

ANNEX I

1. IDENTIFICATION

Country/Title/Number	<i>Regional Pacific/Strengthening Pacific Economic Integration Through Trade (SPEITT) (CRIS N° 22414)</i>		
Total cost	<i>Total Budget: EUR 30 million (EDF contribution EUR 30 million)</i>		
Aid method / Method of implementation	Project Approach Partly Decentralised management and Joint management		
DAC-code	<i>33110</i> <i>33120</i>	Sector	<i>Trade Policy and Administration Management</i> <i>Trade Facilitation</i>

2. RATIONALE

2.1. Sector context

The Pacific-ACP region's guiding framework for economic and social development, the *Pacific Plan for Strengthening Regional Cooperation and Integration* (the Pacific Plan) was endorsed by Pacific Islands Forum Leaders at their meeting in Port Moresby, October 2005. The Pacific Plan now forms the basis of ongoing strengthening of regional cooperation and integration efforts for the benefit of the people of the Pacific. Implementation of the Pacific Plan is led and coordinated by the Pacific Islands Forum Secretariat (PIFS) and is a document that guides the engagement of development partners including Australia and New Zealand, key regional partner donors for Europe.

1. The Pacific Plan aims to enhance and stimulate economic growth, sustainable development, good governance and security for Pacific countries through regionalism. Through the economic growth pillar, it does this with the objectives of:

- increasing sustainable trade (including services), and investment;
- improving the efficiency and effectiveness of infrastructure development and associated service delivery; and
- increasing private sector participation in, and contribution to, development.

In their meeting of June 2009, Pacific-ACP Trade Ministers endorsed a Pacific Aid for Trade Strategy¹ (the Strategy) based on these Pacific Plan goals. The Strategy identified four focal areas that speak to the economic growth objectives of the Pacific Plan, and which also map to the OECD/DAC definition of Aid for Trade, namely:

- a) improving institutional capacity for trade policy and regulations;
- b) developing the productive capacity for trade;
- c) improving trade-related infrastructure; and
- d) promoting trade-related adjustment.

¹ The Pacific Aid for Trade Strategy was developed in response to comments from participants including representatives from PACPs and development partners at the first Pacific Aid for Trade Roundtable in 2008. It was drafted via a consultative mechanism over an 8-month period and was endorsed by PACP Trade Ministers at their meeting in June 2009.

The Strategy, including these focal areas, has been endorsed by Ministers and provides a framework for the activities included in this project.

A key challenge for the region in developing trade is the lack of national trade policy throughout the region and the lack of integration of this policy into national development plans. In most cases, PACP countries have no trade policy or it is in the very early stages of elaboration. As a result, a sound regional Aid for Trade Framework has proven important to ensure cohesion and alignment. SPEITT supports those priorities articulated in the Pacific Aid for Trade Strategy and works with partner countries to develop national trade policies and integrate them with development frameworks.

SPEITT is fully consistent with EU policy for the Pacific as articulated through the 2006 *Strategy for a Strengthened Partnership*. Components will: strengthen and enhance political dialog on matters of common interest in trade and economic integration, particularly through trade negotiations; will focus on regional cooperation, enhance regional governance and facilitate cross-fertilisation through strengthened institutional and regulatory frameworks and shared learnings; and improve the effectiveness of aid delivery by working with agencies integral to the implementation of shared regional strategies.

Recent global events, particularly the Global Economic Crisis, have placed pressure on Pacific island economies and national budgets, exacerbating existing weaknesses and reducing funds available for health and education. Pacific island governments have turned to trade, and particularly the development of productive sectors, to support their economies. SPEITT is therefore timely in that it addresses key concerns of Pacific governments. Customs components support improved revenue collection which helps to underpin national budgets; tourism and agriculture are among the most important productive sectors for development in all Pacific island countries; and improved investment and trade promotion will support increased government income through increased volume of trade and investment.

2.2. Lessons learnt

SPEITT builds on previous programs undertaken by PIFS' Pacific Regional Economic Integration Program (PACREIP), the Secretariat of the Pacific Community's (SPC) Facilitating Agricultural Commodity Trade (FACT) program, and the South Pacific Tourism Organisation's (SPTO) Pacific Regional Tourism Development Program (PRTDP) program. Oceania Customs Organisation (OCO) has developed a program of work that builds on that undertaken through their participation in PACREIP, where they were responsible for implementing a trade facilitation sub-component, and lessons learned from their participation in PACREIP are included in the overall lessons of the program. SPEITT comprises four components, with one implemented by PIFS and one by each of SPC, OCO and SPTO.

From the three prior programs, an overarching lesson repeatedly noted in monitoring reports is the need for greater national engagement and customisation, particularly strengthened coordination with the private sector. In consequence, SPEITT focuses on nationally-led policy and project engagement, and will work closely with national counterparts and stakeholders, particularly the private sector, to create a stronger connection between regional frameworks and national outcomes.

Specific lessons that have been learned from the PACREIP project relate to project duration and absorptive capacity. PACREIP was programmed with an optimistic timeframe in mind for the completion of trade negotiations, and extensions have been required due to negotiations continuing past their anticipated duration. SPEITT does not presuppose an end to negotiations, but rather incorporates flexibility so that components can move between negotiation and implementation phases as and when appropriate. Furthermore, stakeholders experienced "problems of communication with national organizations, who state that PACREIP does not respond adequately to their needs in matters of trade facilitation and capacity building."² This is rectified in SPEITT, where PIFS and SPC staff will be allocated to sub-regions and whose primary responsibility will be to liaise with partner

² MR-001410.04 p. 2

governments and coordinate work programs to ensure stakeholder needs are adequately met in a timely and responsive manner.

Sustainability was another concern often highlighted and which was not adequately addressed under PACREIP. In response, transition plans will be drawn up for SPEITT to ensure work programs are mainstreamed into the Strategic Plans and ongoing work programmes of the implementing and partner organisations, prior to the programme's 2014 completion.

Two implementing partners, SPTO and OCO, will be significantly expanding their work programs through activities programmed under SPEITT. Sustainability lessons learned from previous EC-funded programs have been incorporated into their workplans, which will focus on activities that fund technical assistance to upgrade systems, processes and legislation to support regional capacity rather than on corporate capacity development. These activities are sustainable as they are "one-shot" upgrades, with ongoing support provided by existing sources including national governments and the private sector.

2.3. Complementary actions

The focus of donor cooperation on trade and economic integration in PACPs is primarily at the regional level. This means that coordinating agencies, as part of the Council of Regional Organisations in the Pacific (CROP), are ideally placed to identify complementary programs being undertaken by various donors. CROP also has effective existing coordination mechanisms, through existing management frameworks that will allow efficient allocation of work between what could otherwise be competing programs. As such, the agencies applying for funds under this proposal have a natural advantage in undertaking this work.

At its commencement, SPEITT will undertake a mapping exercise with each agency to ensure that activities implemented under their respective components reflect the needs of PACPS and complement, rather than compete, with existing programs, including those funded by the European Union.

2.4. Donor coordination

The prime mechanisms for donor coordination of regional programmes are the annual Pacific Islands Countries Partners Meeting and the Post Forum Dialogue. These meetings, as well as the annual meeting of the Heads of the CROP agencies, allow for constructive dialogue and coordination of support to the Leaders and Pacific Plan priorities. These meetings will be supplemented through additional consultation mechanisms as envisaged in the EDF-10 regional strategy. The TA to the RAO will support these developments and increase PIFS capacity in this regard.

PIFS has the lead role in Pacific regional coordination and policy development. This role is particularly strong in trade policy, where the Secretariat is the only regional actor supporting the full range of trade negotiations and policy development across all PACPs.

SPEITT will strengthen PIFS ability to coordinate new regional mechanisms, such as the 2009 Pacific Aid for Trade Strategy and the Pacific Island Forum's 2009 Cairns Compact on Strengthening Development Coordination in the Pacific, to ensure strong regional donor and stakeholder harmonisation and coordination. These are two new significant programs of work, well aligned with the Paris Principles and Accra commitments, and they require support to ensure they are able to be successfully implemented. Over time, these activities will be self-sustaining as they have strong regional ownership and will create self-sustaining coordination mechanisms between countries.

In addition, donor inputs to the individual implementing organisations (SPC, OCO and SPTO) are overseen by the annual meetings of the Committee of Regional Governments and Administrations (CRGA), as well as meetings of technical specialists such as the biennial Pacific Heads of Agriculture, Forestry and Fisheries meetings (SPC); the bi-annual meetings of the Board of Directors (OCO and SPTO), the annual meeting of the Customs Ministers (OCO); and the annual meeting of the Council of Ministers for Tourism (SPTO).

3. DESCRIPTION

3.1. Objectives

The **Overall Objective** of SPEITT is to *‘Increase regional economic integration and cooperation in Pacific-ACP countries’*. The objective is directly aligned with the Millennium Development Goals for poverty alleviation; Article 20 (1) a. of the Cotonou Agreement (promoting rapid and sustained job creating economic growth...); and the first pillar of the Pacific Plan – economic growth.

SPEITT is a major vehicle for the Regional Implementation Plan 2010-14 of the Pacific Aid for Trade Strategy, and is strongly supportive of both the EU Pacific Regional Strategy and the EDF 10 Pacific Regional Indicative Programme (PRIP), which highlight the need to enhance sustainable livelihoods by making the most of economic opportunities through regional cooperation and economic integration. Its **Project Purpose** *‘Improve economic integration through strengthened national systems and institutional frameworks to develop trade capacity, increase private sector competitiveness and increase international market access’* is well aligned with this.

3.2. Expected results and main activities

SPEITT comprises four sub-components that contribute to the results of the overall programme. These sub-components are: the Pacific Integration Technical Assistance Program (PITAP), implemented by PIFS; the Pacific Regional Tourism Capacity Building Program (PRTCBP) implemented by the South Pacific Tourism Organisation (SPTO); the Increasing Agriculture Commodity Trade (IACT) programme implemented by SPC; the Trade Facilitation through Customs Cooperation (TFCC) program implemented by the Oceania Customs Organisation (OCO).

SPEITT will provide support to PACPs, including Timor Leste, to increase capacity in trade and economic integration through three results areas. These are:

1. Increased capacity in trade policy through improved technical capabilities and greater integration of trade policy into national development frameworks

SPEITT’s Pacific Integration Technical Assistance Program (PITAP) component will support trade negotiations at the regional and multilateral levels. It will assist PACPs to complete EPA negotiations and PICTA Trade in Services negotiations. It will also help countries engage with the World Trade Organisation (WTO) and strengthen national trade policy frameworks to enable PACPs to better integrate into the global trading system. The TA to the RAO has been included under this component in order to reflect the shift of responsibility towards reinforcing PIFS internal capacity to address coordination issues with National Authorising Officers or other national representatives and other development partners and stakeholders in particular, but not exclusively, in the sector of Aid for Trade. The TA to RAO will also ensure the cohesion between and proper implementation and reporting by the four different components of the programme, and will develop the capacity of PIFS to undertake any relevant project management. It will also work through the Strategic Partnerships and Coordination Programme to strengthen PIFS’ ability to manage the Pacific Plan and Cairns Compact coordination mechanisms.

2. Improved trade facilitation through improved customs management and systems

SPEITT’s TFCC Program will improve the efficiency of PACP customs administrations, by promoting the development and adoption of internationally-compliant customs legislation, processes and systems, and strengthening the institutional capacity of the OCO Secretariat to provide TA and backstopping support to countries to ensure sustainability of project outcomes. This work is vital to support the trade agreements currently being negotiated in the region and to build resilient revenue mechanisms for PACPS. OCO and PIFS will work closely together to ensure trade negotiated outcomes are implemented through the development of appropriate customs processes.

3. Strengthened PACPs productive export capacity in key economic sectors

SPEITT will work with partners to increase and promote export opportunities for Pacific businesses in both goods and services. PRTCBP, IACT and PITAP will work with the private sector to develop export production capacity in PACPS. In IACT, this is done through work with primary producers of agricultural commodities. PRTCBP does this by working with PACP-based tourism service providers, while PITAP does this directly by partnering with the Pacific Islands Private Sector Organisation (PIPSO) to strengthen business and their representative bodies. IACT, PRTCBP and PITAP will also promote exports through their work to assist exporters to access foreign markets and increase opportunities to trade, with national development by IACT and PRTCBP supported by export market development and promotion through PITAP.

3.3. Risks and assumptions

The main risks to the programme are related to factors outside of its scope, such as the global financial, investment and trading environment (including currency fluctuations), increasing energy and transport costs and that trade infrastructure might decline and/or not be maintained, especially roads and shipping routes. Natural disasters/climate change can undermine efforts for sustainable and consistent production of agricultural produce. Delays might occur if importing countries fail to respond to market access requests for new products in timely manner.

Major factors that are more connected to the programme that could impact upon its successful delivery are:

- Lack of support from PACPs and development partners, or shifts in direction for policies and national priorities

Risk: Unlikely. PACPs have confirmed their support for all aspects of trade development and reform and are actively participating in multilateral and regional trade negotiations. Development partners have committed to closer consultation, coordination and harmonisation through international agreements (Paris Principles, Accra Agenda) and Pacific region agreements. This risk is addressed by adopting an approach of extensive national level consultations, piloting country initiatives in response to country demand and through the coordination of stakeholder and development partner meetings, particularly in the Aid for Trade sector. Close national consultation and stakeholder coordination through the Pacific Plan, Pacific Aid for Trade Strategy and the Cairns Compact will ensure that strong support is provided by national governments and development partners.

- Private sector disinterested in new opportunities and engagement in trade negotiations

Risk: Unlikely. Experience from the PACREIP and FACT projects show that the private sector maintains a keen interest in the direction of trade negotiations and actively seeks out opportunities to participate in consultations. The private sector in the Pacific continues to experience difficulty taking advantage of new market openings but the experience of the PIPSO, PITIC and FACT shows this is due to lack of market knowledge and awareness, not lack of interest.

- Accurate and updated data not available or accessible.

Risk: Possible. Whilst several countries have reasonably accurate and accessible data, some PACPs – in particular the smaller countries – do not. SPEITT will work with these countries to develop national databases to enable the collection and analysis of accurate data.

3.4. Crosscutting Issues

The European Consensus on Development sets out seven cross-cutting issues for inclusion in development programs: the promotion of human rights, gender equality, democracy, good governance, children's rights and indigenous peoples, environmental sustainability and combating HIV/AIDS. These cross-cutting issues underpin the impact and sustainability of cooperation.

Two cross-cutting issues are of particular relevance to SPEITT outlined here. Gender equity is essential for increasing economic development and therefore is vital for improved economic

integration and coordination. Environmental sustainability and Climate change issues are also essential when considering the development of economically productive sectors, particularly in agriculture, as well as in the tourism sector

These cross-cutting issues will be addressed through promoting more equitable and environmentally-sustainable production, trade and tourism practices. Gender equality will be promoted by identifying and developing increased women's participation in all activities from trade negotiation to livelihoods production through activities directly targeting women's engagement, as well as through traditional mainstreaming approaches.

3.5. Stakeholders

The benefits of SPEITT will be strongly and clearly targeted at national stakeholders. These may be bureaucracies, either through their Departments of Trade or through related agencies such as Customs, Quarantine and Biosecurity, Agriculture, Commerce and through private sector exporters/producer networks. The emphasis of all components is on improving the ability of national governments to develop, introduce and implement improved legal, regulatory and institutional frameworks that will support economic and trade integration, increased trade and product diversification through value chains and developing export production capacities.

PACP Leaders and Ministers have strongly and consistently articulated their support for increased engagement with the private sector on economic development and regional integration. This project will engage strongly with the private sector both nationally through relevant representative organisations and regionally in partnership with PIPSO. All components will support specific national government to civil society consultations that will increase civil society participation in economic and trade policy decision making, including with private enterprise, non-government organisations, multilateral agencies and academic institutions.

Further, SPEITT works with PACPS and development partners through the Pacific Plan and the Pacific Aid for Trade Strategy to ensure coordination, harmonisation and cooperation on development initiatives in the region, particularly in the Aid for Trade sector.

4. IMPLEMENTATION ISSUES

4.1. Method of implementation

This Action Fiche is a complex program with several components which will require a complex architecture in terms of implementation modalities. It is composed of 2 parts (A+B):

Part A: Following the signing of the Financing Agreement between the Commission and the Regional Authorising Officer, the Secretary General of the Pacific Islands Forum Secretariat (PIFS), the following components of the programme will be implemented as follows:

- Increasing Agriculture Commodity Trade (IACT) component: Implementation through Joint Management through a Contribution Agreement between the Commission and SPC (EUR 8 545 800);
- Trade Facilitation through Customs Cooperation (TFCC) and Pacific Regional Tourism Capacity Building Program (PRTCBB) components: Implementation through Partly Decentralised Management through direct Grant Agreements between the RAO and (i) Oceania Customs Organisation (OCO) Secretariat (EUR 7 572 880) and (ii) South Pacific Tourism Organisation (SPTO) (EUR 4 733 981)

The Commission controls ex ante all the procurement procedures except in cases where programme estimates are applied, under which the Commission applies ex ante control for procurement contracts

> 50,000 EUR and may apply ex post for procurement contracts \leq 50,000 EUR. The Commission controls ex ante the contracting procedures for all grant contracts.

Payments are executed by the Commission except in cases where programmes estimates are applied, under which payments are executed by the beneficiary country for operating costs and contracts up to the ceilings indicated in the table below.

The responsible Authorising Officer ensures that, by using the model of financing agreement for decentralised management, the segregation of duties between the authorising officer and the accounting officer or of the equivalent functions within the delegated entity will be effective, so that the decentralisation of the payments can be carried out for contracts up to the ceilings specified below.

Works	Supplies	Services	Grants
< 300,000 EUR	< 150,000 EUR	< 200,000 EUR	\leq 100,000 EUR

Part B: P Pacific Integration Technical Assistance Program (PITAP): Implementation through Joint Management through a Contribution Agreement between the Commission and PIFS (EUR 8 million). This component will be signed outside the Financing Agreement.

4.2. Procurement and grant award procedures

1) Contracts

All contracts implementing the action must be awarded and implemented in accordance with the procedures and standard documents laid down and published by the Commission for the implementation of external operations, in force at the time of the launch of the procedure in question.

Participation in the award of contracts for the present action shall be open to all natural and legal persons covered by the 10th EDF. Further extensions of this participation to other natural or legal persons by the concerned authorising officer shall be subject to the conditions provided for in the Art. 20 of Annex IV of the revised Cotonou Agreement.

2) Specific rules for Grants

Contracts implemented under the Grant Agreements (TFCC and PRTCBP) will be implemented using EDF 10 rules.

The essential selection and award criteria for the award of grants are laid down in the Practical Guide to contract procedures for EC external actions. They are established in accordance with the principles set out in VII 'Grants' of the Financial Regulation applicable to the 10th European Development Fund (Council Regulation No 215/2008). When derogations to these principles are applied, they shall be justified, in particular in the following cases:

- Financing in full (derogation to the principle of co-financing): the maximum possible rate of co-financing for grants is 80%. Full financing may only be applied in the cases provided for in Article 253 of the Commission Regulation (EC, Euratom) No 2342/2002 of 23 December 2002 laying down detailed rules for the implementation of the Financial Regulation applicable to the general budget of the European Communities and in Article 109 of the Council Regulation on the Financial Regulation applicable to the 10th European Development Fund.
- Derogation to the principle of non-retroactivity: a grant may be awarded for an action which has already begun only if the applicant can demonstrate the need to start the action before the grant is

awarded, in accordance with Article 108 of the Financial Regulation applicable to the 10th EDF (Council Regulation No 215/2008).

Direct award of grants to SPTO and OCO

The reason for direct award is that both programs to be implemented (the Pacific Regional Tourism Capacity Building Program and the Trade Facilitation through Customs Cooperation) require particular technical competences and a degree of specialisation that can only be found in SPTO and OCO respectively, in the Pacific region.

So, these two grant contracts will be directly awarded to SPTO and OCO justified by their "de facto" monopoly condition, based on the point 6.3.2. of Practical Guide to Contract procedures for EC external actions and the point 19.b of Annex II of the instruction note D(2008)9406.

3) Specific rules for Contribution Agreements

Under the Contribution Agreements (PITAP and IACT components), all contracts implementing the action must be awarded and implemented in accordance with the procedures and standard documents laid down and published by the International Organisation concerned.

4.3. Budget and calendar

The total budget for the Program will be EUR 30.0 million and is broken down as follows:

Component	EU Contribution
	EUR
Contribution Agreement with PIFS (PITAP Component)	8 000 000
Contribution Agreement with SPC (IACT Component)	8 545 800
Grant agreement with OCO (TFCC Component)	7 572 880
Grant agreement with SPOT (PRTCBP Component)	4 733 981
Audit and evaluation	192 500
	251 830
TOTAL	30 000 000

The operational implementation duration of the project will be 48 months as from the date of signature of the financing agreement.

4.4. Performance monitoring

Day-to-day technical and financial monitoring will be part of the respective implementing organisation's responsibilities. PIFS will ensure coordination between the four components and will monitor in particular the implementation of the grant agreements through EDF procedures.

Key Performance indicator have been chosen to measure the performance of the project (Annex 1 of the TAPs)

Project monitoring mechanisms will include annual reporting for each of the 4 programme components. Specific performance indicators are summarised in the attached Logframe (see Annex 1 of the TAPs).

4.5. Evaluation and audit

A Mid Term Review and Final Evaluation of each of the programme's components will be carried out by independent consultants. Independent consultants recruited directly by the Commission on specifically established terms of reference will carry out external ROM monitoring.

4.6. Communication and visibility

1% of total project costs are provided for action to promote project visibility. EU financial support will be highlighted in all activities, reports and media releases. EU promotional material will also be produced and distributed. It is envisaged that in particular for the IACT component video documentaries will be produced by SPC's Regional Media Centre. This centre produces a weekly programme on TV called the Pacific Way. SPEITT will also look into using this modality for its exposure to the region.

ANNEX II

1. IDENTIFICATION

Country/Title/Number	Regional Pacific/Technical Cooperation Facility – CRIS REF 022-413 (ex- 021-416)		
Total cost	EUR 2 million (EU contribution)		
Aid method / Method of implementation	Project approach – <i>Partially decentralised management and joint management</i>		
DAC-code	15110	Sector	Public Sector policy and administrative management

2. RATIONALE

2.1. Sector context

In various regions of the world, the European Commission uses a facility for the provision of short-term consultancies to assist in identifying, preparing, evaluating, monitoring and auditing projects/programmes under the EU-funded programmes of development co-operation as well as for the organisation of and participation to conferences/seminars/workshops in relation to EDF project- and programme-related activities or of a broader interest but keeping with the priorities of Cotonou Agreement.

This is relevant for the Pacific Region where there is a clear lack of capacity both in terms of human resources and financing.

The EU has made a strong commitment to the implementation of the Paris Declaration on Aid Effectiveness and donor Coordination. More recently, developed countries have agreed to reinforce their support to developing countries in order to adapt to climate change. Currently, the implementation of adaptation and mitigation remains (in the Pacific and elsewhere) fragmented and project based. Result-oriented support to climate change (unnecessary acronyms make texts harder to read) challenges cannot continue to be provided exclusively through projects. In the climate perspective, preparing eligibility for budget support across the region will be crucial. All PACP countries will most likely not be technically eligible for general budget support by 2012. In the Pacific, apart from Vanuatu, New Caledonia and more recently Samoa and Solomon Islands, no other Pacific ACP State or Overseas Countries and Territories (OCT) is yet receiving assistance from the EU by using Budget Support. Intensive preparatory work, assessment of intermediate forms of budget support and alternative disbursement mechanisms at national but also at regional level, such as trust funds and pool funds will be necessary.

This TCF project will provide funding to relevant regional bodies such as PFTAC to help prepare Budget Support in as many PACP States as possible and also to assist them to overcome the financial crisis and economic downturn and reform their monetary and fiscal systems if requested. It will also support the regional efforts to enhance coordination and mainstreaming of the aid in particular in relation to the climate change agenda.

2.2. Lessons learnt

During the implementation phase of the 9th EDF Regional Economic Integration Programme (PACREIP) it has become obvious that PIFS was over-challenged to deliver assistance in response to

the impact of international trade agreements, in particular that of Economic Partnership Agreement (EPA), through fiscal and monetary policy reforms of the PACPs' financial and public sectors. Other organisations in the region, such as PFTAC, would be more adapted to deliver this expertise.

Over the past years most PACP States have benefited from some EDF technical assistance funded through the TCF in support of both national and regional indicative programmes. The services that were delivered may be broadly categorised as supporting programme/project development, and implementation including monitoring, evaluation and audit. This needs to be continued and this TCF will be used whenever such services are requested in support of the EDF regional projects/programmes.

It is timely, under the 10th EDF, to look at innovative ways to provide capacity building to national and regional stakeholders in areas of interest going beyond the implementation of the EDF projects. There should be a prospective approach to look at better ways to channel the aid in the future both at national and regional level. This TCF will therefore have a broader scope than the 9th EDF TCF in order to cater for new type of consultancy work in particular in relation to aid effectiveness.

2.3. Complementary actions

The Pacific Forum Leaders agreed in 2009 in Cairns, Australia, to a new development compact that includes calls for properly coordinated efforts by FICs and Development Partners in working together to improve current performance and to ensure effectiveness and coordination of development resources and aid practices. PIFS in implementing the TCF will be guided by the Cairns Compact

The Pacific Climate Change Roundtable (PCCR) meeting held in 2009 made a number of recommendations, one of which called for a feasibility study to be conducted on the establishment of a Pacific Regional Adaptation Fund or Facility, including a need for a technical backstopping mechanism and a need for harmonization of regional funding arrangements.

As a result, PIFS and other members of the PCCR are developing a TOR for this feasibility study. While the TCF is likely to come on line after this feasibility study is completed, there will no doubt be further work needed to develop options for the establishment of any such facility.

2.4. Donor coordination

The project will help to ensure that the design and implementation of EDF cooperation projects is undertaken cognisant of other donor activities. PIFS unique role in the region encourages donor coordination and dialogue. The project will help reinforce the links between the EC and the PIFS, other CROP organisations, other implementing agencies and the PACP governments and NAOs. The project will contribute to building and strengthening these partnerships which in turn will ensure more focused development actions with greater emphasis on regional cooperation to contribute to more efficient aid delivery.

3. DESCRIPTION

3.1. Objectives

The general objective of the project is to contribute to the improvement of EU development cooperation in the PACP region, ensuring it is demand-driven by the Pacific actors, and fully integrated with the efforts of other partners to promote and pave the way for new and more efficient approaches to development aid.

The project purpose is to ensure smooth and efficient implementation of the 10th EDF Regional Indicative Programme (RIP) while paving the way for new approaches to development aid.

3.2. Expected results and main activities

Overall expected results are:

Result Area 1: Timely development of projects for funding under the 10th EDF Regional Indicative Programme and improved capacity building of regional organisations and other stakeholders to deliver and report on better and sustainable outcomes.

Result Area 2: Enhanced political dialogue between PACP States, CROPs, the RAO, the EU and other development partners on future development strategy and new implementation approaches in view of the possible 11th EDF programming and in the context of the EU-Pacific Joint Climate Change Initiative.

Result Area 3: Improved macroeconomic and public financial management capacity in PACP States to improve their ability to withstand economic shocks (e.g. the recent the financial crisis and economic downturn) and to improve their readiness for Budget Support.

Specific activities in Result Area 1 will include:

- 1.1 Provide short to medium term experts to undertake studies and technical assistance missions as requested for the identification, formulation, evaluation, monitoring and auditing of programmes and projects financed by the EDF.
- 1.2 Provide studies, technical assistance and programme related training activities in relation to the 10th EDF RIP focal sectors (Economic Integration and Sustainable Management of Natural resource and Environment) and non-focal sector (NSA programme).
- 1.3 Participation/organisation to/of seminars, workshops designed to build a regional capacity on matters relating to aid effectiveness, best practices in financial management and procurement procedure, including capacity in the field of evaluation/reporting according to best practice and the sustainability of programmes and projects in general.
- 1.4 Short-term/medium term experts to build CROP capacities in setting appropriate result and impact indicators, quantified baselines and targets and sustainable collection of data systems.
- 1.5 Short-term/medium term experts to help improve regional statistics.

Specific activities in Result Area 2 will include:

- 2.1 Participation/organisation to/of regional workshops/seminars aiming at strengthening the cooperation between the PACP States, CROPs, NSA, the EC and other development partners.
- 2.2 Provide short/medium term assistance with regard to the implementation of the aid effectiveness principles in view of the potential 11th EDF programming and within the context of the EU-Pacific Joint Climate Change Initiative.

Specific activities in Result Area 3 will include:

- 3.1 Providing a contribution to joint development partner funding of the IMF's Pacific Financial Technical Assistance Centre (PFTAC). The funding will allow PFTAC to expand its current range of services to encompass macroeconomic management and to provide a regional coordination function for PEFA assessments. This will improve the region's preparation for Budget Support in as many PACPs as possible.

3.3. Risks and assumptions

Identified assumptions and risks directly or indirectly affecting the project are considered to be marginal and manageable. Emergence of perceived risks should be readily identifiable as implementation proceeds and appropriate mitigation actions/responses will be put in place.

Risks and Assumptions with the Key Result Areas

- PACP governments and CROP agencies remain committed and continue to develop and strengthen their capacities;
- Donors remain committed to implementing the Aid effectiveness principles and show willingness to work together to find new innovative ways to channel the aid
- High commitment of Pacific ACP States to improve their public finance management systems and PIFS high commitment to progress on regional aid delivery mechanisms.

Sustainability

It is hoped that in the future, there will be less of a need for a TCF to help identify/formulate and monitor projects at regional level as the idea is to move away from project approach. In particular, it is expected that PIFS together with SPREP will succeed in building a regional facility for channelling development partners' contribution to climate change adaptation and mitigation that satisfies donor's requirements for reporting and accountability. Pool funding and core funding should reduce the need for such a TCF at regional level.

PFTAC's technical assistance is subject to the same issues of sustainability that face all providers of technical assistance in the region—particularly due to political instability and rapid turnover of key staff in the small public sector institutions. There are a number of features of its technical assistance that aim to improve sustainability, such as peer to peer learning and attachment programs for PACP officials.

3.4. Crosscutting Issues

In regard to good governance, environmental sustainability, social issues including human rights, and gender equality:

- This project will reinforce the importance of good governance principles in PACP and in regional agencies when moving towards budget support and pool funding;
- Gender equality: Limited relevance apart from promoting gender equality in the different recruitment processes and from encouraging women working in the different organisations to take part in the workshops and dialogue on aid effectiveness.
- The project has no environmental impact and is not directed towards human rights. It will nevertheless help addressing the issue of the channelling of additional funds under the climate change initiative.

3.5. Stakeholders

The PACP governments are key actors for the improvement of aid effectiveness. The EU preferred option for the future is to channel the aid through budget support.

PFTAC, which provides advisory services in economic management (public financial management, revenue administration, economic statistics and financial sector supervision) to all PACPs, is an important stakeholder. Due to the global economic crisis and its impacts on the Pacific small economies, new needs have emerged for deepening and expanding PFTAC's scope of work in particular in the fields of macroeconomic management and PEFA assessments. It would further enhance its capacity to provide expertise and technical assistance to PACPs in the professional areas of macroeconomic and public finance management. Through PFTAC the EC would join its resources with other development partners and avoid duplication of resources.

The CROP organisations have expressed interest in seeking support from the EDF10 PRIP, and most have a long experience with implementing large multiyear projects and have the capacity to design and benefit from TCF funded short-medium term targeted technical assistance. They are also very eager to explore new implementation modalities that would reduce the bureaucratic burden linked to different

set of rules and procedures imposed by different donors. At the same time they recognise their need for capacity building in areas such as evaluation and reporting on outcomes that are crucial to donors.

4. IMPLEMENTATION ISSUES

4.1. Method of implementation

The project will be implemented through Joint Management, and partially decentralized management.

A Financing Agreement will be signed between the Commission and the Regional Authorising Office. The Regional Authorising Officer will be the contracting authority.

A contribution agreement will then be signed between the Commission and the IMF (for PFTAC).

The other activities will be implemented through service contracts following 10th EDF procedures either inside and outside the programme estimates (direct decentralised operations).

The Commission controls ex ante all the procurement procedures except in cases where programme estimates are applied, under which the Commission applies ex ante control for procurement contracts > 50,000 EUR and may apply ex post for procurement contracts ≤ 50,000 EUR. The Commission controls ex ante the contracting procedures for all grant contracts.

Payments are executed by the Commission except in cases where programmes estimates are applied, under which payments are executed by the beneficiary country for operating costs and contracts up to the ceilings indicated in the table below.

The responsible Authorising Officer ensures that, by using the model of financing agreement for decentralised management, the segregation of duties between the authorising officer and the accounting officer or of the equivalent functions within the delegated entity will be effective, so that the decentralisation of the payments can be carried out for contracts up to the ceilings specified below.

Works	Supplies	Services	Grants
< 300,000 EUR	< 150,000 EUR	< 200,000 EUR	≤ 100,000 EUR

4.2. Procurement and grant award procedures

1) *Contracts*

All contracts implementing the action must be awarded and implemented in accordance with the procedures and standard documents laid down and published by the Commission for the implementation of external operations, in force at the time of the launch of the procedure in question. Participation in the award of contracts for the present action shall be open to all natural and legal persons covered by the 10th EDF.

Further extensions of this participation to other natural or legal persons by the concerned authorising officer shall be subject to the conditions provided for in the Art 20 of Annex IV of the Cotonou Agreement.

2) *Specific rules on programme estimates*

All programme estimates must respect the procedures and standard documents laid down by the Commission, in force at the time of the adoption of the programme estimates in question.

3) Specific rules on Contribution Agreement

All contracts implementing the action are awarded and implemented in accordance with the procedures and standard documents laid down and published by the International Organisation concerned (IMF).

4.3. Budget and calendar

The total budget of the project will be EUR 2 million and is broken down as follows:

Categories	EU Contribution
	EUR
Contribution agreement with IMF (Including maximum of 7% indirect costs)	EUR 1,000,000
Short-term and medium-term expertise:	EUR 336,000
Training Support:	EUR 500,000
Communication and Visibility:	EUR 40,000
Audit and evaluation	EUR 50,000
Contingency reserve:	EUR 74,000
Total	EUR 2,000,000

The foreseen operational implementation phase duration is 48 months as from signature of Financing Agreement. The calendar for implementation is given in Annex 2 of the TAPS.

4.4. Performance monitoring

PFTAC's performance will be monitored through reporting to its steering committee and through periodic external evaluations.

The PFTAC steering committee consists of 15 PACPs, its donors and PIFS. It meets every 12-18 months and agrees on the strategic direction and indicative work plan for the centre. Reports on results, activities and inputs are provided to the steering committee every 6 months. The IMF is improving its internal systems to enhance result-based reporting

External evaluations of PFTAC are conducted at the end of each funding cycle.

4.5. Evaluation and audit

For the PFTAC component the following is applicable:

PFTAC (IMF) will ensure internal control of its management operations.

A final audit may be requested by the Commission.

Any costs incurred by the international organisation for its own evaluations and audits will be considered as indirect costs under the Contribution Agreement.

4.6. Communication and visibility

This project will comply with the EU's communication and visibility strategy. A total of EUR 40,000 is earmarked for visibility initiatives such as the release of media statements, which can be reproduced in the regional and national magazines, newspapers, and on the radio at national and local level.

