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**Post-tsunami relief effort: the
Commission's humanitarian response
and the need for sound aid
management**

*Check Against Delivery
Seul le texte prononcé fait foi
Es gilt das gesprochene Wort*

European Parliament round table organised by Mr Nirj Deva MEP
in cooperation with Dr Willem Van der Geest of the European
Institute for Asian Studies

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Community aid to victims of the Indian Ocean tsunami: adhering to financial commitments, transparency and control

Let me begin by thanking Nirj Deva for inviting me to join you in assessing the follow-up to Commission initiatives in response to the terrible tragedy of 26 December.

Mr Deva and I were in Sri Lanka at the same time, in the week following the disaster. We compared notes on humanitarian needs and how to organise relief. So I am well aware of his interest in European Community humanitarian assistance.

In accordance with our host's wishes, my speech will deal mainly with transparency and controls on Community aid and what the Commission has done to provide humanitarian aid to the countries affected.

Let me first briefly outline the Commission's humanitarian response which has been swift, effective and in keeping with our commitments.

I) swift humanitarian reaction and effective implementation of financial commitments

The Commission reacted on the day of the disaster by approving €3 million in humanitarian aid under the primary emergency procedure.

In the days that followed, as information became available and needs were assessed by our partners and ECHO experts sent out to the area, two more decisions worth €10 million each were taken.

This €23 million (3 + 10 + 10) has been fully committed through operational contracts with 21 partner humanitarian bodies. The search for bodies, first aid to the injured and psychological support for the victims, distribution of food, installation of temporary shelters, supply of water and setting up of sanitary structures were the main activities financed by this immediate support.

80% of this €23 million has already been paid out The balance will be paid when the operations have been completed, upon presentation of final reports.

As you know, the Commission also adopted on 9 February a **humanitarian aid decision worth €80 million** covering Indonesia and Sri Lanka and also India, the Maldives and Thailand. This aid will cover the immediate implementation of short-term rehabilitation activities focused on helping displaced persons and fishing communities to return home and resume their lives as quickly as possible. It will provide support for creating an early warning system by the authorities in the countries concerned, with the support of the international community.

Here again, **the Commission has implemented its commitments at a sustained rate** as 17 contracts have now been signed worth €21 million, 27% of the total allocated under the decision, and 15 other contracts should be approved over the next few days for almost €20 million. That means that contracts have been awarded for €43 million of the €80 million.

I can therefore inform you that to date:

- the Commission has entered into partnership with 55 recognised humanitarian aid organisations;
- 84% of the humanitarian aid funds pledged have already been committed;

- contracts have been awarded for 37%;
- nearly 23% has been paid out.

I am convinced that the speed with which ECHO, the Commission Directorate-General in charge of humanitarian aid, and its partners reacted to this disaster to meet the basic needs of the survivors was crucial in helping save thousands of lives.

I would have you note that, looking beyond the media hype in the days following the disaster, **the Commission has kept its word**. We have been criticised for not doing enough. But on the basis of the figures, the **Commission alone has contributed one third of the EU's humanitarian response to date** (€103 million out of a total €343 million).

Now to the second part of my speech:

II) Transparency and checks on community funds

I wish to make the following remarks on the **mechanisms for controlling** the use of humanitarian funds:

1. The environment in which humanitarian actors are working is by definition a **difficult, unstable and dangerous** one. This is an extra challenge for sound financial management, but a challenge we have to take up. **We have to strike a balance between efficiency / swift action and guarantees of sound management** in order to meet the legitimate expectations of the victims and EU citizens and taxpayers.

2. I think the approach followed by the Commission through ECHO strikes the right balance.

3. The **financing decision**, which is a sort of initial commitment, is based on **an assessment of needs**. The Commission's policy is not one of making huge pledges in a kind of donor "beauty contest". We prefer a graduated approach with **financing decisions taken as and when** information becomes available and financing requests come in from our partners. This makes sure that **financial aid is matched to real needs**.

4. When **specific sums are granted to humanitarian organisations** in the form of contracts (grant agreements to be precise) there are a number of different **control mechanisms in place**.

Forgive me for if what I am about to say on this issue seems rather dry but it has to be said as people so often and so easily accuse the Commission of pointless bureaucracy. As you'll see, **control measures in place at ECHO are a sine qua non for good and well-managed humanitarian aid**:

As you know, DG ECHO does not implement humanitarian aid programmes itself. It works with implementing partners (NGOs, the UN and the Red Cross). To receive ECHO funds, these bodies must sign a **Framework Partnership Agreement which has rigorous preselection and control mechanisms**. The Framework Partnership Agreement **for NGOs** sets conditions to determine the eligibility of an organisation to be an ECHO partner. Account is taken of factors such as administrative and financial capabilities, audited annual accounts, experience in the humanitarian field and results of previous operations undertaken by the organisation concerned. These criteria are reviewed annually.

The **international bodies** (UN and Red Cross) with which ECHO works have also signed framework financial and administrative agreements setting out the cooperation arrangements. In these agreements, the Commission recognises the internal and external audit procedures peculiar to these bodies; they in turn have to keep financing and accounting documents for operations financed by European Community and make them available on request. The Community may audit operations that have received Community financing.

Project selection on the basis of detailed proposals from partners takes place at two levels:

- analysis by **humanitarian experts on the ground** to verify the relevance of proposals and the extent to which they meet humanitarian needs,
- **Commission headquarters** where the financing decision is finally taken.

It is no accident that in Sri Lanka almost all the partners selected for the emergency phase have an in-depth knowledge of the people affected as they were already operating in the country before the disaster. ECHO does indeed give a premium to partners who demonstrate seriousness and professionalism.

5. **ECHO's global network of experts on the ground** conducts this analysis and monitors projects financed by ECHO. As part of the response to the tsunami, the situation in each country has been analysed by a team of 10 or so humanitarian aid specialists. ECHO has around 70 experts throughout the world assisted by some 250 local staff. As part of the action plan to strengthen the EU's response capacity to disasters, I have decided to gradually **double the number of ECHO experts** in order to strengthen analysis and monitoring capacity precisely at the emergency phase.

6. **At the end of the operational cycle**, partners have to file **activity and financial reports** which are examined by competent staff either at headquarters or on the ground. This examination is designed to check achievement of expected results and adherence to the rules of sound financial management. The projects also undergo financial audits at headquarters and in the field and ex-post evaluations.

7. All this forms part of a policy of **zero tolerance** for fraud. Zero risk does not exist but we have to be uncompromising and ensure that the Community's financial interests are protected in case of fraudulent acts by humanitarian organisations. I fully subscribe to what my colleague Siim Kallas said last week in Nottingham: "*the fight against fraud lies at the heart of our activities because the European Union is spending taxpayers' money*". He went on to say, with NGOs in mind, that "*acting for 'good causes' is by no means an excuse for less transparency, quite the contrary*".

8. In the light of the tsunami and of operational and financial risk factors inherent in operating in areas of tension and conflict such as north-east Sri Lanka (Tamil Tiger rebellion) or the province of Aceh, we will review the audit programme for 2005 in order to ensure that **all tsunami projects financed by ECHO are audited and checked**.

9. It is clear that in such a system sound management depends on the competence and professionalism of partner humanitarian organisations. ECHO is known to be a **demanding donor**. Some organisations complain about this and prefer to have access to easier money.

As I said just now, we are answerable to the budgetary authority, Parliament and the Council and to our citizens for the soundest possible management of European public money. We must also adhere to the **strict rules of the Financial Regulation** which is particularly demanding, even more so than some national rules.

I have to stress that **freedom of movement of humanitarian staff** in the areas affected by the tsunami is a **key element of the control system**. Recent statements by Indonesian government representatives to the effect that the presence and movement of these workers should be restricted in future has given rise to some concern among humanitarian agencies. The Commission will insist that implementation of humanitarian aid financed by us is facilitated by the Government and local authorities, and that no obstacle is put in the way of the activities of international organisations and ECHO experts in Aceh province. This is essential for **close monitoring to check that the aid gets to those who need it**.

In conclusion,

You will agree with me that we should have a robust system for controlling effective use of humanitarian funds.

Let me wind up by stressing that in the context of the peer review process launched by the main donors (Good Humanitarian Donorship) the Commission and DG ECHO are recognised as a **reference donor**. I intend to uphold this quality of work and sound management.

Thank you.