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 (Pro PALOP-TL SAI, MPs, and CSO)

January 2016

DESCRIPTION OF THE ACTION

Addendum n° 1 to the Contribution Agreement n° 2013/336/489
ANNEX I TO CONTRIBUTION AGREEMENT N° FED/2013/336/489
DESCRIPTION OF THE ACTION AMENDED

<table>
<thead>
<tr>
<th><strong>Beneficiary Country / Region</strong></th>
<th>Angola, Cape Verde, Guinea Bissau, Mozambique, São Tomé and Príncipe (PALOP Countries) and Timor-Leste</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Requesting Authority</strong></td>
<td>Government of the Republic of Cape Verde</td>
</tr>
<tr>
<td><strong>Budget Heading</strong></td>
<td>10th EDF A envelope</td>
</tr>
<tr>
<td><strong>Title</strong></td>
<td>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</td>
</tr>
<tr>
<td><strong>Total Cost</strong></td>
<td>6,400,000 EUROS.</td>
</tr>
<tr>
<td><strong>Aid Method/Management Mode</strong></td>
<td>Joint management with an International Organization - United Nations Development Programme (UNDP)</td>
</tr>
<tr>
<td><strong>DAC-code</strong></td>
<td>15120</td>
</tr>
<tr>
<td><strong>Sector</strong></td>
<td>Public Sector Financial Management</td>
</tr>
</tbody>
</table>

ANNEX I - DESCRIPTION OF THE ACTION AMENDED
Background to the Addendum n° 1 to the Contribution Agreement related to Service Contract n° 2013/336/489 - Amendment of Special Conditions (Art. 2, implementation period) and Annexes I and III

In line with the foreseen in the Art. 9 of the General Conditions of the Contribution Agreement, the project executive shall submit to the contracting authority and sole supplier of the project an official request for the Addendum n° 1 of the Contribution Agreement related to Service Contract n° 2013/336/489 for:

1. An amendment of the Article 2 of the Special Conditions to accommodate a No-Cost Extension (NCE) of the Action from 23/12/2016 to 11/12/2017;
2. An Amendment to the Annex III (Budget of the Action) to accommodate important revisions of the Budget Headings resulting from the process of inclusive formulation of the countries’ annual work plans; and
3. An Amendment to the Annexe I (Description of the Action) to align the description of the Action with the new end date and the important revisions of the Annex III referred above.

With regards to the NCE justification, it is important to note that the project documentation formulation process was indeed very complex, due to the following:

- A project proposal formulation based on an in-depth desk review, which allowed the analysis of available information on the PALOP and Timor-Leste in the area of economic governance using as sources and baselines the World Bank's Governance Indicators; UNECA Africa Governance Indicators, Mo Ibrahim Governance Index, PEFA reports and the Open Budget Surveys; and World Bank studies and papers on legislative budgetary oversight.

- Assessment missions to the beneficiary countries aiming to confirm and revise the preliminary assumptions and analysis emerging from the desk review through consultations and discussions with core and senior beneficiaries, as well as through the access to national strategy documents.

The project’s implementation began effectively in January 2014 with the gradual setup of the Project Management Unit (PMU), which carried out a preliminary phase of drafting the AWPs for the period 2014-2016 in each of the six beneficiary countries.

In January 2014 the Project Manager was swiftly recruited, allowing to organized the PMU and ensure the successful implementation of the project’s inception phase and subsequent formulation of 18 Annual Work Plans for the period 2014-2016 in the six beneficiary countries (Angola, Cabo Verde, Guinea-Bissau, Mozambique, Sao Tome and Principe and Timor-Leste), as well as the planning of the cross-cutting activities to be carried out in partnership with the Organization of the Supreme Audit Institutions of the CPLP (OISC|CPLP).

From the formulation of the Description of the Action and signature of the Standard Contribution Agreement, in December 2013, and the formulation of all AWPs and effective conclusion of the inception phase, by November 2014, 11 months of the project’s implementation were focused in management actions, operational and strategy design, stakeholders’ mapping, visibility and communication planning, and many other critical project’s managerial activities.

Consultations and the need to have the full agreement and by-in from the project’s beneficiaries with regards to the timing and calendar for the AWPs’ formulation missions cause an effective delay in country-based activities of 9 months. The project’s executive expectation was that the inception phase would last until March/April 2014 and, in reality it went until November 2014.
In addition, country-based activities could not be launched as initially foreseen in several beneficiary countries due to contextual variables that could not be controlled by the executive and the PMU. The most relevant among these variables are elections in Mozambique and São Tomé e Príncipe in October 2014, political uncertainty with no institutional partners to engage in Guinea Bissau during most of 2014.

During this 11 month-period, it was not possible to foster country-based activities simultaneously in all beneficiary countries with the desired and expected pace. Notwithstanding, this was a critical phase allowing the executive to carry out a bottom-up inclusive planning process involving 24 institutional partners (Supreme Audit institutions, Parliaments, Finance Ministries and Civil Society Organizations) in 6 different countries resulting in 18 Annual Work Plans, about 198 activities, approximately 396 activity results and over 1,118 actions fully owed by the above referred stakeholders.

Unfortunately, this delay was negatively reflected in the financial delivery with expenditure reaching 70% of the first instalment amount only in early October 2015. Even if by December 2015 the delivery was at 90% delivery of the 1st instalment. The consequence of this late disbursement of the 2nd instalment was a significant delay in financial delivery, even if the pace of the implementation in all beneficiary countries had already pickup at a normal rate.

Considering the above, a No-Cost Extension (NCE) would be highly recommendable in order to ensure that the project’s budget is fully implemented allowing the executive to ensure the delivery of the expected results and products, in line with the Description and Budget of the Action.

Based on independent evaluation, the 2015 project’s Results Oriented Mission (ROM) launched by the EUD in Cabo Verde considered the project highly relevant, effective and sustainable – with some challenges with regards to the efficiency due to low financial delivery and shortfalls in gathering the project’s board (steering committee). The evaluation stated that the project targets, results and outputs are achievable but raised some alerts regarding the need to refine coherence between targets, indicators and results at mid-term level through the M&A plan. In its recommendations, the ROM highlighted the need to operationalize the project board as soon as possible and to accelerate disbursement and financial delivery, as well as to consolidate the exit strategy.

The project annual interim report clearly demonstrated the quality criteria of the actions delivered: the full by-in and public appreciation of the partners, in particular the beneficiaries, in all beneficiary countries, with regards to the project; the increasing implementation rate and the equitable benefit of all parties; the high reputational and visibility gains coming from the project realizations in hermetic institutions such as court of auditors and parliaments, in very complex domains as budget legislative and judicial scrutiny and oversight; and the potential for transformation related with the project’s capacity to gather different stakeholders, such as civil society, executive financial institutions, supreme audit institutions, parliaments at the same table – in-country and at regional level.

The NCE until December 2017 would allow the executive to deliver all expected results and outputs, deepening the project ownership by its beneficiaries, refine the exit strategy, as well as making available a wide range of highly relevant products never before foreseeable in the field of external independent audit, legislative budgetary oversight and public scrutiny of public finances management systems (PFMS) in the ACP Portuguese Speaking Countries.

Today, the project’s potential for impact and transformation is recognized internationally by very credible partners in the field of PFMS. This is proven by the partnerships established by the project with the World Bank Finish Parliamentary Programme, the International Budget Partnership, the GIZ Governance Programme in Mozambique, Global Parliamentary Platform
AGORA, INTOSAI, OISC|CPLP, LegisPALOP, IPU, as well as the importance given to its realizations at corporate level by UNDP Administrator. The project’s strategy, approach and initiatives are considered as best practices and included in practice and guidelines documents such as the upcoming IPU-UNDP Global Parliamentary Report focused on legislative oversight.

By achieving the targets referred above, this project will contribute critically to the adequate visibility of EU external actions and the overall EU-UNDP partnership.

It is expected that the 2nd instalment amount will be implemented for a period of 12 months, from November 2015 to October 2016. Consequently, the 3rd instalment can only be disbursed by November 2016 for another 12 months implementation period ending in December 2017.

Considering the above, a No-Cost Extension (NCE) until December 2017 would be highly recommendable in order to ensure that the project’s budget is fully implemented allowing the executive to ensure the delivery of the expected results and products, in line with the Description and Budget of the Action.

The request for a NCE was submitted following discussions and due planning between the executive and the EU Delegation in Cabo Verde, after submission of the 1st annual interim narrative and financial report submitted in March 215 and the request for the 2nd payment submitted and approved in early November 2015.

With regard to the amendment of Annex III, the Budget of the Action, and subsequent amendment of Annex I, the Description of the Action, the following is to be considered:

Considering that the formulation of the country annual work plans resulted in variations of the budget headings that exceed 15%, as foreseen in Art. 9.2. of the General Conditions of the Contribution Agreement, after due discussions and exchange of information between UNDP and the EU Delegation, it was agreed to amend the Annex III of the contract.

As referred above, the formulation of all country annual work plans and effective conclusion of the inception phase in November 2014 was a long and complex planning and results based budgeting process that took nine months to complete.

This nine month formulation period, was a critical phase allowing the PMU to carry out a bottom-up, inclusive planning and results-based budgeting process, that involved successfully an average of 24 institutional partners (Supreme Audit institutions, Parliaments, Finance Ministries and Civil Society Organizations) in 6 different countries. As previously stated, such a complex process resulted in the formulation and subsequent approval by country coordination committees (national project boards) of 18 Annual Work Plans, about 198 activities, approximately 396 activity results and over 1,118 actions fully owed by the above referred stakeholders.

This process could not have been done prior to the signature of the Contribution Agreement and its annexes, namely the Annex III, the Budget of the Action, and the instalment amounts foreseen in the Art. 4.2 of the Special Conditions. The Annual Work Plans produced results-based budgets covering the period from 2014-16, and their formulation started in Cabo Verde about 4 months after the signature of the contract and finished in Guinea Bissau, about 11 months after the signature of the contract.

Considering the above, even though it was possible to strictly respect the limits set by instalment amounts as stated in the Art. 4.2 of the Special Conditions, the Budget Headings in Annex III had to be readjusted in order to accommodate the resource allocations emerging from the inclusive results-based budgeting in each beneficiary country for a 3-year period. In order to effectively respect the needs and indications of each of the 24 institutional partners in the 6 beneficiary countries, the PMU had to adjust the budget headings of the activities targeting country based actions. This resulted in a variation of more than 15% of the approved budget.
heading, as stated in the Annex III of the signed Contribution Agreement, even if the three instalment amounts and forecast were respected and do not change.

The budget headings regarding the activities related with Project Management, Visibility and Project results’ evaluation will not change. The changes in budget headings above 15% affected only the activities covering country-based actions (country annual work plans) and transversal activities promoting exchanges among the project beneficiaries.

In this context, the Description of the Action (Annex I to the Contribution Agreement) is being amended in order to accommodate the new end date for the implementation period resulting from the NCE and the amendment of the Budget of the Action (Annex III to the Contribution Agreement) to accommodate the changes in the budget headings of activities 1, 2, 3, 4, 5, 7, 8, 9, 10, 11 and 12.
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SECTION I

1. DESCRIPTION

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

The project is formulated under the economic governance sub-area of the 2008-2013 10th EDF for the PALOP & TL, which allocates EUR 33.1 million to supporting governance initiative projects in PALOP & TL countries.

The PALOP and Timor-Leste NAO, 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 and TL”. Following a circular mission to the 6 beneficiary countries in 2009 and a set of enquiries in the PALOP and TL in 2010, conducted by the NAO and EU Delegation in Cape Verde (project’s 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 and TL.

A supplementary field mission to Cape Verde, Mozambique, Sao Tome & Principe 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’s scope, objectives and activities with national strategic plans regarding the external control of public accounts and expenditure (CA & Parliaments) – in particular in Cape Verde, Mozambique and Sao Tome e Principe. The project was identified during these meetings with CA and Parliament commissions and staff (see attached list of beneficiaries encountered) 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, TL national development plan and the 2008-2013 10th EDF for the 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’s accountability.

The multi-country intervention logic of this project aims to intensify the PALOP and 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. It may be updated or adapted without an amendment to the agreement as long as these modifications do not change the objectives of the project (as foreseen by article 9.2 of the General Conditions - Annex 2 to the EU-UNDP agreement).
1.1. Economic and social situation and poverty analysis

With a population of around 45 million inhabitants, the PALOP and TL are among the least economically developed countries, with the exception of Cape Verde. Despite progress in recent years, they continue to be among the world's poorest countries with much of the population living in extreme poverty.

The economic development in each country is described briefly below:

In Angola, the slowdown in inflation and sustained robust pace of economic growth have shaped recent macroeconomic developments. A substantial strengthening of the fiscal and external position has also become apparent, on account of the gradual recovery of oil revenues, among others.

Cape Verde is currently facing a difficult macroeconomic scenario with high fiscal and external deficits, a slowdown in growth and adverse external conditions. Economic growth slowed to 4.3% in 2012, down from five percent in 2011.

In Guinea-Bissau economic activity was strongly affected by the April 2012 military coup, which paralyzed the functioning of public institutions and affected the storage and export of cashews, the country’s main export and leading economic sector.

In Mozambique, the economic growth – spurred on by political stability, steady macroeconomic management, reconstruction, and structural reforms – has been bolstered by a boom in large foreign investments in the burgeoning energy and natural resources sectors. However, its impressive trajectory of growth has not been matched by a concomitant reduction in poverty.

São Tomé & Príncipe, the second smallest country in Africa, registered in 2012 a sustained decline in inflation and the strengthening of fiscal consolidation. A commendable pace of economic growth has also been maintained, estimated at 4.5% in 2012. Poverty remains rampant affecting more than 50% of the population (2010).

In Timor-Leste the domestic economy has been growing appreciably, in tandem with significant inflows of oil revenues, channelled to the Oil Fund. The comfortable fiscal position has enabled an ambitious public investment programme to be implemented. The economic developments are starting to contribute to poverty reduction and improved social outcomes.

The table below provides the main economic and social indicators as well as the Human Development Index (HDI) of 2013 provided by the UNDP ranking the PALOP & TL out of 187 countries with comparable data.

<table>
<thead>
<tr>
<th>COUNTRIES</th>
<th>ANGOLA</th>
<th>CAPE VERDE</th>
<th>GUINEA BISSAU</th>
<th>MOZAMBIQUE</th>
<th>SAO TOME &amp; PRINCIPE</th>
<th>TIMOR-LESTE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total area (km²)</td>
<td>1.246.700</td>
<td>4.033</td>
<td>36.125</td>
<td>799.380</td>
<td>1.001</td>
<td>15.007</td>
</tr>
<tr>
<td>Population</td>
<td>19,618,432</td>
<td>500,585</td>
<td>1,547,061</td>
<td>23,929,708</td>
<td>168,526</td>
<td>1,175,880</td>
</tr>
<tr>
<td>Population growth</td>
<td>2.6%</td>
<td>0.9%</td>
<td>2.1%</td>
<td>2.3%</td>
<td>1.9%</td>
<td>2.9%</td>
</tr>
<tr>
<td>Literacy rate</td>
<td>70%</td>
<td>84%</td>
<td>54%</td>
<td>56%</td>
<td>89%</td>
<td>58%</td>
</tr>
<tr>
<td>GDP</td>
<td>$104.3 billion</td>
<td>$1.901 billion</td>
<td>$967.8 million</td>
<td>$12.76 billion</td>
<td>$248.3 billion</td>
<td>$1.054 billion</td>
</tr>
<tr>
<td>GDP Growth</td>
<td>3.9%</td>
<td>5.0%</td>
<td>5.6%</td>
<td>7.1%</td>
<td>4.9%</td>
<td>10.6%</td>
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<tr>
<td>HDI</td>
<td>0.508</td>
<td>0.586</td>
<td>0.364</td>
<td>0.327</td>
<td>0.525</td>
<td>0.576</td>
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<tr>
<td>HDI rank</td>
<td>148</td>
<td>132</td>
<td>176</td>
<td>185</td>
<td>144</td>
<td>134</td>
</tr>
</tbody>
</table>

1Source: Economic developments in the PALOP and TL 2011-2012, Banco de Portugal and World Bank indicators.

1.2. Sector context & Stakeholders’ analysis

Cooperation between the PALOP countries, Timor-Leste and the EU is based on a non-geographic integration strategy resulting from a shared historical past influenced by the Portuguese occupation. The group of PALOP countries, comprising Angola, Cape Verde, Guinea Bissau, Mozambique and São Tomé and Principe and Timor-Leste share a similar system of governance (including similar systems of public administration, justice, public finance management, interlinked labour markets and social services), a strong linguistic and cultural identity and a long tradition of contacts and exchanges amongst themselves.

In the last decade, most of the partner countries have registered significant progress in terms of economic governance, largely due to a wide set of reforms introduced in their Public Finance Management (PFM) systems. However, the public administration remains generally characterized by various institutional deficiencies, including inadequate human resources and flawed organizational structures resulting in severe deficiencies which do not allow for an adequate external financial control.

The objective of promoting more effective control over the public finances strengthening the institutional and civilian control mechanisms aims to be achieved in the framework of a common approach, which is assumed by the political leaders as one of the policy options for cooperation, benefiting from the existence of a broad framework of references shared by the respective public administration, despite significant differences resulting from the realities of each country. Since 1995, the Audit Courts of the PALOP countries, as members of the Supreme Control Institutions Organization of CPLP, have been carrying out cooperation actions such as courses and joint studies, exchanging auditors for courses and internships and also exchanging technical publications. The present action aims at establishing a cooperation agreement with this organisation to align its institutional capacity building activities with the Supreme Control Institutions Organization of CPLP’s strategic plan for 2011-2016.

The pre-formulation missions carried out by UNDP were able to confirm conformity between the project’s scope, objectives and activities with national strategic plans regarding the external control of public accounts and expenditure (CA & Parliaments) – in particular in Cape Verde, Mozambique and Sao Tome e Principe. The project was identified during these meetings with CA and Parliament commissions and staff (see attached list of beneficiaries met). It will be an important input to the different national and institutional programmes/plans.

The core beneficiaries of the project will be the following 3 groups: Courts of Auditors from the 6 partner countries, national parliaments of the 6 partner countries and CSOs in all 6 countries. The project foresees the participation of other actors and stakeholders in the implementation of activities such as Ministries of Justice, Ministries of Finance and possibly other institutions dealing with state reform in the 6 countries as well as International specialized NGOs to deliver capacity building programmes on budget control and policies.

Partnership and cooperation with other actors developing projects with complementarities and/or synergies is envisaged including: the CPLP Organization of SAIs (O-SAI CPLP) and the Training Institute for Financial and Economic Management of the PALOP – IGEF. Based upon its official

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3 In Timor-Leste, the Court of Appeal performs the audit functions while the High Administrative, Tax and Audit Court is fully established.

4 More specifically, parliamentary committees dealing with public finances.
status and its existing management capacities, UNDP will establish Grants with O-SAI CPLP (an autonomous and independent association of CPLP CAs/SAIs).

In case this association has insufficient management capacities, it will be considered as beneficiary of the project activities and the project will co-finance some of the actions foreseen in its action plans. With reference to IGEF, collaboration can only be foreseen once the institute is formally constituted and operational. In such case, which may happen at any time during project implementation, UNDP will establish a partnership with IGEF, either through Grants or letters of Agreements with National Government Institutions, depending on IGEF’s final status. Alternatively, IGEF could also become a beneficiary of the project’s actions targeting training and translations. These implementation arrangements are foreseen to be drafted and finalized during the inception phase on the basis of UNDP rules and procedures.

Currently, the situation in the areas of the project in the six partner countries is as follows:

1. **Supreme Audit Institutions (SAIs): oversight and audit functions over public finances.**

   The Courts of Auditors (CA) of PALOP and TL are higher institutions of financial control with jurisdictional characteristics and their legal frameworks essentially based on the following texts: Constitution of the Republic; law establishing the competence, organization and functioning of the Court of Auditors and the status of its judges. CAs have been recently created and they are in a phase of consolidating the activities and methods to control public finances as well as the assessment of budgetary systems.

   In **Angola**, the CA was established in 2001. Its legislative framework is adequate with possibilities of improvement to consider functional adjustments and new competences to control more comprehensively public accounts. Interaction with National Assembly’s 5th Committee (in charge of economic and PFM issues) exists but with limited functional impact only. In terms of transparency and information availability to the general public there is room for improvement. The CA has developed an IT management system directly linked with the State’s General Budget aiming at maximizing the efficiency to oversee public finances, a good practice which could possibly be adapted for use in the other countries, where appropriate.

   In **Cape Verde**, the President of the Court is appointed by the President, upon recommendation of the Council of Ministers. The Court is mandated to conduct annual reviews of public accounts and performance of government policies and programs, which are transmitted to the National Assembly. The CA has in recent years significantly improved its control capacity over public finances. A strategy to increase its performance has been supported by a wide range of partners, including the EU through budget support, France, Portugal and UNDP. There are bilateral cooperation relations with CAs in Portugal and Brazil in the framework of the CPLP Organisation of SAIs. Moreover, the CA in Cape Verde has received requests from CAs in Guinea Bissau and Sao Tome & Principe for support and capacity building activities, which have not been followed up due to a lack of resources. A strategic plan 2012-2015 is currently in place with annual operational plans to be established yearly. The 2013 operational plan foresees internal capacity building programmes and a risk-analysis based methodology. A foreseen review of the CA’s legal framework aimed at increasing transparency, control and monitoring capacity as well as dissemination of public accounts. However, the proposed new law on the CA was automatically withdrawn from the Parliament at the end of the previous legislature as the law had not been approved in Parliament. Main deficiencies to carry out an efficient control over government action and public finances include: a limited audit scope following the legislation in place, limited effectiveness of internal audit due to staff and organizational shortcomings and need of CA’s access to SIGOF (Government financial information management system).

   In **Guinea-Bissau**, the functioning of public institutions was affected by the April 2012 military
coup. The CA suffers from a severe lack of financial and material resources as well as a shortage of skilled staff which is an obstacle to effectively control public finances. The action plan for the public finances reform contemplates actions to improve oversight and transparency of PFM and particularly the functioning of the CA. The CA intended to gain visibility through awareness-raising activities for the civil society aimed at promoting civic participation to achieve greater transparency in the management of public affairs.

In Mozambique, the Tribunal Administrativo (TA) is vested with oversight and audit functions. It enjoys a reputation of being relatively independent. The TA reports directly to the National Assembly on budget execution, use of public funds and public administration, as required by the Constitution. The TA struggles to fulfill its mandate under severe capacity constraints. Strong efforts have been made to address this challenge through training and capacity building programmes with a particular focus, since 2002, on the field of audit and accounts analysis. The TC has adequate channels of communication with the general public. Public accounts, TA’s Opinion and Audit Reports are made publicly available via the MF and TA websites. TA’s decisions are published in the Official Journal, as legally foreseen. In 2009 the TA approved a communication plan, which foresees sanctions aimed at increasing the dissemination of TA’s reports, opinions and judgments. The main identified challenges in the medium to long term are: (i) Revision of organisational (constitutional) position and set-up of TA; (ii) Broad strengthening of principles of transparency and public access to information; (iii) A fully functioning IT support system for procurement that imposes internal control and improves transparency. In 2011 a new multi-year Strategic Plan for TA was adopted.

In São Tomé & Príncipe, the CA was established in 2004 and strong efforts have been deployed to strengthen its oversight functions. The inability to produce regularly the State’s public accounts was the most serious weakness identified in view of its implications for the external scrutiny and audit. However, the 2010 accounts have just been produced. External factors including the lack of a financial responsibility law and the powers of the National Assembly to restrict the CA’s functions become an obstacle to the full independence of the CA and the appropriate performance of its oversight functions. Bilateral agreements with CAs in Portugal and Brazil are in force to carry out training programmes in the framework of the CPLP Organization of SAIs. There are no legal provisions providing for the publication of information about the CA’s appeals and their resolution. The CA’s website is due to be operational shortly.

In Timor-Leste an independent High Administrative, Tax and Audit Court (HATAC), while required by the Constitution, is yet to be established resulting in a weak internal audit and effective control of public finances. However, until the HATAC will have been fully established, the Audit Chamber will be located in the Court of Appeal with responsibility to control the public finances and jurisdiction over all services and State organisms^5.

2. Parliaments: oversight capacities over public finances

In the PALOP and TL national Parliaments are vested with legislative, oversight and political decision making powers. PALOP and TL provide a limited response only of public institutions and civil society in the context of good economic governance to control government action and public finances resulting, in particular, from the absence of outdated information systems, appropriate monitoring and analysis mechanisms, as well as insufficient expertise.

In Angola, the National Assembly (NA) counts with 9 Committees, being the 5th Permanent Committee responsible for overseeing the government action in economic and PFM issues. Despite recent improvements in coordination with Ministries and other public entities this seems

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insufficient. Exchanges with the CA need also be strengthened. In the framework of the CPLP, the NA has established cooperation agreements with some Parliaments; however, a systematic approach and desirable frequency in the implementation of the activities are missing. Access to the budget is incomplete, too.

In Cape Verde, the Parliament works through a permanent and seven specialized Committees. The second specialized Finance and Budget Committee is in charge to oversee PFM. Some deficiencies to perform efficiently include the lack of support staff, limited specialized technical expertise and weak technical interaction with the CA. Discussion on the convenience of two legal reforms have been in place for a long time now, namely the review of the budget framework law and the CA legal framework to update mandate and functions of the CA. A substantial investment has been made in the development of the ICT sector. There are E-governance tools at the Ministry of Finance such as SIGOF or SIMs (system for managing municipal authority) which are important for monitoring and managing financial data. However, these are not available to the Parliament. There are no technical interactions with other Parliaments in the PALOP-TL despite an expressed interest in Cape Verde to carry out peer reviews and extrapolate good practice to other Parliaments that have demonstrated an interest in the functioning of this institution in Cape Verde, as is the case for Mozambique.

In Guinea Bissau, the Assembleia Nacional Popular counts with nine permanent specialized Committees being the Committee on Economic, Financial, Planning, Trade and Industry affairs in charge of overseeing PFM and economic issues. However, there is a reduced ability of parliament to oversee governmental action and public expenditures mainly due to: shortage of skilled staff, limited use of IT management tools, despite the efforts in establishing SIGOF tools, weak institutional coordination and scarce technical interaction with the CA.

In Mozambique, the National Assembly’s Strategic Plan 2013-2022 includes among its five strategic priorities the National Assembly’s oversight function over government action. The Budget and Planning Committee, in charge of PFM issues, plays a central oversight role throughout the budget cycle. Major identified challenges include: insufficient interaction between the National Assembly and the civil society, deficient transparency and accountability mechanisms in place, support and data systems still to be fully developed, weak institutional technical expertise and limited quality and comprehensiveness of the State’s public accounts, which hamper compliance with IPSAS Standards.

In São Tomé & Príncipe, the Assembleia Nacional counts with five Committees being the second Permanent Committee responsible for the oversight of public finances and economic affairs. However, the performance of this Committee is weak due to some severe constraints, including: the inability of the Government to produce regularly the State’s public accounts, the non-compliance with the budget cycle calendar, the untimely dissemination by the Government of budget execution reports and a lack of expertise within the Committee. The government has been testing recently with technical assistance from the IMF, an electronic system for the government’s financial administration system (SAFE-e) which, for the first time, enabled the Government to present general accounts to the National Assembly and to the CA in 2013. The State’s accountability is very limited. According to the SAFE law⁶, the report of the CA on the State’s public accounts is the only obligation of the government vis-à-vis the National Assembly. Budget transparency was reinforced with the publication in the Ministry of Finance’s website of finance drafts/laws and the quarterly implementation reports, including regular reporting on “pro-poor” spending with the integration of specific budget codes. However, budget execution and monitoring reports, based on the SAFINHO system, were not published in the official journal as

⁶2007 Law on the Government Financial Administration System,
required in the SAFE law.

In Timor-Leste, Parliamentary committees suffer from a serious shortage of skilled staff, which hampers both legislative initiative and oversight capacity. The technical capacity of MPs is weak and the legal, economic or specific expertise is usually provided by few international advisors.

3. Civil Society: civilian control capacities over public finances

According to the Open Budget Index (OBI)\(^7\), in Angola and São Tomé & Príncipe there is minimal information provided to the public in budget documents during the year. Angola’s score in 2012 (28 out 100), is the lowest in terms of State’s budget transparency among the Portuguese speaking countries, closely behind Sao Tome & Príncipe with 29.

In Angola, the National Assembly and specialized committees introduced two years ago public consultations regarding the State’s General Budget. Civil Society Organisations’ (CSO) contributions in terms of State Budget’s analysis and public accounts (such as those provided by ADRA: Action for Rural Development and Environment) are taken into consideration within the Parliament’s process for budget approval. However, these are incipient and limited experiences due to the scarce dissemination and public discussion of the public accounts and non-availability of budget implementation reports. In São Tomé & Príncipe, as a result of the OBI exercise carried out in 2011, a participative methodology was tested with the pilot participation of some CSOs.

In Cape Verde there is little involvement of CSO in budget related policies. The government facilitates the discussion on the State’s General Budget at the Council for Social Dialogue, where nongovernmental institutions invited to participate include trade unions, employers’ associations, private actors, etc, whereas the Parliament has no available mechanisms to interact with civil society. In terms of transparency, the general public can access information through the CA and Ministry of Finance websites.

In Guinea Bissau, civil society is far from being involved in discussions on budgetary/PFM issues. The pre-condition for their involvement would be, however, to dispose of the necessary information, which is not fulfilled for the time being.

In Mozambique, CSOs are not strongly involved in technical PFM issues, but have been increasingly organized around budget analysis, procurement and corruption, and recently natural resources extraction. CSO’s increased interaction on budget related policies has been fostered by the Forum de Monitoria do OGE (Monitoring Forum of the State’s General Budget), a platform of around 30 CSOs (including: Fundação para o Desenvolvimento da Comunidade (FDC), Centro de Aprendizagem e Capacitação da Sociedade Civil (CESC), Grupo Moçambicano da Dívida (GMD) e do Centro da Integridade Publica (CIP), working on PFM issues with technical and financial support of UNICEF. As far as transparency is concerned, despite an increased online availability of documents, there are important areas where access to information remains difficult: TA specific audit reports, financial reporting of public enterprises, information on concessions and contracts in the natural resource extraction domain. Government has decided to prepare for 2013 a "citizen's budget" aimed at guaranteeing Budget Transparency.

In Timor-Leste, National Parliament interacts with civil society through public hearings, individual complaints and field visits. Plenary parliamentary budget debates are open with live radio and television coverage and CSOs are allowed to participate in Committee discussions. In 2013, the National Parliament established an "Ad hoc Committee to Collect and Analyse Proposed Consensus Amendments to the Proposed State Budget".

Overall, limitations can be summarized as follows: insufficient technical expertise of parliaments

\(^7\)http://internationalbudget.org/what-we-do/open-budget-survey/country-info/
and CA staff; Integrated Management Systems about public finances with gaps or non-existent in parliaments and in CAs; few technical interactions between the country parliament and the CA; few technical exchanges between PALOP parliaments and Timor-Leste on these matters, as well as lack of technical exchange between the CAs of PALOP and Timor-Leste; outdated web sites and/ or low interactivity; insufficient mechanisms to guarantee public budget transparency and limited involvement of CSOs in PFM and budget policies. Media do report in all countries on budgetary issues although there are some unofficial restrictions in some of these. Access to relevant information for media is limited and there are some technical capacity constraints of journalists when it comes to analyzing the issues in detail.

1.3. Lessons learnt

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. Management challenges resulting from the geographical discontinuity will be addressed through an extensive use of ICT-supported procedures, while also relying on the UNDP offices present in each country as this has proven efficient in other similar programs.

Lessons learnt from previous actions point to two fundamental issues as follows: One 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 fact-finding mission organized in 4 of the 6 countries.

The second issue relates to the sustainability of the action. In this regards, the exit strategy of the project is based on two dimensions, both grounded in a system strengthening approach. One aims to ensure that 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 eLearning 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 CSO PALOP-TL 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 IGF, involving this institution in training and capacity building activities at transnational level. 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 HR that will constitute pools for the constitution of a roster within the O- SAI CPLP framework – also feeding into IGEF actions and scope of work. Additionally, institutional sustainability of relevant CSO/NGO will be ensured through supporting the setup of the multi-country CSO platform using lessons and progress made by civil society organisations’ meetings and fora within PALOP/CPLP Open Budget Initiative.

8Very variable situation depending on the country. In the case of Cape Verde, SIGOV is known as a “good practice”
Financial sustainability is ensured by avoiding the creation of project management temporary units/structures in all beneficiary countries and putting the emphasis in developing capacities within SAI and Parliament Commissions/Administration staff (national level), and within existing O-SAI CPLP and the multi-country CSO platform working with the Open Budget Initiative. Joint implementation with UNDP allows the management to implement the project’s 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 disposed in line with the provisions of the General Conditions –Annex 2 of the EU-UNDP Contribution Agreement. ICT (hardware and software) procured target essentially required programmes for transparency and efficiency in financial management and expenditure audit/oversight. These and additional actions are further detailed in the project’s TAP.

1.4. Complementary actions

There are a number of ongoing initiatives aimed at supporting public finance management in many of the beneficiary countries of the present action, supported by a variety of partners.

In Timor-Leste, there is an ongoing project funded under the 10th EDF to support the establishment of the SAI, with technical support from the SAI in Portugal through a Delegation Agreement with IPAD (now CICL). An ongoing project of €2M to support the justice sector attempts to ensure wider dissemination of issues on the newly established court of auditors to civil society. A project proposal to Support to PFM Reform is under discussion.

In Mozambique, there is a €9M EDF funded project to support the rule of law and public accountability targeting the Assembly, the Supreme Court and the Prosecution Service, a €7 M programme for public financial management reform benefiting the Administrative Court – in its capacity of Supreme Auditing Authority.

In Sao Tomé & Principe, the EU has been providing technical assistance to enable the Ministry of Finance to produce the general accounts. Additionally, UNDP is providing support to Parliaments to enhance oversight and legislative capacities of specialized commissions, MPs and staff particularly in the fields of Public Expenditure, State Budget and Government Policies. Cape Verde (€0.1M)9, Mozambique10 (0.1 MEUR), and Timor Leste (EU funded – €4M)11 are the main beneficiaries of such support.

In Cape Verde and São Tomé e Principe, robust support to Supreme Audit Courts has been provided with EU and other partners’ financial support. In the PALOP countries and TL a project under formulation from the 10th EDF aims to work on Support for the establishment of

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9 Ending in 2012, this project provides around 80,000 US$ direct support to strengthen 7 specialized commissions, including Finance and Budget commission, through capacity development and peer learning/experience exchanges.

10 2012-2015 project in support to planning and Budget specialized commission – 55,000 US$; technical support to specialized commissions – 25,000 US$; Support to specialized commission on legal issues (anti-corruption) – 25,000 US$.

11 2012-2015 project funded by EU up to 4 million EUR and implemented by UNDP. Among other things it aims with 0.5 Mio EUR at strengthening the democratic foundations of oversight, accountability and transparency through targeted capacity development interventions in the National Parliament. This includes improved oversight mechanisms and capacities; (3) strengthened in-house capacities for budget analysis.
the Training Institute for Financial and Economic Management in Portuguese Language (IGEF). The proposed project could represent a timely opportunity to channel some of the training activities foreseen in this new action, provided that IGEF is fully operational by the time the present project starts.

Indeed, while IGEF aims at supporting human and institutional capacities in broad PFM issues addressing a broad range of stakeholders, from governments to the private sector, the present action aims at reinforcing the PFM system itself, focusing on the external and civilian control of public finances and government action by all relevant actors, from SAIs to Parliaments and Civil Society. Some of the training components of this approach could be partially carried out by the IGEF.

On the other hand, the present action will feed the Legal Database of the PALOP (http://www.legis-palop.org/), developed within the Project for the Support of the Development of the PALOP’s Legal Systems, financed by the 9th EDF. In the field of e-governance the project will liaise with the forthcoming PALOP-TL project to improve the quality and proximity of public services when implementing activities directly linked to ICT based information systems and tools. Finally, the project will be able to benefit from the working groups’ methodology and regional approach of the Global Programme for Parliamentary Strengthening (AGORA – GPPS: http://www.agora-parl.org/) managed by UNDP, which will allow for sensitive issues to be discussed at the PALOP & TL multi-country level fostering democratic reforms.

The project’s objectives, expected results, activities and targets are complementary to the project for strengthening the Rule of Law in the PALOP-TL, an 8.4 MEURO project implemented in partnership with Camoes for a 4-year period. In fact, the RoL PALOP-TL project aims to consolidate the Rule of Law tackling corruption, money laundry and organized crime with considerable focus on strengthening coercive capacities among relevant PALOP-TL institutions, promote legal reforms tackling organized crime activities and corruption, training and information to MPs and senior public officials.

There are no risks of overlapping or duplications between the two projects, since even though some beneficiary institutions may be the same (Parliament, CSO, CA and eventually MoF) they are involved with completely different scopes and using different units and HR. This low risk of overlap is extensive to ICT and other equipment to be procured due to the reasons referred above and the type of ICT procured in each project. Finally, the proposed project, as discussed with all stakeholders in the beneficiary countries, is expected to have a complementary approach to existing initiatives, building on a multi-country PALOP-TL dimension, emphasizing the construction and consolidation of competencies and networks via peer learning, exchange of experiences and south-south cooperation among the PALOP-TL institutions, thus moving away from a more classical systematic recourse to outside expertise. The internal resources to be consolidated and used in this regard are also in support to the sustainability of project results.

1.5. Donor coordination

The project is a good example of coordination and harmonization, in accordance with the Paris and Accra principles on aid effectiveness, because:

a. it is based on the specific needs of the beneficiaries and results from consultations with relevant actors;

b. it entails a strong coordination between the actors by means of a three-level coordinating mechanism (daily management assured by the Project Management Unit, follow-up at the national level within the Country Coordination Committee for each PALOP and TL and supranational supervision at the Project Steering Committee) throughout the year and the
resources for its implementation will finance harmonized activities at national and multi-
country levels, according to the above mentioned multinational strategy;

c. aims to support the development of the capacities of national institutions and civil society
and provide support in the framework of national strategies of partner countries, their
institutions and procedures;

d. intends to complement and reinforce efforts undertaken by different partners, avoiding
duplication by streamlining the implemented activities. National Project’s stakeholders,
including CSO and Media representatives, will meet semiannually in Country
Coordination Committees.

The Project Steering Committee will meet once per year. Donor coordination will be closely
linked in each country with national coordination structures and there will be an attempt made to
avoid duplication of structures. Project results and activities will be duly reported in the dialogue
frameworks addressing PFM performance in countries with EU budget support and through
sector coordination mechanisms, such as the existing coordination group with the CA in Cape
Verde where EU, UNDP, France and Portugal participate.
SECTION II

2. PROJECT’S OBJECTIVES, EXPECTED RESULTS, FORESEEN ACTIVITIES AND STRATEGY

2.1. Objectives

The overall objective is to promote economic governance in the PALOP and TL strengthening 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 and TL for a more efficient and effective use of public resources. This action 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 sensitization activities on gender equality addressed to Parliaments and CSOs). UNDP will associate UN Women units at country office level in designing the AWPs and training activities. 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.

2.2. 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 and TL are strengthened in a context of joint learning.

This result intends to transfer capacities, tools and practices to SAIs in the PALOP and 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 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 and 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 and TL will enable the establishment of peer review mechanisms benefiting Parliaments and Civil Society Organisations in a context of comparative experience and enhanced access to information.

2.3. Activities and implementation timetable

The strategy defined by the project takes into account the different contexts of the six beneficiary countries and the multi-country PALOP and 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 eLearning 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’s 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 (see attached country fiches).

The implementation of foreseen activities during the three-year project’s duration period was revised in line with the No-Cost Extension (NCE) extending the implementation period until 11/12/2017. Project start-up will have an initial phase initially foreseen for four months from the signature of the Contribution Agreement with UNDP, had to be extended for additional 5 months as referred in the NCE justification note. 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-to-case basis maintaining the overall approach of the project and the programme – putting more dynamic and developed countries to be champions in promoting change. The inception phase will also allow the project management to setup the project’s M&E plan and agree with the EU delegation and project’s senior beneficiary on the project’s visibility plan. The project’s exit strategy will be finalized 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:

- (A1) Preparation and agreement with all beneficiary countries stakeholders on the travel plan;
- (A2) Formulation and approval (by Country Coordination Committees) of Annual Work Plans for 3 years in all beneficiary countries;
- (A3) Revision/update of the project’s exit strategy;
- (A4) Formulation approval of the project’s visibility plan;
- (A5) Formulation/update of project’s M&E plan.

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 ToR and recruitment of the PMU;
- (A2) Setup of project's managerial and financial tools and guidelines;
- (A3) Daily project management activities;
- (A4) Implementation follow-up missions to beneficiary countries;
- (A5) Organisation of Project’s 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: SAI’s control and audit capacities over public finances in the PALOP and TL are strengthened in a context of joint learning.

SAI’s 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 (see country fiches in annex) multi-country initiatives are foreseen to strengthen ongoing supranational cooperation structures, such as the CPLP Organization of SAI, 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 country assessment fiches and logframe for additional details on the nature of equipments to be procured;
A.4) Technical assistance to strengthen accountability – standardization 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 and TL between:
  A.5.1) SAI and Parliament of each country;
  A.5.2) SAI’s and civil society of each country;
  A.5.3) PALOP-TL SAI’s;
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 and TL in a context of joint learning.

Parliaments’ capacity development will be delivered through expertise and high level advice in different domains, including: institutional frameworks’ 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 specialized 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 countries and TL 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 and 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 frameworks’ 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 and 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 civil society organizations and possibly journalists in the field of budget control and policies.

2.4. 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 as follows: One 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 organized in 4 of the 6 countries. The second question relates to the sustainability of the action. In this regards, 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 eLearning 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 CSO PALOP-TL 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 IGF, involving this institution in training and capacity building activities at transnational level.

The project impact will depend in the long run from 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 and Timor-Leste.
On the other hand, it is of paramount importance that the project is able use these HR in training activities targeting other institutions (Parliament – staff and MPs –, CSO 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 not-for-profit NGOs/CSO) 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 CPLP Organisation of SAI (O-SAI CPLP) in the short term and, in longer term, the case of the IGF.

Project’s 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 civil society organisations’ meetings and fora within PALOP/CPLP Open Budget Initiative.

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

Against this background, the project will have an exit strategy build on its sustainability approach that will:

1. Use training actions as a tool to enhance professionalization providing internationally recognized training credentials to PALOP-TL auditors working for these countries CAs. These auditors will become trainers and be able to train other auditors, Parliament staff and MPs, as well as CSO/Media actors. They will be also used in the transnational trainings to be delivered in collaboration with IGF and O-SAI CPLP.

2. Target parliament administration staff in support of MPs special commissions. Training, including ToT, will privilege administration staff in support of relevant MPs’ special commissions as a way to keep training skills in-house.

3. Establish a first time multi-country CSO platform using lessons and progress made by civil society organisations’ meetings and fora within PALOP/CPLP Open Budget Initiative. A comprehensive Grants’ programme will be established aiming to strengthen CSO dealing with corruption matters and civil oversight of public expenditures in the beneficiary countries. This will be done through high level training activities involving these CSO/NGOs and international recognized specialized institutions (not-for-profit). Additionally, the Grant and these training actions will allow establishing the PALOP-TL CSO platform referred above where many sensitive matters and discussions will be held with more impact, considering the constraints sometimes face at national level.

4. Support the implementation of the O-SAI CPLP multi-country plan, with particular focus on developing a network of auditors trainers of auditors (synergy with point i). This plan foresees training activities and south-south exchanges among CPLP SAI, using capacities of some in profit of needs of others. The plan is annually updated and could be supported by the project with more focus on developing a network of auditors trainers of auditors within the O-SAI CPLP.

5. Provide trainings and other relevant activities foreseen at transnational level through cooperation arrangements with IGF, involving this institution in training and translation (proof reading) activities. Once IGF is operational, and this can happen at any stage of the project implementation, the institution will be fully involved in trainings designed to
be delivered at transnational level (trainings targeting all beneficiary countries SAI, Parliament and CSO/Media staff). IGF will not be involved in delivering national trainings, identified during formulation missions. IGF will also be requested to support translation of important material from AGORA and other relevant literature in the project domain. This will be done via proof reading mainly.

6. Establish eLearning platforms (online and via CDs) in Portuguese Language through collaboration with AGORA/GPPS ([http://www.agora-parl.org/node/1679](http://www.agora-parl.org/node/1679)) – in synergy with previous point.

7. Promote permanent durable access to database and information in Portuguese Language through collaboration with the Legal Database of the PALOP ([http://www.legispalop.org/](http://www.legispalop.org/)) and AGORA/GPPS – in synergy with point v) and vi).

As referred 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 HR that will constitute pools for the constitution of a roster within the O-SAI CPLP framework – also feeding into IGEF actions and scope of work. Additionally, institutional sustainability of relevant CSO/NGO will be ensured through supporting the setup of the multi-country CSO platform using lessons and progress made by civil society organisations’ 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 in developing capacities within SAI and Parliament Commissions/Administration staff (national level), and within existing O-SAI CPLP and the multi-country CSO platform working with the Open Budget Initiative.

Joint implementation with UNDP allows the management to implement the project’s 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 transferred after closure of the project, in agreement with the European Union. ICT (hardware and software) procured target essentially required programmes for transparency and efficiency in financial management and expenditure audit/oversight.

It is expected that all these actions will be build on lessons and existing capacities (human and institutional) in hub countries, Cape Verde and Mozambique, with recognized progress in the different project domains. The sustainability and exit strategy will be finalized 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.
2.5. Risks

<table>
<thead>
<tr>
<th>Risk</th>
<th>Level</th>
<th>Mitigating measure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lack of willingness from Governments to make available data on budget execution</td>
<td>Medium to high</td>
<td>Political dialogue with PALOP countries and TL and peer pressure on budget transparency especially in countries that receive EU budget support</td>
</tr>
<tr>
<td>Lack of willingness from Parliaments to engage in project’s implementation</td>
<td>Medium</td>
<td>Annual Work Plans to be jointly drafted with beneficiaries’ addressing their needs</td>
</tr>
<tr>
<td>Potential politicization of civil society</td>
<td>Medium</td>
<td>Independent and specialized international non-profit organisation to keep CSOs focused on planned tasks and activities</td>
</tr>
<tr>
<td>Weak technical capacities of beneficiaries to discuss PFM issues</td>
<td>Medium</td>
<td>Capacity building targeted activities</td>
</tr>
<tr>
<td>Political interference hampering project’s implementation</td>
<td>Medium</td>
<td>Assurance of a high quality political dialogue with PALOP countries and TL as well as peer pressure</td>
</tr>
<tr>
<td>Potential negative impact of the geographic discontinuity</td>
<td>Medium</td>
<td>Sound management and coordination structure to oversee project implementation at national and multi-country level</td>
</tr>
<tr>
<td>“External influences” over Legislative (political parties, ministries of finance, international financial institutions, and private sector) dilute the CSO incentives for independent scrutiny of the executive, hamper usefulness of information provided by civil society, and dilutes the full potential of legislative oversight.</td>
<td>Medium</td>
<td>This potential risk was considered in the design of the project. The Grant activities and deliverables, in particular the constitution of a forum/platform at international level (PALOP and Timor-Leste, in synergy with CPLP SAI organization) and related actions, is a mechanism and response to such risks. The project target is to enhance these actors capacities to fulfil their role effectively, not necessarily to enhance government capacities to deliver in those fields.</td>
</tr>
</tbody>
</table>

2.6. Cross-cutting issues

This action 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 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 sensitization activities on gender equality addressed to Parliaments and CSOs).

UNDP will associate UN Women units at country office level in designing the AWPs and training activities. 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.

2.7. Communication & 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 the UNDP and the EC 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” throughout visibility activities focusing on outputs and the impact of results. It will evolve throughout the project's implementation and could include joint press releases, TV spot, joint presentations, photo opportunities and policy type publication in specialist press. UNDP will ensure that any internal required political clearance 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 and Timor-Leste and EU-UN partnership.
 SECTION III

3. IMPLEMENTATION

3.1. Location

The project will be implemented in the ACP Portuguese Speaking Countries (PALOP and Timor-Leste) – 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, leading country for the project.

3.2. Duration

The implementation period specific to this project is defined in the Special Conditions of the Contribution Agreement between the EC and UNDP.

3.3. Organisational set-up and responsibilities

This Project is going to be implemented through the joint management modality whereby the European Union’s contribution is going to be entrusted to UNDP through a Standard Contribution Agreement compliant established under the overall frame of the Financial and Administrative Framework Agreement (FAFA).

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 and Timor-Leste.

Since the project will be implemented by UNDP, all contractual arrangements and re-funding mechanisms will be undertaken in accordance with the applicable rules and procedures adopted by UNDP. Considering this, Grants (if implementing and administration capacity of CPLP SAI exists) to CPLP SAI is a potential option, but CPLP (not a member of this organization and this organization not being part of CPLP) would be a partner in the project.

The O-SAI CPLP (Organization of Supreme Audit Institutions of CPLP) is an autonomous and independent association created by SAI in CPLP in order to foster development and institution strengthening of its members through technical, scientific and cultural cooperation in the domain of control and oversight of the use of public resources.

This organization provides an excellent multi-country (transnational) platform of south-south exchanges, but is structured to work on the basis of general assembly and plenary regular meetings, therefore does not have the aim, structure or capacity to be an implementing partner/party. Nevertheless, this association could become a very good beneficiary for project regional activities under Component 1, more specifically the actions foreseen under activity 5. O-SAI CPLP would be one of the project’s beneficiary through support provided to the activities foreseen in its annual action plans (using also PALOP-TL auditors as HR). This would be done with the project funding, operational and administrative support.

UNDP would be in position to establish Grants also with IGEF, on the basis of the institute legal status once it is formally established. If the institute will be not-for-profit organization, UNDP will establish Grants and if the Institute will be a government institution, UNDP could establish letters of agreement with government institutions. The Grants and respective budgets would have to be approved by the project steering committee.

Considering the above, cooperation with IGEF would be materialized through Grants established by UNDP to IGEF. The Grants would be allocated on the basis of a project and budget proposal,
according to UNDP rules and procedures. This cooperation can only be established once IGEF is operational.

Additionally, cooperation with O-SAI CPLP would be materialized through Grants established by UNDP to O-SAI CPLP through Grants (if administration and implementing capacities exist and OISC-CPLP) with direct operation support from UNDP and the project, or via project support as beneficiary of the project activities. In this case, even though OISC-CPLP would be providing training there would not be transfer of funds from UNDP/project to OISC-CPLP.

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, 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 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 PALOP and TL, that includes the National Authorizing Officer for the Cooperation with the EC (NAO), EC Delegation, Parliament (Specialized Committee on public finances), is co-chaired by UNDP Country Office and by the national SAI (CA). 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 and TL, would meet as required (semiannual) to discuss the evolving local political environment, share plans and activities, deliberate issues of common concern, negotiate agreed responses and analyze 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 project steering committee.

B) A specific policy and decision making mechanism, the committee created to manage the policy level would be called the Project Steering Committee. The Steering Committee would meet annually and 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 experts’ 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, carryout risk analysis and consider funding for emerging issues. It is facilitated by the project management team (PMU), which would also provide secretariat services and liaise with the Steering Committee chair in the preparation of agendas, notification to members, reports on the various project’s activities and provision of minutes. The Steering Committee includes representatives from the PALOP & TL’s UNDP Country Offices (as the Project’s Executive); CAs and Parliament’s representatives (Specialized Committee on public finances); EC and NAOs (as the Project’s Senior Supplier).

C) The Programme Management Team will be a small, flexible, dedicated team that administers, manages and monitors day-to-day overall project’s 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 would 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 will work 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 CSO (participating in the project).

Project Support will be provided by UNDP Country Offices in Cape Verde (lead unit), other PALOP countries and TL. 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.

**Project Steering Committee**

*Project Executive (PALOP-TL UN-UNDP COs); Senior Beneficiary (CAs and Parliaments); Senior Supplier (EC, ONS PALOP-TL)*

*Co-chairs: UNDP & CA in Cape Verde*

*Annual*

**Country Coordination Committee**

- Angola Semiannual
- Cape Verde Semiannual
- Guinea Bissau Semiannual
- Mozambique Semiannual
- São Tomé Semiannual
- Timor-Leste Semiannual

**Project Assurance: ARR/P, Senior Governance Advisor, Programme Managers in PALOP-TL UNDP COs**

**Project Management:**

- Programme Manager (head of the PMU)
- Senior National Advisor
- Finance/Administration Official Driver

**Project Support:**

- PALOP-TL UNDP COs Operations Units

**Ad hoc Consultants (Individual Contractors)**

- Management & control of public finances
- Parliament and CSO oversight

**Senior International Advisor (Long Term Agreement)**

- SAI (capacity development)
3.4. Budget

The total project cost is estimated at EUR 6,400,000 million, financed from the 10th EDF in the framework of the revised ACP-EU Partnership Agreement. The budget is provided in Annex 3 to the present EU-UNDP Contribution Agreement.

<table>
<thead>
<tr>
<th>Categories</th>
<th>EU Contribution (EUR)</th>
</tr>
</thead>
<tbody>
<tr>
<td>R1: SAI’s control and audit capacities over public finances in the PALOP and TL are strengthened in a context of joint learning.</td>
<td>2,431,919</td>
</tr>
<tr>
<td>R2. Parliaments and Civil Society oversight capacities over public finances are developed for an informed analysis in the PALOP and TL in a context of joint learning.</td>
<td>2,129,798</td>
</tr>
<tr>
<td>Communication and visibility</td>
<td>181,006</td>
</tr>
<tr>
<td>Programme Management</td>
<td>1,238,585</td>
</tr>
<tr>
<td>Indirect Costs (7%)</td>
<td>418,692</td>
</tr>
<tr>
<td>TOTAL ACTION (financed from the 10th EDF)</td>
<td>6,400,000</td>
</tr>
</tbody>
</table>

The budget headings will be considered at the level of the budget activities, in line with Article 9.2 of the General Conditions of the Contribution Agreement to be signed with UNDP. As indicated in Figure 1 below, the budget is allocated to two main components, the first aggregating activities in support of SAI in all PALOP and Timor-Leste and the second those in support of parliaments and civil society in the same countries.

Additionally, funds were allocated to operational and technical support to be provided to all beneficiary countries by the PMU (with UNDP Country Offices’ support in the beneficiary countries in place of 6 PMU – one per beneficiary country). Funds were also allocated specifically to visibility plan capturing all visibility actions in the 6 beneficiary countries and in the project social media.

40% of the budget was allocated to the activities under Component 1 to strengthen SAI, while 31% of the budget was allocated to Component 2 in support of MPs, parliaments and CSO/media in the PALOP and Timor-Leste. Programme management activities received 19% of the budget and visibility 3% (on top of the formal budget, visibility actions will benefit from additional funds allocated to the activities).
The budget was designed in order to provide necessary funding to specific country needs and, simultaneously, to promote synergies and exchanges among the different project actors in the 6 beneficiary countries. This approach allows the programme management to tailor assistance to the specific institutional needs of more than 18 different institutions in 6 different countries and, capitalizing from the huge potential of the existing know-how and experience in these institutions, foster exchanges and peer learning opportunities among the project actors. To achieve this, 54% of the budget was allocated to the activities targeting specific country needs, while 39% was allocated to foster south-south exchanges between the project’s actors – see Fig. 2 below.
Finally, the budget was designed in order to enable the PM to provide technical assistance to all beneficiaries without jeopardizing the strategy of the project to foster and enhance exchanges between the beneficiary institutions and actors. To achieve this, enough resources were allocated to technical assistance, expertise and programme management. Additionally, considerable amount of funds were allocated to procurement of software and hardware in order to enhance external control and audit capacities – see figure 3 below.

![Budget per category of expenditure](image)

**Fig. 4: Budget per category of expenditure**
SECTION IV

4. MONITORING AND EVALUATION

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

Any monitoring and evaluation exercises by the EU as a donor will be undertaken in compliance with the provisions of the FAFA and the General Conditions. Such exercises will be planned ahead and carried out in a collaborative manner and funded by the EU outside the scope of the present Contribution Agreement.

4.1. Reporting

The reporting will be carried out as set by the Financial and Administrative Framework (FAFA), signed on 29 April 2003 between the EC and the United Nations and in accordance with the General Conditions / Annex 2 of the present EU-UNDP Contribution Agreement. In addition, due to complexity of and scope of the project, UNDP Country Office will specifically agreed with the EU Delegation to provide a narrative progress report every 6 months and has the necessary human / financial resources in order to deliver on this commitment. Any specific requirements shall be appropriately agreed by the SCA signatory parties.

4.2. 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.

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.

4.3. 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 in the Financing Agreement Nº FED/2013/021-719 (EC)).

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.

For the case of Guinea Bissau, the issues of lack of democratically elected governments committed to rule of law and budget transparency in Guinea Bissau will have to show significant improvements to enable the country to participate in the programme.
SECTION V

5. ANNEXES

Annex 1 – Logical Framework
Annex 2 – Indicative operational timetable
Annex 4 – Programme Justification Note
Annex 5 – Country Assessment Fiches
Annex 6 – Country Query Forms