**Management response to the Strengthening Pacific Public Finance Management and Governance Project – Phase I Terminal Evaluation**

Project Title: Strengthening Pacific Public Finance Management and Governance

 Project ID: 00104154

Terminal Evaluation Mission Completion Date: Refer Footnote below[[1]](#footnote-2).

Date of Issue of Management Response: 02 May 2022

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**Part I: Context, background and findings**

1. **Context**

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

1. **Background**

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

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

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

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

**Part II - Recommendations and management response**

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| **Final Terminal Evaluation Recommendation** | Recommendation 1: The FEC recommends to continue with initiated activities and regionally-focused support to improving budgetary oversight and further enhancing transparency and accountability systems in participating countries |
| **Management Response** | Fully Accepted. Phase 2 design involves the strengthening of emerging and confirmed partnerships for the implementation process of the project. |
| **Key action(s)** | **Completion date** | **Responsible unit(s)** | **Tracking[[2]](#footnote-3)** |
| **Comments** | **Status[[3]](#footnote-4)** |
| New phase to incorporate strong regional component, possibility to work at the sub-national level and strong South-South dimension | August 2022 | Effective Governance with support to IRMU and DRR | UNDP and EU Delegation to work jointly on implementation | Completed. Project document including strong regional component submitted to the EU delegation in March 2022. |

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| **Final Terminal Evaluation Recommendation** | Recommendation 2: Facilitate citizens participation in budgetary processes by enhancing the understanding of the public finances and the need for their involvement in budgetary processes. The FEC recommends exploring opportunities to expand activities to enhance understanding of the public finance, especially among citizens. This could include public advocacy activities, public discussions and awareness events. These initiatives could benefit from using social media for involving and informing citizens on budgeting process. Some of the new platforms such as Tik Tok, Instagram, twitter, twitch, etc could be adjusted to serve the purpose of informing and involving citizens, especially youth, in budgetary process and policy making activities. The FEC recommends to expand the grants (for PIANGO, but also for NLUs and for mentorship), to continue supporting innovative public finance/ budgetary oversight initiatives and strengthen activities for more active citizens involvement. There are other topics that are relevant for the region in the context of transparency in the public finance management system and the FEC recommends considering these topics. For example, addressing the adverse effects of the COVID-19 pandemic on public finance, further expand climate change efforts by exploring opportunities to move to a clean, circular economy through policies and budget allocations. |
| **Management Response** | Fully accepted. This point has been fully incorporated in the project Phase 2 design working with regional innovation networks to enable forward-thinking and visionary solutions for public finance and governance in the Pacific. |
| **Key action(s)** | **Completion date** | **Responsible unit(s)** | **Tracking[[4]](#footnote-5)** |
| **Comments** | **Status[[5]](#footnote-6)** |
| New Phase to incorporate larger civil society engagement component in line with recommendations | August 2022 | Effective Governance | UNDP and the EU will work jointly to address recommendation. | Completed. Project Document for next phase includes a specific pillar on civil society with larger financial commitment and possibility to work at regional and national level and with media organisations. |

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| **Final Terminal Evaluation Recommendation** | Recommendation 3: Consider longer timeframe for the follow-up support to public finance management in the Pacific region. |
| **Management Response** | Fully accepted**.** Phase IIto provide more than 2.5years for implementation. |
| **Key action(s)** | **Completion date** | **Responsible unit(s)** | **Tracking[[6]](#footnote-7)** |
| **Comments** | **Status[[7]](#footnote-8)** |
| New phase to be developed for 5 years minimum. | August 2022 | Effective Governance | UNDP and EU Delegation to work jointly on implementation | Completed. Project document submitted for 5 years to the EU delegation in March 2022. |

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| **Final Terminal Evaluation Recommendation** | Recommendation 4: The FEC recommends that PFM supports regional networking and horizontal exchange of know-how among the experienced CSOs with the newly participating organizations. The capacity of civil society organizations varies widely in the Pacific Island Countries (PICs). Therefore, in many countries, capacity development support is required to enable CSOs to develop skills for gathering and focusing citizen perspectives and analyzing public finances to allow input into national budgetary processes. Therefore, the PFM should consider a long-term, needs-based capacity development approach under all its components. It is important to include knowledge tests at the end of each training program to assess immediate improvements in skills and knowledge. In addition to delivery capacity development support, the Project should consider networking and exchange of knowledge and know-how among the experienced CSOs and newly awarded/ selected organizations. The example of the Floating Budget Office could be adjusted to the context and needs of civil society organizations. |
| **Management Response** | Fully accepted. Phase II includes the integration of this implementation approach across all outcomes and activities. |
| **Key action(s)** | **Completion date** | **Responsible unit(s)** | **Tracking[[8]](#footnote-9)** |
| **Comments** | **Status[[9]](#footnote-10)** |
| New phase to include strong CSO capacity building and peer-to-peer support. | August 2022 | Effective Governance | EU, UNDP and PIANGO will work jointly to address the recommendation. | Completed. Project document for the next phase includes specific mechanisms – including peer to peer and south-south exchange for capacity building. |

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| **Final Terminal Evaluation Recommendation** | Recommendation 5: The FEC recommends balance between qualitative and quantitative indicators to enable adequate measuring of progress under components, also capturing PFM’s and progress towards its planned results and broader reform agenda. The evaluation team recommends that PFM provide a well-balanced combination of qualitative and quantitative indicators to capture changes and results attributable to the Project, using national indicators and targets to the extent possible. The FEC also recommends including gender sensitive indicators with a focus on “gender transformation”. |
| **Management Response** | Fully accepted.This is a point UNDP has put forward to development partners in planning the second phase of the PFM project. The next phase will ensure inclusion of gender sensitive indicators with appropriate balance.  |
| **Key action(s)** | **Completion date** | **Responsible unit(s)** | **Tracking[[10]](#footnote-11)** |
| **Comments** | **Status[[11]](#footnote-12)** |
| New phase to carefully consider a balance of the indicators and ensure gender sensitive indicators are included. | August 2022 | Effective Governance | UNDP will coordinate internally to define indicators and work with the EU to validate. | Completed. New project document includes streamlined indicators including qualitative gender indicators and goals level indicators. |

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| **Final Terminal Evaluation Recommendation** | Recommendation 5: The FEC recommends that UNDP/ PFM together with partners, prepare clear and practical sustainability strategy under all results areas. PFM should continue implementing its systemic approach to capacity development, following needs assessments of the main stakeholders and partners. At the current stage of development of public finance management system in the Pacific Islands Countries, it is important to consider and provide a longer-term and needs-based capacity development assistance. It is especially important to continue work on the development of capacity for budgetary scrutiny of the SAIs and parliaments, while also working on understanding of links between policies and budgeting. The evaluation team recommends that PFM design a comprehensive training evaluation approach based on the Kirkpatrick model, assessing four levels of learning: 1) participant satisfaction with the training; 2) immediate change in individual knowledge and skills; 3) change in individual performance back in the workplace; and 4) change in the overall performance of the institution.  |
| **Management Response** | Fully accepted. Recommendations have been factored into Phase II design.  |
| **Key action(s)** | **Completion date** | **Responsible unit(s)** | **Tracking[[12]](#footnote-13)** |
| **Comments** | **Status[[13]](#footnote-14)** |
| New phase to carefully consider sustainability strategy and evaluation of activities based on institutional needs | August 2022 | Effective Governance | UNDP will work with the EU to address this recommendation. | On-going – this consideration has been included in the new project document and a monitoring and evaluation officer has been included in the project staffing to ensure more attention is paid to these aspects. |

1. The evaluation was carried out remotely and most meetings and sharing of files and documents was carried out online. [↑](#footnote-ref-2)
2. If the TR is uploaded to the ERC, the status of implementation is tracked electronically in the Evaluation Resource Centre database (ERC). [↑](#footnote-ref-3)
3. Status of Implementation: Completed, Partially Completed, Pending. [↑](#footnote-ref-4)
4. If the TR is uploaded to the ERC, the status of implementation is tracked electronically in the Evaluation Resource Centre database (ERC). [↑](#footnote-ref-5)
5. Status of Implementation: Completed, Partially Completed, Pending. [↑](#footnote-ref-6)
6. If the TR is uploaded to the ERC, the status of implementation is tracked electronically in the Evaluation Resource Centre database (ERC). [↑](#footnote-ref-7)
7. Status of Implementation: Completed, Partially Completed, Pending. [↑](#footnote-ref-8)
8. If the TR is uploaded to the ERC, the status of implementation is tracked electronically in the Evaluation Resource Centre database (ERC). [↑](#footnote-ref-9)
9. Status of Implementation: Completed, Partially Completed, Pending. [↑](#footnote-ref-10)
10. If the TR is uploaded to the ERC, the status of implementation is tracked electronically in the Evaluation Resource Centre database (ERC). [↑](#footnote-ref-11)
11. Status of Implementation: Completed, Partially Completed, Pending. [↑](#footnote-ref-12)
12. If the TR is uploaded to the ERC, the status of implementation is tracked electronically in the Evaluation Resource Centre database (ERC). [↑](#footnote-ref-13)
13. Status of Implementation: Completed, Partially Completed, Pending. [↑](#footnote-ref-14)