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ANNEX II

to the

COMMISSION DECISION on the Annual Action Programme 2018 part 1 in favour of the Pacific Region to be financed from the 11th European Development Fund

Action Document for Strengthening Public Finance management (PFM) and Governance in the Pacific project

INFORMATION FOR POTENTIAL GRANT APPLICANTS

WORK PROGRAMME FOR GRANTS

This document constitutes the work programme for grants in the sense of Article 128(1) of the Financial Regulation (Regulation (EU, Euratom) No 966/2012), applicable to the European Development Fund (EDF) by virtue of Article 37 of the Regulation (EU) No 323/2015 in the following sections concerning calls for proposals (none); and in the following sections concerning grants awarded directly without a call for proposals: 5.4.1.1 and 5.4.1.3.

1. Title/basic act/ CRIS number	Strengthening Public Finance Management (PFM) and Governance in the Pacific project CRIS number: FED/2017/040-176 financed under the 11 th European Development Fund	
2. Zone benefiting from the action/location	Pacific Region, Pacific ACP Countries The action shall be carried out at the following ACP States in the Pacific: Cook Islands, Federal States of Micronesia, Fiji, Kiribati, Nauru, Niue, Palau, Papua New Guinea, Samoa, Solomon Islands, Republic of Marshall Islands, Timor Leste, Tonga, Tuvalu and Vanuatu.	
3. Programming document	Pacific RIP 2014-2020	
4. Sector of concentration	Pacific RIP Priority 3.1 Transparent and Effective Policies and PFM, Data and Statistics	DEV. Aid: YES
5. Amounts concerned	Total estimated cost: approximately EUR 34 million Total amount of 11 th EDF contribution: EUR 11 million The part of the action implemented by the Pacific Financial Technical Assistance Centre (PFTAC) of the International Monetary Fund (IMF) is jointly co-financed by New Zealand, Australian Department of Foreign Affairs and Trade (DFAT), Korea, Asian Development Bank (ADB) and Pacific member states for an indicative amount of EUR 23 million.	
6. Aid modalities	Project Modality	

and implementation modalities	<p><i>Direct Management:</i></p> <ul style="list-style-type: none"> ○ Pillar-Assessed grant agreement with IMF ○ Evaluation & Audit <p><i>Indirect Management:</i></p> <ul style="list-style-type: none"> ○ Pagoda delegation agreement with the United Nations Development Programme (UNDP) ○ Pagoda co-delegation agreement with Pacific Islands Forum Secretariat (PIFS) and the University of the South Pacific (USP) 			
7 a) DAC code	15111 Public finances management			
b) Main delivery channel	PIFS 47000 IMF 43000 UNDP 41114 USP 47099			
8. Markers (from CRIS DAC form)	General policy objective	Not targeted	Significant objective	Main objective
	Participation development / good governance	<input type="checkbox"/>	<input type="checkbox"/>	X
	Aid to environment	<input type="checkbox"/>	X	<input type="checkbox"/>
	Gender equality (including Women In Development)	X	<input type="checkbox"/>	<input type="checkbox"/>
	Trade Development	X	<input type="checkbox"/>	<input type="checkbox"/>
	Reproductive, Maternal, New born and child health	X	<input type="checkbox"/>	<input type="checkbox"/>
	RIO Convention markers	Not targeted	Significant objective	Main objective
	Biological diversity	X	<input type="checkbox"/>	<input type="checkbox"/>
	Combat desertification	X	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change mitigation	<input type="checkbox"/>	X	<input type="checkbox"/>
	Climate change adaptation	<input type="checkbox"/>	X	<input type="checkbox"/>
9. <u>Global Public Goods and Challenges (GPGC) thematic flagships</u>	The proposed project is consistent with Human Development (especially in relation to enhancing education, knowledge and skills) which is an important thematic area of the GPGC programme. It also links to Flagship 10 Domestic Revenue Mobilisation (DRM) initiative for growth and development			
10. <u>Sustainable Development Goals (SDGs)</u>	13 Climate Action; 16 Peace, justice and strong institutions; 17 Strengthen the means of implementation and revitalize the Global Partnership for Sustainable Development.			

Summary

This project defines the first specific objective *Transparent and Effective Policies and PFM, Data and Statistics* under the third priority area of the PRIP 2014-2020 *Inclusive and Accountable Governance* (3.1).

Its **overall objective** is to improve economic, governance and environmental performance of Pacific ACP states.

The project's **purpose** is to strengthen the PFM systems and governance of key domestic institutions of Pacific ACP states. A stronger PFM system will support effective accountability and transparency mechanisms for management and effective use of public and donor funds in the Pacific ACP states.

The *Public Expenditure and Financial Accountability* (PEFA) reports and PFM Roadmaps in the region have demonstrated the need to focus on capacity building, continuous investment in national PFM frameworks (policy and legal) and systems, and improve accountability and transparency of PFM systems by the oversight institutions, i.e. Supreme Audit Institutions (SAI) and Parliamentary Accounts Committee, in the Pacific ACP states. The PEFA scores and the World Bank rankings on corruption indicate that the participating Pacific Island Countries score very poorly on PFM activities. In addition, donor funding channelled through government systems often require a reasonable level of internationally comparable PFM processes and systems. PFM encompasses the broad range from the preparation, execution and reporting of the public Budget, to the external scrutiny of the accounts by the SAIs, and ultimately the Parliaments. This project will supplement ongoing efforts at the country level to strengthen PFM systems in Pacific states.

This project focuses on strengthening the national PFM systems and related capacity building efforts to promote effective accountability and transparency of Pacific ACP states. The specific objectives are to strengthen national PFM systems in the countries of the region, which is Key Result Area (KRA) 1, to enhance external audit and role of SAIs (KRA2), and to achieve greater public finance oversight and accountability roles of Parliaments, with the engagement of civil society organisations (CSOs) (KRA3).

The project complements other policy reforms and efforts in the region, such as DRM. The PIFS will play a critical role through its convening role and secretariat to the Forum of Economic Ministers, and including coordination of broader economic reform efforts as well as provision of direct policy advice and technical assistance (TA) to Pacific countries (in collaboration with other regional/international organisations). Given this role, PIFS will effectively coordinate the implementation of EDF 11 Component 3.1. The project will be implemented by the PFTAC of the IMF, UNDP, USP, and PASAI, with PIFS coordinating its implementation. The project will be overseen by a Project Steering Committee (PSC), co-chaired by PIFS and the EU, which will include the implementing agencies, and other key development partners and stakeholders involved in improving PFM in the Pacific ACP States. PFTAC, USP and UNDP/PASAI experiences, analyses and reporting on PFM will feed into these meeting. PIFS and the EU will set the agenda, in agreement with the partners, focusing on a specific topic each year based on the challenges in the majority of the PICs.

The Action fits under People and Peace priorities of the *New European Consensus on Development "Our World, Our Dignity, Our Future"*¹ and also fits into the Human Development (especially in relation to enhancing education, knowledge and skills) which is an important thematic area of the GPGC flagship 10.

1 CONTEXT

1.1 Regional context

Stronger PFM systems can lead to improved delivery of public services and effective levels of public investment. A well-functioning PFM system is even more critical for most Pacific countries due to the dominance of the public sector in their economies. Most Pacific Forum Island Countries (PICs) rely heavily on fiscal policy as the major macroeconomic policy tool where the public expenditure ratios exceed 50 percent (IMF World Economic Outlook, 2016).

The fundamental challenge to building sustainable and functional PFM systems in PICs is demonstrated by recent PEFA-assessments. Ongoing institutional capacity constraints and the lack of adequate and/or basic technical skills impede:

- stronger levels of financial management;
- effective public service delivery and
- prudent investment in public sector assets and infrastructure.

The general weakness in PFM is exacerbated by a limited scrutiny of service delivery, investments, and financial management systems by oversight institutions. Institutions such as the SAIs and Parliamentary public accounts committees (PACs) or equivalent have suffered from their reduced capacity to scrutinise. Furthermore, the lack of data on PFM, transparency/accountability and corruption adds to the complexity with PFM related affairs in the region. Efforts through projects/activities in this field would be a valuable contribution in addressing such issues.

Despite most countries having middle-income status, PFM standards and hence PEFA scores in the Pacific remain low as follows from *Capacity constraint and PFM in small Pacific Islands Countries (PICs) in Asia & the Pacific Policy Studies (2015)* and *Planning PFM reforms in PICs* (World Bank, 2013).

Scale remains a critical concern. Institutions such as Ministries of Finance/Economy and SAI's remain relatively small with a lack of depth to competently cover their numerous responsibilities. Where Parliamentary oversight does occur, it does so with little involvement of civil society. Ultimately, external scrutiny of PFM systems remains inadequate due predominantly to the lack of: sufficiently skilled human and technical capacities; and clarity on institutional responsibilities and accountabilities.

¹ https://ec.europa.eu/europeaid/policies/european-development-policy/european-consensus-development_en

1.1.1 Public policy assessment and EU policy framework

The **overarching objective of the Pacific RIP** is to contribute to the Pacific Leaders' vision for a region of peace, harmony, security, social inclusion and prosperity so that all Pacific people can lead free, healthy and productive lives.

Acknowledging that good governance underpins national and regional development, Pacific Leaders and Ministers have pledged to strengthen their governance arrangements through a range of regional-level actions including:

- bolstering key governance and accountability institutions to enhance the transparency of political and economic processes;
- improving donor coordination;
- improving collection of statistics, information management and record-keeping;
- implementing international and regional anti-corruption commitments;
- strengthening accountability and integrity mechanisms and
- promoting and protecting human rights.

Other actions could include strengthening parliamentary mechanisms, ensuring a stronger role for civil society as assessors for good governance, accelerating the participation of women in leadership at all levels and advancing gender equality.

In recent years, IMF/PFTAC and relevant development partners with the support of the PIFS' Forum Economic Ministers' Meeting (FEMM) has assisted many Pacific governments to undertake PEFAs and to draft subsequent PFM roadmaps outlining priorities which require attention. These actions aim to strengthen PFM systems at the national level ensuring PFM reforms are relevant and credible.

Policies on PFM are underdeveloped though progressively improving. More cooperative approaches through regional institutions could be found as means of addressing commonly identified constraints from country-by-country approaches. This was articulated in the FEMM meeting *PFM Roadmap for Forum Island Countries* (August 2010).

Development partners, such as the EU are actively moving their effort to budget support. Progress in PFM reforms, including external audit of the Whole of Government (WoG) are crucial eligibility criteria for initiating these programmes and the subsequent tranche releases. In particular, the efforts for regional development and the strengthening of PFM is consistent with EU policies (see the *Proposal for a new European Consensus on Development – Our world, our dignity, our future*, the *Agenda for Change*, *Collect more, spend better* and the *Budget Support Guidelines*).

1.1.2 Stakeholder analysis

Pacific communities will benefit from the project in the form of improved public sector service delivery as government spending becomes more effective and efficient. Greater external scrutiny and oversight of the public budget will reduce the opportunity for fraud and corruption to occur. Regional organisations will benefit in the form of institution-building (PIFS, USP, see section 4.3).

The main target groups for the project include: Ministries of Finance/Economy or equivalent, Planning, Treasury, SAIs, Ombudsman and National Parliaments. Other stakeholders are the National Statistical Offices, Central Banks, Ministries of Public Enterprise, civil society and possibly sub national levels of government. In order to ensure greater participation of women in PFM in the target countries, the participation of female officials in the above key

government ministries, line agencies, as well as key bodies such as the national parliament and SAIs to benefit from the activities delivered by the proposed project will be ensured.

1.1.3 Priority areas for support/problem analysis

The project is designed on the following approaches, which are interlinked to strengthen PFM systems in Pacific ACP countries:

- Building capacity of key PFM stakeholders - increasing the technical ability of staff to effectively carry out the functions of a good PFM system;
- Improving the public finance oversight roles of Parliaments and SAIs - improving PACs or equivalent in the Parliamentary system and reducing the constraints to effective engagement in the budget process including Non-Governmental Organisations (NGOs);
- Enhancing policy dialogues and south-south cooperation in the area of PFM, with special attention to climate change.

The project will use a systemic approach, tailored to the specific needs of the beneficiaries. This approach would contribute to evidence-based budgets and policies, efficient public expenditure, improved performance, and stronger accountability. This PFM result area of the project complements the other two result areas on external audit and parliamentary oversight since budgets and public finance reports play an integral role in effective auditing and Parliamentary oversight. This project will complement existing work across the Pacific (including those performed by IMF/PFTAC) to develop the capacity of national institutions (while USP will aim at capacity development of civil servants at the executive level). Based on the policy review of the PEFAs in the Pacific, the focus of this action is expected to be on core functions of Ministries of Finance and concentrate on:

- improving PFM institutions and legal frameworks, strengthening budget preparation towards more comprehensive, credible and policy oriented budgets;
- improving budget execution and control, coverage and quality of fiscal reporting, and integration of asset and liability management framework and
- strengthening the identification, monitoring and management of fiscal risks.

A key element of the project will be to contribute towards improving macroeconomic resilience by strengthening fiscal frameworks and providing countries with the capacity to formulate and implement coherent medium-term fiscal policies, together with appropriate monitoring and accountability for budget execution. Effective medium-term frameworks are essential to addressing medium and long-term risks to macroeconomic stability and development in the region including, in particular, growth and budgetary effects of natural disasters and non-communicable diseases. Capacity building in this area (including raising budget analysis/ planning competencies) will require an integrated cross-sectoral approach involving close coordination between IMF/PFTAC and USP. The work of PASAI and UNDP is complementary to this.

This action will also aim at building and improving the oversight capacity of SAIs and Parliaments. The role of SAIs in auditing government and public sector entities' management of public funds is critical in promoting and fostering the efficient, effective, accountable and transparent use of public resources. The capacity of some Parliamentary PACs has been strengthened over the previous last decade, along with the public finance oversight role of newly established Parliament Committees on Anti-Corruption. However, the high turnover rates of Members of Parliament indicate a strong need to continually engage in the

professional development of parliamentarians. This action will support a more effective role of Parliaments in both the national budget discussions and the oversight and scrutiny of public expenditure. This is expected to lead to greater engagement of CSOs and overall public participation in Parliament’s task of scrutinising and approving the budget and monitoring its implementation. CSOs will, as a result, have the capability to ensure public participation and demand accountability.

Pacific small island states are highly vulnerable to climate change due not only to the physical exposure of their population to extreme weather events and the effects of sea level rise, but also to their small and often fragile economies that are sometimes dependent on natural resources. Low carbon development also offers significant opportunities to reduce reliance on imports of fossil fuels. Increasingly, international finance is available for climate change adaptation and mitigation, but access to such finance and sound management requires a sound PFM system and the necessary national capacities to enhance access to and manage such funds.

2 RISKS AND ASSUMPTIONS

Risks	Risk level	Mitigating measures
Environmental: Natural or manmade disasters/event (e.g. flooding or tsunami). Impact - Project activities in certain countries postponed or cancelled.	M	The activities will focus on a number of countries within a regional dimension which allows for flexible approach to programme implementation over timeframe of project.
Political: Lack of political will to implement activities to strengthen financial management, audit and oversight and improve budget processes.	M	High level dialogue with senior national counterparts to better understand issues and build ownership and political will be a key project activity supported through IMF/PFTAC’s activities. Activities are also flexible to allow for focus on certain countries while political difficulties are resolved.
Political/organisational: Corruption, i.e. the channelling of public funds that is not according to the law or rules, or otherwise, non-transparent actions for personal benefit	M	The action promotes transparency and accountability and open discussions matters that concern public funds that should first and foremost be used for public services (health, education or climate change actions)
Organisational: Poor leadership and/or human capacity in Ministries of Finance/Economy, Supreme Audit offices and Parliaments to absorb assistance offered. Impact - Challenges in organising and implementing activities.	M	Actors built up strong working relationship with key national counterparts. Activities have been designed to ensure absorption likelihood is high with focus on providing sustainability.

Organisational: Capacity of lead implementers to design and deliver the activities. Impact - Activities and projects not fully implemented due to lack of capacity and lack of staff in place to deliver the activities.	L	The key actors (IMF/PFTAC, USP, UNDP, PASAI, PIFS) are reputable organisations with significant experience and adequate capacity to effectively implement this project. EU Delegation will support, where possible, the key actors for effective implementation of the project.
Methodology: High turnover of staff can render capacity building efforts of limited effectiveness in the long term, unless repeated at regular intervals.	M	Careful selection of participants and provision of specific on-the-job training, for the institutions (permanent personnel of the Ministries of Finance/Economy, SAIs)
Assumptions		
Favourable global economic conditions, which would positively impact on the overall fiscal regime of the Pacific ACP states which will help progress reform in PFM across countries. Effective application of capacity building training in Pacific ACP states. Political support from national governments, especially for improving Ministries of Finance/Economy, SAIs and Parliamentary systems.		

3 LESSONS LEARNT, COMPLEMENTARITY AND CROSS-CUTTING ISSUES

3.1 Lessons Learnt

The current stock of PEFA analyses demonstrates the evident weaknesses in many aspects of PFM in Pacific countries (as follows from *PFM reforms* and *Issues on tax administration, PFM assessments and roadmaps* presented at the FEMM 2015 and 2014, respectively). To address this, several efforts have been undertaken at the regional level. For example, Pacific south-south staff-exchange initiatives promoted by the Pacific Island Centre for Public Administration (PICPA) of the USP, significant institutional TA and training on PFM by IMF/PFTAC, and building greater accountability and transparency by PASAI and UNDP working with SAIs that audit the WoG and Parliamentary Committees. These specific and combined efforts of these technical implementing agencies is critical to, among others, building capacity, encourage peer-learning, exchange of best-practice and information, strengthen PFM system and overarching accountability and transparency of public and development funds (e.g. budget support and Official Development Aid) in Pacific ACP states. However, these efforts need to be sustained overtime to ensure that Pacific ACP States maintain the momentum on building stronger PFM system, accountability and transparency. Pertinent lessons learnt by the key implementing agencies are:

- The relatively high turnover of employees at Ministries of Finance/Economy as their skill base is often in demand by other agencies of government, the private sector and donor agencies. Regular investment training programs in the weak areas of PFM reforms as follows from the PEFA (external audit, medium-term budgeting, public finance reporting) by regional institutions to assist in preparing for inevitable turnover of staff in central government agencies. Climate change financing is a relatively new area but should also become a main area in PFM in view of the new upcoming funding and increase in natural disasters;

- The need to create institutional linkages between the offices of the Auditor General and to strengthen external audits' legislation and performance of audits on the public finances of the WoG;
- Parliamentary peer-to-peer exchange is of great value, in particular for PACs (or their equivalents), in terms of sharing lessons learned, good practices, but also for building a regional standards and platform around the issues and that civil society involvement can help in creating awareness of the importance of external scrutiny and oversight leading to improved transparency assisting the fight against corruption.

3.2 *Complementarity, synergy and donor coordination*

There is strong synergy with the Budget Support programmes of the EU in the Pacific (Cook Islands, Fiji, Marshall Islands, Samoa, Solomon Islands, Timor-Leste, Tonga, Tuvalu, Vanuatu), that each have progress in PFM as one of the four general eligibility criteria. Also, the Sector Reform Contract of the EU with Timor-Leste under the EDF11, signed in March 2017, has a strong synergy with this action for the region.

PIFS coordinates the FEMM that oversees PFM issues in the member countries. IMF/PFTAC² has a Steering Committee³ that meets each 12-18 months, where the EU, PIFS and UNDP participate. Similarly, PASAI, USP and UNDP have their governing boards and councils that monitor their work programmes. In addition, all implementing partners and PIFS interact frequently with ACP States and other key development partners by participating in the FEMM and IMF/PFTAC SC.

The EU, in its bilateral programming also has a strong focus on PFM and public finance oversight. In some of the PICs with an EU Budget Support programme, the EU is part of a donor-group that meets with the government on the macro-economic policy matrix (including PFM, such as in Tonga and Tuvalu). PFTAC is co-financed by DFAT, New Zealand, Korea, ADB, Pacific member states, amounting to approximately EUR 20 million for 5.5 years (starting November 2016). PFTAC allows donors to obtain TA-reports from beneficiary countries, once the beneficiary has provided its approval. Since PFTAC is based in Suva, not far from the EU office, regular bilateral meetings take place to exchange information on those beneficiary countries, where the EU has Budget Support programmes.

Development Partners and donors also deliberate in the *Friends of the Pacific Budget Support* (FoBS) meetings. In line with the FEMM decision for greater coordination of technical agencies and development partners, PIFS convenes and coordinates the quarterly *Economic TA providers and Donors' Meeting*⁴ (the host/chair revolves around the members) to discuss

² IMF/PFTAC is also a key element of the European Commission and IMF's recent *Strategic Partnership Framework* (SPF), endorsed in December 2016.

³ The IMF/PFTAC SC, consisting of representatives from member countries, development partners, and the IMF, facilitates coordination of the design, implementation, and monitoring of TA-programs in its member countries.

⁴ Members of this group include: IMF/PFTAC, New Zealand Ministry of Foreign Affairs and Trade (MFAT), Australia DFAT, PASAI, PIFS, ADB, Embassy of Japan, Embassy of Korea, World Bank, the EU Delegation in Fiji, and relevant UN Agencies. The meeting allows economic TA providers and donors to share information,

broad economic TA issues, including on PFM, provided to the Pacific countries and regionally by key development partners and international donors.

For this EDF 11 Priority 3.1 action on PFM, PIFS will organise and co-chair a PSC with the EU-Delegation that will be attended by the project implementing organisations, and key agencies. It will be set-up and convened (by PIFS) prior to the *Economic TA providers and Donors' Meeting* to specifically discuss the implementation of EDF 11 Priority 3.1. Supported by the EU Delegation in Fiji, PIFS will also coordinate/facilitate regular regional meetings at which relevant competent authorities at national level will participate. PIFS shall be supported by UNDP, PASAI, USP and notably PFTAC to prepare these regional policy dialogue fora, which shall be accompanied by peer-to-peer workshops and seminars in the spirit of south-south cooperation, as recommended. Climate Change Finance (CCF) will be high on the agenda. PIFS is currently building up capacity on CCF (with two DFAT/GiZ-experts and two ADB experts). On climate change finance, lessons can be drawn from the GiZ Climate Finance Readiness programme, although they are not (yet) operating in the Pacific.

This project is designed to complement existing efforts in the Pacific ACP states through consultation with relevant development partners and organisations. Donor-coordination in PFM is crucial to the project's success and will be conducted through this platform. This will avoid duplication of efforts/resources, help develop synergies and ensure better coordination and effective implementation.

3.3 Cross-cutting issues

Good Governance

The project will strengthen the PFM system and make roles, responsibilities, procedures and reporting more transparent. It will also strengthen national institutions involved in auditing and Parliamentary systems and improve capacity and empower local institutions including NGOs to demand accountability from government and improve transparency of public expenditure. In this way, the project will contribute towards sustainability of the PFM reform efforts, but also support the anti-corruption efforts of the countries, which in return, are essential for improved PFM record.

Environmental/climate change

This action will address environmental issues/climate change (see also the annex on crosscuttings). Funding for climate change mitigation and adaptation requires adequate PFM systems and capacities to optimise access to funds and their optimal use. Climate finance readiness is a process that can enhance the capacity of countries to access, allocate and spend

coordinate TA activities, and provide feedback on topical economic policy issues and highlight opportunities for collaboration and coordination of efforts to optimize efforts and resources. Sharing of information or communication between this group and other regional working groups, such as the Regional Governance Working Group will be an important aspect of this project.

climate finance, as well as monitor and report on such action. Climate finance readiness capacities will be strengthened as an integral part of the project. It will promote the integration of environmental and climate change concerns in the budgeting system, as part of the strengthening of a Medium-Term Expenditure Frameworks (MTEFs); capacity building of PFM stakeholders (first and foremost the Ministries of Finance/Economy or equivalent) on awareness and mechanisms for effective integration of environment and climate change in budgeting systems; ensure monitoring and auditing systems explicitly look into the environmental and climate change dimensions of the PFM system (e.g. capacity building, procedures and standards); include an environmental and climate change dimension in the policy dialogue. Indirectly, it is also expected that more efficient spending and improved DRM will free government resources to finance climate change-related interventions. Having a strong PFM system in Pacific ACP states is critical for the effective and efficient use and implementation of climate-change-related finance, and projects for adaptation and mitigation. PIFS as the coordinator will be able to highlight the specific work carried by the Pacific Resilience Programme at PIFS and on Framework for Resilient Development in the Pacific led by PIFS as part of the Framework for Pacific Regionalism endorsed by the Forum Leaders. In view of the EU Budget Support programmes, the EU will have regular contact with PASAI (take part in discussions on its annual programme, workshops) and indicate if there is a need for special financial or performance audits related to environment/climate change in particular countries.

Gender

Gender will be mainstreamed in the project, in line with the Pacific Leaders *Gender Equality Declaration* and the EU's *Toolkit on Mainstreaming Gender Equality in EC Development Cooperation*. Training opportunities will be specifically targeted to increase participation of women in PFM. The project will also generate and monitor gender-disaggregated information. The proposed project is envisaged to, among others lead to: greater awareness and participation of women in public policy processes including in key institutions such as the parliamentary bodies, planning and budget, and SAIs due to further improvement in ongoing work in the areas such as gender audit carried out in the region (mainstreaming budget aspects into national budgeting in planning), and women in parliament.

4 DESCRIPTION OF THE ACTION

4.1 Objectives/results

Under the guidance of PIFS, the **overall objective** of the project is to improve economic, governance and environmental performance of Pacific ACP states.

The project's **purpose** is to strengthen PFM systems and governance of key domestic institutions of Pacific ACP states. In order to achieve this purpose, the action focuses on three interlinked areas, i.e. on the achievement of the following specific objectives:

SO1 (KRA1) – To strengthen national PFM systems in the countries of the region;

SO2 (KRA2) – To enhance external audit and role of SAIs;

SO3 (KRA3) – To achieve greater public finance oversight and accountability roles of parliaments and engagement of civil society organisations.

The following are the expected results/outputs (see also Appendix 1 on the log-frame).

- R1. Stronger laws and effective PFM institutions (*KRA1*);
- R2. Improved coverage and quality of fiscal reporting (*KRA1*);
- R3. Better climate change readiness of national governments (*KRA1*);
- R4. Enhanced audit processes and ensure greater accountability of government finances (*KRA2*);
- R5. Greater public confidence in PFM with greater CSO participation in PFM scrutiny (*KRA3*);
- R6. Improved oversight of public spending in selected Pacific ACP states (*KRA2/KRA3*);
- R7. Increased effectiveness and transparency of the budget process in parliaments (*KRA3*).

This action is relevant for the Agenda 2030. It contributes primarily to the progressive achievement of *SDG 13 Climate Action; 16 Peace, justice and strong institutions; 17 Strengthen the means of implementation and revitalize the Global Partnership for Sustainable Development*. This does not imply a commitment by the countries benefiting from this project.

4.2 Main activities

The achievement of the outputs outlined in section 4.1 will entail the implementation of activities as listed below.

KRA1: To strengthen national PFM systems in the countries of the region

The corresponding activities will consist of, inter alia:

1. Specialised TA to PFM institutions on the effective use and implementation of laws, regulations, guidelines and templates for improving national PFM systems; TA on PFM Roadmaps, PEFA's and national budgets with a focus on climate change finance;
2. Training and capacity building of government officials (e.g. accountants, budget analysts and auditors) in treasury management, accounting, coverage and quality of financial reporting and climate change finance, and/or budget officers and planners in procedures and techniques for preparing budgets and subsequently monitoring and reporting on fiscal outcomes and fiscal risks. Possibly with certification/accreditation standards.

KRA2: To enhance external audit and role of SAIs

The corresponding activities will consist of, inter alia:

3. Training and capacity building of SAIs on the audit process with a focus on external accountability, emphasizing the strengthening the linkages with the Ministries of Finance (on financial statements) and with Parliaments (on external scrutiny of the budgets and accountability for public finances).

KRA3: To achieve greater public finance oversight and accountability roles of parliaments and engagement of civil society organisations

The corresponding activities will consist of, inter alia:

4. South-south meetings with Parliaments to exchange experiences (among e.g. MPs) on budgeting, audit processes and financial oversight and accountability while including

CSOs to allow for increased CSO-engagement in the financial oversight and budget work of the Public Account Committees (or equivalent) in Parliaments.

5. Establishing enabling environments for civil society and community engagement in the selected countries through awareness raising, coalition building, trainings in social accountability approaches to improve citizen engagement with PFM processes.
6. TA to Parliaments and CSOs to emphasize the need for regular PAC meetings on the national budgets and external audit reports and raise interest for research units in Parliaments that can provide timely accessible citizen budgets and score cards.

In its coordinating role, PIFS will organise quarterly PSCs. It will convene the PSC-meetings, co-chair it with the EU, with involvement of other developing partners (such as the largest regional donor, i.e. DFAT), ideally back-to-back with the quarterly *Economic TA providers and donors meeting*. PFTAC, UNDP, USP and PASAI will feed their information into and support PIFS in the preparation of these meetings. Supported by the EU and possibly other implementing partners, PIFS will also organise and host regional workshops with policy dialogues on PFM, indicatively on an eighteen months' basis (i.e. three to four times during the implementation period of this project), either back-to-back with the FEMM or with the Regional Authorising Officer (RAO) meetings or with the meetings of the Regional Steering Committees (RSCs), depending on costs and timing. Again, PFTAC, USP and UNDP/PASAI experiences and analyses on PFM will feed into these meeting. PIFS and the EU will set the agenda, in agreement with the implementing partners, focusing on a specific topic each year based on the challenges in the majority of the PICs. The meetings will also discuss the developments, results and synergies of the activities in the three KRAs. Participation of and exchange with DFAT, ADB, World Bank and New-Zealand is commendable, for alignment of activities but also for visibility reasons. Climate change should be on the agenda. With those countries that have EU Budget Support Programmes (i.e. nine of the fifteen), bilateral meetings can be set up to have a policy dialogue specifically for the respective countries at these occasions of the regional meetings.

PFTAC will continue its role as organiser of regular meetings on specific PFM issues (such as on PFM Roadmaps, MTEFs, IMF Article IV briefings) concerning those countries in which the EU performs Budget Support operations or is considering starting these PFM-related operations. See also Appendix 2 in this AD for a schematic overview of the PFM-actors and activities in this project. Similarly, PASAI and UNDP will have their own meetings with the SAIs and Parliaments, respectively.

Moreover, PIFS and the EU will work with the implementing partners in this project on the promotion of good PFM and external audit practices. This, along with the PSCs and the regional meetings, will offer all partners visibility. These project's quarterly meetings with implementing partners and regional meetings with the countries will furthermore be conducive for EU (sector) Budget Support disbursement files on tranche releases and new Budget Support programmes and henceforth increase the probability of timely payments by the EU, create fiscal space for the countries, strengthen PFM systems and governance and improve performance in the sectors.

4.3 Intervention logic

PIFS is the main coordinator and the EU will assist PIFS in this task. PFTAC will support Ministries of Finance/Economy, PASAI will support SAIs, and UNDP will support Parliament Committees and involve CSOs. USP will have the role of providing specialised

training for the executive level from the Ministries of Finance/Economy. See appendix 2 that gives further details, as well as Table 5.6.

The intervention logic responds to the needs as the RIP identifies. PFM systems in the Pacific are to be elevated, up to international standards, to ensure a more efficient service delivery in the countries in the Pacific. Moreover, improvements in PFM systems will create fiscal space for discretionary spending, such as in case of natural disasters. This project brings the relevant expertise on PFM together and will offer a forum to discuss synergies among the implementing partners and avoid overlap in the capacity building on PFM and the oversight function of Parliament. Through its unique position as Duly Mandated Regional Organisation, as Secretariat to the FEMM, PIFS is well-situated to oversee the countries' needs and it can effectively coordinate the implementation of this EDF 11 Component 3.1. The distinction between the implementing partners is that PFTAC delivers on-demand specialised TA on PFM, USP is able to set-up a certified curriculum for PFM training via its presence in most of the Pacific countries aiming at the executive level of Ministries of Finance/Economy or alike, UNDP has its activities with most of the Parliaments in the region and can work on public finance oversight with the PACs and PASAI has its unique position on external audit for the whole of the economies as association of the SAIs. The indicative logframe matrix is presented in Appendix 1. See also Appendix 2 in this AD for a schematic overview of the PFM actors and activities.

5 IMPLEMENTATION

5.1 Financing Agreement

In order to implement this action, it is foreseen to conclude a financing agreement with the Duly Mandated Regional Authorising Officer, the PIFS, referred to in Article 17 of Annex VI to the ACP-EU Partnership Agreement.

The financing agreement does not involve the entrustment of budget implementation tasks to PIFS (if the delegation agreement with PIFS is concluded as foreseen). The implementation of such tasks are governed by the provisions of the delegation agreement to be signed in accordance with section 5.4 below. The provisions of the financing agreement related to indirect management with the partner do therefore not apply.

5.2 Indicative implementation period

The indicative operational implementation period of this action, during which the activities described in section 4.1 will be carried out and the corresponding contracts and agreements implemented, is 60 months from the date of entry into force of the financing agreement.

Extensions of the implementation period may be agreed by the Commission's authorising officer responsible by amending this decision and the relevant contracts and agreements; such amendments to this decision constitute non-substantial amendment in the sense of Article 9(4) of Regulation (EU) No 322/2015.

5.3 Not applicable

5.4 Implementation modalities

5.4.1.1 Grants: direct award (direct management) – PA Grant Agreement to the IMF/PFTAC

(a) Objectives of the grant, fields of intervention, priorities of the year and expected results

The objective of this PA grant agreement will contribute to supporting IMF/PFTAC Phase V that covers the period November 2016 – April 2022. The operations of IMF/PFTAC comprise TA and training in the areas of PFM, revenue policy and administration, macroeconomic analysis and forecasting, and macroeconomic statistics. This grant of EUR 6.0 million will contribute to the IMF/PFTAC subaccount which the IMF manages in accordance with its financial regulations, and other applicable IMF practices and procedures.

(b) Justification of a direct grant

Under the responsibility of the Commission's authorising officer responsible, the grant may be awarded without a call for proposals to the IMF/PFTAC.

Under the responsibility of the Commission's authorising officer responsible, the recourse to an award of a grant without a call for proposals is justified because of the highly specialized technical capacity of the IMF for the assistance to be provided in the field of Public Finance Management.

The Pacific Financial Technical Assistance Centre (PFTAC) was established in 1993 to promote macro-financial stability in the Pacific Island countries (PICs) through a focused program of technical assistance and training. PFTAC was the first of the International Monetary Fund (IMF) regional technical assistance centers, representing a collaborative venture between the IMF, the member countries, and bilateral donor partners. The goal of PFTAC is to strengthen the institutional capacity of Pacific countries to design and implement sound macroeconomic and financial policies. Macroeconomic and financial stability, in turn, are essential underpinnings for sustainable economic growth and the achievement of Sustainable Development Goals.

(c) Eligibility conditions

not applicable

(d) Essential selection and award criteria

The essential selection criteria are the financial and operational capacity of the applicant.

The essential award criteria are relevance of the proposed action to the objectives of the call; design, effectiveness, feasibility, sustainability and cost-effectiveness of the action.

(e) Maximum rate of co-financing

The maximum possible rate of co-financing for this grant is 21.0% ($=6/(6+23)$).

In accordance with Article 192 of Regulation (EU, Euratom) No 966/2012 applicable by virtue of Article 37 of (EU) regulation n° 323/2015 if full funding is essential for the action to be carried out, the maximum possible rate of co-financing may be increased up to 100 %. The essentiality of full funding will be justified by the Commission's authorising officer responsible in the award decision, in respect of the principles of equal treatment and sound financial management.

f) Indicative trimester to conclude the grant agreement:

The grant agreement is foreseen to be contracted during the course of the first semester of 2018.

5.4.1.2 Indirect management with an international organisation – Pagoda Delegation Agreement with UNDP

A part of this action may be implemented in indirect management with UNDP in accordance with Article 58(1)(c) of Regulation (EU, Euratom) No 966/2012 applicable by virtue of Article 17 of Regulation (EU) No 323/2015. This implementation entails improving the public finance oversight role of Parliaments and strengthening the SAIs, including Civil Society Organisations.

This implementation is justified because UNDP has well established presence in many of the Islands States in the Pacific, with a regional office in Fiji with over 100 long-term experts and support staff. UNDP has unique mandate to support governance issues and excessive experience with Parliament, anti-corruption, climate change financing, gender and civil society work. UNDP is managing contributions by the EU and a variety of other donors. UNDP is also positioned to ensure effective coordination in the sector and provide cross-fertilization with the inputs of other related programmes. The indirect management with UNDP is the best option to ensure connection of this intervention with respective parliaments, in the form of multiple south-south cooperations, and ensure EU access to the relevant policy fora. Moreover, this mode of implementation will ensure harmonization of development partners with UNDP providing a single conduit for implementation of UNDP support, EU support and other potential donors, improved and coordinated dialogue around PFM and oversight issues, with a focus on climate change.

The entrusted entity would carry out all the budget-implementation tasks under the delegated sections of this action, including carrying out procurement and grant-awarding procedures, rewarding, signing and executing the resulting contracts, notably accepting deliverables, carrying out payments, recovering moneys due.

Under this delegation agreement, UNDP will work in partnership with PASAI and will support PASAI in line with its standard programmatic arrangements (UNDP has been pillar assessed already). PASAI has a unique position (monopoly) in that it is the only association in the Pacific with the SAIs as its members.

5.4.1.3 Indirect management with an international organisation - Co-Delegation PIFS-USP

A part of this action may be implemented in indirect management with PIFS and USP in accordance with Article 58(1)(c) of Regulation (EU, Euratom) No 966/2012 applicable by virtue of Article 17 of Regulation (EU) No 323/2015. This implementation entails coordination of the activities in this action (by PIFS) and certified training on PFM for the executive level of Ministries of Finance/Economy or alike (by USP).

This implementation is justified since PIFS already coordinates the FEMM that oversees PFM issues in the member countries. PIFS will coordinate the overall activities of this action and it will closely coordinate with USP, to guarantee the achievement of the objectives of capacity building on PFM at the executive level from Ministries of Finance/Economy.

The implementation by USP is justified because USP has experience in setting up specialized training in the area of PFM. USP is the only regional University of the Pacific region. It has fourteen campuses with suitable internet connections in fourteen Pacific ACP countries.

PIFS and USP are both Councils of Regional Organisations in the Pacific (CROPs) and for this reason, already closely associated by their mandates.

The entrusted entities would carry out all the budget-implementation tasks under the delegated sections of this action, including carrying out procurement and grant-awarding procedures, signing and executing contracts, notably accepting deliverables, carrying out payments and recovering moneys due.

Fall-back option – Grant to USP and multi-annual programme estimate to PIFS

This fall back option applies if USP is not timely recognised as an international organisation before launching adoption by Commission decision.

The implementing modality 5.4.1.3 above would then be replaced by a direct award of grant to USP (refer to 5.4.1.3.A below) combined with an Indirect management with a regional organisation – Multi-annual Programme Estimate with PIFS (refer to 5.4.1.3.B below)

Fall-back option 5.4.1.3.A - Grants: direct award (direct management) – Standard Grant Agreement with USP

a) Objectives of the grant, fields of intervention, priorities of the year and expected results

The objective of the grant is to provide very specialized training in the area of PFM of skilling public sector employees such as from the Ministries of Economy/Finance with training that is not offered through formal training or that has not been available to these employees in the first instance. The action concerns the set-up of a curriculum or follow-up course on PFM with possible accreditation, in the form of an on-line course to pre-select motivated and qualified participants, i.e. distance learning throughout USP's fourteen campuses (with suitable internet connections) and subsequent workshops organised. The expected results are improved financial reporting, better procurement process and procedures, better management of public sector assets and reduction in reported fraud. These results will be measured objectively through a monitoring and evaluation program and by looking at measures like improvement in PEFA scores, improvement in financial audit outcomes and many other measures.

(b) Justification of a direct grant

Under the responsibility of the Commission's authorising officer responsible, the grant may be awarded without a call for proposals to USP.

Under the responsibility of the Commission's authorising officer responsible, the recourse to an award of a grant without a call for proposals is justified because USP is well positioned to deliver the objectives of the grant through provision of expertise. USP is the only regional University of the Pacific region and has the highest level of regional and international expertise within its fourteen campuses. While USP is not the only University in the region, it's the only one that is regional in nature, with twelve Pacific member countries support its core existence and operations.

(c) Eligibility conditions

not applicable

(d) Essential selection and award criteria

The essential selection criteria are the financial and operational capacity of the applicant.

The essential award criteria are relevance of the proposed action to the objectives of the call; design, effectiveness, feasibility, sustainability and cost-effectiveness of the action.

e) Maximum rate of co-financing

The maximum possible rate of co-financing for this grant is 80%.

In accordance with Articles 192 of Regulation (EU, Euratom) No 966/2012 applicable by virtue of Article 37 of (EU) regulation n° 323/2015 if full funding is essential for the action to be carried out, the maximum possible rate of co-financing may be increased up to 100 %. The essentiality of full funding will be justified by the Commission's authorising officer responsible in the award decision, in respect of the principles of equal treatment and sound financial management.

f) Indicative trimester to conclude the grant agreement

The grant agreement is foreseen to be contacted during the course of the first semester of 2018.

Fall-back option 5.4.1.3.B - Indirect management with a regional organisation – Multi-annual Programme Estimate with PIFS

A part of this action with the objective of overall coordination may be implemented in indirect management with PIFS in accordance with Article 58(1)(c) of the Regulation (EU, Euratom) No 966/2012 applicable by virtue of Article 17 of the Regulation (EU) No 323/2015 according to the following modalities.

The regional organisation will act as the contracting authority for the procurement and grant procedures. The Commission will control 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 above EUR 100 000 (or lower, based on a risk assessment) and may apply ex post control for procurement contracts up to that threshold. The Commission will control ex ante the grant 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 regional organisation for ordinary operating costs, direct labour and contracts below EUR 300 000 for procurement and for grants.

The financial contribution partially covers, for an amount of EUR 250 000, the ordinary operating costs incurred under the programme estimates.

In accordance with Article 190(2)(b) of Regulation (EU, Euratom) No 966/2012 and Article 262(3) of Delegated Regulation (EU) No 1268/2012 applicable by virtue of Article 36 of the Regulation (EU) 323/2015 and Article 19c(1) of Annex IV to the ACP-EU Partnership Agreement, the regional organisation shall apply rules on grant procedures in accordance with Article 193 of Regulation (EU, Euratom) No 966/2012 applicable by virtue of Article 17 of the Regulation (EU) No 323/2015. These rules will be laid down in the financing agreement concluded with the regional organisation.

In accordance with Article 190(2)(b) of Regulation (EU, Euratom) No 966/2012 and Article 262(3) of Delegated Regulation (EU) No 1268/2012 applicable by virtue of Article 36 of the Regulation (EU) 323/2015 and Article 19c(2) of Annex IV to the ACP-EU Partnership Agreement, where managing the imprest component of the programme estimate, the regional

organisation shall apply the positively assessed procurement rules of its own implementing body. These rules will be laid down in the financing agreement concluded with the regional organisation. In case the outcome of the assessment is negative, the partner country shall apply the Commission's procurement rules.

5.5 Scope of geographical eligibility for procurement and grants

The geographical eligibility in terms of place of establishment for participating in procurement and grant award procedures and in terms of origin of supplies purchased as established in the basic act and set out in the relevant contractual documents shall apply, subject to the following provisions.

The Commission's authorising officer responsible may extend the geographical eligibility in accordance with Article 22(1)(b) of Annex IV to the ACP-EU Partnership Agreement on the basis of urgency or of unavailability of products and services in the markets of the countries concerned, or in other duly substantiated cases where the eligibility rules would make the realisation of this action impossible or exceedingly difficult.

5.6 Indicative budget

	<i>EU contribution (amount in million, EUR)</i>	<i>Indicative third party contribution, in currency identified (amount in million, in EUR)</i>
<i>KRA1 "To strengthen national PFM systems in the countries of the region"</i>		
5.4.1.1 Direct management – direct award of Grant Agreement to the IMF	6.0	23
5.4.1.3 Indirect Management - Pagoda Co-Delegation Agreement PIFS-USP ⁵	2.1	0
<i>KRA2 "To enhance external audit and role of SAIs" and KRA3 "To achieve greater public finance oversight and accountability roles of parliaments and engagement of civil society organisations"</i>		
5.4.1.2 Indirect management with an international organisation – Pagoda Delegation Agreement with UNDP (KRA3), including around EUR 1.1 for PASAI (KRA2)	2.7	0
5.9 & 5.10 Evaluation & Audit (Direct management)	0.2	0
<i>Total</i>	<i>11.0</i>	<i>23</i>

**PIFS has a coordinating role and will as such also be active in KRA2 and KRA3. Hence, IMF/PFTAC and USP will implement activities in KRA1, PASAI in KRA2, UNDP in KRA3 and PIFS will coordinate across the three KRAs.*

⁵ In case the *fall-back option applies*: Multi-annual Programme Estimate with PIFS with a financial allocation of EUR 0.9 million and direct grant to USP with a financial allocation of EUR 1.2 million for USP.

5.7 Organisational set-up and responsibilities

The day-to-day technical and financial management and administration of the action will be the responsibility of the respective Project Coordinators/Managers at IMF/PFTAC, USP, UNDP, PASAI and PIFS. They will be responsible for narrative and financial reporting, as well as for the collation and management of relevant documents and other preparation for audits in line with the respective provisions of their contracts concluded between the Commission and the beneficiaries.

PIFS will coordinate information sharing, assist in setting strategic directions of overall project, and monitor oversight, which would lead to the effective implementation of the action. PIFS as the coordinator will oversee the action, i.e. the overall programme decision though not the specific work of the implementing partners.

A PSC will be established to discuss the updates by the institutions and sharing information. The PSC will be responsible for approving annual plans, monitoring risk and assessing programme quality. The PSC will meet quarterly or as necessary. The PSC will consist of the implementing agencies and representatives from the EU will also be members. In addition, other key stakeholders, such as relevant development partners involved in strengthening PFM systems in the Pacific region may be invited to sit on the PSC. The PSC will be able to make recommendations for any adjustments to the action that may help achieve its objectives in a meaningful, targeted and cost-effective way.

IMF/PFTAC is administered through a multi-donor trust fund, established under the IMF's policies and procedures as approved by the IMF Board. The Centre is governed by a SC, comprising the donors, the member countries, and the IMF. The SC meets yearly to review the implementation of the Centre's annual work program, and to provide strategic direction. The Centre is managed by a Centre Coordinator, an IMF staff member whose costs are covered by the IMF. As outlined in the program document for Phase V of IMF/PFTAC, a core team of resident advisors, complemented by short term experts, will deliver TA and training.

5.8 Performance monitoring and results reporting

The day-to-day technical and financial monitoring of the implementation of this action will be a continuous process and part of the implementing partner's responsibilities. To this aim, the implementing partner shall establish a permanent internal, technical and financial monitoring system for the action and elaborate regular progress reports (not less than annual) and final reports. Every report shall provide an accurate account of implementation of the action, difficulties encountered, changes introduced, as well as the degree of achievement of its results (outputs and direct outcomes) as measured by corresponding indicators, using as reference the logframe matrix. The report shall be laid out in such a way as to allow monitoring of the means envisaged and employed and of the budget details for the action. The final report, narrative and financial, will cover the entire period of the action implementation.

The Commission may undertake additional project monitoring visits both through its own staff and through independent consultants recruited directly by the Commission for independent monitoring reviews (or recruited by the responsible agent contracted by the Commission for implementing such reviews).

UNDP will conduct a survey in 2017 to measure the number of PICs that meet regularly and that table reports in Parliament (see the indicator in the logframe). This will provide a baseline. UNDP will conduct a survey after three years to obtain final results.

5.9 Evaluation

Having regard to the nature of the action, a mid-term and final evaluation will be carried out for this action via independent consultants contracted by the Commission.

The mid-term evaluation will be carried out for learning purposes, in particular with respect to the cooperation and synergies of the implementing partners.

The final evaluation will be carried out for accountability and learning purposes at various levels (including for policy revision), taking into account in particular the fact that this is the first regional project in the Pacific with five implementing partners.

The Commission shall inform the implementing partners at least one month in advance of the dates foreseen for the evaluation missions. The implementing partner shall collaborate efficiently and effectively with the evaluation experts, and *inter alia* provide them with all necessary information and documentation, as well as access to the project premises and activities.

The evaluation reports shall be shared with the partner country and other key stakeholders. The implementing partner and the Commission shall analyse the conclusions and recommendations of the evaluations and, where appropriate, in agreement with the partner country, jointly decide on the follow-up actions to be taken and any adjustments necessary, including, if indicated, the reorientation of the project.

Indicatively, two contracts for evaluation services shall be concluded under a framework contract in Quarter 2 of 2020 for mid-term evaluation and Quarter 4 2022 for final evaluation of the programme.

5.10 Audit

Without prejudice to the obligations applicable to contracts concluded for the implementation of this action, the Commission may, on the basis of a risk assessment, contract independent audits or expenditure verification assignments for one or several contracts or agreements.

Indicatively, two contracts for audit services shall be concluded.

5.11 Communication and visibility

Communication and visibility of the European Union (EU) is a legal obligation for all external actions funded by the EU.

This action shall contain communication and visibility measures which shall be based on a specific Communication and Visibility Plan of the Action, to be elaborated at the start of implementation and supported with the budget indicated in section 5.6 above.

In terms of legal obligations on communication and visibility, the measures shall be implemented by the Commission, the partner country, contractors, grant beneficiaries and/or entrusted entities. Appropriate contractual obligations shall be included in, respectively, the financing agreement, procurement and grant contracts, and delegation agreements.

The Communication and Visibility Manual for European Union External Action shall be used to establish the Communication and Visibility Plan of the Action and the appropriate contractual obligations.

The communication and visibility activities will be implemented in coordination with one another under the Pagoda delegation agreement, grant, agreements entrusted to IMF/PFTAC, UNDP, PASAI, USP and multi-annual programme estimate with PIFS.

The communication and visibility activities will be embedded within the individual contracts concluded.

APPENDIX 1 - INDICATIVE LOGFRAME MATRIX FOR PROJECT MODALITY

The activities, the expected outputs and all the indicators, targets and baselines included in the logframe matrix are indicative and may be updated during the implementation of the action, no amendment being required to the financing decision. When it is not possible to determine the outputs of an action at formulation stage, intermediary outcomes should be presented and the outputs defined during inception of the overall programme and its components. The indicative logframe matrix will evolve during the lifetime of the action: new lines will be added for including the activities as well as new columns for intermediary targets (milestones) for the output and outcome indicators whenever it is relevant for monitoring and reporting purposes. Note also that indicators should be disaggregated by sex whenever relevant.

	Results chain	Indicators	Baselines 2017	Targets 2022	Sources and means of verification	Assumptions
Overall objective: Impact	OO. To improve economic, governance and environmental performance of Pacific ACP states	Unweighted average of GDP per capita of the Pacific countries	4 106 US dollar per capita (in 2015/16)	Target will be identified during the inception phase	IMF World Economic Outlook; IMF Article IVs	
Specific objectives: Outcomes	SO1 (KRA1). To strengthen national PFM systems in the countries of the region – PFTAC and USP	1.1 Number of countries where overall PFM has improved *RIP **Level 2 EURF 14	1.1 0	1.1 7	1.1 PEFA assessments	Countries undertake PFM reforms and PEFA assessments during the implementation period of the project.
	SO2 (KRA2). To enhance external audit and role of SAIs – PASAI	2.1 Number of countries with performance indicator (PI)-31 (PEFA 2016 Framework) Audit reports regularly scrutinized in Parliaments, scored as B or above B *RIP **Level 2 EURF 14	2.1 Only Tuvalu has B+, other countries all C+ or worse (PEFA 2011 framework PI-28)	2.1 >7 countries score on PI-31 B or better	2.1 PEFA reports Tabled reports Hansard Records Media coverage	Countries are not hampered by passing new legislation, if needed.
	SO3 (KRA3). To achieve greater public finance oversight and accountability roles of parliaments, including civil society organisations – UNDP and PASAI	3.1 Number of countries with indicator PI-27 (PEFA 2016, legislative scrutiny of the annual budget law) flagged as B or above B. *RIP **Level 2 EURF 14	3.1 3 countries (PI-18 2011 PEFA)	3.1 6 countries (PI-27 PEFA 2016)	3.1 PEFA assessments	
		3.2 Level of civil society participation in public finance oversight *RIP	3.2 Lack of civil society participation in public finance oversight	3.2 Civil society participation improved	3.2 National statistics, Open Budget Survey	

	Results chain	Indicators	Baselines 2017	Targets 2022	Sources and means of verification	Assumptions
Outputs	R1 Stronger laws and effective PFM Institutions – PFTAC and USP (related to <i>KRA1</i>)	1.1.1 Status of the PFM laws and capacity of PFM institutions	1.1.1 Limited or weak PFM laws and PFM roadmaps	1.1.1 PFM laws and roadmaps developed, operational and/or strengthened	1.1.1 Completed PEFA assessments and PFM reform roadmaps, and update of relevant PFM legal frameworks where appropriate	Stability of governments and properly functioning Parliamentary sessions
	R2 Improved coverage and quality of fiscal reporting – PFTAC and USP (related to <i>KRA1</i>)	2.1.1 Number of PEFA 2016 Framework Indicators scored as B or better in the region (PI-4, PI-27, PI-28, PI-29) *RIP **Level 2 EURF 14	2.1.1 13 scores of B or better for indicators PI-5, PI-22, PI-24, PI-25 (PEFA 2011 framework) (Baseline is the average of the last PEFA conducted in each Pacific country since 2005, including self-assessments.)	2.1.1 >30 scores of B or better for indicators PI-4, PI-27, PI-28, PI-29	2.1.1 PEFA reports	
	R3 Better climate change readiness (related to <i>KRA1</i>)	3.1.1 References to climate change & finance in public documents	3.1.1 Limited (Fiji mentions "climate change & finance" in Budget 2017)	3.1.1 Enhanced narratives on climate change & finance in all countries	3.1.1 PFM Roadmaps PEFA assessments National Budgets	
	R4 Enhanced audit processes to ensure greater accountability of government finances. – PASAI (related to <i>KRA2</i>)	4.1.1 Status of public finance audit standards, quality management and public finance audit process *RIP 4.1.2 Number of countries with PI-30 (external audit, scope, nature and follow-up) scored as B or above B. *RIP **Level 2 EURF 14	4.1.1 Low standards and limited definition of processes 4.1.2 3 countries (PEFA 2011 framework PI-26)	4.1.1 Standards and processes in place and operational 4.1.2 6 countries	4.1.1 Detailed PASAI reports 4.1.2 PEFA assessments	PAC's audit institutions and sectoral ministries have regular coordination.

	Results chain	Indicators	Baselines 2017	Targets 2022	Sources and means of verification	Assumptions
	R5 Greater public confidence in PFM with greater CSO participation in PFM scrutiny. – UNDP and PASAI (related to KRA3)	5.1.1 Number of CSO-led financial management projects (incl. citizen budget and score cards) *RIP	5.1.1 0	5.1.1 7	5.1.1 PASAI 10-year Strategic Plan 2014-2024 (refer SP 2D1), PEFA _s CSO / Community input indicators	CSO's receive guidelines and capacity development.
	R6 Improved oversight of public spending in selected Pacific ACP states. – UNDP (related to KRA3)	6.1.1 Number of PICs meeting regularly and tabling reports in Parliament *RIP	6.1.1 To be confirmed in 2017 survey	6.1.1 To be confirmed after the 2017 survey	6.1.1 Parliament Hansard reports	PAC's receive in-country TA. Political situation in countries allows for regular PAC meetings.
	R7 Increased effectiveness and transparency of the budget process in parliaments. – UNDP (related to KRA3)	7.1.1 Number of Parliaments that provide research budget analysis to Member of Parliaments (MPs) *RIP	7.1.1 1 (Fiji)	7.1.1 6	7.1.1 Budget analysis reports provided by Parliaments. MPs' workshop reports	Parliaments rules allow for sufficient time between budget being tabled and budget being debates to allow for basic analysis

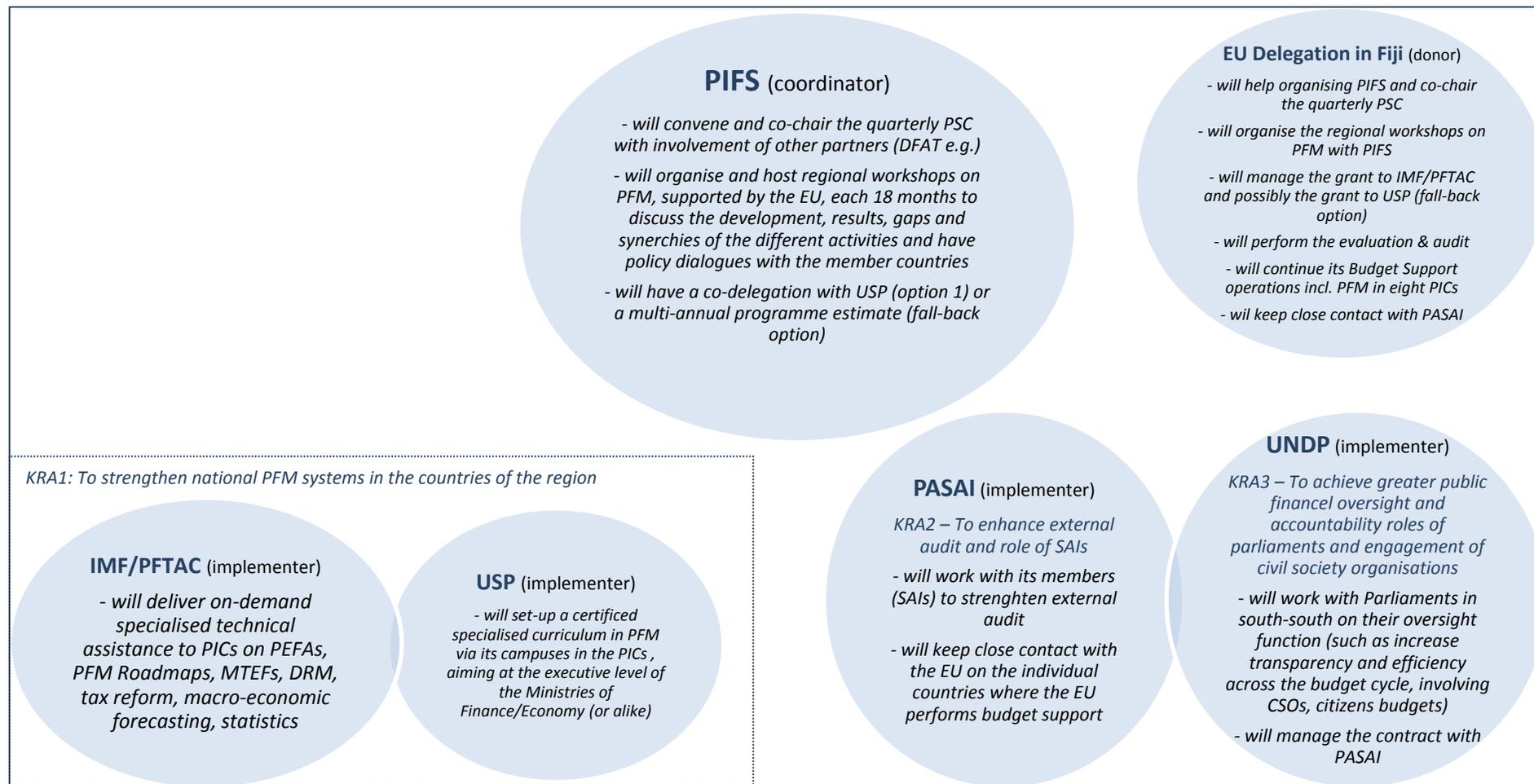
Note: OO=Overall objective; SO=Specific objective; RI=Output/result 1 etcetera.

* Corresponding to indicators in RIP 2014-2020 "progress in PEFA assessments and implementation of budget reform processes" and/or "enhance transparency and accountability of PFM"

** [EURE](#) is a methodological note on the Results Framework indicators from EU Directorate General International Cooperation and Development (DG DEVCO) 06.

The baseline is based on the average of the latest PEFA conducted in each Pacific country since 2005, including self-assessments.

APPENDIX 2 – SCHEMATIC OVERVIEW STRATEGIC AND TECHNICAL COORDINATION IN THE KEY RESULT AREAS OF THE PFM-ACTORS I.E. THE COORDINATOR, THE IMPLEMENTERS AND THE DONOR



Note: The PFM-actors will share knowledge on PFM to the benefit of the beneficiaries, so there are connections between each pair of the six islands.

List of abbreviations

ACP	Africa, Caribbean, Pacific
AD	Action Document
ADB	Asian Development Bank
CCF	Climate Change Finance
CROP	Council of Regional Organisations in the Pacific
CSO	Civil Society Organisation
DFAT	Australia Department of Foreign Affairs and Trade
DG DEVCO	EU Directorate General International Cooperation and Development
DMRO	Duly Mandated Regional Organisation
DRM	Domestic Revenue Mobilisation
EDF	European Development Fund (in French: FED)
EU	European Union
EUR	Euro (currency euro area)
FEMM	Forum Economic Ministers' Meeting
FoBS	(Pacific) Friends of Budget Support
GPGC	Global Public Goods and Challenges (EU policy document)
IMF	International Monetary Fund
IPSAS	International Public Sector Accounting Standards
KRA	Key result area
MEI	Main Economic Indicators
MFAT	New Zealand Ministry of Foreign Affairs and Trade
MTEF	Medium-Term Expenditure Framework
NGO	Non-governmental Organisation
OO, SO, OI	Overall objective, Specific objective, Output/Result
PAC	Public Accounts Committee
Pagoda	Pillar-Assessed Grant Agreement or Delegation Agreement – There are seven pillars: (1) internal control (2) accounting (3) independent external audit (4) procedures and rules for grants (5) procedures and rules for procurement and (6) procedures and rules for financial instruments (7) procedures and rules for sub-delegation.
PASAI	Pacific Association of Supreme Audit Institutions
PEFA	Public Expenditure and Financial Accountability
PFM	Public Finance Management
PFTAC	Pacific Financial Technical Assistance Centre (associated with the IMF)
PI-x	Performance Indicator number x (related to PEFAs)
PIC	Pacific Islands Country
PICPA	Pacific Island Centre for Public Administration (part of USP)
PIFS	Pacific Islands Forum Secretariat
PSC	Project Steering Committee
RAO	Regional Authorising Officer

RSC	Regional Steering Committee
RIP	EU-PIFS Regional Indicative Program 2014-2020 (also known as PRIP)
SAI	Supreme Audit Institution
SC	Steering Committee
SDG	Sustainable Development Goal
SPF	Strategic Partnership Framework (IMF-EU)
TA	Technical Assistance
UNDP	United Nations Development Program
USD	United States dollar
USP	University of the South Pacific
WoG	Whole of Government