

COPY

Agreement N° R04-PALOP/FED/021-719

FINANCING AGREEMENT
between
THE EUROPEAN COMMISSION
and
THE FIVE PORTUGUESE-SPEAKING COUNTRIES
OF AFRICA (PALOP)¹ AND TIMOR-LESTE

***Project for Strengthening technical and functional skills of
Supreme Audit Institutions (SAIs), National Parliaments
and Civil Society for the control of public finances
in the PALOP countries and Timor-Leste***

EDF X

¹ Angola, Cape Verde, Guinea Bissau, Mozambique, São Tomé and Príncipe.



FINANCING AGREEMENT

Special Conditions

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

of the one part, and

the five Portuguese-speaking countries of Africa (PALOP)² and Timor-Leste, represented by the National Authorising Officer of Cape Verde, hereinafter referred to as "**the Beneficiary**",

of the other part,

have agreed as follows:

ARTICLE 1 - NATURE AND PURPOSE OF THE OPERATION

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

CRIS decision number: R04-PALOP/FED021-719

Title: Project for Strengthening technical and functional skills of Supreme Audit Institutions (SAIs), National Parliaments and Civil Society for the control of public finances in the PALOP and Timor-Leste

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

1.2 This project shall be implemented in accordance with this Financing Agreement and the annexes thereto.

² Under current circumstances in Guinea Bissau, basic conditions enabling a context suitable to the implementation of PALOP-TL cooperation programmes in the framework of the 10th EDF and to the attainment of their expected results are not fulfilled, due to the lack of a democratically elected President and Government. As stated in the Dili Declaration, adopted by the NAO of PALOP-TL at their 9th meeting in Dili on 28 February 2013, Guinea Bissau will not be in a position to benefit from PALOP-TL cooperation until Constitutional order is restored and civil-military relations comply with the precepts of democracy. Therefore, in accordance with the EU position, until a legitimate Government is in place following appropriate legislative and presidential elections, the country will not benefit from any institutional support.

ARTICLE 2 – TOTAL ESTIMATED COST AND THE EDF FINANCIAL CONTRIBUTION

2.1 The total cost of the project is estimated at EUR 6 500 000.

2.2 The EU undertakes to finance a maximum of EUR 6 500 000. The breakdown of the EDF financial contribution into budget headings is shown in the budget included in the Technical and Administrative Provisions.

ARTICLE 3 - THE BENEFICIARY'S CONTRIBUTION

3.1 The Beneficiary undertakes to co-finance the project with zero euro. The breakdown of the Beneficiary's financial contribution into budget headings is shown in the budget included in the Technical and Administrative Provisions.

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

ARTICLE 4 – IMPLEMENTATION

4.1 By derogation to Article 3 of the General Conditions, the project shall be implemented by the Commission acting for and on behalf of the Beneficiary.

4.2 The following clauses of the General Conditions shall not be applicable: Articles 1.3, 5, 6, 7, 8.2, 8.3,11, 16.2,17, 19.4, 20.6, 22.3, 22.4 and 22.6.

4.3 The following clauses of the General Conditions shall be replaced by the following:

4.3.1 Article 2.2: Wherever there is a risk of overrunning the global amount set in the Financing Agreement, the Commission may either scale down the project or draw on the Beneficiary's own resources, after its approval, or on other non-EDF resources.

4.3.2 Article 2.3: If the project/programme cannot be scaled down, or if the overrun cannot be covered by other resources including those of the Beneficiary, the Commission may decide to grant additional EDF financing. Should it take such a decision, the excess costs shall be financed, without prejudice to the relevant EU rules and procedures, by the release of an additional financial contribution to be set by the Commission.

4.3.3 Article 18.1: Every project financed by the EDF shall be the subject of appropriate communication and information operations. These operations shall be defined with the approval of the Commission.

4.3.4 Article 19.1: The Beneficiary shall take appropriate measures to prevent irregularities and fraud and, on request of the Commission, bring prosecutions to recover funds wrongly paid. The Beneficiary shall inform the Commission of any measure taken.

4.3.5 Article 19.3: The Beneficiary shall immediately inform the Commission of any element brought to its attention which arouses suspicions of irregularities or fraud.

ARTICLE 5 – PERIOD OF EXECUTION

5.1 The period of execution of the Financing Agreement, as defined in Article 4 of the General Conditions, shall commence on the entry into force of the Financing Agreement and end 60 months after this date.

5.2 The duration of the operational implementation phase is fixed at 36 months.

5.3 The duration of the closure phase is fixed at 24 months.

ARTICLE 6 - PAYING AGENT

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

ARTICLE 7 - ADDRESSES

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

a) **for the Commission**

the Head of the Delegation of the European Union
Praia, Cape Verde

b) **for the Beneficiary**

the Minister of Foreign Affairs, Cooperation and Communities
National Authorising Officer
Praia, Cape Verde

ARTICLE 8 - ANNEXES

8.1 The following documents shall be annexed to this Financing Agreement and form an integral part thereof:

Annex I: General Conditions

Annex II: Technical and Administrative Provisions

8.2 In the event of a conflict between the provisions of the Annexes and those of the Special Conditions of the Financing Agreement, the provisions of the Special Conditions shall take precedence. In the event of a conflict between the provisions of Annex I and those of Annex II, the provisions of Annex I shall take precedence.

ARTICLE 9 - OTHER SPECIAL CONDITIONS APPLYING TO THE PROJECT

9.1 The General Conditions are supplemented by:

9.1.1 Article 8 .1 shall be supplemented by the following paragraph:

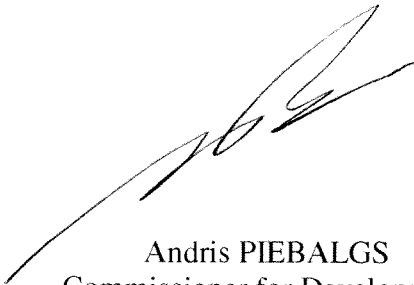
For the components of this Financing Agreement implemented under Joint Management or Indirect Centralised Management the procedures of the delegated body will apply.

ARTICLE 10 – ENTRY INTO FORCE OF THE FINANCING AGREEMENT

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

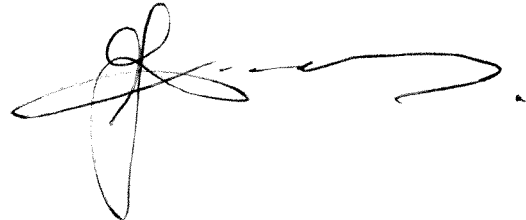
Done at Brussels on 11 December 2013 in two original copies in the English language, one copy being handed to the Commission and one to the Beneficiary.

FOR THE COMMISSION



Andris PIEBALGS
Commissioner for Development

FOR THE BENEFICIARY



Maria de Jesus MASCARENHAS
Head of Mission of the Republic
of Cape Verde to the EU



Francesca MOSCA
Authorising Officer of the EDF
by sub-delegation

ANNEX I - GENERAL CONDITIONS

TITLE I - PROJECT/PROGRAMME FINANCING

ARTICLE 1 – GENERAL PRINCIPLE

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

ARTICLE 2 - COST OVERRUNS AND COVERING THEM

- 2.1 Individual overruns of the budget headings of the Financing Agreement are dealt with by reallocating funds within this budget, in accordance with Article 22 of these General Conditions.
- 2.2 Wherever there is a risk of overrunning the global amount set in the Financing Agreement, the Beneficiary shall immediately inform the Commission and seek its prior approval for the corrective measures planned to cover the overrun, proposing either to scale down the project/programme or to draw on its own or other non-EDF resources.
- 2.3 If the project/programme cannot be scaled down, or if the overrun cannot be covered either by the Beneficiary's own resources or other resources, the Commission may, at the Beneficiary's duly substantiated request, decide to grant additional EDF 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.

TITLE II - IMPLEMENTATION

ARTICLE 3 – GENERAL PRINCIPLE

The project/programme shall be implemented under the responsibility of the Beneficiary with the approval of the Commission.

ARTICLE 4 - PERIOD OF EXECUTION

- 4.1 The period of execution of the Financing Agreement shall comprise two phases:
- an operational implementation phase, in which the principal activities are carried out. This phase shall commence on the entry into force of the Financing Agreement and end with the opening of the closure phase;
 - a closure phase, during which final audits and evaluation are carried out and contracts and programme estimates for the implementation of the Financing Agreement are technically and financially closed. This phase shall end at the latest 24 months after the end of the operational implementation phase.
- 4.2 Costs related to the principal activities shall be eligible for EDF financing only if they have been incurred during the operational implementation phase. Costs related to final audits and evaluation and closure activities shall be eligible up to the end of the closure phase.
- 4.3 Any balance remaining from the EDF contribution will be automatically decommitted no later than six months after the end of the period of execution.
- 4.4 In exceptional and duly substantiated cases, a request may be made for the extension of the operational implementation phase and correlatively of the period of execution. If the extension is requested by the Beneficiary, the request must be made at least three months before the end of the operational implementation phase and approved by the Commission before that latter date.
- 4.5 In exceptional and duly substantiated cases, and after the end of the operational implementation phase, a request may be made for the extension of the closure phase and correlatively of the period of execution. If the extension is requested by the Beneficiary, the request must be made at least three months before the end of the closure phase and approved by the Commission before that latter date.

TITLE III – PAYMENTS TO BE MADE BY THE COMMISSION TO THIRD PARTIES

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

- 5.1 When the Commission is making payments related to contracts implementing the Financing Agreement and awarded by the Beneficiary, the Beneficiary shall undertake to provide the Commission with the payment request or invoice not later than:
- (i) for procurement contracts, 45 calendar days after registering an admissible payment request;
 - (ii) for grant contracts, (a) 15 calendar days for the initial pre-financing, (b) 30 calendar days for further pre-financing / balance payments; both before the expiry of the payment deadline specified in the contract.

The Beneficiary shall notify the Commission of the date of registration of this request. The payment request is not admissible if at least one essential requirement is not met. The time limit for payments may be suspended at any time by the Commission by informing the Beneficiary that the payment request can not be met, either because the amount is not due or because the appropriate supporting documents have not been produced. If information 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 payment for the purpose of further verification, including an on-spot check, in order to ascertain, prior to payment, that the expenditure is indeed eligible. The Commission shall inform the Beneficiary as soon as possible.

5.2 a) For procurement contracts:

The deadline referred to in paragraph 5.1 shall also apply when payment is conditional on approval of a report. In this case, the request for payment can be considered admissible but the time limit for payment shall begin only when the Beneficiary has approved the report, either expressly, by notifying the contractor, or tacitly, by allowing the contractual deadline for approval to expire without sending the contractor a document formally suspending that deadline. The Beneficiary shall notify the Commission of the date of approval of the report.

b) For grant contracts:

The deadline referred to in paragraph 5.1 shall also apply when payment is conditional on approval of a report. The approval of any report is included in the payment deadline specified in the contract. To this end, the Beneficiary has to approve the report and provide the Commission with the payment request or invoice within the deadline set above in article 5.1. When the Beneficiary does not approve the report, he shall send, as soon as possible, to the contractor or grant beneficiary a document formally suspending the deadline for payment and explaining the reasons for suspension. Suspension is effective from the sending of the notification. The contractor or grant beneficiary must provide clarifications, modifications or further information within 30 days of the notification. The time limit for payment begins to run again from the date on which the clarifications are registered.

5.3 In the event of any delay in forwarding payment requests attributable to the Beneficiary, the Commission shall not be obliged to pay the contractor the late-payment interest provided for in contracts, which will be payable by the Beneficiary. The contractor is entitled to payment of late-payment interest, unless he is a government department or public body in an EU Member State.

TITLE IV – PAYMENTS TO BE MADE BY THE BENEFICIARY TO THIRD PARTIES AND DISBURSEMENT TO BE MADE BY THE COMMISSION THROUGH PROGRAMME ESTIMATES

ARTICLE 6 – GENERAL PRINCIPLE

- 6.1 When the Beneficiary is making payments to third parties, programme estimates must be drawn up and adopted beforehand.
- 6.2 The programme estimate is a document laying down the programme of measures to be carried out and the human and material resources required, the corresponding budget and the detailed technical and administrative implementing arrangements for decentralised execution of a project/programme over a specified period by direct labour and/or by means of public procurement and/or the award of grants.
- 6.3. All programme estimates implementing the Financing Agreement must respect the procedures and standard documents laid down by the Commission, in force at the time of the adoption of the programme estimates in question.

ARTICLE 7 - DISBURSEMENT

- 7.1 The Commission shall transfer funds no later than 45 calendar days after the date on which it registers an admissible payment request from the Beneficiary. The payment request is not admissible if at least one essential requirement is not met. The time limit for payments may be suspended by the Commission by informing the Beneficiary, at any time during the period referred to above, that the payment request can not be met, either because the amount is not due or because the appropriate supporting documents have not been produced. If information 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 payment for the purpose of further verification, including an on-spot check, in order to ascertain, prior to payment, that the expenditure is indeed eligible. The suspension shall be communicated to the Beneficiary as soon as possible. The time limit for payment shall resume once the payment request becomes admissible.
- 7.2 The Commission shall make payments to a bank account opened at a financial institution accepted by the Commission.
- 7.3 The Beneficiary shall guarantee that funds paid by the Commission by way of pre-financing can be identified in this bank account.
- 7.4 Transfers in euro shall, if necessary, be converted into the Beneficiary's national currency as and when payments have to be made by the Beneficiary, at the bank rate in force on the day of payment by the Beneficiary.
- 7.5 The funds paid by the Commission to this bank account shall yield interest or equivalent benefits. The Beneficiary shall notify the Commission of interest or equivalent benefits yielded by those funds at least once a year.
- 7.6 Interest or equivalent benefits yielded by the funds paid of more than two hundred fifty thousand euro shall be repaid to the Commission within 45 days of receipt of the Commission's request.
- 7.7 For a programme estimate which has not given rise to any transfer of funds within three years of its signature, the corresponding committed amount shall be decommitted.

TITLE V – AWARD OF PROCUREMENT AND GRANT CONTRACTS

ARTICLE 8 – GENERAL PRINCIPLES

- 8.1 All contracts implementing the Financing Agreement must be awarded and implemented in accordance with the procedures and standard documents laid down and published by the Commission for the award of procurement and grant contracts, in force at the time of the launch of the procedure in question.
- 8.2 The Beneficiary shall use the language of this Financing Agreement for the award of procurement and grant contracts.
- 8.3 In cases of decentralised contracts, the Beneficiary will inform the Commission when a candidate, tenderer or applicant is in a situation of exclusion from participation in award procedures according to the relevant provisions of the Financial Regulation applicable to the European Development Fund or when contractor has been guilty of making false declarations or has made substantial errors or committed irregularities and fraud, or has been found in serious breach of its contractual obligations.

In such cases, without prejudice to the power of the Commission to exclude an entity from future procurement and grant contracts financed by the EU according to the Financial Regulation applicable to the general budget of the European Union, financial penalties to contractors mentioned in the provision on "Administrative and Financial Penalties" of the General Conditions of decentralised contracts may be imposed to the contractors by the Beneficiary if this is allowed by its national law. Such financial penalties shall be imposed following an adversarial procedure and ensuring the right of defence of the contractor.

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

ARTICLE 9 - DEADLINE FOR THE SIGNATURE OF THE CONTRACTS AND PROGRAMME ESTIMATES IMPLEMENTING THE FINANCING AGREEMENT

- 9.1 Except for those components of this Financial Agreement implemented under Joint Management or Indirect centralised management, the contracts and programme estimates implementing the Financing Agreement shall be signed by both parties within three years of the entry into force of the Financing Agreement. That deadline may not be extended.
- 9.2 The above provision shall not apply to:
- audit and evaluation contracts, which may be signed later,
 - addenda to contracts already signed;
 - contracts concluded after early termination of an existing contract and
 - cases of change of entity charged with budget execution tasks
- 9.3 At the end of the three years of the entry into force of the Financing Agreement, any balance for which contracts have not been signed, except those referred to in Article 9.2 here above, will be decommitted.
- 9.4 The above provision shall not apply to any balance of the contingency reserve.
- 9.5 A contract or programme estimate which has not given rise to any payment within three years of its signature shall be automatically terminated and its funding shall be decommitted.

ARTICLE 10 - ELIGIBILITY

- 10.1 (Applicable to the ACPs) Participation in invitations to tender for works, supply or service contracts and in calls for proposals shall be open on equal terms to all natural and legal persons of the Member States of the EU and of the African, Caribbean and Pacific (ACP) States, and in the specific cases and under the conditions provided in Annex IV to the ACP-EC Partnership Agreement to natural and legal persons of other third countries.
- (Applicable to the OCTs) Participation in invitations to tender for works, supply or service contracts and in calls for proposals shall be open on equal terms to all natural and legal persons of the Member States of the EU, of the ACP States and of the overseas countries and territories (OCTs).
- 10.2 Goods and supplies financed by the EDF and necessary for the performance of works, supply and service contracts and procurement procedures launched by the grant beneficiaries for the execution of the action financed must originate in countries eligible to participate in the terms laid down in the previous paragraph, (applicable to the ACPs) except in the specific cases provided in Annex IV to the ACP-EC Partnership Agreement. In this context, the definition of the concept of "originating products" shall be assessed by reference to the relevant international agreements, and supplies originating in the EU shall include supplies originating in the OCTs.

ARTICLE 11 - PUBLICATION OF INFORMATION

- 11.1 The Beneficiary undertakes to publish each year in a dedicated and easily accessible place of its internet site the title of each contract financed by the Financing Agreement, the name and nationality of the grant beneficiary or successful tenderer as well as the amount of the corresponding grant or contract.
- 11.2. If such internet publication is impossible, the information shall be published by any other appropriate means, including the official journal of the Beneficiary. Publication shall take place during the first half of the year following the closure of the year in respect of which the contracts and grants were awarded by the Beneficiary. The Beneficiary shall communicate to the Commission the address of the place of publication and reference shall be made to this address in the dedicated place of the internet site of EuropeAid. If the information is published otherwise, the Beneficiary shall give the Commission full details of the means used.

TITLE VI - RULES APPLICABLE TO THE PERFORMANCE OF CONTRACTS

ARTICLE 12 - ESTABLISHMENT AND RIGHT OF RESIDENCE

- 12.1 Where justified by the nature of the contract, the Beneficiary shall entitle natural and legal persons participating in invitations to tender for works, supply or service contracts with a provisional right of establishment and residence in the Beneficiary's territory(ies). This right shall remain valid for one month after the contract is awarded.
- 12.2 The Beneficiary shall, also entitle contractors (procurement and grant contracts) and natural persons whose services are required for the performance of the contract and members of their family, with similar rights during the implementation of the project/programme.

ARTICLE 13 - TAX AND CUSTOMS PROVISIONS

- 13.1 The Beneficiary shall apply to procurement contracts and grants financed by the EDF the most-favoured tax and customs arrangements applied to States or international development organisations with which it has relations. For the purpose of determining the most-favoured-State treatment, account shall not be taken of arrangements applied by the Beneficiary to the other ACP States or to other developing countries.
- 13.2 Where a Framework Agreement is applicable, which includes more detailed provisions on this subject, these provisions shall apply as well.

ARTICLE 14 - FOREIGN EXCHANGE ARRANGEMENTS

- 14.1 The Beneficiary undertakes to authorise the import or purchase of the foreign currency necessary for the implementation of the project. It also undertakes to apply its national foreign exchange regulations in a non-discriminatory manner to the contractors allowed to participate referred to in Article 10 of these General Conditions.
- 14.2 Where a Framework Agreement is applicable, which includes more detailed provisions on this subject, these provisions shall apply as well.

ARTICLE 15 – USE OF DATA FROM STUDIES

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

ARTICLE 16 - ALLOCATIONS OF AMOUNTS RECOVERED UNDER CONTRACTS

- 16.1 Without prejudice to the responsibilities of the Beneficiary, the Commission may, in accordance with the relevant provisions of Financial Regulation applicable to the 10th European Development Fund, formally establish an amount as being receivable under a contract financed under this Financing Agreement and proceed to its recovery by any means.
- 16.2 Amounts recovered by the Beneficiary from payments wrongly effected, from financial guarantees lodged on the basis of procedures of award of contracts or under a contract financed under this Financing Agreement, as well as from financial penalties imposed by the Beneficiary on candidate, tenderer, contractor or grant beneficiary, shall be allocated to this project/programme. The damages granted to the Beneficiary shall also be allocated to this project/programme.

ARTICLE 17 - FINANCIAL CLAIMS UNDER CONTRACTS

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

TITLE VII - GENERAL AND FINAL PROVISIONS

ARTICLE 18 – VISIBILITY

- 18.1 Every project/programme financed by the EDF shall be subject to the appropriate communication and information measures. Unless otherwise agreed, the Beneficiary shall take the necessary measures to ensure the visibility of the EU funding for the project/programme. These measures shall be defined under the responsibility of the Beneficiary with the approval of the Commission.
- 18.2 These communication and information operations must follow the rules in the Communications and Visibility Manual for EU External Actions laid down and published by the Commission, in force at the time of the measures..

ARTICLE 19 – PREVENTION OF IRREGULARITIES, FRAUD AND CORRUPTION

- 19.1 The Beneficiary undertakes to check regularly that the operations financed with the EDF funds have been properly implemented. It shall take appropriate

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

19.2 "Irregularity" shall mean any infringement of the Financing Agreement, implementing contracts and programme estimates or of EU law resulting from an act or omission by an economic operator, which has, or would have, the effect of prejudicing the EDF either by reducing or losing revenue accruing from own resources collected directly on behalf of the EU, or by an unjustified item of expenditure.

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

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

19.3 The Beneficiary shall immediately inform the Commission of any element brought to its attention which arouses suspicions of irregularities or fraud and of any measure taken to deal with them.

19.4 As stated in article 8.3, in cases of decentralised contracts, the Beneficiary will inform the Commission when a contractor has been guilty of making false declarations or has made substantial errors or committed irregularities and fraud, or has been found in serious breach of its contractual obligations.

Without prejudice to the power of the Commission to exclude a natural or legal person from future procurement and grant contracts financed by the EU according to the relevant provisions applicable to the European Development Fund (EDF), financial penalties to contractors mentioned in the provision on "Administrative and Financial Penalties" of the General Conditions of decentralised contracts may be imposed to contractors by the Beneficiary if this is allowed by its national law. Such financial penalties shall be imposed, following an adversarial procedure and ensuring the right of defence of the contractor.

19.5 The Beneficiary shall immediately inform the Commission of the name of the economic operators whom have been the subject of a judgment which has the force of res judicata for fraud, corruption, involvement in a criminal organisation or any other illegal activity detrimental to the EU's financial interests.

19.6 The Beneficiary undertakes to take every appropriate measure to remedy any practices of active or passive corruption whatsoever in the implementation of the related contracts. Definitions in Article 8.3 apply herein

If the Beneficiary does not take the appropriate measures to remedy any practices of corruption or fraud mentioned under this article, the Commission

may adopt itself such measures including the recovery of the EU funding by any means.

ARTICLE 20 - VERIFICATIONS AND CHECKS BY THE COMMISSION, THE EUROPEAN ANTI-FRAUD OFFICE (OLAF) AND THE EUROPEAN COURT OF AUDITORS

- 20.1 The Beneficiary agrees to the Commission, OLAF and the European Court of Auditors conducting documentary and on-the-spot checks on the use made of EDF funding under the Financing Agreement (including procedures for the award of contracts and grants) and carrying out a full audit, if necessary, on the basis of supporting documents of accounts and accounting documents and any other documents relating to the financing of the project/programme, throughout the duration of the agreement and for seven years after the date of the last payment.
- 20.2 The Beneficiary also agrees that OLAF may carry out on-the-spot checks and verifications in accordance with the procedures laid down by EU law for the protection of the EU's financial interests against fraud and other irregularities.
- 20.3 To that end, the Beneficiary undertakes to grant officials of the Commission, OLAF and the European Court of Auditors and their authorised agents access to sites and premises at which operations financed under the Financing Agreement are carried out, including their computer systems, and to any documents and computerised data concerning the technical and financial management of those operations, and to take every appropriate measure to facilitate their work. Access by authorised agents of the Commission, OLAF and the European Court of Auditors shall be granted on conditions of strict confidentiality with regard to third parties, without prejudice to public law obligations to which they are subject. Documents must be accessible and filed in a manner permitting easy inspection, the Beneficiary being bound to inform the Commission, OLAF or the European Court of Auditors of the exact location at which they are kept.
- 20.4 The checks and audits described above shall also apply to contractors and subcontractors who have received EDF funding.
- 20.5 The Beneficiary shall be notified of on-the-spot missions by agents appointed by the Commission, OLAF or the European Court of Auditors.
- 20.6 The Beneficiary shall keep the following financial and contractual supporting documents

Procurement procedures:

- Forecast notice with proof of publication of the procurement notice and any corrigenda
- Nomination of shortlist panel
- Shortlist report (incl. annexes) and applications
- Proof of publication of the shortlist notice
- Letters to non-shortlisted candidates
- Invitation to tender or equivalent

- Tender dossier including annexes, clarifications, minutes of the meetings, proof of publication
- Nomination of the evaluation committee
- Tender opening report, including annexes
- Evaluation / negotiation report, including annexes and bids received¹
- Other documents
- Notification letter
- Supporting documents
- Cover letter for submission of contract
- Letters to unsuccessful candidates
- Award / cancellation notice, including proof of publication
- Signed contract, amendments, riders and relevant correspondence

Calls for proposals and direct award of grants:

- Nomination of the evaluation committee
- Opening and administrative report including annexes and applications received²
- Letters to successful and unsuccessful applicants
- Concept note evaluation report
- Letters to successful and unsuccessful applicants
- Evaluation report of the full application or negotiation report with relevant annexes
- Eligibility check and supporting documents
- Letters to successful and unsuccessful applicant with approved reserve list
- Cover letter for submission of contract
- Award/cancellation notice with proof of publication
- Signed contract, amendments, riders and relevant correspondence

In case of decentralised operations:

- In addition to all of the above-mentioned supporting documents also all relevant documentation relating to payments and recovery orders.

ARTICLE 21 – CONSULTATION BETWEEN THE COMMISSION AND THE BENEFICIARY

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

21.2 Where the Commission becomes aware of problems in carrying out procedures relating to management of this Financing Agreement, it shall establish all necessary contacts with the Beneficiary to remedy the situation and, take any steps that are necessary, including, where the Beneficiary does not, or is

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.

unable to, perform the duties incumbent on it, temporarily taking the Beneficiary's place.

- 21.3 The consultation may lead to the amendment, suspension or termination of the Financing Agreement.

ARTICLE 22 – AMENDMENT OF THE FINANCING AGREEMENT

- 22.1 Any amendment to the Special Conditions, Annex II and Annex III to the Financing Agreement shall be made in writing and be the subject of an addendum.
- 22.2 If the request for an amendment comes from the Beneficiary, the latter shall submit that request to the Commission at least three months before the amendment is intended to enter into force, except in cases which are duly substantiated by the Beneficiary and accepted by the Commission.
- 22.3 For technical adjustments, which do not affect the objectives and results of the project/programme and alterations in matters of detail which do not affect the technical solution adopted, and within the limit of the contingencies funds, the Beneficiary shall inform the Commission of the amendment and its justification in writing as soon as possible and apply that amendment.
- 22.4 The use of the contingency reserve shall be subject to the Commission's prior written agreement.
- 22.5 The specific cases of the extension of the operational implementation phase or of the closure phase are governed by Article 4 (4) and (5) of these General Conditions.
- 22.6 Where the Commission considers that the Beneficiary ceases to satisfy the decentralisation criteria and without prejudice to Articles 23 and 24 of these General Conditions, the Commission may decide to retake the financial implementation tasks entrusted to the Beneficiary in order to continue the implementation of the project/programme on behalf, and for the account, of the Beneficiary, after informing the latter in written form.

ARTICLE 23 – SUSPENSION OF THE FINANCING AGREEMENT

- 23.1 The Financing Agreement may be suspended in the following cases:
- The Commission may suspend the implementation of the Financing Agreement if the Beneficiary breaches an obligation under the Financing Agreement, and notably if it ceases to satisfy the decentralisation criteria laid down, where relevant, in the Special Conditions.
 - The Commission may suspend the implementation of the Financing Agreement if the Beneficiary breaches any obligation set under the procedures and standard documents laid down and published by the Commission for the award and implementation of contracts and grants.

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

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

23.3 The Commission may take any appropriate precautionary measure before suspension takes place.

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

23.5 A suspension of the Financing Agreement is without prejudice to the suspension of payments by the Commission for the sake of ensuring sound financial management or protecting the EU's financial interests.

ARTICLE 24 – TERMINATION OF THE FINANCING AGREEMENT

24.1. If the issues which led to the suspension of the Financing Agreement have not been resolved within a maximum period of 180 days, either party may terminate the Financing Agreement at 30 days' notice.

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

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

ARTICLE 25 - DISPUTE-SETTLEMENT ARRANGEMENTS

25.1 *(Applicable to the ACPs)* Any dispute concerning the Financing Agreement which cannot be settled within a six-month period by the consultations between the Commission and the Beneficiary provided for in Article 21 of these General Conditions shall be submitted to the ACP-EC Council of Ministers. Between meetings of the ACP-EC Council of Ministers, such disputes shall be submitted to the ACP-EC Committee of Ambassadors. If the

ACP-EC Council of Ministers or where appropriate the ACP-EC Committee of Ambassadors does not succeed in settling the dispute, either party may request settlement of the dispute by arbitration.

(Applicable to the OCTs) Any dispute concerning the Financing Agreement which cannot be settled within a six-month period by the consultations between the Commission and the Beneficiary provided for in Article 21 of these General Conditions may be settled by arbitration at one of the parties' request.

- 25.2 In this case the parties shall designate an arbitrator within 30 days of the request for arbitration. Failing that, either party may ask the Secretary-General of the Permanent Court of Arbitration (The Hague) to designate a second arbitrator. The two arbitrators shall in their turn designate a third arbitrator within 30 days. Failing that, either party may ask the Secretary-General of the Permanent Court of Arbitration to designate the third arbitrator.
- 25.3 Unless the arbitrators decide otherwise, the procedure laid down in the Permanent Court of Arbitration Optional Rules for Arbitration Involving International Organisations and States shall apply. The arbitrators' decisions shall be taken by a majority within a period of three months.
- 25.4 Each party shall be bound to take the measures necessary for the application of the arbitrators' decision.

FINANCING AGREEMENT N° R04-PALOP/FED/021-719

A N N E X II

**TECHNICAL AND ADMINISTRATIVE PROVISIONS FOR
IMPLEMENTATION**

***THE FIVE PORTUGUESE-SPEAKING COUNTRIES
OF AFRICA (PALOP) AND TIMOR-LESTE***

Title : ***Project for Strengthening technical and functional skills
of Supreme Audit Institutions (SAIs), National
Parliaments and Civil Society for the control of public
finances in the PALOP countries and Timor-Leste***

Cris decision number: **R04-PALOP/FED/021-719**

BENEFICIARY COUNTRY / REGION	Angola, Cape Verde, Guinea Bissau, Mozambique, São Tomé and Príncipe (PALOP Countries) and Timor-Leste (TL)		
REQUESTING AUTHORITY	Government of the Republic of Cape Verde		
BUDGET HEADING	10 th EDF A envelope		
TITLE	Project for Strengthening technical and functional skills of Supreme Audit Institutions (SAIs), National Parliaments and Civil Society for the control of public finances in the PALOP and Timor-Leste		
TOTAL COST	EUR 6 500 000		
AID METHOD/ MANAGEMENT MODE	Joint management with United Nations Development Programme (UNDP)		
DAC-CODE	15120	SECTOR	Public Sector Financial Management

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1. DESCRIPTION

This action aims at promoting economic governance in the PALOP-TL countries and regions by strengthening the technical and functional skills of Supreme Audit Institutions (SAIs), National Parliaments and Civil Society.

The project is formulated under the economic governance sub-area of the 2008-2013 10th EDF for the PALOP-TL programme, which allocates EUR 33 100 000 to support governance initiative projects in the PALOP-TL countries.

The PALOP and Timor-Leste National Authorising Officers (NAOs), in coordination with European Union services, initiated the procedures for the preparation of a Project to “Strengthen Good Economic Governance and Private Sector Development in the PALOP-TL”. Following a circular mission to the 6 beneficiary countries in 2009 and a set of enquiries in the PALOP-TL in 2010, conducted by the NAO and EU Delegation in Cape Verde (project leading country), an agreement was reached on the suitability of concentrating the scope of the project’s intervention to ensure effective control, oversight and auditing of public finances and government action in the PALOP-TL.

An additional field mission to Cape Verde, Mozambique, São Tomé and Príncipe and Angola was carried out in May 2013 with the aim of gathering additional information to improve the countries’ needs assessment and updating the initial strategy through extensive consultations with main beneficiaries and stakeholders. The pre-formulation missions carried out by UNDP were able to confirm conformity between the project scope, objectives and activities with national strategic plans regarding the external control of public accounts and expenditure (Court of Auditors (CA) and Parliaments) – in particular in Cape Verde, Mozambique and São Tomé and Príncipe. The project was defined during these meetings with CA and Parliament commissions and staff (see Appendix 4 – Programme Justification Note + List Institutions met in Project Formulation Mission) has an important input to the different national and institutional programmes/plans.

The project is consistent with PALOP partner countries’ national strategies for poverty reduction, Timor-Leste’s national development plan and the 2008-2013 10th EDF for PALOP-TL. These policies and strategies are adapted to the specificities and priorities of each country but converge to achieve good governance as an important support for development and economic growth and, in particular, the strengthening of capacities in (i) legislative and oversight functions of the state, (ii) the management system of public finances, including internal and external control, (iii) support services to Parliament and (iv) state accountability.

The multi-country intervention logic of this project aims to intensify the PALOP-TL dialogue drawing on the holistic approach to democratic governance with a special emphasis placed on joint capacity-building within the selected areas of economic governance, namely external control, audit and oversight capacities of the public finances.

An initial logical framework is attached (Appendix 1). It may be updated or adapted without an amendment to the financing agreement as long as these modifications do not change the objectives of the project.

Under current circumstances in Guinea-Bissau, basic conditions enabling a context suitable to the implementation of PALOP-TL cooperation programmes in the framework of the 11th EDF and to the achievement of their expected results are not fulfilled, due to the lack of a democratically elected President and Government.

As stated in the Dili Declaration, adopted by the NAO of PALOP-TL at their 9th meeting in Dili on 28 February 2013, Guinea-Bissau will not be in a position to benefit from PALOP-TL cooperation until Constitutional order is restored and civil-military relations comply with the

principles of democracy. Therefore, in accordance with the EU position, until a legitimate Government is in place following appropriate legislative and presidential elections, the country will not benefit from any institutional support, including from this project.

1.1. Objectives

The overall objective is to promote economic governance in the PALOP-TL countries by strengthening the technical and functional skills of SAIs, Parliaments and Civil Society.

The specific objective is to improve the effective external political, judicial and civilian control of public finances in the PALOP-TL for a more efficient and effective use of public resources.

This project will directly address good governance and democracy, strengthening the accountability system with external and independent control of public finances standing as the specific objective. As part of the action, responding to the right of citizens to information and cross cuttingly supporting the promotion of gender equity in public spending will yield transformational results to be sustained beyond the project life cycle (i.e. training and sensitisation activities on gender equality addressed to Parliaments and Civil Society Organisations (CSOs)). UNDP will associate UN Women units at country office level in designing the annual working plans (AWP) and training activities. Information and communication technology (ICT) platforms and solutions will play a central role in this strategy and will be transversal to the action (i.e. use of videoconference and IT tools). Environmental issues will be taken into consideration in specific activities when appropriate and consistent with partner countries' national strategies and priorities, such as the strengthening of oversight capacities in the natural resource extraction domain in Mozambique.

1.2. Expected results

The project foresees two results directly contributing to the specific objective:

R1: SAIs' control and audit capacities over public finances in the PALOP-TL countries are strengthened in a context of joint learning.

This result intends to transfer capacities, tools and practices to SAIs in the PALOP-TL to increase and improve their external and independent control on the financial and public management. In accordance with the project's multi-country intervention logic, this strengthening process will be articulated fostering the south-south PALOP-TL cooperation, in the framework of existing cooperation initiatives within the CPLP (Community of the Portuguese-speaking Countries) and new peer learning and exchange of experiences.

R2: Parliaments and Civil Society oversight capacities over public finances are developed for an informed analysis in the PALOP-TL in a context of joint learning.

This result aims at improving political and civilian control of government action and public finances to meet democratic principles complying with standards of publicity and credibility. The multi-country context of the PALOP-TL will enable the establishment of peer review mechanisms benefiting Parliaments and CSOs in a context of comparative experience and enhanced access to information.

1.3. Activities and implementation timetable

The strategy defined by the project takes into account the different contexts of the beneficiary countries and the multi-country PALOP-TL cooperation intervention logic. The strategy will seek to improve political, judicial and civilian control and oversight of government action and public accounts through actions benefiting SAIs, Parliaments and CSOs.

The action plan includes multi-country activities fostering the south-south PALOP-TL cooperation (face-to-face and e-learning training, workshops, study trips and peer learning initiatives) and national activities aimed at addressing specificities of each beneficiary country (training, organizational changes, drafting of manuals, capacity development, etc.).

During the project formulation process, an indicative action plan was drafted responding to the partner countries' needs assessment and indications of main beneficiaries and stakeholders, consulted during the field mission carried out by UNDP in May 2013.

The implementation of foreseen activities during the three-year project duration period will be articulated on the basis of annual work plans. Project start-up will have an inception phase of a maximum of four months from the signature of the EU-UNDP Contribution Agreement. In this inception phase, annual work plans will be developed in a participatory manner and approved for each country, identifying accurately the pivotal countries and triggers of a change dynamics supporting the project's sustainability strategy. The inception phase will essentially allow tailor-made responses on a case-by-case basis maintaining the overall approach of the project and the programme. The inception phase will also allow the project management to setup the Monitoring and Evaluation plan and agree with the EU delegation and project's senior beneficiary on the visibility plan. The exit strategy will be finalised during the inception phase, revised in the beginning of the second year and updated in the beginning of the last year.

The activities to be carried out during the inception phase (period not exceeding 4 months) are detailed in Appendix 2. Additionally, daily project management activities are foreseen in order to support implementation in all beneficiary countries. These are operational actions considered eligible and are not the organisation's general management costs. The management actions include, but are not limited to (A1) project operational start-up, development of Terms of Reference and recruitment of the Project Management Unit (PMU); (A2) setup of managerial and financial tools and guidelines; (A3) daily project management activities; (A4) implementation follow-up missions to beneficiary countries; (A5) organisation of project steering committees; (A6) coordination and delivery of inception phase. The inception phase will be carried out together with the project management activities and within the same budget provisions.

R1: SAIs' control and audit capacities over public finances in the PALOP-TL are strengthened in a context of joint learning.

SAIs' capacity development will be delivered through expertise and high level advice in different domains as well as improvement of information management systems. In addition to in-country interventions, adjusted to partner institutions' needs, multi-country initiatives are foreseen to strengthen ongoing supranational cooperation structures, such as the CPLP Organization of SAIs (OSAI), and create new peer learning and exchange of experiences. The overarching activities aimed at achieving this result are the following:

- A.1) Training on management and auditing of public finances;
- A.2) Technical Assistance for Design, programming and budget planning;
- A.3) Procurement of equipment and technical assistance for the integration of accounting and information systems in public finances management and auditing (see Appendix 1 – Logical Framework for additional details on the nature of equipment to be procured);
- A.4) Technical assistance to strengthen accountability – standardisation of financial reporting standards;
- A.5) Training, workshops and study trips to exchange experiences and good practice on control of public finances in the PALOP-TL between:

- A.5.1) SAI and Parliament of each country;
- A.5.2) SAIs and civil society of each country;
- A.5.3) PALOP-TL SAIs;
- A.6) Lessons learnt exercises – M&E of project results.

R2. Parliaments and Civil Society oversight capacities over public finances are developed for an informed analysis in the PALOP-TL in a context of joint learning.

Parliaments' capacity development will be delivered through expertise and high level advice in different domains, including institutional framework reforms (focus on State General Budget and CA laws), fiscal and budgetary transparency issues, budgets and accounts, auditing and monitoring systems, public spending oversight, budget control and policies, among others. Equally, CSOs in all the partner countries will benefit from specialised training in the field of budget control and policies. Grants for local CSOs in each PALOP country and TL will be awarded to implement in-country actions. A gender-oriented approach will be mainstreamed in activities implemented both with Parliaments and CSOs. At the multi-country level of the PALOP-TL countries, peer learning initiatives and exchange of experiences and good practice are foreseen. As a result of the project, a forum for the exchange of CSOs good practice on tracking public expenditure and reporting results in the PALOP-TL will be created. The overarching activities aimed at achieving this result are the following:

- A.7) Capacity development and methodology assistance to support legal and institutional framework reforms with particular focus on the review of laws regarding the State General Budget and CA;
- A.8) Advocacy and information campaigns on public finance management systems legal reforms, including the promotion of budgetary transparency – fiscal and budgetary information available to the public;
- A.9) Technical assistance to reinforce budgets and accounts, auditing and monitoring systems for the analysis and review of public finances documents and draft laws;
- A.10) Technical assistance and advice to national parliaments on public spending oversight;
- A.11) Training, workshops and study trips to exchange experiences and good practice on control of public finances in the PALOP-TL:
 - A.11.1) Established mechanisms at Parliaments of each country;
 - A.11.2) Parliaments and civil society of each country;
- A.12) Training of CSOs and possibly journalists in the field of budget control and policies.

The execution period of the Agreement will be 78 months. This execution period will comprise 2 phases under the conditions provided for in article 4.1 of the General Conditions (Appendix I of the present Agreement):

- ✓ Operational implementation phase that starts from the entry into force of the financing agreement and will have the duration of 54 months.
- ✓ Closure phase of a duration of 24 months that starts from the expiry date of the operational implementation phase.

The indicative operational timetable of the project is provided in Appendix 2.

Project sustainability and exit strategy

The 2012 Evaluation of the EU - PALOP-TL Cooperation programme is a good learning source to take into consideration relevant conclusions and recommendations. Thus, the positive appreciation of the PALOP-TL cooperation will result in a high quality political dialogue to address sensitive political issues, such as transparency of budget and public accounts. The management challenges resulting from the geographical discontinuity will be faced through an extensive use of ICT-supported procedures, while also relying on the offices present in each country as this has proven efficient in other similar programs. Lessons learnt from previous actions point to two fundamental questions; The first relates to the necessity of ensuring ownership of the proposed action, particularly given the politically sensitive nature of both the theme and the beneficiary institutions. Based on this, direct discussions with the main beneficiaries took place through the UNDP network of offices in the countries, entailing also a definition mission organised in 4 of the 6 countries. The second question relates to the sustainability of the action. In this regard, the exit strategy of the project is based on two dimensions, both grounded in a system strengthening approach. One aims to ensure adequate technical and functional capacities are built within the institutions, and tools provided for further learning and peer-to-peer emulation beyond the project; the other ensures that a large range of related stakeholders are involved and benefit from the project thus supporting long term benefits to the system's transparency and control, from SAIs, Parliament and CSOs to internal control actors and other existing PALOP and internal institutions. Indeed, the project will use training actions as a tool to enhance skills and credentials of stakeholders while establishing e-learning platforms in Portuguese ensuring means of durable access to database and information in Portuguese. The project will also contribute to establishing a first time multi-country PALOP-TL CSO platform showcasing lessons and progress made by civil society organisations' within the PALOP/CPLP Open Budget Initiative. Other activities aiming to promote sustainability will complement and support the OSAI CPLP multi-country plan and promote cooperation with IGEF (Training Institute for Financial and Economic Management in Portuguese Language to be created in Angola with EU support), involving this institution in training and capacity building activities at transnational level.

The project impact will depend in the long run on the success of its exit strategy and sustainability of its actions and activities. It is critical that the project beneficiary develop synergies and dynamics that will still be there after the end of the project. This will be best done through capacity development of human resources within national institutions. Such capacity development needs to target professional skills and enhancement/development of in-house training capacities in the field of external control of public accounts and finances, in particular CAs in the PALOP-TL. On the other hand, it is of paramount importance that the project is able use these human resources in training activities targeting other institutions (Parliament – staff and MPs – CSOs and media), but also carried out by other important PALOP/CPLP institutions with the mandate and profile to provide training and other relevant capacity development activities. In such cases, once the implementing and delivery capacities are in place, the project will establish grants (with non-profit NGOs/CSOs) or letters of agreements with state institutions to associate these institutions in its transnational capacity development and training programme component. This would be the case of the OSAI CPLP in the short term and, in longer term, the case of the IGEF.

Project sustainability will be complemented through its support to civil society in a multi-country platform (in addition to national actions). This will be achieved through the establishment of a multi-country PALOP-TL CSO platform using lessons and progress made by CSOs' meetings and *fora* within PALOP/CPLP Open Budget Initiative.

Finally, the project will establish e-learning platforms (online and via CDs) in Portuguese through collaboration with AGORA/GPPS (Global Programme for Parliamentary Strengthening) (<http://www.agora-parl.org/node/1679>) and ensure means of durable access to database and information in Portuguese through collaboration with the Legal Database of the PALOP (<http://www.legis-palop.org/>) and AGORA/GPPS.

As referred to above, institutional sustainability will be thus ensured through training of auditors that will become trainers and be able to train other auditors, Parliament staff and MPs, as well as CSO/media actors. These are human resources that will constitute pools for the constitution of a roster within the OSAI CPLP framework – also feeding into IGEF actions and scope of work. Additionally, institutional sustainability of relevant CSO/NGOs will be ensured through supporting the setup of the multi-country CSO platform using lessons and progress made by CSOs' meetings and *fora* within PALOP/CPLP Open Budget Initiative. Financial sustainability is ensured by avoiding the creation of project management temporary units/structures in all beneficiary countries and putting the emphasis on developing capacities within SAI and Parliament Commissions/Administration staff (national level), and within existing OSAI CPLP and the multi-country CSO platform working with the Open Budget Initiative. Joint implementation with UNDP allows the management to implement the project actions and carry out operations independently of their size and complexity in all different beneficiary countries simultaneously. Hence, important funds are released allowing covering operational and activity costs targeting these institutions capacities. Procurement of goods, ICT and equipment will be done in line with procurement rules and procedures of UNDP, based on principles of good value for money and using international competition accordingly. The property of durable assets procured by the project will be in line with the provisions of the General Conditions Annex II to the EC-UNDP agreement. ICT (hardware and software) procured will target essentially required programmes for transparency and efficiency in financial management and expenditure audit/oversight.

It is expected that all these actions will be built on lessons learned and existing capacities (human and institutional) in hub countries, Cape Verde and Mozambique, with recognised progress in the different project domains. The sustainability and exit strategy will be finalised during the inception phase and approved by the project stakeholders. In the second implementing year, this strategy will be reviewed and updated in the third implementing year on the basis of lessons learned exercises and the M&E deliverables.

2. LOCATION AND DURATION

2.1. Location

The project will be implemented in the ACP Portuguese-speaking countries (PALOP i.e. Angola, Cape Verde, Guinea Bissau, Mozambique, São Tomé e Príncipe) and Timor-Leste. The project's management unit is going to be located in Cape Verde, the leading country for the project.

2.2. Duration

The execution period of the Financing Agreement will be as specified in Article 5 of the Special Conditions.

3. IMPLEMENTATION

3.1. Organisational set-up and responsibilities

The project will be implemented by UNDP. In order to implement this action, it is foreseen to conclude a financing agreement with Cape Verde. Overall responsibility for implementing the programme lies with the Cape Verde NAO, who authorises the European Commission to conclude on its behalf a contribution agreement with UNDP Cape Verde in accordance with the Cotonou Agreement. According to Article 65 of Title II (Financial Cooperation), the financial contribution of the EU will be managed by UNDP Cape Verde pursuant to a signature of the Contribution Agreement, under the general provisions of the Financial and Administrative Framework (FAFA) concluded on 29 April 2003 between the European Commission and the United Nations.

The project implementation will follow UNDP implementation modalities and good practices on other known EC-UNDP Joint Projects and Programmes – e.g. Project in Support of 2010-12 Electoral Cycles in the PALOP-TL. More specifically, the Agreement between the European Commission and UNDP will be in line with the FAFA – the legal basis for setting out financial and administrative standards applicable to EU - UN cooperation.

The change of method of implementation constitutes a substantial change except where the Commission "re-centralises" or reduces the level of budget-implementation tasks previously entrusted to the international organisation.

The Project will be implemented with a two-tiered management structure to oversee and validate the overall direction and policy of the project: Country Coordination Committees and a PALOP-TL Steering Committee to ensure the project remains on track, on time and within budget. A Project Management Unit (PMU), composed of a team of recruited experts will ensure day-to-day implementation of the project at the technical level and reporting to the Country Coordination Committees and Project Steering Committee, which will enhance donors' coordination. The basic two management bodies and two coordination mechanisms will be as follows:

- A) A Country Coordination Committee for each of the PALOP-TL countries**, that includes the National Authorising Officer (NAO), EU Delegation, Parliament (Specialised Committee on public finances), and is co-chaired by UNDP Country Office, by the national SAI (CA) and by the national Parliament. CSOs participating in the project can be invited to participate in the country coordination committees. This mechanism, facilitated by the UNDP Resident Representatives of the PALOP-TL, would meet as required (semi-annually) to discuss the evolving local political environment, share plans and activities, deliberate issues of common concern, negotiate agreed responses and analyse emerging needs and risks at a national level. This high-level forum would be an important part of local coordination in each beneficiary country, with the emphasis on high-level policy development, collaboration and information-sharing in line with the decisions of the steering committee.

- B) A Project Steering Committee** shall be set up to oversee and validate the overall direction and policy of the project and shall meet annually.

The Project Steering Committee shall be made up of:

- a representative of the National Authorising Officer of Cape Verde, the contracting authority,
- a representative of the National Authorising Officers of the PALOP-TL countries,
- representatives of the PALOP-TL's UNDP Country Offices,
- CAs and Parliament representatives (Specialised Committee on public finances),
- a representative of the Head of the EU Delegation of Cape Verde with observer status.

The Project Steering Committee is responsible for general oversight of project activities within the project including financial oversight, and approval of funding allocations within the overall budget as recommended by the expert management team. It should receive regular reports from the management team and the NAO, approve major activities and expenditures, reach consensus and take decisions in any change in the work plans affecting the project structure and strategy, carry out risk analysis and consider funding for emerging issues. It is facilitated by the PMU, which will also provide secretariat services and liaise with the Steering Committee chair in the preparation of agendas, notification to members, reports on the various project activities and provision of minutes.

- C) The Programme Management Team** will be a small, flexible, dedicated team that administers, manages and monitors day-to-day overall project activities. Based in Praia, Cape Verde, this team will be supported by the necessary expertise to be deployed in the other beneficiary countries. The staff will include experts in the different specific domains of the project, and some members should be familiar with UNDP procedures on recruitment, procurement and project execution modalities. The team will be led by a Programme Manager supported by a Senior Advisor and should include a dedicated finance and administration officer to record, process, disburse and report income and expenditures on a regular basis. The Finance Officer works closely with the UNDP Country Office finance professionals. The management team will be located in the lead country (Cape Verde) and will be working closely with Cape Verde's SAI, Parliament and CSOs (participating in the project).

Project support will be provided by UNDP Country Offices in Cape Verde (lead unit), other PALOP countries and in Timor-Leste. UNDP Country Offices in all beneficiary countries, through their locally based Programme Officer/Governance Specialists, will support the day-to-day operational work. The Project Assurance in terms of substantive support should be provided through an Assistant Resident Representative, Governance Unit/Advisor or equivalent in the different UNDP Country Offices.

See Appendix 5 – organisational set-up.

In due consideration of the principle of ownership, the European Commission reserves its right to change the delegated body indicated above or the scope of the delegation, without this necessarily requiring an amendment to the financing agreement. In that case, it shall consult the Beneficiary on this change and notify to it the name of the new delegated body and/or the scope of the task(s) delegated to it.

3.2. Delegation of residual tasks by the Commission

Non applicable.

3.3. Reporting

The reporting will be carried out as set by the Financial and Administrative Framework (FAFA), signed on 29 April 2003 between the European Commission and the United Nations and in accordance with the General Conditions / Annex 2 of the Standard Contribution Agreement (SCA) that will be signed with UNDP. Any specific requirements shall be appropriately agreed by the SCA signatory parties.

3.4. Budget

The total project cost is estimated at EUR 6 500 000 million, financed from the 10th EDF in the framework of the revised ACP-EU Partnership Agreement.

Items	Amount in EUR
Contribution Agreement with UNDP	6 400 000
EU ex-post evaluation (to be implemented directly by the EU)	100 000
TOTAL ACTION (financed from the 10th EDF)	6 500 000

4. MONITORING AND EVALUATION

In terms of monitoring and evaluation, the project will be subject to UNDP current monitoring and evaluation procedures and reporting on progress will be done as established in the General Conditions of the EU-UNDP Contribution Agreement in line with the FAFA. EU will carry out ex-post evaluation with EU procedures.

4.1. Monitoring

The Programme Management Unit, the Country Coordination Committees and the Steering Committee will help to document the baseline situation for the outcomes and each indicator of the project, and seek the Steering Committee's approval for an outcome and output monitoring strategy to assess progress periodically. Some of the methods that will be used in monitoring progress towards the outcomes include:

- Regular Steering Committee meetings, which are a useful way of ensuring good planning, follow-up and results focus;
- Mid-year narrative progress report;
- Annual Project Reports, which are a requirement of EC funded projects and rate output to outcome progress supporting decision making on policy issues;
- Monitoring and follow-up missions carried out by the PMU;
- Outcome or project evaluations, which are time-bound, independent exercises to measure results and management; and
- The mid-final term review to be conducted as noted above.

The Commission may carry out Results Oriented Monitoring (ROM) via independent consultants, starting from the sixth month of project activities, which will be finalised at the latest 6 months before the end of the operational implementation phase.

The goal of all monitoring and evaluation exercises is to learn lessons and incorporate these to the improvement of the Programme. All project activities will be closely monitored by the UNDP Country Offices of the PALOP-TL.

4.2. Evaluation

Independent consultants recruited on specifically established terms of reference will carry out external evaluations, as follows:

- Mid-term project results evaluation mission – carried out according to UNDP rules and procedures;
- Final evaluation at the beginning of the closing phase – carried out according to UNDP rules and procedures;
- Evaluation ex-post – carried out with EU procedures (funds set aside for this purpose).

The beneficiary countries, the Commission and UNDP shall analyse the conclusions and recommendations of the mid-term evaluation and jointly decide on the follow-up action to be taken and any adjustments necessary, including, if indicated, the reorientation of the project. The reports of the other evaluation and monitoring missions will be provided to the beneficiary countries, in order to take into account any recommendations that may result from such missions.

UNDP shall inform the beneficiary countries in advance of the dates foreseen for the external missions. The beneficiary country concerned shall collaborate efficiently and effectively with the monitoring and/or evaluation experts and, inter alia, provide them with all necessary information and documentation as well as access to the project premises and activities.

Although only required when mandated by partnership protocols, an evaluation of the programme will be undertaken at the end of its period to learn lessons and apply these to possible follow-on assistance activities.

5. COMMUNICATION AND VISIBILITY

The management of the project will take into account the visibility and communication requirements set out in the General Conditions, Article 6. The Joint Guidelines on Visibility for EC-UN Actions in the Field offer additional guidance on practical aspects. During the project initial phase, a communication and visibility plan for project communication activities will be discussed and agreed between UNDP and EU.

In the preparation of a Contribution Agreement, both UNDP and the European Commission should agree on the appropriate financial allocation to be included for the budget. UNDP shall report on the implementation of the plan under the regular reporting requirements foreseen in the respective Contribution Agreement.

The Joint Action Plan on Visibility main objective is the communication of the “positive results of the partnership” through visibility activities focusing on outputs and the impact of results. It will evolve throughout the project implementation and could include joint press releases, TV spots, joint presentations, photo opportunities and policy-type publications in specialist press. UNDP will ensure that any internal political clearance required regarding public statements related to election matters is sought.

In addition to action-based communication activities, whenever possible and practical, communication and visibility should be strategic, and build on broader sets of activities or programmes, focusing on activities which better lend themselves to attract the target audiences. This type of visibility should seek to promote the PALOP-TL and EU-UN partnership.

6. PRE-CONDITIONS

Non applicable.

7. APPENDICES

Appendix 1 – Logical Framework

Appendix 2 – Indicative operational timetable

Appendix 3 – Programme Justification Note + List of Institutions met in Project Formulation Mission

Appendix 4 – Organisational set-up

APPENDIX 1 – LOGICAL FRAMEWORK

	Intervention logic	Objectively verifiable indicators of achievement(*)	Sources and means of verification	Risks / Assumptions
<p>Overall Objective</p>	<p><i>Promote economic governance in the PALOP-TL strengthening technical and functional skills of SAIs, Parliaments and Civil Society.</i></p>	<p>Indicators' indexes on <i>Accountability, Transparency and Control of Corruption</i>; Indicators' index on <i>Budget Management</i>; <i>Open Budget Index (OBI)</i> scores (for those countries participating in the open budget initiative)</p> <p>Baselines: In 2011, PALOP-TL were below Sub-Saharan Africa with regards to control of corruption WGI (31.9% against 32.5% respectively). Africa Region measured in the same period 50% for this index, while Cape Verde, Sao Tome & Principe and Mozambique were measured with 74.4%, 43.1% and 41.7% respectively (higher values imply better performances). In 2012, PALOP average for the IIAG accountability was 43.1 points against 43.3 points for Africa average. Cape Verde was the 2nd best rated in Africa with 81.7 points, followed by RDSTP and Mozambique with 47.6 points and 43.5 points respectively. Notwithstanding outstanding progress registered in Angola and Mozambique for Open Budget Indexation, all measured PALOP -TL were poorly rated in 2012 below 47 (Cape Verde and Guinea Bissau data is not available). Targets: (1) by the end of the project, control of corruption WGI in the PALOP-TL is levelled with the average in Africa region (and not less than 50%); (2) by the end of the project, all PALOP reach Africa average for IIAG accountability; (3) by the end of the project, PALOP-TL are rated within 40 and 60 points for OBI; (4) by the end of the project, all beneficiary countries improve their rates with relations to the baselines in the start of the project (2013), in particular with relation to control of corruption WGI, IIAG accountability, and Open Budget Index.</p>	<p>Accountability, Transparency and Control of Corruption sources: IIAG (Ibrahim Index of African Governance)/AfDB (African Development Bank)/WB-WGI (World Bank-Worldwide Governance Indicators)/ UNECA AGR (United Nations Africa Economic Commission – Africa Governance report indicators)/EIU (Economic Intelligence Unity)/ Bertelsmann Foundation</p> <p>Budget Management sources: AfDB (African Development Bank)/ WB (World Bank) OBI sources: Open Budget Survey (International Budget Partnership)</p>	

<p>Specific Objective</p>	<p><i>Improve the effective external political, judicial and civilian control of public finances in the PALOP-TL for a more efficient use of public resources.</i></p>	<p>Availability, frequency and regularity of the following documents in the PALOP-TL: (1) Pre-Budget Statement; (2) Executive's Budget Proposal; (3) Enacted Budget; (4) Budgets' Execution in-year reports; (5) Budgets' execution mid-year review; (6) Budgets' execution year-end report. Gender sensitive approach/sex desegregated data. Gender policies information.</p> <p>PEFA indicators – Quality and timeliness of in-year budget reports (PI24)/Quality and timeliness of annual financial statements (PI25)/ Scope, nature and follow-up of external audit (PI26)/ Legislative scrutiny of the annual budget law (PI27)/ Legislative scrutiny of external audit reports (PI28)</p> <p>Baselines: Between 2008 and 2011, all PALOP-TL were scored below C⁺ with regards to all PEFA indicators relevant to the project – PI24 to PI28. Guinea Bissau and RDSTP were scored D for all PEFA indicators relevant to the project (lower classification existing), while Cape Verde and Timor-Leste presented scores between D⁺ and C⁺, depending on the indicator. Mozambique was better rated with C⁺ in all indicators.</p> <p>Targets: (1) by the end of the project, improve PALOP-TL average for PEFA indicators relevant to the project to C⁺; (2) by the end of the project, documents 1 to 6 referred above are timely available; (3) by the end of the project, all beneficiary countries SAIs will be in conformity with international standards as set by INTOSAI.</p>	<p>PEFA and PEMFAR Reports of the PALOP-TL</p> <p>SAIs, Parliaments and CSO Reports</p> <p>Project Reports</p> <p>Perception surveys</p> <p>Peer reviews</p> <p>Open Budget Survey (International Budget Partnership)</p> <p>Public Expenditure Financial Accountability (PEFA) portal</p>	
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<p style="text-align: center;">Expected Results</p>	<p>R1: SAIs' control and audit capacities over public finances in the PALOP-TL are strengthened in a context of joint learning.</p>	<ul style="list-style-type: none"> - Number of reported deviations or audits conducted annually by the Court of Auditors in the PALOP-TL; Gender sensitive approach. - Number of SAIs' staff members in the PALOP-TL trained on relevant public finances oversight and audit issues. Sex disaggregated data. - Number of SAI auditors trained as trainers of external control auditors. Sex disaggregated. - Number SAI staff members in the PALOP-TL participate in peer reviews activities. Sex disaggregated. - % of PFM information systems use in SAIs increased and improved. - Number of timely accessible and objective reports elaborated by the Court of Auditors. Gender sensitive - Availability, quality, access to updated information provided by SAIs websites and other social media mechanisms; Gender sensitive approach - 1 cooperation agreement with the CPLP Organization of SAIs (O-SAI CPLP) established and operational. Gender sensitive approach - 1 cooperation agreement with IGEF established and operational. Gender sensitive approach - 1 manual on SAIs' procedures in the PALOP-TL elaborated (gender sensitive approach) - 1 platform for exchange of good practice between SAIs in the PALOP-TL created and fully operational. Gender sensitive approach. - Comprehensive of SAIs' audit reports. Gender sensitive. - Number of SAIs having strategic and operational work plans. Gender sensitive. - hardware and software procured, available and installed in the beneficiary countries' SAIs and relevant institutions. <p>Baselines: Between 2006 and 2012, most of the PALOP-TL had considerable improvements in the field of presentation, classification/categorisation of expenditures</p>	<p>SAI reports</p> <p>Established cooperation agreements with the CPLP Organization of SAIs (O-SAI CPLP) and IGEF</p> <p>Purchased hardware and software equipments</p> <p>Project M&E reports</p> <p>News clipping</p> <p>Project website</p>	<p>IGEF is fully operational to host project's training activities</p>
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			<p>(interest payments of the debt, among them), and identification of revenue sources, including at Programme-level data, in the Executive's Budget Proposal or supporting budget documentation – now in line with international standards. By 2012, in-Year Reports on actual expenditure started covering most if not all expenditures (organised by administrative unit, economic classification, and/or function), comparing actual year-to-date expenditures (all expenditures) with either the original estimate for that period (based on the enacted budget), covering the actual revenue collections of all sources of revenue. Notwithstanding this remarkable progress, moving PALOP-TL measured countries from the group of countries presenting scant or no information to the one presenting minimal information, some domains still need critical improvement, namely, there is lack of information on the impact of different macroeconomic assumptions and policy proposals on expenditures on the budgets; on transfers to public corporations for at least the budget year; on sources of donor assistance (both financial and in-kind); on links between proposed budget to government's stated policy goals for a multi-year period (for at least two years beyond the budget year); related to performance indicators for expenditure programs and achievable targets related to these indicators; on Pre-Budget Statement, Mid-Year reports, and Year-End Reports. Additionally, it is important to address shortfalls related to audits of public accounts/expenditures since final audited accounts are not completed within 24 months after the end of the fiscal year, or they are not released to the public. In Angola, Guinea Bissau, Sao Tome e Principe and Timor-Leste most expenditure has not been audited, the reports have not been released to the public or were released more than 24 months after the end of the fiscal year. In most of these countries, the SAI does not release to the public audits of extra-budgetary funds, or it does not audit such funds, or such a report</p>
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	<p>was released more than 24 months after the end of the fiscal year; the executive does not report on steps it has taken to address audit findings; and legislators are not provided Audit Reports. The SAI and legislature in these countries do not release to the public a report that tracks actions taken by the executive to address audit recommendations. In all PALOP-TL the Citizens Budget is not published.</p> <p>Targets: (1) by the end of the project, Angola, Guinea Bissau, Sao Tome e Principe and Timor-Leste will have some to significant information on public expenditures, via executive budgets (and budget documents), mid-Year and final-Year reports, and audit reports; gender sensitive (2) by the end of the project, Cape Verde and Mozambique will be among countries with extensive information on public expenditures, via the instruments referred above; gender sensitive (3) (4) by the end of the project, at least 360 persons (staff of SAI,) will be trained on external control of public accounts, audit issues and relevant public finances oversight (sex disaggregated); (5) by the end of the project, at least 30 auditors from PALOP-TL SAI will be trained as trainers in external control and audit issues (sex disaggregated); (6) by the end of the project, O-SAI CPLP will use in all training activities PALOP-TL SAI auditors (professional trainers). Sex disaggregated data.</p>	
	<p>Parliament reports</p> <p>CSO reports</p> <p>Project M&E reports</p> <p>News clipping</p> <p>Project website</p> <p>Peer review</p>	
	<p>- Number of hearings requested by the Parliaments in the PALOP-TL; gender sensitive.</p> <p>- Number of Parliaments' hearing sessions attended by the Court of Auditor in the PALOP-TL; gender sensitive.</p> <p>- Number of reports requested by Parliament in relation to the execution of the budget.</p> <p>- Number of Parliaments' staff and MPs in the PALOP-TL trained on relevant public finances oversight issues. Sex disaggregated.</p> <p>- Number of Parliaments' staff and MPs in the PALOP-TL participating in peer reviews activities. Sex disaggregated.</p>	
	<p>Willingness from Governments to make available data on budget execution is assured</p> <p>Willingness from Parliaments to engage in project's implementation is confirmed</p> <p>CSOs' independence is guaranteed</p> <p>'External influences' over Legislative (political parties, ministries of finance, international financial institutions, and private sector) dilute the CSO incentives for independent scrutiny of</p>	
	<p>R2. Parliaments and Civil Society oversight capacities over public finances are developed for an informed analysis in the PALOP-TL in a context of joint learning.</p>	

<p>the executive, hamper usefulness of information provided by civil society, and dilutes the full potential of legislative oversight.</p> <p>IGEF is fully operational to host project's training activities</p>		<ul style="list-style-type: none"> - Number of CSO members participate in advocacy and information campaigns on budget transparency. Sex disaggregated. - Number and quality of legal reforms carried out to enhance SAI's audit capacities and civil control of PFM. Gender sensitive approach. - 1 publication on public accountability mechanisms in the PALOP-TL issued. Gender sensitive. - 1 Forum for the exchange of CSOs good practice on tracking public expenditures and reporting results in the PALOP-TL created and fully operational. - 7 signed grant agreements with NGOs (1 International and 6 with the PALOP-TL) - Existence, timeliness and quality of parliamentary discussions regarding budget approval and execution. - Number of meetings, public hearing sessions and available reports from Parliamentary committees on public finances, accounts and expenditure in participating countries. Gender sensitive. - Increased quantity and quality media coverage on budgetary issues in participating countries, including articles on budget accountability and Court of Auditors reports and recommendations. Gender sensitive. - Number of CSO reports and analysis on State budgets, public accounts and expenditure reports. Gender sensitive. - Number, frequency, availability and regularity of CSO monitoring instruments on SAI's recommendations' implementation levels (reports and analysis documents). - Number of recommendations of CSO reports on budgetary documents taken into account by Parliament commissions' hearing and reports, and by SAI's reports/recommendations. Gender sensitive. - Existence and effectiveness of instruments allowing participation of civil society state budget formulation/approval (existence of citizens' budget initiatives and public/community based consultation mechanisms/ frequency and regularity of these instruments/number of measures corrected or introduced as result of these
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	<p>initiatives). Existence and effectiveness of instruments allowing participation of civil society in parliament oversight of public finances, accounts and expenditure (role allocated to CSO and CBO in these hearing sessions/regularity and frequency of these public hearings/number of measures introduced as result of civil society contributions in such public hearing sessions).</p> <p>Baselines: the legislature in the PALOP-TL do not release to the public a report tracking actions taken by the executive to address audit recommendations. In all PALOP-TL the Citizens Budget is not published.</p> <p>Targets: (1) by the end of the project, Angola, Guinea Bissau, Sao Tome e Principe and Timor-Leste will have some to significant information on public expenditures, provided by legislative oversight and citizens' budget and reports; (2) by the end of the project, at least 1,600 persons (Parliaments administration and special commissions' staff, MPs, CSO/NGO/CBO personnel, media professionals) in the PALOP-TL will be trained on relevant public finances oversight and external control of public accounts, audit issues (3) by the end of the project, AGORA eLearning platform and most relevant handbooks will be available in Portuguese language; (4) by the end of the project, all PALOP-TL relevant Parliament Special Commissions' support staff (advisors and experts) will be accredited in relevant eLearning on parliament oversight; (5) by the end of the project, one PALOP-TL multi-country civil society platform will be constituted to address at national and international levels challenges and issues related with civil external control, corruption and transparency of governments and public officials in the PALOP-TL; (6) by the end of the project, all PALOP-TL will have civil society initiatives and trainings addressing external control of public accounts and expenditure.</p>	

R1: SAIS' CONTROL AND AUDIT CAPACITIES OVER PUBLIC FINANCES IN THE PALOP-TL ARE STRENGTHENED IN A CONTEXT OF JOINT LEARNING.

<p>Activities</p>	<p>A1: Training on management and auditing of public finances 1.1: Expertise & TA</p> <p>A2: Technical Assistance for Design, programming and budget planning 2.1: Expertise & TA 2.2: Inclusive planning exercises 2.3: Information & sensitisation</p> <p>A3: Procurement of equipment and technical assistance for the integration of accounting and information systems in public finances management and auditing 3.1: TA 3.2: Procurement of ICT and equipments</p> <p>A4: Technical assistance to strengthen accountability – standardisation of financial reporting standards (gender sensitive) 4.1: TA & Advice - Accountability & transparency matters 4.2: TA & Advice - reporting and international M&E standards</p> <p>A5: Training, workshops and study trips to exchange experiences and good practice on control of public finances in the PALOP-TL between: A.5.1 SAI and Parliament of each country, A.5.2 SAIs and civil society of each country, A.5.3 PALOP-TL SAIs (sex disaggregated) 5.1: Trainings - Face-to-face and eLearning – and workshops 5.2: Study trips and peer learning initiatives - peer reviews 5.3: Translations & publications</p> <p>A6: Lessons Learnt exercises - M&E of project results 6.1: M&E</p>		
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R2. PARLIAMENTS AND CIVIL SOCIETY OVERSIGHT CAPACITIES OVER PUBLIC FINANCES ARE DEVELOPED FOR AN INFORMED ANALYSIS IN THE PALOP-TL IN A CONTEXT OF JOINT LEARNING.			
Activities	<p>A7: Capacity development and methodology assistance to support legal and institutional frameworks' reforms with particular focus on the review of laws regarding the State General Budget and CA (gender sensitive) (gender assessment of the action)</p> <p>7.1 Seminars & Workshops - capacity development and methodology assistance to relevant Parliamentary committees</p> <p>7.2 Advocacy & Sensitisation with a particular focus on gender impact of budgets.</p>		
	<p>A8: Advocacy and information campaigns on public finance management systems legal reforms, including the promotion of budgetary transparency – fiscal and budgetary information available to the public (gender sensitive approach/gender assessments of the action)</p> <p>8.1 Capacity development to parliaments and parliament staff, in particular Women, through regional networks and international nongovernmental specialised organisations</p> <p>8.2 Reinforcement of relations and synergies between Parliaments and CSO targeting control of public finances</p>		
	<p>A9: Technical assistance to reinforce budgets and accounts auditing and monitoring systems for the analysis and review of public finances documents and draft laws (gender assessment of the action)</p>		
	<p>A10: Technical assistance and advice to national parliaments on public spending oversight (gender assessments of the action)</p>		
	<p>A11: Training, workshops and study trips to exchange experiences and good practice on control of public finances in the PALOP-TL: A.11.1 Established mechanisms at Parliaments of each country, A.11.2 Parliaments and civil society of each country (sex disaggregated data)</p> <p>11.1: Trainings - Face-to-face and eLearning – and workshops</p> <p>11.2: Study trips and peer learning initiatives - peer reviews</p> <p>11.3: Translations & publications</p>		
	<p>A12: Training of civil society organisations (including journalists) in the field of budget control and policies (gender sensitive/ gender assessment of the action)</p>		

(*) Listed OV1 under R1 and R2 are an indicative list that will be further tailored during the inception phase to address adequately and best fit country realities.

APPENDIX 2 – INDICATIVE OPERATIONAL TIMETABLE

INDICATIVE ACTIVITIES	YEAR 1				YEAR 2				YEAR 3			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
PROJECT INCEPTION PHASE												
<i>A1: Preparation and agreement with all beneficiary countries stakeholders on the travel plan</i>												
<i>A2: Further update of institutional assessments</i>												
<i>A3: Finalization and approval (by Country Coordination Committees) of Annual Work Plans for 3 years in all beneficiary countries – tailored procurement plans will also be drafted and approved/agreed in line with specific needs of beneficiary institutions in each PALOP and Timor-Leste</i>												
<i>A4: Revision/update of the project's exit strategy</i>												
<i>A5: Revision/update of the logframe</i>												
<i>A6: Formulation approval of the project's visibility plan</i>												
<i>A7: Formulation of project's M&E plan</i>												
PROJECT MANAGEMENT ACTIVITIES	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<i>A1: Project operational start-up, development of ToR and recruitment of the PMU</i>												
<i>A2: Setup of project's managerial and financial tools and guidelines</i>												
<i>A3: Daily project management activities</i>												
<i>A4: Implementation follow-up missions to beneficiary countries</i>												
<i>A5: Organisation of Project's steering committees</i>												
<i>A6: Update annually the project's M&E plan</i>												
R1: SAIS' CONTROL AND AUDIT CAPACITIES OVER PUBLIC FINANCES IN THE PALOP AND TL ARE STRENGTHENED IN A CONTEXT OF JOINT LEARNING	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<i>A1: Training on management and auditing of public finances</i>												
<i>A2: Technical Assistance for Design, programming and budget planning</i>												
<i>A3: Procurement of equipment and technical assistance for the integration of accounting and information systems in public finances management and auditing</i>												
<i>A4: Technical assistance to strengthen accountability – standardization of financial reporting standards</i>												
<i>A5: Training, workshops and study trips to exchange experiences and good practice on control of public finances in the PALOP and TL between: A.5.1 SAI and Parliament of each country, A.5.2 SAIs and civil society of each country, A.5.3 PALOP-TL SAIs</i>												
<i>A6: Lessons Learnt exercises – M&E of project results</i>												
R2: PARLIAMENTS AND CIVIL SOCIETY OVERSIGHT CAPACITIES OVER PUBLIC FINANCES ARE	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4

DEVELOPED FOR AN INFORMED ANALYSIS IN THE PALOP AND TL IN A CONTEXT OF JOINT LEARNING

<p><i>A.7 Capacity development and methodology assistance to support legal and institutional frameworks' reforms with particular focus on the review of laws regarding the State General Budget and CA</i></p>													
<p><i>A.8 Advocacy and information campaigns on public finance management systems legal reforms, including the promotion of budgetary transparency – fiscal and budgetary information available to the public</i></p>													
<p><i>A.9 Technical assistance to reinforce budgets and accounts auditing and monitoring systems for the analysis and review of public finances documents and draft laws</i></p>													
<p><i>A.10 Technical assistance and advice to national parliaments on public spending oversight</i></p>													
<p><i>A.11 Training, workshops and study trips to exchange experiences and good practice on control of public finances in the PALOP and TL: A.11.1 Established mechanisms at Parliaments of each country, A.11.2 Parliaments and civil society of each country</i></p>													
<p><i>A.12 Training of civil society organizations in the field of budget control and policies.</i></p>													

Project on Strengthening Technical Capacity in Control of Public Finance by Court of Auditors and Parliaments in PALOP and Timor-Leste

APPENDIX 3

PROGRAMME JUSTIFICATION NOTE

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LIST OF INSTITUTIONS MET IN PROJECT FORMULATION PHASE



Project for Strengthening technical and functional skills of Supreme Audit Institutions (SAI) National Parliaments and civil society for the control of public finances in the PALOP and Timor-Leste

BRIEF BACKGROUND

In early 2013, the EU Delegation and UNDP Country Office in Cape Verde formally agreed to jointly formulate a multi-country programme targeting the PALOP and Timor-Leste and aiming to develop capacities of Supreme Audit Institutions (SAI), Parliaments and Civil Society Organizations (CSO) in the domain of external control and oversight of public finances, accounts, budget and expenditure.

The programme documents (AF & TAP) were initially developed building on and redressing previous project documentation targeting economic governance in these countries. These initial documents, produced as part of a desk review, soliciting inputs from different EU delegations in the countries at hand, used as main sources and baselines the main governance reports and indicators on these countries, namely 1996-2011 World Bank Governance Indicators (government effectiveness¹, Rule of Law², and Control of Corruption³), 2012 Open Budget Index (OBI)⁴, 2012 IIAG (with particular focus on RoL, Accountability and Public Management indicators)⁵, Africa Governance Report II – AGR II (with particular focus on economic governance and public financial management)⁶. In addition to these reports, the concept note also used as source and baseline the World Bank Institute Studies paper on worldwide legislative comparative oversight capacity over executive policies and accounts (in particular budget)⁷.

In line with comments and recommendations of the QSG to the first version of the AF, the formulation process of the new programme was consolidated with consultations at national level in Angola, Cape Verde, Mozambique, São Tomé e Príncipe, and Timor-Leste (Guinea Bissau was not included in these consultations considering the current political context and restrictions within the context of EU cooperation). Consultations were conducted by UNDP offices on the ground, with the support of a UNDP fielded consultant in Angola, Mozambique, and Sao Tome and Principe notably and a consultant recruited by the EU Delegation. These consultations entailed exchanges with EU Delegations covering

¹Captures perceptions of the quality of public services, the quality of the civil service and the degree of its independence from political pressures, the quality of policy formulation and implementation, and the credibility of the government's commitment to such policies. More specifically, the indicators considered under this index were the quality of budgetary and financial management (sources: ABD, ASD & PIA) and the independency of public services (sources: WCI). For more details see <http://info.worldbank.org/governance/wgi/resources.htm>.

² Captures perceptions of the extent to which agents have confidence in and abide by the rules of society, and in particular the quality of contract enforcement, property rights, the police, and the courts, as well as the likelihood of crime and violence. More specifically, the indicators considered under this index were the fairness and independence of judiciary institutions/system (sources: EIU, GCS, HUM, IPD, WMO, BTI, FRH, GII). For more details see <http://info.worldbank.org/governance/wgi/resources.htm>.

³ Captures perceptions of the extent to which public power is exercised for private gain, including both petty and grand forms of corruption, as well as "capture" of the state by elites and private interests. More specifically, the indicators considered under this index were the fairness and independence of judiciary institutions/system (sources: EIU, GWP, PRS, WMO, ABD, ASD, CCR, FRH, GCB, GII, LBO, IFD, PIA). For more details see <http://info.worldbank.org/governance/wgi/resources.htm>.

⁴ To easily measure the overall commitment of the countries surveyed to transparency and to allow for comparisons among countries, IBP created the **Open Budget Index (OBI)** from the Survey. The OBI assigns a score to each country based on the information it makes available to the public throughout the budget process. The budget is a government's plan for how it is going to use the public's resources to meet the public's needs. Transparency means all of a country's people can access information on how much is allocated to different types of spending, what revenues are collected, and how international donor assistance and other public resources are used. The IBP believes that open budgets are empowering; they allow people to be the judge of whether or not their government officials are good stewards of public funds. For more details see <http://internationalbudget.org/what-we-do/major-ibp-initiatives/open-budget-initiative/>.

⁵ Established in 2007, the IIAG is the most comprehensive collection of quantitative data that provides an annual assessment of governance performance in 52 African countries. The 2012 IIAG compiles 88 indicators – taken from 23 third-party data providers – which are grouped into 14 sub-categories and four overarching categories and averaged to produce the Composite IIAG. The Ibrahim Index of African Governance (IIAG) is a composite index, constructed by combining underlying variables in a standardised way to provide a statistical measure of governance performance in African countries. The IIAG is structured in such a way that the composite IIAG score is the aggregate of four overarching categories which are themselves made up of 14 underlying sub-categories. These sub-categories are calculated from the scores of 88 indicators (made up of 123 constituent variables) taken from 23 third-party data providers. These independent data providers include multilateral development banks, think tanks, business risk rating agencies and UN agencies. For more details see <http://www.moibrahimfoundation.org/>.

⁶ More specifically, the assessment is based on the following indicators: legislatures & judiciary effectiveness, civil service transparency/accountability, respect for RoL, Economic management and corruption control. For more details see <http://www.uneca.org/publications/flagship-reports>.

⁷ <http://web.worldbank.org/WBSITE/EXTERNAL/WBI/O,,contentMDK:22133332~pagePK:209023~piPK:207535~theSitePK:213799,00.html>.

the different countries, as well as direct feedback provided by national stakeholders to and through UNDP country offices and the EU mission in those countries. As part of the discussions and preparation during the month of May, meetings and discussions were held with the following national Institutions (Detailed List in attachment):

Angola

1. Court of Auditors – Tribunal de Contas
2. Civil Society Organizations – ADRA & Catholic University (Research and Studies Centre)

Cape Verde

1. Court of Auditors – Tribunal de Contas
2. Budgetary Committee of Parliament
3. Plataforma das ONGs

Mozambique

1. Court of Auditors – Tribunal Administrativo
2. Parliament – Assembleia da República
3. Civil Society Organizations – Grupo Moçambicano da Dívida (GMD), Centro de Aprendizagem e Capacitação a Sociedade Civil (CESC) e o Centro de Integridade Pública (CIP)

São Tomé e Príncipe

1. Court of Auditors – Tribunal de Contas
2. Parliament – Assembleia Nacional
3. Civil Society Organizations – CIP, Plataforma para os DH e Equidade de Género, and Conselho Nacional para a Comunicação Social

Timor-Leste

1. Parliament – consultation carried out by UNDP country office in Timor-Leste

METHODOLOGY

These consultations were organized with a twofold objective, going beyond the initial desk review conducted, namely: (i) clarify the interest and scope of national level interventions, ensuring coherence with the multicountry objectives of the program; (ii) ensure full complementarities and added value of this programme vis-à-vis existing or foreseen interventions in the same domain, taking into account both EU and UNDP assistance in those countries. In this perspective, missions and consultation rounds provided important inputs and background/context information to complement the desk review and data analysis already carried out for all beneficiary countries. The information collected allows tailoring the programme in order to address effective needs and avoid overlaps with other ongoing or foreseen programmes at national level, as well as redundancy in activities that are not among the stakeholders' priorities, strategic or operational plans.

Thus, in complement of assessed trends in the domain of access to information regarding the executive and public budget, accounts and expenditure, national actors provided critical inputs allowing to:

- 1) Confirm the information gathered through the sources and indicators referred above, in particular in reference to:
 - a) access to information on public/executive budget (and budgetary documents), public accounts and expenditures
 - b) reporting capacity from SAI and oversight capacity of Parliaments
 - c) involvement of CSO in the public discussions of these governance instruments (during planning and execution phases), including through citizens' budgets
 - d) Identify main entry points for support, in articulation with already ongoing national and regional (including CPLP) programmes and plans (strategic, operational and organizational).

This information was collected through desk review and interviews. It will be included in the programme documentation and will guide the formulation of the more detailed Annual Work Plans to be finalized during inception phase.

MAIN COUNTRY FINDINGS

The information gathered through the analysis of the indicators referred above was crossed, in particular those from WBI (government effectiveness and Control of Corruption), 2012 Open Budget Index (OBI), 2012 IIAG (with particular focus on Accountability and Public Management indicators) and the legislative comparative oversight capacity in the PALOP and Timor-Leste. Below are the main findings:

1. All PALOP and Timor-Leste need to improve their performances regarding government effectiveness and control of corruption (using as baselines the WBI).
2. Cape Verde (among the first group of countries in the world and in Africa region) and Mozambique (within the second group of countries with sound progress in Africa region) have shown sound progress with regards the access to State Budget documents information. The achievements and lessons learned in these countries are excellent assets to the programme and would benefit the other countries.
3. Nevertheless, Access to Accounts and Expenditure information (Budget execution information) is still very limited in most of the beneficiary countries, regardless of significant progress registered in particular in Angola and São Tomé e Príncipe in providing information on State Budget.
4. With the relative exception of Cape Verde (and Mozambique to a lesser extent), SAI capacity to audit State and Public Accounts and publish regularly audit reports is very limited in the beneficiary countries, partly in link with auditors and judges insufficient technical expertise and capacities.
5. Legislature capacities to oversee the Budget execution, the State and Public Accounts and Expenditure are limited to severely limited in all PALOP and Timor-Leste. Special Commissions responsible to approve the State Budget, Accounts and Expenditure do not have enough expertise in this field.
6. Civil Society involvement and participation in Budget planning exercises is very weak and incipient in all PALOP and in Timor-Leste. There is almost no involvement and very limited action of the Civil Society in the oversight or public discussion of State/public accounts and expenditure.

7. Government and Public institutions do not have the culture of having their accounts audited which affect the number of audited accounts by SAI or public parliament audits on public expenditure and accounts in all PALOP and Timor-Leste.

8. In some of the beneficiary countries, Angola, RDSTP, and Guinea Bissau, there is important legislation to be approved in order to improve the legal framework and efficiency in the external control.

9. All foreseen national projects and programmes aiming to provide support to SAI and parliaments are in start-up or formulation phase in the PALOP. Timor-Leste has an ongoing programme. All countries identify in their national SAI and Parliament strategic plans needs convergent to the programme scope, strategy, and entry points.

10. Civil society is not targeted in any of the existing programmes in the beneficiary countries.

PROGRAMME MAIN FORESEEN ENTRY POINTS

On the basis of these findings, national stakeholders (CA, Parliaments and CSO) have all confirmed their interest, albeit at different levels based on national context, priorities and existing support, for the overarching activities below to be used as main entry points for the programme. These entry points, already translated, as part of the identification missions, into more specific interventions, will be turned into annual action plans fully integrated and aligned into national strategies and programmes in order to avoid any redundancy.

- Capacity development, through expertise and peer learning initiatives, to SAI, Parliaments and CSO in the field of external control;
- Institutional strengthening to SAI, via TA and Procurement (in particular of software), in the field of audit of Public Accounts and Expenditure and to Develop Audit reports in line with international standards;
- Technical assistance to Parliament Special Commissions and relevant staff to support improved oversight of State Budget, Public Accounts and Expenditure;
- Enhance public discussion mechanisms and processes within Parliament and CSO of State Budget and Public Expenditure;
- Strengthen CSO organizations including media, to participate in Budgeting processes and promote public informed discussions and analysis of State Budget (and Budget documents) and Public Expenditure;
- Promote sensitization/information campaigns and enhance relations between Parliament, CSO and SAI aiming to improve external control;
- Support SAI CPLP Action plan and promote PALOP-TL CSO forum in the field of external control.

These entry points have specific actions that will be designed taking into account baselines, indicators and annual targets when developing the annual work plans in each country. During the consultations with these stakeholders, preliminary and potential actions were identified by the different stakeholders in the visited countries. For further and more detailed analysis, country assessment notes in Portuguese are available upon request.

**LIST OF INSTITUTIONS ENCOUNTERED BY UNDP PRE-FORMULATION MISSION IN THE DIFFERENT
BENEFICIARY COUNTRIES**

Angola

1. Tribunal de Contas (Director Adjunto do Gabinete do Presidente do TC)
2. Organizações da Sociedade Civil
 - a. ADRA / Acção para o Desenvolvimento Rural e Ambiente (Director-Geral)
 - b. Centro de Estudos e Investigação da Universidade Católica (Coordenador)
3. PNUD (Representante Residente, Director de País, Chefe de Unidade)

Cabo Verde

1. Tribunal de Contas
2. Parlamento

Moçambique

1. Tribunal Administrativo (Director Nacional, Pessoal Técnico)
2. Ministério da Justiça (Director Gabinete do Ministro, Director Unidade Coordenação Sector da Justiça)
3. Assembleia da República (Secretário Geral da AR, Assessor de PAR e Coordenador a Divisão de Administração e Planificação, Director Financeiro/Director da Divisão de Relações Públicas e Internacionais, Chefe do Departamento de Cooperação Inter Parlamentar, Departamento de Contabilidade, Comissão Parlamentar do Plano e Orçamento, Comissão para Assuntos Constitucionais Direitos Humanos e Legais)
 - 3.1. Organizações da Sociedade Civil (Grupo Moçambicano da Dívida – GMD, Centro de Aprendizagem e Capacitação a Sociedade Civil – CESC, Centro de Integridade Pública – CIP)
4. PNUD (Representante Residente Adjunta para o Programa, Gestores de Programas, Conselheiro Técnico Principal para o Programa de Apoio ao Parlamento)
5. Delegação da UE (Responsável pelo apoio parlamentar e responsável pela cooperação PALOP-TL)
6. GON (Assistente Técnico)

São Tomé e Príncipe

1. Tribunal de Contas (Juiz membro do TC)
2. Assembleia da República (Comissão para Assuntos Económicos e Financeiros)
3. Organizações da Sociedade Civil (Centro de Integridade Pública, Plataforma para os DH e Equidade de Género, and Conselho Superior para a Comunicação Social)
4. PNUD (Representante Residente, Analista de Programa)

Timor-Leste

5. Parlamento (por via do PNUD em Timor-Leste)

APPENDIX 4 – ORGANISATIONAL SET-UP

