

ANNEX II: TERMS OF REFERENCE

**COUNTRY ACTION PROGRAMME FOR MONTENEGRO FOR THE
YEAR 2021**

**ACTION 2 - EU INTEGRATION FACILITY
(IPA III)**

PROJECT TITLE:

***TECHNICAL ASSISTANCE TO THE DIRECTORATE FOR
FINANCE AND CONTRACTING OF THE EU ASSISTANCE
FUNDS (CFCU) FOR IPA INSTRUMENT***

NEAR/TGD/2022/EA-RP/0241

Maximum budget: 500,000.00 EUR

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1. BACKGROUND INFORMATION

1.1. Partner country

Montenegro

1.2. Contracting authority

Delegation of the European Union to Montenegro

1.3. Country background

Montenegro was granted the candidate status on 17 December 2010 and on 12 October 2011 European Commission recommended starting of negotiation process for Montenegro. As such, it has been the beneficiary of the Instrument for Pre-Accession Assistance (IPA) under three financial perspectives, namely, IPA I covering the period 2007-2013, IPA II covering the period 2014-2020 and presently IPA III, covering the period 2021-2027.

IPA II in Montenegro is implemented based on the Framework Agreement between Montenegro and European Commission on the arrangements of the Union financial assistance to Montenegro under the instrument for pre accession assistance (IPA II). Since the ownership of the programming and implementation of IPA II assistance lies primarily with the IPA II beneficiary, Montenegro was obliged to establish certain institutional set up in order to follow the principles of indirect management of IPA funds. Following that, obligations and responsibilities of all entities involved in indirect management of EU funds under the financial period 2014-2020 are regulated by the Decree on organisation of the indirect management for implementation of Union financial assistance under the Instrument for pre-accession assistance (IPA II) (Official Gazette of Montenegro, no. 50/15). The Decree recognises National IPA Coordinator and National Authorising Officer as the key persons responsible for successful implementation of EU funds, supported by the managerial structure and operating structures for relevant programmes.

Financial Framework Partnership Agreement between the European Commission and Montenegro represented by the Government of Montenegro on specific arrangements for implementation of Union financial assistance to Montenegro under the Instrument for pre-accession assistance (IPA III) was signed on 16/06/2022 (“Official Gazette of Montenegro - International Agreements”, No 006/22) and following its ratification is in force as of 29 October 2022.

The Decree on organisation of the indirect management for implementation of Union financial assistance under the Instrument for pre-accession assistance under IPA III is still to be adopted for IPA III

Under IPA II, a large portion of EU assistance programmes has been implemented through indirect management by beneficiary countries (IMBC) with ex-ante controls performed by EU Delegation. However, under IPA III operational programmes will be implemented through IMBC with ex-post controls aiming to accelerate process of convergence of the current IPA system to the management system of EU funds used in the EU Member States¹.

Nevertheless, The Directorate for Financing and Contracting EU Assistance Funds (CFCU) within the Ministry of Finance remains as one of the two contracting authorities/implementing agencies in Montenegro, the other one being Capital Projects Administration (CPA, former: Department of Public Works - DPW). As such, CFCU is responsible for tendering and contracting, execution of payments and implementation of programmes and projects financed by European Union funds.

In June 2017, at the Accession Conference between EU and Montenegro negotiations on Chapter 22 - Regional policy and coordination of structural instruments were opened. Quality of the negotiation process within Chapter 22 directly and with all other chapters indirectly is conditioned by strengthening the administrative capacities in charge for efficient usage of EU funds through IPA II

¹ Instrument for Pre-accession Assistance 2021-2027-IPA III, Operational Programmes with ex-post control in the Western Balkans, Guidance for preparation and implementation.

instrument. Consequently, the new financial perspective of IPA III is based on the lessons learned from the previous IPA perspectives (IPA I and IPA II), with the aim of ensuring further strengthening of the capacities of the structures responsible for the use of EU funds. Continuous support to CFCU will contribute to success in fulfilment of the first closing benchmark for Chapter 22 related to the success in implementation of the EU pre-accession assistance approved for indirect management. As recognized by the European Commission in the Montenegro 2022 Report, significant capacity strengthening is needed to achieve efficiency in the preparation and implementation of public procurement. Also, the capacities of indirect management structures need to be further strengthened to ensure they can effectively operate in an ex-post control environment. Thus, CFCU as Contracting Authority needs to:

-continue implementation of the action plan for meeting requirements deriving from EU cohesion policy; increase the administrative capacity to more effectively safeguard IPA funds, ensuring that the positions in the structure are filled on a permanent basis, retaining key staff while increasing engagement into effective coordination mechanisms for improved project preparation, contracting and monitoring;

In December 2021, the Government of Montenegro adopted a roadmap for addressing closing benchmarks for Chapter 22 with a timeline for its implementation. (<https://www.gov.me/dokumenta/1bdcb583-c5d8-4d54-907c-06f5d612126a>)

1.4. Current situation in the sector

As the Contracting Authority/Implementing Agency, CFCU performs tasks related to: implementation of public procurement procedures for projects under programmes financed from EU funds; preparing and concluding contracts with selected contractors/beneficiaries; monitoring of implementation and preparation of amendments to the contracts; implementing administrative and on-the-spot verifications, aimed at physical verification of reports related to implementation of the contracts, submitted by the contractors/beneficiaries; planning of needs for financial resources and preparing the budget plan; financial management, control and accounting in relation to the contracts financed by the EU funds and reporting on irregularities and risks, as well as implementation and monitoring of corrective measures.

CFCU is at the moment the Contracting Authority for nine programmes:

1. Annual Country Action Programme for Montenegro for the year 2014; 23 projects are being implemented through this programme;
2. Annual Action Programme for Montenegro for 2016; 7 procedures have been launched out of which 10 projects are being implemented within this programme;
3. Annual Action Programme for Montenegro for 2017 (Action 2 - EU Integration Facility) - 18 projects are being implemented through this programme;
4. Annual Country Action Programme for Montenegro for the year 2018; 7 procedures have been launched, out of which 12 projects are being implemented within this programme;
5. Annual Country Action Programme for Montenegro for the year 2020; 10 procedures are envisaged to be launched, out of which 11 contracts are under implementation and all remaining projects are either in tendering or already in evaluation phase;
6. 2015-2017 Multi-annual Action Programme for Montenegro on Employment, Education and Social Policies – SOPEES; 22 procedures have been launched out of which 75 projects are being implemented within this programme;

7. Cross Border Cooperation Montenegro – Albania 2014-2020; from the 1st, 2nd and 3rd Call for Proposals, 21 projects are being implemented, while 4th Call for Proposals was launched on March 2023;
8. Cross Border Cooperation Montenegro – Kosovo 2014-2020 - from the 1st, 2nd and 3rd Call for Proposals, 23 projects are being implemented, while one additional project is planned to be signed under 3rd Call for Proposals;
9. Annual Action Programme in favour of Montenegro for the year 2021 – following the signature of the Financing Agreement on 15/12/2022, CFCU is in charge for contracting and implementation of the AD “Support to the Agricultural Sector in Montenegro”².

Taking into account the importance of strong administrative capacities in managing EU assistance funds, Government of Montenegro is continuously working on strengthening the administrative capacities within IPA structures. Therefore, number of CFCU staff has been significantly increased in the period 2018-2022. Currently, CFCU has 34 employees and is comprised of four Divisions:

- Division for Contracting and Implementation of EU Funds – in charge of tendering, evaluation, contracting and project implementation processes;
- Finance and Accounting Division – in charge of implementation of financial controls and payments, financial reporting and accounting;
- Quality Assurance Division – in charge of quality control and horizontal issues of the Directorate;
- First Level Control Division – in charge of controlling and verifying expenditure of the EU assistance funds of the first level, of Montenegrin beneficiaries within trilateral and transnational programmes.

Therefore, three out of four Divisions will benefit directly from the proposed project, as follows:

- Division for Contracting and Implementation of EU Funds with 13 staff members;
- Finance and Accounting Division with 9 staff members;
- Quality Assurance Division with 6 staff members.

There are a number of challenges that CFCU still faces in performing the tasks related to overall implementation of EU-funded projects. Some of them are:

- Fluctuation of staff working on IPA tasks;
- Further improvement of knowledge of staff regarding the procedures governing EU external assistance;
- Lack of specific experience in project management issues and financial controls;
- Insufficient expertise in line ministries in drafting tender documents, evaluation of projects and project monitoring and management;
- Insufficient knowledge and experience on utilisation of IPA for the EU accession priorities;
- Inadequate level of general knowledge on EU cohesion and structural policy in public institutions.

It should be mentioned that, compared to the previous years, there is a clear increase of number of employees which reaffirms commitment of the Ministry of Finance to increase and strengthen the CFCU capacities in order to provide efficiency, effectiveness and quality in the implementation of all projects assigned to the CFCU. However, the outflow of the experienced employees remains a

² Annex IV to the Commission Implementing Decision on the financing of the annual action plan in favor of Montenegro for 2021.

continuing problem for CFCU. Additionally, in March 2019, the Government of Montenegro adopted a Decision on top-up on the basic salary for staff deployed in decentralized/centralized workplaces, indirect / direct and shared management of funds under the Instrument for Pre-Accession Assistance (IPA), which is a part of strong retention policy activities conducted by both Government of Montenegro and the Ministry of Finance. Besides that, with the technical assistance available from the EU funds, institutional and administrative capacities were significantly improved. As a consequence, CFCU managed to contract all projects under programmes CAP 2014, CAP 2016, CAP 2017 and CAP 2018 within the last year of the contracting deadline, as well as to be the first in the region to launch calls for proposals and contract the projects under indirect management of IPA II cross-border cooperation programmes. In addition, CFCU contracted all available funds allocated for cross-border cooperation programme Montenegro – Kosovo (allocations 2014-2020) through three Calls for Proposals, while the 4th Call for Proposals is launched in March 2023 for the cross-border cooperation programme Montenegro – Albania. The overall quality of the documents submitted for ex-ante control to the EU Delegation to Montenegro has also significantly improved, demonstrated by the decrease of overall rejection rate from 28,9% in 2016 to 20,68% in 2022.

However, there is an obvious need for further tailor-made technical assistance, in order to continue with capacity building and to ensure sustainable and sound financial management of EU assistance to Montenegro. This is especially important bearing in mind rules of the new Financial perspective IPA 2021-2027 (IPA III) and implementation of programmes with ex-post control.

1.5. Related programmes and other donor activities

The most relevant support received in the course of previous couple of years through the EU assistance programmes in strengthening the CFCU capacities was through technical assistance projects:

Instrument for Pre-Accession Assistance 2014-2020 (IPA II)

- **“Establishing a Knowledge Base Platform for the Directorate for Finance and Contracting of EU Assistance (CFCU)” CAP2017/EUIF/KBP/CFCU**

This project started in January 2022 and finished in June 2022, with a total value of EUR 19,930.00.

The objective of the contract was design and development of a new, customized software solution which will serve as a sustainable Knowledge Base Management Platform to the Directorate for Finance and Contracting of the EU Assistance Funds (CFCU). The Knowledge Base Management Platform will be an IT tool which would be used for capitalisation of the institutional knowledge gained by CFCU throughout the years. The platform is able to collect, store and interpret knowledge generated from different sources, including specially developed web forms, information exchanged among the CFCU divisions and with institutions with which CFCU cooperates, e-mail correspondence, etc.

- **“Strengthening the Capacities of the Directorate for Finance and Contracting of the EU Assistance Funds (CFCU) for IPA II instrument” CAP2017/EUIF-CFCUSupport/SER-simp;**

This project started in August 2020 and lasted until December 2021 with a total value of EUR 280.000,00. Duration of the project was 16 months.

The objective of the contract was to further enhance the capacities of the Directorate for Finance and Contracting of the EU Assistance Funds (CFCU) for efficient management and implementation of EU funds to Montenegro, and to support the contracting and implementation of projects financed under programmes for which CFCU has been recognised as contracting authority/implementing agency and contribute to the achievement of its objectives.

- **“Technical Assistance to the Operating Structure for The Sectoral Operational Programme for Employment, Education and Social Policies”; EuropeAid/139771/IH/SER/ME**

This project started in May 2019. Envisaged duration of the contract is 36 months with a total value of EUR 619,000.00. The objective is to enhance capacity of the beneficiary institutions of the Employment, Education and Social Policies Sector to ensure effective and efficient management and implementation of IPA and future European Structural Funds (ESF), as well as the capacities of the potential and awarded grant beneficiaries in the public, non-governmental and private sectors. Through the Component II of the TA, the engaged experts will provide support in management and implementation of the grant schemes envisaged under the Sectoral Operational Programme for Employment, Education and Social Policies. CFCU was/will be supported in delivering info sessions to the interested potential applicants following the launch of the calls for proposals for the grant schemes, as well as in preparing and delivering information workshops to the awarded grantees. Also, the Contractor will ensure the support to the CFCU in preparing and delivering tailor-made trainings for the potential applicants.

- **“Strengthening the capacities of the Montenegrin authorities for the EU accession process and IPA II Instrument”, EuropeAid/137894/DH/SER/ME**

This project started in November 2016 and lasted until December 2018, with a total value of EUR 1,353,000.00. Initial duration of the project was set for 18 months, but afterwards it became clear there was a justifiable need for additional support in order to ensure sustainability of the growing organisation and the project was extended for additional 7 months.

The objective of the contract was to strengthen the capacity and accountability of the Ministry of Foreign Affairs and European Integration of Montenegro, as the key beneficiary, line ministries and other stakeholders for overall coordination of the EU accession process, with the specific focus on accession negotiations, ensuring sector coordination and management of Instrument for Pre-Accession Assistance (IPA) funds, notably the planning, programming, implementation, monitoring and evaluation of the IPA II assistance.

In April 2018, extension Addendum n°4 (with a value of EUR 547,000.00) was adopted with the aim to expand the scope of the contract and including two sub-components specifically to assist all beneficiaries, including CFCU and Directorate for Management Structure.

Instrument for Pre-Accession Assistance 2007-2013 (IPA I)

- **“Development of project pipeline for Operational Programme “Human Resources Development” 2012-2013; FWC BENEFICIARIES 2013–LOT 9: Culture, Education, Employment and Social; EuropeAid/132633/C/SER/multi**

This project started in September 2015 and lasted until September 2017, with a total value of EUR 299,000.00.

The main objective of the contract was to increase capacities for absorption of IPA funds available to Montenegro within the Operational Programme “Human Resource Development” 2012-2013 and to support the Montenegrin administration in development of the system, process and skills for indirect management and implementation of IPA Component IV.

2. OBJECTIVES & EXPECTED OUTPUTS

2.1. Overall objective

The overall objective (Impact) to which this action contributes is:

To continue further building and strengthening of the capacities of the CFCU³, in order to ensure efficient and effective management and implementation of EU assistance funds to Montenegro.

2.2 Specific objectives

The specific objectives (Outcomes) of this contract are as follows:

- To support CFCU in the contracting and implementation of the projects financed under programmes for which CFCU has been recognised/entrusted as contracting authority/implementing agency and contribute to the achievement of its objectives;
- To further improve the administrative capacities of CFCU for efficient and effective processes of management of EU assistance funds to Montenegro with a special focus on IPA III perspective;
- To support CFCU in establishing adequate institutional set-up and enhancing capacities of the CFCU for IMBC with ex-post controls;
- To support Project Implementation Units (PIUs) and grant beneficiaries
- To support establishment of the basis for the efficient usage of ESI Funds.

2.3 Expected outputs to be achieved by the contractor

The expected outputs of this contract are as follows:

Outcome I – Improved capacity of the CFCU for contracting, implementation and financial management of the entrusted EU funds under IPA II and IPA III perspectives

Output I.1 – Horizontal capacity building and development of a comprehensive training programme, based on needs assessment and lesson learnt analysis from the previous TA.

Output I.2 - Based on the needs assessment, delivery of tailor-made trainings, workshops and on-the-job support for the target Divisions, particularly at the project level during the document verification.

Output I.3 – Provision of a manual for IMBC in ex-post controls including delivery of extensive theoretical and practical educations (case studies) and trainings.

Output I.4 - Manuals of procedures including relevant instructions updated to IPA III perspective.

Output I.5 - Exchange of EU/regional best practices through delivery of study/working visits.

Outcome II – Improved capacities of Project Implementation Units (PIUs) and Grant beneficiaries

Output II.1 - Provision of targeted trainings to selected PIUs for preparation of tender documents, conducting evaluation process and project implementation.

³ including PIUs and grant beneficiaries

Output II.2 - Provision of support to grant beneficiaries in contract implementation and financial management

Outcome III– Establishment of the basis for the usage of ESI Funds

Output III.1 - Drafted proposal for restructuring and optimum organisational structure and procedures for future utilisation of ESI funds.

Output III.2 - CFCU staff familiarised with practical usage of ESI funds through capacity building events including study visits.

Output III.3 – Development of CFCU Strategic Plan.

3. ASSUMPTIONS & RISKS

3.1. Assumptions underlying the project

- Necessary staff in CFCU in place to carry out the required duties;
- Competent experts are engaged/recruited as service providers;
- Close and systematic coordination of tasks within the CFCU.

3.2. Risks

- CFCU staff turnover and loss of institutional memory;
- Economic, social and political downturns that could affect successful implementation;
- Difficulty in ensuring requested level of expertise;
- The consequences of a major cyber-attack from August 2022 can slow down the performance of CFCU's day-to-day operations and delay implementation of some activities.

The risks above have been identified by the Beneficiary. The Contractor shall recognise additional risks pertinent to the project, indicating the description, type of risk, likelihood and impact and propose mitigating measures to address them during the project lifecycle.

4. SCOPE OF THE WORK

4.1. General

4.1.1. Project description

The purpose of this project is to contribute to the effective and efficient utilisation and management of the EU funds and projects implemented by the CFCU.

Considering all the programmes for which CFCU is currently recognised as the Contracting Authority/Implementing Agency and the anticipated number of contracts to be implemented, the assistance will be focused on the following:

- Strengthening capacities of the CFCU for more effective and efficient contracting and implementation of IPA programmes and projects, as well as for meeting requirements of the EU cohesion policy;
- Enhancing knowledge on post-accession responsibilities and administrative capacities to respond to the requirements of the post-accession phase, i.e. preparation for ESI funds.

Although CFCU has gained valuable experience through the contracting and implementation of IPA IV Component, as well as through indirect management of national and cross-border cooperation programmes under IPA II, due to the fact that the area of public procurement is specific and continuously undergoing a lot of amendments, as well as that significant experience is needed for the

sound implementation of the projects, additional support is needed to enable CFCU to properly and efficiently implement and manage EU funds available to Montenegro. This will also include provision of experienced expert inputs, structural arrangements in terms of institutional organization and business processes, human resource development services, daily /ad-hoc advice, needs analysis based trainings, workshops, seminars, on-the-job coaching, knowledge sharing mechanisms, and experience sharing activities with similar EU or national structures.

A more detailed description of project activities is given under 4.2. Specific Work.

4.1.2. Geographical area to be covered

Montenegro

4.1.3. Target groups

The main beneficiary of this contract is the Ministry of Finance, more specifically the Directorate for Financing and Contracting of the EU Assistance Funds (CFCU). However, when appropriate, CFCU will involve in the capacity building activities also other beneficiaries, i.e. line ministries in charge of implementation of IPA funds in Montenegro, Audit Authority of Montenegro, Office of the National IPA Coordinator, grant beneficiaries etc.

4.2. Specific work

Outcome I – Improved capacity of the CFCU for contracting, implementation and financial management of the entrusted EU funds under IPA II and IPA III perspectives

Output I.1 – Horizontal capacity building and development of a comprehensive training programme, based on needs assessment and lesson learnt analysis from previous TA.

Activity I.1.1: Collecting inputs for needs assessment, review of the existing training plan and development of a training roadmap;

Activity I.1.2: Implementation of a minimum of 2 on-the-job trainings and specific workshops for at least 15 CFCU staff members for each training from the relevant Divisions and PIUs, regarding the implementation of the audit recommendations given by the relevant DGs from the EC and the Audit Authority of Montenegro;

Activity I.1.3: Development and improvement of a Project Risk Assessment methodology, for all project phases (tendering, evaluation and implementation);

Activity I.1.4: Organisation of 1 staff retreat for the CFCU employees (at least 25 of them) for 2 working days to encourage team building and bonding, in order to increase staff cooperation, efficient communication and meeting management;

Activity I.1.5: Implementation of a minimum of 2 trainings/advising/coaching for improving efficiency and effectiveness of the overall work of the CFCU through the topics such as personal efficiency time management, stress management, development of flexibility, emotional intelligence, motivation and building trust in teams for at least 15 CFCU staff members for each training;

Activity I.1.6: Organisation of at least two trainings aimed at increasing public awareness and implementation of the communication and visibility actions for at least 10 CFCU staff members for each training;

Activity I.1.7: Revision of the latest version of the Lessons Learned Analysis produced by the CFCU and proposal for its improvement;

Output I.2 - Based on the needs assessment, delivery of tailor-made trainings, workshops and on-the-job support for the target Divisions, particularly at the project level during the document verifications.

Activity I.2.1: Implementation of a minimum of 15 on-the-job trainings and specific workshops for at least 15 CFCU staff members for each training/workshop from the relevant Divisions, encompassing the following, non-exhaustive, areas/list of topics:

Contracting:

- Conduction of tendering and evaluation procedures with special emphasis on different types of procedures (services, supplies, grants, twinings) (minimum one training per type for chairpersons/secretaries);
- Strengthening legal capacity of the CFCU. The trainings/workshops should focus on provision of strengthening capacities for: legal assistance during the preparation of tender documentation, answers to applicants'/tenderers' questions raised in the phase before submission of applications/tenders; legal assistance during the evaluation process, contracting and contract implementation procedures; preparation of responses to complaints; providing legal advice when identifying irregularities; cooperation with other bodies of the state administration. After the completed trainings, legal experts should prepare an assessment of the necessity of establishing a department for legal issues in the CFCU (minimum 2 trainings);
- Strengthening quality assurance function (minimum 1 training);

Implementation:

- Implementation and monitoring of supply, service, grant and twinning contracts, with emphasis to the delays in projects' implementation, amendments to the contracts, breach of contractual obligations and contract suspension and termination (minimum 2 trainings);
- Implementation of direct award contracts, including direct award to international organisations (minimum 1 training);

Financial management:

- On-the-spot verifications, including detection of irregularities during during at least 2 on-the-spot verifications (minimum 1 training);
- Control of accounting records of the contractors/beneficiaries during the on-the-spot verifications (minimum 1 training);
- Training/coaching and mentoring sessions with financial controllers and accounting officers within the CFCU for the purpose of verification of costs eligibility in line with EU regulations and Montenegrin legal framework and recording of financial transactions and checking compliance of financial reports with international accounting standards (minimum 2 sessions);
- Recovery of funds from contractors/grant beneficiaries, etc. (minimum 1 training).

The above list is non-exhaustive. Related topics can be merged into a single training event where applicable. The agenda of the trainings/workshops will be prior agreed with the Beneficiary. The tenderers should propose any other relevant topic in their methodologies.

Activity I.2.2: Development of comprehensive guidelines for financial and accounting procedures;

Activity I.2.3: Preparation of relevant instructions for financial controllers regarding control of accounting records of the contractors following on-the-spot verifications;

Activity I.2.4: Implementation of at least 5 ad-hoc assistance to the CFCU when the need arises (for example providing legal opinion and analysis of complaints submitted by tenderers/applicants, participation in the evaluation process, participation in the on-the-spot checks, risk assessment etc.);

Activity I.2.5: Implementation of at least 5 case study-based trainings for at least 15 CFCU staff members for each training from the relevant Divisions for all types of contracts that CFCU is implementing regarding implementation and expenditure verification;

Output I.3 – Provision of a manual for IMBC in ex-post controls including delivery of extensive theoretical and practical educations (case studies) and trainings.

Activity I.3.1: Prepare a Roadmap with actions and indicators for waiving EUD “ex-ante” controls and transitioning to ex-post (in line with EC instructions) and organisation of at least one training concerning the presentation of prepared Roadmap for at least 15 CFCU staff members;

Activity I.3.2: Implementation of at least two case-study based trainings in the field of irregularity management and development of irregularity procedures for at least 15 CFCU staff members for each training;

Activity I.3.3: Organisation of at least two on-the-job trainings concerning the techniques and methods for sampling of costs to be controlled during the finance control of verification for at least 5 CFCU staff members for each training, and cost sampling methodology prepared;

Activity I.3.4: Prepare a set of instructions/manual for ex-post controls.

Output I.4 - Manuals of procedures including relevant instructions updated to IPA III perspective.

Activity I.4.1: Update of an existing Manual of Procedures and other relevant documents to incorporate novelties under the new FFPA and IPA III;

Output I.5 - Exchange of EU/regional best practices through delivery of study/working visits.

Activity I.5.1: Organisation of at least 1 working visit to IPA beneficiary country in duration of 3 working days for up to 6 staff members of the CFCU in order to exchange best practices with regard to the definition of cooperation procedures with stakeholders (contractors/beneficiaries/PIUs etc.) and preparation of a working visit report;

Activity I.5.2: Organisation of at least 1 working visit to IPA beneficiary country in duration of 3 working days for up to 6 staff members of the CFCU in order to exchange best practices with regard to usage of IPA funds and preparation for new IPA perspective, sharing experience within network of practitioners and preparation of a working visit report;

Activity I.5.3: Organisation of at least 2 study visits to Member States in duration of 5 working days for up to 6 staff members of the CFCU for each study visit in order to exchange know-how and acquire direct experience with business processes of an IA level institution regarding the contracting and implementation of the projects and preparation of a study visit report;

Outcome II – Improved capacities of Project Implementation Units (PIUs) and Grant beneficiaries

Output II.1 - Provision of targeted trainings to selected PIUs for preparation of tender documents, conducting evaluation process and project implementation.

Activity II.1.1: Organisation of at least 2 workshops for enhancing tendering and implementation capacities of the at least 10 PIU staff (per workshop) across the Beneficiary Institutions, with participation of CFCU staff members;

Activity II.1.2: Organisation of a minimum 2 specialised trainings for evaluators (voting members) for at least 8 Beneficiary Institutions staff members, for each training, for all types of contracts (service, supply, grant and twinning) with CFCU participation. This activity, if deemed more practical can be possibly merged with Activity 1 under Contracting section of **Activity I.2.1.**

Output II.2 - Provision of support to grant beneficiaries in contract implementation and financial management

Activity II.2.1: Organisation of at least 2 workshops for the grant beneficiaries in the area of implementation of grant contracts (reporting, secondary procurement, financial management, modification of grant contracts, etc.) for at least 15 grant beneficiaries for each workshop, with participation of CFCU staff members;

Activity II.2.2: Organisation of at least 2 workshops for the grant beneficiaries in the area of budget preparation and budget clearing process for at least 15 grant beneficiaries for each workshop, with participation of CFCU staff members.

Outcome III– Establishment of the basis for the usage of ESI Funds

Output III.1 - Drafted proposal for restructuring and optimum organisational structure and procedures for future utilisation of ESI funds.

Activity III.1.1: Creation of a proposal for restructuring of the organisational set up in terms of a) alignment with ESI funds management structure and b) balanced workload distribution among CFCU divisions;

Output III.2 - CFCU staff familiarised with practical usage of ESI funds through capacity building events including study visits.

Activity III.2.1: Update on the operational and the long-term objectives of CFCU;

Activity III.2.2: Organisation of at least 1 study visit in duration of 5 working days for up to 6 staff members of the CFCU, in order to exchange best practices of the EU Member States with regard to the system for managing of European structural and investment (ESI) funds and preparation of a study visit report.

Output III.3 – Development of CFCU Strategic Plan.

Activity III.3.1: Development and update of CFCU strategic objectives as a precondition for functional management and control system.

4.3. Project management

4.3.1. Responsible body

The Implementing Agency (IA) acting as the Contracting Authority is the Delegation of the European Union to Montenegro, with its address at Vuka Karadžića 12, 81 000 Podgorica, Montenegro.

4.3.2. Management structure

The contracting authority (CA) will appoint a project manager who will supervise and monitor the implementation of the contract on behalf of the CA. The project manager is responsible for reviewing project reports and other project documents, consultants' invoices, addenda to the contract and any other requests related to the Contract. The outputs of the contractor are subject of the formal approval of the CA. For more information regarding the process of approval of reports, please refer to point 7.2 in the text below.

Steering Committee (SC)

A SC will be established during the project inception phase. It should include representatives of the Contracting Authority, Contractor, the CFCU (Ministry of Finance) being the main beneficiary, as well as the NIPAC office. The full composition of the SC will be decided during the inception phase.

The main functions of the SC are:

- Assessment of contract progress and guiding it on a strategic level;
- Assessment of the performance of the contractor;
- Assessment of possible risks and mitigating measures;
- Overview any critical points of the contract implementation;
- Proposing remedy actions in case of specific problems;
- Recommending affecting timing, cost or contents;
- Reviewing, discussing and approving the contractor's reports.

The SC will meet and review the contract progress according to the schedule established at the beginning of the project (during the project inception phase).

The contractor will ensure the proper functioning of the SC, including the following:

- Planning, administration and follow-up of all SC meetings ensuring that all agreed action points taken by the SC are met according to agreed deadlines;
- Ensuring that agenda, draft reports and other meeting-relevant materials are sent to the SC members at least 7 working days before the scheduled meeting;
- Preparing and distributing the SC meeting minutes and attendance lists.

The contractor has also to monitor the achievement of the agreed performance indicators and to submit to the SC before each meeting written reports (overviews) on the progress in achieving the agreed targets and the reasons for any delays in their achievement or in the course of implementation of planned activities.

In addition to the SC meetings, regular monthly and/or quarterly meetings might be organised with the purpose to discuss the progress of project implementation.

4.3.3. Facilities to be provided by the contracting authority and/or other parties

Office accommodation of a reasonable standard for three experts at a time working on the contract is to be provided by the beneficiary. Beneficiary shall also:

- Provide necessary support in the project implementation;
- Provide the required copies of the project related documentation in the first months of the project implementation, upon request by the contractor;
- Provide assistance in the selection of trainees and training participants;
- Whenever possible, provide its premises as the venue for trainings/workshops.

5. LOGISTICS AND TIMING

5.1. Location

Podgorica, Montenegro. Certain activities (such as study visits, working visits) may take place in the selected EU member states or candidate countries. Some on-the-spot checks may require field visits across Montenegro.

5.2. Start date & period of implementation

The intended start date is **September 2023** and the period of implementation of the contract will be **24 months** from this date. Please see Articles 19.1 and 19.2 of the special conditions for the actual start date and period of implementation.

6. REQUIREMENTS

6.1. Personnel

Note that civil servants and other staff of the public administration, of the partner country or of international/regional organisations based in the country, shall only be approved to work as experts if well justified. The justification should be submitted with the tender and shall include information on the added value the expert will bring as well as proof that the expert is seconded or on personal leave.

6.1.1. Key experts

Key experts have a crucial role in implementing the contract. These terms of reference contain the required key experts' profiles. The tenderer shall submit CVs and statements of exclusivity and availability for the following key experts:

Key expert 1: Team leader (minimum 240 working days)

Team Leader shall be responsible for the overall coordination and organisation of project activities described under these ToRs (including coordination of the work of non-key experts), supervision and reporting to the Contracting Authority, quality assurance of the project as well as for delivering outputs. The Team Leader will also have the responsibility for efficient use of the project budget and good communication with all key stakeholders of the project. The Team Leader is expected to provide own substantive input including project management know-how for the completion of foreseen results and capacity building activities (as foreseen under Outcome I).

The time input of the Team Leader is at least 95 % in Montenegro, unless agreed otherwise with the contracting authority.

The proposed Team Leader should have the following profile:

Qualifications and skills

- Minimum Bachelor's degree in Economics, Public administration, Law, Business Administration or a relevant, directly related discipline

OR

at least 5 years of relevant professional experience additional to the general professional experience required below;

- Proficient in both spoken and written English;
- Computer literacy (command of Microsoft Office (Word, Excel, PowerPoint, etc.) and Internet.

General professional experience

- Minimum 8 years of professional experience related to EU funds management.

Specific professional experience

- Work experience as an expert (preferably as a Team Leader) in at least one EU-funded contract, implemented under PRAG rules;
- Minimum 5 years of professional experience in decentralised/indirect implementation and management of EU funds gained in countries beneficiaries of IPA assistance in the Western Balkans.
- Experience in development and delivery of trainings in the areas relevant to this service contract;
- Experience in implementation and management of ESI funds will be considered as an advantage.

For all the references stated in the CVs of the key experts, the exact duration of the key experts' project involvement/employment must be indicated in the format "from MM/YY to MM/YY".

All experts must be independent and free from conflicts of interest in the responsibilities they take on.

6.1.2. Non-key experts

The profiles of the non-key experts (the list is not exhaustive; relevant specific expertise shall be mobilised on an ad hoc basis) for this contract are required in the following areas:

- Implementation and management of EU-funded projects (service, supply, grant and twinning);
- Financial management of EU funded projects (service, supply, grant and twinning);
- Accounting in EU funded projects;
- Implementation and management of ESI funds

These experts can be mobilised as junior and/or senior non-key experts. Each expert has to fulfil the following minimum requirements:

- university degree with minimum 3 years of studies
- good knowledge of English language, both written and oral;
- minimum 3 years (junior experts) or 5 years (senior experts) of working experience in the field relevant for the assignment for which the expert is mobilised.

The contractor shall specify the number of working days for junior/senior experts and reflect the numbers in the financial offer.

CVs for non-key experts should not be submitted in the tender but the tenderer will have to demonstrate in their offer that they have access to experts with the required profiles.

The contractor must select and hire other experts as required according to the profiles identified in the organisation & methodology and/or these terms of reference. It must clearly indicate the experts' profile so that the applicable daily fee rate in the budget breakdown is clear. All experts must be independent and free from conflicts of interest in the responsibilities they take on.

The selection procedures used by the contractor to select these other experts must be transparent, and must be based on pre-defined criteria, including professional qualifications, absence of conflict of interests, language skills and work experience. The findings of the selection panel must be recorded. The selected experts must be subject to approval by the contracting authority before the start of their implementation of tasks.

6.1.3. Support staff & backstopping

The contractor will provide support facilities to their team of experts (back-stopping) during the implementation of the contract.

Backstopping and support staff costs must be included in the fee rates.

6.2. Office accommodation

Office accommodation of a reasonable standard for three (3) experts at a time working on the contract is to be provided by the beneficiary, including Wi-Fi connection.

6.3. Facilities to be provided by the contractor

The contractor must ensure that experts are adequately supported and equipped. In particular it must ensure that there is sufficient administrative, secretarial and interpreting provision to enable experts to concentrate on their primary responsibilities. It must also transfer funds as necessary to support their work under the contract and to ensure that its employees are paid regularly and in a timely fashion.

The contractor is obliged to ensure necessary supplies, services, logistical support, etc. for the success of the contract.

6.4. Equipment

No equipment is to be purchased on behalf of the contracting authority / partner country as part of this service contract or transferred to the contracting authority / partner country at the end of this contract. Any equipment related to this contract that is to be acquired by the partner country must be purchased by means of a separate supply tender procedure.

6.5. Incidental expenditure

The provision for incidental expenditure covers ancillary and exceptional eligible expenditure incurred under this contract. It cannot be used for costs that should be covered by the contractor as part of its fee rates, as defined above. Its use is governed by the provisions in the general conditions and the notes in Annex V to the contract. It covers:

- Travel costs and subsistence allowances for missions, outside the normal place of posting, undertaken as part of this contract.
- Travel costs and subsistence allowances incurred by the trainees, outside the normal place of posting, when applicable
- Costs arising from trainings and workshop activities, if such arrangements cannot be hosted by the beneficiary country, including venues rental, catering, simultaneous and consecutive interpretation, technical facilities (such as rent of equipment, including online videoconferencing facilities, where necessary) and related support, invitations, design and printing of programmes, training materials, presentations etc.
- Costs for production of information and visibility materials to promote the visibility of the project and the European Union and raising awareness, such as announcements of events, information papers, advertisements, production costs of interactive and audio-visual materials flyers, announcements in newspapers, designs, media presentations/campaign or similar, or similar expenses for dissemination of project results as part of the activities related to communication and visibility requirements envisaged within section 4.2. Specific work;
- Translation and interpretation costs directly linked to the project activities;
- Costs of participation in study visits, working visits and staff retreat. The costs can include, for example, per diems, travel costs, etc. The agendas/programmes of these events require prior approval by the Contracting Authority.
- Visibility activities costs
- Costs for COVID-19 testing, if and when applicable, with (exceptionally) prior approval by the Contracting Authority.

The provision for incidental expenditure for this contract is EUR 90,000.00. This amount must be included unchanged in the budget breakdown.

Per diem are daily subsistence allowances that may be reimbursed for missions foreseen in these terms of reference or approved by the Contracting Authority, carried out by the contractor's authorised experts outside the expert's normal place of posting. The per diem is a maximum fixed flat-rate covering daily subsistence costs. These include accommodation, meals, tips and local travel, including travel to and from the airport. Taxi fares are therefore covered by the per diem. Per diem are payable on the basis of the number of hours spent on the mission. Per diem may only be paid in full or in half (no other fractions are possible). A full per diem shall be paid for each 24-hour period spent on mission. Half of a per diem shall be paid in case of a period of at least 12 hours but less than 24 hours spent on mission. No per diem should be paid for missions of less than 12 hours. Travelling time is to be regarded as part of the mission. Any subsistence allowances to be paid for missions undertaken as part of this contract must not exceed the per diem rates published on the website - http://ec.europa.eu/europeaid/funding/about-calls-tender/procedures-and-practical-guide-prag/diems_en - in force at the time of contract signature.

The contracting authority reserves the right to reject payment of per diem for time spent travelling if the most direct route and the most economical fare criteria have not been applied.

Prior authorisation by the contracting authority for the use of the incidental expenditure is not needed.

6.6. Lump sums

No lump sums are foreseen in this contract.

6.7. Expenditure verification

The provision for expenditure verification covers the fees of the auditor in charge of verifying the expenditure of this contract in order for the contracting authority to check that the invoices submitted are due. The provision for expenditure verification for this contract is **EUR 7,000.00**. This amount must be included unchanged in the budget breakdown.

This provision cannot be decreased but can be increased during execution of the contract.

7. REPORTS

7.1. Reporting requirements

Please see Article 26 of the general conditions. Interim reports must be prepared every six months during the period of implementation of the tasks. The narrative report should be based on the monitoring and evaluation system set up in the contract, using the Logical framework matrix (annex b8g) if included in the contract. In the latter case, a narrative report must inform all the results as measured by the indicators defined in the logical framework. The narrative report must be provided along with the corresponding invoice, the financial report and an expenditure verification report defined in Article 28 of the general conditions.

There must be a final report, a final invoice and the financial report accompanied by an expenditure verification report at the end of the period of implementation of the tasks. The draft final report must be submitted at least one month before the end of the period of implementation of the tasks. Note that these interim and final reports are additional to any required in Section 4.2 of these terms of reference.

Each report must consist of a narrative section and a financial section. The financial section must contain details of the time inputs of the experts, incidental expenditure and expenditure verification.

To summarise, in addition to any documents, reports and deliverable specified under the duties and responsibilities of each key expert above, the contractor shall provide the following reports:

Name of report	Content	Time of submission
Inception report	Analysis of existing situation and work plan for the project	No later than 1 month after the start of implementation

6- month Interim progress reports	Short description of progress against the achievement of the results as spelled out in the Logframe (attached to the contract, if any). The progress report (technical and financial) should include problems encountered; planned work for the next 6 months accompanied by an invoice and the expenditure verification report.	No later than 1 month after the end of each 6-month implementation period.
Draft final report	Short description of the achievement of the results as spelled out in the Logframe (attached to the contract, if any) throughout the whole implementation period. The draft final report should include a description of the problems encountered and recommendations.	No later than 1 month before the end of the implementation period.
Final report	Short description of the achievement of the results as spelled out in the Logframe (attached to the contract, if any) throughout the whole implementation period. The final report should include a description of the problems encountered and recommendations; a final invoice and the financial report accompanied by the expenditure verification report.	Within 1 month of receiving comments on the draft final report from the project manager identified in the contract.

7.2. Submission & approval of reports

Two copies (hard and electronic) of the reports referred to above must be submitted to the project manager identified in the contract. The reports must be written in English. The project manager is responsible for approving the reports.

The Beneficiary will be involved in commenting on and approving the reports. In the absence of comments or approval by the Beneficiary within the deadline set by the project manager, the reports are deemed to be approved.

8. MONITORING AND EVALUATION

8.1. Definition of indicators

The set of indicators according to which the results defined in section 2.3 of this Terms of Reference should be measured are the following:

- Training needs assessment updated
- Necessary analyses and other project documents prepared;
- At least 30 of CFCU staff members from the relevant Divisions trained;
- At least 42 workshops/trainings implemented including workshops/trainings for PIUs and grant beneficiaries and on-the-job trainings;

- At least 3 study visits for CFCU staff members on relevant topics conducted and study visit reports prepared;
- At least 2 working visits for CFCU staff members on relevant topics conducted and working visit reports prepared;
- At least 1 staff retreat organised;
- Proposal on restructuring of CFCU prepared in order to respond to the structural requirements for ESI funds;
- Internal procedures/documents updated to incorporate novelties under the new Financial Framework Partnership Agreement and IPA III perspective;
- Roadmap prepared with actions and indicators for transitioning to ex-post controls;
- Set of instructions/Manual for ex-post controls delivered;
- Project Risk Assessment methodology prepared;
- Follow up on recommendations of LLA produced under the previous TA project;
- Mission and vision statement for the CFCU defined with long-term objectives.

8.2. Special requirements

Please note that the Organisation and methodology shall not exceed 40 pages (font size 12 margins: Top, Left, Bottom, Right: each 2.54 cm. Only for 5. Timetable of work and 6. Logframe font size can be smaller than 12.

Exemption of taxes, duties and other charges related to the delivery of service under Community financed service contract shall be governed and based on the Rules on taxes, customs duties and other fiscal charges as defined under Article 28 of the Financial Framework Partnership Agreement between the Government of Montenegro and the Commission of the European Communities on specific arrangements for implementation of Union financial assistance to Montenegro under the Instrument for Pre-Accession Assistance (IPA III).

VAT exemption guidelines will be shared with the contractor following the contract signature.

8.2.2 Visibility requirements

The Contractor shall comply with the provisions of the document “Communication and Visibility Requirements for EU External Actions”, which can be found at: https://ec.europa.eu/europeaid/sites/devco/files/communication-visibility-requirements-2018_en.pdf.

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