

EUROSAI Task Force on the Audit of Funds Allocated to Disasters and Catastrophes

Session III

The Supreme Audit Institutions' audit experience in the field of prevention and elimination of consequences of disasters and catastrophes: lessons learnt and prospects

- European Court of Auditors' experience
- Matters for discussion

by
Jacek Uczkiewicz
Member of the European Court of Auditors

European Court of Auditors' experience

- Commission's framework for disaster response
- Court's audit strategy for 2009-2012 and humanitarian aid
- Results of three relevant Court audits

Commission's framework for disaster response

EU	Outside EU
<p>EU Solidarity Fund (2002), based in DG Regional Policy, to reimburse part of the cost linked to disasters</p>	<p>DG ECHO (1996) – to respond to humanitarian crisis, to save and preserve lives (short-term relief) and to help in medium-term rehabilitation (basic infrastructure)</p>
	<p>DG EuropeAid (2001) to help in long-term rehabilitation (development aid)</p>
	<p>Rapid Reaction Mechanism (2001) linking short-term relief, rehabilitation, with development aid (€2 million quickly without Council agreement - only for six months and for non-humanitarian assistance)</p>
<p>Civil Protection Mechanism (2001), based in DG Environment, coordinating cooperation between the Community and the MS in civil protection assistance (e.g. identification of intervention teams, training, managing Monitoring and Information Centre – 24-hour service for MS)</p>	

Court's audit strategy for 2009-2012 and humanitarian aid

- About €750 million is available for humanitarian aid annually which can be increased in case of extraordinary events.
- The risks relate to the fact that aid is given in an unstructured environment with limited possibility of controls. Plus there are risks because of weak accounting, lack of physical evidence, lack of knowledge after the actions (people who managed the action are not on the spot anymore once the action is finished).
- Audit Goals:
 - to assess the Commission's policy for humanitarian aid and its link with development actions;
 - to assess the Commission's organisation for providing emergency aid and reconstruction support;
 - to assess the monitoring and control system for humanitarian aid and reconstruction;
 - to assess the implementation of aid through implementing partners, mainly international organisations and NGOs.

SPECIAL REPORT No 3/2008

The European Union Solidarity Fund: how rapid, efficient and flexible is it?



SPECIAL REPORT No 3/2008

The European Union Solidarity Fund: how rapid, efficient and flexible is it?

- The Fund was created to enable the Community to provide rapid, efficient and flexible financial aid in emergency situations related to natural disasters.
- It is not designed to meet all the costs linked to a disaster immediately, but mainly to reimburse a part of those connected with ensuring the restoration of vital services and provision of temporary accommodation.
- *"The underlying aim of the Fund is to demonstrate solidarity with those states suffering as a result of natural disasters."* With an annual budget of €1 billion, the Fund intervenes.

SPECIAL REPORT No 3/2008

The European Union Solidarity Fund: how rapid, efficient and flexible is it?

Who is eligible?

- If a Member or Accession State is affected by a **major disaster**, i.e. a natural disaster resulting in damage estimated at more than 0.6% of gross national income or more than €3 billion;
- If a Member or Accession State suffers from a **neighbouring country** disaster and it caused damage of the level of a major disaster as defined above;
- If a Member or Accession State suffers a **regional disaster**, i.e. a disaster that affects a major part of the population of a region.

SPECIAL REPORT No 3/2008

The European Union Solidarity Fund: how rapid, efficient and flexible is it?

Scope of aid

Numbers of applications and amount of aid in the years 2002-2006
by category of emergency

Category of emergency	Applications received	Applications approved	Applications rejected	Amount of aid granted (million Euro)
Major natural disaster	15	14	1	961.3
Neighbouring country	2	2	0	1.6
Regional disaster	24	7	17⁽¹⁾	121.1
Totals	41	<u>23</u>	18	<u>1,084</u>

⁽¹⁾ Includes two cases which were withdrawn rather than rejected

SPECIAL REPORT No 3/2008

The European Union Solidarity Fund: how rapid, efficient and flexible is it?

Scope of aid

Type of the disaster	<i>Total</i>
Flooding	19
Forest fires	11
Storm	5
Earthquake	2
Oil spill	1
Adverse weather	1
Volcanic eruption	1
Explosion	1
<u>Total</u>	<u>41</u>

Numbers of different types of disaster
(in aid application)

SPECIAL REPORT No 3/2008

The European Union Solidarity Fund: how rapid, efficient and flexible is it?

Scope of audit

- The Court sought to answer the following questions:
 - (a) Did the Fund provide a rapid response to the applicants, i.e. states or regions affected by a disaster?
 - (b) Was the aid granted efficiently?
 - (c) Was the Fund's response to applicants flexible without compromising the principle of equitable treatment?
 - (d) Are applicants satisfied with the Fund?

- The audit was mainly carried out through interviews, file examination at the Commission and analysis of the data collected.

- In addition, the Court carried out an electronic survey by addressing questionnaires to the 37 applicants out of 41 in 17 states that had sought aid from the Fund.

SPECIAL REPORT No 3/2008

The European Union Solidarity Fund: how rapid, efficient and flexible is it?

Did the Fund provide a rapid response to the applicants, i.e. states or regions affected by a disaster?

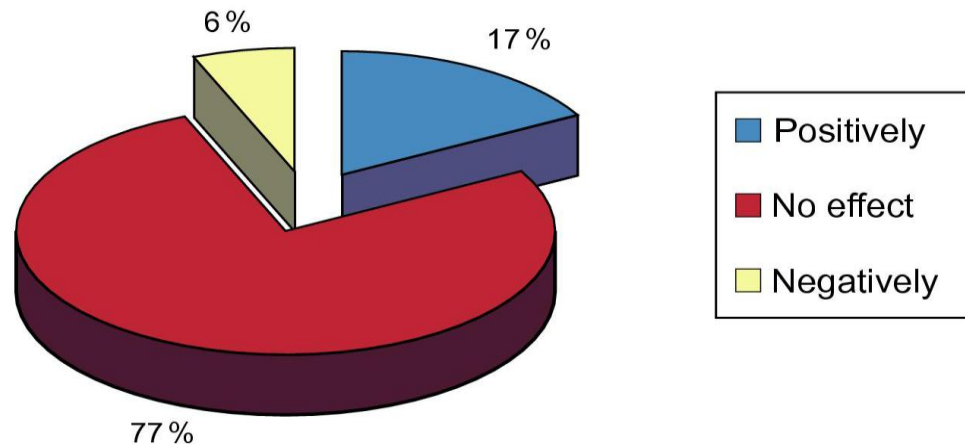
- The Court's examination of the operation of the Fund in 2002-2006 shows that the Fund does not provide a rapid response. On average, the applicants had to wait for 12 months after the disaster to receive payment of the assistance.
- The delays are not related to the category or the nature of the disaster, or to the origin of the application.
- The delays mainly depend on the promptness of the national authorities' replies and on the quality of the information provided in each case by the applicants.

SPECIAL REPORT No 3/2008

The European Union Solidarity Fund: how rapid, efficient and flexible is it?

Please indicate how the duration ...

... of the decision process for the aid granted by the EUSF has affected the implementation of remedial measures



SPECIAL REPORT No 3/2008

The European Union Solidarity Fund: how rapid, efficient and flexible is it?

Was the aid granted efficiently?

- The existing number of staff managing the Fund at the level of the Commission has proved to be efficient. In addition, the total costs of managing the Fund were found to be very low in relation to the aid granted.

SPECIAL REPORT No 3/2008

The European Union Solidarity Fund: how rapid, efficient and flexible is it?

Was the Fund's response to applicants flexible without compromising the principle of equitable treatment?

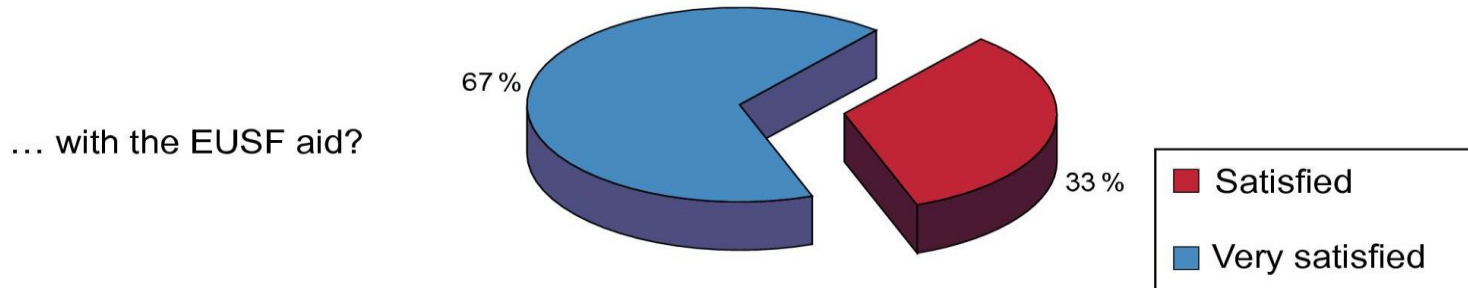
There are no cases where the Fund showed a lack of flexibility in its treatment of applications for aid. Without questioning the rejection of applications, there are a few cases which illustrate a lack of clarity in the justification of the rejection of applications for regional disasters.

SPECIAL REPORT No 3/2008

The European Union Solidarity Fund: how rapid, efficient and flexible is it?

Are applicants satisfied with the Fund?

In general, how satisfied are you ...



In this way the Fund has achieved its underlying objective, which is to demonstrate solidarity with Member States in disaster situations.

SPECIAL REPORT No 3/2008

The European Union Solidarity Fund: how rapid, efficient and flexible is it?

Recommendations

- In order to speed up the payment of the assistance, the Commission should have procedures in place, before the end of 2008, to ensure that an applicant state receives detailed guidance on the requirements of the application as soon as possible, preferably within one week of a state or region advising the Commission that they will be seeking aid from the Fund.
- In addition, the Commission should establish direct contact with the body in the Member or Accession State responsible for preparing the application to warn them of the common weaknesses in applications received.

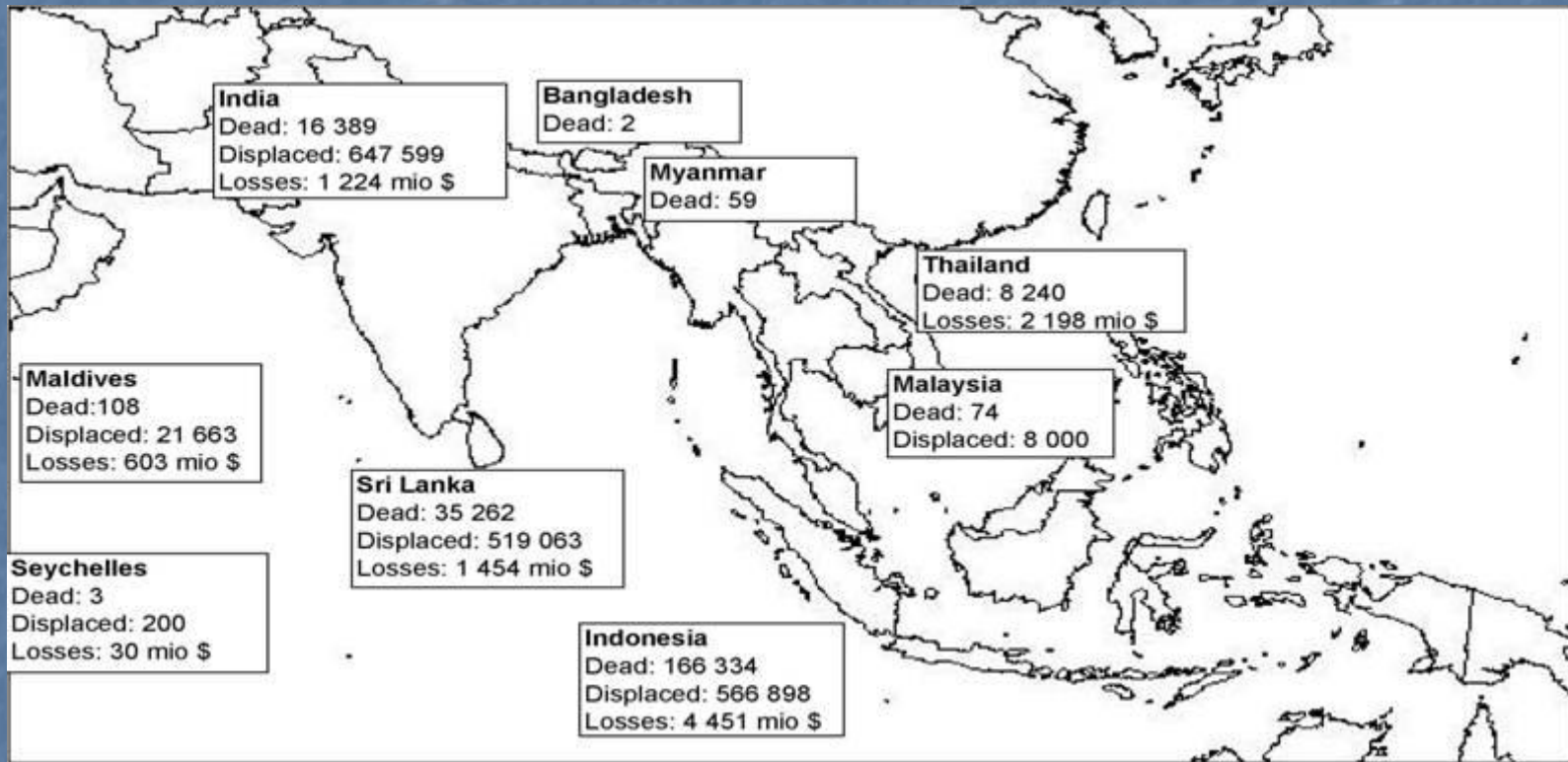
SPECIAL REPORT No 3/2006

The European Commission Humanitarian Aid Response to the Tsunami



SPECIAL REPORT No 3/2006

The European Commission Humanitarian Aid Response to the Tsunami



On 26 December 2004, an earthquake off the west coast of Northern Sumatra triggered a massive tsunami causing widespread destruction in many countries of the Indian Ocean, killing over 200,000 people. The international community responded generously with over €5 billion of humanitarian aid.

SPECIAL REPORT No 3/2006

The European Commission Humanitarian Aid Response to the Tsunami

To respond to humanitarian crises, DG ECHO does not implement relief activities directly, but through partners which consist of NGOs and international organisations, including the United Nations and the Red Cross. Following the tsunami, DG ECHO granted funding of €123 million of humanitarian aid.

SPECIAL REPORT No 3/2006

The European Commission Humanitarian Aid Response to the Tsunami

The main questions addressed by this report are:

- (a) Was the Commission's response to the tsunami sufficiently rapid and appropriate?
- (b) Were DG ECHO's actions effectively coordinated with those of other Commission services, international organisations and other countries?
- (c) Were DG ECHO's monitoring and control procedures designed to ensure that projects implemented by partners were relevant, timely and efficiently implemented?
- (d) Did projects implemented by DG ECHO's partners achieve their expected results and were short-term rehabilitation actions adequately sustainable?

SPECIAL REPORT No 3/2006

The European Commission Humanitarian Aid Response to the Tsunami

Audit approach

- The audit was based on an examination of documentation, on interviews and on-the-spot visits. The systems for managing, monitoring and controlling aid were assessed and corroborated by visits to partners and projects in:
 - Indonesia – €7 million (value of projects visited);
 - Sri Lanka – €8 million (value of projects visited);
 - Projects for on-the-spot visits were selected according to criteria of sector, location, amount, stage of implementation and type of partner in order to obtain a reasonable overall picture.

SPECIAL REPORT No 3/2006

The European Commission Humanitarian Aid Response to the Tsunami

Was the Commission's response to the tsunami sufficiently rapid and appropriate?

Commission procedures enabled a rapid response to the tsunami, granting €3 million the same day as the disaster, followed by a further €20 million within five days. An additional €80 million was granted in February 2005, followed by €20 million in December 2005, making a total of €123 million.

SPECIAL REPORT No 3/2006

The European Commission Humanitarian Aid Response to the Tsunami

Were DG ECHO's actions effectively coordinated with those of other Commission services, international organisations and other countries?

- DG ECHO supported the coordination role of the United Nations and provided funding to address the lack of reliable and accurate information on needs. The arrival of a large number of humanitarian organisations, often with large amounts of private funding, added to the difficulties of coordination, resulting in variations in the level and quality of aid provided. Regarding coordination with other Commission services, there has been good coordination to ensure a smooth link between short-term relief efforts and longer-term reconstruction.
- However, in both Indonesia and Sri Lanka, coordination between DG ECHO and the Civil Protection was problematic.

SPECIAL REPORT No 3/2006

The European Commission Humanitarian Aid Response to the Tsunami

Were DG ECHO's monitoring and control procedures designed to ensure that projects implemented by partners were relevant, timely and efficiently implemented?

DG ECHO's system for monitoring and controlling projects consists of monitoring visits of field experts and desk officers, reports of partners, on-the-spot visits of the DG ECHO Finances and Audit Unit, checks prior to final payment and later external audits. Procedures generally enabled projects to be modified to meet evolving needs. However, there is scope to develop comparative cost information, to provide more details on organisational arrangements and to quantify the achievement of project outputs.

SPECIAL REPORT No 3/2006

The European Commission Humanitarian Aid Response to the Tsunami

Did projects implemented by DG ECHO's partners achieve their expected results and were short-term rehabilitation actions adequately sustainable?

- Projects managed by DG ECHO partners contributed to covering the basic needs of the population in terms of shelter, food, water and sanitation, health, psychosocial support, child and family care and telecommunications.
- The high level of funding enabled DG ECHO to bridge the longer than expected transitional phase between relief and rehabilitation through quality interventions and to fund rehabilitation projects with a development orientation.
- However, in terms of beneficiaries reached, the success of Commission projects was sometimes less than initially planned, mainly due to inaccurate needs assessments. In particular, the water and sanitation component of a UN agency project in Aceh reached 100,000 people, representing only 5 % of the originally-planned 2 million beneficiaries.

SPECIAL REPORT No 3/2006

The European Commission Humanitarian Aid Response to the Tsunami

Recommendations

- The Commission should consider the role it could play in helping affected governments to manage donor coordination more effectively;
- The roles of DG ECHO and DG Environment (Civil Protection Mechanism) should be clarified to ensure a coherent approach;
- A longer timeframe for emergency operations should be considered in order to provide sufficient time for implementation;
- DG ECHO should strengthen its monitoring system in order to include written feedback to partners following monitoring visits, the development of comparative cost information, an explanation of the implementing arrangements and information on what has been done where;
- The difficulties of access to documentation of projects implemented by UN agencies should be taken into account in the context of the Financial and Administrative Framework Agreement (FAFA).

SPECIAL REPORT No 6/2008

European Commission Rehabilitation Aid Following the Tsunami and Hurricane Mitch



SPECIAL REPORT No 6/2008

European Commission Rehabilitation Aid Following the Tsunami and Hurricane Mitch

- The Parliament and the Council, during their discussions on the previous tsunami report, requested the Court to report on the subsequent longer-term rehabilitation phase in the tsunami region, to which the Commission contributed some €300 million.
- The scope of the audit was extended to include also the Commission's €250 million rehabilitation response to Hurricane Mitch, which struck Central America in October 1998.

SPECIAL REPORT No 6/2008

European Commission Rehabilitation Aid Following the Tsunami and Hurricane Mitch

Audit addresses the following questions:

- (a) Did the Commission adequately identify the rehabilitation needs of those affected by disasters?
- (b) Do Commission procedures ensure that aid is implemented in a timely and efficient manner?
- (c) Have projects achieved their expected results including satisfactory links with short-term relief and longer-term development?

SPECIAL REPORT No 6/2008

European Commission Rehabilitation Aid Following the Tsunami and Hurricane Mitch

Audit approach

- The audit was based on an examination of documentation, on interviews and on-the-spot visits. The systems for managing, monitoring and controlling aid were assessed and corroborated by visits to partners and projects in:
 - Nicaragua - €73.2 million (value of projects visited)
 - Honduras - €73.7 million (value of projects visited)
 - Indonesia - €61.8 million (value of projects visited)
 - Sri Lanka - €94.5 million (value of projects visited)
- Projects for on-the-spot visits were selected according to criteria of sector, location, amount, stage of implementation and type of partner in order to obtain a reasonable overall picture.

SPECIAL REPORT No 6/2008

European Commission Rehabilitation Aid Following the Tsunami and Hurricane Mitch

Did the Commission adequately identify the rehabilitation needs of those affected by disasters?

- Following both Hurricane Mitch and the tsunami, the Commission developed a rehabilitation strategy in less than six months which recognised the need not only to reconstruct damaged infrastructure, but also to address longer-term development and the needs of those not directly affected by the disasters.
- After Hurricane Mitch, the design process which subsequently translated the rehabilitation strategy into specific projects was lengthy and lasted four years after the disaster.
- In contrast, following the tsunami, the design process, carried out by international organisations through which the Commission channelled its funding, was more rapid, and designs for major projects were approved within 8 months of the disaster in Indonesia and within 11 months in Sri Lanka.

SPECIAL REPORT No 6/2008

European Commission Rehabilitation Aid Following the Tsunami and Hurricane Mitch

Do Commission procedures ensure that aid is implemented in a timely and efficient manner?

- In Central America, following the lengthy design process after Hurricane Mitch, there were further delays in implementation due to difficulties in finding satisfactory contractors and identifying suitable land.
- The implementation of the Commission's rehabilitation response has been most rapid in Indonesia.
- In Sri Lanka, in contrast, little has so far been achieved largely due to the renewal of conflict.
- The Commission has not addressed all key weaknesses in monitoring and supervision of the efficiency of rehabilitation aid. After both disasters, the Commission did not ensure that clearly quantified output targets were developed for all projects and that systems generated sufficient information to monitor and demonstrate the efficiency of implementation.

SPECIAL REPORT No 6/2008

European Commission Rehabilitation Aid Following the Tsunami and Hurricane Mitch

Have projects achieved their expected results including satisfactory links with short-term relief and longer-term development?

- Many useful outputs have been achieved. In Central America, projects completed with Commission funding have included schools, houses, health centres, sewage works and drinking water systems.
- In Indonesia, outputs have included houses, roads, schools and community centres. Price increases following both disasters have reduced the quantity of outputs.
- The strong link with longer-term development enhances the prospects of sustainability, though project designs have not sufficiently identified sources of finance to ensure activities continue to function when project financing ends.

SPECIAL REPORT No 6/2008

European Commission Rehabilitation Aid Following the Tsunami and Hurricane Mitch

Summary of strengths and weaknesses

		Central America following Hurricane Mitch	Indonesia following Tsunami	Sri Lanka following Tsunami
Identifying needs	Timely strategy incorporating wider issues	+	+	+
	Timely design with beneficiary participation	-	+	+ -
Implementing aid	Timely implementation	-	+	-
	Monitoring of efficiency	-	-	-
Achievement of results	Achieving useful outputs	+	+	-
	Link with humanitarian relief	-	+	-
	Link with longer-term development	+	+	+
	Prospects for sustainability	-	+	-

+ = strength; - = weakness
Weaknesses in Sri Lanka linked to conflict in the country.

SPECIAL REPORT No 6/2008

European Commission Rehabilitation Aid Following the Tsunami and Hurricane Mitch

Recommendations

- **The Commission should continue to build on its approach adopted after the tsunami which enables the rapid design of rehabilitation projects and involves beneficiaries in order to enhance ownership and sustainability.**
- **In order to improve the supervision of funds, the Commission should continue its efforts, in full cooperation with other donors, to improve the transparency of Multi-Donor Trust Fund reporting in Indonesia and should establish independent quality review of project designs and acceptance of finished works for United Nations organisations managing EU funds in Sri Lanka.**
- **The Commission should ensure that comparative cost information is available to monitor and demonstrate the efficiency of project implementation, and that clear project targets are developed.**
- **The Commission should better anticipate significant price increases following natural disasters in order to manage them, for example through increased use of community labour and local resources.**
- **Adequate visibility for the EU should be ensured, particularly when projects are implemented through international organisations.**
- **Starting at the design phase of projects, the Commission should take appropriate and timely action in order to ensure the sustainability of projects.**

Proposals for Matters for Discussion

Matters for discussion

1. European Public Money - two destinations of humanitarian aid:
 - Europe
 - Outside Europe

2. Actions in response to the disasters and which of them to audit and how:
 - Systems of preparedness
 - Relief
 - Rehabilitation
 - Development Aid/Sustainability

Matters for discussion

3. What is the best time to audit relief actions in order to:
 - ❑ not lose evidence;
 - ❑ not disturb.

4. How to handle the difficulties with the audit of NGOs, intermediaries and non-State actors.

5. If it is possible to establish by our Task Force:
 - ❑ common basic coordination roles of SAIs' audits of disasters?
 - ❑ and guidance for such audits?