FINANCING AGREEMENT

between

THE EUROPEAN UNION

and

THE PACIFIC ISLANDS FORUM SECRETARIAT

Strengthening Public Finance Management (PFM) and Governance in the Pacific Project
FINANCING AGREEMENT

SPECIAL CONDITIONS

The European Commission, hereinafter referred to as "the Commission", acting on behalf of the European Union, hereinafter referred to as "the EU",

of the one part, and

The Pacific Islands Forum Secretariat (PIFS) represented by the regional authorising officer, hereinafter referred to as "the Partner",

have agreed as follows:

Article 1 - Nature of the action

1.1. The EU agrees to finance and the Partner agrees to accept the financing of the following action:

"Strengthening PFM and Governance in the Pacific Project"
FED/2017/040-176

This action is financed from the 11th European Development Fund under the following basic act: ACP-EU Partnership Agreement.

1.2. The total estimated cost of this action is approximately EUR 34 000 000 and the EU contribution to this action is set at EUR 11 000 000.00.

1.3. The Partner shall not co-finance the action.

The part of the action implemented by the Pacific Financial Technical Assistance Centre (PFTAC) of the International Monetary Fund (IMF) is jointly co-financed by New Zealand, Australian Department of Foreign Affairs and Trade (DFAT), Korea, Asian Development Bank (ADB) and Pacific member states.

Article 2 – Execution period

2.1. The execution period of this Financing Agreement as defined in Article 15 of Annex II (General Conditions) shall commence on the entry into force of this Financing Agreement and end 84 months after this date.

2.2. The duration of the operational implementation phase is fixed at 60 months.
2.3. The duration of the closure phase is fixed at 24 months.

Article 3 – Addresses

All communications concerning the implementation of this Financing Agreement shall be in writing, shall refer expressly to this action as identified in Article 1.1 of these Special Conditions and shall be sent to the following addresses:

a) for the Commission

   Delegation of the European Union for the Pacific,
   Level 6, TappooCity Complex
   Corner of Scott & Usher Streets,
   Private Mail Bag, GPO,
   Suva, Fiji.

   Email: Delegation-Fiji@eeas.europa.eu

b) for the Partner

   The EDF Regional Authorising Officer
   Secretary General of the Pacific Islands Forum Secretariat,
   Pacific Islands Forum Secretariat (PIFS),
   Private Mail bag,
   Suva, the Republic of Fiji

Article 4 – OLAF contact point

The contact point of the Partner having the appropriate powers to cooperate directly with the European Anti-Fraud Office (OLAF) in order to facilitate OLAF's operational activities shall be PIFS Corporate Lawyer, Ms Nehla Basawaiya, nehla@forumsec.org, +679 322 0254, Pacific Islands Forum Secretariat (PIFS), Private Mail bag, Suva, the Republic of Fiji.

Article 5 - Annexes

5.1. This Financing Agreement is composed of:

   (a) these Special Conditions;

   (b) Annex I: Technical and Administrative Provisions, detailing the objectives, expected results, activities, description of the budget-implementation tasks entrusted and budget of this Action;

   (c) Annex II: General Conditions;

   (d) Annex III: Reporting Template - not applicable to and not included in this Financing Agreement

FA Special conditions PED/2017/040-176
(e) Annex IV: Management Declaration Template – not applicable to and not included in this Financing Agreement

5.2. In the event of a conflict between, on the one hand, the provisions of the Annexes and, on the other hand, the provisions of these Special Conditions, the latter shall take precedence. In the event of a conflict between, on the one hand, the provisions of Annex I (Technical and Administrative Provisions) and, on the other hand, the provisions of Annex II (General Conditions), the latter shall take precedence.

Article 6 – Provisions derogating from or supplementing Annex II (General Conditions)

6.1 Provisions of Article 20 and Article 21 of Annex II do not fall under the purview of PIFS' responsibility, but they shall remain under the competence of the Beneficiary host PIFS Member States. However, PIFS will facilitate the process.

6.2 Parts One and Two of Annex II are not applicable to this Financing Agreement.

6.3 Articles 18, 19, 25.3, 25.4 and 25.5 do not apply to those activities entrusted to an entity pursuant to Annex I under this Financing Agreement.

Article 7 – Entry into force

This Financing Agreement shall enter into force on the date on which it is signed by the last party.

Done in three original copies, two copies being handed to the Commission and one to the Partner.
FOR THE COMMISSION:

Name: Mr. Pierre Amithat
Function: Director, Asia, Central Asia, Middle East/Gulf and Pacific
Directorate-General for International Cooperation
And Development

Signature:

Place: Suva, Fiji
Date: 09 FEB 2018

FOR THE PARTNER:

Name: Dame Meg Taylor
Function: Secretary General of the Pacific
Regional Authorising Officer;
Islands Forum Secretariat

Signature:

Place: Suva, Fiji
Date: 09 FEB 2018

FA Special conditions PEO/2017/040-176
### Annex 1

**Technical and Administrative Provisions (TAPS)**

**Information for Potential Grant Applicants**

**Work Programme for Grants**

This document constitutes the work programme for grants in the sense of Article 128(1) of the Financial Regulation (Regulation (EU, Euratom) No 966/2012), applicable to the European Development Fund (EDF) by virtue of Article 37 of the Regulation (EU) No 322/2015 in the following sections concerning calls for proposals (none); and in the following sections concerning grants awarded directly without a call for proposals: 5.4.1.1 and 5.4.1.3(f)a.

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

15111 Public finances management

b) Main delivery channel

PIFS 47000
IMF 43000
UNDP 41114
USP 47099

8. Markers (from CRIS DAC form)

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<td>Gender equality (including Women In Development)</td>
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<td>Trade Development</td>
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</tr>
<tr>
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RIO Convention markers

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<tr>
<td>Climate change adaptation</td>
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9. Global Public Goods and Challenges (GPGC) thematic flagships

The proposed project is consistent with Human Development (especially in relation to enhancing education, knowledge and skills) which is an important thematic area of the GPGC programme. It also links to Flagship 10 Domestic Revenue Mobilisation (DRM) initiative for growth and development

10. Sustainable Development Goals (SDGs)

13 Climate Action; 16 Peace, justice and strong institutions; 17 Strengthen the means of implementation and revitalise the Global Partnership for Sustainable Development.
Summary

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

Its overall objective is to improve economic, governance and environmental performance of Pacific ACP states. The project’s purpose is to strengthen the PFM systems and governance of key domestic institutions of Pacific ACP states. A stronger PFM system will support effective accountability and transparency mechanisms for management and effective use of public and donor funds in the Pacific ACP states.

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

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

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

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

1.1 Objectives/results
Under the guidance of PIFS, the overall objective of the project is to improve economic, governance and environmental performance of Pacific ACP states. The project's purpose is to strengthen PFM systems and governance of key domestic institutions of Pacific ACP states. In order to achieve this purpose, the action focuses on three interlinked areas, i.e. on the achievement of the following specific objectives:

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

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

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

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

R1. Stronger laws and effective PFM institutions (KRA1);

R2. Improved coverage and quality of fiscal reporting (KRA1);

R3. Better climate change readiness of national governments (KRA1);

R4. Enhanced audit processes and ensure greater accountability of government finances (KRA2);

R5. Greater public confidence in PFM with greater CSO participation in PFM scrutiny (KRA3);

R6. Improved oversight of public spending in selected Pacific ACP states (KRA2/KRA3);

R7. Increased effectiveness and transparency of the budget process in parliaments (KRA3).

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

1.2 Main activities
The achievement of the outputs outlined in section 1.1 will entail the implementation of activities as listed below.

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

The corresponding activities will consist of, inter alia:

1. Specialised TA to PFM institutions on the effective use and implementation of laws, regulations, guidelines and templates for improving national PFM systems; TA on PFM Roadmaps, PEFAAs and national budgets with a focus on climate change finance;

2. Training and capacity building of government officials (e.g. accountants, budget analysts and auditors) in treasury management, accounting, coverage and quality of financial reporting and climate change finance, and/or budget officers and planners in procedures and techniques for preparing budgets and subsequently monitoring and
reporting on fiscal outcomes and fiscal risks. Possibly with certification/accreditation standards.

**KRA2: To enhance external audit and role of SAIs**

The corresponding activities will consist of, inter alia:

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

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

The corresponding activities will consist of, inter alia:

4. South-south meetings with Parliaments to exchange experiences (among e.g. MPs) on budgeting, audit processes and financial oversight and accountability while including CSOs to allow for increased CSO-engagement in the financial oversight and budget work of the Public Account Committees (or equivalent) in Parliaments.

5. Establishing enabling environments for civil society and community engagement in the selected countries through awareness raising, coalition building, trainings in social accountability approaches to improve citizen engagement with PFM processes.

6. TA to Parliaments and CSOs to emphasize the need for regular PAC meetings on the national budgets and external audit reports and raise interest for research units in Parliaments that can provide timely accessible citizen budgets and score cards.

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

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

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

1.3 Intervention logic

PIFS is the main coordinator and the EU will assist PIFS in this task. PFTAC will support Ministries of Finance/Economy, PASAI will support SAIs, and UNDP will support Parliament Committees and involve CSOs. USP will have the role of providing specialised training for the executive level from the Ministries of Finance/Economy. See appendix 2 that gives further details, as well as Table 5.6.

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

2 IMPLEMENTATION

2.1 Implementation modalities

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

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

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

(b) Justification of a direct grant
Under the responsibility of the Commission’s authorising officer responsible, the grant may be awarded without a call for proposals to the IMF/PFTAC.

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

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

(c) Eligibility conditions
The potential beneficiaries of the funding should be international organisations.

(d) Essential selection and award criteria
The essential selection criteria are the financial and operational capacity of the applicant.

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

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

In accordance with Articles 192 of Regulation (EU, Euratom) No 966/2012 applicable by virtue of Article 37 of (EU) regulation n° 323/2015 if full funding is essential for the action to be carried out, the maximum possible rate of co-financing may be increased up to 80%. The essentiality of full funding will be justified by the Commission’s authorising officer responsible in the award decision, in respect of the principles of equal treatment and sound PFM.

f) Indicative trimester to conclude the grant agreement:
The grant agreement is foreseen to be contracted during the course of the first semester of 2018.

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

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

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

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

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

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

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

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

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

The entrusted entities would carry out all the budget-implementation tasks under the delegated sections of this action, including carrying out procurement and grant-awarding procedures, signing and executing contracts, notably accepting deliverables, carrying out payments and recovering moneys due.
**Fall-back option – Grant to USP and multi-annual programme estimate to PIFS**

This fall back option applies if USP is not timely recognised as an international organisation before launching adoption by the Commission decision. The implementing modality 2.1.3 above would then be replaced by a direct award of grant to USP (refer to 2.1.3.A below) combined with an Indirect management with a regional organisation – Multi-annual Programme Estimate with PIFS (refer to 2.1.3.B below)

**Fall-back option 2.1.3.A - Grants: direct award (direct management) – Grant Agreement with USP**

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

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

*b) Justification of a direct grant*

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

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

*c) Eligibility conditions*

The potential beneficiaries of the funding should be Non-Governmental Organisations registered in countries eligible for the European Development Fund as defined in Article 20(9) Annex IV to ACP-EU Partnership Agreement (Cotonou) for EDF-ACP States.

*d) Essential selection and award criteria*

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

e) Maximum rate of co-financing

The maximum possible rate of co-financing for this grant is 80%.
In accordance with Articles 192 of Regulation (EU, Euratom) No 966/2012 applicable by virtue of Article 37 of (EU) regulation n° 323/2015 if full funding is essential for the action to be carried out, the maximum possible rate of co-financing may be increased up to 100%. The essentiality of full funding will be justified by the Commission’s authorising officer responsible in the award decision, in respect of the principles of equal treatment and sound financial management.

f) Indicative trimester to conclude the grant agreement

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

_Fall-back option 2.1.3.B - Indirect management with a regional organisation – Multi-annual Programme Estimate with PIFS_

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

The regional organisation will act as the contracting authority for the procurement and grant procedures. The Commission will control ex ante all the procurement procedures except in cases where programme estimates are applied, under which the Commission applies ex ante control for procurement contracts above EUR 100 000 and may apply ex post control for procurement contracts up to that threshold. The Commission will control ex ante the grant procedures for all grant contracts.

Payments are executed by the Commission except in cases where programmes estimates are applied, under which payments are executed by the regional organisation for ordinary operating costs, direct labour and contracts below EUR 300 000 for procurement and for grants.

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

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

In accordance with Article 190(2)(b) of Regulation (EU, Euratom) No 966/2012 and Article 262(3) of Delegated Regulation (EU) No 1268/2012 applicable by virtue of Article 36 of the Regulation (EU) 323/2015 and Article 19c(2) of Annex IV to the ACP-EU Partnership Agreement, where managing the imprest component of the programme estimate, the regional organisation shall apply the positively assessed procurement and grant rules of its own implementing body. These rules will be laid down in the financing agreement concluded with the regional organisation. In case the outcome of the assessment is negative, the partner country shall apply the Commission’s procurement and grant rules.
2.2 Scope of geographical eligibility for procurement and grants

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

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

2.3 Indicative budget

<table>
<thead>
<tr>
<th></th>
<th>EU contribution (amount in million, EUR)</th>
<th>Indicative third party contribution, in currency identified (amount in million, in EUR)</th>
</tr>
</thead>
<tbody>
<tr>
<td>KRA1 &quot;To strengthen national PFM systems in the countries of the region&quot;</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.1.1 Direct management – direct award of Grant Agreement to the IMF</td>
<td>6.0</td>
<td>23</td>
</tr>
<tr>
<td>2.1.3 Indirect Management - Pagoda Co-Delegation Agreement PIPS-USP</td>
<td>2.1</td>
<td>0</td>
</tr>
<tr>
<td>KRA2 &quot;To enhance external audit and role of SAIos&quot; and KRA3 &quot;To achieve greater public finance oversight and accountability roles of parliaments and engagement of civil society organisations&quot;</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.1.2 Indirect management with an international organisation – Pagoda Delegation Agreement with UNDP (KRA3), including around EUR 1.1 for PASAI (KRA2)</td>
<td>2.7</td>
<td>0</td>
</tr>
<tr>
<td>2.6 &amp; 2.7 Evaluation &amp; Audit (Direct management)</td>
<td>0.2</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>11.0</td>
<td>23</td>
</tr>
</tbody>
</table>

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

2.4 Organisational set-up and responsibilities

The day-to-day technical and financial management and administration of the action will be the responsibility of the respective Project Coordinators-Managers at IMF/PFTAC, USP, UNDP, PASAI and PIFS. They will be responsible for narrative and financial reporting, as well as for the collation and management of relevant documents and other preparation for

---

1 In case the fall-back option applies: Multi-annual Programme Estimate with PIFS with a financial allocation of EUR 0.9 million and direct grant to USP with a financial allocation of EUR 1.2 million for USP.
audits in line with the respective provisions of their contracts concluded between the Commission and the beneficiaries.

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

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

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

2.5 Performance monitoring and results reporting

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

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

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

2.6 Evaluation

Having regard to the nature of the action, a mid-term and final evaluation will be carried out for this action via independent consultants contracted by the Commission.
The mid-term evaluation will be carried out for learning purposes, in particular with respect to the cooperation and synergies of the implementing partners.

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

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

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

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

2.7 Audit

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

Indicatively, two contracts for audit services shall be concluded.

2.8 Communication and visibility

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

This action shall contain communication and visibility measures which shall be based on a specific Communication and Visibility Plan of the Action, to be elaborated at the start of implementation and supported with the budget indicated in section 2.3 above.

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

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

The communication and visibility activities will be implemented in coordination with one another under the Pagoda delegation agreement, grant agreements entrusted to IMF/PFTAC, UNDP, PASAI, USP and multi-annual programme estimate with PIFS.
The communication and visibility activities will be embedded within the individual contracts concluded.
## APPENDIX 1 - INDICATIVE LOGFRAME MATRIX FOR PROJECT MODALITY

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

<table>
<thead>
<tr>
<th>Results chain</th>
<th>Indicators</th>
<th>Baselines 2017</th>
<th>Targets 2022</th>
<th>Sources and means of verification</th>
<th>Assumptions</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Overall objective: Impact</strong></td>
<td><strong>OO. To improve economic, governance and environmental performance of Pacific ACP states</strong></td>
<td>Unweighted average of GDP per capita of the Pacific countries</td>
<td>4.106 US dollar per capita</td>
<td>Target will be identified during the inception phase</td>
<td>IMF World Economic Outlook; IMF Article IVs. See also attachment 8 of the AD</td>
</tr>
<tr>
<td><strong>Specific objectives: Outcomes</strong></td>
<td><strong>SO1 (KRA1). To strengthen national PFM systems in the countries of the region – PFTAC and USP</strong></td>
<td>Number of countries where overall PFM has improved *RIP**Level 2 EURF 14</td>
<td>1.1</td>
<td>1.1</td>
<td>1.1 PEFA assessments</td>
</tr>
<tr>
<td></td>
<td><strong>SO2 (KRA2). To enhance external audit and role of SAIs – PASAI</strong></td>
<td>Number of countries with performance indicator (PI)-31 (PEFA 2016 Framework) Audit reports regularly scrutinized in Parliaments, scored as B or above B *RIP**Level 2 EURF 14</td>
<td>2.1</td>
<td>2.1</td>
<td>2.1 PEFA reports Tabled reports Hansard Records Media coverage</td>
</tr>
<tr>
<td></td>
<td><strong>SO3 (KRA3). To achieve greater public finance oversight and accountability roles of parliaments, including civil society organisations – UNDP and PASAI</strong></td>
<td>Number of countries with indicator PI-27 (PEFA 2016, legislative scrutiny of the annual budget law) flagged as B or above B. *RIP**Level 2 EURF 14</td>
<td>3.1</td>
<td>3.1</td>
<td>3.1 PEFA assessments</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Level of civil society participation in public finance oversight *RIP</td>
<td>3.2</td>
<td>3.2</td>
<td>National statistics, Open Budget Survey</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Lack of civil society participation in public finance oversight</td>
<td>3.2</td>
<td>3.2</td>
<td>Civil society participation improved</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Civil society participation improved</td>
<td>3.2</td>
<td>3.2</td>
<td></td>
</tr>
<tr>
<td>Outputs</td>
<td>Indicators</td>
<td>Baselines 2017</td>
<td>Targets 2022</td>
<td>Sources and means of verification</td>
<td>Assumptions</td>
</tr>
<tr>
<td>---------</td>
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<td>-------------</td>
</tr>
<tr>
<td>R1: Stronger laws and effective PFM Institutions – PFTAC and USP (related to KRAJ)</td>
<td>1.1.1 Status of the PFM laws and capacity of PFM institutions</td>
<td>1.1.1 Limited or weak PFM laws and PFM roadmaps</td>
<td>1.1.1 PFM laws and roadmaps developed, operational and/or strengthened</td>
<td>1.1.1 Completed PEFA assessments and PFM reform roadmaps, and update of relevant PFM legal frameworks where appropriate</td>
<td>Stability of governments and properly functioning Parliamentary sessions</td>
</tr>
<tr>
<td>R2: Improved coverage and quality of fiscal reporting – PFTAC and USP (related to KRAJ)</td>
<td>2.1.1 Number of PEFA 2016 Framework Indicators scored as B or better in the region (PI-4, PI-27, PI-28, PI-29) *RIP **Level 2 EURF 14</td>
<td>2.1.1 13 scores of B or better for indicators PI-5, PI-22, PI-24, PI-25 (PEFA 2011 framework. (Baseline is the average of the last PEFA conducted in each Pacific country since 2005, including self-assessments.)</td>
<td>2.1.1 &gt;30 scores of B or better for indicators PI-4, PI-27, PI-28, PI-29</td>
<td>2.1.1 PEFA reports</td>
<td></td>
</tr>
<tr>
<td>R3: Better climate change readiness (related to KRAJ)</td>
<td>3.1.1 References to climate change &amp; finance in public documents</td>
<td>3.1.1 Limited (Fiji mentions &quot;climate change &amp; finance&quot; in Budget 2017)</td>
<td>3.1.1 Enhanced narratives on climate change &amp; finance in all countries</td>
<td>3.1.1 PFM Roadmaps PEFA assessments National Budgets</td>
<td></td>
</tr>
<tr>
<td>R4: Enhanced audit processes to ensure greater accountability of government finances – PASAI (related to KRAJ)</td>
<td>4.1.1 Status of public finance audit standards, quality management and public finance audit process *RIP</td>
<td>4.1.1 Low standards and limited definition of processes</td>
<td>4.1.1 Standards and processes in place and operational</td>
<td>4.1.1 Detailed PASAI reports</td>
<td>PAC’s audit institutions and sectoral ministries have regular coordination.</td>
</tr>
<tr>
<td>Results chain</td>
<td>Indicators</td>
<td>Baselines 2017</td>
<td>Targets 2022</td>
<td>Sources and means of verification</td>
<td>Assumptions</td>
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<tr>
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</tr>
<tr>
<td>R5 Greater public confidence in PFM with greater CSO participation in PFM scrutiny. – UNDP and PASAI (related to KRA3)</td>
<td>5.1.1 Number of CSO-led financial management projects (incl. citizen budget and score cards) *RIP</td>
<td>5.1.1 0</td>
<td>5.1.1 7</td>
<td>PASAI 10-year Strategic Plan 2014-2024 (refer SP 2D1), PEFAs CSO / Community input indicators</td>
<td>CSO’s receive guidelines and capacity development.</td>
</tr>
<tr>
<td>R6 Improved oversight of public spending in selected Pacific ACP states. – UNDP (related to KRA3)</td>
<td>6.1.1 Number of PICs meeting regularly and tabling reports in Parliament *RIP</td>
<td>6.1.1 To be confirmed in 2017 survey</td>
<td>6.1.1 To be confirmed after the 2017 survey</td>
<td>Parliament Hansard reports</td>
<td>PAC’s receive in-country TA. Political situation in countries allows for regular PAC meetings.</td>
</tr>
<tr>
<td>R7 Increased effectiveness and transparency of the budget process in parliaments. – UNDP (related to KRA3)</td>
<td>7.1.1 Number of Parliaments that provide research budget analysis to Member of Parliaments (MPs) *RIP</td>
<td>7.1.1 1 (Fiji)</td>
<td>7.1.1 6</td>
<td>Budget analysis reports provided by Parliaments. MPs’ workshop reports</td>
<td>Parliaments rules allow for sufficient time between budget being tabled and budget being debates to allow for basic analysis.</td>
</tr>
</tbody>
</table>

Note: O=Overall objective; S=Specific objective; R=Result/Result 1 etcetera.

* Corresponding to indicators in RIR 2014-2020 “progress in PEFAs assessments and implementation of budget reform processes” and/or “enhance transparency and accountability of PFM”

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

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

PIFS (coordinator)
- will convene and co-chair the quarterly PSC with involvement of other partners (DEAT, etc.)
- will organise and host regional workshops on PFM, supported by the EU, each 18 months, to discuss the development, results, gaps and synergies of the different activities and have policy dialogues with the member countries
- will have a co-delegation with USP (option 1) or a multi-annual programme estimate (fall-back option)

EU Delegation (donor)
- will help organising PIFS and co-chair the quarterly PSC
- will organise the regional workshops on PFM with PIFS
- will manage the grant to IME/PFTAC and possibly the grant to USP (fall-back option)
- will perform the evaluation & audit
- will continue its Budget Support operations incl. PFM in eight PICs
- will keep close contact with PASAI

UNDP (implementer)
KRA1: To strengthen national PFM systems in the countries of the region
IMF/PFTAC (implementer)
- will deliver on-demand specialised technical assistance to PICs on PEFAs, PFM Roadmaps, MTEFS, DRM, tax reform, macro-economic forecasting, statistics
USP (implementer)
- will set up a certified specialised curriculum in PFM via its campuses in the PICs, aiming at the executive level of the Ministries of Finance/Economy (or alike)

KRA2: To enhance external audit and role of SAIs
PASAI (implementer)
- will work with its members (SAIs) to strengthen external audit
- will keep close contact with the EU on the individual countries where the EU performs budget support

KRA3: To achieve greater public financial oversight and accountability roles of parliaments and engagement of civil society organisations
- will work with Parliaments in south-south on their oversight function (such as increase transparency and efficiency across the budget cycle involving CSOs, citizens budgets)
- will manage the contract with PASAI

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

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Full Form</th>
</tr>
</thead>
<tbody>
<tr>
<td>ACP</td>
<td>Africa, Caribbean, Pacific</td>
</tr>
<tr>
<td>ADB</td>
<td>Asian Development Bank</td>
</tr>
<tr>
<td>CROP</td>
<td>Council of Regional Organisations in the Pacific</td>
</tr>
<tr>
<td>CSO</td>
<td>Civil Society Organisation</td>
</tr>
<tr>
<td>DPAT</td>
<td>Australia Department of Foreign Affairs and Trade</td>
</tr>
<tr>
<td>DMRO</td>
<td>Duty Mandated Regional Organisation</td>
</tr>
<tr>
<td>DRM</td>
<td>Domestic Revenue Mobilisation</td>
</tr>
<tr>
<td>EU</td>
<td>European Union</td>
</tr>
<tr>
<td>EUR</td>
<td>Euro (currency euro area)</td>
</tr>
<tr>
<td>FEMM</td>
<td>Forum Economic Ministers' Meeting</td>
</tr>
<tr>
<td>FoBS</td>
<td>(Pacific) Friends of Budget Support</td>
</tr>
<tr>
<td>GPGC</td>
<td>Global Public Goods and Challenges (EU policy document)</td>
</tr>
<tr>
<td>IMF</td>
<td>International Monetary Fund</td>
</tr>
<tr>
<td>IPSAS</td>
<td>International Public Sector Accounting Standards</td>
</tr>
<tr>
<td>KRA</td>
<td>Key result area</td>
</tr>
<tr>
<td>MEI</td>
<td>Main Economic Indicators</td>
</tr>
<tr>
<td>MFAT</td>
<td>New Zealand Ministry of Foreign Affairs and Trade</td>
</tr>
<tr>
<td>MTBF</td>
<td>Medium-Term Expenditure Framework</td>
</tr>
<tr>
<td>OO, SO, OJ</td>
<td>Overall objective, Specific objective, Output/Result</td>
</tr>
<tr>
<td>PAC</td>
<td>Public Accounts Committee</td>
</tr>
<tr>
<td>Pagoda</td>
<td>Pillar-Assessed Grant Agreement or Delegation Agreement — There are seven pillars: (1) internal control (2) accounting (3) independent external audit (4) procedures and rules for grants (5) procedures and rules for procurement and (6) procedures and rules for financial instruments (7) procedures and rules for sub-delegation</td>
</tr>
<tr>
<td>PASAI</td>
<td>Pacific Association of Supreme Audit Institutions</td>
</tr>
<tr>
<td>PEFA</td>
<td>Public Expenditure and Financial Accountability</td>
</tr>
<tr>
<td>PFM</td>
<td>Public Finance Management</td>
</tr>
<tr>
<td>PFTAC</td>
<td>Pacific Financial/Technical Assistance Centre (associated with the IMF)</td>
</tr>
<tr>
<td>PI-x</td>
<td>Performance Indicator number x (related to PEFA)</td>
</tr>
<tr>
<td>PIC</td>
<td>Pacific Islands Country</td>
</tr>
<tr>
<td>PIFS</td>
<td>Pacific Islands Forum Secretariat</td>
</tr>
<tr>
<td>PSC</td>
<td>Project Steering Committee</td>
</tr>
<tr>
<td>RAO</td>
<td>Regional Authorising Officer</td>
</tr>
<tr>
<td>RSC</td>
<td>Regional Steering Committee</td>
</tr>
<tr>
<td>RIP</td>
<td>EU-PIFS Regional Indicative Program 2014-2020 (also known as PRIP)</td>
</tr>
<tr>
<td>SAI</td>
<td>Supreme Audit Institution</td>
</tr>
<tr>
<td>SC</td>
<td>Steering Committee</td>
</tr>
<tr>
<td>SDG</td>
<td>Sustainable Development Goal</td>
</tr>
<tr>
<td>TA</td>
<td>Technical Assistance</td>
</tr>
<tr>
<td>UNDP</td>
<td>United Nations Development Programme</td>
</tr>
<tr>
<td>USP</td>
<td>University of the South Pacific</td>
</tr>
</tbody>
</table>
ANNEX II - GENERAL CONDITIONS

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Part One: Provisions Applicable to Activities for which the Partner is the Contracting Authority

Article 1 - General principles

1.1 The purpose of Part One is to define the tasks entrusted to the Partner in indirect management as described in Annex I (Technical and Administrative Provisions) and to define the rights and
obligations of the Partner and of the Commission in carrying out those tasks.

Part One shall apply to the tasks related to the EU contribution alone or in combination with the funds of the Partner or of a third party where such funds are implemented in joint co-financing, i.e. where they are pooled.

These tasks encompass the implementation by the Partner as contracting authority of procurement and grant award procedures, and the awarding, signing and enforcing the resulting procurement and grant contracts.

The designation of entities pertaining to the Partner's government or administrative structure and identified in Annex I (Technical and Administrative Provisions) to carry out certain tasks, does not qualify as sub-delegation. Such entities shall respect the rights and obligations laid down in Part One for the Partner as contracting authorities, while at the same time the Partner remains fully responsible for the fulfilment of the obligations stipulated in this Financing Agreement. References in the Financing Agreement to Partner also encompass those entities.

As contracting authority, the Partner shall act under Partial delegation, unless if it acts under the Imprest component of a programme estimate or under a Partner managed Pool fund:

- Under Partial delegation, the Partner acts as contracting authority for procurement contracts and grant contracts, whereby the Commission controls ex ante all award procedures and executes all related payments to the contractors and grant beneficiaries;

- Under the Imprest component of a programme estimate, the Partner acts as contracting authority for procurement and grant contracts, whereby it may, up to established thresholds, conduct procurement and grant award procedures without or with limited ex ante control of the Commission and execute payments to the contractors and grant beneficiaries, as well as in the context of direct labour.

- Under a Partner managed Pool fund, the Partner acts as contracting authority for procurement contracts and grant contracts, whereby the Commission does not control ex ante any award procedure and the Partner executes all related payments to the contractors and grant beneficiaries.

Where the Partner is an ACP State and the action is financed by the EDF pursuant to Article 1.1 of the Special Conditions, the tasks entrusted shall be those listed in points (c) to (k) of the sixth subparagraph of Article 35(1) and in Article 35(2) of Annex IV to the ACP-EC Partnership Agreement.

Where the Partner is an OCT and the action is financed by the EDF pursuant to Article 1.1 of the Special Conditions, the implementation of tasks entrusted shall also respect the conditions of Article 86(3) of Council Decision 2013/755/EU of 25 November 2013 on the association of the overseas countries and territories with the European Union (Overseas Association Decision).

1.2 The Partner shall remain responsible for the fulfilment of the obligations stipulated in this

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Financing Agreement even if it designates other entities identified in Annex I (Technical and Administrative Provisions) to carry out certain tasks. The Commission, in particular, reserves the right to suspend payments, and to suspend and/or terminate this Financing Agreement on the basis of the acts, omissions and/or situations of any designated entity.

1.3 The Partner shall set up and ensure the functioning of an effective and efficient internal control system. The Partner shall respect the principles of sound financial management, transparency and non-discrimination and avoid situations of conflict of interest.

A conflict of interest exists where the impartial and objective exercise of the functions of any responsible person is compromised for reasons involving family, emotional life, political or national affinity, economic interest or any other shared interest with a tenderer or applicant, or contractor or grant beneficiary.

Internal control system is a process aimed at providing reasonable assurance that operations are effective, efficient and economical, that the reporting is reliable, that assets and information are safeguarded, that fraud and irregularities are prevented, detected and corrected, and that risks relating to the legality and regularity of the financial operation are adequately managed, taking into account the multiannual character of the activities as well as the nature of the payments concerned.

In particular, where the Partner carries out payments under the Imprest component of a programme estimate or in the framework of a Pool Fund managed by the Partner, the functions of the authorising and accounting officers shall be segregated and mutually incompatible and the Partner shall operate an accounting system that provides accurate, complete, reliable and timely information.

1.4 Outside the cases where the Partner applies its own (including in the case of a Pool Fund, those agreed upon by the Pool Fund's donors) procedures and standard documents for the award of procurement contracts and grant contracts, the Partner shall conduct the award procedures and conclude the resulting contracts and agreements in the language of this Financing Agreement.

1.5 The Partner shall take the necessary measures to ensure the visibility of EU funding for the activities entrusted to it or for other activities under this action. These measures shall either be defined in Annex I (Technical and Administrative Provisions) or shall be agreed later between the Partner and the Commission.

These communication and information measures shall comply with the Communications and Visibility Manual for EU External Actions laid down and published by the Commission, in force at the time of the measures.

1.6 Under Partial delegation and under the Imprest component of a programme estimate, the Partner shall keep all relevant financial and contractual supporting documents from the date of the entry into force of this Financing Agreement or as from an earlier date which is stipulated as the start date of cost eligibility in Article 6 of the Special Conditions for five years as from the end of the execution period, in particular, the following:

Procurement procedures:
a. Forecast notice with proof of publication of the procurement notice and any corrigenda
b. Appointment of shortlist panel
c. Shortlist report (incl. annexes) and applications
d. Proof of publication of the shortlist notice
e. Letters to non-shortlisted candidates
f. Invitation to tender or equivalent
g. Tender dossier including annexes, clarifications, minutes of the meetings, proof of publication
h. Appointment of the evaluation committee
i. Tender opening report, including annexes
j. Evaluation / negotiation report, including annexes and bids received
k. Notification letter
l. Supporting documents
m. Cover letter for submission of contract
n. Letters to unsuccessful candidates
o. Award / cancellation notice, including proof of publication
p. Signed contracts, amendments, riders and relevant correspondence

Calls for proposals and direct award of grants:

a. Appointment of the evaluation committee
b. Opening and administrative report including annexes and applications received

c. Letters to successful and unsuccessful applicants following concept note evaluation
d. Concept note evaluation report
e. Evaluation report of the full application or negotiation report with relevant annexes
f. Eligibility check and supporting documents
g. Letters to successful and unsuccessful applicants with approved reserve list following full application evaluation
h. Cover letter for submission of grant contract
1. Award/cancellation notice with proof of publication
j. Signed contracts, amendments, riders and relevant correspondence.

1 Elimination of unsuccessful bids five years after the closure of the procurement procedure
2 Elimination of unsuccessful applications three years after the closure of the grant procedure.
1.7 The Partner shall ensure an appropriate protection of personal data. Personal data means any information relating to an identified or identifiable natural person. Any operation involving the processing of personal data, such as collection, recording, organisation, storage, adaptation or alteration, retrieval, consultation, use, disclosure, erasure or destruction, shall be based on rules and procedures of the Partner and shall only be done as far as it is necessary for the implementation of this Financing Agreement.

In particular, the Partner shall take appropriate technical and organisational security measures concerning the risks inherent in any such operation and the nature of the information relating to the natural person concerned, in order to:

a) Prevent any unauthorised person from gaining access to computer systems performing such operations, and especially unauthorised reading, copying, alteration or removal of storage media; unauthorised data input as well as any unauthorised disclosure, alteration or erasure of stored information;

b) Ensure that authorised users of an IT system performing such operations can access only the information to which their access right refers;

c) Design its organisational structure in such a way that it meets the above requirements.

Article 2 - Deadline for the signature of contracts and agreements by the Partner

2.1 The procurement contracts and grant contracts shall be signed during the operational implementation phase of this Financing Agreement.

When implementing a multi-donor Action, the procurement contracts and grant contracts shall be concluded within the contracting deadline set out in the Special Conditions or set out for the imprest component of the programme estimate.

When the Action is not a multi-donor Action, procurement contracts and grant contracts shall be concluded at the latest within three years of the entry into force of this Financing Agreement.

Additional procurement contracts and grant contracts resulting from an amendment of this Financing Agreement which adds new activities and increases the EU contribution, shall be signed at the latest within three years of the entry into force of that amendment of this Financing Agreement, or for a multi-donor Action within the fixed contracting deadline.

The three years-deadline for non-multi-donor Actions may not be extended, except when the action is financed by the EDF. In such cases, the extension shall be stipulated in Article 6 of the Special Conditions.

2.2 However, the following transactions may be signed at any time during the operational implementation phase:

a. amendments to procurement contracts and grant contracts already signed;

b. individual procurement contracts to be concluded after early termination of existing procurement contracts;

c. contracts relating to audit and evaluation, which may also be signed during the closure
2.3 After expiry of the deadlines referred to in Article 2.1, the financial balance for the related activities entrusted to the Partner for which contracts have not been duly signed shall be decommitted by the Commission.

2.4 No such decommitment shall apply to the funds budgeted for audit and evaluations referred to in Article 2.2.e) or the operating costs referred to in Article 2.2.d).

Likewise, no such decommitment shall apply to any financial balance of the contingency reserve or to funds available again after early termination of a contract referred to in Article 2.2.b), which both may be used to finance contracts referred to in Article 2.2.

Article 3 – Exclusion and administrative sanctions

3.1 Exclusion criteria

3.1.1 When applying the procedures and standard documents laid down and published by the Commission for the award of procurement and grant contracts, the Partner shall accordingly ensure:

- that a procurement or grant contract for a given EU financed procurement or grant procedure is not awarded to an economic operator or grant applicant who
  a) has misrepresented the information required as a condition of participation in the procedure or has failed to supply that information;
  b) was previously involved in the preparation of procurement documents where this entails a distortion of competition that cannot be remedied otherwise.

- that no EU financed procurement or grant contract is awarded to an economic operator or grant applicant who either itself, or a person having powers of representation, decision making or control over it,
  a) is bankrupt, subject to insolvency or winding-up procedures or in any analogous situation arising from a similar procedure provided for under national laws or regulations;
  b) is by final judgment or final administrative decision declared to be in breach of its obligations relating to the payment of taxes or social security contributions.
  c) is by final judgment or final administrative decision declared to be guilty of grave professional misconduct;
  d) is by final judgment declared to be guilty of fraud, corruption, participation in a criminal organisation, money laundering, terrorist-related offences, child labour or trafficking in human beings;
  e) has shown significant deficiencies in complying with main obligations in the performance of an EU financed contract;
  f) is by final judgment or final administrative decision declared to have committed an irregularity affecting the EU’s financial interest.
3.1.2 When applying its own (including, in the case of a Pool Fund, those agreed upon by the Pool Fund’s donors) procedures and standard documents for the award of procurement and grant contracts, the Partner shall adopt measures, in accordance with its own national legislation, to ensure that no EU financed procurement or grant contract is awarded to an economic operator or grant applicant who is in one of the situations referred to in Article 3.1.1, 1st indent, a), Article 3.1.1, 2nd indent, d) and Article 3.1.1, 2nd indent, f).

The Partner may take into account, as appropriate and on its own responsibility, the information contained in the Commission's Early Detection and Exclusion System when awarding procurement and grant contracts. Access to the information can be provided through the liaison point(s) or via consultation to the Commission (European Commission, Directorate-General for Budget, Accounting Officer of the Commission, BREP-13/505, B-1049 Brussels, Belgium and by email to BUDG-CO1-EXCL-DB@ec.europa.eu in copy to the Commission address identified in Article 3 of the Special Conditions). The Commission may refuse payments to a contractor or grant beneficiary in an exclusion situation.

3.2 Information duty

The Partner shall inform the Commission when an economic operator or grant applicant is in a situation referred to in Article 3.1, or has committed irregularities and fraud, or has been found in serious breach of its contractual obligations.

3.3 Administrative sanctions

Where the Partner becomes aware of one of the situations referred to in Article 3.1 in the implementation of the tasks described in Annex I, the Partner shall, under the conditions of its national legislation, impose upon the economic operator or grant applicant, an exclusion from its future procurement or grant award procedures and/or a financial penalty proportional to the value of the contract concerned. Such financial penalties or exclusions shall be imposed following an adversarial procedure ensuring the right of defence of the person concerned.

With respect to the first paragraph, the Partner is considered in failure to act, among others, where:

- the Partner's national legislation does not allow to impose an exclusion and/or a financial penalty,
- the protection of the EU's financial interests requires to impose an administrative sanction within deadlines incompatible with the Partner's internal procedures,
- the imposition of an administrative sanction requires a mobilisation of resources beyond the Partner's means,
- its national legislation does not allow to exclude an economic operator from all EU financed award procedures.

In case of such failures, the Partner will notify its impediment to the Commission. The Commission may decide to impose an exclusion from future EU financed award procedures and/or a financial penalty between 2% and 10% of the total value of the contract concerned.
Article 4 - Partial delegation

Award procedures

4.1 The tasks shall be carried out by the Partner in accordance with the procedures and standard documents laid down and published by the Commission for the award of procurement contracts and grant contracts, in force at the time of the launch of the procedure in question.

Ex ante control

4.2 To allow ex ante control, the Partner shall submit tender dossiers and documents for calls for proposals, to the Commission for approval before launching invitations to tender and calls for proposals. Likewise, the Partner shall invite the Commission to the opening of tenders and proposals, and shall provide the Commission with copies of tenders and proposals received. The Partner shall notify the Commission of the results of the examination of tenders and proposals and shall submit the award proposal, as well as the draft procurement contracts and grant contracts to the Commission for approval.

During the implementation of the procurement contracts and grant contracts, the Partner shall equally submit draft addenda and draft administrative orders thereto, to the Commission for prior approval.

The Partner shall invite the Commission for provisional and final acceptance.

Report

4.3 If Article 5 of the Special Conditions so provides, the report on the implementation of the tasks entrusted to the Partner shall follow the template provided in Annex III and the management declaration shall follow the template provided in Annex IV. An independent external audit opinion on the management declaration, performed in accordance with internationally accepted auditing standards, does not have to be provided in this case as the Commission shall conduct the audits for this action. These audits will verify the truthfulness of the assertions made in the management declaration and the legality and regularity of the underlying transactions made.

Payment procedures

4.4 The Partner shall provide the Commission with the approved payment requests within the following deadlines, starting from the date of receipt of the payment request, not counting the periods of suspension of the time-limit for payment:

(a) for pre-financing specified in the procurement contract and grant contract:
   (i) 15 calendar days for an action financed under the Budget;
   (ii) 30 calendar days for an action financed under the EDF;

b) 45 calendar days for other payments

The Commission shall act in accordance with Articles 4.9 and 4.10 within the period amounting to the time-limit for payment provided for in the procurement contract and grant contracts minus the above deadlines.

4.5 Upon receipt of a payment request from a contractor or grant beneficiary, the Partner shall
inform the Commission of its receipt and shall immediately examine whether the request is admissible, i.e. whether it contains the identification of that contractor or grant beneficiary, the contract or agreement concerned, the amount, the currency and the date. If the Partner concludes that the request is inadmissible, it shall reject it and inform the contractor or grant beneficiary of this rejection and of its reasons within 30 days of receipt of the request. The Partner shall also inform the Commission of this rejection and its reasons.

4.6 Upon receipt of an admissible payment request, the Partner shall examine whether a payment is due, i.e. whether all contractual obligations justifying the payment have been fulfilled, including examining a report, where applicable. If the Partner concludes that a payment is not due, it shall inform the contractor or grant beneficiary thereof and of the reasons. The dispatch of this information suspends the time-limit for payment. The Commission shall receive a copy of the information so dispatched. The Commission shall also be informed of the reply or corrective action of the contractor or grant beneficiary. That reply or action aimed at correcting the non-compliance with its contractual obligations shall restart the time-limit for payment. The Partner shall examine this reply or action pursuant to this paragraph.

4.7 If the Commission disagrees with the Partner's conclusion that a payment is not due, it shall inform the Partner thereof. The Partner shall re-examine its positions and, if it concludes that the payment is due, it shall inform thereof the contractor or grant beneficiary. The suspension of the time-limit for payment shall be lifted upon dispatch of this information. The Partner shall also inform the Commission. The Partner shall further proceed as provided for in Article 4.8.

If disagreement between the Partner and the Commission persists, the Commission may pay the undisputed part of the invoiced amount provided that it is clearly separable from the disputed amount. It shall inform the Partner and the contractor or grant beneficiary of this partial payment.

4.8 Where the Partner concludes that the payment is due, it shall transfer the payment request and all necessary accompanying documents to the Commission for approval and payment. It shall provide an overview of how many days of the time-limit for payment are left and of all periods of suspension of this time-limit.

4.9 After transfer of the payment request pursuant to Article 4.8, if the Commission concludes that the payment is not due, it shall inform the Partner and, in copy, the contractor or grant beneficiary thereof and of the reasons. Informing the contractor or grant beneficiary shall have the effect of suspending the time-limit for payment, as provided for in the contract concluded. A reply or corrective action of the contractor or grant beneficiary shall be treated by the Partner in accordance with Article 4.6.

4.10 Where the Partner and the Commission conclude that the payment is due, the Commission shall execute the payment.

4.11 Where late-payment interest is due to the contractor or grant beneficiary, it shall be allocated between the Partner and the Commission pro rata to the days of delay in excess of the time limits stipulated in Article 4.4, subject to the following:
the number of days used by the Partner is calculated from the date of the registration of an admissible payment request referred to in Article 4.6 to the date of the transfer of the request to the Commission referred to in Article 4.8 and from the date of information by the Commission referred to Article 4.9 to the following transfer of the request to the Commission referred to in Article 4.8. Any period of suspension of the time-limit for payment shall be deducted.

the number of days used by the Commission is calculated from the date following that of transfer of the request by the Partner referred to in Article 4.8 to the date of payment and from the date of transfer to the date of informing the Partner pursuant to Article 4.9.

4.12 Any circumstances unforeseen by the above procedure shall be solved in a spirit of cooperation between the Partner and the Commission by analogy to the above provisions while respecting the contractual relations of the Partner with the contractor or grant beneficiary.

Where feasible, one party shall cooperate at the request of the other party in providing useful information for the assessment of the payment request, even before the payment request is formally transferred to or returned from the first party.

4.13 A procurement contract or grant contract which has not given rise to any payment within two years of its signature shall be automatically terminated and its funding shall be decommitted, except in case of litigation before judicial courts or arbitral bodies.

Article 5 - Imprest component of the programme estimate

Application

5.1 The programme estimate is a document laying down the programme of activities to be carried out and the human and material resources required, the corresponding budget and the detailed technical and administrative implementing arrangements for the execution of these operational activities over the operational implementation phase of this Financing Agreement.

The programme estimate implementing the Financing Agreement must respect the procedures and standard documents concerning programme estimates laid down by the Commission, in force at the time of the adoption of the programme estimate in question.

The body implementing those operational activities within the programme estimate, may be the central government of the Partner itself (central operations) or a commissioned public law or private law body with a public-service mission (public commissioned operations) or, under EDF only, a private law body without a public-service mission on the basis of a service contract (private commissioned operations).

The programme estimate shall have an Imprest component and may have a component of specific commitments.

Under the component of specific commitments, Article 4 shall apply.

Under the Imprest component of the programme estimate, the implementing body may, up to
established thresholds, conduct procurement and grant award procedures without or with limited ex ante control of the Commission and execute payments to the contractors and grant beneficiaries, as well as in the context of direct labour.

Direct labour relates to the operational activities which the implementing body executes directly using staff it employs and/or its existing resources (machinery, equipment, other inputs).

The operating costs incurred by the implementing body may be eligible for EU financing under the Imprest component of the programme estimate. If so, they shall be eligible for EU financing during the entire duration of the execution period of this Financing Agreement, unless an earlier start of cost eligibility is stipulated in Article 6 of the Special Conditions. Operating costs are costs of the implementing body incurred in carrying out implementation tasks and include local staff, utilities (e.g. water, gas, and electricity), rental of premises, consumables, maintenance, short-term business trips and fuel for vehicles. They shall not include procurement of vehicles or of any other equipment, or any operational activity. Such ordinary operating costs may be charged and paid in accordance with the implementing body's own procedures.

**Award procedures**

5.2 Under the Imprest component of the programme estimate, the implementing body may carry out, totally or partially, the award procedures for procurement and grant contracts in accordance with its own procedures and standard documents, to the extent that prior evidence is obtained by the Commission that the Partner's implementing body:

- ensures the functioning of an effective and efficient internal control system, and
- applies appropriate rules and procedures for procurement and/or grants.

To the extent that no such evidence is obtained, the award procedures for procurement and grant contracts shall be carried out by the implementing body in accordance with the procedures and standard documents laid down and published by the Commission, in force at the time of the launch of the procedure in question.

**Ex ante control**

5.3 Under the Imprest component, unless the Technical and Administrative Arrangements of the programme estimate stipulate otherwise, the implementing body shall submit to the Commission for prior approval, the tender dossiers and proposals for award decision of procurement contracts whose value exceeds 100,000 EUR, as well as all guidelines for applications and proposals for award decisions of grant contracts, which follow the procedures and standard documents laid down and published by the Commission.

In addition to the record-keeping obligations laid down in Article 1.6 of these General Conditions, the Partner shall, during the same period, keep all relevant financial and contractual supporting documents.

**Management declaration**

5.4 The Partner shall submit to the Commission annually, by the date stipulated in Article 6 of the
Special Conditions, a management declaration signed by the Partner using the template in Annex IV.

An independent external audit opinion on the management declaration, performed in accordance with internationally accepted auditing standards, does not have to be provided in this case as the Commission shall conduct the audits for this action. These audits will verify the truthfulness of the assertions made in the management declaration and the legality and regularity of the underlying transactions made.

Payments

5.5 The Commission shall transfer the first pre-financing instalment, upon signature of the programme estimate by all parties, within 60 calendar days where the programme estimate is financed by the EDF and 30 calendar days where it is financed from the EU Budget,

The Commission shall pay the further pre-financing instalments within 60 calendar days of receiving and approving the payment request and its reports.

Late-payment interest shall be due pursuant to the applicable Financial Regulation. The time-limit for the payment may be suspended by the Commission by informing the Partner, at any time during the period referred to above, that the payment request cannot be met, either because the amount is not due or because the appropriate supporting documents have not been produced. If information which puts in doubt the eligibility of expenditure appearing in a payment request comes to the notice of the Commission, the Commission may suspend the time-limit for the payment for the purpose of further verification, including an on-the-spot check, in order to ascertain, prior to payment, that the expenditure is indeed eligible. The suspension and the reasons for it shall be communicated to the Partner as soon as possible. The time-limit for the payment shall resume once the missing supporting documents have been provided or the payment request has been corrected.

5.6 The Commission shall make payments to a bank account opened at a financial institution accepted by the Commission.

5.7 The Partner shall guarantee that funds paid by the Commission can be identified in this bank account.

5.8 Transfers in euro shall, if necessary, be converted into the Partner's national currency as and when payments have to be made by the Partner, at the bank rate in force on the day of payment by the Partner.

5.9 The Imprest component of the programme estimate which has not given rise to any payment to the Partner within two years of the conclusion of the programme estimate shall be automatically terminated, and its funding shall be decommitted. For actions financed under the EDF, an extension of that deadline may be stipulated in Article 6 of the Special Conditions.
Article 6 – Pool Fund managed by the Partner

Application

6.1 The Partner managing a Pool Fund, may be eligible for an EU Contribution to that Pool Fund, to the extent that prior evidence is obtained by the Commission that the managing entity within the Partner:

- ensures the functioning of an effective and efficient internal control system,
- uses an accounting system that provides accurate, complete and reliable information in a timely manner;
- is subject to an independent external audit, performed in accordance with internationally accepted auditing standards by an audit service functionally independent of the entity or person concerned;
- applies appropriate rules and procedures for procurement and grants;
- ensures the ex post publication of information on recipients; and
- ensures a reasonable protection of personal data.

Award procedures

6.2 Under the EU Contribution to a Partner managed Pool Fund, the managing entity within the Partner shall carry out the tasks in accordance with its own procedures and standard documents for the award of procurement and grant contracts, or with those agreed upon among the donors.

Implementation

6.3 In the case of an EU Contribution to a Partner managed Pool Fund, in addition to the rights and obligations already laid down in these General Conditions, further rules detailed in Annex V to the Financing Agreement shall apply to the Partner for the implementation of the EU Contribution to the Pool Fund.

Article 7 - Publication of information on procurement and grant contracts by the Partner

7.1 The Partner undertakes to publish each year in a dedicated and easily accessible place of its internet site, for each procurement and grant contract for which it is contracting authority under the Imprést Component of the programme estimate referred to in Article 5 and the Pool Funds referred to in Article 6, its nature and purpose, the name and locality of the contractor (contractors in case of a consortium) or grant beneficiary (grant beneficiaries in case of a multi-beneficiary grant), as well as the amount of the contract.

The locality of a natural person shall be a region at NUTS2 level. The locality of a legal person shall be its address.
If such internet publication is impossible, the information shall be published by any other appropriate means, including the official journal of the Partner.

Article 6 of the Special Conditions shall stipulate the location, on the internet or otherwise, of the place of publication; reference shall be made to this location in the dedicated place of the internet site of the Commission.

7.2 Scholarships and direct financial support to natural persons most in need shall be published anonymously and in an accumulated manner by category of expenditure.

Otherwise, names of natural persons shall be replaced by "natural person" two years after publication. The name of a legal entity containing that of a natural person involved in this entity shall be treated as a natural person's name.

Publication of names of natural persons shall be waived if such publication risks violating their fundamental rights or damaging their commercial interests.

The Partner shall present a list of data to be published on natural persons with any justifications for proposed waivers of publication to the Commission which must grant prior authorisation to this list. Where necessary, the Commission shall complete the locality of the natural person limited to a region at NUTS2 level.

7.3 Publication of the procurement and grant contracts concluded (i.e. signed by the Partner and the contractor or grant beneficiary) during the reporting period shall take place within six months following the date for submitting the report pursuant to Article 6 of Special Conditions.

7.4 Publication of contracts may be waived if such publication risks harming the commercial interests of contractors or grant beneficiaries. The Partner shall present a list with such justifications to the Commission which must grant prior authorisation to such publication waiver.

7.5 Where the Commission carries out payments to contractors or grant beneficiaries pursuant to Article 4, it shall ensure the publication of information on procurement contracts and grant contracts according to its rules.

Article 8 - Recovery of funds

8.1 The Partner shall take any appropriate measures to recover the funds unduly paid.

Amounts unduly paid and recovered by the Partner, amounts from financial guarantees lodged on the basis of procurement and grant award procedures, amounts from financial penalties imposed by the Partner, as well as damages awarded to the Partner shall be returned to the Commission.

8.2 Without prejudice to the above responsibility of the Partner to recover funds unduly paid, the Partner agrees that the Commission may, in accordance with the provisions of the Financial Regulation applicable and this Financing Agreement, formally establish an amount as being unduly paid under procurement contracts and grant contracts financed under Part One and proceed to its recovery by any means on behalf of the Partner, including by offsetting the
amount owed by the contractor or grant beneficiary against any of its claims against the EU and by forced recovery before the competent courts.

8.3 To this end, the Partner shall provide to the Commission all the documentation and information necessary. The Partner hereby empowers the Commission to carry out the recovery in particular by calling on a guarantee of a contractor or grant beneficiary of which the Partner is the contracting authority or by offsetting the funds to be recovered against any amounts owed to the contractor or grant beneficiary by the Partner as contracting authority and financed by the EU under this or another Financing Agreement or by forced recovery before the competent courts.

8.4 The Commission shall inform the Partner that the recovery proceedings have been initiated (including where necessary before a national court).

8.5 Where the Partner is a grant beneficiary, subdelegatee or implementing partner of an entity with which the Commission concluded a delegation agreement, the Commission may recover funds from the Partner which are due to the entity but which the entity was not able to recover itself.

Article 9 - Financial claims under contracts and agreements

The Partner undertakes to confer with the Commission before taking any decision concerning a request for compensation made by a contractor or grant beneficiary and considered by the Partner 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 authorisation. Such prior authorisation is also required for any use of funds committed under the present Financing Agreement to cover costs arising from disputes relating to contracts or agreements.

Article 10 - Cost overruns and ways of financing them

10.1 Individual overruns of the budget headings of the activities implemented by the Partner shall be dealt with by reallocating funds within the overall budget, in accordance with Article 25 of these General Conditions.

10.2 Wherever there is a risk of overrunning the amount foreseen for the activity implemented by the Partner, the Partner shall immediately inform the Commission and seek its prior authorisation for the corrective activities planned to cover the overrun, proposing either to scale down the activities or to draw on its own or other non-EU resources.

10.3 If the activities cannot be scaled down, or if the overrun cannot be covered either by the Partner's own resources or other resources, the Commission may, at the Partner's duly substantiated request, decide to grant additional EU financing. Should the Commission 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. This Financing Agreement shall be amended accordingly.
Part Two: Provisions Applicable to Budget Support

Article 11 - Policy dialogue

The Partner and the EU commit to engage in a regular constructive dialogue at the appropriate level on the implementation of this Financing Agreement.

Where the Partner is an ACP State and this action is financed under the EDF pursuant to Article 1.1 of the Special Conditions, this dialogue may form a part of the broader political dialogue provided for in Article 8 of the ACP-EC Partnership Agreement.

Article 12 - Verification of conditions and disbursement

12.1. The Commission shall verify the conditions for the payment of the tranches of the budget support component, as identified in Annex I (Technical and Administrative Provisions).

Where the Commission concludes that the conditions for payment are not fulfilled, it shall inform the Partner thereof without undue delay.

12.2. Disbursement requests submitted by the Partner shall be eligible for EU financing provided that they are in accordance with the provisions set out in Annex I (Technical and Administrative Provisions) and that they are submitted during the operational implementation phase.

12.3. The Partner shall apply its national foreign exchange regulations in a nondiscriminatory manner to all disbursements of the budget support component.

12.4 If no payment to the Partner is made within two years of the entry into force of this Financing Agreement, its budget support component shall be automatically terminated and its funding shall be decommitted. For actions financed under the EDF, an extension of that deadline may be stipulated in Article 6 of the Special Conditions.

Article 13 - Transparency of budget support

The Partner hereby agrees to the publication by the Commission, of this Financing Agreement and any amendment thereof, including by electronic means, and of such basic information on the budget support which the Commission deems appropriate. Such publication shall not contain any data in violation of the EU laws applicable to the protection of personal data.

Article 14 - Recovery of budget support

All or part of the budget support disbursements may be recovered by the Commission, with due respect to the principle of proportionality, if the Commission establishes that payment has been vitiated by a serious irregularity attributable to the Partner, in particular if the Partner provided unreliable or incorrect information, or if corruption or fraud was involved.
Part Three: Provisions Applicable to this Action as a Whole, 
Irrespective of the Management Mode

Article 15 - Execution period and contracting deadline

15.1 The execution period of this Financing Agreement shall comprise two phases:

- an operational implementation phase, in which the operational activities of the action are
  carried out. This phase shall start on the entry into force of this Financing Agreement or on
  the date stipulated in the Special Conditions and end with the opening of the closure phase.

- a closure phase, during which final audit and evaluation are carried out and contracts and the
  programme estimate for the implementation of this Financing Agreement are technically and
  financially closed. The duration of this phase is stipulated in Article 2.3 of the Special
  Conditions. It starts after the end of the operational implementation phase.

These periods shall be reflected in the agreements to be concluded by the Partner and by the
Commission in the implementation of this Financing Agreement, in particular in delegation
agreements and procurement and grant contracts.

15.2 Costs related to the operational activities shall be eligible for EU financing only if they have
been incurred during the operational implementation phase; the costs incurred before the entry
into force of this Financing Agreement shall not be eligible for EU financing unless provided
otherwise in Article 6 of the Special Conditions. Costs related to final audits and evaluation,
to closure activities and operating costs referred to in Article 5.1 shall be eligible until the end
of the closure phase.

15.3 Any balance remaining from the EU contribution shall be automatically decommitted no later
than six months after the end of the execution period.

15.4 In exceptional and duly substantiated cases, a request may be made for the extension of the
operational implementation phase or the closure phase, as well as correlative of the
execution period. If agreed upon, the Financing Agreement shall be amended accordingly.

15.5 Article 2 of these General Conditions shall apply to procurement contracts and grant contracts
awarded by the Commission as contracting authority (direct management) with the exception
of the last subparagraph of Article 2.1.

Delegation Agreements concluded by the Commission are subject to a different contracting
deadline set out by the EU Financial Regulation. If after expiry of that deadline, the related
funds are to be de-committed, the Commission will duly inform the Partner thereof.

Article 16 - Verifications and checks by the Commission, the European Anti-Fraud Office
(OLAF) and the European Court of Auditors

16.1 The Partner shall assist and support the verifications and checks carried out by the
Commission, OLAF and the European Court of Auditors at their request.

The Partner agrees to the Commission, OLAF and the European Court of Auditors conducting
documentary and on-the-spot controls on the use made of EU financing under the activities under this Financing Agreement 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 activities, throughout the duration of this Financing Agreement and for five years from the end of the execution period.

16.2 The Partner 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 EU's financial interests against fraud and other irregularities.

To that end, the Partner shall 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 this 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 Partner being bound to inform the Commission, OLAF or the European Court of Auditors of the exact location at which they are kept.

16.3 The checks and audits described above shall also apply to contractors, grant beneficiaries and subcontractors who have received EU financing.

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

Article 17 - Tasks of the Partner in fighting irregularities, fraud and corruption

17.1 The Partner shall immediately inform the Commission of any element brought to its attention which arouses suspicions of irregularities, fraud or corruption and of any measure taken or planned to deal with them.

17.2 The Partner shall ensure and check regularly that the actions financed from the budget are effectively carried out and implemented correctly. It shall take appropriate measures to prevent, detect and correct irregularities and fraud and where necessary, bring prosecutions and recover funds unduly paid.

"Irregularity" shall mean any infringement of this Financing Agreement, implementing contracts and programme estimate or of EU law resulting from an act or omission by anyone who has, or would have, the effect of prejudicing the funds of the EU, either by reducing or losing revenue owed to 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 the EDF;