



Can we make this relationship work ??

Yes we can !

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Objectives



1. To acquire the tools to develop a solid partnership with the EC.
2. To acquire the tools to negotiate a good Contribution Agreement with the EC.
3. To have a good understanding of :
 - Who is this partner ?
 - What are its expectations when it comes to the implementation of projects ?

EC and UN

different corporate cultures

- Mutually limited knowledge of one another
- Basis anchored in internal economic issues vs Basis anchored in Security-Developmental issues.
- Regional Organisation with Global Aspirations vs THE world's global body
- Round table vs Square table
- Nouveau riche vs Old lord (clash of personalities)



EC and UNDP different corporate cultures

But.... **COMPLEMENTARITY**





The image of the UN in the EC



- A mixed picture that leans towards the BAD...
- poor reporting, slow, tricky, costly, heavy administrative procedures, no visibility, talks a lot but does not always walk the talk
- Does not always share the same priorities or agenda



The image of the UN in the EC



- But...close to beneficiary governments
- But...neutral partner in politically sensitive situations
- But...specific strengths and technical knowledge
- But...ability to pool resources (Multi-donor actions) administrative capacity
- But...long experience and mandate for donor coordination



The image of the EC in the UN



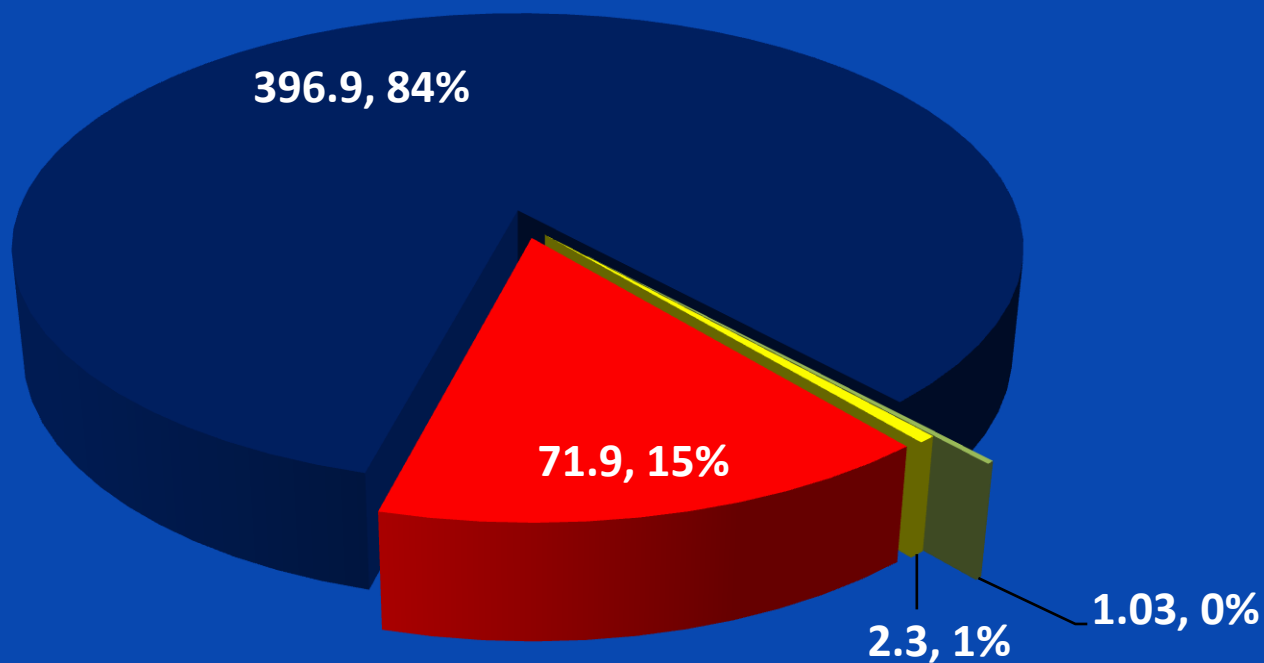
- Mixed but leans to bad...
- Bureaucratic, obsessed by visibility, micro management, cumbersome, high maintenance, rigid, no big picture approach.

The image of the EC in UN

- ❑ But ...common objectives / same values
- ❑ But...serious and reliable partner
- ❑ But...financial means



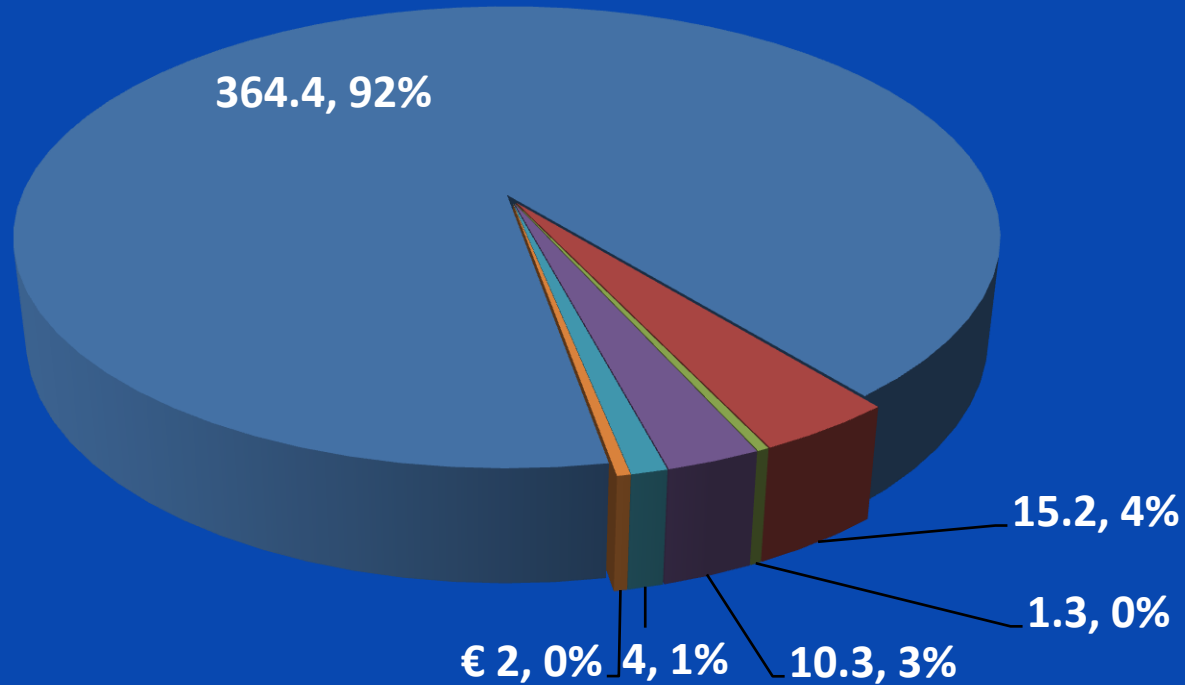
RBA thematic breakdown in million EUR for 2003 -2008



■ Crisis Prevention and Recovery ■ Democratic Governance ■ Environement ■ Poverty



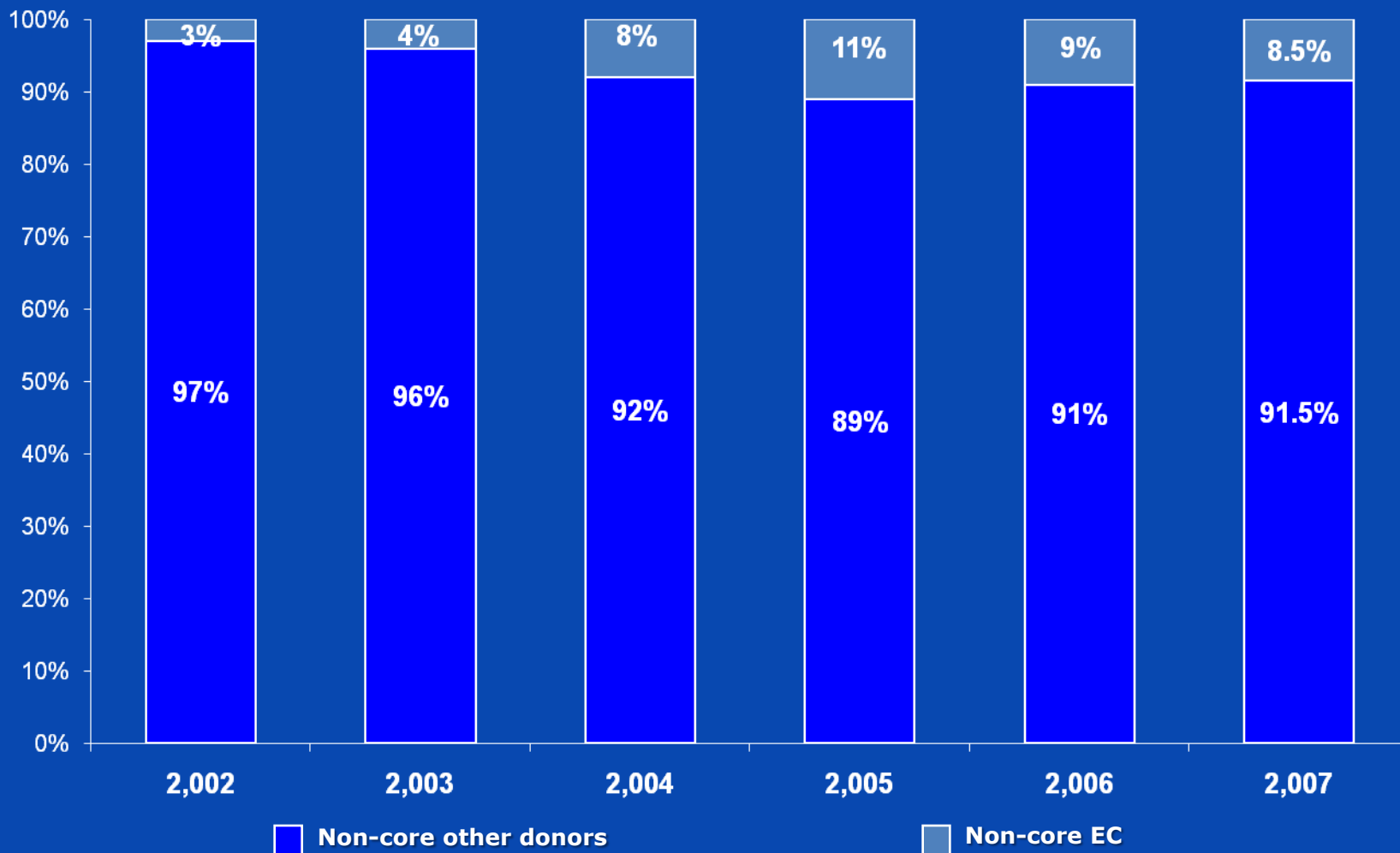
RBA Sub-Division for Democratic Governance for 2003 -2008



- Electoral Processes/Institutions
- Capacity Building
- Legislature
- Justice systems
- Decentralised Cooperation
- Gender



Share of UNDP Non-Core contribution by donor



Sources: UNDP's biennial audited and annual unaudited statements

Note: in Million US Dollars

Note: data for 2006 are provisional



FAFA



- Financial and Administrative Framework Agreement (2003)
- UN-EC
- How to work together ?
- Shall apply to ALL Contribution Agreement concluded by all EC services (except Research Framework Programme and life Programme)
- Adherence to the FAFA (exchange of letter / **4 Pillars exercise**)



How to present a proposal ?



Basics



- Community financing in the form of grants
- Financing may be used to cover expenditure for: preparing, implementing, monitoring, checking and evaluating projects and programmes and for information on cooperation activities.

(Co-financing should be sought whenever possible)



No official format



the EC needs :

1. Annex I : Description of the activities
(ProDoc)
2. Annex III : Budget
3. Annex IV : FIF
4. !!!!Special conditions!!!!



Annex I



Description of the activities for us Pro Doc

No Official format : in your case Pro doc

BUT : Coherence – Consistence :

-within the Annex I

-between Annex I and Budget

-between annex I and Operational guidelines.



Annex I



Special attention to :

- Indicators
- Management structure (NB : Multi-donor / **Steering Committee**)
- Indicative **work plan**: table of activities against timeline
- Workplan for **visibility (visibility Guidelines)**
- Overall timing of the project
- Risks and Assumptions



Annex I



NO references TO AUDIT

NO references TO procurement rules



Annex III Budget



1. EC “proposed “ format : 2 pages but No format for multi-donor action
2. Global budget if Multi-donor action.
3. In EURO .
4. GMS or Indirect costs or Administrative costs : 7 % of direct costs (not on UN part)



Annex III Budget



5. Level of detail : no rules but the financial reporting has to be done with the same level of detail as the initial budget.
6. All the expenditures foreseen and needed for the implementation of the activities should be reflected in the budget .
7. No auditing costs.
8. Costs of Visibility
9. In kind contributions... NO (except HR)



Annex IV



FIF



How to prepare the contract ?

One type of contract ONLY.

European Community Contribution Agreement with an
International Organisation

Special conditions

Annex I Description of the Action (Done)

Annex II General conditions (Nothing to do)

Annex III Budget (Done)

**Annex IV Financial Identification Form
(Done)**

Annex V Standard Request for payment
(Nothing to do)





Special Conditions the Fabulous 6



1. Joint Management → 1(4)
2. Multi-donor action → 1(5)
3. Implementation Period 2 (2)
4. Avoid (if possible) % in article 3.2
5. Schedule of payment with a big advance payment and small final payment
6. No article 7



Special Conditions the Fabulous 6



1. Joint Management → 1(4)

- This is a specific budget allocation modality. Despite this name, the funds are not Jointly managed with the EC. On the contrary, the management is delegated by the EC to the IO.
- This specific budget allocation modality is decided by the EC when adopting financing decision.
- Possible in 3 circumstances



Special Conditions the Fabulous 5



1. Joint Management → 1(4)

- Possible in 3 circumstances
 - Multi-donor action (at least 2 donors) ...or...
 - Long Standing Framework Agreement...or...
 - Project or programme jointly elaborated with the EC.



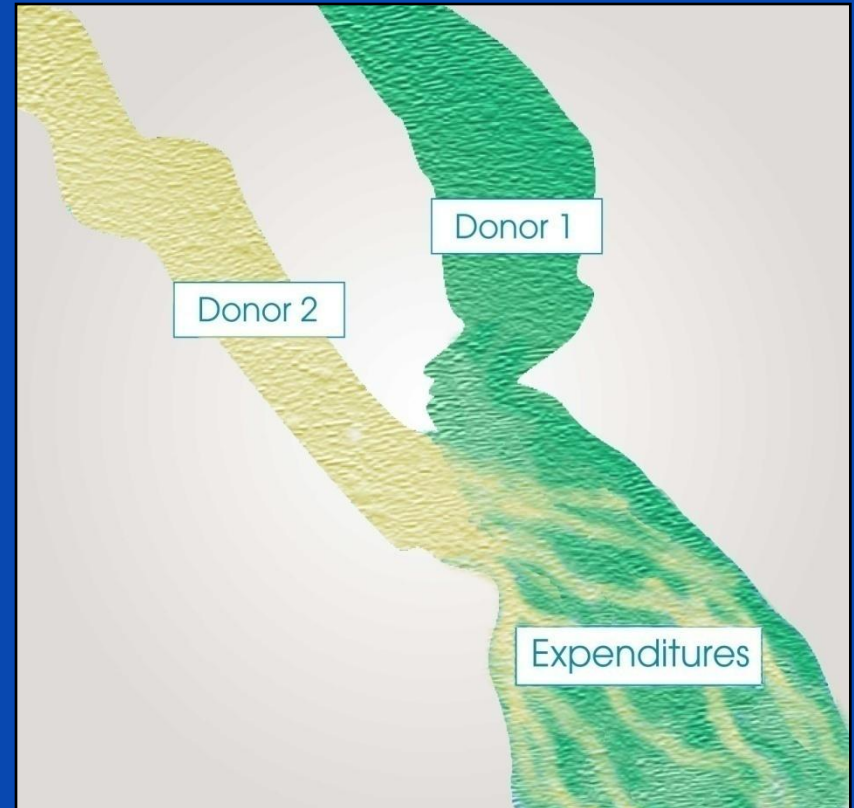
Special Conditions the Fabulous 6



2. Multi-donor action

→ 1(5)

It refers to actions which requires the pooling of resources from a number of donors (at least 2 and one can be the IO implementing the action), where it is not reasonably possible or appropriate to assign the share contributed by each donor to each type of expenditure





Advantages of Multi-Donor Action or Joint Management



1. Bank Interest on prefinancing
2. Rules for accounting and reporting



Special Conditions the Fabulous 6



3. Implementation Period → 2 (2)

- the day following that on which the last of the two parties signs
- the first day of the month following the date on which the first prefinancing is paid by the Contracting Authority
- a later date
- a date preceding the signature of the Agreement but not preceding the Organisation's request for a contribution, nor the signature of any relevant financing agreement between the European Commission and the recipient country.



Special Conditions the Fabulous 6



4. Avoid % in article 3.2

- The contracting authority undertakes to finance a maximum of EUR....equivalent to....% of the estimated total eligible cost specified in paragraph 1



Special Conditions the Fabulous 6



5. Schedule of payment with a big advance payment

Article 15 of the General Conditions provides a level of pre-financing from 80% to 95%. Further instalments should cover the remainder of the planned budget for the previous year plus 80% to 95% of the forecast budget for the next 12 months. Thus at any time a maximum of only 20% of the budget for the current period can be retained by the Commission. The SCA does not foresee that a percentage of the total programme budget be retained by the Commission

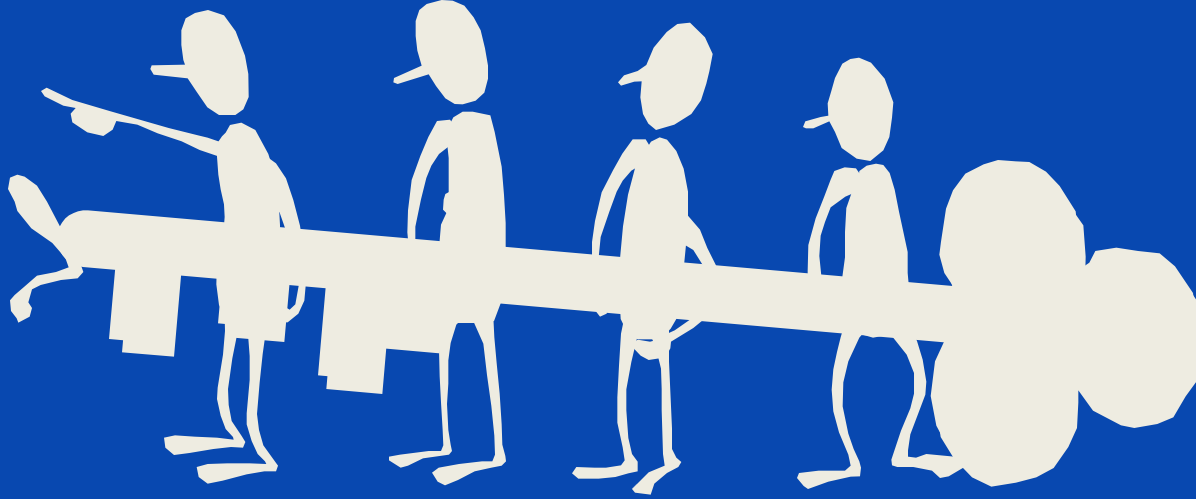


Special Conditions the Fabulous 6

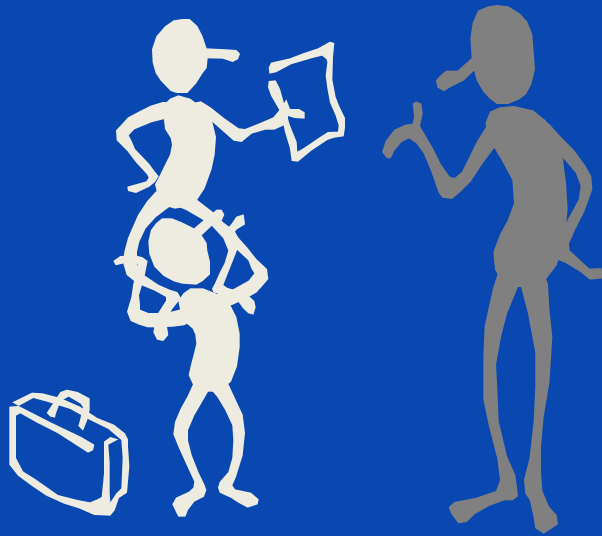


6. No article 7.

- Other specific conditions applying to the Action....

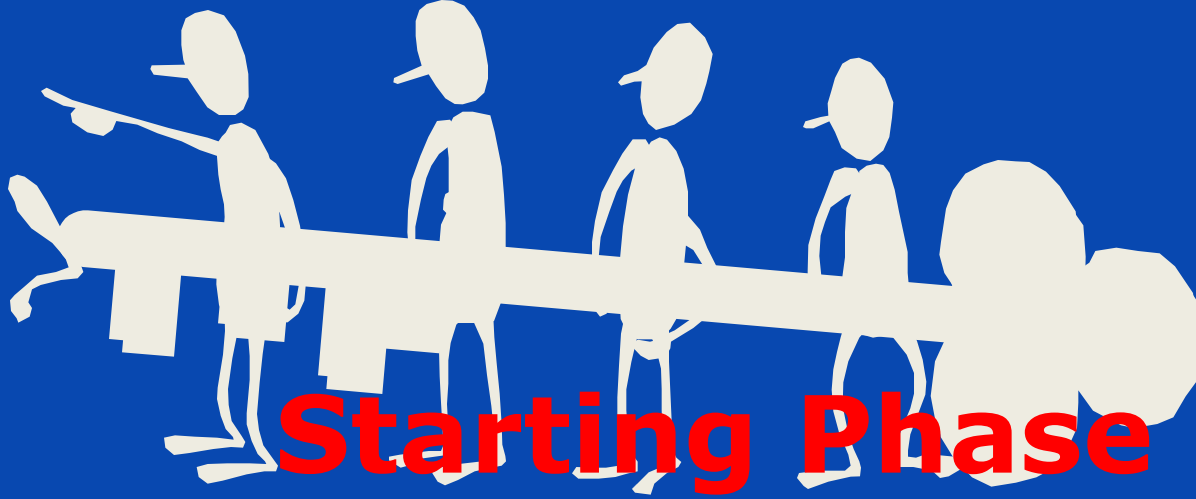


How to implement an EC funded project ?





PLEASE !!
READ the contract
FIRST 😊



Starting Phase Key Moment

Discussion with EC :

**Information Flow
(informal included)**

Workplan

Visibility

Steering Committee





Basics



- Legally Binding (reporting / dead lines / output ...)
- **GENERAL CONDITIONS TO BE KNOWN BY HEART...**
- Special Conditions >> General Conditions >> the rest



General Conditions (18 articles) Last version



- AIDCO Website
- http://ec.europa.eu/europeaid/work/procedures/implementation/international_organisations/index_en.htm



Article 1



General Obligations

- Action is carried out in accordance with the description of the Action contained in the annex I (legally binding doc.)
- The organisation shall report on the indicators of achievement
- Sub contracting is possible but...IO signatory sole accountable (no transfer of responsibility)
- Partner (already identified in Annex I) have to endorse GC



Article 2

Reporting



- If Multi Donor Action, try to avoid Multi Reports
- The organisation shall provide the Contracting authority with full information on the implementation of the action...
- The reports should directly mirror the annex I (narrative report) and match with annex III (financial report) with the same level of details



Article 2

Reporting



- **Progress (N/F) Report** : for each request for payment and minimum once a year
- **Final report(N/F) (6 Months)** : should cover the whole implementation period + Visibility + eventual transfers of assets
- Special requirements...Special conditions...
- **Difficulties encountered and measures taken to overcome problems**



Article 2

Financial Report



Real Costs

Same presentation as the budget (same wording...)

EURO : Exchange rate of the date of the deposit.

Possible option : UN operational rate of exchange prevailing at the date of the transaction.



Article 2

Reporting



- If we don't report on time → EC may refuse to pay
- The Organisation shall inform the Contracting Authority without delay of any circumstances likely to hamper or delay the implementation of the action.



Article 2 Reporting



Don't forget to Report on

VISIBILITY ACTIVITIES



REPORTING



ON TIME...



REPORTING



BE PRECISE...



REPORTING



To the point...



REPORTING



CONSISTENCY

WITHIN the report (Annex I ...and III)

BETWEEN the reports

Same presentation and structure
as the initial contract



REPORTING



Allowing comparison



REPORTING



Joint Guidelines on Reporting



Article 6



Visibility and Transparency

Visibility = EC Obsession and Contractual obligation (FAFA)

Joint Visibility Guidelines : « the objective of visibility activities is the communication of the positive results of the partnership »



Article 6



Visibility and Transparency

1. Visibility Plan (Inception Phase)
2. Budget
3. Mr. Visibility : somebody identified to deliver this activity in the CO.
4. Don 't forget to report on visibility activities



Article 6



Visibility and Transparency

Transparency :

Publication of « beneficiaries »

-on annual basis

-contracts >100.000 US\$

-title of contract / project

-name of beneficiary or contracts

-list of names only if multi-donor



Article 7

Ownership/Equipment



Transfer of Assets to local authorities or partners

-has to be documented

-subject to verification

-advice : informal consultation with EC.



Article 8

Evaluation (and Monitoring)

Collaborative manner

Planned ahead

Procedural matters agreed by both parties

Draft of the report provided for comments



Article 9

Amendment



- Amendment : to be requested one month before it is intended to enter into force (including request for extension of the contract).
- 15 % flexibility rule :
 - Transfer within single budget heading is in theory authorised..in practice ???
 - Transfer between budget headings :
< 15% authorised : only inform in writing
>15% AMENDMENT REQUESTED



Article 10

Contracting



If sub-contracting : EC has to be informed
of subcontracting arrangements

Procurement : UN rules and procedures



Article 14

Eligible Costs



- necessary to carrying out the action
- during the implementation period
- recorded in Organisation's account, identifiable and backed by supporting evidence

NB : The cost of the staff assigned to the Action, corresponding to actual salaries plus social securities charges and other remuneration-related costs.....Identifiable personal costs at headquarters level arising as a direct consequence of the Action may be included

Eligible means...can be part of the budget proposal



Article 14

Eligible Costs



DSA = Per diem : UN DSA

Purchase costs

Proportion of field office costs that corresponds to the activity.

NB : Non Eligible : Currency Exchange losses and Taxes.



Article 14

Eligible Costs



Indirect Costs (GMS)

- not exceeding 7 % (in fact 7%) of EC Contribution (not on UNDP contribution)
- If multi-donor, not higher or lower than for other comparable contributions

NB : - Contingency reserve max 5% and can be utilised only after prior written approval by the EC.

- NO in kind contributions (except staff assigned to the action)



Article 14

Eligible Costs



Multi-Donor Action : Notional approach



Article 15

Payments



Schedule for payments

Advance : 80-95 % of the part of the forecast budget for the next 12 months period (45 days max)

Request for payment : 70 % rule
(disbursement and legal commitment)



Article 15

Payments



45 days for approval of the report is suspended if additional info requested.

45 days to do the payment

After 2 X 45 days : entitled to demand interest



Article 15

Payments



Bank interest :

- UN rules if Joint Management or Multi-donor otherwise...reimbursement ...
- (see article 15.7 for details...Kafkaland)



Article 16



Accounts and financial checks

Basic Principals :

1. All the UN activities are « covered » by the UN auditing system (ext and int)
2. The Auditors decide for their own programme based on risks assessments.
3. The EC are not entitled to Audit a project.



Article 16



Accounts and financial checks

Basic Principals :

4. You are not authorised to commit to an Audit
5. You are not authorised to share an audit report with a donor without a prior approval of our Auditors



Article 16



Accounts and financial checks

16.2 “financial transactions and financial statements shall be subject to the internal and external auditing procedures laid down in the Financial Regulations, Rules and directives of the Organisation. A copy of the audited financial statements shall be submitted to the European Commission by the Organisation.”

- This provision refers to the financial statements of the International Organisation in its entirety, which is made publicly available and shared with the European Commission outside the scope of an individual Contribution Agreement



Article 16



Accounts and financial checks

16.4 and 16.5 : « On the spot checks »
refers to the Verification missions.

Verification

- This is NOT an AUDIT (processes)
- ToRs for Verification missions
- Questionnaire !!!!!
- Report and comments
- Nb : Guidance note on access to Information and Documentation

EC Access to information and documentation

- YES YES : projects documents, progress reports, reports on project site visit, expenditure statements, statistical data, evaluation report, policies, procedures, regulation and rules.
- YES YES : External Audit Report

EC Access to underlying detailed documentation (voucher, invoice...)

- Only if Verification .
- Max 5 transactions per key process (procurement, recruitment, disbursement, budget management, logistic and reporting)
- If problems...5 additional transactions...



Article 17



Final Amount of financing

Maximum Amount = article 3(2) Spec.
Cond.

WARNING : If % and need to inform EC if %
is likely to change

NB Right of Refusal: EC can reject
expenditures that are deemed ineligible
so please when in doubt ask EC
Delegation



Article 18

Recovery



Recovery Order

45 days delay

Offsetting





**□ 10 usual problems while
implementing EC funded
projects**



Difficulty 1 : lack of communication



- Absence or lack of communication between the ECD and the UN entity.
- Suspicion and paranoia.
- “Ego”



Difficulty 2 : Switch from Contractor to Partner



- sometimes difficult for the ECD to consider the UN entity as a partner and not as a contractor
- sometimes difficult for UN entity to consider the EC as a partner and not as a banker



Difficulty 3 : contradictions between EC-UNDP project documents.



- ❑ existence of discrepancies /contradiction between EC and UN official project documents (Project Identification Fiche, Financing Proposal, Prodoc, annex I of the Contribution agreement)



Difficulty 4 : Time constrain



- UN often makes the mistake of working too sequentially leading to time compression issues (hiring experts)
- no retroactivity with EC financing



Difficulty 5 : endless discussions on 7% of indirect costs/GMS.

- UN decision to adopt a rate of 7% GMS
- FAFA ...up to 7 %



Difficulty 6 : EU visibility



- EU limited visibility in multi-donor actions
- Need for the UN to accommodate the visibility requirements of other donors.



Difficulty 7 : Selection of Expertise

- EC's desire seek to influence key recruitments of UN staff members
- UNDP rules and procedures for the selection of experts.



Difficulty 8 : Audit / Verification

- ECD wants to programme an audit at the end of the project.
- UN rules and procedures : selection of the projects to be audited is the prerogative of the auditors



Difficulty 9 : Earmarking of funds



- ❑ ECD wants to earmark funds for specific activities in a multi-donor action.



Difficulties : 10 Reporting



- Reporting : deadline not respected
- Exchange losses claimed by UN
- Publication of the “ Beneficiaries”

10 RECOMMENDATIONS

For Establishing Fruitful Collaboration With The EC

- 1) Be aware that we are not alone in trying to raise funds from the EC (private / NGO /other ...)
- 2) Be aware that the EC will not prioritise collaboration with the UN.
- 3) Try to have a clear understanding of their constraints, priorities and needs.
- 4) Try to avoid a « we know best » approach.
- 5) Try to involve the Delegation in the preparation of the project from the very beginning of the process.



10 RECOMMENDATIONS

For Establishing Fruitful Collaboration With The EC

- 6-Be aware that you will sign a contract and that we will have to stick to the terms of the contract i.e. a legally binding document.
- 7-Be aware that the host government is a key ally to access the funds and to build a success story.
- 8-Make the EC's obsession with visibility your own obsession.
- 9-Try to forget the usual UN blah-blah in the documents that you present to the EU. Try to be as concrete as possible in the outputs.
- 10-The project will be judged at the end of the day mainly by the quality of your financial and substantive reporting.





DELIVERY.



VISIBILITY.



REPORTING.



THANK YOU

And good luck... 😊