

NOTE TO THE FILE ON OPERATIONAL CLOSURE OF PROJECT

**United Nations Pacific Regional Anti-Corruption (UN-PRAC) Project, Phase II
1 July 2016- 30 June 2021**

ATLAS reference:

Current ATLAS reference: 000111221 (UN-PRAC phase II) award 00110894

Previous ATLAS reference: 00101018 (UN-PRAC phase II) award 00097178

The United Nations Pacific Regional Anti-Corruption (UN-PRAC) Project (phase II) aims to support Pacific Island countries (PICs) to strengthen their national integrity systems.

The project has been jointly implemented by UNDP and UNODC since 1 July 2016 as a follow-up to UN-PRAC phase I project implemented from 2012 to 2016.

The overall allocated amount from DFAT donor under this project is 2,632,606 US\$ as per the finance records of UNDP confirmed by the Finance Unit.

In addition, in 2021, 97,589 US\$ were budgeted under the same project to reflect funds from UNODC channeled to UNDP for implementation of joint activities.

<i>Period</i>	<i>Agency</i>	<i>Total Budget in the project document in US\$</i>	<i>Annual actual transfers from DFAT in US\$</i>	<i>Annual expenditures in US\$ from the DFAT allocation</i>	<i>Expenditure in % from the overall total of actual transfers</i>
1 June – 31 December 2016	UNODC	2,329,650	601,226	225,258	8.60
	UNDP	2,329,649	614,551	250,856	9.53
1 January – 31 December 2017	UNODC	2,329,650	511,611	571,159	30.42
	UNDP	2,329,649	506,899	572,376	31.27
1 January – 31 December 2018	UNODC	2,329,650	594,024	584,455	52.74
	UNDP	2,329,649	593,236	581,461	53.36
1 January – 31 December 2019	UNODC	2,329,650	577,773	498,543	71.78
	UNDP	2,329,649	578,937	577,950	75.31
1 January- 31 December 2020	UNODC	2,679,544	333,727	457,819	89.26
	UNDP	2,679,544	338,983	504,142	94.46
Budgeted for 2021	UNODC	2,679,544	2,618,361	281,127	100.00
	UNDP	2,679,544	2,632,606	145,821	100.00
				UNODC funds channelled through UNDP (DFAT) in 2021	
1 January-30 June 2021				97,589	
				Grand total available project funds for 2021	
2021 (DFAT and UNODC)				243,100	

The project current ATLAS reference is output 000111221 (UN-PRAC phase II) award 00110894. The previous ATLAS reference: output 00101018 (UN-PRAC phase II) award 00097178. The project was moved to the new award/output in July 2018.

The end date for operational closure of the UN-PRAC phase II (DFAT) output 000111221 is 30 June 2021 as per the agreed no-cost extension with the donor.

In June 2020, additional funds were mobilized for UN-PRAC amounting to 1,281,400 US\$ per agency. The funds were ensured under a joint UN programme under the United Nations Pacific Strategy Fund (UNPS) effective from 1 June 2020 to 31 December 2022. The funds are managed through MPTF and RCO, and the donor is MFAT/New Zealand Government. The new MPTF/MFAT funding for UN-PRAC is contributing to the following UN-PRAC objectives:

- 1) PICTs' broader governance frameworks strengthened in line with UNCAC and SDG 16;
- 2) Increased transparency and accountability in decision making and management of public resources;
- 3) PICTs' State and on-State actors more effectively engaged and through partnerships prevent and fight corruption.

The addition of MFAT funds towards the overall UN-PRAC's objectives was programmatically reflected in a project cover page revision of the UN-PRAC project document for the ongoing UN-PRAC phase II. With the project revision, the UNPS MPTF-MFAT documentation for funding of additional UN-PRAC outputs became an integral part of the overall UN-PRAC programme documentation (both for UN-PRAC phase II and the then potential UN-PRAC phase III.) At that point of time, UN-PRAC phase III which was in hard pipeline and the negotiations with the donor were close to finalization.

In expectation of new funds from DFAT for continuation of UN-PRAC into a next UN-PRAC phase III, the MPTF/MFAT allocation for UN-PRAC was reflected under a new ATLAS project # 000123760, output #00123444. This decision was aimed to allow seamless integration of MFAT activities and funds, with the then imminently expected UN-PRAC phase III. However, at the end of 2020, DFAT unexpectedly decided to discontinue the funding for UN-PRAC beyond 30 June 2021.

With this development, the MFAT funding for UN-PRAC will remain anchored on the project documentation for UN-PRAC phase II while being managed in ATLAS under output #000123444.

At all times, the DFAT and MFAT funding streams of UN-PRAC were treated as an integrated programmatic intervention, contributing towards shared overall UN-PRAC objectives. This understanding was shared by both UN-PRAC donors, DFAT and MFAT. Frequent communication with both donors was maintained on progress of joint activities. In that regard, most of the activities were cost-shared by both DFAT and MFAT funding streams. UN-PRAC staff and consultants were also equally contributing to both DFAT and MFAT funding streams. The integrated UN-PRAC project annual report 2020 was shared both with DFAT and MFAT, as well as the integrated workplan January-June 2021. In addition, UN-PRAC submitted separately its annual report for MPTF/MFAT funds through the RCO against the complementary joint work plan of UNPS Fund as per the MPTF requirements and decision of the UNPS Joint Steering Committee.

In terms of oversight mechanisms, for strategic purposes, it was decided for the Project Steering Committee for UN-PRAC phase II to be global and integrated with the UNDP Global Project on Anti-Corruption led by the UNDP Global Anti-Corruption team based on Singapore. It was agreed that there was no need for establishment of a separate Project Steering Committee. The last meeting of the Global Project Steering Committee took place in December 2019. However, with the subsequent end of the Global Anti-Corruption Project funded by DFAT, the Steering Committee ceased to exist.

With MFAT's decision to fund UN-PRAC in mid-2020, an initiative was undertaken by UNDP to re-establish a Project Steering Committee, to include both UN-PRAC donors (DFAT and MFAT) along with UNDP, UNODC and relevant national counterparts.

This new Project Steering Committee was to complement the UNPS MPTF Joint Steering Committee led by the UN Resident Coordinator's Office which guides and oversees the implementation of UN-PRAC's MFAT funding stream.

However, after some negotiations, DFAT opted out of the idea for a new Project Steering Committee and announced that it would no longer fund UN-PRAC after June 2021. Given that the DFAT- funding stream of the project was to be finalized only several months after this announcement, UNDP decided not to proceed to establishment a new Project Steering Committee for such a short period of time. However, UNDP at all times ensured internal and external strategic communication with the donors and national partners on all strategic issues related to the project.

Given that the MFAT funding for UN-PRAC is guided by the UNPS Joint Steering Committee, the UNPS Joint Steering Committee will serve as the main advisory and decision-making body for the MFAT funds for UN-PRAC which are to be implemented until December 2022. UNDP is represented in the MPTF/MFAT Joint Steering Committee by the UNDP Resident Representative.

For the reasons explained above -- which have been agreed at the programmatic and senior management levels of UNDP Pacific Office -- a final project review by a Project Steering Committee for the DFAT-funded stream cannot be organized. However, the project will prepare a final progress report January-June 2021 and an overall project achievements report to be shared with the donor and interested stakeholders. These reports will be kept on file for project documentation purposes.

With this decision, UN-PRAC phase II funded by DFAT (00011221) will be operationally closed on 30 June 2021 as per the agreement with the donor (DFAT). Also, as agreed with the donor, and given that UN-PRAC phase II underwent a comprehensive mid-term evaluation, a management decision was made that a final project evaluation will not be undertaken. This was also agreed with the donor.

UN-PRAC will continue to be funded by MFAT from 1 July 2021 to 31 December 2022 and will remain programmatically linked to UN-PRAC phase II project documentation and managed in ATLAS through the project # 000123760, output #00123444.

In terms of inter-agency operational arrangements, throughout most of the lifetime of UN-PRAC phase II, UNDP has been serving as the operational backbone for implementation of activities for UNDP and for UNODC as well. As such, UNDP has been holding the overall fiduciary responsibility and accountability for the use of funds and has been responsible for managing all the related challenges and risks related to quality control and compliance.

Under this arrangement, UNODC was initially prefinanced and then invoiced by UNDP, followed by introduction of the UN to UN agreement at the end of 2020, which aimed to allow for UNDP to receive UNODC funds prior to implementation of the activities, not after. This was aimed to ensure compliance and reduce the financial risks for UNDP.

Under the UN to UN agreement signed in November 2020, UNDP has received from UNODC a total of 283,662 US\$ in 2021. Of this amount, 97,589 US\$ were budgeted in ATLAS project # 0011221 (DFAT stream) amounting to 97,589 US\$ towards implementation of joint activities. 186,073 US\$ UNODC funds were budgeted under # 000123760, output #00123444 (MFAT-stream) towards implementation of joint activities. At the end of January 2021, UNDP initiated amendment to the UN to UN agreement to allow for receipt of additional UNODC funds towards implementation of activities and extend the duration of the agreement due to considerable delays in transfer of funds by UNODC. Although the process for amendment of the UN to UN agreement was initiated by UNDP at the end of January 2021, the process was not finalized until end of May 2021.

Given that the agreed timeframe for joint implementation was 30 June 2021, UNDP senior management expressed concerns over the UNODC delays and advised UNODC that it would not be able to process payments that are not initiated in the system on time because of due diligence and compliance considerations. With these delays, the entire planned second tranche amounting to 60,711 US\$ could not be spent by 30 June 2021. With these considerations in mind, UNDP senior management (via an email from UNDP RR a.i to UNODC Deputy Regional Director of 22 June 2021) suggested for UNDP and UNODC to amicably terminate the amendment to the UN to UN agreement and for UNODC to withdraw the transfer of the intended second tranche. UNDP also advised UNODC that at the end of June 2021, after the overall balance of UNODC funds from the first tranche is established, the remaining funds, if any, would be returned to UNODC. UNODC agreed to the termination of the amendment to the UN to UN agreement by e-mail by from Deputy Regional Director to UNDP RR a.i. of 23 June 2021.

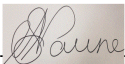
Under both arrangements, UNDP has been facing considerable operational and financial challenges. The most recent delays in the UNODC transfers under the UN to UN agreement have not served the intended purpose of effective and efficient implementation of UN-PRAC. Due to numerous operational challenges and compliance issues that have been arising due to this arrangement, including most recently in relation to the implementation of a UN to UN agreement between UNDP and UNODC, this inter-agency operational practice under UN-PRAC will be discontinued as of 1 July 2021.

From 1 July to 31 December 2022, UNDP and UNODC are of the intention to operationally split in implementation of the MFAT funds for UN-PRAC. The two agencies will jointly report to the UNPS MPTF Joint Steering Committee through the UNDP Resident Representative. Strategic coordination and consultation between UNDP and UNODC will be maintained at technical and senior management levels as well. This proposal was discussed and shared by UNDP senior management with MFAT by zoom and communicated by e-mail and is currently under review and finalization. Pending clearance by MFAT and further guidance by senior management, the project will prepare its July-December 2021 workplan for UN-PRAC MFAT accordingly.



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