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IFAD
INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT
Executive Board – Eighty-Second Session
Rome, 8-9 September 2004

ACCESSION OF IFAD TO THE
FINANCIAL AND ADMINISTRATIVE FRAMEWORK AGREEMENT (FAFA)
BETWEEN THE EUROPEAN UNION AND THE UNITED NATIONS

1. The Executive Board is invited to note that IFAD intends to adhere to the Financial and Administrative Framework Agreement (FAFA) between the European Union (EU), represented by the European Commission (EC),¹ and the United Nations (UN), signed on 29 April 2003.
2. FAFA aims primarily at building effective partnership and at enhancing programmatic cooperation between the United Nations and the European Union in order to help achieve the Millennium Development Goals. Furthermore, by adhering to FAFA, IFAD will be a member of the EC-UN Working Group that periodically reviews and advises on technical and financial collaboration matters. Relevant background information on FAFA is attached as an Annex.
3. In accordance with Article 8, Section 2, of the Agreement Establishing IFAD, the Executive Board is requested to authorize the President to negotiate and finalize the legal documentation necessary for IFAD to become a partner of FAFA along the lines of similar agreements already signed with other partners and any consequent and related contribution agreements. The Executive Board will be informed of the content of the finalized legal document at a subsequent session.

¹ The European Commission is the institutional body that represents the European Union on the international stage, for example by negotiating, funding and implementing agreements between the EU and other countries/organizations.

**THE FINANCIAL AND ADMINISTRATIVE FRAMEWORK AGREEMENT
BETWEEN THE EUROPEAN UNION, REPRESENTED BY THE EUROPEAN COMMISSION, AND THE
UNITED NATIONS**

Background

1. Extensive policy dialogue at various levels took place in 2002 between the European Union (EU) and the United Nations (UN) agencies, funds and programmes. Building on the momentum, in 2002 the EU adopted a Communication on *Building an Effective Partnership with the United Nations in the Fields of Development and Humanitarian Affairs*. On 29 April 2003, the EU and the UN Secretariat signed the Financial and Administrative Framework Agreement (FAFA) with the objective of defining a template partnership agreement to be developed and signed with the ensemble of the UN organizations. To date, the Food and Agriculture Organization of the United Nations, the International Labour Organization, the United Nations Industrial Development Organization, the World Health Organization and the World Meteorological Organization have already adhered to FAFA.

2. This Agreement is an instrument for the EU and the UN to improve/foster the collaboration between the two institutions. FAFA and the related contribution agreement, described in paragraph 8 below, are templates designed to avoid the replication of different agreements with the UN system and to respond to the administrative harmonization policy within the EU.

3. In 2002, the EU, through the European Commission (EC), provided USD 6 560 million in development aid. It is also noted that EU funding to the UN has increased over the past few years from approximately EUR 200 to 500 million. Furthermore, the EU remains the largest contributor to the World Bank-administered Heavily Indebted Poor Countries (HIPC) Trust Fund (USD 931 million).

IFAD and the European Commission

4. Since the late 1970s, a fruitful cooperation has been established between IFAD and the European Commission with cofinancing for several parallel projects (for a total cofinancing of USD 113 million). Recently, the EC agreed to provide cofinancing for an IFAD-initiated project in Swaziland (Lower Usuthu Smallholder Irrigation Project – Phase I) for USD 10.9 million. The two institutions are also exploring possible parallel programme cofinancing in support of the peace agreement process in The Sudan and in some countries in Central America. In 2003, a concrete outcome was the EC contribution – via the World Bank-administered HIPC Trust Fund – to IFAD under the HIPC Initiative to provide debt relief to Nicaragua (USD 9.5 million) and Guyana (USD 1 million).

The EU-UN FAFA

5. On the basis of these joint initiatives and experiences, in 2003 IFAD started to establish contacts with the relevant EC units to explore the possible legal and administrative modalities to develop a more regularized structure of engagement and collaboration between the two institutions, including IFAD's accession to FAFA. In May 2004 a consensus was reached between the EC and IFAD representatives as to the main legal, administrative and financial issues related to FAFA. IFAD's participation in these discussions was cross-functional and interdepartmental to ensure adequate contribution by all the relevant IFAD divisions/units concerned (Resource Mobilization, Programme Management Department, Office of the Controller, Office of the General Counsel and the Office of the Internal Audit).

6. The advantage for IFAD of adhering to FAFA is that regularization of the administrative aspects will increase the potential for funding opportunities and create administrative efficiencies and economies for IFAD. Furthermore, IFAD will be a member of the Interagency EC-UN Working Group that periodically reviews and advises on technical and financial collaboration matters.

7. The main features of the framework agreement are as follows:

- A clear focus is placed on results, with objective indicators of achievement being included in all contribution-specific agreements and reported on.
- Provisions on inputs are simplified accordingly: eligible direct costs are defined as real costs actually and necessarily incurred in implementing the action. Maximum reimbursable amounts for personnel and other costs, which were part of the 1999 agreement, are deleted.
- Eligible indirect costs are limited to 7 percent of eligible costs as defined above, without a ceiling in absolute terms.
- Reporting methods rely on the reporting criteria adopted by the interested agency or institution, where these fulfil EC minimum requirements. This applies also to auditing, controlling, accounting and procurement procedures.
- All contribution agreements between the UN and the EC shall be denominated in Euro and visibility of the EC contributions will be assured.
- The level of advance payment in any contribution agreement is conditioned by the past performance of the relevant UN organization, in particular as regards the timely submission of the final report.
- The parties have established a working group to promote a regular exchange of information on all matters arising out of FAFA.

The Contribution Agreement

8. Where in the implementation of FAFA, the EC makes a financial contribution to an operation, programme, or project administered by a UN agency, the two parties agree with and sign a contribution agreement. The contribution agreement is based on a standard template established by the EC and applicable to all UN agencies. Through the contribution agreement, the UN agency accepts the contribution and commits itself to undertaking everything in its power towards the attainment of results under its own responsibility. The agreement contains relevant financial information on the contribution, the reporting and payment arrangements, and other specific conditions applying to the implementation of the operation, programme or project. The annexes, which form an integral part of the contribution agreement, include a description of the action supported, the general conditions applicable to EC contribution agreements with international organizations and a detailed budget for the action and a standard request for payments.

