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1 May 2014

Dear Mr. Vrbensky,

Subject: Enabling Activities, Montenegro: Montenegro's First Biennial Update Report – PIMS No. 5209 - ATLAS BU: MNE10 - Proposal No.: 00079667 - Project No.: 00089606

I am pleased to delegate to you as the UNDP Resident Representative the authority to sign the project document on behalf of UNDP for the above-mentioned Enabling Activities project. The project, which amounts to a total of US\$ 352,000, has received its final approval in accordance with the established Global Environment Facility (GEF) procedures (CEO approval/endorsement attached as relevant at Annex 1).

I am also pleased to provide a summary of the next steps in the process and to outline, for your easy reference, the mandatory GEF-specific project financial and results management requirements. Please note that Annex 2 clarifies these in further detail. In addition, a number of Advisory Notes have been prepared to support the implementation of UNDP supported GEF funded projects, and these and further clarification on the GEF project cycle and other requirements can be found in the UNDP GEF Programming Manual at <http://intra.undp.org/gef>.

Next steps and mandatory GEF-specific requirements:

1. ***Project document signature:*** As the Resident Representative with the delegated authority for this project, we kindly request that you sign the above-mentioned Enabling Activities project document on behalf of UNDP. We would also appreciate your obtaining the signature of the representative of the Government of Montenegro.
2. ***Issuance of Authorized Spending Limit (ASL):*** To facilitate a quick start to the project, once the project document is signed, please kindly ensure that the Atlas-generated *Annual Work Plan (AWP)* based on the *Total Budget and Annual Work Plan* in the attached project document, along with a copy of the signed cover page, is sent to Mr. Yamil Bonduki, Regional Technical Advisor (RTA) in New York.

Any proposed budget revisions should be discussed with forwarded early to the UNDP RTA together with a clear explanation of the changes proposed as any significant changes require review and approval by the GEF Secretariat. In addition, please note that the UNDP-GEF Unit is not in a position to increase the project budget above the amount already approved by the GEF Council. Therefore, any over-expenditure on this project would have to be absorbed by other Country Office resources.

Mr. Rastislav Vrbensky
UNDP Resident Representative
UNDP Podgorica
Montenegro

3. *Fee:* As an Implementing Agency of the GEF, UNDP earns a fee upon approval of each project which is to be used to cover specific project assurance and oversight costs incurred by UNDP. For the Country Office, these services are related to the provision of project cycle management services, as detailed in Annex 2.

The total fee over the lifetime of the above mentioned project for these Country Office support services will be \$12,320. This fee will be paid directly by the UNDP-GEF Unit to the XB account of the Country Office. Annex 3 summarizes the Country Office fee allocation and payment schedule. The first installment will be paid upon receipt of the signed main project document cover page by the UNDP Region-based Technical Advisor (RTA). The second and all subsequent annual fee installments will be paid based on cumulative delivery, audit compliance, and compliance with the GEF project management requirements outlined below. The amount to be received by your office includes the cost of services generated by the UNDP Initiation Plan using GEF project preparation grant resources.

As noted above, the GEF fee is provided to cover the project cycle management service indirect costs as detailed in Annex 2. At the Country Office level, project cycle management services performed by UNDP Country Offices are broadly analogous to General Management Support (GMS) and cover support to project development and implementation stages. The UNDP-GEF Unit will support the Country Office by providing a suite of specialized technical services as required by the GEF and detailed in Annex 2.

If the Implementing Partner requests UNDP to provide direct services specific to project inputs (i.e. Implementation Support Services (ISS) or Direct Project Services (DPS)), then UNDP's costs must be recovered in full accordance with GEF-specific Bureau of Management and UNDP-GEF guidance on Direct Project Costs (DPCs). This guidance is provided at Annex 4 for your reference, and it was drafted to recognize the specific GEF Council requirements for GEF agencies if and when providing direct project services. In summary, to comply with the guidance UNDP will need to ensure for each project that: (a) a Letter of Agreement (LOA) between UNDP and the Implementing Partner has been entered into clearly documenting the services requested and the associated costs; and (b) the DPCs are within the Project Management Cost (PMC) component of the project budget. If DPS are requested after the date of GEF CEO endorsement, prior approval of any DPCs will be needed from the GEF Secretariat. An appropriate separation between project oversight and direct project support is required in accordance with the UNDP Internal Control Framework.

All GEF-funded projects must be audited in accordance with UNDP Financial Regulations and Rules and Audit policies, and an appropriate separation between project oversight and direct project support is required in accordance with the UNDP Internal Control Framework.

4. *GEF-specific project management requirements:*
 - Where possible, the inception workshop should be held within 3 months of project signature. To avoid any confusion during project implementation, we also recommend that the support activities to be undertaken by the Country Office, as listed in Annex 2, be confirmed at the inception workshop.
 - The GEF Secretariat must be informed of any changes to the results framework of the project document. As such, should you wish to make any such changes to the project document and/or budget, please discuss this with the UNDP RTA, as minor changes may need to be reported to the GEF Secretariat and major changes will need prior approval. Project extension requests will need prior approval of the UNDP-GEF Principal Technical Advisor.
 - As specified in the project document, a detailed annual project operational plan should be prepared by the Project Manager. It is strongly recommended that this plan for the first year of project implementation be reviewed at the inception workshop and subsequent years by the Project Board.

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- All full-size and medium-sized projects are required to submit an annual **PIR** (Project Implementation Report). Template and detailed instructions will be provided on an annual basis by the RTA.
- As outlined in the 2010 [GEF Monitoring & Evaluation policy](#), full-size projects are required to undertake a **mid-term review and a terminal evaluation** with a corresponding management response. Medium-sized projects are required to undertake a terminal evaluation with a corresponding management response and a mid-term review is also recommended. Both mid-term reviews and terminal evaluations must be translated into English or they will not be accepted by the GEF. Terminal evaluations should also be included in the UNDP Country Office Evaluation Plan and should be posted to the UNDP Evaluation Resource Center when completed. The specific requirements are available at <http://erc.undp.org> and from the RTA.
- All full-size projects must also complete the **GEF Focal Area Tracking Tool** twice during project implementation: before the mid-term review mission takes place and again before the terminal evaluation mission takes place. Medium sized projects must complete the GEF Focal Area Tracking Tool once during project implementation before the terminal evaluation mission takes place. The GEF Focal Area Tracking Tools must be completed by the project team and provided to the review/evaluation team before their review/evaluation mission. The GEF Focal Area Tracking Tools are available at www.thegef.org/tracking-tools and from the RTA.
- The UNDP Country Office must also retain all project M&E documents for this project for up to **five years** after financial closure. These records must be shared with the evaluation teams of either UNDP or the GEF should an ex-post evaluation or impact evaluation take place after the project closure. The UNDP Country Office is also required to facilitate access to project sites during UNDP and GEF evaluations.
- Annex 2 includes a number of key UNDP-GEF management performance indicators that aim to improve the efficiency and effectiveness in the oversight and supervision services provided. Performance against these indicators will be monitored on an annual basis.
- In order to accord proper acknowledgement to the GEF for providing funding, full compliance is needed with the GEF's Communication and Visibility Guidelines (the "GEF Guidelines"). The GEF Guidelines can be accessed at: http://www.thegef.org/gef/GEF_logo. Full compliance is also required with UNDP's branding guidelines.

In concluding, I would like to assure you of the UNDP-GEF Unit's and my personal commitment to the successful implementation of the project. The RTA is at your disposal for advice and technical support. Should you have any concerns or questions, please do not hesitate to contact me.

Yours sincerely,



Adriana Dinu
UNDP-GEF Executive Coordinator
And Director a.i.

cc: Ms. Cihan Sultanoglu, Assistant Administrator and Bureau Director RBEC
Mr. Olivier Adam, Deputy Regional Director, RBEC
Mr. Martin Krause, Energy and Environment Practice Leader, Bratislava, Slovakia
Mr. Yamil Bonduki, UNDP-GEF Regional Technical Advisor New York, USA
Ms. Sarah Poole, Chief Division, RBEC, New York, USA

Annex 1: CEO endorsement/approval



Naoko Ishii, PhD
Chief Executive Officer and Chairperson

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February|25, 2014

Ms. Adriana Dinu
GEF Executive Coordinator
United Nations Development Programme
One United Nations Plaza
304 East 45th St.
FF Bldg., 10th floor
New York, NY 10017

Dear Ms. Dinu:

I am pleased to inform you that I have approved the enabling activity detailed below:

Decision Sought:	Enabling Activity (EA) Approval
GEFSEC ID:	5635
Agency(ies):	UNDP
Agency ID:	5209 (UNDP)
Focal Area:	Climate Change
Project Type:	Enabling Activity
Country(ies):	Montenegro
Name of Project:	Montenegro's First Biennial Update Report
GEF Project Grant:	\$352,000
Agency Fee:	\$33,440
Funding Source:	GEF Trust Fund

This approval is subject to the comments made by the GEF Secretariat in the attached document. It is also based on the understanding that the project is in conformity with GEF focal areas strategies and in line with GEF policies and procedures.

Sincerely,

Naoko Ishii
Chief Executive Officer and Chairperson

Attachment: GEFSEC Review Sheet
Copy to: Country Operational Focal Point, GEF Agencies, STAP, Trustee

Annex 2: UNDP Project Cycle Management Services

Stage	Country Office ¹	UNDP/GEF at regional and global level
Identification, Sourcing/Screening of Ideas, and Due Diligence	Identify project ideas as part of country programme/CPAP and UNDAF/CCA.	RTA role: <ul style="list-style-type: none"> • Technical input to CCA/UNDAs and CPAPs where appropriate. • Input on policy alignment between projects and programmes. • Provide information on substantive issues and specialized funding opportunities (SOFs). • Policy advisory services including identifying, accessing, combining and sequencing financing. • Verify potential eligibility of identified idea.
	Assist proponent to formulate project idea / prepare project idea paper (e.g. GEF PIF/PPG), and ensuring it is aligned with country outcomes and UNDP Strategic Plan key results, and included in Country Office Integrated Work Plan in the ERBM Platform.	RTA role: <ul style="list-style-type: none"> • Research and development. • Provide up-front guidance. • Sourcing of technical expertise. • Verification of technical reports and project conceptualization. • Guidance on SOF expectations and requirements. • Undertake pre-screening of potential environmental and social opportunities and risks. • Training and capacity building for the Environmental Officers at the Country Offices, as part of annual Regional Community of Practice meeting or during the RTA's mission(s) in the country.
	<i>Appraisal:</i> <ul style="list-style-type: none"> • Review and appraise project idea. • Undertake capacity assessments of implementing partner as per UNDP POPP. • Monitor project cycle milestones. 	RTA and PTA role <ul style="list-style-type: none"> • Provide detailed screening against technical, financial, and risk criteria. • Determine likely eligibility against identified SOF.
	<i>Partners:</i> <ul style="list-style-type: none"> • Assist proponent to identify and negotiate with relevant partners, cofinanciers, etc 	RTA role: <ul style="list-style-type: none"> • Assist in identifying technical partners. • Validate partner technical abilities.
	<i>Obtain clearances:</i> <ul style="list-style-type: none"> • Government, UNDP, Implementing Partner, LPAC, cofinanciers, etc. 	RTA and PTA role: <ul style="list-style-type: none"> • Obtain SOF clearances.
Project Development	<i>Initiation Plan:</i> <ul style="list-style-type: none"> • Coordination, management and financial oversight of UNDP Initiation Plan • Discuss management arrangements 	RTA and PA role: <ul style="list-style-type: none"> • Assist in preparation of UNDP Initiation Plan • Technical support, backstopping and troubleshooting. • Support discussions on management arrangements • Facilitate issuance of DOA

¹ As per UNDP POPP with additional SOF requirements where relevant.

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Stage	Country Office ¹	UNDP/GEF at regional and global level
	<p><i>Project Document:</i></p> <ul style="list-style-type: none"> • Support project development, assist proponent to identify and negotiate with relevant partners, cofinanciers, etc. • Undertake environmental and social screening of project before PAC. Ensure Environmental and Social Screening Procedure (ESSP) documentation is signed by the Resident Representative or Chair of PAC meeting and attached as Annex to the Project Document. • Review, appraise, finalize Project Document. • Negotiate and obtain clearances and signatures – Government, UNDP, Implementing Partner, cofinanciers, etc. Coordinate LPAC and document meeting decisions. • Respond to information requests, arrange revisions etc. • Prepare operational and financial reports on development stage as needed. 	<p>RTA role: Sourcing of technical expertise.</p> <ul style="list-style-type: none"> • Verification of technical reports and project conceptualization. • Guidance on SOF expectations and requirements. • Negotiate and obtain clearances by SOF • Respond to information requests, arrange revisions etc. • Quality assurance and due diligence.
<p><i>Key UNDP/GEF management performance indicators/targets for Project Development:</i></p> <ol style="list-style-type: none"> 1. Time between PIF approval to CEO endorsement for each project: <ul style="list-style-type: none"> • Target for GEF trust fund project: FSP = 18 months or less, MSP 12 months or less. • Target for LDCF and SCCF FSP/MSP = 12 months or less. 2. Time between CEO endorsement to project document signature: <ul style="list-style-type: none"> • Target = 4 months or less 		
<p>Project Oversight</p>	<p><i>Management Oversight and support</i></p>	<p><i>Technical and SOF Oversight and support</i></p>
	<p><i>Project Launch/Inception Workshop</i></p> <ul style="list-style-type: none"> • Preparation and coordination. • Participate in Inception Workshop 	<p>RTA role:</p> <ul style="list-style-type: none"> • Technical support in preparing TOR and verifying expertise for technical positions. • Participate in recruitment process for Chief Technical Advisor and/or Project Manager, if RTA elects to do so. • Verification of technical validity / match with SOF expectations of inception report. • Participate in Inception Workshop
	<p><i>Management arrangements:</i></p> <ul style="list-style-type: none"> • Facilitate consolidation of the Project Management Unit, where relevant. • Facilitate and support Project Board meetings as outlined in project document and agreed with UNDP RTA. • Provide project assurance role if specified in project document. • Ensure completion of timesheets as required. 	<p>RTA role:</p> <ul style="list-style-type: none"> • Technical input and support to TOR development. Troubleshooting support. • Support in sourcing of potentially suitable candidates and subsequent review of CVs/recruitment process.
	<p><i>Annual Work Plan:</i></p> <ul style="list-style-type: none"> • Issuance of AWP. • Monitor implementation of the annual work plan and timetable. 	<p>RTA and PA role:</p> <ul style="list-style-type: none"> • Advisory services as required • Review AWP, and clear for ASL where relevant.

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Stage	Country Office ¹	UNDP/GEF at regional and global level
	<p><i>Financial management:</i></p> <ul style="list-style-type: none"> • Conduct budget revisions, verify expenditures, advance funds, issue combined delivery reports, and ensure no over-expenditure of budget. • Ensure necessary audits. 	<p>RTA, PA and Finance Unit roles:</p> <ul style="list-style-type: none"> • Allocation of ASLs, based on cleared AWP • Return of unspent funds to donor • Monitor projects to ensure activities funded by donor comply with agreements and project document • Oversight and monitoring to ensure financial transparency and clear reporting to the donor
	<p><i>Results Management:</i></p> <ul style="list-style-type: none"> • Alignment: link project output to CPAP Outcome in project tree in Atlas, link CPAP outcome in project tree to UNDP Strategic Key Result Area as outlined in project document during UNDP work planning Gender: In ATLAS, rate each output on a scale of 0-3 for gender relevance. • UNDP monitoring requirements: Monitor progress on quarterly basis in IWP, and monitor risks in Atlas. • Submit annual APR/PIR report. • Arrange mid-term review: prepare TOR, hire personnel, plan and facilitate mission / meetings / debriefing, circulate draft and final reports. • Submit GEF Focal Area Tracking Tool completed by Project Team to mid-term review team. • Ensure tracking of committed and actual co financing as part of mid-term review. • Ensure translation of mid-term review into English. • Prepare management response to mid-term review. • Annual site visits – at least one site visit per year, report to be circulated no later than 2 weeks after visit completion. 	<p>RTA role:</p> <ul style="list-style-type: none"> • Advisory services as required. • Quality assurance. • Project visits – technical support visit during life of Project as required.

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Stage	Country Office ¹	UNDP/GEF at regional and global level
	<p><i>Evaluation:</i></p> <ul style="list-style-type: none"> • Integrate project terminal evaluation into CO evaluation plan. Identify synergies with country outcome evaluations. • Arrange terminal evaluation: prepare TOR, hire personnel, plan and facilitate mission / meetings / debriefing, circulate draft and final reports. • Submit GEF Focal Area Tracking Tool completed by Project Team to evaluation team. • Ensure tracking of committed and actual co financing as part of terminal evaluation. • Ensure translation of terminal evaluation into English. • Prepare management response to terminal evaluation and post both terminal evaluation report and management response in UNDP ERC. • Facilitate and participate in other UNDP and GEF evaluations as necessary. 	<p>RTA, PA, RKS roles:</p> <ul style="list-style-type: none"> • Technical support and analysis. • Quality assurance. • Compilation of lessons and consolidation of learning. • Dissemination of technical findings. • Participate as necessary in other SOF evaluations.
	<p><i>Project Closure:</i></p> <ul style="list-style-type: none"> • Final budget revision and financial closure (within 12 months after operational completion). • Final reports as required by donor and/or UNDP-GEF. 	<p>RTA, PA role:</p> <ul style="list-style-type: none"> • Advisory services as required. • Technical input. • Quality assurance.
<p><i>Key UNDP GEF management performance indicators/targets for Project Oversight:</i></p> <ol style="list-style-type: none"> 1. Each project aligned with country outcomes and UNDP Strategic Plan key results, and included in Country Office Integrated Work Plan in the ERBM: <ul style="list-style-type: none"> • Target = 100% 2. Quality rating of annual APR/PIRs: Once completed and submitted, the quality of each project APR/PIR is rated by an external reviewer <ul style="list-style-type: none"> • Target = Rating of Satisfactory or above 3. Quality rating of Terminal Evaluation report: Once completed, the quality of the terminal evaluation report is rated by the UNDP Evaluation Office <ul style="list-style-type: none"> • Target = Rating of Satisfactory or above 4. Quality of results achieved by project as noted in terminal evaluation: the independent evaluator assigns an overall rating to the outcome achieved by the project and this rating is validated by the UNDP Evaluation Office <ul style="list-style-type: none"> • Target = Satisfactory or above 		

Annex 3: Country Office Fee allocation and Payment schedule

PIMS5209 Atlas project - 00089606 MNE10		GEF fee (GMS) %	
		For allocation-based on total approved funding including PDF	For releasing-based on final approved project budget excluding PDF
PPG			
EA	352,000		
Total PPG & EA Grant	352,000		
Total fee allocated to COs (Note 1)	12,320		
1st Release: Fee for formulation 40% (Note 2)	4,928	1.400%	1.400%
Following Releases: Fee for implementation 60% (Note 3)	7,392	2.100%	2.100%
Total fee	12,320	3.500%	3.500%

CO	Fee for Formulation (40%)	Fee for Implementation (60%)	Total Fee	Share % (fee for implementation)	% fee based on delivery (Impl. Fee / Final PRJ (FSP/MSP) budget)
Montenegro	4,928	7,392	12,320	100%	2.100%
Total	4,928	7,392	12,320	100%	2.100%

Example 1 for CO projection purpose - fee release to COs based on delivery

CO	% fee based on delivery (Impl. Fee / Final PRJ (FSP/MSP) budget)	Scenarios					Total Delivery	Total fee for delivery
		2014 Delivery	fee for 2014 delivery	2015 delivery	fee for 2015 delivery			
Montenegro	2.100%		3,688		3,704		7,392	
Total	2.100%	175,600	3,688	176,400	3,704	352,000	7,392	

Note:

1. Total GEF Fee to COs includes the cost of services related to the preparatory assistance phase under the GEF Project Development Facility (PDF)/Project Preparation Grant (PPG) window.
2. The 1st release of GEF fee to COs will be effected upon receipt of the signed main project (FSP/MSP/EA) document cover page in the GEF RCU.
3. Subsequent annual fee releases to COs will depend on the satisfactory delivery of the services described in Annex 2 and will be directly linked to project delivery.
4. Annual fee payments to COs related to delivery are normally done after year end closing. For example, annual fee for 2014 delivery is paid in April 2015.

Annex 4: BOM and UNDP-GEF Guidance on Direct Project Costs

B. Direct Project Services to GEF-financed projects

Direct Project Costs (DPC) are costs that are incurred by UNDP that are execution-driven and are incurred for, and can be traced in full to, the delivery of project inputs. These execution-related costs are completely separate and distinct from General Management Support (GMS) costs that are incurred by UNDP regardless of the implementation/execution modality chosen for the project.

DPCs normally relate to operational and administrative support activities carried out by UNDP offices on behalf of Direct Implementation Modality (DIM) or Country Office support to National Implementation Modality (NIM) projects, such as: (a) HR activities, including recruitment of project personnel, issuance of project personnel contracts, etc.; (b) costs incurred in the process of undertaking procurement activities of project goods and services; and (c) finance transactions that are performed on behalf of an Implementing Partner.⁶

As outlined in the 'Policy on Cost Recovery from Regular and Other Resources' dated January 2011, the UNDP Executive Board requires UNDP to fully recover the costs of any services it provides to Other Resources funded projects and programmes. The UNDP Cost Recovery Policy states that the costs of any Direct Project Costs incurred by UNDP (formerly referred to as Implementation Support Services or ISS) need to be recovered on the basis of estimated actual costs expected to be incurred, or on a per-transaction basis (using the Universal Price List (UPL) or the Local Price List costing template as a costing reference), and should be charged directly to project budgets.

It is necessary to provide GEF-specific guidance at this time because of a recent decision of the GEF Council to adopt rules on when and how Direct Project Costs may be provided for GEF-financed projects.⁷ The guidance contained herein is aligned with UNDP's Cost Recovery Policy.

Below are the key requirements when providing direct project services to GEF-financed projects. This GEF-specific guidance has been in effect as of 7 June 2012. It does not apply to projects approved before 7 June 2012.

1. The cost of any anticipated direct project services to be incurred by UNDP under DIM or CO support to NIM projects, need to be clearly identified and estimated in the project management budget of the Project Identification Form (PIF) during the initial phase of project formulation when activities are defined, assessed, and costed. For projects that have already submitted PIFs and are proceeding to the CEO endorsement stage, the costs of any Direct Project Services need to be clearly identified in the project document. Any direct project services requested by an Implementing Partner after CEO endorsement of the project need to be communicated to the GEFSEC for prior approval, as appropriate. Any communications with the GEFSEC will be performed or coordinated by the GEF Regional Technical Advisor.

⁶ The GEF refers to UNDP 'Implementing Partners' as 'Executing Entities'. The terminology is interchangeable.

⁷ Joint Summary of the Chairs, 42nd GEF Council Meeting, 7 June 2012.

2. In line with UNDP Cost Recovery Policy, the costs should be calculated on the basis of estimated actual costs or transaction-based costs, using the UPL (for standard service transactions) or Local Price List template (for non-standard service transactions), as a reference point. DPCs must NOT be charged as a flat percent, as this would not equate to actual or transaction-based costs. DPCs should be charged to the separate account code: "74599-UNDP cost recovery chrgs-Bills", until such further notice is given.
3. The costs of direct project services, if they are incurred, need to be fully recovered. That being said, however, they are never mandatory. They are only provided upon the request of and in agreement with the implementing partner as UNDP should never unilaterally make the decision to provide project services. These arrangements should be documented in a Letter of Agreement (LOA) that is annexed to a Project Document, as UNDP will be acting as a 'Responsible Party'. The form and content of the LOA is up to the Implementing Partner, but suggested templates are available in the POPP here: <https://intranet.undp.org/global/popp/ppm/Pages/Defining-a-Project.aspx> (see section 2.4).
4. DPCs need to be funded within the total 'Project Management Cost (PMC)' allocation provided by GEF to the Implementing Partner⁸ and cannot exceed the total PMC allocation.

Further guidance from the Office of Financial Resources Management on charging of DPCs for all UNDP projects is expected in the first quarter of 2013. We will communicate with you again in case any changes to the above guidance are required.

Thank you for carefully noting this new policy and guidance, and we look forward to working with you in the successful implementation of GEF projects.

Yours sincerely,



Darshak Shah
Deputy Assistant Administrator,
Deputy Director and
Chief Finance Officer
Bureau of Management

Date: 23-11-2012



Yannick Glemarec
UNDP-GEF Executive Coordinator
Bureau for Development Policy

Date: 26-11-2012

⁸ Please note that DPCs shall not be recoverable from Project Preparation Grants (PPGs), as the GEF does not provide any PMC allocation for PPGs.