

## **PACIFIC RESILIENCE FACILITY TRANSITIONAL ARRANGEMENTS**

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## **PACIFIC RESILIENCE FACILITY TRANSITIONAL ARRANGEMENTS**

### **PART 1 – PRELIMINARY**

#### **1. PRF Transitional Arrangements**

1.1 In 2019, Pacific Islands Forum (PIF) Leaders “endorsed the concept and transitional arrangements for the establishment of the regionally owned and led Pacific Resilience Facility”. To this end, Leaders agreed that the PIF Secretariat (PIFS) house and execute the PRF as a PIFS programme, as a transitional arrangement, pending entry into force of the agreement establishing the PRF.

1.2 In fulfilment of the abovenamed decision, these Transitional Arrangements (“these Arrangements”) provide the terms of reference for the following:

- i) the PRF Transitional Governance Structure;
- ii) the PRF Transitional Office, its administration and operation; and
- iii) PRF funding, financial provisions, and accountability mechanisms.

1.3 The timeframe for these Arrangements is expected to last for x years from XX 202x to 202x. These Arrangements, including all necessary savings and transitional provisions, will remain in place until the PRF is established pursuant to the PRF Charter and Headquarters Agreement.

1.4 During the timeframe for these Arrangements, the Transitional Governance Structure will be comprised of the Council and Board acting as transitional -governance bodies, which will operate in accordance with the Agreement to Establish the PRF and will provide its determinations as requests to PIFs to give such requests legal effect. PIFs will strive to implement such requests in good faith, including through instruction and oversight of PIFS staff working in the PRF Transitional Office.

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#### **2. Definitions**

2.1 Unless the context otherwise requires, the following terms and phrases in these Arrangements have the following meanings:

‘Board’ means the transitional -Board as provided under paragraph 12;

‘Council’ means the transitional -Council of Members as set out in paragraph 10;

‘Forum Island Countries’ refer to all PIF Members, except Australia and New Zealand;

‘Management team’ means the Chief Executive Officer, the Grants Manager, the Investment Manager, and the Reporting, Monitoring and Evaluation Manager of the PRF Transitional Office and such other officers as may be appointed by the transitional-Council of Members;

‘PIF’ refers to the Pacific Islands Forum, comprising the heads of states and governments of Australia, Cook Islands, Federated States of Micronesia, Fiji, French Polynesia, Kiribati, Nauru, New Caledonia, New Zealand, Niue, Palau, Papua New Guinea, the Republic of the Marshall Islands, Samoa, Solomon Islands, Tonga, Tuvalu, Vanuatu, and any other heads of government as may be admitted to the Forum membership with the approval of the Forum [Article 1, 2000 Agreement];

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‘appointed Trustee’ means a Trustee appointed under clause 12.1(b);¶

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‘PIFS’ refers to the Pacific Islands Forum Secretariat established under the 2000 Agreement Establishing the Pacific Islands Forum Secretariat;

‘PRF’ means the Pacific Resilience Facility described under clause 1 and whose purpose and objectives are set out under clause 3.

### **3. Purpose and Objectives of the PRF**

3.1 The purpose of the PRF is to provide predictable, sustainable, accessible and accountable funding for disaster preparedness and risk resilience-building within vulnerable communities. The PRF will support approved projects consistent with the Framework for Resilient Development in the Pacific, specifically targeting small-scale climate and disaster risk resilience and preparedness projects at the community level in consultation with Forum Island Country governments.

3.2 The objective of the PRF is to help ensure communities are safe and to minimise the loss of lives, and the economic and social impacts from catastrophic events. In particular, the PRF will aim to:

- i) strengthen the collective financial resilience of Forum Island Countries against natural and socio-natural hazard risks in the Pacific region [and for resilience financing in addition to community disaster preparedness financing needs](#);
- ii) provide timely and fit-for-purpose financing options for resilient development projects in the Pacific, including through national governments, private sector, and civil society and community organisations;
- iii) strengthen strategic partnerships with key development partners, donors and global climate change and disaster risk funding sources to harness collective support for resilient development initiatives in the Pacific; and
- iv) support capacities of national systems in developing, executing and evaluating PRF projects, as applicable.

### **4. PRF Transitional Office**

4.1 In accordance with the decision of Leaders in 2019 (Tuvalu), the PRF Transitional Office is established as an associated function of PIFS, to operate and administer these Arrangements while facilitating the transition to [PRF when established as](#) an international organisation.

### **5. Legal Status, Privileges and Immunities**

5.1 These Arrangements will operate under the framework of PIFS, established under the Agreement Establishing the Pacific Islands Forum Secretariat (2000), and will be operationalised through the PRF Transitional Office until such time that the PRF is established as an international organisation.

5.2 While the PRF Transitional Office operates under the framework of PIFS, the Office (including its employees and assets) will enjoy, by extension, the privileges and immunities enjoyed by the PIFS as an entity in accordance with Article XI of the *Agreement Establishing the Pacific Islands Forum Secretariat* (2000).

### **6. Functions**

6.1 The functions of the PRF Transitional Office include:

- i) serving the Board and the Council for the achievement of the purpose and objectives of the PRF;
- ii) the preparation of policies and procedures for the operations of the PRF;

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- iii) ensuring sustainable management of funds in line with the investment mandate provided by the Council;
- iv) project portfolio management;
- v) building relationships with regional and international partners;
- vi) monitoring and evaluation;
- vii) continued strengthening of accountability and transparency mechanisms; and
- viii) any other functions set out in these Arrangements and as directed by the Board.

## **7. Relationship between the PRF Transitional Office and Forum Island Countries**

7.1 The PRF Transitional Office will maintain close working relationships with Forum Island Countries, which in turn are expected or entrusted to assist the PRF in the achievement of its objectives.

7.2 The Board established under clause 12 will develop guidelines for the following:

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- i) the parameters for Memoranda of Understanding that will lay the framework for engagement and collaboration between PRF and Forum Island Countries, including transparency of grant execution and implementation arrangements, and reporting and accountability requirements;
- ii) project pipelines;
- iii) environmental and social (including gender and disability inclusive) performance standards aligned to international standards;
- iv) the delivery of technical assistance;
- v) regular performance reviews;
- vi) PRF compliance requirements; and
- vii) grievance systems and procedures, and disputes resolution systems.

7.3 The Board will present a written annual report of the PRF to the Council.

## **8. Relationship between the PRF Transitional Office and donors and partners**

8.1 The PRF Transitional Office will establish and maintain active co-operation with donors and partners.

8.2 In the transitional period, formal agreements with donors and partners of the PRF will be undertaken by PIFS, on behalf of the PRF.

## PART II – TRANSITIONAL GOVERNANCE STRUCTURE

### 9. Structure and key organs of the PRF Transitional Arrangements

9.1 The Transitional Arrangements for the PRF comprise the following organs and structure:

- i) the Council of Members [as described in the Agreement to Establish the PRF](#);
- ii) the Board [as described in the Agreement to Establish the PRF](#); and
- iii) the PRF Transitional Office described in clause 4, comprising the Chief Executive Officer and the Management Team, and any other staff.

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Diagram 1: PRF Transitional Governance Structure – [To be provided](#)

### 10. Council of Members

10.1 The Council comprises of all PIF Member Countries, represented by designated Ministers or their nominated representatives, and donors.

10.2 The number of donors represented [by nomination to the Board and duration of service will be determined by](#) the Council.

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10.3 The Council is the supreme organ of the PRF. [During the transitional period, the transitional Board will oversee](#) the responsibilities [provided under this Arrangement and as may otherwise be necessary to achieve the objectives of the PRF.](#)

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10.4 The Council will meet annually, in the margins of the annual Forum Economic Ministers Meeting (FEMM). The FEMM Chair will also be the Chair of the PRF Council who will hold the position of PRF Chair until the following annual meeting.

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10.5 In addition to the annual Council meeting, the Council may meet at such other times as may be requested in writing by any Member of the Council, or by the Board.

10.6 The quorum for a Council meeting will [established by](#) the Council.

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10.7 Each Council Member will have one vote on matters before the Council.

10.8 All decisions of the Council will be taken [in accordance rules established by the Council](#).

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¶  
by ordinary resolution, where the decision to be made relates to any responsibilities of the Council specified in these Arrangements, by simple majority; ¶  
by special resolution, where the decision to be made relates to or affects the core purpose and objectives of the PRF, by 75% majority of PIF Members.

10.9 The Council may invite observers to attend its meetings without the right to vote.

10.10 The Chair of the Board will [oversee the functions of](#) Secretariat [support](#) to the Council.

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### 11. Responsibilities of the Council

11.1 The function of the Council is to provide overall guidance and strategic direction of the [re-designed](#) PRF with a view towards providing climate and disaster risk resilience and preparedness projects at the community level in Forum Island Countries.

11.2 Other functions of the Council [are as set forth in the Agreement to Establish the PRF](#).

i)

## 12. Board of PRF

12.1 The transitional Board will consist of up to seven (7) directors individuals comprising individuals appointed through an open recruitment process established by the Council. The Secretary General of PIF, or in his or her absence the Acting Secretary General, will be an honorary member of the Board, and be invited as observer to all Board meeting.

12.2 All appointed Board Directors must have necessary qualifications, experience and skills as determined by the Council, including in the areas of disaster preparedness finance, international investment, risk governance, public financial management, commercial law, and development finance, community engagement, with due consideration given to gender, geographic and cultural balance.

12.3 The Council may remove an appointed Director before the expiration of his/her Term for misconduct or non-performance. A Director may also vacate its office by resignation.

12.4 Directors may not appoint alternate directors in the case of their unavailability as their expertise is necessary in the function of their duties.

12.6 Appointed Directors of the Board will be appointed for terms of services as determined by the Council.

12.7 All appointed Directors will be contracted and remunerated, as determined by the Council.

## 13. Responsibilities of the Board

13.1 The Board are as set forth in the Agreement to Establish the PRF.

13.2 The Board may establish Board sub-committees to undertake work related to audit, risk management, human resources and other governance matters as it sees fit.

## 14. Meetings of the Board

14.1 The Board will meet:

- i) in regular session at least four times a year; and
- ii) as often as necessary at the request of a Trustee or as otherwise requested by the Board Chair.

14.2 The Board may conduct its meetings in person or remotely, using any technology, as approved by the Board.

14.3 The quorum for meetings of the Board is as set forth in the Agreement to Establish the PRF.

14.4 All Directors have the right to vote and the decisions of the Board will be taken as set forth in the Agreement to Establish the PRF.

14.5 In the performance of its functions for the achievement of the purpose and objectives of the PRF

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carry out a triennial performance review of the Board as provided under clause 28;¶  
decide the donor membership of the Council in accordance with clause 10.2;¶  
establish an investment mandate to guide the Board on the investment of the capital by the PRF's international fund managers;¶  
provide strategic oversight to ensure policies and projects are consistent with the purpose and objectives of the PRF;¶  
to ensure the preservation of the capital base of the PRF, for capital growth overtime;¶  
appoint an external auditor for the PRF in accordance with clause 27; and¶  
consider any report it may receive from the Board and other relevant bodies

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four Trustees appointed through an open recruitment process by the Council

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**Deleted:** 12.4 An appointed Trustee who fails to attend 3 consecutive meetings without approval of the Chair shall be deemed to have resigned.

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consider and approve the annual budget of the PRF as it considers appropriate;¶  
establish and set short term strategic priorities, operational policies and guidelines in line with the PRF's long term strategic goals set by the Council;¶

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*[Baseline Transitional Arrangement version in original endorsed Prospectus 2019]  
For Editing to incorporate Legal Re-Design endorsed outcomes and options @ 3/7/23*

as set out in clause 3, the Board will give regard to the particular needs of the most vulnerable communities and peoples, including women and girls and persons with disabilities, and will embrace the cultural diversity of the region with tolerance and respect.

## **PART III – OPERATION AND ADMINISTRATION**

### **15. Operation and administration of the PRF Transitional Office**

15.1 Key positions of the PRF Transitional Office may include among other roles:

- i) the Chief Executive Officer;
- ii) the Investment Manager;
- iii) the Grants Manager; and
- iv) the Reporting, Monitoring and Evaluation Manager.

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15.2 PIFS will provide all necessary initial administrative and operational support to the PRF Transitional Office.

15.3 The PRF Transitional Office will be based at the Forum Secretariat headquarters in Suva, Fiji.

15.4 Upon establishment of the Board, the Board will agree on all necessary initial policies and other arrangements for these Transitional Arrangements, including, but not limited to, governance, operational, financial, ethical, risk and other policies<sup>5</sup>, and such policies will be aligned to the relevant policies and procedures of the PIFS, and in adherence to international best practice and fiduciary standards.

### **16. Responsibilities of the Secretary General**

16.1 The Secretary General will have the following specific responsibilities in relation to the PRF Transitional Office:

- i) Serve as honorary member of the Board, undertake oversight of the PRF Transitional Office, the Chief Executive Officer, and staff, and provide advice and support, as required and requested by the Council and Board from time to time;
- ii) enter into formal agreements with donors, as referred to in clause 8.2, on behalf of the PRF;
- iii) represent the interests of the Board and the Council and ensure effective implementation of decisions within PIFS.

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### **17. Chief Executive Officer**

17.1 The Chief Executive Officer will be appointed by the Board following an internationally competitive selection process.

17.2 The Chief Executive Officer is accountable to the Board and advises and reports to the Board on the overall guidance and execution of the PRF's purpose and objectives.

17.3 The Chief Executive Officer is responsible for the management of the day-to-day operations of the PRF Transitional Office, subject to the policy guidance of the Board.

17.4 Subject to the direction of the Board, and in addition to responsibilities set out in these Arrangements, the Chief Executive Officer will have the following specific responsibilities:

- i) in conjunction with the Investment Manager, present to the Board investment proposals with regard to both the investment of capital, and the placement of funds;

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- ii) manage the assets and investments (in projects in Forum Island Countries, not investment in capital base) of the PRF and ensure that the PRF's investments are aligned to its purpose and objectives;
- iii) coordinate all technical and administrative activities of the PRF;
- iv) human resources management;
- v) prepare and submit for the approval of the Board the programme of work and budget of the PRF;
- vi) prepare a report to the Board every three months, and prepare annual reports and such other reports regarding the activities of the PRF and its performance, as may be requested by the Board;
- vii) outreach and advocacy;
- viii) promote the identity and activities of the PRF;
- ix) implement the programme of activities of the PRF, as approved by the Board;
- x) work in cooperation and coordination with other intergovernmental or regional organisations in the Pacific region, as well as with FIC governments, with the aim of ensuring that the most effective use is made of regional resources;
- xi) serve as the Secretariat to the Board and provide support services to the Board, meetings of the Board, meetings of the Council or any other committee as may be established by the PRF;
- xii) seek expert assistance and knowledge, where required; and
- xiii) provide such other services to the Council and sessions of the Board as those organs may require, and be present at such meetings.

17.5 The Chief Executive Officer may delegate to other staff of the PRF Transitional Office the authority and functions as he or she considers necessary for carrying out effectively the responsibilities of the Management team.

## **18. Investment Manager**

18.1 The Investment Manager will be appointed by the Chief Executive Officer following an internationally competitive selection process and will report to the Chief Executive Officer.

18.2 The responsibilities of the Investment Manager include:

- i) overseeing the investment of the assets of the PRF in accordance with the investment guidelines, including ensuring that adequate risk management measures and flexibilities are in place;
- ii) undertaking a transparent competitive bidding process for fund managers and custodians, for decision by the Board; and
- iii) ensuring fund managers invest the capital base according to the investment guidelines approved by the Council.

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## **19. Grants Manager**

19.1 A Grants Manager will be appointed by the Chief Executive Officer following an internationally competitive selection process, and will report to the Chief Executive Officer.

19.2 The responsibilities of the Grants Manager include:

- i) developing, for the Board's approval, procedures and requirements for project proposals and selections, including:
  - a. criteria against which proposals can be assessed;
  - b. a consistent format and procedure for proposals;
  - c. parameters for prioritising viable projects for further review;

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- ii) linking and coordinating PRF grant requirements with national systems, including engaging with participating countries to provide technical assistance for project development where capacity constraints exist;
- iii) promoting, managing and evaluating proposals received from applicants, and making recommendations to the Chief Executive Officer and the Board for approval; and
- iv) monitoring the flow of approved projects and funding arrangements to ensure compliance with any PRF conditions.

## **20. Reporting, Monitoring and Evaluation Manager**

20.1 A Reporting, Monitoring and Evaluation Manager will be appointed by the Chief Executive Officer following an internationally competitive selection process, and will report to the Chief Executive Officer.

20.2 The responsibilities of the Reporting, Monitoring and Evaluation Manager include:

- i) the development of annual monitoring and evaluation plans, including provision for independent evaluation;
- ii) supporting the engagement of relevant expertise to undertake monitoring and evaluation of approved projects;
- iii) distilling monitoring and evaluation reports and preparing 6-monthly reports for presentation to the Board;
- iv) preparing regular reports on performance of project portfolio on a country by country basis as well as overall PRF project performance for submission to the Board and development partners; and
- v) any other responsibilities as directed by the Chief Executive Officer.

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## **21. International Fund Management Firms and Custodians**

21.1 The Fund Manager(s) and Custodians will be international [institutions or](#) firms appointed by the Board, upon recommendation of the Chief Executive Officer, to manage the capital base entrusted by the PRF.

21.2 The investment activities of Fund Managers and Custodians will be guided by the investment guidelines to be developed by the Board and approved by the Council.

## **22. Transparency and Accountability**

22.1 The PRF Transitional Office will operate in accordance with generally accepted international standards of governance, transparency and accountability, including the International Financial Reporting Standards and Forum Principles of Accountability.

## PART IV – FUNDING, FINANCIAL PROVISIONS, AND ACCOUNTABILITY MECHANISMS

### 23. PRF funding

23.1 All Forum Island Countries are eligible to receive grants from PRF.

23.2 The PRF will support approved projects consistent with the Framework for Resilient Development in the Pacific, specifically targeting small-scale climate and disaster risk resilience and preparedness projects at the community level in consultation with Forum Island Country governments.

23.3 The Management team will assist the Board with the implementation of its funding decisions.

### 24. Financial resources

24.1 The PRF will receive grants, donations and proceeds<sup>6</sup> for its activities from donors and partners in accordance with guidelines set by the Board.

24.2 The guiding financial principles of the PRF are as follows:

- i) the capital base of the PRF is to be preserved and grown over time; and
- ii) the total value of disbursements of financial products is to be no greater than the net income generated on the capital base.

24.3 Based on the targeted PRF capitalisation [for the redesigned PRF including terms relating to investment, withdrawal/disbursement, membership participation commitment and grant disbursements.](#)

### 25. Financial regulations

25.1 The Board will develop financial regulations to govern the financial administration of the PRF, which must include [banking, investment management, compliance with international standards relating to anti-money laundering, counter-terrorism financing, KYC and banking compliance, and risk and fraud management and budget/administrative arrangements with PIFS during the transitional period.](#)

### 26. Budget and reporting

26.1 The annual budget of the PRF under these Arrangements will be prepared by the Chief Executive Officer for consideration and approval by the Board in accordance with strategies and processes within [the transitional framework](#) set by the Board.

26.2 The costs of operating the PRF under these Arrangements will be in accordance with the budget as adopted by the Board, and is subject to review by PIF Members at their discretion.

26.3 The Board will present to the Council audited annual financial accounts by 30 June of each year.

26.4 The Management team must prepare quarterly management accounts reports, to be provided to the Board.

26.5 The Board will produce an annual report, detailing returns on invested capital, disbursement, investment of funds by sector (i.e. public sector, private sector and civil society organisations),

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**Deleted:** <#>designation of the foreign bank or banks (or custodians), and the accounts, held in Australia<sup>7</sup>, in which funds of the PRF will be kept, and will report any changes pertaining to those accounts to the Council at its next meeting;¶ necessary arrangements for compliance with banking system requirements;¶ requirements for compliance with local and international standards on anti-money laundering and counter-terrorism financing, including money laundering and terrorism financing risk assessment to be conducted and ¶ an efficient and effective system of financial risk management to identify and address the financial risks faced by the PRF;¶ an efficient and effective system of fraud risk management to identify and address the fraud risks faced by the PRF;¶ administration arrangements and costs to PIFS as implementing agency for the PRF Transitional Office, including administration fee and direct cost recovery for additional services.¶

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or any other relevant matters for the Council. This annual report will be provided to all PIF Members.

## 27. Audit

27.1 The PRF finances and accounts will be audited annually by an independent external auditor appointed by the Council and in accordance with PIFs audit procedures during the transitional period. The independent external auditor position will be appointed in accordance with the PRF rules and procurement procedures.

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## 28. External performance review

28.1 The Council will commission independent reviews of Council, Board, Secretariat and other PRF organs and functions as it sees fit.

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**Deleted:** by an external third party The Council will commission an independent review by an external third party to assess the performance of the Board every three (3) years. The terms of review will be set by the Council in consultation with significant donors.

## PART V – INDICATIVE TRANSITION SCHEDULE – To be drafted

29 Transition Schedule and Plan

30 Assignment and novation of contracts

31 Final reporting

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