

# Cooperation with the European Union

## FAO and the EU: Unlocking Rural Potential



### INTRODUCTION

**European Union funding** – The European Union (EU) is the world's largest development donor, contributing over half the world's total ODA (Overseas Development Aid). Around one sixth of this is administered directly by the European Commission (EC). The EC is a significant UN partner, contributing over €1 billion in support of external assistance programmes and projects. The financial and contractual aspects of programmes funded by the EC have been streamlined through the use of the Financial and Administrative Framework Agreement (FAFA). EC cooperation resulted in the conclusion of strategic partnerships with FAO (September 2004). In June 2011, the EC signed a strategic programmatic framework<sup>1</sup> with the three Rome-based Agencies.

### EU FINANCIAL INSTRUMENTS RELEVANT TO FAO

There are two distinct sources of funding from the EU:

1. The **first source is the General Budget** of the European Union.

Within the EU General Budget, there are various financial instruments which are relevant to FAO:

- The Development Cooperation Instrument (DCI) is managed by DG DEVCO. The available budget<sup>2</sup> under this instrument currently stands at EUR 16 897 million. DCI's **geographic** programmes of focus include Latin America, Asia, Central Asia, Middle East and South Africa. EUR 10 057 million of development assistance is allocated to these locations. Priority **themes** include Investing in People, Environment and Sustainable Management of Natural Resources, Non-State Actors and Local Authorities in Development, Food Security, Migration and Asylum, and ACP Sugar Protocol Countries. EUR 5 596 million has been apportioned to these themes.

- The Humanitarian Aid Instrument is managed by the DG ECHO. For 2011 three areas, including humanitarian aid, food aid, and disaster preparedness, have been apportioned EUR 791 million.

- Other instruments include the European Neighbourhood Policy Instrument (ENPI) for Eastern European and Southern Mediterranean Countries (EUR 11.100 million); the Instrument for Pre-Accession (IPA) for accession and non-accession countries (EUR 11.500 million); and the Seventh Framework Programme for Research (FP-7) for all countries (EUR 50.500 million).

2. The **second source is the European Development Fund (EDF)**. This Fund is only applicable to African, Caribbean and Pacific (ACP) countries and is regulated by the Cotonou Agreement, signed between the ACP and the EU Member States. The current agreement applies from 2008-2013 and totals EUR 22.700 million.

### Definitions

The European Union (EU) is a political and economic body composed of the European Commission, the European Council (27 Member States) and the European Parliament.

The European Commission (EC) is the executive branch of the EU that manages the EU General Budget. The European Council and the European Parliament make up the political and legislative branches of the EU, respectively. Both control the EU General Budget. The European Commission is the guardian of the Lisbon Treaty and initiates legislative proposals that require endorsement by the Council and Parliament.

Within the EC, there are different Directorates-General (DG) working on specific EU internal policies and external relations. FAO traditionally works with the external relations services that include the DG for Development and Cooperation (DEVCO) and Humanitarian Aid (ECHO). The DG for Development and Cooperation also referred to as EuropeAid is responsible for designing EU development policies and delivering aid through programmes and projects across the world. Within the general context of resource mobilization, FAO is expanding cooperation with the European Commission through other DG including Research, Fisheries, Agriculture, Trade, Environment, Climate Change, and Health and Consumers.

1 [http://www.fao.org/fileadmin/templates/europeanunion/documents/UN3-09\\_IL\\_8-1\\_Statement\\_of\\_Intent\\_between\\_EuropUnion\\_FAO\\_WFP\\_IFAD\\_27Jun11.pdf](http://www.fao.org/fileadmin/templates/europeanunion/documents/UN3-09_IL_8-1_Statement_of_Intent_between_EuropUnion_FAO_WFP_IFAD_27Jun11.pdf)

2 As determined by the current Regulation which applies from 1 January 2007 to 31 December 2013.



# POINTS TO CONSIDER DURING THE PROJECT CYCLE

## 1. IDENTIFICATION

A critical first step is to ensure that a funding opportunity employs a strategic approach where strategic priorities are matched with each Organization’s programming frameworks, as outlined below:

- FAO’s Strategic Framework sets the corporate vision and results framework, to which the Regional Priority Areas of Action, Country Programming Frameworks (CPF) and/or the United Nations Development Assistance Framework (UNDAF) contribute. Strategic priorities are consulted and agreed with FAO Members, or if at country level, the Host Government. These frameworks emphasize FAO’s comparative advantages.
- The EC defines its priorities and budget in a given country or region through the local European Union Delegation (EUD). This programming

exercise results in a Country Strategy Paper (CSP), or Regional Strategy Paper (RSP). The Thematic Strategy Papers (TSP)<sup>3</sup> are programmed by DG-DEVCO in Brussels. They include cross-cutting issues such as the Food Security Thematic Programme (FSTP) and the Environment and Natural Resources Thematic Programme (ENRTP)<sup>4</sup>. The Council and European Parliament, as budgetary authorities, endorse these documents.

- Recently, the EC and the three Rome-based UN Agencies signed a ‘Strategic Programmatic Framework on Food Security and Nutrition’ that sets out priority areas for programmatic cooperation. This policy document cites FAO as a leader of four of the nine priorities identified. It is therefore key to any programming exercise carried out with the Government and local EUD.

*The EC and the three Rome-based UN Agencies signed a ‘Strategic Programmatic Framework on Food Security and Nutrition’ that sets out priority areas for programmatic cooperation*

FAO can benefit from the EU financial instruments in three different ways:

- FAO can initiate a dialogue with the EC based on relevant policy documents using a concept note and a logical framework matrix. If successful, the EC may decide to entrust FAO with the management of tasks and contribute funds through a joint management mode;
- FAO can respond to the EC’s call for proposals by consulting online notices in <https://webgate.ec.europa.eu/europeaid/online-services/index.cfm?ADSSChck=1284977262222&do=publi.welcome&userlanguage=en>
- FAO can be awarded a grant by direct agreement in the exceptional cases foreseen in Art. 168 of the EU Implementing Regulation such as in cases of humanitarian and crisis management; in cases where FAO has a *de jure* or *de facto* monopoly based on a legal act; or in cases of urgency.



## 2. FORMULATION

Once the EC has expressed firm interest, the project is elaborated based on FAO’s in-house standard project document. A logical framework matrix and Euro budget should be appended.

Particular attention should be given to the EU’s budget format as it must

match with the FAO Oracle account codes. The EC accepts a flat rate of up to 7% to cover the indirect costs incurred by the UN in relation to the implementation of EU-funded actions, while the balance between this flat rate and the standard rate of 13% may be

recovered from eligible direct costs. Administrative and operational costs (e.g. staff time related to this project in the operating unit, FAOR, etc.) for a total up to 6% of the net budget may be included in the budget.

3 [http://eeas.europa.eu/countries/index\\_en.htm](http://eeas.europa.eu/countries/index_en.htm)

4 [http://ec.europa.eu/europeaid/how/finance/thematic\\_en.htm](http://ec.europa.eu/europeaid/how/finance/thematic_en.htm)

5 [http://ec.europa.eu/europeaid/work/procedures/financing/international\\_organisations/documents/c2\\_contribution\\_agr\\_gc\\_en.pdf](http://ec.europa.eu/europeaid/work/procedures/financing/international_organisations/documents/c2_contribution_agr_gc_en.pdf)

### 3. APPRAISAL AND APPROVAL

EU funded projects are subject to FAO's standard in-house appraisal and approval procedures. Once a project is endorsed, TC-ADG officially submits it to the EC. Projects of regional and global nature are submitted to EC Headquarters in Brussels while country-specific projects are submitted to the local EUD.

When an agreement is reached between the EC and FAO, the EC signs a Contribution Agreement with FAO and a Financial Agreement with the Government. At the same time, FAO signs a Project Agreement with the Government. The Contribution Agreement includes in one of its annexes General Conditions on the administrative and financial provisions<sup>1</sup> for the action.



### 4. IMPLEMENTATION AND MONITORING

The implementation phase begins only when project funds are credited in FAO's account. FAO ADG-TC signs a memorandum declaring the project operational and designates a budget holder. There are budget holder responsibilities specific to the management of EU funded projects, detailed in the Budget Holder Designation Memo, which is available in FPMIS. FAO co-financing may be provided in kind. In kind contributions may be identified from RP-funded work relevant for the achievement of objectives defined in EU-funded projects. EU-funded projects should have at least one budget revision per year to

align the annual budget allocations with actual expenditures incurred in prior years. Budget revisions should be based on revised annual work plans. Budget revisions requiring EC approval formalized in an addendum should be submitted to TCSR.

The EC occasionally organizes Results-Oriented Monitoring (ROM) missions to ensure that progress is geared towards the achievement of agreed results. Projects should ensure EC visibility in accordance with EC guidelines and FAO corporate communication guidelines. The Office of Communications and External relations (OCE) provides expert support and specialized facilities upon request.

#### Need further assistance?

FAO-EU Partnership website: <http://www.fao.org/europeanunion/eu-partnership-home/en/>

The European Commission: [http://europa.eu/about-eu/institutions-bodies/european-commission/index\\_en.htm](http://europa.eu/about-eu/institutions-bodies/european-commission/index_en.htm)

Frequently Asked Questions: [http://ec.europa.eu/europeaid/work/procedures/faq/international\\_organizations\\_en.htm](http://ec.europa.eu/europeaid/work/procedures/faq/international_organizations_en.htm)

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### 5. EVALUATION

Evaluation missions can be organized jointly or separately by FAO and the EC. Each party is invited to participate in the mission of the other. Coordination of the terms of reference of the mission is important in ensuring optimal results. The evaluation phase is a gauge for improved resource mobilization in the programming and identification phases of project cycle management.

The implementation of EU funds is also subject to verification by the European Commission. The procedure entails sampling up to a maximum of five transactions i.e. procurement, recruitment including payroll, disbursements, budget management, logistics and reporting. Should a problem be identified, an additional five transactions will be sampled. If a problem remains unresolved, the Auditor-General of FAO shall take action.



### 6. CLOSURE (OPERATIONAL AND FINANCIAL)

When the project is completed, FAO should proceed with the operational closure in accordance with its own rules and regulations. The Final Narrative Report and Financial Statement are cleared by the competent services, after which FAO Financial Services will call

for funds for the outstanding balance of the EC contribution. When operational closure is confirmed, and no further charges are expected, financial closure of FAO's Oracle project account will be requested by the project Budget Holder.