring their projects closely and were able to present up-to-date information on implementation status. The situation at the headquarters of the NGOs visited was variable, with some having only a general idea of activities on the ground, whereas others had full details, and staff from headquarters visited the actions on the ground fairly frequently⁽⁶⁶⁾.

Monitoring by the Commission

4.35. ECHO relies to a large extent on its technical assistants in the field to monitor implementation by its partners (see paragraphs 4.8 and 4.9). Their effectiveness is varied: in Croatia and Serbia the technical assistants in the ECTF and ECHO Belgrade working with NGOs were experienced and well accepted. They were in frequent contact with the NGOs, visiting project sites, providing advice and assisting with new project proposals or changes to existing projects. They also participated in the coordination meetings with the UN agencies, NGOs and donors. In Angola, however, the situation was the opposite.

4.36. The UNHCR's 1994 programme (1,8 Mio ECU), which overlapped with that of other agencies (UNICEF), had to be recast on several occasions, owing to the resurgence of the war in Angola. A large part of the distribution of supplies and foodstuffs had been subcontracted to three NGOs which were operating in difficult areas — circumstances where particularly close follow-up appeared advisable. The work programme finally came to a halt part way through; it had not been possible to distribute a sizeable proportion of the supplies and the operations which had started did not have any lasting effect in two of the three provinces concerned. A large part of the funds paid to one of the NGOs had been used to refurbish three of its offices. The local ECHO agent had not monitored the operation in any way.

4.37. At the time of the Court's mission on the spot in 1994 and 1995, the role of ECHO's technical assistants needed clarification. Even in Zagreb and Belgrade the assistants had not been told how far they should go in seeking information and monitoring the partners, particularly the UN agencies. Their roles were not defined in the operational contracts with the partners, and their own terms of reference were general. They were not always consulted on new contracts arranged between the headquarters of the NGOs and the Commission, and sometimes were not even sent the contract until they requested it from Brussels. In addition, when ECHO was established, the previous practice was dropped whereby delegations were required to give short evaluations of the performance of a partner before final payments.

4.38. In March and June 1995, ECHO organized seminars in Nairobi and Moscow respectively for the technical assistants to address these issues, following

which steps were taken to improve their terms of reference, working methods and reporting procedures. Together with measures being taken to improve contractual arrangements and the management of such technical assistants, these matters are being dealt with progressively.

4.39. The Commission should make more realistic evaluations of its requirements for technical assistants. In Serbia one technical assistant was responsible for monitoring ten NGOs and about 20 projects covering five sectors. Consultants engaged by ECHO to examine actions monitored by ECHO's technical assistants in Nairobi and in Azerbaijan pointed out that it was impossible for these technical assistants to do all that they needed to do.

4.40. The monitoring carried out by the Commission in Brussels of the substance of the actions is limited. Desk officers occasionally make on-the-spot visits to the NGOs and projects coming within their sphere of responsibility. Their back-to-office reports are often too general. In 49 of the 74 NGO contracts verified⁽⁶⁷⁾, the reports were insufficient to allow the Commission departments to appreciate adequately what the partner had actually achieved before making final payments. For example, final payments were made even though the narrative reports of the partners made it clear that the bulk of the commodities involved had not been distributed: once the final payments had been made, there was no further follow-up of the projects.

Financial implementation procedures

4.41. Since 1995, ECHO has significantly improved the quality of financial management of its operations by introducing standard procedures. In the beginning, staff shortages hampered the task of rationalizing administrative and financial procedures, which was carried out in order to enable the organization to cope with the increase in appropriations and the growing number of measures supported (see paragraph 4.4), and at a later stage the same task was also hampered by the fact that the accounting systems varied according to the source of the funds concerned⁽⁶⁸⁾. A special computer application was therefore developed for the financial monitoring of the contracts as a whole. When this application had proved to be inadequate, development of a new local application was started in September 1993. The latter was still not fully operational at the end of April 1996 and the reliability of the data which it provided was limited. In the circumstances, the financial departments are obliged to resort to specialized applications. The situation should be corrected, so as to eliminate the duplication of resources.

4.42. Article 24 of the general conditions of the framework partnership agreement allows ECHO to pay an advance of 50% of the amount of each operational

contract, at the partner's request. Additional advances are also possible, up to a limit of 80 % of the total budget for the measure. Many of the partners have complained about the delays in paying advances. Examination of some 30 contracts showed that the average interval after the signature of the contract had fallen from 56 days in 1993 to 36 days in 1994 and had risen to 46 days in 1995. In some cases the payment time was around only 12 days, which shows that improvements are possible. If the advance were paid automatically as soon as the partner returned the signed contract for the operation, the delays in paying advances would be reduced, without any loss of control.

4.43. A final financial report is required within three months of the end of every operation and, once it has been filed and accepted, the balance on the contract must be paid as soon as possible. On more than 50 % of the files examined the reports had been submitted late. The average time for payment of the balance was around 50 days in 1993, rose to 80 days in 1994 and was more than three months in 1995.

4.44. There are several causes of delay, including:

- a) in some cases, the necessity of obtaining further information from the partner;
- b) the time required for evaluation of narrative reports by desk officers;
- c) the level of detail that has to be checked in the financial annexes before the account is finally settled. However, the main factor in lengthening delays is the steady increase in the number of projects (more than 1 000 in 1995) to be handled by the financial unit.

4.45. If the partner does not raise any objection within six weeks of the final payment, the file is closed, even if appropriations are still available against that operation. Up until 1994, the appropriations remained committed, and therefore ineffectual, for periods of more than a year. Since then, ECHO has tried to clear closed operations every quarter. In 1994 the average interval between final payment and cancellation of the balance of appropriations was around four months. In 1995 the interval varied between two and eight months. By the end of 1995, these operations to cancel balances had ceased to be systematic and, in the case of the EDF, were carried out only in situations where there was a shortage of appropriations.

4.46. The nature of humanitarian operations makes expenditure forecasting an arbitrary matter and it is not unusual for advances paid by the Commission to exceed actual expenditure. In these cases, ECHO is obliged to recover the surplus funds at the time of final settlement. Several months elapse between the winding-up of the file

and the issue of a recovery order, even when the partner states that it is prepared to refund the amount quickly.

Conclusion

4.47. In view of the scale of recent crises and the absence of adequate redeployment of staff by the Commission, ECHO has been obliged to make extensive use of temporary staff (see paragraphs 4.4—4.7). The rules and practices regarding the conditions of recruitment and employment of the staff of Community institutions are ill-suited to the demands of humanitarian operations. The current rigidity of the system has a paralysing effect (see paragraphs 4.4—4.10).

4.48. The framework partnership agreement has proved to be a useful administrative tool. In its present form, however, it is of limited use for steering, controlling and monitoring the extent to which the partners contribute to the priorities and objectives adopted by the Commission and is not suited for all organizations (international organizations, large NGOs, small NGOs). For making the tool more effective, a differentiation of such contracts according to the different types of partners would be necessary (see paragraphs 4.17—4.21 and 1.3).

4.49. The evaluation of partners' procedures and management systems is an area in which ECHO must continue to make an effort.

4.50. In two cases involving consignments of foodstuffs and supplies the procurement procedures were defective. In the case of family packages, the sums which could have been charged to the Commission unduly may have amounted to several million ecus (see paragraph 4.26).

4.51. Whereas ECHO scrupulously verifies the financial accounts when settling expenditure, evaluation of the actual implementation of work programmes and the results obtained by its partners were subject only to limited checks, even when the reports submitted were extremely terse or vague (see paragraphs 4.28—4.34 and 4.40).

4.52. Irrespective of whether operations were carried out by large international organizations or NGOs, on-the-spot monitoring by Commission staff still needs to be improved. The monitoring of current operations and the results actually obtained is a high-risk area, and the Commission must devote more attention to it. If, in accordance with the mandate given to ECHO, the Commission wishes to be more than a simple provider of funds for humanitarian purposes and is to be credible in the long run by playing an active role, in coordination

with the Member States and the UN agencies, and with its own programmes of actions, then it has to ensure that, in addition to having clearly defined policies and programmes (see paragraphs 2.26 and 3.2), it has adequate resources, properly organized, on the spot.

5. EVALUATION OF THE AID

Internal evaluations by ECHO

5.1. When ECHO was established, an evaluation adviser was included in the organigramme. In 1995 a second person was added and in 1996 a separate Evaluation Unit was created. Between 1992 and the end of 1995, a total of 109 evaluations were carried out, at a cost of 1,3 Mio ECU⁽⁶⁹⁾. All the evaluations are carried out by consultants, who are selected directly by ECHO in each case. ECHO has built up a list of potential evaluators from its own experience, names proposed by Member State humanitarian aid agencies, and information provided by other Directorates General and organizations involved in humanitarian aid. By the end of 1995, a total of 48 different evaluators had worked for ECHO.

5.2. In the interests of a standard approach, ECHO first developed a set of terms of reference with specific headings/questions, and then, in 1995, with the help of external expertise, prepared an operational manual, which was introduced in 1996.

5.3. While most evaluation reports completed up to the end of 1995 contain useful information and data, the following weaknesses were identified:

- a) some of the evaluation reports are superficial, and consultants have not carried out the terms of reference in a rigorous or thorough manner; this indicates weaknesses in the selection and/or supervision of the consultants;
- b) up to the end of 1995, attention was primarily focused on evaluating individual contracts, rather than programmes⁽⁷⁰⁾. This reflects the contract-based approach of ECHO as a whole (see paragraph 3.16). Even where ECHO contracted a consultant to evaluate a number of contracts of the same type in the same country at the same time⁽⁷¹⁾, a report presenting common findings was not requested.
- c) to date, ECHO has not carried out joint evaluations where it is providing part of the financing. In the evaluation report on ECHO's contracts with the WFP for food aid to Tajikistan covering the period April to December 1994, the consultant noted that the

contracts could not be evaluated as a separate operation because they were part of the overall food support programme of the WFP. A joint evaluation with the WFP would have been preferable;

- d) the evaluators are not requested to present observations on the performance of ECHO in the various stages of the contract, either at headquarters or in the field. In a few cases, when they consider it essential for the assessment, the evaluators nonetheless raise such observations: this should be a standard part of the terms of reference⁽⁷²⁾;

- e) the mechanisms by which the results of the evaluations are fed back into the operational departments were not clear. Although the desks responsible for the operations were associated with evaluations from the outset, the findings were not more widely diffused throughout the departments, so that lessons learned in one area could have an impact on the design of operations in another area;

- f) several of the consultants point out that their evaluations are hampered by the inadequate statements of objectives, scope, work programme or identification of beneficiaries in the project proposals⁽⁷³⁾ (see paragraph 3.13).

5.4. Some of these shortcomings are being addressed by the Evaluation Unit, through the Manual, and the development of a database on findings. There remains, however, a need for the evaluations to cover the performance of ECHO explicitly.

5.5. Further, there is a need for the Commission to consider integrating the evaluation of humanitarian aid with the evaluation of other external policies financed and managed by the Commission. Currently there is an Evaluation Unit in DG VIII responsible for the evaluation of development and rehabilitation activities financed from the general budget and from the European Development Funds, and the evaluation unit in ECHO. The OECD Development Assistance Committee (DAC) has pointed to the need to extend evaluation activities to all external aid activities of the Commission (i.e. including operations managed by the EIB under mandate from the Commission, and the PHARE and TACIS programmes). It has also observed that the DAC Principles on evaluation require a high degree of independence for the evaluation function, which would be best achieved by having the evaluation service outside the administrative units (DGs, Office) responsible for operations. Combining the existing evaluation units in a department, e.g. within the Secretariat-General, would both enhance the independence of the function and help to ensure the most concentrated and effective use of evaluation resources.

Effectiveness of humanitarian assistance

5.6. The following paragraphs summarize the information obtained from various sources — examination of contract files, on-the-spot visits, review of ECHO's evaluation reports, other evaluations and reports — concerning the effectiveness of the Commission's humanitarian assistance, in particular that managed by ECHO.

Coverage

Targeting

5.7. The assessment of the total numbers of persons requiring humanitarian assistance, and their whereabouts, particularly in the context of major crises, is generally carried out by the UN agencies, for example as part of the consolidated appeal process. They seek help and information from all appropriate sources: the local authorities, NGOs and others. By expanding its presence on the spot during the major crises, ECHO has increasingly put itself in a position both to participate in the assessment process and to evaluate more critically the assessments that are made (see paragraph 3.22).

5.8. Experience shows that total numbers of refugees, displaced persons and other people needing humanitarian assistance tend initially to be overstated. Several factors influence this: the difficulty of assessing actual numbers when large movements of population occur, coupled with inadequate resources being allocated to the task of drawing up initial estimates, inflationary pressure on numbers from the media and from within the humanitarian agencies themselves, and in some cases the need for political authorities affected by the crisis to exaggerate the situation.

5.9. In former Yugoslavia, the assessment of needs was relatively straightforward in Croatia, Serbia/Montenegro and FYROM⁽⁷⁴⁾, but was very difficult in Bosnia because of the problems of access to the areas where the refugees and displaced persons were located. The extent to which they could cope without external assistance was not well understood. During the winter of 1993/94 the agencies were frequently denied access to the areas where the refugees and displaced persons were located, and were able to deliver only about 50 % of the targeted food requirements. The affected population, although suffering hardship as reflected in a decrease in average weights, high rates of anaemia, etc., managed to cope. This led the UNHCR and the WFP to revise downwards their estimates of needs. In mid-1994 the estimated number of people in the former Yugoslav republics reported by the WFP as receiving food assistance was reduced from approximately 4,1 million to 2,9 million persons. Of this reduction of 1,2 million, 0,9 million were accounted for by the reduction of numbers

in Bosnia-Herzegovina from 2,8 million to 1,9 million persons. This latter figure was used up to the end of 1995 as an overall planning estimate of total beneficiaries on which to base resource requirements.

5.10. The Joint Evaluation of Emergency Assistance to Rwanda (see paragraph 1.14) shows how pressure from the media and within the aid agencies results in inflationary estimates of numbers of refugees/displaced persons. For example, the initial estimate used in July 1994 for planning purposes by the UNHCR and the WFP for the number of refugees in Goma was 1,2 million, although the source of this figure is not known. In August, on the basis of aerial photographs and surveys the estimate was revised downwards to 850 000, and in September it was estimated that the number of persons requiring food rations was 740 000. This turned out to be about the numbers involved when the refugees were registered by the UNHCR in January 1995.

5.11. It is clear that the most effective way of determining numbers is to register all the refugees or displaced people. Registration can be combined with information-gathering on the characteristics of the refugee population, which is of considerable value in determining more closely what their requirements are, and in involving them in the planning and management of the assistance programme. Accurate estimates of numbers requiring assistance are essential for effective provision and management of humanitarian assistance. As one of the major donors, the Commission should insist on registration by the responsible agency as soon as possible after a crisis arises.

5.12. At the level of individual operations, paragraph 3.13 indicates important weaknesses in the information available on the intended beneficiaries in individual project proposals. Out of the 35 evaluation reports of ECHO examined which address this issue, 10 underline that the agency had not carried out an adequate needs assessment and had not targeted the aid sufficiently. Where an action is an immediate response to an urgent crisis, there may be insufficient time to carry out sophisticated targeting initially, but when a crisis is protracted it is both feasible and essential. Examples of inadequate targeting include providing assistance too widely rather than concentrating the aid on those in real need, and failing to target beneficiaries in the areas of most need.

5.13. In 1993, ECHO allocated 2,8 Mio ECU to the German Red Cross (DRK) to provide food products for young children in Armenia. The project was, however, poorly prepared. The DRK did not know what products were needed nor in what quantities. No prior decision had been taken concerning transport, a key element, and it was not clear whether the Armenian Red Cross had the capacity to distribute the food. There were no detailed

distribution plans and the impact of winter on distribution was not considered. In August 1994, six months after the end of the contract, stocks of goods remained to be distributed.

5.14. ECHO should require clear evidence in the proposals from partners that they have carried out a proper assessment of needs and identified who are the intended beneficiaries (see paragraph 3.13). It should also insist that partners indicate whether other agencies/organizations are working in the same sector in the same area, and if so, how the partner will ensure that its activities are coordinated with those of the other agencies/organizations. Where appropriate, evidence should be provided that both the needs and the beneficiaries identified have been compared with those contained in any UN Inter-Agency Appeal and any disparities explained. ECHO coordinators on the spot should play a key role in assessing this, as staff in Brussels are too far away from the scene of the operations to be able to do this thoroughly.

Delivery

5.15. Paragraphs 4.28 to 4.34 present observations concerning the monitoring carried out by both the UN agencies and NGOs implementing actions financed by ECHO. Poor monitoring and control over distributions, notably of food and medical supplies, mean that it is not possible to know with any certainty whether the aid has reached the beneficiaries.

5.16. In Serbia and Croatia, where food and hygienics supplies were distributed to refugees and displaced persons in organized centres, and where there were few problems of security, it was possible to carry out detailed control on distributions. The overwhelming bulk of the aid reached those to whom it was directed.

5.17. In Croatia, ECHO, through the ECTF (see Box 1), successfully delivered food to refugees and displaced persons numbering between 300 000 and 400 000 in 103 distribution centres. There were some problems resulting from uneven delivery of commodities, but generally the operations were managed efficiently and well evaluated. Similarly, in Serbia, where ECHO supplied a range of commodities to supplement the basic foodstuffs provided by the WFP, operations were conducted efficiently and effectively.

5.18. In Bosnia, however, where the security situation made close monitoring dangerous, supplies were delivered to the municipalities and various organizations responsible for distribution. In the main, those who needed the assistance received it, although it is recognized that those involved in the hostilities also received a share. In order that the UNHCR could keep supplies moving

into the Muslim Bosnian enclaves, it also made deliveries to the displaced Bosnian Serbs.

5.19. In the Rwandan refugee camps in Tanzania and Zaire, as the Hutu army and Militia were mixed in with the refugees, it proved impossible to prevent them too from receiving humanitarian assistance.

5.20. In Angola, the Commission was in conflict with the WFP because the latter was unable to provide satisfactory and complete information about the distribution of food aid. The food was distributed to beneficiaries by various NGOs, but the reporting and data-collection procedures were poor, so that subsequently the WFP had difficulties in providing the Commission with a satisfactory overall report.

5.21. Audit observations and the evaluations commissioned by ECHO show that, in most cases, the aid reaches those to whom it is intended, even if in many cases it arrives later than initially planned. A significant factor affecting the apparent late arrival of aid is that the timetable implied by the period of the contract is frequently unrealistic (see paragraph 4.15(f)). Where the aid is part of a programme (e.g. food aid provided to the WFP), the late arrival of supplies under the ECHO contract may be compensated for by supplies from other donors. There have, however, been some cases where delays in procurement by the WFP have resulted in beneficiaries not receiving aid when they should have (e.g. in 1994: Transcaucasus, Tadjikistan and Kyrgyzstan).

Appropriateness

5.22. It is important to assess whether the aid provided was what the beneficiaries needed, in terms of the types of products supplied and, indeed, to evaluate whether the appropriate response to the problem was to provide humanitarian aid. Specifically, one of the questions that needs to be answered is whether the humanitarian assistance has contributed to a sustainable process of rehabilitation and recovery (see paragraph 5.30).

5.23. Generally, where food products are being supplied, the rations are appropriate, in terms of their nutritional component. Standards for basic rations and supplementary feeding have been laid down, to which the organizations involved try to adhere. The Joint Evaluation of Emergency Assistance to Rwanda identified an important problem with the supply of maize grain to refugees in Zaire, and particularly Tanzania. This commodity was known to be unfamiliar, and thus of low acceptability to the refugees. The WFP tried to take this into account when setting the ration for the refugees, and both it and the ICRC sought to obtain maize flour by encouraging their donors to supply it, or through regional purchasing. The WFP, however, had to accept

whole-grain maize purchased locally in Tanzania because its donors were unwilling to provide funds to cover milling costs⁽⁷⁵⁾. The recipients of the maize grain either cooked it for extended periods to make it palatable, using substantially more fuel-wood than if it had been flour⁽⁷⁶⁾, or traded it on the local markets, notably for cassava, the main staple of the refugees. The terms of trade they were able to obtain implied a substantial loss of food energy. The Joint Evaluation concluded that the provision of a commodity which did not correspond to the dietary habits of the recipients reflected a substantial inefficiency on the part of the WFP and its donors.

5.24. In some locations, e.g. Mostar in Bosnia-Herzegovina, Bengo province in Angola, individual NGOs try to improve the diet by bringing in locally procured fresh fruit or fresh animal/fish protein. This is, however, generally on a small scale. Amongst the evaluations commissioned by ECHO is one, concerning a nutritional programme in Haiti, where the evaluator questions whether it was appropriate to distribute high-cost imported animal protein in tins.

5.25. The provision of the means for beneficiaries to produce food for themselves — e.g. seeds, agricultural tools, fishing tackle — is also a highly appropriate response, encouraging self-sufficiency. The few problems identified in Angola concern such matters as poor quality or incorrect specification of the procured tools or late delivery of seeds so that the sowing season was missed.

5.26. In the medical field, weaknesses in the precise identification of needs or the lack of coordination between different organizations have led on occasions to the supply of inappropriate goods. These cases highlight the necessity for NGOs to improve their needs evaluations, and for ECHO to improve its vetting of proposals (see paragraph 3.13). In the majority of cases examined, however, the goods or services provided in the medical field were appropriate.

5.27. In former Yugoslavia, as a component of a project to supply various relief supplies to Bosnia and Serbia in the winter of 1992/93, an NGO obtained 2 Mio ECU from ECHO to provide surgical kits for hospitals in Serbia and the Bosnian Serb parts of Bosnia. No evaluation of needs was carried out by the NGO on the spot in advance, the assessment was done at headquarters, and was not coordinated with the UNHCR, the lead agency. An ex post evaluation commissioned by the NGO itself found that, in Bosnia, surgical materials were delivered to hospitals where there were in fact numerous wounded and where the needs were great, but the kits covered basic needs only and should have been followed rapidly by more targeted material. There was no justification for spending so much

on basic kits. There was, however, great need for basic medicines, which, though costing much less than the surgical material, had been omitted from the project. Other components of this operation (e.g.: food, hygienics, blankets) were in important respects also inappropriate. In Serbia, the hospitals, after having expressed their needs by responding to a questionnaire, simply collected from the warehouses of the NGO the materials they wanted, without any check on their real requirements.

5.28. In Kenya, an NGO obtained financing to provide medical assistance to Somali refugees in the Kilifi District. The assistance involved rehabilitation of the hospital, in particular the surgical facilities. The ECHO evaluator observed that the priority need was, however, for basic health care through health posts and the outpatients department. The outcome of the project was poor.

5.29. In former Yugoslavia, ECHO played the role of promoter in responding to a new but essential need that was identified for the provision of psychosocial assistance to war-traumatized women. It committed and funded projects by specialized NGOs in this area and much pioneering work was done, coordinated through the ECTF in Zagreb.

5.30. One of the evaluation criteria of the OECD Development Assistance Committee to be applied to humanitarian aid operations is to assess whether they contribute to the establishment of sustainable programmes of rehabilitation and development. Where humanitarian aid is being provided in situations of conflict this may not be feasible, at least initially, the humanitarian aid being directed simply towards the relief of suffering. This was the case in Bosnia-Herzegovina in 1992–94, and in Rwanda in 1994. However, even in these situations it is necessary to try to move beyond the provision of emergency relief as soon as possible. Since the mandate of ECHO was widened in January 1993 to include the provision of humanitarian aid of a non-urgent kind, this issue is particularly important. Humanitarian aid can address the symptoms, but not the causes of a humanitarian crisis. The effectiveness of the aid may be impaired by underlying structural problems (for example, a lack of development, economic or political transition, mismanagement) unless the relief component is accompanied by measures designed to address the structural weaknesses. The European Community must thus make every possible effort to support the introduction of such measures.

5.31. These issues are recognized by the Commission in its proposals on Linkages between Relief,

Rehabilitation and Development, which focus on the need for coherent strategies integrating the humanitarian, rehabilitation and development programmes of the European Union. This approach has to be made operational, but, as shown in paragraphs 2.4—2.10, especially with regard to uprooted persons in the countries of Asia and Latin America, it is difficult, in terms of the regulations, budget headings and the Commission's operational departments, to differentiate between humanitarian aid and rehabilitation.

5.32. ECHO has financed actions from the humanitarian aid budget headings which, while responding to specific humanitarian needs, were implemented in situations where the need was for longer-term structural measures of rehabilitation. It has also financed operations at various stages along the continuum of relief-rehabilitation. These range, for example, from the provision of seeds and fishing equipment in Angola and Southern Sudan, through the provision of medical supplies and equipment to hospitals in Cuba, rehabilitation programmes for the Kurds in Northern Iraq, to the funding of the International Management Group/Infrastructure for Bosnia-Herzegovina (see paragraph 2.25(a)) and a tuberculosis prevention programme in Siberia. In many instances, ECHO was the only Commission department operational in the country concerned, and the Commission authorized it to respond in a flexible manner to a clear need. It is important, however, that such interventions are integrated into medium- and longer-term strategies involving other Commission departments. Also, where for whatever reason it becomes involved in longer-term programmes such as the tuberculosis prevention programme in Siberia, it should be done on the basis of a clear strategy recognizing from the outset the longer-term commitment that is needed for such a programme to be effective.

Impact

5.33. Assessing in any rigorous way the impact of humanitarian aid operations is extremely difficult. The highly dynamic nature of most emergencies, and the large number of factors that could be involved in changing the nature of beneficiaries complicate considerably any assessment of impact. In addition:

- a) as baseline data on initial conditions are rarely available, there is no basis for comparison, other than general impressions;
- b) ECHO's proposal and operational contract forms are such that the project proposals contain little information that can be used when assessing impact (see paragraph 5.12);

- c) the narrative reports provided at the end of the contract are usually too vague to allow a precise evaluation of impact.

5.34. The evaluations contracted by ECHO, which are frequently carried out before the end of the project, discuss impact in general terms only. If the evaluator considers that the beneficiaries were reasonably well targeted, and the aid arrived, then the impact is assumed to have been good. Thus, for example the evaluations of the programmes of aid to Azerbaijan between 1992 and 1995 (totalling some 40 Mio ECU) observed that, in the health sector, all projects were considered to have had an important impact on the improvement of health care available to the refugees, but this was based on qualitative rather than quantitative assessments⁽⁷⁷⁾.

5.35. In a few rather isolated cases among those audited, there were some more precise indications of the impact of the intervention. Thus, for example, one NGO in Angola was able to close a semi-intensive nutritional centre in a camp for the displaced following a survey which showed that the level of malnutrition amongst children under five had declined to a level which no longer justified keeping the centre open.

5.36. The difficulty in measuring the impact of humanitarian aid operations means that particular attention needs to be paid to requiring partners to specify in their proposals what indicators will be monitored to assess impact. In addition to impact indicators, consideration should be given to specifying performance indicators: for example, whether seed distributions were carried out in time for the planting season, how intensively equipment will be used, as well as whether it was delivered on time.

Cost-effectiveness

5.37. Cost-effectiveness involves the use of economic criteria for evaluating operations. If an intervention is decided on non-economic criteria — for example, the use of an airlift to transport food supplies to a small, isolated population that is starving, or the establishment of intensive feeding facilities to help malnourished children —, the most that can be done is to examine whether the solution adopted was the least-cost one commensurate with achieving the desired result.

5.38. A necessary — though not always sufficient — procedure for ensuring cost-effective procurement is tendering, or at least adequate market testing. Generally, the large organizations apply adequate procedures for market testing, and seek to obtain the best offer in terms of price, delivery, reliability of supply, and similar

criteria. The Commission should consider whether it would be expedient to introduce a single procurement and tendering system for humanitarian and food aid (see paragraphs 4.25—4.27).

5.39. With the rapid growth in humanitarian aid over the last five years, specialist suppliers, such as IDA⁽⁷⁸⁾, have emerged, with beneficial effects on cost-effectiveness.

5.40. Paragraph 4.22 shows that more attention needs to be paid to cost-effectiveness in the use of expatriate personnel. In the case of the supply of medical materials to Mongolia, the NGO employed four inexperienced expatriates. They received from their NGO 1 000 ECU/month, but ECHO provided 3 800 ECU/month as a flat rate, and did not check real costs when making payments. One expatriate coordinator was needed, with local staff who would have been able to speak Mongolian and Russian. The cost-effectiveness of this operation was further reduced by unnecessary airfreighting of the medical supplies, as there was no emergency.

Visibility

5.41. Although 'visibility' of humanitarian assistance is not a criterion for judging the effectiveness of the assistance, it is a central goal for the Commission's approach as set out in its decision to establish ECHO. The Court's examination, therefore, has assessed whether the humanitarian aid operations financed by the Commission have been sufficiently visible to the beneficiaries and others in the recipient country, and especially to the European taxpayer.

5.42. The importance attached by the Commission to increasing the visibility of its humanitarian aid reflects a general policy to secure greater recognition amongst beneficiaries, and especially the European taxpayer, of EU programmes and policies. In the area of humanitarian aid ECHO has developed an information strategy involving all branches of the media, and joint visibility productions with major partners. The Commission decided to give a distinct logo to ECHO, and considerable attention is paid to the marking of humanitarian aid supplies with the logo and contract reference.

5.43. It is clear that the profile of Commission-funded humanitarian aid has increased substantially. Nonetheless, the following points should be noted:

- a) there are signs that the separate identity created for ECHO is confusing: not all those involved in humanitarian aid understand that ECHO and the European Commission are the same thing. The

separate logo of ECHO is questionable — it is different from that used on supplies of food aid provided by DG VIII, for example⁽⁷⁹⁾. In the countries covered by the TACIS programme there is competing publicity, rather than a combined strategy to promote the activities of the Commission as a whole;

- b) ECHO's image can be adversely affected by its approach to financing projects: thus in 1994 in Azerbaijan ECHO funded the beginning of a UNICEF vaccination campaign, but did not carry on in 1995, USAID taking it over and getting the credit. Also, ECHO financed in 1994 an 'Essential Drugs Primary Care' booklet, diffused throughout Azerbaijan with the ECHO logo and 'Financed by ECHO' in Azeri and Russian, but then withdrew support for a follow-up publication 'Essential Drugs for Hospitals'. Apart from losing the direct visibility impact, ECHO disappointed the government and agencies, and lost image;
- c) more attention has been paid to ECHO markings and 'stickers' on the spot than to ensuring a genuine media strategy to publicize the actions of the Commission: thus in Angola there was no strategy at all for publicity beyond the stickers, yet the Commission continued to complain that the WFP took all the credit. Nor had the delegation, which did not have a press attaché, tried to bring on board a local journalist for providing briefings and material on a systematic basis; similar problems were reported by the evaluator of the programmes in Azerbaijan.

Conclusion

5.44. The evaluations carried out by consultants on behalf of ECHO tend to be too geared towards assessing individual projects, even where the latter are clearly part of wider programmes jointly financed with other donors (see paragraph 5.3). Only in very few cases do they cover the operations conducted by ECHO itself. This being so, it is particularly difficult to draw overall conclusions and the advantages gained from these evaluation exercises do not emerge clearly in the course of subsequent operations. Indeed, the existing feedback mechanism does not work sufficiently well to enable the lessons learned from the evaluations to be taken into account in a generalized manner when new aid measures are introduced. However, the use of the evaluation manual recently drawn up by ECHO should make it possible to draw greater benefit from past experience (see paragraph 5.4).

5.45. Partners seldom provide ECHO with clear parameters and indicators on the basis of which their

performances and the impact of their action can be monitored and assessed (see paragraphs 3.13, 5.3, 5.13—5.14, 5.26, 5.33).

5.46. In order to increase the independence of the evaluation functions, it would be preferable for the Commission to establish an evaluation service outside the operational departments which would cover humanitarian aid, rehabilitation and development activities. This would also help in the establishment of more transparent procedures for the selection of consultants than at present.

6. OVERALL CONCLUSION

6.1. The Court has organized its audit around four main aspects (see paragraph 1.12) corresponding to questions relating to the clarity of the European Union's policy on humanitarian aid, the consistency and complementarity of the instruments which are implemented, the appropriateness of the means in terms of the objectives of the planned aid measures and, lastly, the process of evaluating the effects of the measures and reporting on their implementation. Whatever the regulatory, operational, administrative or financial difficulties encountered during this protracted period of reorganization, the European Union's contribution to the spirit of international solidarity is nevertheless a major phenomenon for which the Commission must take the credit.

Clarity of the European Union's policy on humanitarian aid

6.2. The Commission has financial weight and has now acquired the experience enabling it to rank itself amongst the leading international organizations dealing with humanitarian matters. However, at the end of 1995, because of too piecemeal an approach to the component parts of humanitarian aid (emergency, refugees, rehabilitation, reconstruction, coordination within the Commission and with the Member States, cooperation with the United Nations, collaboration with the NGOs, direct or indirect channelling of the aid, etc.), there was no one document governing all the operations which were closely connected to varying degrees with the humanitarian field. In the absence of an overall document of this nature, Council Regulations (or drafts thereof) were introduced on associated subjects, but the concepts and terminology which were used were still too ambiguous or contradictory to be able to dispel the hesitant attitude encountered when the plans for aid measures were being implemented and the financing requests being appraised. In order to clarify the main lines and the principles of the European Union's policy on humanitarian aid, the legislator needs to adopt a general policy document, a kind of charter for humanitarian aid. A document of this nature would make it possible not only to strengthen the internal cohesion of the measures undertaken by the various Commission departments, but also to lay the groundwork for greater

consistency between the aid measures of the Union and those of its Member States (see paragraphs 2.4—2.10).

Consistency and complementarity of the European Union's aid

6.3. Both the complementarity and the coordination of the Union's aid measures and those of its Member States far from satisfy the provisions of the Treaty and the Council's resolutions, the main reason doubtless being the very cautious approach adopted by the national authorities in this field. Indeed, the quarterly meetings of the national authorities dealing with humanitarian aid have failed to have much tangible effect on the ground (see paragraphs 2.19—2.22).

Appropriateness of the means employed

6.4. ECHO was set up as a result of the Commission's concern that the European Union needed to be given the means to respond effectively to the ever-growing number of humanitarian crises. The mandate given to ECHO (see paragraph 1.10) was, in general, to concentrate the administrative responsibilities for managing the aid, to develop the Union's capacity for intervention, to improve coordination with the other public or private donors and, lastly, to facilitate the mobilization of resources in the event of large-scale crises.

Concentration of administrative responsibilities

6.5. At the end of 1995, ECHO's internal organization was still suffering from being surrounded by departments with which it was difficult to coordinate, and was financing measures which in some cases overlapped with those of other departments. As the administrative procedures followed by the various departments of the Commission were not unified, ECHO was the only department which systematically applied the provisions of the framework partnership agreement (see paragraphs 3.8—3.12; 4.23 and 4.24). Furthermore, the procedures for appraising the proposals for aid measures submitted by the partners had only very recently been formalized, whilst the mechanism for using the lessons learnt from the project evaluations still had to be set up (see paragraph 5.2).

Increase in the capacity for intervention

6.6. Despite the undeniable need, the Commission was not able to staff ECHO with an adequate number of qualified personnel to cope with its tasks properly. This is particularly true for the staff on the ground responsible for closely monitoring the global plans and for giving support to the partners. It should also be emphasized that ECHO's capacity for intervention is hampered by the obligation it is under to abide by rules for personnel

management and for the implementation of appropriations which were not designed for operations where flexibility and speed of action are of utmost importance (see paragraphs 4.4—4.10).

Improvement of the coordination with the other donors

6.7. The practical arrangements for the cooperation between the Commission and the United Nations are still fragile and unstable. In order to guarantee consistency, stability and clarity in the relations with all the agencies, a global agreement could usefully be made with the United Nations' Secretariat-General, specifying the prospects and the practical details of the collaboration with the Commission's departments (see paragraphs 2.23, 2.24 and 2.28). An agreement of this kind would clarify the special relations with the United Nations. These would, furthermore, be improved if ECHO took greater account in its framework partnership agreement of the operational realities of these organizations, which differ very considerably from those characterizing most of the non-governmental organizations (see paragraph 4.21).

Mobilization of large-scale resources

6.8. In a particularly strained situation, the Commission was able to mobilize just over 2 000 Mio ECU in conjunction with a large number of partners who on the whole recognized that the aid thus received was crucial. The Great Lakes crisis showed that ECHO was able, in conjunction with the United Nations agencies and other partners, to mobilize considerable resources within reasonable time-limits. In this respect, it should be noted that coordination with bilateral aid measures has not given rise to large-scale joint measures (see paragraph 2.21).

Procedures for evaluating and for rendering the accounts

6.9. The evaluations carried out between 1992 and 1995 related to the implementation of measures within

the framework of individual operational contracts. In this context, the Commission has never given the evaluators a mandate to examine the way in which its own departments worked. Furthermore, whereas the Commission implements global plans for aid measures, the evaluations are not carried out with a view to an overall appraisal of the implementation of each plan. It is at this level, however, that the budgetary authority can appraise whether the mobilized funds have in fact contributed to the set objectives. It is therefore up to the Commission to set up a mechanism for appraising the substance and the impact of humanitarian aid measures; this is something which ECHO's annual reports, with their still basically statistical approach, are unable to provide (see paragraphs 5.2 and 5.3).

Final consideration

6.10. In the light of the above, it would doubtless be useful to reconsider the thinking behind the way in which humanitarian aid is organized by the institutions. Once the legislator has laid down the main principles governing the European Union's humanitarian aid policy, it would have to be determined whether the question of sources of finance ought not to be dissociated from that of the implementation of measures.

6.11. One solution might be to arrange for the Commission to be responsible for analysing the crises, approving the Union's global aid plans and managing the appropriations (budgetary or from the EDFs), whilst entrusting an operational office, such as the one whose possible creation was envisaged when ECHO was being set up (see paragraph 1.7), with implementing, monitoring and evaluating the projects. If this were the case, this office would, of course, have to be governed by operating rules which were laid down by its statutes and which properly satisfied the constraints of humanitarian action. The office would also have to be answerable for its tasks to a supervisory board which had genuine power to criticize the management bodies.

This report was adopted by the Court of Auditors in Luxembourg at its meeting of 20 February 1997.

For the Court of Auditors

Bernhard FRIEDMANN

President

List of abbreviations

ACP	African, Caribbean and Pacific States
CEECs	Central and Eastern European Countries
DAC	Development Assistance Committee
DHA	Department of Humanitarian Affairs
DRK	German Red Cross
EAC	European Association for Cooperation
EAGGF	European Agricultural Guidance and Guarantee Fund
ECHO	European Community Humanitarian Office
ECTF	European Community Task Force
EDF	European Development Fund
EIB	European Investment Bank
EU	European Union
FAO	Food and Agriculture Organization of the United Nations
FPA	Framework Partnership Agreement
FYROM	Former Yugoslav Republic of Macedonia
GPIS	Groupe permanent interservices
ICRC	International Committee of the Red Cross
IDA	International Dispensary Association
IFRC	International Federation of the Red Cross
IMG-IBH	International Management Group — Infrastructure for Bosnia-Herzegovina
ITSH	Internal Transport, Storage and Handling
LRRD	Linking Relief, Rehabilitation and Development
MEDA	Mediterranean European Development Agreement
NGOs	Non-governmental Organizations
NIS	Newly Independent States
OECD	Organization for Economic Cooperation and Development
OLAS	On-line Accounting System
PHARE	Technical Assistance Programme for Central and Eastern European Countries
SINCOM	Système Informatique de Comptabilité
UCAH	Unidade de Coordenação da Ajuda Humanitária
UNDP	United Nations Development Programme
UNDRO	United Nations Disaster Relief Coordination
UNHCR	United Nations High Commissioner for Refugees
UNICEF	United Nations Children's Fund
UNRWA	United Nations Relief and Works Agency for Palestine Refugees in the Near East
USAID	United States Agency for International Development
WHO	World Health Organization
WPF	World Food Programme

Notes

- (¹) According to the nomenclature of the general budget for 1996.
- (²) Management carried out by ECHO, except as regards heading B7-212 'Aid for displaced persons'.
- (³) For example: Member States, various United Nations agencies, non-governmental organizations and commercial operators.
- (⁴) In this context, the Commission has instructed its staff to improve coordination of actions by its partners (see paragraph 1.10(c)).
- (⁵) United Nations High Commissioner for Refugees (UNHCR); World Food Programme (WFP); United Nations Children's Fund (UNICEF); World Health Organization (WHO).
- (⁶) Resolution 46/182 of 19 December 1991.
- (⁷) Peace-keeping operations and peace-restoring operations.
- (⁸) Mandate from the Commission to ECHO, 6 November 1991.
- (⁹) SEC(94) 2164, E 2473/94.
- (¹⁰) Regulation (EC) No 1257/96 of 20. 6. 1996 concerning humanitarian aid, OJ No L 163, 2. 7. 1996.
- (¹¹) Regulation (EC) No 2258/96 of 22. 11. 1996, OJ No L 306, 28. 11. 1996.
- (¹²) Between 1991 and 1994, Council resolutions dealt with questions such as the definition of emergency humanitarian aid, the conditions under which the aid could be granted, the coordination of Community measures with those undertaken by Member States and the United Nations, the channelling of aid through the NGOs, risk prevention, reconstruction and rehabilitation operations, etc.
- (¹³) Common positions on the basis of Articles J.2 and J.3 of the Treaty on European Union, relating, for example, to Angola, Rwanda or anti-personnel mines.
- (¹⁴) Regulation (EC) No 1257/96 of 20 June 1996 concerning humanitarian aid, OJ No L 163, 2. 7. 1996.
- (¹⁵) OJ No L 306, 28. 11. 1996.
- (¹⁶) In a Communication dated 30. 4. 1996 on linking relief, rehabilitation and development (COM 96/153 final), the Commission proposes the formulation of a coherent policy on this question, but considers that it would be difficult to put into practice.
- (¹⁷) Up to and including the financial year 1995, these appropriations were placed on budget Article B7—302. In the 1996 budget they were placed in the Humanitarian Aid section of the budget, B7—212 (60,0 Mio ECU in commitment and payment appropriations) but continue to be managed by DG I.
- (¹⁸) Article 130u(1): Community policy in the sphere of development cooperation, which shall be complementary to the policies pursued by the Member States, shall foster:
- the sustainable economic and social development of the developing countries, and more particularly the most disadvantaged among them;
 - the smooth and gradual integration of the developing countries into the world economy;
 - the campaign against poverty in the developing countries.
- (¹⁹) Article 130u(3): The Community and the Member States shall comply with the commitments and take account of the objectives they have approved in the context of the United Nations and other competent international organizations.
- (²⁰) Direct booking to appropriations headings not intended for this purpose or decommitment of sleeping appropriations for transfer to emergency aid following consultation of the ACP-EEC Council.
- (²¹) In the case of Liberia three of the nine decisions amounting to 9 Mio ECU were adopted on the same day.
- (²²) Interinstitutional Agreement of 29 October 1993 on budgetary discipline and improvement of the budgetary procedure, OJ No C 331, 7. 12. 1993.
- (²³) See paragraph 13.2. of the Annual Report concerning the financial year 1993, OJ No C 327, 24. 11. 1994, paragraphs 11.7—11.8 of the Annual Report concerning the financial year 1994, OJ No C 303, 14. 11. 1995.
- (²⁴) See working paper No 2 — Mobilization of the reserve for emergency aid. Rapporteur J. Colom i Naval, Committee on Budgets, Doc FR\DT290\290286 of 1 March 1996.
- (²⁵) See the Court of Auditors' Annual Report concerning the financial year 1992, paragraphs 12.71 to 12.79, OJ C 309, 16. 11. 1993.
- (²⁶) OJ No L 166, 5. 7. 1996.
- (²⁷) Article 130x(1): The Community and the Member States shall coordinate their policies on development cooperation and shall consult each other on their aid programmes, including in international organizations and during international conferences. They may undertake joint action. Member States shall contribute if necessary to the implementation of Community aid programmes.

- (28) On this subject the Council Resolution of 1 June 1995 on complementarity between the development policies and actions of the Union and the Member States should soon result in the definition of 'joint sectoral guidelines' applicable to humanitarian action.
- (29) See also the Final report on the pilot scheme on operational coordination between the Community and its Member States — Proposals for consolidating and extending operational coordination, COM(95) 700 final, 15. 12. 1995.
- (30) Council Resolution of 28. 11. 1991, point 5.
- (31) The WFP provides the basic supplies and ECHO provides additional supplies in the form of family parcels or supplies of compound foodstuffs.
- (32) European Community Task Force.
- (33) International Management Group — Infrastructure for Bosnia-Herzegovina (IMG-IBH), which was set up by the International Conference on former Yugoslavia (ICFY) under the UNHCR umbrella on 16 July 1993. The Commission committed 20 Mio ECU towards the running costs of the IMG-IBH in the period to the end of 1995.
- (34) Four agreements, signed by ECHO between June and August 1994, awarded 73 Mio ECU to the UNHCR — approximately 34 % of its resources. An additional agreement provided the UNHCR with top-up resources of 25 Mio ECU at the beginning of 1995.
- (35) The UNHCR's mandate did not allow it to tackle the question of displaced persons within Rwanda.
- (36) Articles 130u and 130y of the Treaty on European Union.
- (37) When the global plan was prepared in early 1994, rehabilitation measures had been committed for 60,9 Mio ECU. Of this amount, 25,8 Mio ECU related to the special initiative for Africa in the period from May to December 1993.
- (38) Unidade de Coordenação da Ajuda Humanitaria (UCAH), the representative of the DHA in Angola.
- (39) The principal objectives of the decision were to:
- a) favour aid to Bosnia-Herzegovina, given the extent of need in this republic;
 - b) continue the direct food aid programmes of the ECTF in Croatia, where, following a request from the UNHCR, the ECTF should cover all basic food needs;
 - c) continue direct aid actions in Serbia-Montenegro.
- (40) i.e. refugee, displaced person, social case, etc.
- (41) For example, the procurement of a water pump essential to a health clinic in Angola was eliminated from the budget of one NGO. In another case in the same country the full number of tents required to provide shelter was refused, but ECHO insisted instead on funding blankets which were unnecessary.
- (42) See paragraphs 11.29—11.57, Annual Report concerning the financial year 1995, OJ No C 340, 12. 11. 1996.
- (43) At the official rate of December 1993 (2,158820).
- (44) Rwanda, Burundi, Tanzania and Zaire.
- (45) See the report of the Working Party chaired by the Secretary-General of the Commission on the long-term needs of the external service of the Commission 'Basic principles and guidelines for the organization and the functioning of the External Service of the Commission'.
- (46) Paragraph 13.57, Annual Report concerning the financial year 1990 (OJ No C 324 of 13. 12. 1991).
- (47) Known as the 'operational contract'.
- (48) Under the present system, the exchange-rate risk is borne by the partner because the expenditure is converted into ECU on the date of settlement. This risk may be covered by the reserve in cases where the latter has not already been used for other purposes.
- (49) With regard to operations financed by the EDF, Article 254 of the Fourth Lomé Convention provides that, where circumstances so require, the duration of the operations may exceed the usual 180 days.
- (50) In one case, ECHO even accepted a report concerning a measure financed by a Member State during an earlier period.
- (51) Page 61, Synthesis Report, 'The International Response to Conflict and Genocide: Lessons from the Rwanda Experience', Joint Evaluation of Emergency Assistance to Rwanda, March 1996.
- (52) For example, 3 800 ECU/month for qualified expatriate personnel.
- (53) ECHO gave explanations to this effect in a letter dated 14. 1. 1994 to the Chairman of Caritas Denmark, a copy of which was sent to all ECHO's partners.
- (54) In a project providing medical supplies to Mongolia the NGO received 3 800 ECU/month while its staff were paid 1 000 ECU/month. The other costs for each expatriate did not amount to 2 800 ECU/month.
- (55) For example, 280 ECU/month for a doctor.
- (56) The interest referred to here is financial interest earned on the investment of advances of funds paid by the Commission.
- (57) See SEC(94)1924 of 18 November 1994, paragraph 17.
- (58) Some of these operations covered several contracts.

- (⁵⁹) The total value of the 19 contracts is 52 Mio ECU. 15 of those contracts, for 48,5 Mio ECU, concern the supply of 'ready-made' food parcels to Serbia.
- (⁶⁰) As at mid-1995 these were the largest direct aid measures implemented by the Community. A large-scale food aid operation was subsequently set up in Angola (by DG VIII, not ECHO) parallel to the WFP operations.
- (⁶¹) A major problem concerns the quality of the data input into the system, which depends on such things as the calibre of the local warehousemen. Also, tracking such items as bales of clothes or shoes (which may at various stages be described by weight, units or volume) is difficult. The ICRC has a good system, but the scale of its operations is considerably smaller than those of the UNHCR and the WFP, which makes the task easier.
- (⁶²) In order to ensure that the humanitarian action which it takes is rapid, the WFP is often obliged to divert some of its consignments and then uses the finance that is intended for humanitarian aid in order to make good the portion thus removed. This system of set-off lies at the roots of some of the problems which sponsors have when they try to monitor actual, physical consignments.
- (⁶³) These costs are known as 'ITSH' ('internal transport, storage and handling'). The [flat-rate] cost estimates for each crisis are calculated on an annual budget basis. They are not checked against the actual cost of individual operations.
- (⁶⁴) The conflict in Angola is long-standing and until recently the UNHCR was not able to intervene internally in countries where there was a crisis.
- (⁶⁵) Especially as regards the determination of eligible costs and the procedures for checking them.
- (⁶⁶) Operational philosophies vary between NGOs. Some are managed closely from the European headquarters, others, such as the Red Cross or Caritas, are much more decentralized.
- (⁶⁷) The audit reports on individual projects examined have been sent to the Commission (Annex 2).
- (⁶⁸) SINCOM in the case of the general budget and OLAS for the EDF.
- (⁶⁹) This cost represents 0,4 % of the cost of the aid which has been evaluated.
- (⁷⁰) At the end of 1995, programme evaluations designed as such had been carried out in Armenia and Azerbaijan, Georgia and Northern Iraq.
- (⁷¹) Cuba, Haiti, Southern Sudan.
- (⁷²) It can be argued that, as ECHO commissions and pays for these evaluations, the consultants are not sufficiently independent to comment on ECHO's performance. However, experience shows that, in practice, where they make comments, the consultants' observations are highly pertinent. The question of independence would be substantially resolved by implementing the proposals made in paragraph 5.5.
- (⁷³) One evaluator included in a series of evaluation reports the following: 'Any project submitted must be accompanied by a document describing the objectives, the strategy, the specific target populations of the operation, especially if it is part of a general programme. This document should be available to the consultants before their departure so that they are able to make a proper evaluation of whether the objectives have been achieved'. This was written in May 1995.
- (⁷⁴) Former Yugoslav Republic of Macedonia.
- (⁷⁵) The WFP tried to overcome the problem, with the help of the UK Overseas Development Administration, by purchasing 4 mills in August 1994. For reasons which the Joint Evaluation was not able to clarify, the mills remained unused in a warehouse.
- (⁷⁶) The Joint Evaluation concluded that this had a substantial environmental impact on a scarce resource.
- (⁷⁷) This does not mean that the judgements were invalid, but they are necessarily imprecise.
- (⁷⁸) International Dispensary Association.
- (⁷⁹) The fact that the logo incorporates the European flag is not enough to provide an immediate association with the Commission, as the flag is used widely by non-Commission organizations.

ANNEX 1

UTILIZATION OF FUNDS ALLOCATED FOR HUMANITARIAN AID, BY ORIGIN OF RESOURCE

Year Source of funds	Comments	1992		1993		1994		1995		Total	
		Commit- ments entered into	Payments effected	Commit- ments entered into	Payments effected	Commit- ments entered into	Payments effected	Commit- ments entered into	Payments effected	Commit- ments entered into	Payments effected
EDF											
6th EDF — Art. 203	Emergency aid	2,1	25,9	0,0	10,1	-2,3	2,7	0,0	-0,2	0,0	38,6
6th EDF — Art. 204 ⁽¹⁾	Aid to refugees	2,2	19,6	0,0	6,0	-0,3	3,4	-1,2	0,2	-0,2	29,2
6th EDF — NIP ⁽¹⁾⁽²⁾	National indicative programme — Somalia									62,7	57,6
7th EDF — Art. 254	Emergency aid	35,6	14,0	84,5	33,3	252,6	195,5	33,7	107,5	406,3	350,3
7th EDF — Art. 255 ⁽¹⁾	Aid to refugees	20,3	9,3	29,3	17,0	26,0	19,6	5,4	12,0	81,0	57,9
Total EDF		60,2	68,9	113,8	66,4	275,9	221,2	37,9	119,5	549,8	533,6
General Budget											
ECHO Food aid ⁽²⁾		72,5	72,5							72,5	72,5
B7-5000	Aid to help disaster victims in developing and other third countries	160,1	117,9							160,1	117,9
B7-6000 ⁽³⁾	Aid for economic restructuring of the countries of central and eastern Europe	74,0	18,5		48,2	-7,3				66,7	66,7
B7-510	Aid to help the populations of and emergency food aid for developing countries and others hit by disasters or serious crises			71,6	98,2	110,8	74,0	240,1	101,8	422,5	274,0
B7-511	Emergency food aid for developing countries and others hit by disasters or serious crises			17,4	62,8	46,0	32,1	33,6	38,7	97,0	133,6
B7-302 ⁽⁴⁾	Aid towards self-sufficiency for refugees and displaced persons in Asia and Latin America	81,7	57,5	65,0	59,7	69,9	59,5	59,8	63,7	276,4	240,4
B7-514	Humanitarian aid to the people of central and eastern European countries			385,0	165,1	268,0	307,5	231,7	192,2	884,7	664,8

Year Source of funds	Comments	1992		1993		1994		1995		Total	
		Commit- ments entered into	Payments effected	Commit- ments entered into	Payments effected	Commit- ments entered into	Payments effected	Commit- ments entered into	Payments effected	Commit- ments entered into	Payments effected
B7-515	B7-215			30,0	6,5	50,0	39,7	93,3	68,1	173,3	114,4
B7-516	B7-216			8,7	6,6	4,0	4,0		2,1	12,7	12,8
B7-517	B7-217			3,7	1,8	20,5	9,9	38,5	29,0	62,7	40,7
—	B7-219							4,9	1,2	4,9	1,2
Total budget		388,3	266,4	581,4	448,9	561,9	526,7	701,9	496,8	2233,4	1738,9
GRAND TOTAL		448,5	335,3	695,2	515,4	837,8	748,0	739,8	616,3	2783,2	2272,5

(1) Managed by DG VIII.

(2) Expenditure effected on humanitarian aid headings and re-booked to EAGGF appropriations.

(3) Including 5 Mio ECU from the 1990 budget.

(4) Became B7-212 in the 1996 budget, still managed by DG I B.

Sources: Revenue and expenditure accounts and balance sheets 1992—1995.

ANNEX 2

SAMPLE OF PROJECTS AUDITED

Recipient country	No projects	Type of measures	Amount in Mio ECU	Type of partner	Partner	Visit to HQ	On-the-spot visit
Afghanistan	1	Miscellaneous	1,39	IO	UNHCR	x	
Angola	1	Medical aid	0,30	NGO	ABLA-D		x
	1	Food/logistical aid	0,33	NGO	ADRA-D		x
	1	Medical aid	0,81	NGO	ADRA-D		x
	1	Health/nutrition	0,49	NGO	ADRA-D		x
	1	Food/logistical/medical aid	0,55	NGO	CARE-UK	x	
	5	Logistics	3,28	NGO	Caritas-NL		x
	1	Medical aid	0,17	NGO	CIC-P		x
	4	Medical aid	1,42	NGO	CICS-I		x
	1	Food/logistical aid	0,25	NGO	D WELT.		x
	4	Food/logistical aid	2,93	Private comp.	Focoex.SA	x	x
	1	Medical aid	0,15	NGO	IPMP-P		x
	3	Medical aid	0,99	NGO	MDM-F		x
	4	Medical aid	0,86	NGO	MSF-F		x
	1	Miscellaneous	0,21	NGO	SCF-UK	x	
	1	Food/logistical aid	1,86	IO	UNHCR		x
	2	Food/logistical aid	4,90	IO	WFP	x	x
Armenia	1	Medical aid	2,80	NGO	DRK-D	x	
	1	Food/logistical/medical aid	0,40	NGO	DWEKD-D	x	
Cuba	1	Coordination/monitoring	0,07	MS	AECI-E	x	
	5	Medical/logistical aid	3,38	NGO	MDM-E	x	
Ex-Yugoslavia	1	Food/logistical/medical aid	0,90	NGO	CARE-UK	x	
	2	Psycho-social assistance	0,62	NGO	DRC-DK	x	
	5	Logistics	5,58	NGO	DRC-DK	x	
	1	Hygiene products/logistics	1,00	NGO	DRK-D	x	
	2	Food aid	3,13	NGO	DWEKD-D	x	
	1	Food/logistical/medical aid	1,00	NGO	DWEKD-D	x	
	10	Food aid	79,63	ECHO	ECTF-Zagreb		x
	1	Health/nutrition	1,00	ECHO	ECTF-Zagreb		x
	4	Hygiene products/logistics	5,26	NGO/IO	Equilibre-F/Lazarus-D/UNHCR/IFCR		x
	2	Food/hygiene products/logistical aid	5,75	IO	ICRC	x	
	1	Miscellaneous	20,00	Other	IMG-IBH		x
	1	Food aid	5,90	NGO	MSF-B	x	
	1	Housing materials/logistics	1,58	NGO	MSF-B	x	
	4	Medical aid	10,14	NGO	MSF-NL	x	
	2	Psycho-social assistance	0,95	NGO	MSI-UK		x
	5	Food aid	19,00	NGO	Red Barnet-DK	x	
	1	Medical aid	1,00	NGO	SCF-UK	x	
	3	Food aid/hygiene products/logistical aid	47,99	IO	UNHCR		x

Recipient country	No projects	Type of measures	Amount in Mio ECU	Type of partner	Partner	Visit to HQ	On-the-spot visit
	1	Housing materials/logistics	22,43	IO	UNHCR		x
	1	Housing materials/medicines/logistics	16,00	IO	UNHCR		x
	1	Staff/logistics	0,42	IO	UNHCR		x
	3	Hygiene products/logistics	21,10	IO	UNHCR		x
	1	Coordination/monitoring	3,48	ECHO	ECHO-Belgrade		x
	3	Food aid/logistical/medical aid	15,00	IO	ICRC	x	
	1	Medical aid	0,50	NGO	MDM-E	x	
	1	Food aid/logistical aid	13,66	IO	WFP	x	
Guatemala	1	Medical aid	0,50	IO	ICRC	x	
	1	Miscellaneous	1,10	IO	UNHCR	x	
Iraq	1	Miscellaneous	1,20	NGO	SCF-UK	x	
Kenya	1	Logistics	0,07	NGO	CARE-UK	x	
Liberia	4	Health/nutrition	2,10	NGO	MSF-NL	x	
	2	Health/nutrition	1,28	NGO	MSF-B	x	
Malawi	1	Miscellaneous	2,52	IO	UNHCR	x	
Mexico	1	Miscellaneous	1,50	IO	UNHCR	x	
Mongolia	1	Food aid	0,32	NGO	DRK-D	x	
Rwanda	2	Food aid	0,73	NGO	Caritas S.I.-B	x	
	1	Health/nutrition	2,10	NGO	Caritas S.I.-B	x	
	1	Housing materials/logistics	0,23	NGO	DRK-D	x	
	3	Food/logistical/medical aid	3,77	IO	ICRC	x	
	1	Medical/logistical aid	0,50	NGO	MSF-B	x	
	4	Medical aid	1,89	NGO	MSF-NL	x	
	4	Food/logistical aid	103,27	IO	UNHCR	x	
	1	Food/logistical aid	15,00	IO	WFP	x	
Sudan	1	Housing materials/logistics	0,25	NGO	CARE-UK	x	
	1	Food/logistical aid	0,16	NGO	SCF-UK	x	
Zaire	2	Food aid	0,83	NGO	Caritas S.I.-B	x	
TOTAL	134		469,86				

Notes: IO = International/multilateral organization
 NGO = Non-governmental organization

Source: Court of Auditors

ANNEX 3

CONTRACTS BY TYPE OF PARTNER, 1992—1995

(in ECU)

Partner/contract	1992	1993	1994	1995	Total
EC-Direct action					
ECHO	8 474 142	45 324 321	104 381 838	64 026 854	222 207 155
EAC	2 524 500	8 318 645	11 581 577	4 535 842	26 960 564
Delegations	370 000	1 552 000	262 000	500 000	2 684 000
	11 368 642	55 194 966	116 225 415	69 062 696	251 851 719
Member State Govmts.					
Belgium	20 000 000	25 000	4 648 000	6 600 000	31 273 000
Denmark			100 000		100 000
Spain			129 000		129 000
France	1 526 340		500 000		2 026 340
United Kingdom		3 521 195	796 000	1 320 000	5 637 195
	21 526 340	3 546 195	6 173 000	7 920 000	39 165 535
Third country Govmts.					
Fiji		400 000			400 000
FYROM/Croatia	24 700 000	10 000 000	1 800 000		36 500 000
New Caledonia	250 000				250 000
Philippines				119 578	119 578
Western Samoa	300 000				300 000
Wallis and Futuna	75 000				75 000
	25 325 000	10 400 000	1 800 000	119 578	37 644 578
NGO(s) Member States					
Germany	460 187	24 769 700	29 357 380	32 629 000	87 216 267
Austria			625 000	1 280 000	1 905 000
Belgium	20 187 650	25 098 353	35 256 810	28 000 000	108 542 813
Denmark	26 313 000	48 724 057	27 128 000	8 800 000	110 965 057
Spain	1 160 000	19 021 832	21 516 375	21 121 500	62 819 707
Finland					—
France	38 579 700	88 634 711	110 942 799	91 636 000	329 793 210
Greece	1 745 000	886 500	980 000	915 750	4 527 250
Ireland	2 105 000	1 026 000	2 335 250	2 368 000	7 834 250
Italy	8 943 500	16 406 961	18 901 237	23 206 556	67 458 254
Luxembourg			445 266	850 000	1 295 266
Netherlands	9 314 040	15 212 795	24 496 993	25 157 910	74 181 738
Portugal	244 000	862 990	1 945 000	3 130 720	6 182 710
United Kingdom	2 394 500	23 606 851	34 054 623	35 748 384	95 804 358
Sweden			350 000	940 000	1 290 000
	111 446 577	264 250 750	308 334 733	275 783 820	959 815 880

(in ECU)

Partner/contract	1992	1993	1994	1995	Total
NGO(s) Third countries					
Norway			4 170 000	800 000	4 970 000
Australia			250 000		250 000
Switzerland	320 000	744 692	1 237 140	1 746 000	4 047 832
USA	1 232 000	1 679 565	1 432 730	1 106 676	5 450 971
	1 552 000	2 424 257	7 089 870	3 652 676	14 718 803
NGO(s) benefic. countr.					
Bangladesh	300 000				300 000
Bolivia		175 000			175 000
El Salvador	70 000				70 000
Ethiopia	58 000				58 000
Iraq		2 520 000			2 520 000
Jamaica				13 444	13 444
Lebanon		800 000			800 000
Israel-occupied terrs.	50 000	1 245 000	600 000	1 500 000	3 395 000
Pakistan	500 000				500 000
Philippines	41 000				41 000
Turkey	70 626				70 626
	1 089 626	4 740 000	600 000	1 513 444	7 943 070
United Nations					
WFP	35 831 586	71 318 781	47 355 716	29 155 000	183 661 083
FAO		868 000		493 500	1 361 500
WHO	3 809 500	9 250 000	500 000		13 559 500
UNDRO	110 000				110 000
UNHCR	78 232 580	87 955 364	177 336 429	46 885 500	390 409 873
UNICEF	4 127 000	13 631 598	11 908 135	4 684 000	34 350 733
UNDP	470 500			675 000	1 145 500
UNRWA		6 000 000	450 000	140 000	6 590 000
Others	262 000	700 000	3 122 425	2 008 166	6 092 591
	122 843 166	189 723 743	240 672 705	84 041 166	637 280 780
Internat. organizations					
ICRC	35 073 900	38 006 820	32 327 000	40 385 000	145 792 720
IFRC	1 666 000	26 001 135	37 163 603	11 349 066	76 179 804
Caritas International	70 000	491 560			561 560
Lutheran W. Federation		3 160 440	2 852 105	625 086	6 637 631
The World Council Ch.		1 000 000	92 104		1 092 104
	36 809 900	68 659 955	72 434 812	52 359 152	230 263 819
TOTAL	331 961 251	598 939 866	753 330 535	494 452 532	2 178 684 184

Source: 1995 Annual Report concerning humanitarian aid COM(96) 105 final.

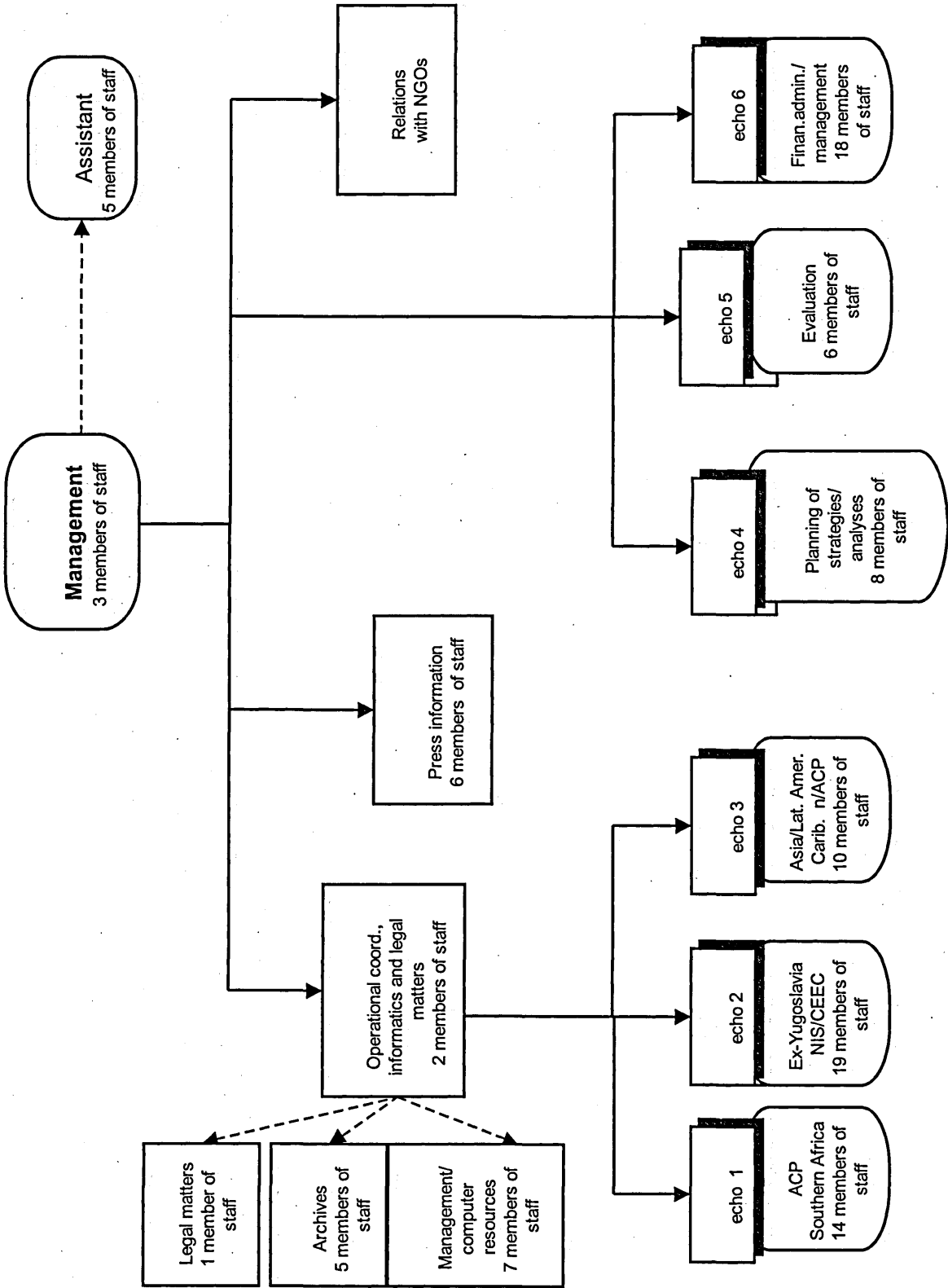
ANNEX 4

LIST OF THE 20 MAJOR NGO BENEFICIARIES OF COMMUNITY FUNDS
BETWEEN 1992 AND 1995

NGO	Amount Mio ECU	% of total
1 Médecins Sans Frontières (B)	58,44	5,94 %
2 EQUILIBRE (FR)	35,85	3,65 %
3 Pharmaciens Sans Frontières (FR)	30,98	3,15 %
4 Médecins Du Monde (FR)	30,78	3,13 %
5 Médecins Sans Frontières (NL)	27,61	2,81 %
6 Danish Refugee Council (DK)	27,12	2,76 %
7 Action Internationale Contre Faim (FR)	26,76	2,72 %
8 Médecins Sans Frontières (FR)	25,78	2,62 %
9 Handicap International (FR)	19,34	1,97 %
10 Save The Children Fund (UK)	12,19	1,24 %
11 Médecins Sans Frontières (ES)	11,31	1,15 %
12 Médecins Du Monde (ES)	9,60	0,98 %
13 Première Urgence (FR)	9,23	0,94 %
14 Feed The Children (UK)	9,19	0,93 %
15 OXFAM (UK)	8,78	0,89 %
16 CRIC (I)	7,54	0,77 %
17 ACTION N/S (FR)	7,44	0,76 %
18 Secours International de Caritas (B)	7,20	0,73 %
19 Caritas (DK)	7,19	0,73 %
20 Aznavour (FR)	6,66	0,68 %
sub-total	378,99	38,55 %
Other NGOs	604,01	61,45 %
TOTAL	983,00	100,00 %

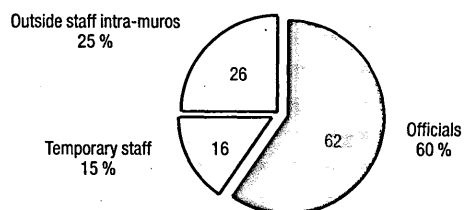
Source: ECHO balance sheets (1992—1995)

ESTABLISHMENT PLAN OF THE EUROPEAN COMMUNITY HUMANITARIAN OFFICE (ECHO) AT 30. 4. 1996

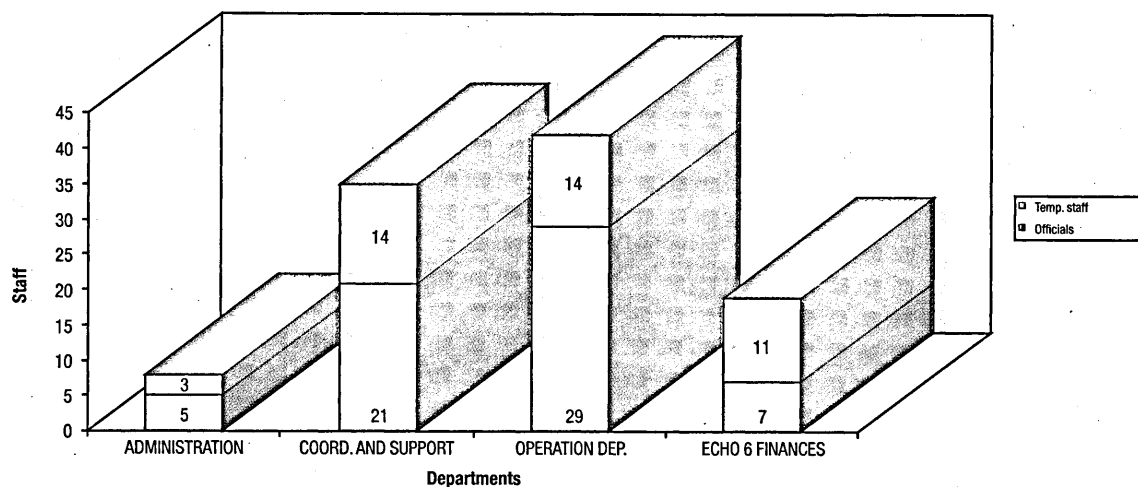


ANNEX 6

ECHO STAFF AT 30. 4. 96



Distribution of ECHO staff by department



Source: ECHO establishment plan at 30. 4. 1996.

THE COMMISSION'S REPLIES

1. INTRODUCTION

The humanitarian aid context

1.1. The figures given by the Court for the Commission's actual expenditure on humanitarian aid, including those in Annex 1, include a number of budget headings administered by DGs IA (B7—542), IB (B7—302 and B7—212), and VIII (6th EDF - Article 204 and NIPs, 7th EDF - Article 255) which do not concern humanitarian aid. It is nevertheless true that there has been a significant increase in humanitarian aid as defined by the Council, Parliament and the Commission and covered by Chapter B7—21 of the Community budget and Article 254 of the Lomé IV Convention.

1.4.—1.6. The Commission would underline the key role played by NGOs in marshalling relief and the swiftness of their response.

The Commission fully endorses the Court's analysis of the problems facing the Department of Humanitarian Affairs (DHA). The Commission would point to the efforts made to develop closer cooperation with the DHA in the following areas: rationalization of procedures for the use of the armed forces and civil protection service in providing relief at disaster sites (Military and Civil Defence Assets (MCDA)), disaster preparedness and the ReliefWeb initiative (useful information on humanitarian matters on the Internet). The Commission has also undertaken joint evaluation exercises with the DHA in the food and medical sectors.

The Court's audit

1.13. The following figures will illustrate the scale of the theatres of humanitarian operation (Afghanistan 0.2%, Angola 4%, former Yugoslavia 64.7% and Rwanda 26.9%). The Commission continued the Court's 1994 initiative carrying out a survey of 74 partners in 1996 from which it would appear that ECHO has a much better image with NGOs.

2. THE COMMUNITY'S APPROACH TO HUMANITARIAN AID

The European Union's intervention strategy

2.1. In the Commission's view the European Community had a clearly defined policy before 1996.

This was embodied in the Commission Decision setting up the European Community Humanitarian Office, established procedures and the framework partnership agreement (FPA) adopted by the Commission itself which contains political as well as legal and administrative provisions.

European Community humanitarian policy is now codified in the recitals to Regulation No 1257/96 of 20 June 1996 concerning humanitarian aid which was adopted by the Council under the co-decision procedure with Parliament's full approval. These set out all the principles and guidelines determining Community activity in this area. European Community humanitarian aid is governed by clear objectives and principles and underpinned by resources (Chapter B7—21) which can be identified by the Budgetary Authority (Council and Parliament) under the procedure for the adoption of the European Community budget and by administrative and operational instruments both within the Commission (one department responsible for planning and implementation at internal level: ECHO) and outside (the Commission's partners, i.e. NGOs, humanitarian organizations, United Nations agencies and Member States' specialized agencies).

2.2. The Council has never adopted a common position on the nature, procedures or objectives of humanitarian aid. The only operational common action taken by the Council on humanitarian aid was at the end of 1993 (Decision 93/603/CFSP) and concerned funding for humanitarian aid totalling ECU 34 million for Bosnia-Herzegovina.

2.4. The Commission would point out that the last recital of Council Regulation (EC) No 1257/96 of 20 June 1996 states that: 'procedures should be established for the implementation and administration of humanitarian aid financed by the European Community from the general budget, with emergency aid under the Fourth ACP-EC Convention signed at Lomé... remaining subject to the procedures and arrangements laid down in that Convention'.

Consequently the Commission applies the same principles and guidelines for aid financed by the EDF as that for aid financed by the general budget and it uses general budget and EDF funds indiscriminately for FPAs. The procedures do, however, differ (Humanitarian Aid Committee or EDF Committee depending on the origin of the funds).

2.6. The fourth recital of Regulation No 1257/96 clearly states that 'humanitarian assistance may be a prerequisite for development or reconstruction work and... in this context, it may include an element of short-term rehabilitation'.

The Regulation simply confirms what was already a well-established ECHO practice, i.e. not to get embroiled in a process of rehabilitation or reconstruction beyond the short term and to withdraw once the circumstances and resources permit. The firm line taken by ECHO here has also been the source of frequent criticism by NGOs seeking financing.

ECHO works very closely with other Commission departments and this has significantly rationalized Commission and Member States' operations. The most cogent examples are the Community operations undertaken in Mozambique, Somalia, Liberia and Haiti and now running in the former Yugoslavia and Angola. The most recent example of the transition from humanitarian aid to rehabilitation is the Commission operation in Mozambique where, having completed its humanitarian action, ECHO moved on to development work.

2.7. Any ambiguities between the uprooted peoples Regulation and the humanitarian aid Regulation will be eliminated by a joint Council and Commission statement to be issued when the former is adopted.

2.8. The Commission is aware of the problems identified by the Court and has set up a Permanent InterService Group (PISG) to ensure closer coordination between operations undertaken under different instruments. This provides a forum for mutual and fruitful cooperation between ECHO and other Commission departments. The Commission communication of 30 April 1996 (COM (96) 153 final) on linking relief, rehabilitation and development also seeks to establish greater synergy between Commission departments. Task forces have been and will continue to be set up for 'risk' countries to provide a global framework for action and to make rational use of the relevant budget headings.

2.9.—2.10. The Court's call for clarification in accordance with Article 130u(1) and (3) of the Treaty has been met by the Council through its adoption of Regulation (EC) No 1257/96 on 20 June 1996 which defines the principles, objectives and guidelines governing humanitarian aid. Since Parliament also approved the Regulation under the co-decision procedure it is assumed that the principles established reflect the perception of European Community humanitarian policy of the three

institutions in question (Council, Parliament and Commission).

Decision-making mechanisms and dispersal of financial resources

2.11. The Commission applies the same principles, guidelines and management procedures for aid financed under the EDF as that financed by the general budget. The only difference lies in the procedure for consultation and involvement of the Member States in the decision-making process as the EDF Committee has its own consultation procedures (see point 2.4).

2.13. The situation described relates to 1992 and 1993. The practice at that time was to respond on an ad hoc basis to financing requests from NGOs or other organizations for relief operations before a plan of action was formulated. Although this may have added to ECHO's administrative workload it did enable the Commission to act swiftly.

The introduction of global plans for more protracted crises has provided a structural solution obviating the need for such an ad hoc approach.

2.14.—2.16. In recent years (1993 to 1996) the level of budget allocations under Chapter B7—21 has clearly failed to keep pace with the policy decisions taken by the Council, the wishes expressed by Parliament or the obligations to be met by the Commission. The Commission has thus found itself midway through the year having to embark upon lengthy and laborious procedures to mobilize resources from the emergency aid reserve.

This topping-up exercise so late in the year, which can seriously hamper a humanitarian operation, is one of the main reasons for the concentration of decisions and commitments at the end of the year and for the under-utilization of payment appropriations. ECHO has repeatedly underlined the need not only for the procedure for mobilizing the emergency aid reserve to be improved but also for swifter and priority access to be given to budget resources which have not been used by the Commission. The Commission and Parliament have always argued in favour of a more appropriate initial budget.

2.17. Humanitarian aid may cover food aid to disaster victims (between 35 % and 40 % of ECHO's resources), but always in the context of humanitarian assistance. In the interests of clarity, Chapter B7—21 (formerly B7—51) included, until 1993, an emergency food aid budget heading (B7—511) which was clearly intended for

humanitarian purposes. Again in the interests of transparency, this heading was finally abolished by the Budgetary Authority in the 1996 preliminary draft budget and its appropriations were incorporated under those of heading B7—210.

Complementarity and coordination with Member State aid

2.19. The Commission agrees that there should be greater coordination with Member States in terms of the resources available.

2.20. The Commission is aware that, despite the many Council resolutions and conclusions adopted on the matter since the 1970s, the problem of coordination where there are serious weaknesses has never really been properly tackled and needs to be closely looked at by the Commission and Member States in the future. Since Council Regulation No 1257/96 has made coordination one of the principles which must be 'a foundation for effective humanitarian action by the Community', the Commission presented a paper and work programme on coordination to the Humanitarian Aid Committee in October 1996.

Box 1: ECTF — European Community Task Force, Zagreb

The conclusion that some of the Member State representatives have a rather vague idea about the ECTF demonstrates the degree of confusion which the creation of (informal) structures by Member States (in this case by Heads of State and Government at the European Council in Birmingham in October 1992) in the humanitarian field has generated for Member States themselves.

2.22. The Court's remarks on the three-monthly meetings held prior to the adoption of Council Regulation No 1257/96 are pertinent. These meetings were discontinued when the Humanitarian Aid Committee was set up.

However, the Commission had taken a number of practical initiatives to promote closer coordination with Member States well before the Regulation was adopted. These included asking Member States to participate in evaluation visits, holding systematic talks with Member States' representatives during on-the-spot visits and sending 14-point telexes to the DHA in Geneva with a copy to the Commission. The Commission now has a database containing information on some 75 % of Member States' operations.

As it noted in relation to point 2.20, the Commission considers there is still room for improvement in

coordination between the Member States and itself and is determined to achieve it.

Cooperation with the United Nations and international organizations

2.23. The Commission does not share the Court's view that decisions on the organization of cooperation with United Nations agencies and international organizations should be taken at the highest level. It considers that the arrangements between the Commission and UN agencies and the ICRC work very well, and this is confirmed by these organizations. Furthermore, the UNHCR and the ICRC accepted the principles governing cooperation between the Commission and its partners in the humanitarian field and how it should be put into practice by signing framework partnership agreements on 13 December 1993 and 18 May 1993 respectively.

2.24. As the Court rightly states, the Commission has sought to refine working methods with international organizations and the UNHCR in particular through a high-level working party (the Permanent Interservice Group or PISG) which was set up in November 1994. The Group has been very active, discussing, inter alia, an extension of ECHO's mandate to finance civil protection operations. This was finally incorporated in point (g) of Article 2 of Council Regulation No 1257/96.

The Commission is pleased with the way the Interservice Group is working but would welcome any suggestions for improvements.

2.25. Cooperation between ECHO and the UNHCR in the former Yugoslavia and the Great Lakes region is based on the same principle: to respect the UNHCR's mandate to protect refugees. The two different courses taken by ECHO and the UNHCR in these two theatres of operation are attributable to the following circumstances:

- In the former Yugoslavia, although the UNHCR was appointed lead agency, the international community did not perceive this as a monopoly on humanitarian assistance (cf. the many bilateral NGO programmes financed in the region by the governments of the Member States and other non-Community countries). This was a logical consequence of the crisis (both refugees and displaced persons scattered throughout the area). ECHO was made responsible for the food aid programme in Croatia and part of the food aid programme in Serbia-Montenegro because the UNHCR's mandate did not cover these programmes or the two Republics. Regardless of these very

particular circumstances, which are explained in more detail below, the UNHCR received ECU 379 million which it redistributed to various NGOs.

- In Croatia, ECHO undertook direct action programmes with the consent of the local authorities (Memorandum of Understanding with Croatian authorities) and the UNHCR (meeting between ECHO, UNHCR and WFP on 16 September 1992) in view of the priority given to refugees' nutritional needs, because the WFP had difficulty in mobilizing resources and the criteria used for its basic food rations were based on those applied in Africa and were therefore inappropriate for the people of Croatia.

- In Serbia-Montenegro some of the products initially supplied by the WFP (oil, sugar, salt, etc.) were included in ECHO's additional food aid programme for refugees, at the WFP's request. However, because of the huge quantities of cereals required and the amount of money involved, the WFP retained responsibility for flour and beans which were therefore eligible for financing by other donors.

In both cases the Commission relieved the UNHCR and the WFP of some of their work. Many of the Commission's partners welcomed this top-up funding approach given that the UNHCR could not cover all the territories of the former Yugoslavia.

- In the Great Lakes region, it was because the refugees were in camps for which it was responsible that the UNHCR acted as the lead agency for the humanitarian programmes in these camps. ECHO financed NGOs via the UNHCR in a spirit of solidarity, and in the interests of coordination and efficiency, given the scale of the crisis (sudden massive influx of over two million refugees throughout the region of whom one million faced certain death in the wake of the cholera epidemic which had broken out in Goma), and not in order to simplify administrative follow-up.

Although ECHO and the UNHCR had agreed on a global coordinated strategy, ECHO did not follow it in every region. The Commission gave funds direct to the leading NGOs to provide emergency aid for displaced and vulnerable sections of the population in Rwanda and Burundi.

The Commission has made a careful study of the UNHCR's supervision of NGOs partly funded by the Commission in the course of its work with the organization and has concluded that the system it uses (disbursement of funds on the basis of interim narrative

and financial reports) is reliable. ECHO representatives in the field have also monitored how these NGOs work in practice. In the light of the information they have provided the Commission has drawn up criteria for the selection of programmes with the UNHCR. ECHO representatives on the ground are responsible for analysing monitoring and evaluation reports. The many interim and final reports forwarded by NGOs to the UNHCR in the field are not compiled by ECHO in Brussels.

Conclusion

2.26. The principles governing the European Community's humanitarian activities are set out in Council Regulation No 1257/96 which was adopted (by the Council and Parliament) under the co-decision procedure.

This has given the European Community a clearly defined policy underpinned by principles, financial resources which are clearly identifiable in the Community budget and administrative and operational instruments both within (ECHO) and outside (partners) the Commission.

The Commission communication on the linking of relief, rehabilitation and development and the Council conclusions of May 1996 form the Community response to the linkage of humanitarian aid and development and a definitive part of the policy line approved by the Council in the humanitarian aid Regulation (see fourth recital).

Coordination with the Member States and international organizations is another principle embodied in Regulation No 1257/96 to which close attention must be paid in the future.

The Commission does not therefore see the need for a European Union humanitarian aid charter.

2.27. As far as complementarity and coordination of European Union aid with that of the Member States is concerned, the Commission has undertaken coordination or joint operations, including operations on the ground, on many occasions through the flow of information between headquarters, delegations and embassies. The principle of closer cooperation is embodied in Council Regulation No 1257/96 and the Commission will continue to work in this direction.

The Commission would also draw attention to its initiative to involve Member States in evaluation visits and its standard practice of working systematically with

Member States' representatives on the ground in on-the-spot visits. Mention should also be made of its communication on the linking of relief, rehabilitation and development (COM(96) 153 final of 30 April 1996) which proposes that coordination between the Community and Member States be assured through task forces in the field working openly with, as far as possible, the relevant Member States, UN agencies and other relief agencies, NGOs and local structures.

2.28. The principle of cooperation with international humanitarian aid organizations is enshrined in the recitals to Regulation No 1257/96. The Commission applies this principle through its work with and support for UN agencies and through the partnership it has established with humanitarian organizations. The Commission does not share the Court's view that there should be a global agreement with the UN Secretariat and does not consider that such an agreement would ensure consistency and transparency in its relations with humanitarian agencies.

The Commission does not see the need for supplementary agreements with each agency to define the practical procedures for such cooperation since these are already established in the framework partnership agreements which have been signed with the UNHCR, WFP, UNICEF, PAHO and WHO.

3. MOBILIZATION OF HUMANITARIAN AID BY THE COMMISSION

Mobilization of appropriations (global plans)

3.1. The Commission would remind the Court of its crisis evaluation procedures. Before undertaking any operation it has an evaluation carried out by experts on the ground. All international agencies and NGOs are consulted both on the ground and in Brussels and meetings are then organized to analyse the situation and define strategies and priorities. In the case of global plans these analyses are more complex and take account of the scale of the crisis. The Member States are involved in these analyses. The Commission then holds meetings with all its partners to assess what action is to be undertaken in a particular region.

— ECHO has introduced a standard operating procedure (SOP No 1 of 8 March 1995 on the administration of operational dossiers) for the Commission's evaluation of financing requests for humanitarian operations. This is based on an evaluation sheet containing

general information, a description of the programme proposed by a partner, any other persons/organizations involved, other sources of evaluation of needs and, finally, 13 objective analytical criteria for a detailed and full examination of each request. It is accompanied by a checklist which provides a standard guide to be used by each administrator to assess requests. Ways of improving procedures to ensure that objectives are more clearly reflected and requests are properly formulated in operational contracts are being studied under the review of the framework partnership agreements.

— The global plans, which Article 15⁽²⁾ of Council Regulation No 1257/96 of 20 June 1996 considers a formal Community instrument, include a general evaluation, an analysis of the humanitarian situation, a list of operations already undertaken, strategies and priorities for continuing aid, a proposal for a decision and implementation procedures. They are approved by the Commission by written procedure.

3.2. A general and operational analysis of a particular crisis (based on experts' reports) and discussions with partners (international organizations and NGOs), Member States and other Commission departments are the principal tools used to compile a global plan 'intended to provide a coherent framework for action in a given country or region' (Article 15 (2) of Regulation No 1257/96).

3.3. ECHO holds negotiations on the allocation of funds between global plans in order to provide an equitable response to the needs of the crises in question and ensure a balance between humanitarian agencies in each area of intervention with the resources at its disposal. The Commission does not negotiate the allocation of available funds according to its partners' geographical origin. The criteria it uses have always been partners' expertise and availability in the area in question and will in future include those set out in Regulation No 1257/96.

3.4. The Commission's global plan for Angola was strictly confined to the humanitarian aspects of health not covered by UN agencies and to regions which were inaccessible at the time. The UNHCR, whose mandate only covered refugees, did not play a major role in Angola. The plan was discussed with DG VIII which decided to focus on food aid and other areas not covered by ECHO. The Commission and Member States were notified at a meeting in Geneva on 1 March 1995 of the United Nations' approval of the European Community operation in Angola. The DHA was informed of ECHO's

individual operations in accordance with standard procedures (14-point telex, see point 2.22 above).

3.5. Although ECHO did not begin discussions on global plans for the Caucasus until the second half of 1995, operations were already under way as early as 1992. These and the winter (October to March) and summer (April to September) programmes in particular were prepared on the basis of evaluation visits by desk officers and detailed discussions with partners on the ground.

Since the crisis flared up in the southern Caucasus ECHO has had an expert in each of the countries concerned to closely monitor operations financed by the Commission. The information provided by these experts has also been used by the Commission to assess new requests for funding and, when the time came, to review its strategy in this region.

3.6. ECHO had drawn up an indicative winter plan allocating resources by republic and sector in late 1992. This plan took account of evaluations undertaken by United Nations agencies and other organizations including the ICRC.

Similar information was used as a basis for the decision taken by the Commission in June 1993 (ECU 100 million) referred to in the report. This was supplemented or amended in the light of requests submitted by NGOs on the ground. Teams in the field (expatriate staff, monitors, etc.) and sent out from headquarters were also involved in the preparation of decisions.

In Croatia, Serbia and the former Yugoslav Republic of Macedonia needs have always been evaluated at the sharp end. The number of refugees, displaced persons or 'welfare cases' was evaluated in real time in each locality and constantly checked by teams of monitors.

In Bosnia the figures were admittedly less precise because of the conflict situation there. ECHO did nevertheless receive a fair number of reports (from agencies, the ICRC, NGOs, EEU, ECTF experts, etc.) which were used in drawing up the global plans.

The Commission does not consider that it bears total responsibility. There were lists of emergency rehabilitation projects (ECU 10 million from the decision granting ECU 156 million to the IMG), but in the conflict situation at the time it was impossible to define in advance the projects which could be carried out once a decision had been taken (the volatile situation, troop movements, access, problems with local authorities in the Republika Srpska). Since the IMG was not yet operational the partners who were to implement the projects had not always been identified when a decision

was being prepared. There had to be some room for manoeuvre for such projects if the Commission and the IMG were to provide an adequate response to the most pressing needs. A detailed list of all projects financed in this sector exists.

3.7. Partners' applications may be put aside if a humanitarian strategy has to be established under the global plans (see points 3.1 et seq.).

Internal coordination of the Commission's aid measures

3.8. Each Commission department has its own responsibilities. These are defined in various documents including the Community budget (budget headings defining eligibility of projects), internal budget implementation rules which define the responsibilities of authorizing officers or, quite simply, the Commission directory.

Where complementary (rather than 'similar') projects are authorized by different Commission departments which concern, say, the same region or the same group of recipients interdepartmental coordination is undertaken at various levels. This procedure is formalized in the Commission communication of 30 April 1996 on the linking of relief, rehabilitation and development (COM (96) 153 final).

The Commission can finance different and/or complementary projects by the same partner (case of the WFP cited by the Court in point 3.8(a)) through one or more of its departments.

- (a) DG VIII's food aid unit and ECHO have always consulted each other on the Commission line to be taken with the WFP, particularly in relation to the agendas of the WFP's Committee on Food Aid Policies and Programmes.
- (b) In Angola ECHO undertook operations in the field of primary health care and in regions which were inaccessible at the time in collaboration with DG VIII. DG VIII dealt with food aid and other aspects not covered by ECHO. Since copies of all the operational contracts were sent to the Commission delegation it was kept well informed.

3.9. The Commission does its utmost to promote interdepartmental coordination (see point 3.8). It considers that standardization of procedures and contractual terms is not an end in itself and these have to be tailored to the financial instruments available.

3.11.(a) Although it does not take issue with the substance of the Court's comment, the Commission considers coordination between ECHO and DG VIII in Liberia is an example of efficiency and rationalization.

(b)&(c) In the Commission's view it has to use management tools which are tailored to the legal instruments and objectives of individual policies.

3.12. It is true that ECHO and DG IA (through the Phare programme) financed separate operations involving the distribution of essential pharmaceutical products in the former Yugoslav Republic of Macedonia. They were, however, complementary as the products in question were distributed at different times through interdepartmental coordination.

Identification of individual projects and appraisal of the proposals

Choice of individual operations

3.13. Under Article 4.1 of the framework partnership agreement ECHO's partners are required to systematically provide basic details of the objectives, target recipients, and the procedures for and scale of the operations they are proposing with their financing requests. Given the huge numbers of financing requests it receives the Commission has to apply strict criteria in its selection based on:

- NGOs' experience, professionalism and financial standing;
- quality of the project;
- the project's impact and viability;
- satisfaction of needs.

Furthermore it is not solely on the basis of a partner's request that the Commission decides whether or not to undertake an operation. Ways of ensuring that an operation's objective is more clearly reflected in the body of the operational contract and not simply in Annex I are being studied under the review of the framework partnership agreements. Requests which are considered justified are, if necessary, forwarded to Commission delegations in the country in question and to experts on the ground. ECHO also undertakes on-the-spot visits to check or gather further information. Experts are also carefully selected and given further training.

3.14. According to the Commission's information, NGOs now take a more positive view of the Commission.

3.15. The procedures used by the Commission to appraise proposals and identify individual projects are explained in point 3.1 and appear to work well.

Cofinancing

3.16. As a general rule it is Commission policy that the use made of funds committed by the Community must be clearly identifiable (earmarking). However, in the cases raised by the Court, and in the interests of closer coordination between the leading donors in a humanitarian crisis, the Commission is willing to discuss with other major donors and its partners ways in which such an approach might be implemented.

3.17. In the Commission's view, the partners in question did not meet their obligations under the framework partnership agreement because they failed to inform the Commission of the other sources of financing they had received for the same projects. The Commission will consider whether the Court's comments should be acted upon.

3.18. The Commission believes that it acted within the framework and limits of its mandate in the case in question. It cannot be blamed for the fact that the central component of one partner's programme could not be financed by ECHO because it was outside ECHO's mandate and that this hampered the operation's implementation.

Conclusion

3.19. The Commission does not share the Court's view that the global plans for humanitarian aid do not lay down a medium-term strategy for the aid measures financed by the Community. The Commission undertakes analyses of the situation and has evaluations carried out on the ground by experts to prepare an operation. All international agencies and NGOs are consulted both in the field and in Brussels where meetings are held to assess the situation and define strategies and priorities. In the case of global plans these analyses are more complex usually because of the scale of the crisis and are conducted in close collaboration with Member States.

The Commission considers that for the moment its global plans fulfil the objectives set by the Council, i.e. to provide a coherent framework for action in a country or particular region. They not only include an assessment of a particular crisis but also define the priorities and the main lines of coordination with bilateral aid provided by the Member States and other Commission departments.

3.20. The Commission does not share the Court's view about the scope for administrative and financial control of humanitarian programmes. Any humanitarian programme, however complex, can be divided up into sectors of activity. If the Community decides to finance one or more of these sectors, the relevant Commission decision can and does cover all the aspects necessary to ensure administrative and financial control procedures are implemented at the appropriate time.

It is therefore not a fiction to maintain that the Community exerts control over sectors of a programme that it decides to finance.

3.21. The Commission shares the Court's opinion about the need for greater cooperation between the Community and Member States' humanitarian aid agencies. It believes the principles of internal coordination between the Member States and the Commission in the humanitarian field defined in Regulation No 1257/96 can be applied if the Commission secures the Member States' cooperation. The Commission has already presented proposals to this effect.

3.22. Although evaluations are made of the needs expressed by specialized agencies the Commission believes it bears a large responsibility in this area in view of the emphasis Regulation No 1257/96 puts on evaluation exercises (Articles 4, 14 and 18) and considers that, since its evaluations are undertaken in crisis situations, they do not necessarily duplicate those undertaken by specialized agencies or NGOs. They enable the Commission to clearly identify the needs to be met and, in the light of their partners' own evaluations, to itself decide on the strategy and resources to be deployed.

3.23. The Commission accepts the approach advocated by the Court in point 2.23 and is making the necessary improvements to the procedure to be used by partners for presentation of their requests with particular reference to indicators which can be used at the appropriate time to evaluate the implementation and impact of operations.

3.24. The Commission is determined to do what the Court suggests but it will need Member States' cooperation.

3.25. As regards the analysis of the procedures and systems used by organizations receiving funding from Commission departments, the Commission would again point out that Regulation No 1257/96 defines the criteria which must be met by such organizations in order to have access to Community humanitarian funding. These criteria, which were worked out by ECHO and submitted to the Member States and its partners, will apply from 1 January this year. Continuing and improved coordination is required at Commission level.

4. ECHO'S ORGANIZATION AND WORKING PRACTICES

ECHO's organization and resources

4.2. The fact that a considerable proportion of ECHO's staff at the end of 1992 left between 1993 and 1995 is due to increased mobility and the fact that ECHO was a new department with wider responsibilities.

4.3. ECHO had less than 60 members of staff during a large part of the period over which the Court carried out its audit.

4.6. ECHO uses the Commission's staff recruitment procedures which are transparent. This explains why, in most cases, ECHO's temporary staff carried out their professional duties extremely well. Where this was not the case ECHO immediately ceased to use the services of external staff who proved unsatisfactory.

4.7. One of ECHO's priorities from 1992 to 1995 was the training of staff who 'have considerable experience of humanitarian aid work and are sufficiently conversant with the way in which the Commission's departments work' (the criterion referred to by the Court in point 4.8 of its report). ECHO has given temporary staff all the training it can in Brussels before they are used in the field once they have served the maximum three years that temporary staff may be employed with the Commission. In some cases such staff have been and continue to be employed in the field as consultants and are financed by operational appropriations in accordance with the remarks in the budget and Regulation No 1257/96.

The Commission does not consider the use of external staff for permanent tasks is necessarily inappropriate. It is, however, true that the rules governing the employment of Commission staff, and in particular, the three-year rule, do not provide the flexibility required for humanitarian aid.

4.8. The Commission would point out that the recruitment of experts for humanitarian operations in the field is difficult and highly competitive, given the 'humanitarian' nature of the world in recent years.

No more than 20% of technical assistants have changed in the past three years. These changes have been for various reasons, one of which is without doubt the fact that ECHO experts on the ground work under extremely arduous conditions and in often explosive crisis points (the former Yugoslavia, Chechnya, the Great Lakes region, Liberia, Somalia, Sudan, etc.). Some experts have decided to end their employment with ECHO because it was unable to offer them long-term contracts. Finally,

ECHO has sometimes had to part company with certain experts whose conduct or performance proved unsatisfactory.

The close excellent professional relationship which ECHO enjoys with its experts in the field can be seen in the fact that 80 % of them have not changed despite the very difficult conditions under which they work and their precarious terms of employment.

4.9. In recent years most of ECHO's activities have been in countries where there are neither delegations nor development programmes (the former Yugoslavia, Somalia, Sudan, Georgia, Armenia, Azerbaijan, Tadjikistan, Afghanistan and Cuba). In practice, therefore, technical assistants have performed a representational function for the Commission in the humanitarian field, being the only Commission 'envoys' on the ground, but have always worked in close coordination with and under instructions from ECHO.

4.10. The Commission considers it now has a sufficient number of external humanitarian aid experts (consultants) to be deployed in humanitarian crises. Under their contracts with the Commission they are legally permitted to spend periods at ECHO headquarters in Brussels to evaluate operations and discuss problems with ECHO.

ECHO has no objection to a stronger institutional framework for field supervision between ECHO and the delegations. Where the Commission undertakes humanitarian operations in countries where there are delegations, the latter are not only kept informed of the Commission's intentions but are also actively involved in the supervision and monitoring of humanitarian operations.

ECHO's working practices

Framework partnership agreement (FPA)

4.13. The partnership system is based on the framework partnership agreement (FPA), its general conditions and annexes and the specific contract covering each operation (operational contract). The FPA and its general conditions form an integral part of the operational contracts signed by partners.

1. The FPA sets out the signatories' principles and intentions. It defines ECHO's powers and duties, the procedures for implementing humanitarian aid (cooperation with international organizations, NGOs, Member States, etc.), its main responsibilities and the criteria which must be met by its partners (registration, mission, integrity, experience and

resources). It also defines the parties' commitment to promote and consolidate their relationship and cooperation (mutual respect for each other's mandates, charters or statutes), to work towards the same objectives in a spirit of dialogue, to define common policies, to develop new initiatives to make humanitarian aid more effective and to take responsibility for their respective roles ensuring that each retain its freedom and independence. Finally, the FPA calls for a forum to be established to debate issues of mutual interest, meetings to be held to discuss humanitarian objectives and policies and for information to be published and calls on both sides to help raise the profile of humanitarian operations. The FPA concludes that the parties will be guided by principles of efficiency, transparency and the sense of importance of their duties and that, through this partnership, they will strengthen the links which bind them together in working towards a primary objective - humanitarian aid.

2. The general conditions and annexes to the FPA lay down the rules governing operations and in particular: initiation and launching of operations, eligibility of expenditure, budget and budget changes, a contingency reserve, implementation, coordination, staff, procurement, quality and quantity inspections, insurance, stock inventories, financial and operational reports, pay, the duties of parties after the operation, media profile, financial control clause, rights of suspension or termination, duration, applicable law, etc.
3. The operational contract sets out the detailed and specific conditions governing each operation.

The Commission considers that these three components form the general conditions of the partnership and not just the contractual conditions governing individual operations.

4.14. The Commission would point out that the FPA was drawn up on the basis of a study and analysis by an independent expert who consulted many of ECHO's partners.

4.15 (a) The Commission does not share the Court's conclusion that 'ECHO has had no other choice than to impose just one approach to humanitarian aid, i.e. the approach which best satisfied its own budgetary and financial control constraints'. As explained above, the FPA was the fruit of studies undertaken with

many of the Commission's partners in the humanitarian field. These and other partners then signed the FPA knowing full well what they were doing and that their signature was neither a precondition nor a *sine qua non* for Community funding.

ECHO was not in a position at the end of 1992 to carry out detailed analyses of its partners' working methods or administrative procedures. If it had made the provision of Community financing for its partners subject to such analyses the Community would not have been able to deploy its humanitarian aid.

(b) The Commission does not share the Court's view. It is convinced that the framework partnership agreement can be used for both 'simple' operations and 'complex' humanitarian aid operations. This is demonstrated by ECHO's work over the last four years and by the fact that any 'complex' humanitarian operation can be easily divided into sectors of activity which can be covered by ECHO operational contracts even if other donors finance part of a sector of activity.

(c) The framework partnership agreement was introduced to reflect ECHO's constant concern to maintain sound management. ECHO's partners must accept such a system which has to be unique if ECHO is to have the efficient, flexible, transparent and rapid procedures called for by Regulation No 1257/96. By including direct and administrative costs in each operational contract ECHO also helps ensure that its partners are able to fulfil the commitments they enter into when they sign the framework partnership agreement. Neither ECHO nor the Commission has 'key' partners.

(d) The provisions of the framework partnership agreement apply equally to the Commission as to its partners. The Commission also undertakes to promote and consolidate its mutual relationship and cooperation (mutual respect for the mandates, charters or statutes of the other), work toward the same objectives in a spirit of dialogue, define common policies and develop new initiatives to make humanitarian aid more effective, take on responsibility for its respective role and ensure that each side retains its freedom and independence. The FPA also provides that ECHO will establish a forum for debating issues of mutual interest.

On the specific question of procedures, ECHO undertakes to inform the partner at the earliest opportunity of its acceptance or refusal of a proposed operation (Articles 2.1 and 4.1 of the FPA).

(e) ECHO has always clarified any situation where there were ambiguities or a problem of interpretation and informed its partners in writing. Before financial settlement and final payment the Commission submits a detailed breakdown to the partner who is able to discuss or contest it.

— Footnote 48. Article 9 of the FPA states that 'the contingency reserve may be used to cover unexpected overruns and net exchange losses'. The Commission therefore considers that the exchange-rate risk does not have to be borne by the partner.

(f) The Commission would point out that humanitarian aid operates in very particular and unstable crisis situations of war or armed conflict. When an operation begins and a contract is concluded it is impossible to predict how the situation or needs will evolve in a few months' time. The general trend has always been (provided funds are available — and particularly in the case of the former Yugoslavia where ECHO has always had to mobilize the contingency reserve) for contracts to be proposed for a fixed period to allow resources to be adapted to often changing situations and for the situation to be monitored. So far no partner has been refused a justified extension of a project financed by ECHO provided the funds were available.

The example of the Danish Refugee Council in the former Yugoslavia calls for the following comments:

1. The contracts concluded with the DRC for the supply of logistical (transport) equipment involved three different organizations: the UNHCR, the ECTF and the German Government (fleet of German MAN trucks) in three different bases: Zagreb for access to Bihac, Split on the Adriatic Coast for access to Herzegovina and Metkovic for access to Sarajevo and Bosnia.

2. In the volatile situation at the time it was impossible to predict how the conflict and therefore needs would develop. Short-term

(three-month) contracts seemed a reasonable solution.

3. In the case in question the contracts concluded had to take account of the unpredictable nature of the war and the budget constraints at the time.
- (g) Since October 1995 administrators are required to fill in a final operational evaluation sheet under ECHO's standard procedures. This contains, inter alia, the conclusions of the evaluation of the partner's narrative operational report on the humanitarian operation. This is then forwarded with the financial report to ECHO's financial unit. If necessary, ECHO will request additional information on the narrative or financial report.

In the cases discussed by the Court ECHO did not ask for further explanations because it had all the information it needed.

Box 2: Application of the framework partnership agreement to the UNHCR

The Commission's reply on this point should be seen in relation to it replies on points 3.1 to 3.7 (global plans) and 2.23 to 2.25 (cooperation with the United Nations and international organizations) in the light of the Court's remarks on UN agencies' monitoring and reporting deficiencies and their tendency to overestimate needs (point 5.8).

The Commission has the following to say in relation to the Court's remarks on the former Yugoslavia:

- (a) ECHO's practice vis-à-vis the UNHCR is the same as that for other donors. Before signing an operational contract ECHO and the UNHCR always agree on the sectoral priorities to be financed and even on the partners to be used for the operations financed by the Commission who would work for the UNHCR under subcontracting arrangements. This is completely compatible with the UNHCR's working practice and enables it, because of the speed with which ECHO provides financing, to plan its procurement and distribution of essential goods. Furthermore, the UNHCR has expressed its approval of this method of cooperation on more than one occasion in final reports. In the former Yugoslavia ECHO and the UNHCR gave priority to ECHO financing of the procurement of basic necessities.

The administrative and accounting difficulties for the UNHCR referred to by the Court are in no way due to the fact that financing is brief. They are

attributable to the serious deficiencies in the UNHCR's structure, as ECHO's recent monitoring visit to the UNHCR in November 1996 revealed.

- (b) *The distribution of basic necessities in central Bosnia was plagued by military movements, conflicts, blocking of convoys and a general lack of security. This very precarious situation also hampered ECHO experts who were unable to evaluate the UNHCR's requests, particularly as they were often unaware of the UNHCR's rough estimates of needs and stocks and the UNHCR was not very forthcoming in this respect.*
- (c) *The information provided by the UNHCR on the final distribution of goods were considered satisfactory in the light of the situation at the time and the information in ECHO's possession.*

The Court's remarks on the crisis in Rwanda call for the following comments:

- (a) *The Commission's agreements with the UNHCR followed normal Commission practice with its partners. This did not prevent the Commission from adapting its working relationship with the UNHCR in Rwanda in the light of the needs on the ground.*
- (b) *The fact that ECHO agreed after examination to defer expiry of agreements neither proves nor disproves that the UNHCR had badly assessed the situation or needs. The fact that ECHO accepted one single report for four agreements should be interpreted as a willingness on its part to facilitate the UNHCR's work.*
- (c) *The Court's remark is justified for the first few months of the Community humanitarian operation in the Great Lakes region. It was because the UNHCR had failed to provide the information it required that ECHO approached the UNHCR on this matter. Since it did so the UNHCR has systematically sent to ECHO any sub-agreements signed with NGOs financed by funds which the Commission makes available to the UNHCR. There has sometimes been some delay in the forwarding of agreements which are being amended to ECHO.*
- (d) *ECHO could easily improve its operational and financial control by significantly increasing the number of experts in the field. In the case of the Great Lakes region ECHO should have put in at least 50 experts in Zaire, Tanzania and Burundi to ensure full and effective monitoring.*

4.16. The Commission considers that the framework partnership agreement must be open in principle to all

NGOs and humanitarian organizations. The Commission is not in favour of limiting access from the outset. It should be noted, by way of comparison, that ECHO has signed some 160 framework partnership agreements with NGOs. The UNHCR's partnership network with NGOs (PARINAC) comprises 450 NGOs to date. The number of NGOs which sign the framework partnership agreements when they are renewed will depend on their ability to meet the criteria laid down in Article 7 of Regulation No 1257/96.

4.17. The Commission does not share the Court's view that 'it (FPA) is not an instrument leading to an effective partnership'. Both Parliament (see Parliament report A4—0283/95 of 14 November 1995) and the Council (Regulation No 1257/96) see the framework partnership agreement as a tool for the management of humanitarian aid. In its report Parliament states that it has never considered the relationship between the Commission and its partners to be of a contractual subcontracting nature.

4.18. Since the framework partnership agreement is also a management tool, the Commission does not see any need to introduce any differentiation in its provisions to reflect the different types of operation being financed. In the Commission's view this would not serve any purpose and would not be helpful from the viewpoint of auditing or reporting.

The fact that a humanitarian operation is 'simple' or 'complex' has never prevented ECHO from using the framework partnership agreement. The review of FPAs will look in particular at the forms used for requests by partners and the annex to the operational contract which should reflect the particular conditions of an operation financed by ECHO under an operational contract.

4.19. The operational reports provided for under the framework partnership agreements will ensure the Court's objectives are met as they must provide all the information required for proper processing of dossiers.

Within this framework there is no reason why partners may not, if they wish, explain how an operation financed by ECHO fits into a wider programme partly financed by other donors. Article 3 of the FPA states that 'funds allocated by ECHO represent partial or total financing for an operation'. When a partner submits a financing request to the Commission, other sources of financing must be clearly indicated under points 10, 13 and 14. This also enables a partner to explain how the operation was implemented in relation to other operations financed by other donors forming part of the same programme when the interim or final reports are presented. As regards the inclusion in FPAs of 'audit arrangements for

the operation as a whole' the Commission believes it would be difficult, even from a legal viewpoint, to require its partners to comply with auditing criteria for operations not financed by the Community.

4.20. The Commission shares the Court's view on the need for common rules to be applied by the major donors for the presentation of reports by partners. However, the Commission depends here on other donors' goodwill.

4.21. The Commission does not share the Court's view that there should be 'a degree of differentiation by groups of organizations with which the Commission works'. The Commission does not see any merit in classifying partners by 'group'. In fact it would only complicate the management process and be a potential source of conflict between the Commission and its partners.

There are other alternatives. Through the application of the criteria and factors defined in Article 7 of Regulation No 1257/96, its audits, monitoring and evaluation exercises and expertise gained on the ground with its partners the Commission will shortly be able to accurately assess its partners' professional and management capabilities and performance and to build a database which it can use to help select partners according to the type of crisis or country or region in question.

The personnel costs of projects

4.22. When it adopted the framework partnership agreement the Commission decided to use a system of 'fixed amount' funding for its partners' personnel costs to facilitate the preparation of contracts and avoid unnecessary discussion with partners on the remuneration of their staff. It should be pointed out that the Commission takes a fairly cost-conscious approach to the remuneration of partners' field personnel for humanitarian operations; its 'fixed amounts' are lower than the salaries paid by other donors.

The Commission would make the following comments on the problems raised by the Court with regard to the fixed amount system:

- (a) It is aware that the term 'fixed amount' may be somewhat confusing and a memo clarifying its content and implications in the context of FPAs was sent to all partners in early 1994.

- (b) The Commission is not responsible for NGOs' personnel remuneration policy. However, it does not understand why some of its partners pay very generous salaries.
- (c) ECHO is aware that 'fixed amount' rates for local staff need to be tailored to the situation on the ground.

Standardization of contract terms and conditions

4.23. The Commission agrees with the Court that there cannot be a standard format or identical terms and conditions for all the different contracts (humanitarian aid, food aid, refugee programmes run by DG IB and DG VIII and cofinancing for development projects carried out by NGOs). The Commission has the following comments to make as regards the areas where the Court considers there is scope for standardization of all types of contract:

- (a) The terms of payment (in particular advances) of humanitarian contracts have to be more flexible and adaptable than for development contracts. In humanitarian operations funding is largely drawn on in the start-up phase.
- (b) The proposed amendment to the Financial Regulation will resolve the interest problem. There would not appear to be any reason to align fixed amount payments for personnel or transport on those under development projects, given the motivation of staff involved in humanitarian operations and the often specific transport conditions.
- (c) & (d) On the question of inspection and surveillance by United Nations agencies, the Commission applies the same conditions irrespective of the Commission department or financial instrument involved. These were negotiated by the Commission with the United Nations.
- (f) The presentation of narrative and financial reports and their deadlines is a individual administrative matter to be dealt with according to the type of financing provided. It would not be appropriate to standardize reports for humanitarian operations on those for development projects because they are not of the same duration or nature.

4.24. The Commission has not considered it either appropriate or necessary to standardize procedures for

humanitarian and development projects to help refugees. Refugee operations are covered by different legal bases which provide for differentiated procedures. It would consequently be extremely difficult to attempt to standardize these procedures.

Tendering

4.25. The Commission cannot comment on the efficiency of large organizations' tendering procedures.

4.26. (a) The first case discussed by the Court (family food parcels for refugees living in host families and collective centres in Serbia-Montenegro) concerns a direct Commission operation in Serbia-Montenegro. Although ECHO's offices in Belgrade were responsible for transport and final distribution, a NGO procured the goods, made up the parcels and transported them to Serbia-Montenegro. Under Article 15.4 of the general conditions of the framework partnership agreement it had signed with ECHO this NGO was required to put out the procurement of the products to be included in the parcels for competitive tendering. This exercise began in 1993 and was repeated on a number of occasions. In 1993 ECHO did not have sufficient human resources to effectively supervise this operation. However, it did so as soon as it could (in March 1994), and asked the partner NGO in question to renegotiate prices with its supplier making substantial savings by changing the type and composition of the parcels in question.

- (b) The Court makes numerous references to Angola. ECHO is aware that operations in Angola were poorly managed and has taken the necessary steps to replacing the desk officer and two experts on the ground. Operations in Angola accounted in the last three years for only 2 % of ECHO's overall operations. The Commission therefore considers the Court might have borne this in mind in its comments, particularly as the Commission only undertakes direct contracting in the cases specifically provided for by the Financial Regulation.

4.27. Even for budget headings other than B7—211 ECHO has used Regulation No 2200/87 procedures to obtain more guarantees as regards the choice of suppliers, prices, product quality, etc. This approach has not brought any particular benefit; the ad hoc procedure used in the former Yugoslavia (direct ECHO operation) proved equally effective and reliable.

The Commission would point out that:

- It considers the present system of procurement and tendering for humanitarian and food aid works satisfactorily. It should be noted that Council Regulation No 1257/96 makes no particular reference to the food component of humanitarian operations, clearly showing that the Council considers food to be 'regular' or 'normal' products in humanitarian operations and to be covered by Article 3 of Regulation No 1257/96 ('Community aid referred to in Articles 1, 2 and 4 may be used to finance the purchase and delivery of any product or equipment needed for the implementation of humanitarian operations'). This is confirmed by the fact that Council Regulation (EC) No 1292/96 of 27 June 1996 states in the second paragraph of Article 1 (1) that 'food-aid operations of a humanitarian nature shall be carried out in the framework of rules on humanitarian aid and shall fall within the scope of this Regulation'.
- The emergency mobilization procedure was abolished in 1996 with heading B7—211. ECHO's procurement procedures contain all the necessary guarantees (consultation of DGs VI and VIII on potential suppliers; standard tendering procedures requiring the approval of the Legal Service and DG XX; compliance with specifications listed in Official Journal No C 114 of 29 April 1991; examination of tenders with ECHO's financial unit; consultation of DGs VI and VIII on the tender prices; use of a standard contract requiring prior consultation of DG XX). The Commission would also draw attention to the agreement concluded on 12 September 1996 between ECHO and DG VI on consultation in this area.

Operations carried out by partners

4.30. The Commission shares other donors' concern about the weaknesses in UN agencies' information systems. It should be noted that the information gathered by these agencies provides the basis for their appeals. Real needs cannot be assessed unless reliable information can be obtained on past operations and the final recipient's stocks (local stocks and accumulated reserves).

On the more specific question of Commission support for monitoring by UN agencies, one particular case of interest is ECHO's offer to the WFP to finance a monitoring system to oversee the distribution of food aid in southern Sudan (following a specific request from the WFP). The Commission's only condition was that ECHO should be free to choose the personnel to carry out

monitoring although they would report to the WFP on the ground. The WFP did not take up the Commission's offer.

4.31. It should be noted by way of example that the Commission had some 40 persons undertaking and monitoring direct operations in the former Yugoslavia. Both the Commission and the Court have stressed the quality and performance of these complex operations. UN agencies had over 1 000 people in the field at the same time.

The Commission has always been, and continues to be, willing to consider the best way of helping improve UN agency monitoring by providing financial assistance (indeed it has already done). However, to do so the Commission requires the agencies' cooperation.

4.33. As was explained in points 3.13 and 4.19 improvements are being considered under the review of the framework partnership agreement system to ensure that the objectives of operations financed are reflected in the body of and annexes to the agreements.

Monitoring by the Commission

4.36. The Commission is aware of the monitoring problems encountered in Angola and took steps to remedy the situation some time ago.

4.37. In the Commission's view ECHO experts in the field have a clear grasp of their role. The two seminars organized by ECHO for them in 1995 and the follow-up to them have greatly helped to improve the relationship between ECHO and experts on the ground. Standard terms of reference defining their job description and responsibilities have been drawn up. Specific analysis documents have also been adopted in addition to the field guides which already exist for each sector of activity (water, health, refugees, etc.). A system of coding has been introduced to ensure consistency in reporting. Improvements have also been made to their working environment (terms of contract, relations with authorities in the country in question and with Commission delegations, logistical back-up, etc.).

4.40. Although on-the-spot visits by ECHO personnel to the countries where operations are being undertaken form only part of ECHO's monitoring procedures, such visits, however short, have helped to improve monitoring significantly.

At the time ECHO was unable to undertake the level of monitoring recommended by the Court owing to the crisis situation and a lack of staff.

Financial implementation procedures

4.41. Special financial and budgetary applications are used solely for analytical purposes (e.g. budgetary implementation).

4.42. & 4.43. The information available in SINCOM shows that for 1995 some 90 % of all payments were effected within a period of 60 days.

4.44. The main factor responsible for the increased delays in payment has been eliminated by giving ECHO's financial unit more staff and introducing an integrated computerized system (HOPE) which will facilitate the unit's task.

4.45. ECHO has systematically monitored payments of balances since its financial unit was given more staff.

Conclusion

4.48. The Commission considers the framework partnership agreement to be an appropriate political, legal and administrative tool for the efficient management of European Community humanitarian aid. This view appears to be shared by Parliament and the Council.

Far from making the management system more efficient, differentiation of framework partnership agreements by type of partner is likely to be a source of conflict between ECHO and its partners.

4.49. ECHO's evaluation of its partners' procedures and management systems culminated in the introduction in January this year of eligibility criteria on which the Member States and NGOs had been consulted and which are based on Article 7 of Regulation No 1257/96.

4.50. The Commission has taken the necessary steps to remedy the situation in the two cases which it detected to avoid similar problems in the future.

4.51. Although positive results have already been achieved in the evaluation of the actual implementation of humanitarian projects and their impact, the Commission does agree that there is room for improvement but this will mean human resources both in Brussels and in the field will have to be increased.

4.52. On-the-spot monitoring is a crucial factor in the efficient management of humanitarian aid. The problem can be easily solved by increasing the number of ECHO experts on the ground but this would of course require additional financial resources.

5. EVALUATION OF THE AID

Internal evaluations by ECHO

5.3. (a) The seminars on the evaluation of humanitarian aid held in Barcelona in June 1996 and in Valencia in December 1996 highlighted the fact that evaluation systems used by specialized agencies and NGOs and at institutional level in general are fairly rudimentary. Very few partners have a department dealing specifically with this aspect and there are very few experts. This has meant ECHO has had to start from scratch. It has built up and is continuing to expand a core of quality evaluators. During this learning process ECHO inevitably had some less felicitous experiences and this accounts for the poorer quality of a very small number of reports.

(b) Initially ECHO concentrated on evaluating individual operations in order to refine its methodology and terms of reference, get to know its partners and assess their effectiveness and capacity to manage funds but also to determine the impact of the operations in question.

As it developed its methodology ECHO gained sufficient expertise to be able to evaluate programmes, undertake sectoral or area evaluations and to assess disaster prevention operations. Programme evaluations have been carried out in the three countries of the southern Caucasus and northern Iraq. They were also undertaken in Haiti, the former Yugoslav Republic of Macedonia and Cuba in the first half of 1996.

(c) Since embarking upon evaluation work proper in late 1993 ECHO has focused its limited resources on compiling an evaluation manual and developing its methodology. Joint evaluations are now an ECHO priority but will require closer cooperation with other donors.

(d) Under the present evaluation system there is nothing to prevent external evaluators from commenting on ECHO's operation and strategy in a particular crisis. This point may be discussed in more detail in the future review of

the evaluation manual following the adoption of Regulation No 1257/96.

As far as footnote 72 is concerned, the Commission does not share the Court's fears that external evaluators may not be sufficiently independent for they enjoy complete freedom within the terms of reference of the evaluation exercise in question and can use their own judgement.

- (e) Operational departments are involved in evaluations at all stages of the procedure from the moment that the evaluation unit decides to undertake and organize an evaluation and draws up its terms of reference right up to the discussion of the draft report with the evaluator. They are therefore able to inform an evaluator about any operation or a programme where there have been problems and to discuss his findings and recommendations when he returns from the field.

An evaluation culture for humanitarian operations is developing. Incidentally, this is something operational departments themselves have called for as they are interested in knowing what impact operations have. A database is being built to disseminate the findings within ECHO. A rudimentary database incorporating all ECHO's evaluations with the name of the partner, type of operation, amount, name of the evaluator and cost is already operational.

- (f) ECHO ensures that any operation it finances has clear and verifiable objectives and that needs and recipients are identifiable (see points 3.1 to 3.7 and 3.13 to 3.15). The FPA review is also looking at possible improvements to ensure that the objectives and content of operations, needs and recipients are more clearly identified in the operational contract.

5.4. An assessment of ECHO's performance is not one of the objectives of project or programme evaluations although (see point 5.3.) there is nothing to prevent external evaluators from commenting on the way in which ECHO carries out an operation in a particular crisis.

ECHO's performance is evaluated not only through the Court's audits but through the following analytical exercises to which it is and will continue to be subject:

- An inspection report by the Inspectorate-General of the Services (IGS). This inspection began on 30 March 1995 and was completed on 28 July 1995;

- An internal audit by the Directorate-General for Financial Control (DG XX). This audit began on 22 January 1995 and was completed on 3 May 1996;

- An evaluation to be undertaken in the light of the conclusions of the Council meeting on 22 November 1996. This will form part of the more general evaluation of development aid instruments decided upon by the Council in June 1995;

- An evaluation to be undertaken under Article 20 of Regulation No 1257/96. The assessment which covers all operations financed by the Community under the Regulation will be presented by the Commission to Parliament and the Council three years from the entry into force of the Regulation.

5.5. The Commission considers that primary responsibility for an evaluation exercise lies with the operational department in question and that its effectiveness is guaranteed by supervision and monitoring at central level (methods, objectivity and timetable).

Effectiveness of humanitarian assistance

Coverage

Targeting

5.8. The overstating of needs is a matter of concern to the international humanitarian community as a whole and donors in particular and is partly due to the fact that partners and especially UN organizations are anxious to secure their own financial base. The former Yugoslavia and Serbia Montenegro in particular are a graphic example, and clearly illustrate this problem.

5.13. The Court refers to an operation undertaken by ECHO in 1993 when it had only just started up. This was a continuation of a previous operation with another partner. Furthermore, the region in question (southern Caucasus) was part of a world emerging from the break-up of the former Soviet Union about which the Community knew very little.

In view of the enormous humanitarian and other needs in this area the Commission decided it had to act even though it did not have detailed information about the type of problems involved. However, at the same time as it was implementing humanitarian projects ECHO began a number of surveys and vulnerability studies to identify and better target risk groups which prompted ECHO to rethink its strategy in the southern Caucasus.

5.14. See replies to points 1.5, 4.13, 4.31, 5.9 and 5.10.

Delivery

5.19. As regards the Court's comment that the Hutu militia were mixed in with the refugees in Tanzania and

Zaire and consequently received humanitarian assistance, the Commission would point out that both the UNHCR and the Commission had called for the militia and refugees to be physically separated from the very beginning of the crisis in the Great Lakes region. The international community was unable to do so. The Hutu militia numbered 30 000 and refugees over 1,7 million.

Appropriateness

5.22. The Commission considers the overriding objective of humanitarian action is to save and preserve human life.

Humanitarian work should obviously contribute as quickly as possible to the process of rehabilitation and recovery work (see fourth recital and Article 2(d) of Regulation No 1257/96) but this is not its main objective.

5.27. The Commission would remind the Court that a war was raging in the former Yugoslavia and in Bosnia in particular in the winter of 1992–93 and the problems involved in gaining access to victims or obtaining reliable information about the needs to be met were legendary. Mistakes were made by all donors including ECHO. The examples cited by the Court clearly show the limitations to appropriate targeting of humanitarian aid in armed conflicts.

5.28. ECHO and DG VIII conducted a joint audit of the project referred to by the Court. The audit revealed malpractices on the part of the NGO in question. The matter has been referred to UCLAF for appropriate action.

5.30. Since 1992 the Commission has repeatedly underlined the limitations of humanitarian aid and its inappropriateness as a substitute for political action in situations of conflict or war. However, as was explained above (see point 5.22), the main objective of humanitarian aid is to provide relief and protection for victims of natural or man-made disasters (Article 1 of Regulation No 1257/96). Humanitarian aid's contribution to reconstruction and rehabilitation is also embodied in Regulation No 1257/96 as an but not the main objective.

The view that the effectiveness of humanitarian aid might be undermined by structural problems upstream (lack of development, political or economic transition, mismanagement) unless it is integrated with measures to address such structural weaknesses unfortunately does not reflect the situation on the ground. If this argument had been accepted, humanitarian operations would never have been implemented over the last few years in the

many countries which have undergone the transition from command to market economy, for during this period none of them had a global economic policy framework into which humanitarian aid could have been integrated.

5.31. The fact that the Commission has undertaken analyses and made proposals on the linkages between humanitarian aid, rehabilitation and development (work undertaken jointly by ECHO with DG VIII) and that the Commission communication was adopted with conclusions by the Council in May 1996 demonstrates the depth of the Commission's concern to ensure that humanitarian aid is integrated at the appropriate time into a longer-term strategy. Differentiation between operational instruments and services is not an obstacle, in the Commission's view, to this continuum strategy (see its reply on points 2.6, 2.8 and 3.8 to 3.12).

5.32. The examples cited by the Court were a response to a situation of economic deprivation and serious danger for the most vulnerable sections of the population in Angola, Sudan, Bosnia, Siberia, Cuba and northern Iraq at a time when other Community aid instruments could not be deployed. The Court applauds the flexibility demonstrated by the Commission. The integration of Community humanitarian operations into medium or long-term strategies involving other Commission departments was embarked upon in Angola and Bosnia at the appropriate time.

Impact

5.33. More effective assessment of humanitarian aid's impact is one of ECHO's short-term objectives. Improving the content of application forms and narrative reports will contribute to a more rigorous evaluation of the impact of humanitarian aid operations despite the constraints which exist.

5.36. As the Commission has already indicated (see point 5.33), the use of quantitative and qualitative indicators to define humanitarian aid objectives and evaluate the impact of operations is one of ECHO's medium-term objectives.

Cost-effectiveness

5.38. The Commission cannot comment on the effectiveness of large organizations' tendering procedures.

The Commission considers that its procurement and tendering procedures work satisfactorily and a unified procedure is not necessary.

5.40. A working party set up by ECHO with its partners to review the framework partnership agreement has looked at the specific issue of expatriate staff remuneration. In the case cited by the Court, the Commission believes the problem is one of misuse of funds (which is of major concern to ECHO) rather than of cost-effectiveness.

The Commission would also point out that the maximum rates used in the framework partnership agreement cover not only salaries (monthly salary, social security contributions and insurance) but also travelling costs between the expatriate's country of origin and the place of operation and a daily subsistence allowance (housing, food, etc.).

Medical supplies were airfreighted to Mongolia because of their considerable value added and the fact that it would have been extremely risky to have moved them by train in this region.

Visibility

5.42. The Commission would point out that visibility in the humanitarian field is an objective laid down in Article 4 of Council Regulation No 1257/96.

5.43. (a) In the Commission's view the use of an ECHO logo with the 12 stars adds to rather than detracts from the European Union's visibility and is not a source of confusion. The ECHO acronym and its logo are known and recognized throughout the world after only four years of ECHO operation.

(b) ECHO did finance the UNICEF programme in Azerbaijan in 1995 (second tranche of ECU 280 000). Agencies whose operations are financed by other donors do have a problem of visibility and ECHO has held discussions with them in an attempt to improve this situation.

A system of coordination between desk officers, the NGOs concerned and ECHO's information department is now in place. The information department is responsible for publications under this new system.

(c) The Commission considers that an information strategy must have different components which are tailored to the particular public targeted. In the humanitarian field this strategy follows three main lines:

1. In the field a flag, posters or stickers are more successful than articles in the press.
2. Conventional media (press, television, etc.) are used to inform the public not only in the Member States but also at international level. Audiovisual programmes and a travelling exhibition illustrating the European Union's humanitarian operations are some of the instruments used for this type of information campaign.
3. 'Specialists' are informed through annual reports, quarterly bulletins (ECHO News) and the many publications prepared in close collaboration with ECHO's partners for distribution in the Member States.

Conclusion

5.44. Initially, within the limits of its resources, ECHO concentrated on evaluating (using external evaluators) individual operations not only to refine its methodology and terms of reference and to get a better idea of its partners, their efficiency and capacity to manage funds but also to assess the impact of these operations. Having developed its methodology culminating in the production of an evaluation manual, ECHO has acquired sufficient expertise to be able to undertake programme, sectoral and area evaluations and to assess disaster prevention operations. Joint evaluations will also be a future ECHO priority.

A database is being built to disseminate the results of these evaluations within ECHO. A rudimentary database incorporating all evaluations undertaken by ECHO with the name of the partner evaluated, type of operation, amount, name of evaluator and cost of the evaluation is already in operation.

5.45. The Commission would point out that Article 4.1 of the framework partnership agreement's general conditions requires partners to provide basic details on the objectives, target recipients and the procedures and scope of the operations proposed with their requests. Nevertheless, as has already been indicated, ECHO needs in the future to improve the system of presentation of requests and the parameters and indicators to be used to make a prior assessment of needs and to evaluate operations once they have been completed.

5.46. The Commission considers that the main responsibility for evaluation lies with the operational department concerned and that the effectiveness of the exercise is guaranteed by supervision and monitoring at central level (methods, objectivity and timetable).

6. OVERALL CONCLUSION

Clarity of the European Union's policy on humanitarian aid

6.2. Since Regulation No 1257/96 was adopted by the Council on 20 June 1996 under the co-decision procedure the Community has a legislative text which clearly defines its political strategy.

Before this date there was a clearly defined Community line on humanitarian policy in the many decisions and procedures adopted by the Commission. European Community humanitarian aid is now governed by clear objectives and principles, financial resources (Chapter B7—21) which can be easily identified by the Budgetary Authority (Council and Parliament) under the procedure for adoption of the Community budget and administrative and operational instruments both within the Commission (one department responsible for defining and implementing policy at internal level: ECHO) and outside (the Commission's partners, i.e. NGOs, humanitarian organizations, UN agencies and Member States' specialized organizations).

The Commission does not therefore see any need for a further general policy document, 'a kind of charter for humanitarian aid', to clarify the main lines and principles of European Union humanitarian aid policy when these have already been clarified and defined in Regulation No 1257/96.

Consistency and complementarity of the European Union's aid

6.3. Greater complementarity and coordination of the Community's and Member States' humanitarian aid must be a future priority, given that Regulation No 1257/96 lays down that 'close coordination between the Member States and the Commission both at decision-making level and on the ground' is a principle 'to guarantee and enhance the effectiveness and consistency of Community and national humanitarian aid systems'. The Commission recently presented a paper and work programme on this matter to the Humanitarian Aid Committee.

Concentration of administrative responsibilities

6.5. In the Commission's view coordination between ECHO and other departments has never caused any major problems and has prevented duplication. Although the form and conditions of contracts used by other Commission departments cannot be identical because of the different types of measures financed, a number of improvements could be made by standardizing certain conditions applied by Commission departments (see point 4.23).

The framework partnership agreement, however, was designed solely for ECHO hence why it is not used by other departments. The Commission has already explained the measures taken and results obtained (see point 3.1 to 3.7 and 5.3) with regard to the procedures used to scrutinize proposals and the lessons to be learned from evaluations.

Increase in the capacity for intervention

6.6. The Court's remark concerning ECHO's lack of human resources is pertinent. Because it does not have sufficient officials ECHO has had to make use of temporary staff, service providers and auxiliary staff. It is regrettable that ECHO has to terminate satisfactory working relationships with them after they have gained considerable expertise in the years they work with ECHO either because of the 3-year rule or for budgetary reasons.

ECHO uses experienced consultants in the field to monitor operations in situ. In the vast majority of cases they have proved entirely satisfactory and are crucial to the Commission's efforts to strengthen its analytical and monitoring capacity on the ground for humanitarian crises in compliance with the remarks in the Community budget and Regulation No 1257/96.

Improvement of the coordination with the other donors

6.7. The Commission does not consider it necessary to conclude 'a global agreement' with the UN Secretariat 'specifying the financing prospects and the practical details of the collaboration with the Commission's departments'. No additional agreements on the practical arrangements for cooperation need to be concluded with each individual agency as these are already set out in the framework partnership agreements signed with the UNHCR, WFP, PAHO, UNICEF and WHO.

Although the Commission is aware of humanitarian organizations' operational realities, it does not believe agencies' operational constraints are any different from those of humanitarian organizations including NGOs.

Mobilization of large-scale resources

6.8. Coordination with the Member States is one of the main areas to be explored in the years ahead.

Procedures for evaluating and for rendering the accounts

6.9. As regards the evaluations referred to by the Court, it is true that ECHO concentrated initially on evaluating individual operations in order to refine its methodology and terms of reference used, to get to know its partners better and to assess their effectiveness and capacity to manage funds but also to assess the impact of the operations in question.

Under the present evaluation system there is nothing to prevent external evaluators who are totally independent

from commenting on the way in which ECHO operates and the priorities it applies in a particular humanitarian situation. However, this point needs to be clarified and discussed in the review of evaluation methodology to take account of Regulation No 1257/96.

ECHO has acquired sufficient expertise in evaluating humanitarian operations to undertake evaluations by sector or area or of individual projects or global plans. It has already done so for the southern Caucasus, northern Iraq, Cuba, Haiti and FYROM.

Final consideration

6.10.—6.11. The idea floated by the Court of setting up an operational agency was taken up by the Commission in its decision of 6 November 1991 on humanitarian aid (COM(91)MIN1081). This will probably be discussed in the light of the global evaluation to be presented by the Commission three years after the entry into force of Council Regulation No 1257/96.

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