Terms of Reference

European Union Window of the Montenegro SDG Acceleration Fund

Podgorica, September 2023

Terms of Reference of the European Union Window of the Montenegro SDG Acceleration Fund

Introduction

This document serves as an Annex to the Terms of Reference of the Montenegro SDG Acceleration Fund, and. as such, provides the Terms of Reference of the European Union Window of the Montenegro SDG Acceleration Fund. The EU window operates within the Montenegro SDG Acceleration Fund, which has the authority to open and close windows within the fund, under the specific authorities delegated by the Joint Steering Committee of the Montenegro SDG Acceleration Fund. The key operating and founding principles are inherited from the Terms of Reference of the Montenegro SDG Acceleration Fund, with certain management and operations differences that will be subject to further elaboration in this document. The document also serves as the *Description of Action* for the purposes of *Special Conditions* agreement signed between participating UN Organisations and the European Union.

The EU Window of the Montenegro SDG Acceleration Fund retains the strategic development niche of the Montenegro SDG Acceleration Fund that supports EU accession process of Montenegro and implementation of the 2030 Agenda for Sustainable Development. As such, the Fund works under the strategic framework of the Sustainable Development Cooperation Framework 2023-2027, agreed among the United Nations and Montenegro.

The EU Window of the Montenegro SDG Acceleration Fund will benefit from cooperation with the European Union, the World Bank and the European Bank for Reconstruction and Development (EBRD) through the EU Reform Facility. The Facility is foreseen as a reform-focused investment package that will support the accession process and the priorities of the Government of Montenegro, such as the Economic Reform Programme. The reform facility will reinforce the national authorities' capacities for socio-economic reform and support progress on the Economic Reform Programme.

The Mainstreaming, Acceleration and Policy Support process showed that a strong correlation exists between completing the chapters of the EU Acquis Communautaire and the achievement of the SDGs. Approximately two thirds (65 percent) of the SDGs can be achieved through the completion of the EU accession process. The latest EU progress reports have highlighted the need to accelerate the implementation of reforms to renew the pace of progress. Montenegro has opened all chapters of the EU acquis Communautaire and provisionally closed three, but already two years have passed since the last chapter was provisionally closed.

The EU reform facility offers an opportunity to respond quickly and flexibly to the needs of the Government of Montenegro to implement reforms that accelerate progress on the dual agendas of the SDGs and EU accession. It brings UN expertise to bear to support these reforms.

The EU will provide €2 million to establish an EU Window of the Montenegro SDG Acceleration Fund. As a window under the Montenegro SDG Acceleration Fund, it will support progress on 2030 Agenda for Sustainable Development and the EU accession, and finance interventions of Participating UN Organisations in the respective field, in line with the Sustainable Development Cooperation Framework and the strategic guidance of the EU Reform Facility Steering Committee.

The EU Window will follow somewhat different governance and *modus operandi* (implementation of available funding) compared to the existing structures of the Montenegro SDG Acceleration Fund. This Annex further elaborates these differences and processes within the Fund's EU Window. Governance arrangements have been developed in line with the *Special Conditions* agreement signed between the European Union and the United Nations whose provisions and the partnership spirit are inherited in this Terms of Reference. The components of the EU Window of the Montenegro SDG Acceleration Fund rely

on the provisions of the *General and Special Conditions* regarding the governance of the EU funds, financial and narrative reporting, visibility of the EU support, and others, and specific requirements of the EU Action Document "EU Reform Facility".

Axis of intervention

The EU Reform Facility presents a unique results- and action-oriented platform for cooperation between the European Union, the World Bank, the European Bank for Reconstruction and Development (EBRD), and the United Nations, towards the same goal – to unblock Montenegro's potential and accelerate EU accession. Partners will build up on each other's competences and strategic positioning to deliver the common mission, through complementary actions.

The United Nations agencies, funds and programmes align their support to three strategic priority areas identified in the Joint Government-UN Sustainable Development Cooperation Framework (UNSDCF) in line with EU accession priorities. The UN's mandate on Leave no One Behind and vulnerable groups affords it a strong comparative advantage around the scope and scale of its work bringing technical expertise to socio economic issues. Each UN agency provides its own technical expertise, long-standing operational partnerships with national and local government institutions as well as civil society, and a systemic and long-term reform programming approach. The scope of expertise, experience and normative mandates enables the UN's agencies, funds, and programmes to focus on multi-disciplinary, socio-economic aspects and policy-based reforms of the EU Reform Facility interventions. The UN has a unique strategic positioning with institutions that can support the acceleration of the SDGs and EU accession, such as the National Council for Sustainable Development and the Office for Sustainable Development.

These comparative advantages will be leveraged to support EU accession reforms and analyse their impact on society with particular focus on vulnerable groups. All interventions that UN Organisation undertake within the EU Window shall be aligned not only with the EU Reform Facility's strategic profile, but also with the Sustainable Development Cooperation Framework 2023-2027[1] and the 2030 Agenda for Sustainable Development, while complying with human rights and gender imperatives.

The United Nations will also retain nimble approach in this unique partnership, so to be able to respond to an ongoing and forthcoming challenges that might arise.

Under these principles, the United Nations in Montenegro will deliver on

- Supporting the National Council for Sustainable Development[2], through various modalities, including technical support, capacity building, analytical support, and others.
- Supporting the Montenegrin EU Accession process through multi-dimensional analysis (notably socio-economic but also having into consideration main cross cutting issues – gender, human rights, environment, etc – as well as other specific dimensions relevant for the particular subject.
- Supporting policy-based reforms that contribute to the overall goals of EU Reform Facility.

[1] The strategic priorities of the Sustainable Development Cooperation Framework 2023-2027 are:
(i) inclusive economic development and environmental sustainability,
(ii) human capital development, reducing vulnerability, and social inclusion, and
(iii) social cohesion, people-centred governance, rule of law, and human rights.

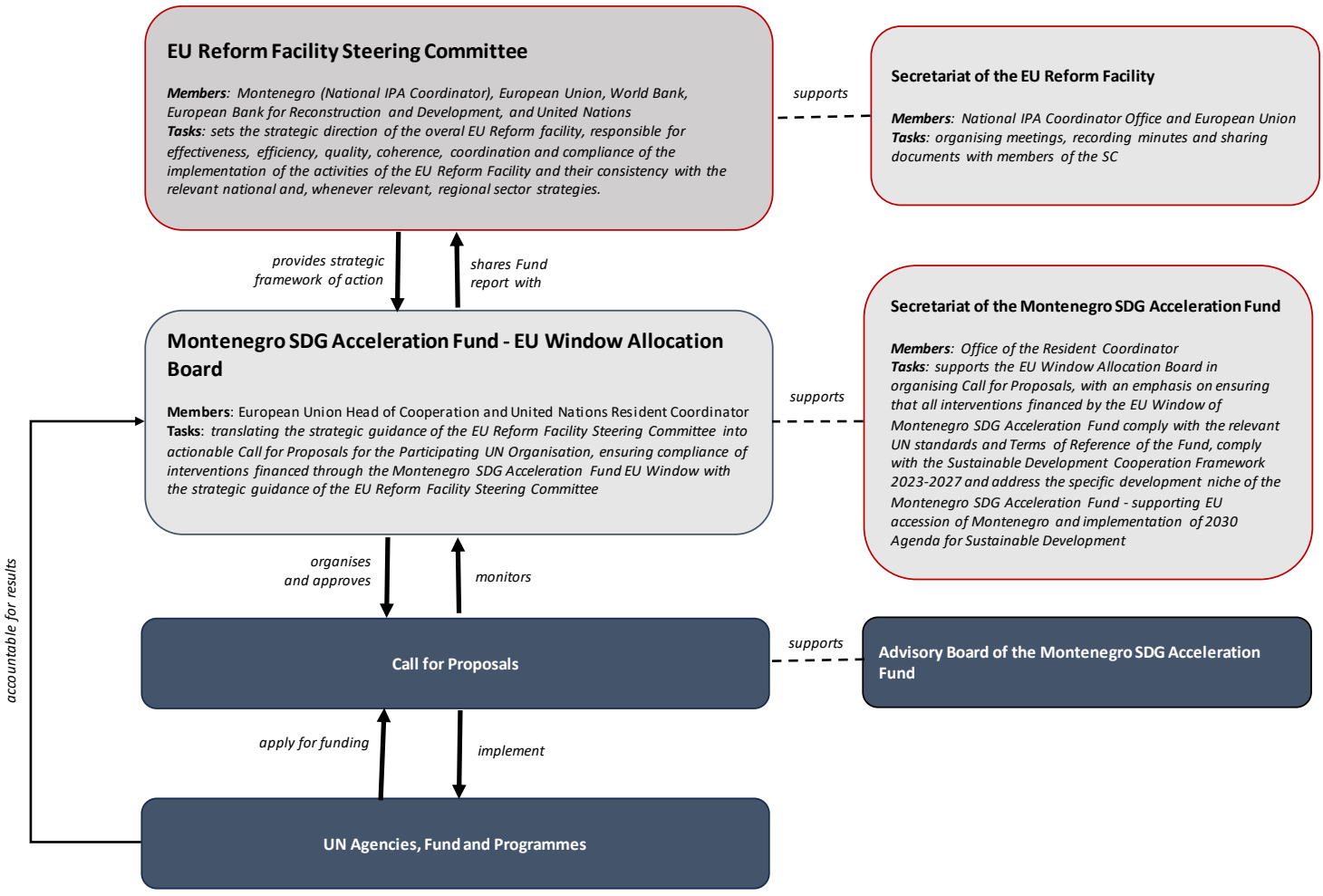
[2] The National Council for Sustainable Development is an independent working group consisted of high-Government officials, representatives of civil society, including women and youth organisations, academia, independent institutions, and international organisations, under the Prime Minister of Montenegro, as the chairperson. The National Council is an open forum for expert oversight and advise in development and implementation of policies for sustainable development. The med-term work plan of the National Council defines a series of activities aimed at accelerating implementation of 2030 Agenda for Sustainable Development, just transition, climate change and climate action, financing for sustainable development, education and promotion concept of sustainable development, and strengthening partnerships, especially at the international level.

Governance mechanisms

The EU Reform Facility will establish a Steering Committee consisting of representatives of the National Instrument for Pre-accession Assistance (IPA) Coordinator (NIPAC) Office and the Delegation of the European Union in Podgorica, that shall also include relevant national institutions and implementing partners, including the United Nations.

Within the Montenegro SDG Acceleration Fund governance architecture, **Allocation Board of the EU Window of the Montenegro SDG Acceleration Fund** is created to make decisions on eligibility, allocation, and other managerial and oversight aspects of the EU window of the Fund. This body will consist of the EU Head of Cooperation and the UN Resident Coordinator, who are also both members of the EU Reform Facility Steering Committee. The UN Resident Coordinator, supported by the Secretariat of the Montenegro SDG Acceleration Fund and with the delegated decision making authority by the Montenegro SDG Acceleration Fund Joint Steering Committee, also ensures compliance of the financed interventions with the Sustainable Development Cooperation Framework 2023-3027, the general strategic development niche of the Montenegro SDG Acceleration Fund, and the applicable UN standards and Terms of Reference of the Montenegro SDG Acceleration Fund.[3]

Figure 1 EU Window Organigram and process flow



[3] Compliance with the Terms of Reference of the Montenegro SDG Acceleration Fund is particularly referring to ensuring adequate gender and human rights dimension of the interventions, while maximising catalytic, innovative, and acceleration potential of the intervention.

The Allocation Board will operationalise allocations guided by decisions within the EU Reform Facility Steering Committee through the Calls for Proposals, opened to all Participating UN Organisations.[4] The EU Reform Facility Steering Committee will be supported by its own secretariat (outside the scope of the Montenegro SDG Acceleration Fund).

The rules and procedures of the Allocation Board of the EU Window: Based on the strategic guidance of the EU Reform Facility Steering Committee, and in line with the delegated authority of the Montenegro SDG Acceleration Fund Joint Steering Committee, the EU Window Allocation Board of the Montenegro SDG Acceleration Fund will organise a Call for Proposals opened to all Participating UN Organisations to compete, through individual or joint interventions.

The general criteria set by the Terms of Reference of the Montenegro SDG Acceleration Fund shall be respected in the process of deciding on the allocation within the EU Window. These criteria primarily relate to relevance and prioritisation criteria – addressing a specific development challenge that accelerates the EU accession process and implementation of 2030 Agenda for Sustainable Development, while relevant gender and human rights requirements.

In addition to the general criteria, all UN interventions that would be eligible for bilateral support with the EU, outside of these reform agendas and through the means of other EU funding sources (such as IPA), will not be considered for financing from the EU Window. The objective of the financed interventions should be to support the removal of the impediments to socio-economic development of Montenegro, in line with the EU Reform Facility Action Document. These actions should draw upon UN expertise with a wide scope of potential interventions either related to analysis, policy or implementation of reform priorities that support national authorities.

The Allocation Board of the EU Window of the Montenegro SDG Acceleration Fund relies on the **Montenegro SDG Acceleration Fund Advisory Board, Secretariat and the Administrative Agent** of the Montenegro SDG Acceleration Fund. The Advisory Board of the Montenegro SDG Acceleration Fund will advise the Allocation Board on quality of the intervention proposals and enhancing quality and impact of the EU Window. The Secretariat of the EU Window of the Montenegro SDG Acceleration Fund is entrusted to the Office of the UN Resident Coordinator to Montenegro. The role of the administrative agent (AA) is entrusted to the United Nations' Multi-Partner Trust Office, entitled to administrative costs up to a maximum of one percent (1%) of the amount contributed to the EU Window. The tasks and responsibilities of the Advisory Board, the Secretariat, and the Administrative Agent are inherited from the Montenegro SDG Acceleration Fund Terms of Reference.

Fund implementation

The *General and Special Conditions* signed between the UN and the EU would apply to technical issues in the implementation of the EU window, along with the Memorandum of Understanding signed by the Participating UN Organisations. The EU Window will operate with an indirect implementation modality through UN Organisation, where funds will be channelled to the participating UN Organisations, based on the decision of the EU Window Allocation Board. The UN is fully responsible for the coordination and execution of all contracted activities. For EU contributions, a fixed percentage of direct eligible costs, not exceeding 7%, shall be eligible as indirect costs charged by the respective UN Organisations and in addition to 1% administrative cost charged by the Administrative Agent, as described above.

Based on the strategic guidance of the EU Reform Facility Steering Committee, the EU Window of the Montenegro SDG Acceleration Fund, with the support of the Secretariat of the Montenegro SDG Acceleration Fund, will action the guidance through the Calls for Proposals. The Calls shall be open to

[4] Following the UN regulation, Participating UN Organisation is the UN entity that has signed the Sustainable Development Cooperation Framework 2023-2027 and the respective Memorandum of Understanding to join the EU Window of the Montenegro SDG Acceleration Fund

all Participating UN Organisation to apply, both individually or jointly with no more three Participating UN Organisations as part of the implementing team.

The overall selection criteria shall be in line with the Terms of Reference of the Montenegro SDG Acceleration Fund (general eligibility criteria, relevance and prioritisation criteria, and performance criteria). Specific criteria for assessment of the proposals shall be defined by the EU Window allocation Board through the Call for Proposals with the primary aim to maximise the impact of the financed interventions, as well as their catalytic, innovative, and acceleration potential.

The concept notes, developed by UN agencies, will be reviewed by the Allocation Board and the Secretariat of the Montenegro SDG Acceleration Fund for appropriateness against the criteria. At the same time, the Advisory Board of the Montenegro SDG Acceleration Fund will review the proposals and provide advice to the Allocation Board regarding their quality and potential to improve impact. Based on the appropriateness of the concept note the Allocation Board can then commission the UN agency to develop a full project document.

All UN submissions of project documents will include objectives and indicators of achievement to be agreed in contribution-specific agreements. These will be reflected in subsequent workplans and reports. Performance measures will be based on objectives that are specific, measurable, attainable, realistic, and time-based. Indicators for the contribution-specific agreement may be linked to the more general indicators relevant for the whole project. The United Nations and the European Union will explore carrying out jointly the monitoring and evaluation activities.

While the specific focus of the EU reform facility is on addressing the obstacles to economic growth, the potential projects could fall under all three strategic priorities of the Sustainable Development Cooperation Framework 2023-2027, meaning all UN agencies who are signatories of the UNSDCF shall be eligible for EU Window funding provided that they sign a Memorandum of Understanding with the Multi Partner Trust Fund and the Special Conditions agreement.

Budget description.

The provisional budget of the action is based on the initial discussions between the European Union Delegation to Montenegro and the United Nations in Montenegro, and attached as Annex III of the Special Conditions. Out of total value of the EU Reform Facility (10 million EUR), 2 million EUR will be dedicated to facilitate the expertise of the UN System. The rest is distributed among the World Bank, the European Bank for Reconstruction and Development (EBRD), and the Delegation of the European Union.

Provided that, in line with the Article 3.1 of Special Conditions, the applicable exchange rate from InforEuro October 2023 is used to the EUR-USD conversion, where 1 EUR = 1.0539 USD, the sum of funds available for the United Nations is 2,107,800.00 USD.

With non-earmarked nature of the European Union contribution to the Montenegro SDG Acceleration Fund, the budget is build based on the experience of the United Nations in implementing similar type of programmes.

The best practice assumes that no more that 15% of the operating budget shall be spent on **staff and other personell** costs. The staff and other personnel budget line has been increased for the respective personnel costs of the Administrative Agent.

Supplies, Commodities, Materials, and **Equipment, Vehicles, and Furniture budget** lines were approximated based on, for example, the staff needed to implement the activities and related to procurement of respective working stations (computers, desks, office supplies, etc), as well as needs of beneficiaries.

Contractual services budgetary lines enables the UN to deliver support in line with the EU Reform Facility in amount, for example, of app. 1,700 international expert days needed to support delivery of the reform endeavours.

Travel budget is approximated based on travel needs for the implementation authority, as well as for participants of the respective activities (workshops, meetings, events, study visits, and others).

Transfer and Grants to Counterparts is the approximated cost of transfers to partner organisations who will, together with the United Nations, the European Union, EBRD and the World Bank work on implementation of the EU Reform Facility. The cost is approximated based on logics that less 25% of the overall budget shall be allocated to partners, mainly eligible CSOs.

General Operating and other Direct Costs and **Indirect Support Costs** are budget lines approximated based on the experience of implementing unearmarked funding for joint UN Programmes and calculated based on the *Special Conditions* and *General Conditions* that stipulate that the UN Organisations are entitled to 7% of overhead costs for implementing the support.

Since, as described in this document, the activities of the EU Reform Facility – Acceleration Fund Montenegro as part of the EU Window of the Montenegro SDG Acceleration Fund are decided on a recurring basis, the staff, office and equipment needed for the implementation of the project activities cannot be evaluated ex-ante. Where required by the implementation of the activity, existing or new project offices will be used for coordination, implementation, monitoring and other oversight activities. In this case, and specifically for the purposes of the article 7.1.1 of the Special Conditions relating to "project office costs", the staff, office and equipment costs required for the respective activity are considered as direct costs.

Financial reporting.

The financial reporting will be performed annually on the level of Montenegro SDG Acceleration Fund as well as the EU Window, where financial statements will be provided in US dollars, which is the accounting currency of the Administrative Agent. The financial reports shall present the expenses with the same level of details as the "Budget of the action" had, and in line with the respective UN Sustainable Development Group budgetary categories.

Narrative reporting.

The narrative reports will be performed annually and concurrently with financial reporting. The annual narrative report on results will be part of the broader Montenegro SDG Acceleration Fund annual report, whereas the separate chapter will refer to the results achieved under the EU Window. The narrative reports shall be commensurate with the "Description of the action" and focus on results attained during the reporting period. As a minimum, the report will cover the following areas:

- summary and context of activities carried out during the reporting period (i.e. directly related to the Action description and activities foreseen in the contribution-specific agreement);
- difficulties encountered and measures taken to overcome problems;
- changes introduced in implementation;
- achievements/results by using indicators (to be included in the contribution-specific agreement); and
- work plan for the following period. If the report is sent after the end of the period covered by the preceding work plan, a new work plan, albeit provisional, is always required before such date.

The UN Organisations will share data of the deliveries of the actions under this contribution to the Montenegro SDG Acceleration Fund. This data will also be collected by a Technical Assistance provided by the EU Reform Facility, with the aim to provide a coherent monitoring of how the EU Reform Facility.

Visibility

Unless the Commission requests or agrees otherwise, the UN shall consult and agree on appropriate measures to publicise the fact that the intervention has received funding from the European Union. Information given to the press, the beneficiaries of activities, all related publicity material, official notices, reports, and publications, shall acknowledge that the Action was carried out "with funding by the European Union" and shall display in an appropriate way the European emblem.

All external UN publications pertaining to the activities of the Montenegro SDG Acceleration Fund that have received funding from the Commission shall carry the following disclaimer: “This document was produced with the financial assistance of the European Union. The views expressed herein can in no way be taken to reflect the official opinion of the European Union.”

Logical Framework.

Until the end of the intervention, in cooperation with the EU Delegation, the World Bank, and the European Bank for Reconstruction and Development (EBRD), the United Nations will support at least five (5) policy interventions or interventions that support and/or complement implementation of the overall EU Reform Facility, in line with the Annex Ib. *EU Reform Facility - distribution of tasks among partners*.