

Agreement N°/REG/FED/22413

FINANCING AGREEMENT
between
THE EUROPEAN COMMISSION
and
THE REGIONAL 15 PACIFIC ACP STATES

Technical Cooperation Facility
EDF X

FINANCING AGREEMENT

Special Conditions

The European Union and its Member States, hereinafter referred to as "**the EU**", represented by the European Commission in its capacity as manager of the 10th European Development Fund, hereinafter referred to as "**the Commission**",

of the one part, and

The 15 Pacific ACP States, represented by the Secretary General of the Pacific Islands Forum Secretariat, Regional Authorising Officer or other, hereinafter referred to as "**the Beneficiary**",

of the other part,

have agreed as follows:

ARTICLE 1 - NATURE AND PURPOSE OF THE OPERATION

1.1. The EU shall contribute to the financing of the following project:

Title:	Technical Cooperation Facility
CRIS n°:	22413

hereinafter referred to as "the project", which is described in the Technical and Administrative Provisions in Annex II.

1.2 This project will be implemented in accordance with the financing agreement and the annexes thereto: the General Conditions (Annex I) and the Technical and Administrative Provisions (Annex II).

ARTICLE 2 - THE EU'S FINANCIAL CONTRIBUTION

2.1 The total cost of the project is estimated at 2,000,000 euro

2.2 The EU undertakes to finance a maximum of 2,000,000 euro. The breakdown of the EU's financial contribution into budget headings is shown in the budget included in the Technical and Administrative Provisions.

ARTICLE 3 - THE BENEFICIARY'S CONTRIBUTION

3.1 The Beneficiary shall contribute zero euro to the project.

3.2 Where there is a non-financial contribution by the Beneficiary, the detailed arrangements shall be set out in the Technical and Administrative Provisions.

ARTICLE 4 – PERIOD OF EXECUTION

The period of execution of the financing agreement, as defined in Article 4 of the General Conditions, shall commence on the entry into force of the financing agreement and end 72 months after this date.

ARTICLE 5 - PAYING AGENT

In order to effect the payments resulting from this financing agreement, the role of paying agent shall be performed by the financial institution chosen by the Commission.

ARTICLE 6 - ADDRESSES

All communications concerning the implementation of the financing agreement shall be in writing, refer expressly to the project and be sent to the following addresses:

a) **for the Commission**

The Head of the Delegation of the European Union
Suva – Fiji

b) **for the Beneficiary**

The Secretary General of the Pacific Islands Forum Secretariat
Regional Authorising Officer
Suva - Fiji

ARTICLE 7 - ANNEXES

7.1 The following documents shall be annexed to this financing agreement and form an integral part thereof:

Annex I: General Conditions

Annex II: Technical and Administrative Provisions

7.2 Should a conflict arise between the provisions of the Annexes and those of the Special Conditions of the financing agreement, the provisions of the Special Conditions shall take precedence. Should a conflict arise between the provisions of Annex I and those of Annex II, the provisions of Annex I shall take precedence.

ARTICLE 8 - ENTRY INTO FORCE OF THE FINANCING AGREEMENT

The financing agreement shall enter into force on the date on which it is signed by the last party.

Done in two original copies in the English language, one copy being handed to the Commission and one to the Beneficiary.

Done at Brussels

FOR THE COMMISSION



Gary QUINCE,
Authorising Officer of the EDF
by subdelegation

Date 19/1/11



Done at Suva

FOR THE BENEFICIARY



Date

4 March 2011

ANNEX I - GENERAL CONDITIONS

TITLE I - PROJECT/PROGRAMME FINANCING

ARTICLE 1 – GENERAL PRINCIPLE

- 1.1 The EU's financial contribution shall be limited to the amount specified in the financing agreement.
- 1.2 The provision of EU financing shall be subject to fulfilment of the Beneficiary's obligations under this financing agreement.
- 1.3 The expenditure incurred by the Beneficiary before the entry into force of the financing agreement are not eligible for the EU financing.

ARTICLE 2 - COST OVERRUNS AND COVERING THEM

- 2.1 Individual overruns of the budget headings of the financing agreement are dealt with by reallocating funds within this budget, in accordance with Article 21 of these General Conditions.
- 2.2 Wherever there is a risk of overrunning the global amount set in the financing agreement, the Beneficiary shall immediately inform the Commission and seek its prior approval for the corrective measures planned to cover the overrun, proposing either to scale down the project/programme or to draw on its own or other non-EU resources.
- 2.3 If the project/programme cannot be scaled down, or if the overrun cannot be covered either by the Beneficiary's own resources or other resources, the Commission may, at the Beneficiary's duly substantiated request, grant additional EU financing. Should it take such a decision, the excess costs shall be financed, without prejudice to the relevant EU rules and procedures, by the release of an additional financial contribution to be set by the Commission.

TITLE II - IMPLEMENTATION

ARTICLE 3 – GENERAL PRINCIPLE

- 3.1 The project/programme shall be implemented under the responsibility of the Beneficiary with the approval of the Commission.
- 3.2 The Commission is represented in the State or, where appropriate, in the country or territory of the Beneficiary by its Head of Delegation.

ARTICLE 4 - PERIOD OF EXECUTION

4.1 The period of execution of the financing agreement shall comprise two phases:

- an operational implementation phase, in which the principal activities are carried out. This phase shall commence on the entry into force of the financing agreement and end at the latest 24 months before the end of the period of execution;
- a closure phase, during which final audits and evaluation are carried out and contracts and, if any, programme estimates for the implementation of the financing agreement are technically and financially closed. This phase shall commence on the day after the date of end of the operational implementation phase and end at the latest 24 months after this date.

4.2 Costs related to the principal activities shall be eligible for EU financing only if they have been incurred during the operational implementation phase. Costs related to final audits and evaluation and closure activities shall be eligible up to the end of the closure phase.

4.3 Any balance remaining from the EU contribution will be automatically cancelled six months after the end of the period of execution.

4.4 In exceptional and duly substantiated cases, a request may be made for the extension of the operational implementation phase and correlatively of the period of execution. If the extension is requested by the Beneficiary, the request must be made at least three months before the end of the operational implementation phase and approved by the Commission before that latter date.

4.5 In exceptional and duly substantiated cases, and after the end of the operational implementation phase, a request may be made for the extension of the closure phase and correlatively of the period of execution. If the extension is requested by the Beneficiary, the request must be made at least three months before the end of the closure phase and approved by the Commission before that latter date.

TITRE III – PAYMENTS TO BE MADE BY THE COMMISSION

ARTICLE 5 – DEADLINE FOR PAYMENTS TO BE MADE BY THE COMMISSION

5.1 When the Commission is making payments, the Beneficiary shall undertake to provide the Commission with the contractor's requests for payment no more than 45 calendar days, for procurement contracts, and 22 calendar days, for grants, after registering an admissible payment request. The Beneficiary shall notify the Commission of the date of registration of this request. The payment request is not admissible if at least one essential requirement is not met. The time limit for payments may be suspended by the Commission by informing the Beneficiary, at any time during the period referred to above, that the payment request can not be met, either because the amount is not due or because the appropriate supporting documents have not been produced. If information comes to the notice of the Commission which puts in doubt the eligibility of expenditure appearing in a payment request, the

Commission may suspend the time limit for payment for the purpose of further verification, including an on-spot check, in order to ascertain, prior to payment, that the expenditure is indeed eligible. The Commission shall inform the Beneficiary as soon as possible.

5.2 The deadline referred to in paragraph 1 shall also apply when payment is conditional on approval of a report. In this case, the request for payment can be considered admissible but the time limit for payment shall begin only when the Beneficiary has approved the report, either expressly, by notifying the contractor, or tacitly, by allowing the contractual deadline for approval to expire without sending the contractor a document formally suspending that deadline. The Beneficiary shall notify the Commission of the date of approval of the report.

5.3 In the event of any delay in forwarding payment requests attributable to the Beneficiary, the Commission shall not be obliged to pay the contractor the late-payment interest provided for in contracts, which will be payable by the Beneficiary.

TITRE IV – PAYMENTS TO BE MADE BY THE BENEFICIARY THROUGH PROGRAMME ESTIMATES

ARTICLE 6 – GENERAL PRINCIPLE

6.1 When the Beneficiary is making payments, programme estimates must be drawn up and adopted beforehand.

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

TITRE V – AWARD OF CONTRACTS AND GRANTS

ARTICLE 7 – GENERAL PRINCIPLE

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

ARTICLE 8 - DEADLINE FOR THE SIGNATURE OF THE CONTRACTS AND PROGRAMME ESTIMATES IMPLEMENTING THE FINANCING AGREEMENT

8.1 The contracts and programme estimates implementing the financing agreement shall be signed by both parties within three years of the entry into force of

the financing agreement, which means within three years of the date on which the financing agreement was signed by the last party. That deadline may not be extended.

8.2 The above provision shall not apply to audit and evaluation contracts, which may be signed later, as well as to riders to contracts already signed.

8.3 At the end of the three years of the entry into force of the financing agreement, any balance for which contracts have not been signed will be cancelled.

8.4 The above provision shall not apply to any balance of the contingency reserve.

8.5 A contract or programme estimate which has not given rise to any payment within three years of its signature shall be automatically terminated and its funding cancelled.

ARTICLE 9 - ELIGIBILITY

9.1 *(Applicable to the ACPs)* Participation in invitations to tender for works, supply or service contracts and in calls for proposals shall be open on equal terms to all natural and legal persons of the Member States of the EU and of the ACP States, and in the specific cases and under the conditions provided in Annex IV to the ACP-EC Partnership Agreement to natural and legal persons of other third countries.

(Applicable to the OCTs) Participation in invitations to tender for works, supply or service contracts and in calls for proposals shall be open on equal terms to all natural and legal persons of the Member States of the EU, of the ACP States and of the OCTs.

9.2 Goods and supplies financed by the EU and necessary for the performance of works, supply and service contracts and procurement procedures launched by the grant beneficiaries for the execution of the action financed must originate in countries eligible to participate on the terms laid down in the previous paragraph, *(applicable to the ACPs)* except in the specific cases provided in Annex IV to the ACP-EC Partnership Agreement. In this context, the definition of the concept of "originating products" shall be assessed by reference to the relevant international agreements, and supplies originating in the EU shall include supplies originating in the OCTs.

ARTICLE 10 - PUBLICATION OF INFORMATION RELATED TO THE BENEFICIARIES OF EU FUNDS

10.1 The Beneficiary undertakes to publish each year in a dedicated and easily accessible place of its internet site the following information concerning each grant and contract awarded by the Beneficiary and financed by the financing agreement:

for grants: reference of the contract, DAC code, name, address and nationality of the beneficiary, purpose and amount of the grant, title, location and duration of the financed action as well as its co-financing rate (amount of the grant in relation to total estimated budget);

- for contracts: reference of the contract, DAC code, name, address and nationality of the contractor, type of procurement contract (service, supplies, works), title, purpose, location, duration and amount of the contract.

10.2. If such internet publication is impossible, the information shall be published by any other appropriate means, including the official journal of the State of the Beneficiary or, where appropriate, of the country or territory of the Beneficiary. Publication shall take place during the first half of the year following the closure of the budget year in respect of which the contracts and grants were awarded by the Beneficiary. The Beneficiary shall communicate to the Commission the address of the place of publication and reference shall be made to this address in the dedicated place of the internet site of the EU institutions. If the information is published otherwise, the Beneficiary shall give the Commission full details of the means used.

TITLE VI - RULES APPLICABLE TO THE PERFORMANCE OF CONTRACTS

ARTICLE 11 - ESTABLISHMENT AND RIGHT OF RESIDENCE

11.1 Where justified by the nature of the contract, natural and legal persons participating in invitations to tender for works, supply or service contracts shall enjoy a provisional right of establishment and residence in the Beneficiary's State or, where appropriate, country or territory. This right shall remain valid for one month after the contract is awarded.

11.2 Contractors (including the grant beneficiaries) and natural persons whose services are required for the performance of the contract and members of their family shall enjoy similar rights during the implementation of the project/programme.

ARTICLE 12 - TAX AND CUSTOMS PROVISIONS

12.1 Taxes, duties or other charges (including value added tax - VAT - or equivalent taxes) shall be excluded from EU financing.

12.2 The State or, where appropriate, the country or territory of the Beneficiary shall apply to procurement contracts and grants financed by the EU the most-favoured tax and customs arrangements applied to States or international development organisations with which it has relations. For the purpose of determining the most-favoured-State treatment, account shall not be taken of arrangements applied by the State of the Beneficiary to the other ACP States or to other developing countries or, where appropriate, by the country or territory of the Beneficiary to other developing countries.

12.3 Where the Framework Agreement or exchange of letters applicable includes more detailed provisions on this subject, they shall apply as well.

ARTICLE 13 - FOREIGN EXCHANGE ARRANGEMENTS

The State or, where appropriate, the country or territory of the Beneficiary undertakes to authorise the import or purchase of the foreign currency necessary for the implementation of the project. It also undertakes to apply its national foreign

exchange regulations in a non-discriminatory manner to the contractors allowed to participate referred to in Article 9 of these General Conditions.

ARTICLE 14 – USE OF DATA FROM STUDIES

Where the financing agreement involves the financing of a study, the contract related to this study, signed for the implementation of the financing agreement, shall govern the ownership of that study and the right for the Beneficiary and the Commission to use data in the study, to publish it or to disclose it to third parties.

ARTICLE 15 - ALLOCATIONS OF AMOUNTS RECOVERED UNDER CONTRACTS

Amounts recovered from payments wrongly effected or guarantees lodged under a contract financed under this financing agreement, together with any penalties arising from non-performance of a contract, shall be allocated to this project/programme.

ARTICLE 16 - FINANCIAL CLAIMS UNDER CONTRACTS

The Beneficiary undertakes to confer with the Commission before taking any decision concerning a request for compensation made by a contractor and considered by the Beneficiary to be justified in whole or in part. The financial consequences may be borne by the EU only where the Commission has given its prior approval. Such prior approval is also required for any use of funds committed under the present financing agreement to cover costs arising from disputes relating to contracts.

TITLE VII - GENERAL AND FINAL PROVISIONS

ARTICLE 17 – VISIBILITY

17.1 Every project/programme financed by the EU shall be the subject of appropriate communication and information operations. These operations shall be defined under the responsibility of the Beneficiary with the approval of the Commission.

17.2 These communication and information operations must follow the rules laid down and published by the Commission for the visibility of external operations in force at the time of the operations.

ARTICLE 18 – PREVENTION OF IRREGULARITIES, FRAUD AND CORRUPTION

18.1 The Beneficiary undertakes to check regularly that the operations financed with the EU funds have been properly implemented. It shall take appropriate measures

to prevent irregularities and fraud and, if necessary, bring prosecutions to recover funds wrongly paid.

18.2 "Irregularity" shall mean any infringement of the financing agreement, implementing contracts or programme estimates or EU law resulting from an act or omission by an economic operator, which has, or would have, the effect of prejudicing the general budget of the EU or budgets managed by them, either by reducing or losing revenue accruing from own resources collected directly on behalf of the EU, or by an unjustified item of expenditure.

"Fraud" shall mean any intentional act or omission concerning:

- the use or presentation of false, incorrect or incomplete, statements or documents which has as its effect the misappropriation or wrongful retention of funds from the general budget of the EU or budgets managed by it, or on their behalf;
- non-disclosure of information in violation of a specific obligation, with the same effect;
- the misapplication of such funds for purposes other than those for which they are originally granted.

The Beneficiary shall immediately inform the Commission of any element brought to its attention which arouses suspicions of irregularities or fraud, of any measure taken to deal with them and of the name of the economic operators whom have been the subject of a judgment which has the force of res judicata for fraud, corruption, involvement in a criminal organisation or any other illegal activity detrimental to the EU's financial interests.

18.3 The Beneficiary undertakes to take every appropriate measure to remedy any practices of active or passive corruption whatsoever at any stage of the procedure for the award of contracts or grants or in the implementation of the related contracts. "Passive corruption" shall mean the deliberate action of an official, who, directly or through an intermediary, requests or receives advantages of any kind whatsoever, for himself or for a third party, or accepts a promise of such an advantage, to act or refrain from acting in accordance with his duty or in the exercise of his functions in breach of his official duties, which has, or would have, the effect of harming the financial interests of the EU. "Active corruption" shall mean the deliberate action of whosoever promises or gives, directly or through an intermediary, an advantage of any kind whatsoever to an official, for himself or for a third party, to act or refrain from acting in accordance with his duty or in the exercise of his functions in breach of his official duties, which has, or would have, the effect of harming the financial interests of the EU.

ARTICLE 19 - VERIFICATIONS AND CHECKS BY THE COMMISSION, THE EUROPEAN ANTI-FRAUD OFFICE (OLAF) AND THE EUROPEAN COURT OF AUDITORS

19.1 The Beneficiary agrees to the Commission, OLAF and the European Court of Auditors conducting documentary and on-the-spot checks on the use made of EU funding under the financing agreement (including procedures for the award of contracts and grants) and carrying out a full audit, if necessary, on the basis of supporting documents of accounts and accounting documents and any other

documents relating to the financing of the project/programme, throughout the duration of the agreement and for seven years after the date of the last payment.

19.2 The Beneficiary also agrees that OLAF may carry out on-the-spot checks and verifications in accordance with the procedures laid down by EU law for the protection of the financial interests of the EU against fraud and other irregularities.

19.3 To that end, the Beneficiary undertakes to grant officials of the Commission, OLAF and the European Court of Auditors and their authorised agents access to sites and premises at which operations financed under the financing agreement are carried out, including their computer systems, and to any documents and computerised data concerning the technical and financial management of those operations, and to take every appropriate measure to facilitate their work. Access by authorised agents of the Commission, OLAF and the European Court of Auditors shall be granted on conditions of strict confidentiality with regard to third parties, without prejudice to public law obligations to which they are subject. Documents must be accessible and filed in a manner permitting easy inspection, the Beneficiary being bound to inform the Commission, OLAF or the European Court of Auditors of the exact location at which they are kept.

19.4 The checks and audits described above shall also apply to contractors and subcontractors who have received EU funding.

19.5 The Beneficiary shall be notified of on-the-spot missions by agents appointed by the Commission, OLAF or the European Court of Auditors.

ARTICLE 20 – CONSULTATION BETWEEN THE COMMISSION AND THE BENEFICIARY

20.1 The Beneficiary and the Commission shall consult each other before taking any dispute relating to the implementation or interpretation of this financing agreement further, in accordance, where appropriate, with the relevant provisions of the ACP-EC Partnership Agreement.

20.2 Where the Commission becomes aware of problems in carrying out procedures relating to management of European Development Fund resources, it shall establish all necessary contacts with the Beneficiary to remedy the situation and, take any steps that are necessary, including, where the Beneficiary does not, or is unable to, perform the duties incumbent on it, temporarily taking the Beneficiary's place.

20.3 The consultation may lead to the amendment, suspension or termination of the financing agreement.

ARTICLE 21 – AMENDMENT OF THE FINANCING AGREEMENT

21.1 Any amendment to the Special Conditions and Annex II to the financing agreement shall be made in writing and be the subject of an addendum.

21.2 If the request for an amendment comes from the Beneficiary, the latter shall submit that request to the Commission at least three months before the amendment is intended to enter into force, except in cases which are duly substantiated by the Beneficiary and accepted by the Commission.

21.3 For technical adjustments, which do not affect the objectives and results of the project/programme and alterations in matters of detail which do not affect the technical solution adopted, and within the limit of the contingencies funds, the Beneficiary shall inform the Commission of the amendment and its justification in writing as soon as possible and apply that amendment.

21.4 The use of the contingency reserve is conditional on prior written agreement of the Commission.

21.5 The specific cases of the extension of the operational implementation phase or of the closure phase are governed by Article 4 (4) and (5) of these General Conditions.

ARTICLE 22 – SUSPENSION OF THE FINANCING AGREEMENT

22.1 The financing agreement may be suspended in the following cases:

- The Commission may suspend the implementation of the financing agreement if the Beneficiary breaches an obligation under the financing agreement.
- The Commission may suspend the financing agreement if the Beneficiary breaches an obligation relating to respect for human rights, democratic principles and the rule of law and in serious cases of corruption.
- The financing agreement may be suspended in cases of force majeure, as defined below. "Force majeure" shall mean any unforeseeable and exceptional situation or event beyond the parties' control which prevents either of them from fulfilling any of their obligations, is not attributable to error or negligence on their part (or the part of their contractors, agents or employees) and proves insurmountable in spite of all due diligence. Defects in equipment or material or delays in making them available, labour disputes, strikes or financial difficulties cannot be invoked as force majeure. A party shall not be held in breach of its obligations if it is prevented from fulfilling them by force majeure. A party faced with force majeure shall inform the other party without delay, stating the nature, probable duration and foreseeable effects of the problem, and take any measure to minimise possible damage.

22.2 No prior notice shall be given of the suspension decision.

22.3 When the suspension is notified, the consequences on the ongoing contracts and programme estimates or contracts and programme estimates to be signed will be indicated.

ARTICLE 23 – TERMINATION OF THE FINANCING AGREEMENT

23.1. If the issues which led to the suspension of the financing agreement have not been resolved within a maximum period of four months, either party may terminate the financing agreement at two months' notice.

23.2. Where a financing agreement has not given rise to any payment within three years of its signature or no implementing contract or programme estimates has been signed within this period, that financing agreement will automatically be terminated.

23.3 When the termination is notified, the consequences on the ongoing contracts and programme estimates or contracts and programme estimates to be signed will be indicated.

ARTICLE 24 - DISPUTE-SETTLEMENT ARRANGEMENTS

24.1 *(Applicable to the ACPs)* Any dispute concerning the financing agreement which cannot be settled within a six-month period by the consultations between the Commission and the Beneficiary provided for in Article 20 of these General Conditions shall be submitted to the ACP-EC Council of Ministers. Between meetings of the ACP-EC Council of Ministers, such disputes shall be submitted to the ACP-EC Committee of Ambassadors. If the ACP-EC Council of Ministers or where appropriate the ACP-EC Committee of Ambassadors does not succeed in settling the dispute, either party may request settlement of the dispute by arbitration.

(Applicable to the OCTs) Where appropriate, any dispute concerning the financing agreement which cannot be settled within a six-month period by the consultations between the Commission and the Beneficiary provided for in Article 20 of these General Conditions may be settled by arbitration at one of the parties' request.

24.2 In this case the parties shall designate an arbitrator within 30 days of the request for arbitration. Failing that, either party may ask the Secretary-General of the Permanent Court of Arbitration (The Hague) to designate a second arbitrator. The two arbitrators shall in their turn designate a third arbitrator within 30 days. Failing that, either party may ask the Secretary-General of the Permanent Court of Arbitration to designate the third arbitrator.

24.3 Unless the arbitrators decide otherwise, the procedure laid down in the Permanent Court of Arbitration Optional Rules for Arbitration Involving International Organisations and States shall apply. The arbitrators' decisions shall be taken by a majority within a period of three months.

24.4 Each party shall be bound to take the measures necessary for the application of the arbitrators' decision.

FINANCING AGREEMENT N° REG/FED/22413

ANNEX II

**TECHNICAL AND ADMINISTRATIVE PROVISIONS FOR
IMPLEMENTATION**

THE 15 PACIFIC ACP STATES

Title: Technical Cooperation Facility
CRIS n°: 22413

BENEFICIARY COUNTRY / REGION	PACIFIC ACP COUNTRIES		
REQUESTING AUTHORITY	the Secretary General of the Pacific Islands Forum Secretariat, Regional Authorising Officer		
BUDGET HEADING	10 th EDF A - envelope		
TITLE	Technical Cooperation Facility (TCF)		
TOTAL COST	<i>EUR 2 000 000 (no co-financing) from Non-Focal area of the 10th EDF RIP</i>		
AID METHOD/ MANAGEMENT MODE	Project approach Decentralised management and joint management		
DAC-CODE	15110	SECTOR	Public sector policy and administrative management

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1. RATIONALE

1.1 Economic and social situation

Whilst the Pacific is the largest geographical entity in the world it remains the smallest with some of the smallest island land areas and less than 10 million inhabitants, and populations ranging from only 1500 to over 5 million across the 15 Pacific ACP States. It is in reality “a different kind of place”. Achieving economies of scale in such an environment is an enormous challenge for the Pacific ACP States, compounded by the effects of diversity reflected not only in size and population, but also languages, cultures, traditions, biodiversity and natural resource base.

The economies of Pacific ACP States suffer from diseconomies of scale in production and exchange of goods and services, high vulnerability to natural disasters and remoteness from export markets. Most Pacific island countries have experienced low average growth in output during the past decade while their growth rates have shown large fluctuations. Trade deficits have been on the rise due to declining exports and increasing imports. The challenge of the global economy is particularly high for those countries with limited human resources and technology and poor management skills.

There remains a heavy dependence on aid, the region receives over US\$850million/year from many donor partners with Australia, New Zealand, Japan and the EU being by far the largest, and the principal beneficiary sectors being governance, health and education (Annex 7b of the Regional Support Strategy).

Progress towards the achievement of Millennium Development Goals has been made overall, but it remains uneven across the countries. Poverty is growing in the region, and the most recent data suggest that at least three million people live in extreme poverty,

1.2 Sector context

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

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

The EU has made a strong commitment to the implementation of the Paris Declaration on Aid Effectiveness and donor Coordination. The Paris Declaration advocates, among other things, enhanced ownership of the aid by the recipient countries, better use of country systems and decrease in transaction costs of aid. Budget Support as an aid delivery mechanism speaks to all these challenges.

More recently, developed countries have agreed to reinforce their support to developing countries in order to adapt to Climate Change. Currently, the implementation of adaptation and mitigation remains (in the Pacific and elsewhere) fragmented and project based. Result-oriented support to Climate Change challenges cannot continue to be provided exclusively

through projects. In the climate perspective, preparing eligibility for budget support across the region will be crucial. All PACP countries will most likely not be technically eligible to General Budget Support (GBS) by 2012. In the Pacific, apart from Vanuatu, New Caledonia and more recently Samoa and Solomon Islands, no other Pacific ACP State or OCT is yet receiving assistance from the EU by using Budget Support. Intensive preparatory work, assessment of intermediate forms of budget support and alternative disbursement mechanisms at national but also at regional level, such as trust funds and pool funds will be necessary. The TCF will support the regional efforts to enhance coordination and mainstreaming of the aid in particular in relation to the Climate Change agenda.

This TCF project will also provide funding PFTAC to help prepare Budget Support in as many Pacific ACP States as possible and also to assist PACPs to overcome the financial crisis and economic downturn and reform their monetary and fiscal systems if requested.

PFTAC has helped establish and continues to assist run regional organisations of financial managers, tax administrators, bank supervisors and economic statisticians. These organisations promote regional dialogue and peer to peer learning, thus improving the chance of sustainable reform. PFTAC's many regional training courses are run under the auspices of these organisations. PACP countries are increasingly assuming control and funding of these organisations.

PFTAC is accountable to PACP countries and its work program is approved by them through regular steering committee meetings. PFTAC's work program is also dictated in part by regional governance organisations, notably the Forum Finance and Economic Ministers and South Pacific Central Bank Governors. This ensures that its priorities are closely aligned with its TA recipients thus improving the sustainability of its assistance.

Broad-based staff training is an integral part of all PFTAC TA interventions. Attachment programs, where PACP officials are placed with a relevant other PACP institution to build capacity and understanding of reform processes will continue in the new funding cycle. Use of regional experts is expected to increase.

1.3. Lessons learnt and complementarity

The identification phase of the 9th EDF Regional Economic Integration Programme (PACREIP) observed that the Pacific ACP States would need assistance in responding to the impacts of international trade agreements, in particular that of EPA, through fiscal and monetary policy reforms and reforms of their financial and public sectors. At the time the activities in question were integrated into the Contribution Agreement for the PACREIP project with PIFS. During the implementation phase of PACREIP it has become obvious that PIFS was over-challenged to deliver the expertise in question and that other organisations in the region, such as PFTAC, would be more adapted for the task. PFTAC has developed a comparative advantage in economic and financial advisory services for the Pacific Region and this assistance is recognized and supported by the P-ACPs, who guide its work program through regular steering committee meetings.

Over the past years most Pacific ACP States have benefited from some EDF technical assistance funded thru the TCF in support of both national and regional indicative programmes. The services that were delivered may be broadly categorised as supporting programme/project development, and implementation including monitoring, evaluation and

audit. This needs to be continued and this TCF will be used whenever such services are requested in support of the EDF regional projects/programmes.

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

Pacific Forum Leaders meetings in 2009 in Cairns, Australia determined through the Cairns Compact to bring new and invigorated commitment to lift the economic and development performance of the region. The key objective of the Compact is to drive more effective coordination of available development resources among Forum island countries (FICs) and Development Partners. The Compact seeks to enhance country ownership and leadership and the mutual responsibilities of FICs and their Development Partners in their efforts to achieve national development goals in the Pacific and, more specifically, with the aim of achieving real progress of the millennium development goals (MDGs). Pacific Forum Leaders agreed to a new development compact that includes calls for properly coordinated efforts by FICs and Development Partners in working together to improve current performance and to ensure effectiveness and coordination of development resources and aid practices. PIFS in implementing part of the TCF will be guided by the Cairns Compact.

The Pacific Climate Change Roundtable (PCCR) meeting held 19-21 October, 2009 considered a number of critical issues in relation to addressing Climate Change in the region. The PCCR made a number of recommendations, one of which called for a feasibility study to be conducted on the establishment of a Pacific Regional Adaptation Fund or Facility, including a need for a technical backstopping mechanism.

The PCCR noted the importance of such a coordination mechanism, as well as the need for harmonization of regional funding arrangements. It recognized the related workload and ensuing transaction costs to Pacific Island Countries (PICs), including access difficulties, which are a consequent of differing donor policies and requirements. As a result, SPREP, PIFS and other members of the PCCR are developing a TOR for this feasibility study, building on a very similar feasibility study completed in 2003. While the TCF is likely to come on line after this feasibility study is completed, there will no doubt be further work needed to develop options for the establishment of any such facility.

1.4 Donor coordination

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

2. DESCRIPTION

For ease of reference an initial logical framework is attached.

2.1. Objectives

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

The project purpose is to ensure smooth and efficient implementation of the Pacific ACP Regional Programme while paving the way for new approaches to development aid.

2.2. Expected results

Overall expected results are:

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

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

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

2.3. Activities and implementation timetable

Specific activities in Result Area 1 will include:

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

- 1.4 Short-term/medium term experts to build CROP capacities in setting appropriate performance indicators, quantified baselines and targets and sustainable collection of data systems.
- 1.5 Short-term/medium term experts to help improve regional statistics.

Specific activities in Result Area 2 will include:

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

Specific activities in Result Area 3 will include:

- 3.1 Providing a contribution to joint development partner funding of the IMF's Pacific Financial Technical Assistance Centre (PFTAC). The funding is expected to allow PFTAC to increase its current level of technical assistance to PACPs. In particular it will allow PFTAC to expand its current range of services to encompass macroeconomic management and to provide a regional coordination function for PEFA assessments. The improvements this should allow in economic management in the region will contribute to preparing for Budget Support in as many P-ACPs as possible.

The implementation is expected to be evenly spread over the duration of the TCF for the activities listed under result 1 and result 2. Activities under result 2.2 and 3.1 are expected to be implemented as soon as possible.

3. LOCATION AND DURATION

3.1. Location

The project will benefit the 15 Pacific ACP States. Part of activities will be managed from PFTAC while other short and medium term TA will be provided to different CROP. The RAO will supervise the project and implement some of its activities through programme estimates in close cooperation with the Delegation of the EU based in Suva.

3.2. Duration

The execution period of the Agreement will be 72 months. This execution period will comprise 2 phases under the conditions provided for in article 4.1 of the General Conditions (Annex I of the present Agreement):

- Operational implementation phase that starts from the entry into force of the financing agreement and will have duration of 48 months.
- Closure phase of a duration of 24 months that starts from the expiry date of the operational implementation phase.

Pursuant to article 8 of the General Conditions (Annex I of the present Agreement) the contracts implementing the financing agreement shall be signed at the latest within three years

of the entry into force of the financing agreement (except audit and evaluation contracts). That deadline may not be extended. ('sunset clause').

4. IMPLEMENTATION

4.1 Organisational set-up and responsibilities

4.1.1. Direct implementation or delegation of tasks

a) Basic organisational set-up

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

A Financing Agreement will be signed between the Commission and the Secretary General of the Pacific Islands Forum Secretariat, Regional Authorising Officer. The Regional Authorising Officer will be a contracting authority.

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

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

Overall supervision of all components of the project is vested to the RAO.

A steering committee shall be set up to oversee and validate the overall direction and policy of the project. The project steering committee shall meet once a year.

The project steering committee shall be made up of:

- a representative of the Regional Authorising Officer,
- representatives of CROP agencies, PFTAC and regional bodies interested in the project
- a representative of the Head of Delegation with observer status

An imprest administrator and an imprest accounting officer shall be assigned to the management and implementation of the project by the relevant representative of the beneficiary country(ies)/National (or Regional) Authorising Officer, in agreement with the Head of Delegation.

In accordance with the powers delegated to them by the relevant representative of the Regional Authorising Officer, the imprest administrator and the imprest accounting officer shall draw up and implement consecutive programme estimates, award contracts and grants, commit expenditure and make the corresponding payments.

The imprest administrator and the imprest accounting officer shall submit their technical and financial reports (where applicable, to the project steering committee and) to the relevant representative of the Regional Authorising Officer and to the Head of Delegation.

4.1.2 Reporting

For the activities implemented through programme estimates, the reporting will be carried out pursuant to the rules and procedures set out in the practical guide to procedures for programme estimates financed by the European Development Fund (EDF) – project approach.

For the PFTAC component, the reporting will be carried out pursuant to the rules and procedures set out in the special and general conditions of the Standard Contribution Agreement signed with IMF.

4.2 Project Budget

The total project cost is estimated at EUR 2 000 000 all of which be financed from the 10th EDF Regional Indicative Programme in the framework of the revised Cotonou Agreement.

The budget breakdown is as follows:

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

(*The contingency reserve may be used only with prior agreement of the Commission).

4.3 Mobilisation of the Project Budget

4.3.1 Degree of decentralisation

The project will be implemented through decentralised management and joint management.

Decentralised management:

The preparation, management and implementation of the project programme estimates must comply with the rules and procedures set out in the practical guide to procedures for programme estimates financed by the European Development Fund (EDF)

Through the work programmes / programme estimates, payments are decentralised for operating costs and contracts only where the award procedure for the relevant contract has been decentralised and up to the following ceilings:

Works	Supplies	Services	Grants
< 300.000 EUR	< 150.000 EUR	< 200.000 EUR	≤ 100.000 EUR

The performance of contracts to implement the project, whether financed under the imprest component of the budget of programme estimates (imprest individual financial/budgetary commitments) or by specific individual financial/budgetary commitments, excluding contracts for audits and final evaluations and, where applicable, any technical assistance contract(s) concerning the financial closure of the project, may under no circumstances be prolonged beyond the end of the operational implementation phase of the corresponding financing agreement.

Joint Management:

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

4.3.2 Procurement and grant award procedures

4.3.2.1 General rules for decentralised contracts

The contracts shall be concluded by the Beneficiary, except for the cases specified hereinafter.

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

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

Any derogation from the rules and procedures established and published by the Commission regarding the award of contracts in the context of cooperation with third countries, must receive the prior approval of the Commission.

4.3.2.2 Exceptions to decentralised contracts

Contracts relating to monitoring, external evaluation and audit shall be concluded by the Commission on behalf of the Beneficiary.

4.3.3 Financial Modalities

All payments are made by the Commission on behalf of the beneficiary except when a programme estimate has been signed. Through the programme estimates, payments are decentralised for operating costs and contracts up to the following ceilings:

Works	Supplies	Services	Grants
< € 300.000	< € 150.000	< € 200.000	≤ € 100.000

5. MONITORING, AUDITS AND EVALUATION

5.1 Monitoring

- (a) Day-to-day technical and financial monitoring will be a continuous process as part of the Beneficiary responsibilities. To this aim, the Beneficiary shall establish a permanent internal, technical and financial, monitoring system to the project, which will be used to elaborate the progress reports.
- (b) Independent consultants recruited directly by the Commission on specifically established terms of reference will carry out external monitoring ROM system, which in principle will start from the sixth month of project activities, and will be finalised at the latest 6 months before the end of the operational implementation phase.
- (c) PFTAC's performance will be monitored through reporting to its steering committee and through periodic external evaluations.
 - The PFTAC steering committee consists of 15 PACPs, its donors and PIFS. It meets every 12-18 months and agrees on the strategic direction and indicative workplan for the centre. Reports on results, activities and inputs are provided to the steering committee every 6 months. The IMF is improving its internal systems to enhance result-based reporting
 - External evaluations of PFTAC are conducted at the end of each funding cycle. The last evaluation, which was positive and recommended expanding PFTAC's services, was conducted in 2009. The next evaluation of the 2008-2011 funding cycle is expected in 2012.

5.2 Evaluation

- a) Independent consultants recruited directly by the Commission on specifically established terms of reference may be recruited to carry out external evaluations:
- b) The Beneficiary and the Commission shall analyse the conclusions and recommendations of these evaluations and jointly decide on the follow-up action to be taken and any adjustments necessary, including, if indicated, the reorientation of the project plus the preparation of a potential second TCF project using remaining funds under the 10th EDF RIP (non focal- TCF). The reports of the other evaluation and monitoring missions will be given to the Beneficiary, in order to take into account any recommendations that may result from such missions.
- c) The Commission shall inform the Beneficiary at least 21 days in advance of the dates foreseen for the external missions. The Beneficiary shall collaborate efficiently and effectively with the monitoring and/or evaluation experts, and *inter alia* provide them with all necessary information and documentation, as well as access to the project premises and activities.

5.3 Audit and Internal Control

For the PFTAC component the following is applicable:

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

A final audit may be requested by the Commission.

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

6. INFORMATION AND VISIBILITY

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

7. ATTACHMENTS

Attachment 1 – Logical Framework.

Attachment 2 – Indicative Calendar

Attachment 1 – Logical framework

Narrative Summary	Verifiable Indicators	Means of Verification	Assumptions
Project Objective			
To contribute to the improvement of EU development cooperation in the Pacific ACP region, ensuring it is demand-driven by the Pacific actors, and fully integrated with the efforts of other partners to promote and pave the way for new and more efficient approaches to development aid.			
Project Purpose			
The project purpose is to ensure smooth and efficient implementation of the 10th EDF RIP while paving the way for new approaches to development aid.	<ul style="list-style-type: none"> • CROPS and PACP countries improved capacities to implement the aid in a more efficient way • At least 5 Pacific countries move from project approach to budget support (under the 11th EDF) 	<p>Rom reports NAO/RAO/EC records.</p> <p>Mid-term evaluation</p>	<p>EC continues to be committed to supporting Pacific ACP States;</p> <p>PIFS continues to operate effectively and the Secretary General remains mandated as the RAO</p>
Project Results			
<p>Result Area 1: Timely development of projects for funding under the 10th EDF Regional Indicative Programme and improved capacity building of regional organisations and other stakeholders to deliver and report on better and sustainable outcomes.</p>	<ul style="list-style-type: none"> • The RIP is 100% committed by year 2011 • Standard guidelines for evaluation, reporting and sustainability of programmes/projects are in place in all implementing agencies/bodies • Improved statistics available 	<p>NAO/RAO/EC Records</p> <p>CRIS</p> <p>Mid-term evaluation</p>	<p>Timely processing of project proposals and release of funding to support smooth implementation of EDF projects.</p>

<p>Result Area 2: Enhanced political dialogue between Pacific ACP States, CROPs, the RAO, the EU and other development partners on future development strategy and new implementation approaches in view of the possible 11th EDF programming and in the context of the EU-Pacific Joint Climate Change Initiative.</p>	<ul style="list-style-type: none"> • A protocol on pool funding or programming approach is agreed by all stakeholders • All CROP agencies harmonise their ways of working and approach donors in a coordinated manner 		<p>NAOs remain committed and continue to develop and strengthen their capacities; eligible applicants to implement regional projects continue to operate effectively.</p>
<p>Narrative Summary</p>	<p>Verifiable Indicators</p>	<p>Means of Verification</p>	<p>Assumptions</p>
<p>Project Results (continued)</p>			
<p>Result Area 3: Improved macroeconomic and public financial management capacity in Pacific ACP States to improve their ability to withstand economic shocks (e.g. the recent the financial crisis and economic downturn) and to improve their readiness for Budget Support.</p>	<ul style="list-style-type: none"> • At least five Pacific ACP States ready to move from project approach to budget support • Public finance management improved in 15 Pacific ACP States 	<p>PFTAC Steering Committee reports</p> <p>External evaluations of PFTAC</p>	<p>High commitment of Pacific ACP States to improve their public finance management systems and PIFS high commitment to progress on regional aid delivery mechanisms.</p>

Indicated Project Activities			
<p>1.1 Provide short to medium term experts to undertake studies and technical assistance missions as requested for the identification, formulation, evaluation, monitoring and auditing of programmes and projects financed by the EDF.</p> <p>1.2 Provide studies, technical assistance and programme related training activities in relation to the 10th EDF RIP focal sectors (Economic Integration and Sustainable Management of Natural resource and Environment) and non-focal sector (NSA programme).</p> <p>1.3 Participation/organisation to/of seminars, workshops designed to build a regional capacity on matters relating to aid effectiveness, best practices in financial management and procurement procedure, including capacity in the field of evaluation/reporting according to best practice and the sustainability of programmes and projects in general.</p> <p>1.4 Short-term/medium term experts to build CROP capacities in setting appropriate performance indicators, quantified baselines and targets and sustainable collection of data systems.</p> <p>1.5 Short-term/medium term experts to help improve regional statistics.</p> <p>2.1 Participation/organisation to/of regional workshops/seminars aiming at strengthening the cooperation between the Pacific ACP States, CROPs, NSA, the EC and other development partners.</p> <p>2.2 Provide short/medium term assistance with regard to the implementation of the aid effectiveness principles in view of the potential 11th EDF programming and within the context of the EU-Pacific Joint Climate Change Initiative.</p> <p>3.1 Providing a financial contribution to a regional body designated by the PACPs such as for instance the Pacific Financial Technical Assistance Centre (PFTAC) in order to, on the one hand prepare for Budget Support in as many P-ACPs as possible and on the other help the P-ACPs to respond to the financial crises and economic downturn and to reform their fiscal and monetary systems.</p>			

Attachment 2 – Indicative Calendar

Year	2011				2012				2013				2014			
Quarter	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
Key Result Area 1																
• Provide short to medium term experts to undertake studies and technical assistance missions as requested for the identification of programmes and projects.	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
• Participation/organisation to/of seminars and workshops designed to build a regional capacity on matters relating to the management of the RIP (rules and procedure, financial management, etc.), including capacity in the field of evaluation and the sustainability of programmes and projects	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
• Short to medium term assistance provided to implementing organisations with tender, contract procedures, evaluation, monitoring and audit where these are not provided for in the projects or where projects have been closed.	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
Key Result Area 2																
• Provide short term to medium term experts to enhance PIFS capacity to drive the dialogue between all regional development stakeholders on the future of aid development in the Pacific and to draft guidelines for pool funding or programming approach in view of the 11th EDF programming	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
• Participation/organisation to/of regional workshops/seminars aiming at strengthening the cooperation between the Pacific ACP States, CROPs, the EC and other development partners	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
Key Result Area 3																
• Improved macroeconomic and public financial management capacity in Pacific ACP States to improve their ability to withstand economic shocks (e.g. the recent the financial crisis and economic downturn) and to improve their readiness for Budget Support.	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
Annual Audit					X				X				X			X
Communications Activities	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
Visibility Activities	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X