

CONCORD FDR Monitoring of EC Deconcentration
Summary of findings
10 February 2006

Introduction

The CONCORD FDR working group has been monitoring NGO experiences of EC Deconcentration for several months. 89 depositions have been made by NGOs from 9 different EC Member States, covering 99 separate items. The report below summarises the key issues that have arisen. It also shows how the focus of these issues has changed over time.

Although the number of examples has increased in 2005, this does not necessarily mean there has been an increase in the number of issues; it may be due to the fact more NGOs are making depositions than previously. In addition some of the 2005 figures reflect the reporting of issues that happened in 2004. It should also be pointed out that the categories of the database are not exclusive so for example the number of cases reporting delays is a reflection of another underlying issue (See process delays)

The cases are drawn from several budget lines and from contracts that stretch back to 2000, which means that it is not possible from this sample of cases to determine the scale of the problem. The database, however, does allow a clear picture to emerge of the issues that have arisen during this initial phase of Deconcentration. This should not come as a surprise. It is the inevitable outcome of decentralising to 120 delegations and offices throughout the world and the management of some several hundred NGO contracts with apparently little preparation on all sides.

Comparison of reported cases in 2004 and 2005 by issue.				
		Nos of cases		
Category	Issue	2004	2005	Total
Calls for proposals	Predictability	0	0	0
	Information	1	0	1
	Guidelines (Internal)	0	0	0
	Guidelines (External)	0	0	0
Process	Eligibility	1	0	1
	Delays	0	6	6
Financial	Contract stipulations	6	6	12
	Reporting requirements	5	9	15
	Exchange rates	2	7	9
	Audit rules	7	7	14
	Other (Procurement)	2	2	4
Management	Process Time	0	0	0
	Approval time for reports	6	3	9
	Amendment requests	4	4	8
	Payment delays	1	0	1
	Other (Regulation clarification)	0	5	5
Communications	Identification of EC delegation	0	1	1
	Respecting contract	0	1	1
	Shared lessons	1	1	2
	EC visits	3	1	4
	Experience of delegation staff	2	4	6
Total number of cases		41	57	99

Distribution of cases by category of issue.		
Category	Nos of cases	Distribution of cases (%)
Calls for proposals	1	1
Process	7	7
Financial	53	55
Management	23	24
Communications	14	14
Total	99	100

Key Issues arising from FDR deconcentration database.

1. Delays and disruptions

- Delays in approving annual reports
- Delays in receiving payments
- Delays for minor and unreasonable issues
- Need for separate sub accounts
- Rejection of previously accepted practices
- Inconsistent and non-transparent decisions of NCEs.

2. Revisions

- Requests to revise approved contracts and programme documents, contracts
- Requests to revise budgets and their management
- Delegation not willing to accept local office costs
- Delegations asking for revisions of work plans
- Delays in replying to requested amendments
- Submission to local approval system.
- New requests on proof of transfers
- Introduction of credit notes
- Introduction of time sheets

3. Imposition of new practices

- New reporting guidelines mid contract
- Introduction of bi-annual and quarterly reports and formats
- Monthly reporting
- The detailing of the 7% administration costs budget heading.
- Changes in of method calculating and prescribed exchange rates.
- More detailed financial reports
- Requests to change the exchange rate used.
- New audit procedures.
- Selection of auditors.
- HQ signatures needed on reports.

4. Lack of guidance

- Delegation unable to provide information on admissibility of micro-finance
- Dialoguing with Brussels because local delegation unable to provide guidelines.

5. Poor communications and relations

- Need to report both to national and regional offices
- Imposed start dates
- Doubts about effectiveness of lesson sharing workshops
- EC monitoring reports not shared with relevant NGO (read: "contractually responsible NGO")
- Short notice for delegation field visits
- Failure to inform the closure of contracts and projects
- Visiting local partners for information.
- Not communicating with project.
- Refusing to meet NGO.
- Rude behaviour exhibited to NGO
- No implementation of promised events.

6. Lack of clarity on procurement and employment

- Local tenders.
- Stipulation on types of vehicle
- Regulations on nationality admission.
- Regulations on visibility issues

7. Others

- Regular changing of EC staff
- Poor training and briefing of EC staff
- Demand that no local travel costs valid within 200 km radius of project headquarters.
- Delegations asking for supporting documents in Spanish and Portuguese

Analysis of key issues

A. Positive experiences. Although this report concentrates on the confusions of Deconcentration has had for NGO projects, there are numerous examples where delegations have worked very well with their NGO partners. The relationship between many delegation staff and NGOs is smooth and developing soundly. There are around fifteen recorded examples of EC staff being helpful, flexible and willing to find a solution to problems of exchange rates and audit practice etc. NGOs find it a positive thing that EC staffs take a positive interest in the project and that best practice is being identified. However, both good and bad experiences have been reported for the some delegations. NGOs have had good experience with delegations where EC staffs have been flexible and helpful in Tanzania, Indonesia, Syria, India, Ethiopia, Haiti, Mozambique, Kenya, Nicaragua, Uruguay, Pakistan, Namibia, Tanzania, Bangkok, Ecuador and Russia.

B. Delays and disruptions. The Deconcentration process has produced a range of excessive bureaucratic practices causing delays and real hardship for projects. These delays have the potential to suspend activities unless the NGO can pre-finance the EC delayed contribution. This has a knock on effect on projects with limited life spans. With no cost extensions becoming difficult to secure in some cases, this means that projects are unable to achieve their goals. It also results in increased project administration costs, which cannot be offset against the approved EC budget.

C. New demands and revisions beyond requirements of Standard Contract. Delegations are making new demands often without prior warning and at inopportune and critical times. These often impose unreasonable and time-consuming requirements that were not in the original contract. It has resulted in protracted negotiations with the delegations, which have displaced NGO staff time from project management. Again, the implementation of these new revisions has increased NGO costs. Another major problem has been the imposition of the rules of the new version of the Standard Contract on older projects.

D. Imposition of new practices. New practices have the same effect as delays and revisions. There has been an increase in reporting requirements, both in the number of reports and their formats. This is consuming more resources than previously. Changes in exchange rate calculations have resulted both in NGOs losing money and they have had to use more of their own resources to compensate.

E. Lack of Guidance The delegations have been unable to provide information in some instances and some NGOs have had to go back to Brussels to try and find guidance. This disrupts the smooth running of the project.

F. Poor communications and relations. In some cases NGOs are being asked to report to more than one office and have to deal with some heavy-handed delegation practices. This is undermining credibility in the delegations, a lack of transparency and to deteriorating relationships.

G. Lack of clarity on procurement and employment issues. Some cases have been noted regarding confusion and lack of knowledge of delegation staff regarding vehicle purchases,

visibility and the nationality rules. This has caused considerable delays in the incidents recorded.

Conclusions

NGOs are in an invidious position. On the one hand they do not like to refuse or challenge a demand, as they fear further procrastination and delay of the disbursement of funds while on the other they are frustrated and bewildered by their having to acquiesce to apparently random and petty requests. They do not see the partnership with the EC as either equal or particularly participatory. The cost of servicing this deconcentration has resulted in a lot more work and cost for NGO field staff.

All this may be due either to over-zealous staff or a lack of training and knowledge of delegation staff. In one instance, Brussels informed an NGO that a thorough reading of the EC's intranet would have informed the delegation staff. NGOs feel powerless when they know that the demands are unreasonable or incorrect but appeals for clarification to Brussels rarely get answered. Either way, **it points up the need for standardization of approach across all delegations and training of EC delegation staff in the standardised approach.**

More than half of the issues are in the financial category. They relate to contract stipulations previously agreed with Brussels being challenged at the delegation level, demands for more frequent and detailed financial reports, thorny exchange rate problems, coping with a range of different systems for regulating audits and procurement issues. **There is a clear need both for standard report formats and for an assurance that all delegations will respect these and not impose further requirements.** A standard financial reporting format has recently been issued which it is hoped will address these issues. Can NGOs now be confident that its use will be adopted by every delegation?

Almost a quarter of the reported issues concern the management of the grant. In 2004 the key issue was approval time for reports in some cases of reports taking six months to one year to get approval. There were three cases in 2005 resulting in substantial delays and in two cases they are still outstanding. Amendments to contracts were also delayed in four cases and three no cost extension (NCE) were refused and another delayed. There were cases regarding the nationality of staff and visibility. The inevitable result of these cases was delays, need for more data and clarification and frustration. **More urgency is needed to tackle issues that are delaying payments and more flexibility and clarity is needed in determining the outcome of requests for amendments and NCEs within a specific time period.**

CONCORD FDR Subgroup EC Deconcentration monitoring

List of delegations included in depositions

(Cumulative since start of monitoring)

Afghanistan		Uganda
Argentina		Uruguay
Armenia	(Georgia)	Uzbekistan
Bangladesh		Vietnam
Bolivia		Yemen
Brazil		Yugoslavia
Burkina Faso		Zambia
Cambodia	(Bangkok)	
China		
Colombia		
Dominican R		
DRC		
Ecuador		
Egypt		
Ethiopia		
Guatemala		
Guinea Bissau		
Haiti		
India		
Indonesia		
Kazakhstan		
Kenya		
Somalia	(Nairobi)	
Laos	(Bangkok)	
Malawi		
Mexico		
Mozambique		
Myanmar		
Namibia		
Nepal		
Nicaragua		
OPT	(Jerusalem)	
Pakistan		
Peru		
Philippines		
Rwanda		
Somali land	(Nairobi)	
Sri Lanka	(New Delhi)	
Sudan		
Syria		
Tajikistan	(Kazakhstan, Almaty)	
Thailand		
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