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Annex I: Description of the Action

FED/2018/401-036

Title: Strengthening Pacific Public Finance Management and Governance

Delegation Agreement: FED/2018/401-036

Award ID (UNDP): 00101901

UNDP Project Number: 00104154

Project Duration: 30 months.

PAC Meeting Date: 28 September 2018

Brief Description

The development challenge is to strengthen Parliament and supreme audit institution function in public financial management across the Pacific islands region, with a specific focus on parliament's role in budget scrutiny; effective external audit of government budget execution by the supreme audit institutions (component delivered in cooperation with PASA), inclusion of citizens and civil society in budget processes, thorough and transparent parliamentary oversight of the external audit, and follow-up with government on recommendations. The project will support capacity development for Parliament, supreme audit institutions (that report to Parliament) so that parliaments are enabled to engage citizens and reflect their development needs in budget scrutiny and budget oversight work as part of a robust system of finance oversight and accountability. The project will establish a baseline understanding of the PFM capacities and challenges of parliaments and SAIs in the region, and enabling measurement of progress and identification of capacity development needs areas, and on this basis, 1) create a collaborative parliamentary rapid budget analysis capacity across the region, and 2) support improved budgetary external audit and parliamentary and civil society oversight, ensuring follow-up on recommended improvements to government PFM processes. The project emphasizes transparency and citizen and civil society engagement in PFM processes, such as with preparation of a citizen budget, the opportunity for citizens to provide input and dialogue with MPs regarding budget proposals, oversight recommendations and take initiatives for oversight of overall PFM issues including anti-corruption related ones. The project contains a specific capacity development element on climate change in recognition of the crucial importance of climate change (especially for Pacific Island Countries) and the necessity of building strong and accountable national systems for managing climate change funds; parliaments and supreme audit institutions, engaged with citizens and civil society, will need to be ready to play important oversight roles in this area. The project will have a regional scope, with learning activities engaging countries in the Pacific region. While selected focus countries will benefit from intensive support, lessons from the activities conducted in these focus countries will also be shared in regional learning events. The project fosters south-south collaboration through providing capacity development opportunities across the region.

Contributing to EU Action Document (AD) for "Strengthening Public Finance Management and Governance in the Pacific Project" (Pacific RIP – Priority 3.1; contributing to Transparent and Effective Policies and Public Finance Management, Data and Statistics under the third priority area of the EU PRIP 2014-2020 Inclusive and Accountable Governance (3.1)

Contributing UNDP Outcome (UNDAF/CPD, RPD or GPD):

- **SRPD Outcome 5:** By 2022, people and communities in the Pacific will contribute to and benefit from inclusive, informed and transparent decision-making processes, accountable and responsive institutions, and improved access to justice.
- **Output 5.2:** Increased transparency and accountability in governance institutions and formal and informal decision-making processes.
- **Output 5.3:** More women and men benefit from strengthened governance systems for equitable service delivery.

Indicative Outputs

Project Output 1: Improved public finance oversight and accountability roles of parliaments and engagement of civil society organisations (GEN1)

Project Output 2: Improved external audit and role of Supreme Audit Institutions (GEN1)

Total resources required:	US\$3,419,013	
	€2,786,482	
Total resources allocated:	UNDP	EUR 86,482 USD 106,250
	Donor:	EUR 2,700,000 USD \$3,312,763
	Government:	
	<i>in-kind:</i>	
Unfunded:	0	

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I. BACKGROUND, DEVELOPMENT CHALLENGE AND RELEVANCE OF THE ACTION

Effective public financial management is a necessary foundation for states to provide services to meet the human development needs of their populations. Accountability and transparency of public financial management are prerequisites for effective management, to ensure that resources are allocated according to community needs. Within democratic states, parliaments play a crucial role throughout the budget cycle; in the pre-budget phase when they gather public perspectives, during budget ex-ante scrutiny and approval phase when they closely scrutinize the government's budgetary proposals, during the fiscal year when they monitor expenditures, and at the end of the year when they review budget performance through scrutiny of the audit reports and by making recommendations to government on future improvements. The Parliament, through its elected members, acts as the direct interlocutor between the citizen and the state. In its budget work, particularly at the audit phase, the Parliament works closely with the Supreme Audit Institution. The form of the SAI varies across countries; in the countries of the Pacific region following a Westminster governance model, the SAI is typically the Office of the Auditor General. Parliaments also have an important role in facilitating citizens' input into governance processes, within which the budget process is fundamental. Civil society organizations act to mobilize and focus citizen perspectives on PFM, including enabling them to be effectively incorporated through parliament. People and communities need to be able to contribute to and benefit from the inclusive, informed decision making.

In recent years, international best practices in public financial management have been standardized, notably through the PEFA framework (Public Expenditure and Financial Accountability- www.pefa.org) as well as Initiatives such as the Open Budget Survey- <https://www.internationalbudget.org/opening-budgets/open-budget-initiative/open-budget-survey/>. Further, the building of effective, transparent and accountable institutions including parliaments is the focus of the Goal 16 of the 2030 Sustainable Development. The PEFA methodology addresses all phases of the budget cycle, with specific indicators focusing on aspects of the budget process for which different state bodies are responsible, as well as the transparency and efficiency of the overall budget cycle. Discrete indicators measure the performance of the legislature within the budget process. In the 2016 PEFA framework, parliamentary budget scrutiny is indicator 18; Parliament's audit function is indicator 31, and Supreme Audit Institutions' performance is measured through PEFA indicator 30: https://pefa.org/sites/default/files/PEFA%20Framework_English.pdf. Each of these indicators is broken down into sub indicators. A number of other PEFA indicators have a cross-cutting relevance, for example in terms of process transparency and citizen engagement, the latter reflected in indicator 18.2. Further, effective public financial management throughout the budget cycle requires articulation and coordination between the different institutions engaged at different points of the budget process; the effectiveness of each institution is dependent on all other institutions in the budget cycle functioning effectively.

PEFA indicators for the Pacific Island states covered by this project vary according to methodology and the date conducted. Some of the PEFA reports are not publicly available. Overall the PEFA scores are varied and indicate particular weakness areas. Within the PEFA scoring in the region, overall parliamentary performance is one of the weak points, with only three of thirteen countries scoring a rating of B (scale of A to D) or above in the budget scrutiny indicator, and similarly three of thirteen in the budget audit oversight indicator. Only one of the external audit (SAI) indicators was B or above. In total, more than two thirds of the PEFA indicator scores for the PFM system in the Pacific countries were at the lower end (C or D), and less than one third scored A or B.

The PEFA indicators focus mainly upon the formal institutional framework for public financial management, while also emphasizing that institutions, including elected parliaments, need to effectively represent citizens. Citizen engagement can take various forms including direct communication between parliament and parliamentarians and citizens, and through intermediary organizations of civil society (including unions and employer associations, the media, and groups representing issues). In practice, the role of civil society organizations is crucial in accumulating, focusing, and integrating citizen views. The capacity of civil society organizations varies widely in the Pacific Island Countries (PICs), but in many countries, capacity

development support is required to enable CSOs to develop skills both in terms of gathering and focusing citizen perspectives, and in analyzing budgetary and financial management in order to enable input into national budgetary processes.

The above average PEFA scores for parliament and external audit institutions, combined with overall weak scores for the full PFM cycle, underlines the importance of supporting capacity-development and greater transparency in budget processes in the region. Parliamentary scrutiny, and external audit and oversight are not only factors within effective PFM, they also drive overall effective PFM through increasing transparency, external scrutiny, and citizen ownership of the budgeting process as taxpayers and service users. Participatory processes permit the interests of vulnerable groups within the population to be represented and reflected, ensure that the voices, needs and concerns of both men and women are taken into consideration thus contributing to gender equality, focus attention to anti-corruption, and effectively budget and implement responses to climate change that is an existential threat to many within the region.

The countries of the Pacific region, many of which have small populations and big development challenges, including the impacts of climate change, have strong incentives to strengthen PFM. Not only does efficient PFM ensure that limited fiscal resources are best used to address development needs, many states within the region receive substantial development funds from donors through budget support mechanisms that require strong national PFM systems to justify resource transfer. Looking forward, as climate change funds are established, and states seek to directly access these resources rather than through intermediaries, they will be required to demonstrate strong fiscal management capacities.

The European Union has engaged in a multi-pronged initiative to support strengthened PFM, working with different partners in a coordinated manner to support enhanced PFM in the region, in the "Strengthening Public Finance Management and Governance in the Pacific Project". These partners include IMF/PFTAC, the University of the South Pacific and UNDP in cooperation with PASAI. The overall initiative will be coordinated through the Pacific Islands Forum Secretariat (PIFS). Within this broader framework, UNDP will focus on parliament, civil society engagement, and through PASAI on SAIs.

II. STRATEGY

This action elaborates directly on the EU Action Document (AD) for "Strengthening Public Finance Management and Governance in the Pacific Project" (Pacific RIP – Priority 3.1). In that sense, the action reflects the first specific objective Transparent and Effective Policies and Public Finance Management, Data and Statistics under the third priority area of the EU Pacific Regional Indicative Programme 2014-2020 Inclusive and Accountable Governance (3.1). The Action fits under People and Peace priorities of the New European Consensus on Development "Our World, Our Dignity, Our Future" and also fits into the Human Development (especially in relation to enhancing education, knowledge and skills) which is an important thematic area of the EU Global Public Goods and Challenges flagship 10.

In terms of UNDP policy framework, the strategy of the project is aligned with Outcome 5, Effective governance for service delivery, of the UNDP Sub Regional Programme Document for the Pacific Island Countries and Territories (2018-2022). The action aligns closely with the analysis and strategy outlined in Outcome 5, which focuses on providing support to "inclusive, informed and transparent decision-making processes, [and] accountable and responsive institutions", including focus on strengthening of parliament and state institutions, CSO and citizen engagement, women's empowerment, and assuring effective management of climate change finance.

Parliaments and civil society in the Pacific Islands region have limited capacity to play an effective role in the planning and budgetary process. This is reflected in the outcomes of PEFA studies that have been

carried out in most countries in the region. As noted, this creates the development challenge of assuring national resources are effectively managed for development, to reduce poverty, to assure gender equity, and to address the challenge of adaptation to climate change. By providing capacity building support to selected parliaments and supreme audit institutions within the region, chosen through an assessment of needs and opportunities for effective support, the institutions will be enabled to carry out their constitutional roles more effectively, thus improving their contributions to public financial management.

The theory of change underpinning the action builds upon the central role played by parliaments and supreme audit institutions in leveraging responsive national budget cycles through assuring transparency, external scrutiny, and citizen engagement, and the role of civil society in creating demand for transparency and accountability. By providing technical support to both the budget scrutiny process and SAI and legislative audit, and building capacity and organizational framework for parliaments and their administrations, and SAIs, the action will enhance PFM as demonstrated by improved PEFA-derived scores in the relevant indicators, and through modelling and development of a sustainable framework for parliaments and SAIs to effectively carry out their functions without external support. In turn, stronger parliamentary institutions and supreme audit institutions will incentivize overall improvements in public financial management, ensuring that resources for development, for reducing poverty, assuring equity, and addressing climate change will be available and employed effectively.

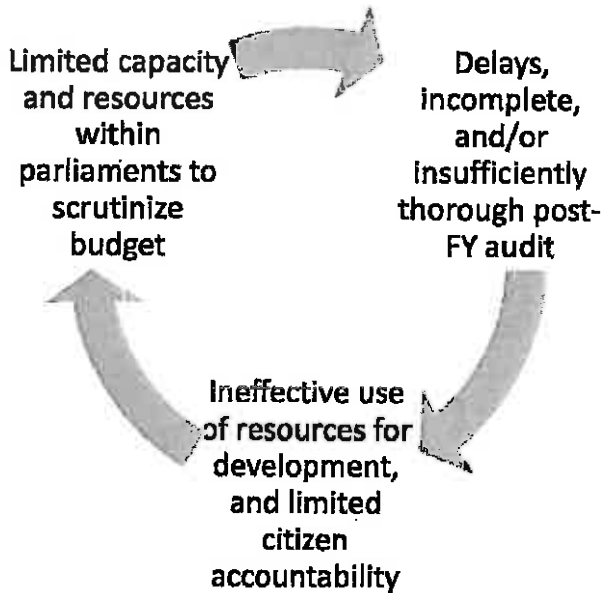


Figure 1: Parliament's challenges in PFM

Parliaments and Supreme Audit Institutions provide a framework for necessary accountability and transparency in public financial management, including engagement of citizens through civil society organizations. In this region, due to resource constraints and relatively short institutional history, parliaments and supreme audit institutions are still developing the capacities needed to play effective roles in the budget cycle. The parliamentary administrations in most countries are small, relatively under resourced, and with limited opportunity to learn from international best practices. Given the small size of the legislatures in the Pacific Island Countries, budget scrutiny is typically carried out through a 'committee of the whole', in other words the full membership of the parliaments, rather than by a

Finance Committee that can develop specialized skills, as is the case in most developed democracies. Several parliaments in the region have public accounts or similar committees, but their effectiveness is often a challenge. Most parliamentarians do not have background or training in PFM, and therefore provision of technical support in the summarization and analysis of national budgets is required to enable MPs to play their role in budget and financial scrutiny as representatives of citizens.

To summarize the issues this action is addressing, a detailed problem tree has been developed, which can be found as Annex 1 of this action document.

Change pathway

The main focus of the change pathway will be to provide platforms for parliament, SAIs and civil society to jointly engage in the national budget cycle, and bring PFM oversight in the PICs closer to international standards. To achieve this, the project will work on establishing a common baseline understanding of the PFM capacities and challenges of the parliaments and SAIs in the region, creating collaborative budget analysis capacity across the region and increasing citizen engagement.

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The activities composing the change pathway will be spread over 2.5 years (30 months), starting with a 4-month inception phase. The inception phase will be mostly dedicated to final update of the action strategy and baseline indicators, completion of the project team and finalization of the arrangements with PASAI and final selection of the focus countries.

Some key activities will commence already at this point. Among other, strong focus will be on establishing a methodology for assessing parliamentary budget scrutiny and financial oversight across the region, which will serve as a tool for tracking project progress. The action will intervene at regional and country level. The regional dimension will be inclusive of all the countries and territories under UNDP Pacific Office's regional coverage: Cook Islands, Fiji, Kiribati, FSM, RMI, Nauru, Niue, Palau, PNG, Samoa, Solomon Islands, Tonga, Tuvalu, Tokelau, Vanuatu, as it will serve as a platform for knowledge exchange, networking and standardization. Due to the limited resources provided for this action, compared to the size of the region and the number of countries, focus countries will be selected during the inception phase. Some of the criteria for their selection will be the type of parliament system that they have, level of preparedness and potential for sustainability. Indicatively up to 7 focus countries will be selected as focus countries and for Output 2, there will be up to 13 focus countries in the scope. For both project outputs, various activities will be prioritized in the different focus countries, to optimally utilize the limited budget, based on the preparedness of the specific countries for the particular activity, and also to diversify the scope activities and experiences. More details on this can be seen in the action budget/workplan.

Substantively, the role of parliaments in the budget process will be the main anchor of the change pathway, supported by work with civil society and SAIs as complementary instances in the oversight of public financial management of the governments. In this regard, the project will contribute to implementation of SDG 17, focused on building partnerships.

To roll-out the action, in each selected country, a collaborative rapid budget analysis will be carried out. This will include both parliamentary staff from throughout the region and external experts from advanced parliaments, producing clear and accessible explanations of the budget as whole and by sector.

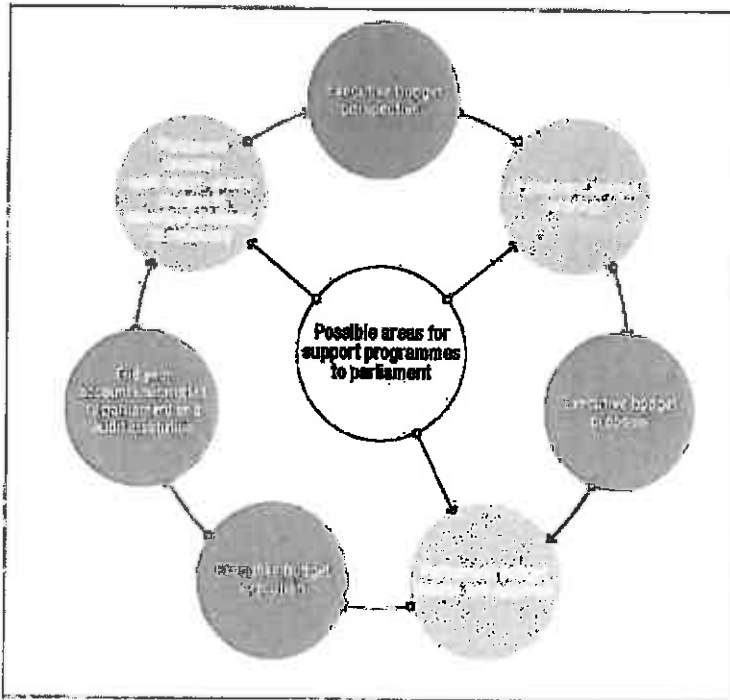
This action will address the issue of limited human resources and financial constraints within parliaments and supreme audit institutions through fostering a cooperative approach, both in providing capacity building support and training in regional events, and through fostering the sharing of expertise within the region in legislature budget scrutiny. Employing an approach that has been successfully trialed by UNDP in the parliaments of Fiji and Solomon Islands, teams of parliamentary staff from parliaments within the region will be trained in budget analysis by legislature staff from within and beyond the region, and then deployed in small teams to carry out rapid budget analyses for MPs in 7 selected countries of the region. This will be facilitated by the different financial years observed by countries in the region enabling legislative officials to travel to support the budget analysis process in other countries of the region. As an increasing proportion of legislative staff are trained and have participated in preparation of a rapid budget analysis, the need for external training support will diminish, staff from Pacific Island parliaments can train their peers regionally, and the budget analysis can become institutionalized within the region's legislatures.

The experience from the focus countries will be shared at a regional workshop in which parliamentary staff from all countries in the region will participate. Through experience gathered from participating in other Pacific Islands region parliaments' budgets, a pool of expertise within the regions parliaments will enable this process to continue eventually without expertise from outside the region.

To ensure a holistic approach, the action will also work on enhancing the knowledge on the role of oversight in prevention of corruption, working with the parliament overall, but also with Public Accounts Committees (PACs), Anti-Corruption Committees (ACCs where they exist), and other relevant committees. In this, the action will build on the work already done by UNDP through its Parliament Programme and the Regional Anti-Corruption Programme.

Similarly, the audit process has faced a number of challenges in the region, with the majority of countries scoring below B in the PEFA index both in terms of external audit (SAIs) and legislative review of the audit. The action will provide expert technical support to both SAIs (through the PASAI implemented component, described below) and the PACs and ACCs of the focus countries (to be determined during the inception phase). Expert support will be engaged to work with the PAC and its staff to conduct a thorough review of the audit report, preparing a report for submission to parliament, with proposed recommendations to government. Further, the project team will work with the PAC and staff, and ACCs in each of the focus parliaments to ensure that recommendations to government are followed up, another PEFA scoring criterion.

Figure 2: Areas for support to parliamentary budget process.



The approach adopted is a holistic one, building from a budget cycle approach that recognizes Parliament has a role to play throughout the cycle (see figure 2). As noted in the Development Challenge section, parliaments act as the formal interlocutor between the citizen and the state. The action will encourage a strengthening of the relationship between citizens, civil society, and the budget process through engagement of citizen organizations in both budget scrutiny and in the post fiscal year audit phase. Civil society organizations will work with the rapid budget analysis teams to adapt the rapid budget reports being produced in the focus countries for accessibility to citizens, and then will organize roundtable dialogues between MPs and civil society organizations to gather citizen input and foster constructive exchange on budget priorities. The process for CSO engagement will be inclusive, aiming for equitable representation in terms of gender, youth, geography and other specificities. Further, the cross-cutting focus of enhancing management of climate change financing will be assured through involvement of environment-focus CSOs. Trainings on awareness raising, coalition building and trainings in social accountability approaches to improve citizen engagement with public finance management processes will be performed in the focus countries, and a regional knowledge product will be generated. In this, the action will seek to share innovative approaches and tested successful practices from the region and beyond, benefiting from the inputs of UNDP innovation team. Competitive small grants will be awarded in the focus countries to enable CSOs to follow specific aspects of budget execution and provide feedback to parliament on issues that arise; both gender and climate change focused projects will be included in the funded small grant portfolio. Again, the experience of the focus countries in legislative audit reporting and follow-up, and CSO engagement, will be shared with all the countries of the sub region in an annual audit and oversight workshop.

The action builds upon successful work carried out by UNDP with Pacific Islands Region parliaments and anti-corruption initiatives, since 2012. UNDP has built strong working relationships with parliamentary leadership, parliamentarians, and parliamentary staff within the region, and has successfully implemented rapid budget analysis in Fiji and the Solomon Islands, as a model which will be drawn upon for this regional project. Further, partnerships have been developed with parliamentary administrations in a number of

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established parliaments beyond the region, creating a resource base of expertise that can be called upon for this action. UNDP's experience is that there is a strong desire for upgrading on the part of parliamentarians and parliamentary staff in parliaments within the region. Similarly, UNDP's regional anti-corruption work has already tackled the issue of PFM as one of the elements of prevention of corruption, and has cooperated with PASAI on small-scale peer-to-peer exchange among SAIs for building their capacities and networks. Through the anti-corruption work UNDP, in cooperation with UNODC has worked extensively with the media, private sector and civil society (particularly youth) on increasing the demand for accountability, including through support of cooperation with parliamentary anti-corruption committees and support to social accountability initiatives. PASAI's core business is to increase capacities of SAI's and their interaction with other institutions in the system, which includes parliaments and PACs. Another pillar of the intervention with this action will be the Climate Change portfolio in the Resilience and Sustainable Development team in UNDP, and particularly the work done through the UNDP Pacific Office in Fiji, focused on integrating climate change and gender into budget processes and oversight on budget expenditures accordingly.

A visual representation of the problem tree and theory of change graph is in Annex II of this document.

Evidence

The evidence to support the approach taken with the Theory of Change is based on the PEFA assessment indicators, on UNDP's empirical experience in working on issues of parliamentary effectiveness, transparency and accountability and civic oversight, and on findings and subsequent priorities of SAI's as noted in PASAI's Strategic Plan. Some relevant points of evidence to be noted are:

- Effective oversight within public financial management is a systemic effort, not the responsibility of one single institution or organization;
- The lack of capacity or diligence at one stage of the cycle or within one institution can have a negative impact and cause gaps in overall oversight processes;
- Parliaments and SAIs have very modest knowledge of PFM and particularly regarding the connections between PFM oversight, ensuring institutional effectiveness and corruption prevention;
- Civil society is often a missing link in the oversight process and there is a need for more inclusive processes, as a result of the demand for accountability within PFM;
- All of the above has contributed to generally weak PFM ratings in the Pacific that have proven to be an impediment to external public and private investment;
- The project design needs to address the above deficiencies, in a comprehensive and systemic manner;
- The linkage of project activities and results to PEFA and other PFM ratings, as well as sectoral issues, such as climate change financing, can prove to be catalyst for motivation of the national partners;
- The action's limited funding versus its regional nature requires a relatively short implementation period with high impact. Therefore partnerships, linkages and cooperation with other ongoing programmes will be instrumental;
- Considering the highly political nature of the subject matter, and particularly the role of parliaments, the theory of change will need to be constantly reviewed, revised and validated;
- The systemic approach towards oversight of PFM will create impetus for more transparent and accountable management of public resources.

III. OBJECTIVES, RESULTS AND PARTNERSHIPS

Expected Results

- The objective of this action is to contribute towards stronger and inclusive parliament, SAI and civil society engagement as enablers for effective national budget process and improved EFA scores in PICs
- To achieve this objective, the action will work on improving budgetary scrutiny, public financial oversight and accountability capacities of parliaments, supreme audit institutions and civil society within the Pacific region, aligning with international public financial oversight and accountability standards, and fostering citizen engagement and oversight.
- The above allgns with the UNDP Sub Regional Programme Document (SRPD) for the Pacific Island Countries and Territories (2018-2022), and specifically to enhance Effective governance for service delivery, Outcome 5 of the SRPD, "By 2022, people and communities in the Pacific will contribute to and benefit from inclusive, informed and transparent decision-making processes, accountable and responsive institutions, and improved access to justice."
- Within outcome 5, the action will particularly contribute to delivering Output 5.2. Increased transparency and accountability in governance institutions and formal and informal decision-making processes. Indicative indicator 5.2.1: "Number of countries in which Parliaments are more effective in their oversight functions" aligns closely with the project objectives, given that parliamentary budget work is in large measure an oversight function (both audit, and budget scrutiny)
- The action will also contribute to the sub regional programme "Output 5.1. Increased voice and more inclusive participation by women, youth and marginalized groups in national and subnational decision-making bodies that are more representative" and Output 5.3.
- "More women and men benefit from strengthened governance systems for equitable service delivery", through its citizen engagement components and its crosscutting focus on gender equality and mainstreaming of gender budget analysis within the rapid budget review methodology.
- In a wider sense, the action will contribute towards achieving Target 16.6 of SDG 16, and higher compliance with the UNCAC chapter on corruption prevention (see UNCAC, Article 9, Paragraph 2).

The project has two outputs:

Project Output 1

Improved public finance oversight and accountability roles of parliaments and engagement of civil society organizations, including the following activity results:

- a) **Sustainably strengthened legislative and civil society capacity for budget scrutiny**
- b) **Budgetary oversight capacity of parliaments and civil society in the region improved**

Project output 2

Improved external audit and role of supreme audit institutions, including the following activity results:

- a) Improved external audit and role of supreme audit institutions
- b) SAIs have contributed to budgetary oversight capacity of parliaments and civil society in the region

Project Output 1

Activity Result 1.a) Sustainably strengthened legislative and civil society capacity for budget scrutiny

This activity result is geared to strengthening the role of the legislature at the time of budget scrutiny. As noted in the Development Challenge and Strategy sections, Pacific Islands parliaments generally perform below optimum in scrutiny of the budget that is submitted by the government. Given time pressures, the lack of public financial management experience of many members, and limited staffing resources, budgets often pass with inadequate scrutiny, and with little or no opportunity for citizens and interest groups to assess and provide input themselves. This creates risk that the budget is not adequately aligned with development needs.

This activity result has three main sets of activities: establishment of a cross-national legislative budget analysis capacity; development of parliamentary capacity for climate change budget assessment and enhancement of citizen engagement in budgetary process and expenditure oversight.

- *Establishment of a cross-national legislative budget analysis capacity – ‘floating parliamentary budget office’;*

As discussed above, there is insufficient time and internal capacity in most parliaments within the region to develop a thorough budget analysis to assist MPs in understanding and intervening during budget scrutiny. The project will put together small teams comprised of national parliament staff, regional parliament staff, and budget committee staff from international parliaments to conduct a rapid budget analysis in six countries within the region. The budget analysis, containing overall and sectoral briefs, will be presented to MPs in a briefing session as well as in writing, and provide a background enabling them to more effectively intervene in the budget scrutiny and debate process. Whenever applicable, section of each analysis will be devoted to climate change and gender analysis.

- *Development and operationalization of Parliamentary capacity for climate change budget assessment;*
Climate change is a crucial factor threatening human security in the Pacific Islands region, and addressing the challenges of climate change is central to the UN Pacific Strategy; Outcome 1 focuses on climate change, disaster resilience and environmental protection. Effectively tying public financial management to climate change action will be a major governance challenge for the island states over the next years. Governments need to be able to explain to citizens, through their elected representatives, how fiscal resources are being employed to mitigate climate change. Further, as global climate change funds grow in importance, and move towards national implementation mechanisms in line with the Paris Declaration, effective scrutiny of expenditure plans and of investment outcomes will be increasingly important parliamentary roles. In this sub-output, the project will support pilot projects in three countries to ‘tag’ climate change expenditures and track them through the approval, implementation and audit phases. It will also host a regional conference at which the role of Parliament and supreme audit institutions in national climate change financing systems will be discussed and an action plan developed and adopted.
- *Enhancement of citizen engagement in budgetary process;*

Building on the rapid budget analysis, parliamentary staff will work with non-state actors, mainly civil society organizations, in each of the focus countries, with expert support, to develop a 'citizen's budget', a clear, accurate, and accessible summary of the key aspects of the budget proposal. This citizen's budget will then form the resource material for a round table to be carried out in the focus countries at which MPs and civil society will discuss the proposed budget and share observations, concerns and input. After the budget is adopted, mini-grants will be awarded competitively for civil society organizations to scrutinize budget implementation, and, among other, provide reports to Parliament. At least one of these mini-grants will apply a gender focus to assess gender impact of budget measures.

Activity Result 1. b) Budgetary oversight capacity of parliaments and civil society in the region improved

The majority of parliaments and SAIs in the region face challenges in effective budgetary oversight. Issues include absence of timely submission of audit reports by SAIs, inadequate scope of audit reports, and lack of follow-up on audit recommendations. Similarly, parliaments encounter delays in considering SAI reports, limited hearings on audit reports, failure to follow up on recommendations, and lack of transparency and openness to the public in the audit process. Civil society often faces lack of information and knowledge on PFM, to be in position to systematically ask for accountability for the public funds planning and expenditure. This activity result consists of the following main sets of activities:

- *Increased knowledge of parliamentary bodies and civil society on PFM and related issues;*

Based on work that has already been trialed successfully by UNDP with legislatures in the region, the project will conduct training of Public Accounts Committee (PAC) members, Anti-Corruption Committees (ACC), committee staff, and civil society representatives on Parliament, PAC and ACCs role and duties, on PFM and anti-corruption, SAI reporting systems (this closely linked with activities under Output 2), and government follow-up, providing baseline knowledge of international norms in parliamentary budget oversight.

- *Improved quality and timelines of parliament scrutiny of audit reports;*

The project will engage expert support to assist PAC committee and staff in the focus countries to develop a thorough and timely report on the SAI audit, with recommendations to government, for submission to the legislature. The project will foster transparency by supporting organization by parliaments, with civil society engagement, of public hearings on the audit report, and will then support organization of a further hearing after 6 months to assess government progress in budget implementation.

To extend the knowledge base beyond the committee frame, the project will also engage with national GOPAC chapters and their members to strengthen their knowledge on PFM and how they can champion PFM oversight at individual and institutional level. All of these support areas will enable countries to improve their PEFA ratings and thus increase viability of implementation of budgetary support through national systems.

Project output 2

Improved external audit and role of Supreme Audit Institutions

This output will focus on enhancing the external audit and the role of SAIs, as the operational arm in budget oversight (KRA 2 of the EU ADF). This output is designed to complement the work with parliaments

and civil society, by enhancing the likelihood for evidence-based oversight and decision making regarding public finances. This output will feed very directly to Output 1 (particularly activity result 1b by working with SAIs not only to increase the quality of the audit processes but also the quality of interaction with PACs, AC Committees where appropriate and parliaments in general (including on capacity development initiatives for parliaments and parliament committees), and the quality of information for civil society to pursue PFM focused social accountability initiatives.

This output will be implemented in cooperation with the Pacific Association of Supreme Audit Institutions - PASAI. The organization was a natural partner for this output, considering their mandate and positioning in the Pacific as the only Pacific regional network working with SAIs, and was indicated as a partner already in the EU ADF for this action.

PASAI is the official association of supreme audit institutions (government Audit Offices and similar organizations, known as SAIs) in the Pacific region. PASAI is one of the regional working groups belonging to the International Organization of Supreme Audit Institutions (INTOSAI).

PASAI promotes transparent, accountable, effective, and efficient use of public sector resources in the Pacific. It contributes to that goal by helping its member SAIs improve the quality of public sector auditing in the Pacific to uniformly high standards. Currently PASAI has 28 SAI members. For more info check: www.pasai.org.

PASAI will be engaged as a responsible party within the UNDP led project, pending the outcome of a capacity and quality-assurance scrutiny (HACT assessment), as per UNDP rules and regulations.

The interventions that will be implemented through and with support of PASAI will be organized around two activity results:

Activity Result 2a: Improved audit processes to ensure greater accountability of government finances

This activity result will focus on the status of public finance audit standards, quality management and public finance audit process, through several sets of activities:

- *Building SAI capacities for efficient and timely completion of audit reports;*

Based on PASAI's knowledge of the state of affairs, one set of activities will be focused on efficient and timely completion of audit reports, as a basic precondition for further processing by the parliaments and other oversight and enforcement bodies. For this a team of technical advisors will be engaged to work with SAIs that have a backlog in their whole-of-government (WOG) audits, and to look at ways to improve the audit results or modified opinions. Technical support will be extended when WOG audits are being conducted. A regional workshop on WOG auditing for SAIs that conduct financial WOG audits will be delivered. Also, a regional workshop for SAIs in adopting the INTOSAI Standards for Supreme Audit Institutions (ISSAIs) – Auditing Standards will be delivered. This package of activities will assist SAIs to submit timely and quality reports, and ensure follow-up. It will also enable the project to outline valid recommendations for improvement.

- *Streamlining audit processes;*

The second set of activities under this activity result will be focused on increasing support to audit processes as described above, by streamlining procedures and follow-up processes, and designing manuals for SAIs. Technical assistance will be offered to SAIs during audits to provide on the job training and to refine/review the audit methodology including updating manuals, procedures and assessing follow up procedures. This will refer to all types of audit: Performance, Compliance, Financial - SOEs, Ministries, Foreign Aid Donor.

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To give an impetus for the above and to share knowledge within the region on effective mechanisms to improve the performance of SAIs, a regional workshop will be held dedicated to SAIs contribution towards PFM and corruption prevention.

- *Enhancing quality assurance for Pacific SAI compliance with international standards;*

The third set of activities under this activity result will be focused on enhancing the quality assurance of SAIs to comply with international standards. Customisation and standardization of audit manuals – financial, performance, compliance, and assurance engagements will be initiated through engagement with the SAIs as a group at regional level. In addition, on-site technical support will be extended to individual selected SAIs. Quality Assurance (QA) will be conducted on-site for selected SAIs and support, including trainings, will be provided to improve audit procedures and audit policies. To streamline the knowledge regionally, a regional workshop on Quality Assurance using IDI QA tools will be delivered. For this the pool of recently trained QA reviewers within PASAI will be utilised. SAIs will be assisted to develop a QA mechanism and also develop a PASAI peer review system. As a follow-up, technical support to the regional peer review process will be extended through PASAI.

Activity Result 2b: SAIs have contributed to budgetary oversight capacity of parliaments and civil society in the region

This set of activities supplements Activity Result 1b and will consist of supporting SAIs to strengthen their independence for effective and credible system of public accountability through legislative reform, supporting SAIs in strengthening their capacities and capabilities to achieve high quality and efficient audits through SAI Performance Measurement Framework (PMF) assessments, and engaging PASAI and SAIs into the activities for awareness raising of parliaments (particularly PACs and ACCs) to facilitate the understanding, analysis and reporting of annual budgets and financial reporting and assurance, and also finding avenues for systematic engagements in formal and informal ways. Engagement with CSOs will be also explored, as well as obtaining PASAI's contribution in the design of the social accountability initiatives for CSOs that will be funded through this project.

Preliminary work to be carried out during the inception phase

➤ **Methodology for assessing parliamentary budget scrutiny and financial oversight across the region established and implemented**

Parliaments and supreme audit institutions need to understand how they are performing in terms of international standards, in order to identify the steps to be taken and the support required in order to reach strong outputs. The International PEFA methodology contains indicators (18, 30, and 31 in the 2016 methodology) that measure parliamentary and SAI effectiveness. Further, the Open Budget Index contains some complementary information focusing on openness and engagement of civil society, while SDG 16 indicators (still under development) assess institutional effectiveness for development. While some data exist on PEFA performance in the region, this is not complete, and much of the data are outdated. Open Budget Surveys have only been conducted in a handful of the countries in the region. In the inception phase of the project, the team will establish an inclusive workgroup on parliamentary and SAI PFM performance measurement including parliamentary, civil society, and expert representation. Through this group, and in consultation with the global PEFA and OBS experts, a methodology will be developed to measure baseline parliament and SAI PFM performance within the region, disaggregated into key sub indicators that will provide a focus for the 2.5-year support, as well as provide a selection logic and specific goals for support to the focus countries within the region.

The methodology will then enable parliaments to assess themselves, with support from the project, on a regular basis annually through to project completion in 2020. This will provide a clear understanding of where countries need to focus, help identify the six focus countries, and enable the project to adjust strategy to meet emergent needs and capacity gaps. The methodology will also be useful to donors in assessing national readiness and enhancement needs for funding instruments including budget support and nationally-administered climate change funds.

The four steps in achieving this preliminary baseline information and assessment tool are as follows:

- **Advisory group on indicator development established including Pacific Region parliamentary and civil society representation and virtual participation of global measurement experts from PEFA Secretariat and Open Budget Partnership**
 - **Available public financial management indicators including PEFA and Open Budget Index reviewed, and parliament-specific PFM indicators developed**
 - **Draft indicators tested in a limited number of priority countries, baseline data gathered and reviewed, indicators adapted according to feedback**
 - **Parliamentary PFM indicators gathered regularly (baseline, mid-point, end project) and employed to assess priority needs, adjust programming, and determine future needs**
- **Tax Governance roadmap for selected countries**

Based on emerged priorities of the EU in terms of PFM transparency and accountability, and upon advice of the EUD in Suva, the action will use the inception phase to explore the need for support of selected countries on tax transparency and good tax governance. The motive for this is the notion that a number of PICs are struggling with issues related to these two sectors, with some consequences being bad rankings on various international lists and indexes, such as the EU list of non-cooperative jurisdictions for tax purposes, the Financial Action Task Force (FATF) List of Non-Cooperative Authorities and others. On the other hand, fair and transparent taxation and effective prevention of money laundering are prominent elements of an effective and transparent public financial management system, and substantively influence the level of trust from financial partners and donors. During the inception phase, mapping of the tax systems and AML systems in 5-7 selected countries will be initiated. This will include engagement and dialogue with the respective authorities in identifying what measures are necessary for improving their performance in these two areas, particularly from the perspective of transparency and accountability. The mapping will also include a scan of existing support in the given areas, and gaps. The output of this activity will be a report, containing overview per country and reflecting regional commonalities, with roadmaps for action. Pending the findings of the mapping, this inception activity will be followed up with pilot tailored technical assistance to selected jurisdictions which will express interest, indicatively in the areas of tax transparency and fair taxation. The project activities will be subsequently updated following the mapping exercise, to reflect the details of the pilot technical support.

Resources Required to Achieve the Expected Results

The resources required to achieve the expected results include the financial contributions identified in the action document; the participation, time and technical inputs of the teams from the national stakeholders-parliaments, SAs, civil society; the cooperation and inputs across the public finance sector; the project team both technical and administrative support; UNDP corporate support, human resource and procurement management; engagement of individual contractors or companies to support specialized technical work; engagement with PASAI, for trainings; contractual arrangements with specialized companies and partnership arrangements with civil society and other stakeholders.

Partnerships

- The action is itself part of a collaborative initiative of the EU involving PIFS, IMF/PFTAC, the University of the South Pacific, UNDP and PASAI. In this context, UNDP under this action will establish a formal partnership with PASAI, as described under the previous chapter.
- UNDP will seek close collaboration and complementarity with all these partners addressing different aspects of the overall PFM challenge. This collaboration recognizes that the national budget process is a cycle that includes different institutional actors and opportunities for citizen and CSO inputs at different stages of the budget cycle.

Besides the strategic partnership with PASAI, the component of this broader initiative delivered by UNDP will itself be built on close collaboration with partners, including parliamentarians and parliamentary staff, the national supreme audit institutions and civil society organizations as citizen representatives. The project will develop partnerships with parliaments internationally, including through the Inter-Parliamentary Union (IPU) and Commonwealth Parliamentary Association (CPA) and with the Global Organization of Parliamentarians Against Corruption (GOPAC), and it will build on the successful work UNDP has already carried out in enabling parliamentary expert staff from parliaments in Australasia and Europe to share their expertise with sister parliaments in the Pacific Islands. In addition, the action will cooperate with UNODC, on the angle of PFM and corruption prevention, and work closely with climate change finance experts to develop a cutting-edge programme of support to assure transparency and national ownership in delivery of climate change mitigation funding.

Risks and Assumptions

The action is based on the following assumptions:

- Continuing engagement of parliamentary leadership, parliamentarians, parliamentary staff and supreme audit institutions to strengthen their capacities and performance in PFM, particularly in the areas of budget scrutiny and oversight;
- Willingness of parliaments within the region to lend their staff expertise to enable rapid budget analysis in the six focus countries;
- Availability of parliamentary expert staff from parliaments outside the region to contribute their expertise with the parliaments of the region, in the areas of scrutiny and oversight;
- Openness and availability of civil society organizations to engage with parliamentarians, and vice versa;
- Willingness of parliaments and SAIs to engage in a guided self-assessment on PFM Indicators, including PEFA 18, 30, and 31;
- Development of partnership with PEFA and OBS to assist tailoring of indicators for the Pacific Islands environment (small populations with limited resources)

The following risks and mitigation strategies are identified:

Risk:

- Limited capacity of some parliaments and CSOs to effectively engage in national budget processes;

Mitigation:

- Identification of countries where support can generate enhanced parliament and CSO involvement in budget process, as well as development of detailed strategies during the inception phase.

Risk:

- Some parliaments and SAIs may not be ready to engage in an intensive strengthening process;

Mitigation:

- In the inception phase the project will discuss with and assess readiness of parliaments within the region and will select seven parliaments that agree to participate in the project and allocate staff resources; PASAI will do the same with national SAIs.

Risk:

- Inter-institutional collaboration limited between government, parliament, and SAIs, restricting effective parliamentary and citizen / CSO engagement in PFM enhancement

Mitigation:

Engagement of government officials in project activities; collaboration with PFTAC support to government, engagement in PIFS coordination approach.

Risk:

- Some parliaments and SAIs may be reticent to share details of their scrutiny and oversight processes which are needed to establish a baseline and measure improvements in Parliament/SAI PFM;

Mitigation:

- A guided self-assessment methodology will be developed in conjunction with parliaments and SAI's, with national institutions retaining the right to release assessment details, as with PEFA.

Risk:

- Weak or absent Right to Information / Freedom of Information legislation making external scrutiny difficult

Mitigation:

- Support to CSO-led initiatives to strengthen RTI/FOI frameworks.

Risk:

- Civil society organizations that are capacitated to work on PFM public engagement issues may not be present in all countries;

Mitigation:

- In the inception phase the project will assess CSO capacities in potential focus countries. Existence of citizen organizations enabled to foster citizen engagement in budget processes and to support parliamentary transparency will be one of the factors considered in selection of the focus countries.

Risk:

- Parliaments from outside the region may not be willing or able to loan staff to support the rapid budget analyses in all three years of the project implementation;

Mitigation:

- UNDP has already developed strong working relationships with several parliaments outside the region, and has mobilized staff from four different parliaments in Europe and Australasia. Providing long lead time is important in securing external parliamentary expertise and discussions have already begun on availability to support this project. The project has also identified several further parliaments that may be able to contribute expertise. Finally, the project design is built on enhancing regional capacity and it is anticipated that by the last year of the project, the rapid budget analysis teams will be operating effectively with parliamentary staff entirely from the region.

Risk:

- Difficulty engaging women and disadvantaged groups within the project activities, including training opportunities as well as civil society engagement;

Mitigation:

- Maintenance of gender disaggregated records of participation in project activities, thus identifying areas where greater attention is required to assure equitable participation. Gender focus mainstreamed through project activities including in budget analysis and in oversight, including through targeted outreach to CSO's representing women and youth, people with disabilities, remote communities. Targeted outreach to CSOs representing women, youth and people with disabilities. Gender to be focus of at least one mini-grant within the initiative supporting civil society budget execution scrutiny.

Risk:

- The micro assessment¹ review assess that there are some key risks and significant areas of concerns in relation to PASAI's financial management capacity to manage Output 2 of the project (that its governance framework, internal controls, accounting systems, reporting and monitoring, programme management and procurement system)


Mitigation

- The UNDP HACT policy and implementation guidelines will apply. Therefore, the overall risk assessment rating will determine the cash transfer modalities to be adopted for PASAI. There are four transfer of cash modalities; Direct Cash Transfer, Reimbursements, Direct Payments and Direct Agencies Implementation. The overall risk assessment rating will also determine the frequency of spot checks, programmatic monitoring and special audits to ensure that PASAI is able to execute Output 2 in accordance with the Grant Agreement.

Stakeholder Engagement

- Identify key stakeholders and outline a strategy to ensure stakeholders are engaged throughout, including:
 - Target Groups: The target groups include parliamentary leadership, parliamentarians, parliamentary staff, supreme audit institutions, and civil society. UNDP's regional parliamentary team and the anti-corruption team have already developed close working relationships with key actors in the parliaments, PASAI, integrity institutions of the region. PASAI, likewise, works with the SAs within the region. In terms of civil society, UNDP already works with civil society organizations across the region, including in anti-corruption and transparency, and joint civil society-parliamentary activities have already been launched in several countries. This base will be built upon, focusing particularly on fostering CSO partnerships in the focus countries. Engagement of CSOs working on gender issues will be a priority, as will building links with groups active on climate change issues.
 - Other Potentially Affected Groups: The project will engage with citizens primarily through civil society organizations, as well as citizens mobilized by members of parliament. The project will ensure that equitable opportunities are provided to participate in project activities, particularly considering gender, and representation of minority and disadvantaged groups. Gender disaggregated data will be collected on participation in project activities and

¹ The micro assessment is part of the requirements under the Harmonized Approach to Cash Transfers (HACT) Framework. The HACT framework represents a common operational framework for UN agencies' transfer of cash to government and non-governmental implementing partners. The micro-assessment provides an overall assessment of the Implementing Partner's programme, financial and operations management policies, procedures, systems and internal controls.

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a mitigation strategy implemented if there is disproportionate participation from one gender.

South-South and Triangular Cooperation (SSC/TrC)

- The project is built on south-south cooperation in which capacity will be developed through collaborative initiatives on budget scrutiny and in sharing best practice experiences from the region in budget oversight. PASAI itself is an organization representing a majority of countries from the global south and South-South development is central to its work.

Knowledge

- This project represents an innovative focused methodology to enhance PFM capacities of parliaments and SAIs. Through support focused on enhancing specific and measurable performance indicators, the project will generate learning that can be shared within the region and beyond;
- The UNDP Pacific Office in Fiji has already developed tools to allow for gender assessment of legislation, with the documented methodology picked up within the Europe and Central Asia region. This project will extend this approach to focus on gender impact of budgets, and it is expected that the learning materials from this work will also be of interest beyond the region;
- One of the most innovative aspects of the project is the focus on budget assessment through an environment and climate change lens. It is natural that this region, which is particularly affected, should prioritize such an approach. However, the knowledge that will be fostered through this work, and on developing approaches to parliamentary and SAI oversight of climate change financing, will be of interest globally.

Leverage, Sustainability and Scaling Up

- The action is essentially designed to enable national institutions – parliaments and SAIs to assume their responsibilities in the areas of budget scrutiny and budget oversight. Thus, a fundamental objective of the project is to create development sustainability through the capacitating of national systems, in line with the Paris Agenda and the Accra Action Plan.
- 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.
- The action will build on the existing relationships that have been developed by UNDP with parliaments, beyond the region, in which staff cost are covered by the home parliament and the project covers mission-specific costs (travel, per diem).
- The action is built on a cross-regional mutual capacity building approach in which parliamentary staff will learn through participating in budget analysis and oversight activities.
- The action leverages and complements other projects and reforms in the region, such as DRM. PIFS will play a critical role through its convening role and secretariat to the Forum 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 organizations). This correlation will ensure cost benefit, as noted also below in the next section, but also absorption by the national systems and sustainability.
- Regarding scrutiny and oversight of climate change funding through national systems, this is at an early stage, but is an important priority given the desire of many countries within the region to directly access climate change resources which will require robust national systems.

IV. PROJECT MANAGEMENT, GOVERNANCE AND IMPLEMENTATION ARRANGEMENTS

Cost Efficiency and Effectiveness

The project has a very wide geographic spread and relatively modest resources. It is crucial therefore that strategies are adopted to ensure maximum results. There are five key strategies that are designed to assure cost effectiveness and efficiency. These are:

1. The project will make maximum use of within-region capacity development, particularly through the participation of parliamentary staff from countries within the region in the rapid budget analysis process, which will enable staff to learn through participating in the analysis team, and then go on to share that knowledge as part of a team carrying out a rapid budget analysis in another country.
2. The project builds on the successful project implementation of rapid budget analysis in Fiji and Solomon Islands, facilitated by the UNDP project team, support provided to PAC and ACCs strengthening across the region, and the ongoing support to oversight and accountability. Therefore, the methods proposed have already been successfully implemented in this context. The project will enable their ramping up and also their inclusion as part of a coordinated PFM strengthening strategy engaging other actors including notably the grantee PASAI working with SAIs, but also PIFS, IMF/PFTAC, and the University of the South Pacific;
3. The project will work in selected focus countries to be identified and confirmed during the implementation phase, based on needs and national commitment to participate. However, the knowledge gained through this more intensive engagement with the focus countries will then be shared at regional events with participation of all Pacific Islands region states.
4. The project will build on the existing relationships that have been developed by UNDP with parliaments, beyond the region, in which staff cost are covered by the home parliament and the project covers mission-specific costs (travel, per diem). This enables the project to leverage maximum value from the project resources.
5. The project will have an ideal environment to ensure and multiply impact, as it will function in symbiosis with the parliament and anti-corruption initiatives in the UNDP Pacific Office, which have already established networks, and tested relevant approaches and activities. It is also envisioned that, wherever applicable, joint activities might be implemented between this project and other UNDP projects.

Project Management and Governance

The project will be based in the UNDP Pacific Office in Fiji, and implemented through its Effective Governance Unit, where the UNDP regional parliamentary team and anti-corruption teams are currently located, along with other regional initiatives including the climate change team. The project will benefit from the institutional structure of the UNDP office as well as UNDP financial, operations, and procurement systems. Similarly, the PASAI implemented output will benefit from PASAI's institutional base and record of working with SAIs in the region. The project will work closely with the existing UNDP parliament programme delivered in Fiji and broader regional parliamentary development projects funded by the Government of New Zealand and Government of Japan respectively. The project will work closely in collaboration with UN's Pacific Regional Anti-Corruption Project which is delivered jointly by UNDP and UNODC and funded by the Government of Australia.

UNDP is directly implementing the action, with PASAI as a responsible party for the bulk of the activities under Output 2.

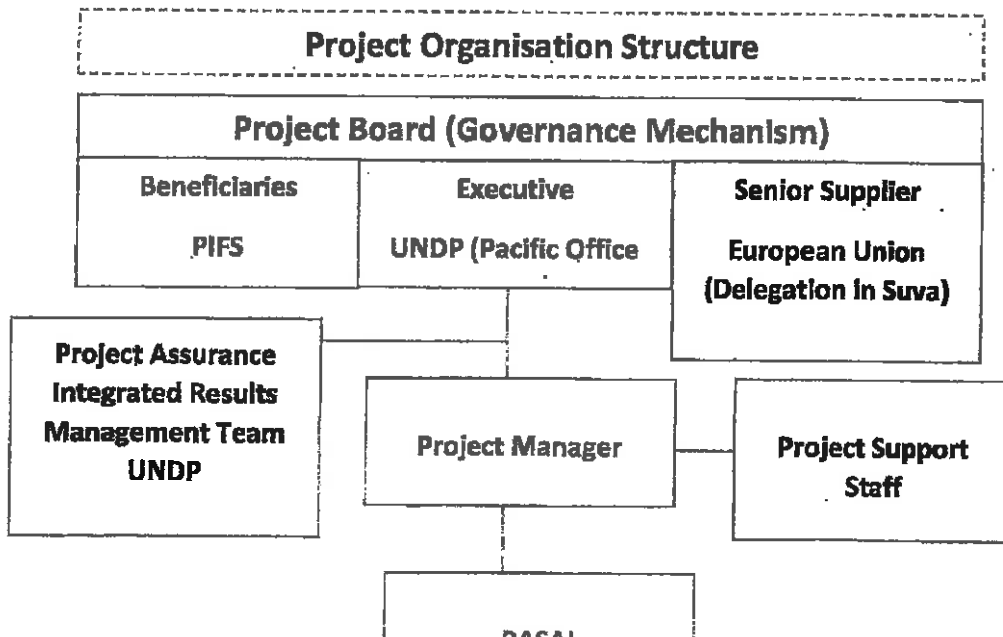
The core project team will be comprised of one international project manager who will be responsible for the day to day management of the project, provision of technical advisory support, reporting and monitoring. There will be two national staff at officer and assistant level who will provide administrative,

logistical and operational support to the project. More details are described below, under the Project Office section.

Governance of the project is undertaken through the Project Board which convenes minimum once a year. The Project Board is the group responsible for making by consensus, management decisions for a project when guidance is required by the Project Manager, including recommendation for approval of project plans and revisions. In order to ensure accountability, Project Board decisions should be made in accordance with standards that shall ensure management for development results, best value money, fairness, integrity, transparency and effective international competition. In case a consensus cannot be reached within the Board, final decision shall rest with UNDP. In addition, the Project Board plays a critical role in UNDP commissioned project evaluations by quality assuring the evaluation process and products, and using evaluations for performance improvement, accountability and learning. The Terms of Reference for the Project Board are at Annex 4.

The composition of the Project Board is indicated in the diagram below and indicative terms of reference are in annex of this document. The "Beneficiary" represents the interests of those who will benefit from this action – as a Pacific regional programme, the Pacific Island Forum Secretariat (PIFS) will represent project beneficiaries on the Board. The Executive, represented by UNDP, ensures that the project is focused on achieving its objectives and delivering outputs that will contribute to higher level outcomes. The "Senior Supplier" represents the interests of the parties concerned which provide funding – EU and technical expertise to the project. The Project Board arrangement also includes the role of Project Assurance. Whilst Project Assurance is the responsibility of each Project Board member, there is also the dedicated role of Project Assurance - UNDP Integrated Results Management Team. Additionally, representatives of other stakeholders, non-governmental organizations implementing in related areas and / or recipients of grants under the project, can be invited to the Project Board Meetings.

The Project Manager has the authority to run the project on a day-to-day basis on behalf of UNDP within the constraints laid down by the Board and in accordance with the UNDP Programme and Operations Policies and Procedures. The Project Manager is responsible for day-to-day management and decision-making for the project. The Project Manager's prime responsibility is to ensure that the project produces the results (outputs) specified in the project document to the required standard of quality and within the specified constraints of time and cost. UNDP appoints the Project Manager, who is different from the UNDP representative on the Project Board.



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Project Office

The project Management team will be made up of three staff and based in the UNDP Pacific Office in Suva, Fiji. The Project Team will be comprised of one international project manager and two national staff at officer and assistant level who will provide administrative, logistical and operational support to the project. The project officer will dedicate substantive amount of time in contributing towards managing the partnerships with PASAI, by providing daily guidance and support, and performing oversight and quality assurance for the activities performed by PASAI, along the project manager as the ultimately responsible team member.

The project will also benefit from the knowledge and inputs of the international parliament and anti-corruption advisors, considering its cross-cutting nature and the symbiosis with the work done under these two respective programmes, as described above. By sitting in the Effective Governance Unit of the UNDP Pacific Office in Fiji, the project will also benefit from a more extensive network and the inputs of support staff that are engaged throughout the Unit. The contribution by these advisors will be UNDP's in-kind contribution to the project.

UNDP's direct contribution to the project will include the quality assurance and strategic guidance input by the Effective Governance Unit team leader and deputy team leader, who will spend on average of 1 1/2 days per month each in supporting the project.

The Action will be charged costs arising from services provided by the UNDP Pacific office in Fiji in the implementation of the project and include: (1) Payments, disbursements and other financial transactions; (2) Recruitment of staff, project personnel, and consultants, (3) Procurement of services and equipment, and disposal/sale of equipment (3) Organization of training activities, conferences, and workshops, including fellowships (4) Travel authorizations, visa requests, ticketing, travel arrangements and IT and telecommunication services specifically purchased for operation of the project office; (5) Shipment, custom clearance (6) depreciation costs, rental costs or lease of equipment, maintenance and assets (7) office space rental cost including costs of energy and water specifically supplied for the operations of the project office (8) costs of facility management contracts including security fees (9) costs related to the provision of communication services (10) and travel and subsistence cost for staff and other persons directly assigned to the operations of the project office. The resources of the UNDP, which includes the Joint Operations Centre in Fiji and Malaysia and the Integrated Results Management Team in Suva, will be utilized for the provision of these services.

In that regard, the salaries of respective UNDP staff will be partially charged to the Action, for the time directly attributable to the implementation of the Action, based on time sheets:

- Finance Assistant – Operations (G5): Responsible for the processing of payments and advising on the documentation requirements on each type of payments. Finance processes all disbursement for payments, on-site support and cash disbursement with the bank. It is estimated that 10% of the Finance Assistant's time will be charged to the project.
- Procurement Associate- Operations (G6): Responsible for providing support in identification of procurement modalities, facilitating quality, transparent, effective and fast procurement processes; supporting the project in the launch and publicity of procurement processes; advising in project procurement evaluation processes; supporting in negotiations with potential contractors (as needed); assisting in the process of contracting, monitoring of contracts. It is estimated that 10% of the Procurement Associate- Operation's time will be charged to the project.
- Human Resource Associate- Operations (G6): Responsible for Recruitment of staff, project personnel, and consultants and contracts. Human Resource Associate will provide advice conditions of services and carry labour relations activities as appropriate. It is estimated that 3% of the Human Resource Associate's time will be charged to the project.

- **Operations -Finance Team Leader Support (NOB):** provides advisory support to the project and approval for all payment requests. Trainings for staff on finance policies, procedures and audits. It is estimated that 3% of the Finance Team Leader’s time will be charged to the project. Programme Finance Associate, Integrated Results management Unit (G6): Provides support in ensuring budget revisions are reviewed and processes, provide regular monitoring of the project delivery and project revenue, provide support in the preparation of financial reports for donor reporting, provide support to the project for disbursement of financial resources to responsible parties inline with financing agreements and templates and assist the project with project closures at the end of the project. It is estimated that 7% of the Programme Finance Associate time will be charged to the project.

- **M&E Analyst, Integrated Results management Unit (NOB):** Provides guidance to the project on partner agreements ensuring compliance with partner and UNDP corporate requirements including the provision of guidance to the project on M&E activities, analysis and synthesis of findings from M&E activities and to assess implementation of M & E recommendations. It is estimated that 5% of the M&E Analyst’s time will be charged to the project.

- **Communication Associate, Effective Governance, (SC SB3):** Supporting the Project in technical aspects of communication and visibility activities, including production of leaflets/infographics, reports and audio-visual products. The associate will ensure that all awareness-raising activities adhere to and are fully aligned with the visibility needs and interests of the EU. It is estimated that 5% of the Communication Associate’s time will be charged to the project.

Computers, desks, and other necessary equipment for the operation of the project team will be purchased through this project, as reflected in the budget of this action.

Financial transactions and financial statements shall be subject to the internal and external auditing procedures laid down in the Financial Regulations, Rules and Directives of the UNDP.

Performance monitoring and reporting


The logical framework of this Action will serve as a basis for measuring progress. In accordance with UNDP’s programming policies and procedures, the project will be monitored through the monitoring and evaluation plan outlined below. The workplan is also incorporated in this document.

Evaluation

As indicated in the M&E plan of this Action, an evaluation will be conducted at the end of the project, to assess key results and generate learning for future work. It will be conducted in accordance with UNDP rules and regulations and apply the UNDP guidance articulated in the Handbook on Planning, Monitoring and Evaluating for Development Results (<http://web.undp.org/evaluation/guidance.shtml#handbook>)

V. GENERAL OVERVIEW ON VISIBILITY AND COMMUNICATION

The Project will take all appropriate measures to publicize the fact that an Action has received funding from the European Union and to promote the objectives and results achieved. Information given to the press, the beneficiaries of an Action, all related publicity material, reports and publications, will acknowledge that the Action was carried out "with funding by the European Union" and will display in an appropriate way the European logo (twelve yellow stars on a blue background). The Project’s specific

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communication and visibility strategy will be developed in line with the “Joint Visibility Guidelines for EC-UN actions in the field” and will be laid down in the Annex 6 “Communication and Visibility Plan” of the EU-UNDP Delegation Agreement. *The communication strategy for this action will comply with the joint communication and visibility plan of the project “Strengthening PFM and Governance in the Pacific”, EDF/2017/40176.*

VI. RESULTS FRAMEWORK (LOGICAL FRAMEWORK)

Intended Outcome:

Budgetary scrutiny, public financial oversight and accountability capacities of parliaments and supreme audit institutions within the Pacific region are effective and better aligned with international public financial oversight and accountability standards, and fostering citizen engagement through civil society organizations.

Outcome indicators:

Performance rating based PEFA and OBI methodologies for Parliament, SAI; and public input to budget cycle.

Baselines, Targets and Means of Verification:

1. Baseline survey based on adapted PEFA (PEFA dimension 18 and 31), Open Budget Index, and SDG 16 methodologies on Parliament and SAI performance, progress measured annually during implementation and at project endpoint
2. Assumption: Continuing engagement of parliamentary and SAI leadership, and effective interface with government PFM including timely availability of data

Applicable Development Setting and Signature Solution from UNDP Strategic Plan 2018-2021:

Development Setting B: Accelerate structural transformations for sustainable development.

Signature Solution 2: Strengthen effective, accountable and inclusive governance.

Applicable Outcome from United Nations Pacific Strategy (UNPS) 2018-2022:

Outcome 5: By 2022, people and communities in the Pacific will contribute to and benefit from inclusive, informed, and transparent decision-making processes, accountable and responsive institutions, and improved access to justice – Output 5.1: Increased voice and more inclusive participation by women, youth and marginalized groups in national and subnational decision-making bodies that are more representative – Output 5.2: Increased transparency and accountability in governance institutions and formal and informal decision-making processes (Indicative indicator 5.2.1: “Number of countries in which Parliaments are more effective in their oversight functions”) – Output 5.3: “More women and men benefit from strengthened governance systems for equitable service delivery”.

Applicable Outcome UNDP’s Sub-Regional Programme Document for the Pacific Island Countries and Territories 2018-22

Outcome 2: Citizens expectations for voice, development, the rule of Law and accountability are met by stronger systems of democracy and governance

Applicable Sustainable Development Goals:

SDG 16: Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels (Target 16.6: Develop effective, accountable and transparent institutions at all levels).

Project Title and Atlas Project Number. Strengthening Parliament and SAI PFM in the Pacific

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EXPECTED OUTPUTS	OUTPUT INDICATORS	DATA SOURCE	BASELINE		TARGETS (by frequency of data collection)			DATA COLLECTION METHODS & RISKS	
			Value	Year 2018	Year 2019	Year 2020	FINAL		
Output 1 Improved public finance oversight and accountability roles of parliaments and engagement of civil society organizations	Methodology for parliamentary PFM capacity and engagement developed and piloted in the focus countries	Expert and user validate methodology based on PEFA, Open Budget Index and SDG Indicators	0	-	1	-	1	Project team and advisory working group monitoring Assessment and stakeholders' consultations	
	Number of parliamentary budget analysis conducted	Parliamentary records and project monitoring	0	2	4	3	9		Project reporting and parliamentary records
	Number of "citizens' budgets" are developed, including ones applying climate change and gender	Project record-keeping and documentary review; Parliamentary records CSO data	0	2	4	3	9		

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FED/2018/01-036 - Annex I - Description of the action

EXPECTED OUTPUTS	OUTPUT INDICATORS	DATA SOURCE	BASELINE		TARGETS (by frequency of data collection)			DATA COLLECTION METHODS & RISKS
			Value	Year 2018	Year 2019	Year 2020	FINAL	
				lenses				
	Number of Parliaments exerting oversight on climate issues	Parliamentary records	1	1	2	3	5	Parliamentary documents review, stakeholders' consultations
	Number of countries where committees are meeting to discuss SAI reports	Parliamentary records	2	3	4	5	5	Parliamentary documents review, stakeholders' consultations
Output 2	Countries in the number of audits increased	SAI reports, peer review reports	0	1	3	3	7	Project reports, PASAI reports, media coverage, meeting minutes
Improved external audit and role of Supreme Audit Institution	Number of countries in the number of SAI reports timely submitted to PACs has	SAI reports, parliamentary/PAC records;	0	1	3	4	8	Project reports, PASAI reports, media coverage, meeting minutes, Parliament reports

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EXPECTED OUTPUTS	OUTPUT INDICATORS	DATA SOURCE	BASELINE		TARGETS (by frequency of data collection)			DATA COLLECTION METHODS & RISKS
			Value	Year	Year	Year	FINAL	
	increased							
	Number of countries in which SAIs are involved in PAC review of submitted reports	Parliamentary/PAC records	2	2	4	6	6	Project reports, PASAI reports, media coverage, meeting minutes, Parliament reports

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VII. MONITORING AND EVALUATION


In accordance with UNDP's programming policies and procedures, the project will be monitored through the following monitoring and evaluation plans: [Note: monitoring and evaluation plans should be adapted to project context, as needed]

Monitoring Plan

Monitoring Activity	Purpose	Frequency	Expected Action	Partners (if joint)	Cost (if any)
Inception Report	To report on first four months of project implementation and to provide data and analysis for Project Board to consider and validate the Theory of Change.	Undertaken in 2018, with report to be produced and reviewed in first quarter 2019	Close review of Inception Report and any requisite adjustments to Theory of Change, Countries of Implementation, Results Framework (including monitoring plan), Multi-Year Work Plan and Risk Analysis.	UNDP Project & Report to Project Board	Identified in Multi-Year Work Plan /Budget of the Action
Track results progress	Progress data against the results indicators in the Results Framework will be collected through field visits and consultations and reviews with stakeholders and then analyzed to assess the progress of the project in achieving the agreed outputs. All data will be disaggregated, and gender analysis of data undertaken.	Quarterly	Slower than expected progress will be addressed by project management.	Establish joint monitoring mechanism which would also include UNDP Project & Report to Project Board	Identified in Multi-Year Work Plan /Budget of the Action
Monitor and Manage Risk	Through field visits and consultations and reviews with stakeholders identify specific risks that may threaten achievement of intended results. Identify and monitor risk management actions using the Risk Log at Annex 3. Audits will	Quarterly	Risks are identified by project management and actions are taken to manage risk. The Risk Log will be actively maintained to keep track of identified risks and actions taken.	UNDP Project & Report to Project Board	Identified in Multi-Year Work Plan /Budget of the Action

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	be conducted in accordance with UNDP's audit policy and time lines to manage financial risk.			Relevant lessons are captured by the project team and used to inform management decisions.	UNDP Project & Report to Project Board	Identified in Multi-Year Work Plan/
Learn	Knowledge, good practices and lessons will be captured continuously, as well as actively sourced from other projects and partners and integrated back into the project. Lessons learned workshops and after-action reviews after pilots will be undertaken.	At least annually		Areas of strength and weakness will be reviewed by project management and used to inform decisions to improve project performance.	UNDP Integrated Results Management Team & Report to Project Board	Identified in Multi-Year Work Plan /Budget of the Action
BI- Annual Project Quality Assurance	The quality of the project will be assessed against UNDP's quality standards (seven quality criteria) to identify project strengths and weaknesses and to inform management decision making to improve the project.	Every two years		Performance data, risks, lessons and quality will be discussed by the project board and used to make course corrections.	UNDP Project & Report to Project Board	Identified in Multi-Work Plan/Budget of the Action
Review and Make Course Corrections	Internal project review of data and evidence from all monitoring actions to inform decision making.	At least annually		Any quality concerns or slower than expected progress will be discussed and addressed. Based on progress made and data collected the Theory of Change will be adjusted as required to increase chances of achieving change.	UNDP Project, UNDP Integrated Results Management Team & Report to Project Board	Identified in Multi-Work Plan/Budget of the Action
Project Report	A progress report will be presented to the Project Board and key stakeholders, consisting of progress data showing the results achieved against pre-defined annual targets at the output level, the annual project quality rating summary, an updated risk log with mitigation measures, and any evaluation or review reports prepared over the period.	As per PB meeting dynamics, and at the end of the project (Final Project Report)		Any quality concerns or slower than expected progress should be discussed by the Project Board	UNDP Project, UNDP Integrated Results	Identified in Multi-Work Plan /Budget of the
Project Review (Project Board)	The project's governance mechanism (the Project Board) will hold regular project reviews to assess the performance of the	Annually			Results	

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<p>project and review the Multi-Year Work Plan to ensure realistic budgeting over the life of the project. In the project's final year, the Project Board shall hold an end-of project review to capture lessons learned and discuss opportunities for scaling up and to socialize project results and lessons learned with relevant audiences.</p>	<p>and management actions agreed to address the issues identified.</p>	<p>Management Team & Project Board</p>	<p>Action</p>
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Evaluation Planⁱⁱ

Evaluation Title	Partners (if joint)	Related Strategic Plan Output	UNDAF/CPD Outcome	Planned Completion Date	Key Evaluation Stakeholders	Cost and Source of Funding
End of project Evaluation		<p>Development Setting B: Accelerate structural transformations for sustainable development.</p> <p>Signature Solution 2: Strengthen effective, accountable and inclusive governance</p>	Outcome 5	December 2020	<p>Parliaments SAIs Civil Society European Union PIFS</p>	<p>USD\$30,000 Project Funding</p>

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VIII. INDICATIVE MULTI-YEAR WORKPLAN

EXPECTED OUTPUTS	PLANNED ACTIVITIES	Planned Budget by Year				RESPONSIBLE PARTY	PLANNED BUDGET	
		Y1	Y2	Y3	Y4		Funding Source	Amount (USD)
Output 1: <i>Enhanced public finance oversight and accountability roles of parliaments and engagement of civil society organizations</i> Gender marker: GEN 2	1.1 Inception Phase	45,000	0	0		UNDP	EU	45,000
	1.2 Mapping of Tax systems	60,000	62,700	0		UNDP	EU	122,700
	1.3 Establishment of a cross-national legislative budget analysis capacity – ‘floating parliamentary budget office	51,000	55,037	52,000		UNDP	EU	158,037
	1.4 Parliamentary capacity for climate change budget assessment developed and operationalized	0	50,000	50,000		UNDP	EU	100,000

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	1.5 Enhancement of citizen engagement in budgetary process	0	200,184	200,000	UNDP	EU	Grants Workshop/Training Consultancy material/printing Knowledge Product (KP) Travel & Daily Subsistence Allowance	400,184
	1.6 Effective technical advisory services and project implementation	162,166	157,729	78,392	UNDP	EU	Staff/Personnel costs as detailed in Annex 1 under the header "Project Office"	398,287
	1.7 Implementation of the communication and visibility plan as detailed in Annex VI	4,084	8,521	7,233	UNDP	EU	Design and development of merchandise for project as detailed in Annex VI Layout costs Printing of project materials 10% cost of Communication Officer	19,838
	1.8 Workshops for Public Accounts Committee / Anti-Corruption Committees	0	52,500	52,500	UNDP	EU	Workshop/Training Consultancy (local & international) material/printing Travel & Daily Subsistence Allowance	105,000

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	1.9 Provision of technical advisory services to Public Accounts Committee / Anti-Corruption Committees	0	55,200	56,555	UNDP	EU	Workshop/Training Consultancy (local & international) material/printing Travel & Daily Subsistence Allowance	111,755
	1.10 Development of Knowledge Products	0	15,000	15,000	UNDP	EU	Layout costs Printing	30,000
	1.11 Effective technical advisory services and project implementation	162,166	157,729	78,391	UNDP	EU	Staff/Personnel costs as detailed in Annex 1 under the header "Project Office"	398,286
	1.12 Communication and visibility undertaken through the implementation of communication and visibility plan and reporting on implementation and results	4,084	8,521	7,234	UNDP	EU	Design and development of merchandise for project as detailed in Annex VI Layout costs Printing of project materials 10% cost of Communication Officer	19,839
	MONITORING							
	EVALUATION							30,000
	Sub-Total for Output 1							1,938,926
Output 2: Enhanced external audit and role of supreme audit institutions (Output will be issued as a Grant to the Responsible Party)	2.1 Provision of technical advisory services to work with SAIs to clear WOG audits backlog and review and recommend ways to the audit results or modified opinions.	27,574	52,761	36,810	PASAI	EU	Consultancy Travel & Daily Subsistence Allowance Resource	117,145
	2.2 Regional workshop of WOG auditing for SAIs	0	51,534	36,810	PASAI	EU		88,344

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Gender marker: GEN 2	2.3 Effective technical advisory services and project implementation	11,668	27,842	52,273	PASAI	EU	National Officer (based @UNDP) to monitor Grants, PASAI Staffing Costs	91,782
	2.4 Technical advisory services provided to SAI to provide on the job training and to refine /review audit methodology including updating manuals, procedures & assessing follow up procedures	13,659	49,080	29,934	PASAI	EU	Consultancy Travel & Daily Subsistence Allowance Resource	92,673
	2.5 Regional workshop for SAIs in adopting the INTOSAI Standards for Supreme Audit Institutions (ISSAIs) - Auditing Standards.	0	0	40,491	PASAI	EU	Workshop/Training Consultancy material/printing Travel & Daily Subsistence Allowance	40,491
	2.6 Effective technical advisory services and project implementation	11,764	17,911	40,075	PASAI	EU	National Officer (based @UNDP) to monitor Grants, PASAI Staffing Costs	69,750
	2.7 Regional workshop for customisation of audit manuals – financial, performance, compliance, assurance engagements.	0	52,761	0	PASAI	EU	Workshop/Training Consultancy material/printing Travel & Daily Subsistence Allowance	52,761
	2.8 Engage a consultant on-site to conduct a QA on-site for selected SAIs & including the provision of training to improve audit procedures, audit policies	9,761	39,042	8,876	PASAI	EU	Consultancy Travel & Daily Subsistence Allowance Resource	57,679

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	2.9 Conduct a regional workshop on Quality Assurance using IDI QA tools	51,534	0	0	PASAI	EU	Workshop/Training Consultancy material/printing Travel & Daily Subsistence Allowance	51,534
	2.10 Technical support to the peer review process for PASAI region	0	51,534	0	PASAI	EU	Consultancy Travel & Daily Subsistence Allowance	51,534
	2.11 Effective technical advisory services and project implementation	19,241	30,381	35,719	PASAI	EU	National Officer (based @UNDP) to monitor Grants, PASAI Staffing Costs	85,340
	2.12 Provide technical support to strengthen SAIs independence through legislative reform	46,626	23,839	0	PASAI	EU	Consultancy Travel & Daily Subsistence Allowance Resources	70,465
	2.13 Effective technical advisory services and project implementation	14,258	13,291	0	PASAI	EU	National Officer (based @UNDP) to monitor Grants, PASAI Staffing Costs	27,549
	2.14 Regional Planning Workshop for selected SAIs to strengthen SAI capacity and capability through measuring their performance against international standards (ISSAIs requirements) using INTOSAI's SAI Performance Measurement Framework (SAI PMF).	0	49,080	0	PASAI	EU	Workshop/Training Consultancy material/printing Travel & Daily Subsistence Allowance	49,080

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FED/2018/401-036 - Annex 1 - Description of the action

2.15 Conduct SAI PMF Assessment for SAI Fiji to identify areas requiring improvement and thereby taking necessary measures to strengthen SAI capability.	0	19,890	0	PASAI	EU	Resource team Travel & Daily Subsistence Allowance	19,890
2.16 Conduct SAI PMF Assessment for SAI Vanuatu to identify areas requiring improvement and thereby taking necessary measures to strengthen SAI capability	0	24,849	0	PASAI	EU	Resource team Travel & Daily Subsistence Allowance	24,849
2.17 Conduct SAI PMF Assessment for SAI Kiribati to identify areas requiring improvement and thereby taking necessary measures to strengthen SAI capability	0	30,545	0	PASAI	EU	Resource team Travel & Daily Subsistence Allowance	30,545
2.18 Conduct SAI PMF Assessment for SAI Palau to identify areas requiring improvement and thereby taking necessary measures to strengthen SAI capability	0	30,841	0	PASAI	EU	Resource team Travel & Daily Subsistence Allowance	30,841
2.19 Regional Performance Analysis Workshop for participating SAIs including Nauru to report and discuss assessment results and share lessons learned.	0	52,761	0	PASAI	EU	Workshop/Training Consultancy material/printing Travel & Daily Subsistence Allowance	52,761
2.20 Effective technical advisory services and project implementation	0	43,902	0	PASAI	EU	National Officer (based @UNDP) to monitor Grants, PASAI Staffing Costs	43,902

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	2.21 Provide support to the PAC to update the review of audit reports that are tabled in the legislature	13,832	24,540	19,642	PASAI	EU	Consultancy Travel & Daily Subsistence Allowance Resource	58,014
	2.22 Effective technical advisory services and project implementation	14,475	13,864	26,134	PASAI	EU	National Officer (based @UNDP) to monitor Grants, PASAI Staffing Costs	54,473
	MONITORING							
Sub-Total for Output 2 (PASAI)								
					PASAI	EU		1,261,401
General Management Support	Total Indirect Costs of the Action (GMS - 7%)	47,907	103,870	66,907	PASAI	EU		218,685.10
TOTAL								3,419,012.50

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IX. INDICATIVE MULTI-YEAR WORKPLAN

INDICATIVE MULTI-YEAR WORKPLAN		Year 1 - 2024												Year 2 - 2025												Year 3 - 2026											
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32				
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X. LEGAL CONTEXT

This project forms part of an overall programmatic framework under which several separate associated country level activities will be implemented. When assistance and support services are provided from this Project to the associated country level activities, this document shall be the "Project Document" instrument referred to in: (i) the respective signed SBAs for the specific countries; or (ii) in the Supplemental Provisions to the Project Document attached to the Project Document in cases where the recipient country has not signed an SBA with UNDP, attached hereto and forming an integral part hereof. All references in the SBA to "Executing Agency" shall be deemed to refer to "Implementing Partner."

This project will be implemented by UNDP ("Implementing Partner") in accordance with its financial regulations, rules, practices and procedures only to the extent that they do not contravene the principles of the Financial Regulations and Rules of UNDP. Where the financial governance of an Implementing Partner does not provide the required guidance to ensure best value for money, fairness, integrity, transparency, and effective international competition, the financial governance of UNDP shall apply.

XI. RISK MANAGEMENT

1. UNDP as the Implementing Partner will undertake all reasonable efforts to ensure that none of the [project funds]ⁱⁱⁱ [UNDP funds received pursuant to the Project Document]^{iv} are used to provide support to individuals or entities associated with terrorism and that the recipients of any amounts provided by UNDP hereunder do not appear on the list maintained by the Security Council Committee established pursuant to resolution 1267 (1999). The list can be accessed via http://www.un.org/sc/committees/1267/aq_sanctions_list.shtml. This provision must be included in all sub-contracts or sub-agreements entered into under this Project Document.
2. Social and environmental sustainability will be enhanced through application of the UNDP Social and Environmental Standards (<http://www.undp.org/ses>) and related Accountability Mechanism (<http://www.undp.org/secu-srm>).
3. UNDP as the Implementing Partner will: (a) conduct project and programme-related activities in a manner consistent with the UNDP Social and Environmental Standards, (b) implement any management or mitigation plan prepared for the project or programme to comply with such standards, and (c) engage in a constructive and timely manner to address any concerns and complaints raised through the Accountability Mechanism. UNDP will seek to ensure that communities and other project stakeholders are informed of and have access to the Accountability Mechanism.
4. All signatories to the Project Document shall cooperate in good faith with any exercise to evaluate any programme or project-related commitments or compliance with the UNDP Social and Environmental Standards. This includes providing access to project sites, relevant personnel, information, and documentation.
5. UNDP as the Implementing Partner will ensure that the following obligations are binding on each responsible party, subcontractor and sub-recipient:
 - a. Consistent with the Article III of the SBA [or the Supplemental Provisions to the Project Document], the responsibility for the safety and security of each responsible party, subcontractor and sub-recipient and its personnel and property, and of UNDP's property in such responsible party's, subcontractor's and sub-recipient's custody, rests with such responsible party, subcontractor and sub-recipient. To this end, each responsible party, subcontractor and sub-recipient shall:
 - i. put in place an appropriate security plan and maintain the security plan, taking into account the security situation in the country where the project is being carried;

- ii. assume all risks and liabilities related to such responsible party's, subcontractor's and sub-recipient's security, and the full implementation of the security plan.
- b. UNDP reserves the right to verify whether such a plan is in place, and to suggest modifications to the plan when necessary. Failure to maintain and implement an appropriate security plan as required hereunder shall be deemed a breach of the responsible party's, subcontractor's and sub-recipient's obligations under this Project Document.
- c. Each responsible party, subcontractor and sub-recipient will take appropriate steps to prevent misuse of funds, fraud or corruption, by its officials, consultants, subcontractors and sub-recipients in implementing the project or programme or using the UNDP funds. It will ensure that its financial management, anti-corruption and anti-fraud policies are in place and enforced for all funding received from or through UNDP.
- d. The requirements of the following documents, then in force at the time of signature of the Project Document, apply to each responsible party, subcontractor and sub-recipient: (a) UNDP Policy on Fraud and other Corrupt Practices and (b) UNDP Office of Audit and Investigations Investigation Guidelines. Each responsible party, subcontractor and sub-recipient agrees to the requirements of the above documents, which are an integral part of this Project Document and are available online at www.undp.org.
- e. In the event that an investigation is required, UNDP will conduct investigations relating to any aspect of UNDP programmes and projects. Each responsible party, subcontractor and sub-recipient will provide its full cooperation, including making available personnel, relevant documentation, and granting access to its (and its consultants', subcontractors' and sub-recipients') premises, for such purposes at reasonable times and on reasonable conditions as may be required for the purpose of an investigation. Should there be a limitation in meeting this obligation, UNDP shall consult with it to find a solution.
- f. Each responsible party, subcontractor and sub-recipient will promptly inform UNDP as the Implementing Partner in case of any incidence of inappropriate use of funds, or credible allegation of fraud or corruption with due confidentiality.

Where it becomes aware that a UNDP project or activity, in whole or in part, is the focus of investigation for alleged fraud/corruption, each responsible party, subcontractor and sub-recipient will inform the UNDP Resident Representative/Head of Office, who will promptly inform UNDP's Office of Audit and Investigations (OAI). It will provide regular updates to the head of UNDP in the country and OAI of the status of, and actions relating to, such investigation.

- g. UNDP will be entitled to a refund from the responsible party, subcontractor or sub-recipient of any funds provided that have been used inappropriately, including through fraud or corruption, or otherwise paid other than in accordance with the terms and conditions of this Project Document. Such amount may be deducted by UNDP from any payment due to the responsible party, subcontractor or sub-recipient under this or any other agreement. Recovery of such amount by UNDP shall not diminish or curtail any responsible party's, subcontractor's or sub-recipient's obligations under this Project Document.

Where such funds have not been refunded to UNDP, the responsible party, subcontractor or sub-recipient agrees that donors to UNDP (including the Government) whose funding is the source, in whole or in part, of the funds for the activities under this Project Document, may seek recourse to such responsible party, subcontractor or sub-recipient for the recovery of any funds determined by UNDP to have been used inappropriately, including through fraud or corruption, or otherwise paid other than in accordance with the terms and conditions of the Project Document.

Note: The term "Project Document" as used in this clause shall be deemed to include any relevant subsidiary agreement further to the Project Document, including those with responsible parties, subcontractors and sub-recipients.

- h. Each contract issued by the responsible party, subcontractor or sub-recipient in connection with this Project Document shall include a provision representing that no fees, gratuities, rebates, gifts, commissions or other payments, other than those shown in the proposal, have been given, received, or promised in connection with the selection process or in contract execution, and that the recipient of funds from it shall cooperate with any and all investigations and post-payment audits.
- i. Should UNDP refer to the relevant national authorities for appropriate legal action any alleged wrongdoing relating to the project or programme, the Government will ensure that the relevant national authorities shall actively investigate the same and take appropriate legal action against all individuals found to have participated in the wrongdoing, recover and return any recovered funds to UNDP.
- j. Each responsible party, subcontractor and sub-recipient shall ensure that all of its obligations set forth under this section entitled "Risk Management" are passed on to its subcontractors and sub-recipients and that all the clauses under this section entitled "Risk Management Standard Clauses" are adequately reflected, mutatis mutandis, in all its sub-contracts or sub-agreements entered into further to this Project Document.

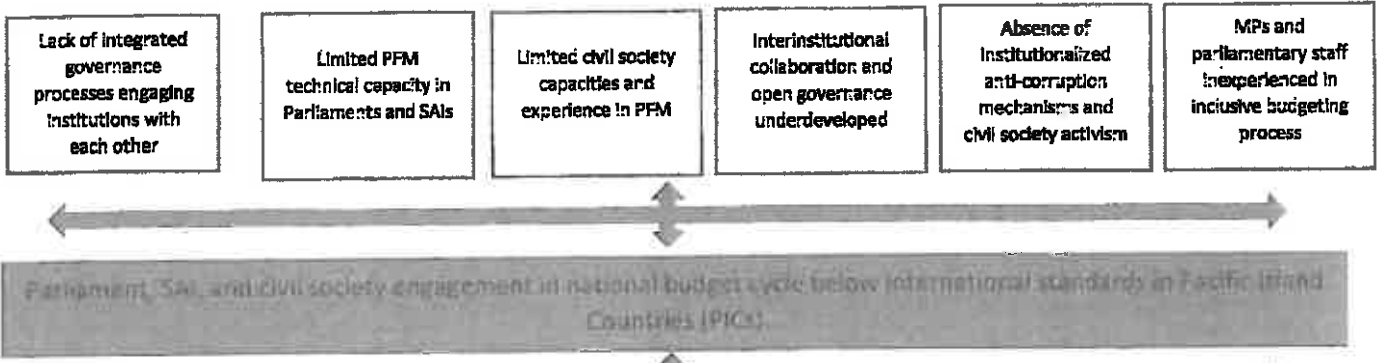
XII. ANNEXES

1. Problem Tree and Theory of Change
2. Project Board Terms of Reference and TORs of key management positions
3. HACT Assessment
4. Risk Log

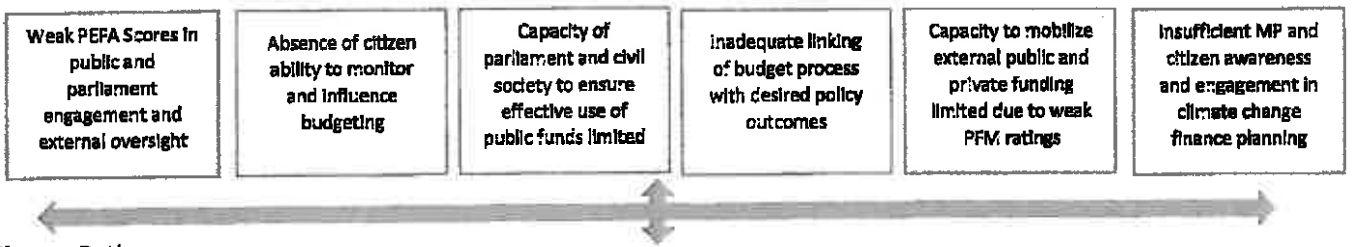
ANNEX 1 _Problem Tree and Theory of Change

Public Finance Oversight and Accountability Roles of Parliament, SAIs and engagement of Civil Society Organisations

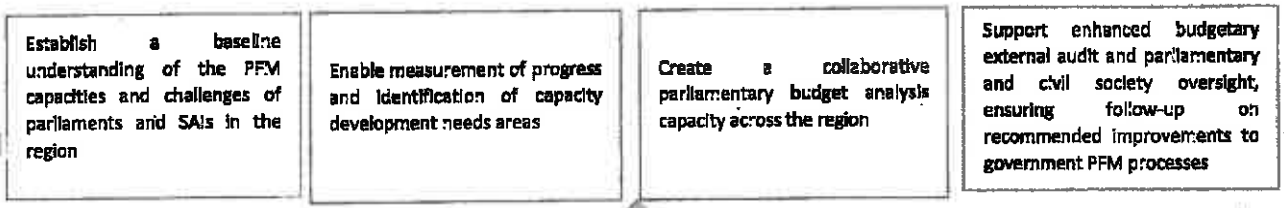
Causes



Effects



Change Pathway



Activity Results:



Outputs:



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ANNEX II Project Board ToR

Stronger and Inclusive Parliament, SAI and Civil Society engagement as enablers for effective national budget processes and improved PEFA scores in PICs

PROJECT BOARD - TERMS OF REFERENCE

1. Overall Objective of the Project Board

The overall objective of the Project Board is to provide guidance and support to the Project management team in order to reach the Project's overall objective, as well as be aligned to EU funded and other public financial management and governance in the Pacific.

2. Specific Objectives of the Project Board

The specific objectives of the Project Board are as follows:

- To discuss and find solutions to challenges to the timely and high-quality implementation of the Project;
- To approve annual work plans and annual progress reports;
- To ensure that synergies are maintained and enhanced between this and other EU funded PFM projects;
- To ensure that global and regional resources are used in an optimal and mutually reinforcing manner
- To ensure that the Project is progressing in a manner which is satisfactory to all the stakeholders;
- To ensure that the Project continuously adopts an integrated approach with other similar support being provided by other multi-lateral or bilateral development partners at the global level;
- To improve coordination and information sharing among the Project stakeholders and ensure that any internal or external risks to the successful implementation of the Project are brought to light in a timely manner and ensure that potential solutions are forthcoming;
- To ensure that any potential change of approach, strategy or mechanism for the implementation of any part of the Project's components is shared and approved by the stakeholders;
- To ensure that there is a sufficient information flow among the partners engaged in this project.

3. Composition of the Project Board

The Project Board will consist of relevant representatives of UNDP, EU and PIFS. Moreover, representatives from beneficiary countries and international organizations, civil society, the private sector and the academia relevant to the implementation of the Project may also be invited on an ad hoc basis by the Project Board.

The level of the participants will be at a management and senior technical level. The names of the representatives of each organization will be submitted to UNDP two weeks before the first Project Board meeting. Any subsequent changes of a representative should be sent in writing to UNDP that functions as the Secretariat to the Project Board and chairs the meetings.

4. Organization of Project Board Meetings

The meetings will be organized annually. The venue will be usually in UNDP, unless otherwise agreed for specific occasions.

The following documentation will be submitted to the Project Board Members one week before the meeting:

- Agenda;
- Minutes from previous meetings;
- Summary documents for review, such as annual work plans and progress reports;
- Other documentation deemed relevant.

For urgent matters, such as unforeseen difficulties in any of the components of the Project, an ad hoc Project Board meeting may be convened, upon the request, of any of its members.

5. Outputs of the Project Board

The minutes of each Project Board meeting will be produced by the Project management team and a draft circulated to Project Board members within one week after the meeting, requesting for comments. Any comments should be sent back to UNDP within the following week. Thereafter, the final minutes will be produced within five days of receipt of comments and re-circulated.

Aside from these minutes, it is anticipated that the Project Board will have a positive effect on the dissemination of information among the stakeholders to the Project and reinforce cooperation and coordination.

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