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**(Humanitarian Aid Office-ECHO)
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1. GENERAL POLICY ASPECTS

Following its needs-based approach to humanitarian crises ECHO adapted its funding patterns to the global evolution of humanitarian needs. The main beneficiaries of ECHO aid were populations in Africa (€ 225 million), followed by Asia/Latin America (€ 224. 2 million). Important funding was also provided to the Occupied Palestinian Territories given the deterioration of the humanitarian conditions. As for the Newly Independent States, the humanitarian situation of the Chechen population had not improved. Funding levels thus remained high (€26 million). Low funding levels for operations in Europe (€7.7 million) reflected, as foreseen, the phase-out in the Balkans.

Programming was guided by the global needs assessment, a ranking across 130 developing countries¹. EU Member States, other donors and partners broadly shared this assessment. Applying it to the 2003 budget allocation, 64 % (€ 347.6 million) of ECHO's budget² was spent in areas of highest needs, as compared with 49% in 2002.

ECHO's annual aid strategy 2003 underlined its continued focus on forgotten crises where there is little interest from public opinion and other donors. Forgotten crises identified included Western Sahara, Democratic Republic of Congo, Myanmar/Burma, Angola, Burundi, Northern Korea, Philippines, Northern Caucasus (Chechnya), Thailand, Uganda and Yemen. The total support allocated to those crises was €119 million, roughly 20 % of the budget (+ 4% compared to 2002).

ECHO was a key player promoting the adoption of the **“Principles and Good Practices of Humanitarian Donorship”** by the world's leading humanitarian donors and organizations (Stockholm, June 2003). These principles confirm ECHO's basic rationale that humanitarian funds should be allocated according to needs. They also affirm the primary role of civilian organisations in implementing humanitarian action, calling on donors to support the 1994 Guidelines on the Use of Military and Civil Defence Assets in Disaster Relief and the 2003 Guidelines on the Use of Military and Civil Defence Assets to Support United Nations Humanitarian activities in Complex Emergencies (MCDA guidelines).

The draft Constitutional Treaty provided for a specific provision on humanitarian aid. It became part of the European Council's agreement on the Constitutional Treaty of June 2004, reaffirming that humanitarian aid operations shall comply with international law and the principles of impartiality, neutrality and non-discrimination.

While maintaining a broad dialogue with the humanitarian NGOs on crucial humanitarian issues, ECHO demonstrated its commitment to close donor co-ordination by participating in the UN Consolidated Appeal Process (CAP) and supporting International Red Cross and Red Crescent Movement Appeals. In 2003 ECHO chaired the annual meeting of the principal donors of ICRC and hosted the launch of the UN CAP in Brussels.

¹ For details cf. http://europa.eu.int/comm/echo/information/strategy/index_en.htm

² Under this methodology 8% of ECHO's total budget in 2003 is allocated to other activities/priorities which support/complement core humanitarian activities (DPP, thematic funding, technical assistance, audits, evaluation, information).

2. OVERVIEW OF ECHO'S HUMANITARIAN OPERATIONS

The global humanitarian situation in 2003 remained bleak. Civilians continued to be the main target and victim of conflicts. The number of IDPs remained at 25 million globally. Although refugee numbers dropped after the return of 2 million civilians to Afghanistan, this did not lead to lower humanitarian needs, as returnees also require assistance. With respect to natural disasters, the World Disasters Report 2003 concluded that, globally, the number of such disasters has significantly increased since 1990. Although the number of people killed by natural disasters decreased, there were more people affected and in need of humanitarian aid.

ECHO response to humanitarian crises was channelled through 100 funding decisions amounting to € 600.3 million, € 586.2 million financed through the Commission budget and € 14.1 million drawn from EDF funds. Based on an available amount of €600.7 million this reflects a 99% implementation rate of commitment appropriations. The table below summarizes the geographical distribution of funding decisions in 2003:

Unit/Region	Amounts ('000 €)	% (rounded)
Echo-1: Africa, Caribbean, Pacific	225,285	38 %
Horn of Africa	50,700	
Great Lakes	88,000	
West Africa	33,185	
Caribbean, Pacific, Indian Ocean	1,400	
Southern Africa	52,000	
Echo-2: Eastern Europe, NIS, Mediterranean, Palestinian Territories	94,003	16 %
NIS (Chechnya, Caucasus, Tajikistan, ...)	39,200	
Western Balkans	7,660	
Palestinian Territories	38,000	
Mediterranean countries	9,143	
Echo-3: Asia, Iraq, Latin America	224,199	37 %
Asia	116,949	
M. East/North Africa/Iraq	97,139	
Latin America	10,111	
Dipecho- Disaster Preparedness	12,000	2 %
Thematic funding	23,196	4 %
Technical Assistance (experts & imprest accounts)	16,917	2 %
Support Expenditure (audits, evaluation etc.)	4,749	1 %
TOTAL 2003	600,349	100 %

3. HORIZONTAL ISSUES

3.1. Contractual relations with partners

ECHO's relationships with its partners became governed by new legal frameworks that comply with the Financial Regulation in force since 1 January 2003 and focus on clear objectives and indicators to measure the results of funded operations. The EC/UN Financial and Administrative Agreement (FAFA) covering contractual relations between ECHO and the UN and the Framework Partnership Agreements (FPA) with non-governmental organisations and international organisations (ICRC, IFRC) were finalised and entered into force.

As of 31 December 2003, 177 partners had signed or were in the process of signing the FPA.

3.2. Relations with major humanitarian partners and non – EU donors

ECHO discussed strategic priorities with major partners in the framework of seven Strategic Programming Dialogues (SPD) held until December 2003.

As U.S. and EU humanitarian aid together account for the lion's share of global humanitarian assistance, well-functioning contacts and good co-ordination between ECHO and the relevant U.S. authorities are essential. Regular exchanges of information (telephone, video-conferences) between ECHO's Director and her US counterparts have been established.

3.3. Relations with other Community Institutions

The European Parliament positively assessed ECHO's progress towards effective aid delivery, simplification of procedures and sound financial management in the period 2000 - 2001 in a report adopted in January 2003 (A5-0433/2002). Following the commitment to regularly attend parliamentary meetings, ECHO's Director participated in 6 meetings of the Development Committee and in one meeting of the Foreign Affairs Committee.

Concerning Member States, the Humanitarian Aid Committee (HAC) provided favourable opinions on 42 draft financial decisions and discussed around 55 strategy and/or policy issues. Various initiatives were also organised to integrate the acceding countries into the work of the HAC. In addition to its formal meetings, the HAC met twice in the capital of the respective EU Presidencies to informally discuss policy issues of general interest.

3.4. Strategic planning, policy management tools and information systems

ECHO implemented the Commission Strategic Planning and Programming cycle, further integrating Activity Based Management principles into its planning process. ECHO lays down its strategic programming principles in its Annual Aid Strategy. This document results from an intensive consultation process, involving other Commission Services, Member States, the European Parliament and partners. Identified strategic priorities are translated into operational objectives/indicators in the ECHO Annual Management Plan. In 2003 new reporting guidelines were also prepared for ECHO field offices, following performance-based management principles.

ECHO undertook a mid-term review (June 2003) of its Annual Aid Strategy/Annual Management Plan to have a systematic feedback on progress made on its objectives. Its results were fed back to ECHO staff during an annual staff seminar and to Member States.

For the third consecutive year the Global Needs and the Forgotten Crises Assessment was used to guide the planning process. However, full methodologies enabling the assessment of the impact of child-related activities could not be developed as foreseen. The main reason for the delay lies in the shortage of human resources and on the conceptual challenges linked to impact assessment. Nevertheless, ECHO developed interim methodologies for reporting on children.

Work on the “Humanitarian Office Local Information System” (HOLIS) project led to the adaptation of the Information Technology (IT) environment for the decision procedures and the new FPA framework. NGOs can now submit their applications via internet. The upgrade of the IT application to manage information on Member States’ financial donations (“14 points”) now automatically integrates information on ECHO decisions and transfers it to UN-OCHA. Work on the development of the “Fichop³” application progressed.

3.5. Cross-cutting strategic priorities: LRRD, children and disaster preparedness

Significant progress was made in the area of linking relief, rehabilitation and development (LRRD). ECHO’s phase-out from Former Yugoslav Republic of Macedonia, Serbia, Armenia, Kenya, and Mexico was completed as foreseen. Partial phase-outs or sectoral handovers have been achieved in Afghanistan, Cambodia, Colombia, DR Congo, India, Malawi, Sierra Leone, Sudan, and Tanzania. Set-backs such as in Eritrea were compensated by improvements in other areas (e.g. Malawi).

Apart from this, numerous improvements have been made, such as joint assessment missions with other Commission Services or awareness raising measures such as an LRRD workshop organized by ECHO, involving 70 Commission officials and participants from the UN, the Red Cross and NGOs. ECHO will also benefit from its engagement in an LRRD/DPP Inter-Service Group established in 2003 suggesting practical steps for LRRD in eight countries and two regions.

As regards ECHO’s activities in relation to children and disaster preparedness and prevention (DPP), an interim methodology to report on results was developed, which enables ECHO to highlight that out of 100 funding decisions in 2003

- 55 included support to child-related activities and 102 contracts focused on/included child related activities (e.g. therapeutic feeding, vaccination, re-integration of child soldiers) for a total amount of € 85.7 million. In addition, research activities related to children were supported (children in armed conflict).
- 24 included support to disaster preparedness activities and 63 contracts focused on/included DPP related activities (e.g. early warning systems and capacity building of local communities) for a total amount of € 24.1 million. In addition, ECHO’s disaster reduction policy was evaluated, which improved priority setting and benchmarking within its DPP activities.

³ The *FichOp* (Fiche Opérationnelle) is ECHO’s operational tool for following up humanitarian aid projects.

3.6. Thematic Funding

Given the increased need to promote quality humanitarian aid in a changing environment, ECHO started to pilot a thematic funding approach. Four thematic funding decisions supporting the special mandates of specific partners (UNHCR, ICRC, UNICEF, OCHA) were taken. Thematic contributions aim at strengthening the response capacity of the humanitarian community, including staff security.

3.7. Training and Studies

ECHO financed a study on man-made crises and their effects on displacement. Its results will be used to facilitate early warning and the design of exit strategies. A second phase of the SPHERE project was also financed.

ECHO remained active in supporting the Network on Humanitarian Assistance (NOHA), offering a one-year multi-disciplinary post-graduate diploma in humanitarian affairs.

The change of ECHO's legal framework was accompanied by in-depth training to facilitate a smooth transition process. Training programmes covered headquarters, field and partners' staff.

3.8. Communication and Information

ECHO developed its Communication Strategy 2004-2005. Its key objective is to communicate the values, principles and achievements of EU humanitarian aid. It targets multipliers (opinion leaders, young people, media) and puts strong emphasis on audiovisual products and photographic images. Information products posted on the website included also 45 press releases, 14 eye-witness accounts from the field and five 'streamed' videos. 12 special web sections ("In the Field") were developed covering primarily high-need areas such as Angola, Iraq, Sudan, Uganda and others.

Media events were organised in various capitals across the world to support this approach. All activities and products highlighted, explicitly or implicitly, ECHO's strategic messages linked to its policy and mandate.

3.9. Budgetary and human resources, audit and evaluation

A sustained effort on risk management and the assessment of internal controls led to a greater appreciation of the risks inherent in funding and managing humanitarian aid. A readiness assessment was conducted to assess the level of implementation of the Commission's internal control standards' baseline requirements. The overall conclusion, confirmed by an update carried out in early 2004, was that ECHO complies with these requirements.

To comply with the new Financial Regulation, ECHO revised its financial circuits and contractual tools with partners (FPA). Despite the high inherent risks of humanitarian aid operations, this contributed to reduce risks to an acceptable level in terms of regularity, legality and sound financial management.

ECHO continued to establish monthly reports on budgetary execution. These include variance analysis with the initial planning for each country/region/action in order to allow a swift follow up. This close monitoring contributed to high rates of budgetary execution, and a reduced level of payment delays and unsettled commitments. The implementation rate of the commitment appropriations amounted to almost 100%, whilst the rate of implementation of payment appropriations was 92%. This is a significant achievement given the fact that part of the budget had to be used for emergency decisions at the end of the year and the extraordinary size of the budget for the Iraq crisis.

ECHO-funded activities implemented by external parties are, as part of the control activity, subject to financial audit. 2003 was the first full year of implementation of ECHO's external audit strategy with a big increase in the number of partners and projects audited and with good geographic coverage being achieved. For finalised projects, ECHO audits focus on partners' headquarters. For ongoing projects they focus on the field.

For headquarter audits ECHO uses external auditors to scrutinise ECHO partners over a two-year cycle. In 2003, 96 such audits were completed with another 44 on-going. Following the 2003 audits, an amount of € 2.3 million was provisionally identified as being recoverable. 16 field audits were carried out directly by ECHO officials on projects under way. 6 ECHO office audits were completed.

ECHO contributed to the implementation of modern human resources policies in line with Commission reform. Its priorities were twofold: to facilitate the change process by putting in place appropriate structures for the reform and to promote a result-based and performance culture to improve quality. In that context, training activities covered a wide range of issues including financial questions, decision-making procedures and a mid-term review seminar for all staff focusing on the discussions in the European Convention. The second objective was translated into a selection of training activities ranging from induction courses for newcomers, presentations by ECHO partners to specialised training on ECHO tools such as the FPA.

Regarding evaluation, ECHO adopted a new orientation to fit this function more closely into its strategic planning and policy development cycle. As part of this re-orientation, it took part in a joint evaluation on IDP issues with some Member States and other humanitarian actors. ECHO started a review into standards and practices covering the security of humanitarian personnel as well as advocacy work to protect the "humanitarian space".

Evaluations also continued to cover geographical operations and partner performance, in particular in Serbia, Sudan, Angola and Afghanistan. Finding confirmed that the actions financed by ECHO were in line with its mandate. ECHO also undertook an evaluation of its co-operation with UNICEF.

4. OUTLOOK AND PERSPECTIVES

This report is published during a period of institutional transition at European level and within a political context characterized by debates on topics linked to global governance and security, which may have an impact both on ECHO and the wider humanitarian community.

ECHO will remain faithful to the fundamental principles and values of humanitarian assistance, namely neutrality, impartiality and independence. It is convinced that strict adherence to these principles is more important than ever, given today's trends, both in an institutional context where certain political forces tend to regard humanitarian aid as an instrument of foreign policy or crisis management, and in the increasingly dangerous reality of the field where humanitarian organisations have become targets of warring factions. Respect of these fundamental principles is a key requirement for the effective delivery of aid, for maintaining access to populations in need, and for safeguarding the lives and security of humanitarian personnel.

For ECHO, the best way to preserve the "humanitarian space" is full implementation of the Good Donorship Principles, continuous commitment to high quality assistance and a transparent dialogue with other key players.