



Country: Serbia
Project Document

Project Title: Strengthening Accountability Mechanism in Public Finance

UNDAF Outcome(s): Efficient, accountable and people-centered public sector¹

Expected CP Outcome(s): Improved efficiency, accountability and transparency in the public sector
(Those linked to the project and extracted from the CPAP)

Expected Output(s): Cadre of professionalized civil servants in relevant institutions
(Those that will result from the project and extracted from the CPAP)

Implementing Partners: Output 1: Public Procurement Office, Output 2: Commissioner for Information of Public Importance and Personal Data Protection, Output 3: State Audit Institution and Output 4: UNDP

Responsible Parties: Output 1: Public Procurement Office, Transparency Serbia
Output 2: Commissioner for Information of Public Importance and Personal Data Protection, Output 3: State Audit Institutions, Output 4: UNDP

Brief Description

The purpose of the project is to support the establishment of effective and sustainable accountability mechanisms in public finance in Serbia.

The objective is to enhance preventive and investigative facets of the public spending cycle through capacity development activities in three public institutions: the Public Procurement Office (prevention), the Commissioner for Information of public importance and personal data protection and the State Audit Institution (post factum and investigative).

The project will also strengthen the capacity of the media and CSOs to actively participate in the enhancement of accountability and transparency processes so as to become permanent part of monitoring and control mechanisms.

Programme Period:	2005-2010 ¹
Key Result Area (Strategic Plan):	Support national partners to implement democratic governance practices grounded in human rights, gender equality and anti-corruption.
Atlas Award ID:	00050321
Start date:	January 2010
End Date:	January 2012
PAC Meeting Date:	Dec 3 rd 2009
Management Arrangements:	NIM

2009-2012 AWP budgets:	USD 1,800,537.00
Total resources required	USD 1,800,537.00
Total allocated resources:	USD 1,800,537.00
• Regular	_____
• Other:	_____
• Donor (Gvt.of Norway)	USD 1,800,537.00
• Donor	_____
o Donor	_____
o Government	_____
Unfunded budget:	_____
In-kind Contributions:	_____

¹ The project outcomes will also correspond with the forthcoming draft UNDAF and UNDP CPD documents.

Agreed by Public Procurement Office: Ирепайа Шавелт

Agreed by Commissioner for Information of Public Importance and PDP: Жеданов

Agreed by State Audit Institution: Сомунд

Agreed by UNDP: Р. Шад

I. ANNUAL WORK PLAN

Expected Output and baseline, associated indicators and annual targets	Planned Activities List of activity results and associated actions	Timeframe								Responsible party	Planned budget			
		Q1	Q2	Q3	Q4	Q5	Q6	Q7	Q8		Funding source	Budget Description	Amount	
Component 1	Project co-ordinator	x	x	x	x	x	x	x	x	PPO	NOR	Recruitment of national consultant	62,400.00	
	Monitoring of PP system- Four rounds of monitoring reports (every six months)									Transparency Serbia	NOR	Contractual service companies /international and national consultants	115,000.00	
	Support to implementation of Certification of civil servants and public officials in PP (expert support, creation of web based, sample test, development of concept of IT based testing)	x	x	x	x	x				PPO	NOR	International/local consultants	11,000.00	
	Piloting collaborative public procurement at the local level (3 pilot municipalities)											NOR	Contractual service	80,000.00
												NOR	International consultants	30,000.00
Outreach on the public procurement regulations and standards to private sector/purchasing entities		x								PPO	NOR	Local consultants	7,000.00	
		x								PPO	NOR	Web applications, printing, seminars	15,000.00	

Management (project unit), Monitoring and Evaluation	Programme manager	x	x	x	x	x	x	x	x	x	x	x	x	UNDP	NOR	Recruitment of national consultant	98,600.00	
	Finance associate	x	x	x	x	x	x	x	x	x	x	x	x	UNDP	NOR	Recruitment of national consultant	67,200.00	
	Programme assistant	x	x	x	x	x	x	x	x	x	x	x	x	UNDP	NOR	Project assistant	51,400.00	
	Monitoring and Evaluation	x	x	x	x	x	x	x	x	x	x	x	x	UNDP	NOR	International and local consultants	45,000.00	
	Travel local and international	x	x	x	x	x	x	x	x	x	x	x	x	UNDP	NOR	Travel	8,000.00	
	Common shared services (24 months)	x	x	x	x	x	x	x	x	x	x	x	x	UNDP	NOR	Internet, rent, utilities	24,000.00	
	Equipment for project unit	x	x	x	x	x	x	x	x	x	x	x	x	UNDP	NOR	PCs	15,000.00	
	Local consultants short term-support to implementation													UNDP	NOR	Local consultants (short-term)	20,000.00	
															NOR	Sundries	2,600	
	TOTAL																	331,800.00

Sub TOTAL BUDGET

1,674,500.00

GMS @ 7%

126,037.00

TOTAL BUDGET

1,800,537.00

II. MANAGEMENT ARRANGEMENTS

The project will be implemented in National Implementation NIM modality (NIM) by:

Output 1: the Public Procurement Office

Output 2: Commissioner for Information of Public Importance and Personal Data Protection

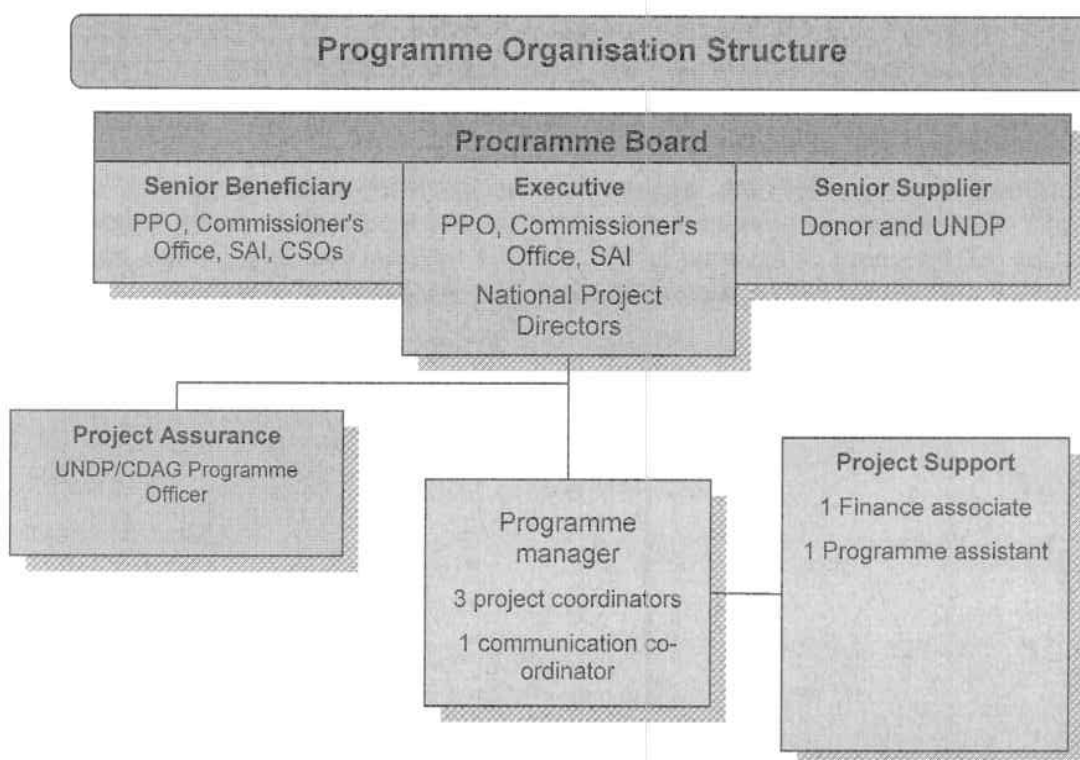
Output 3: State Audit Institution

Output 4: UNDP will be responsible for implementation of CSO (NGOs and Media) component.

Based on the request by other Implementing Partners, UNDP will provide additional support services as enlisted in the Letter of Agreement (attached),.

The implementing partners will appoint **National Project Directors** (NPDs) to take overall responsibility of project execution. The NPDs may delegate responsibility for day-to-day management to the Programme Manager but will report on the progress of the project to the Programme Board.

The Programme Board is responsible for overall steering of project outputs and provision of guidance for management decisions that influence the project results.



NB: separate project boards will be established for each output, with executive roles being defined as per management arrangements described above.

The **Programme Board** is the group responsible for making by consensus management decisions for a project when guidance is required by the Programme Manager, including recommendation for approval of project plans and revisions. Programme Board decisions should be made in

accordance to standards² that shall ensure best value for money, fairness, integrity, transparency and effective international competition. Programme/Project reviews by this group are made at designated decision points during the running of a project, or as necessary when raised by the Programme Manager. This group is consulted by the Programme Manager for decisions when tolerances (normally in terms of time and budget) have been exceeded. It ensures that required resources are committed and arbitrates on any conflicts within the project or negotiates a solution to any problems between the project and external bodies. The chairing of the programme Board will be fulfilled by designated NPDs on rotating basis (every six months)

Programme Assurance is the responsibility of each Programme Board member; however the role can be delegated. The Programme Assurance role supports the Programme Board by carrying out objective and independent project oversight and monitoring functions. This role ensures appropriate project management milestones are managed and completed.

The **Programme Manager** has the authority to run the project on a day-to-day basis on behalf of the Project Board within the constraints laid down by the Board. The Programme Manager's prime responsibility is to ensure that the project produces the results specified in the project document, to the required standard of quality and within the specified constraints of time and cost.

Project Coordinators will be responsible for meeting the respective outputs, under the guidance of the Programme manager.

The **Programme Support** roles provide project administration, management and technical support to the Programme Manager as required by the needs of the individual project or Programme Manager.

During the inception phase programme manager will review the project document and prepare detailed work plan for approval of the Project Board.

A **communications strategy for the project** will be devised at the beginning of project implementation. All deliverables produced during the project term, will bear the **logos/coat of arms** required by the Kingdom of Norway, UNDP and the national partners. Where appropriate, the standard UNDP **disclaimer** will be placed, covering also the Kingdom of Norway.

² UNDP Financial Rules and Regulations: Chapter E, Regulation 16.05: a) The administration by executing entities or, under the harmonized operational modalities, implementing partners, of resources obtained from or through UNDP shall be carried out under their respective financial regulations, rules, practices and procedures only to the extent that they do not contravene the principles of the Financial Regulations and Rules of UNDP. b) Where the financial governance of an executing entity or, under the harmonized operational modalities, implementing partner, does not provide the required guidance to ensure best value for money, fairness, integrity, transparency, and effective international competition, that of UNDP shall apply.

III. MONITORING FRAMEWORK AND EVALUATION

In accordance with the programming policies and procedures outlined in the UNDP User Guide, the project will be monitored through the following:

Within the annual cycle

- On a semi-annual basis, a quality assessment shall record progress towards the completion of key results, based on quality criteria and methods captured in the Quality Management table to be prepared in initial phase of the project.
- An Issue Log shall be activated in Atlas and updated by the Project Manager to facilitate tracking and resolution of potential problems or requests for change.
- Based on the initial risk analysis submitted (see annex 1), a risk log shall be activated in Atlas and regularly updated by reviewing the external environment that may affect the project implementation.
- Based on the above information recorded in Atlas, a Project Progress Reports (PPR) shall be submitted by the Project Manager to the Project Board through Project Assurance, using the standard report format available in the Executive Snapshot.
- a project Lesson-learned log shall be activated and regularly updated to ensure on-going learning and adaptation within the organization, and to facilitate the preparation of the Lessons-learned Report at the end of the project
- a Monitoring Schedule Plan shall be activated in Atlas and updated to track key management actions/events
- On a quarterly basis, UNDP will perform monitoring visits in order to assure managerial and administrative compliance with project management standards. A quality assessment shall record progress towards the completion of key results, based on quality criteria and methods captured in the Quality Management table.

Annually

- **Annual Review Report.** An Annual Review Report shall be prepared by the Project Manager and shared with the Project Board and the Programme Board. As minimum requirement, the Annual Review Report shall consist of the Atlas standard format for the QPR covering the whole year with updated information for each above element of the QPR as well as a summary of results achieved against pre-defined annual targets at the output level.
- **Annual Project Review.** Based on the above report, an annual project review shall be conducted during the fourth quarter of the year or soon after, to assess the performance of the project and appraise the Annual Work Plan (AWP) for the following year. In the last year, this review will be a final assessment. This review is driven by the Project Board and may involve other stakeholders as required. It shall focus on the extent to which progress is being made towards outputs, and that these remain aligned to appropriate outcomes.

The progress towards expected result will be further accessed through independent evaluation (mid-term after 12 months of project commencement) and final project evaluation (one month prior to project closure).

IV. LEGAL CONTEXT

This document together with the CPAP signed by the Government and UNDP which is incorporated by reference constitute together a Project Document as referred to in the SBAA [or other appropriate governing agreement] and all CPAP provisions apply to this document.

Consistent with the Article III of the Standard Basic Assistance Agreement, the responsibility for the safety and security of the implementing partner and its personnel and property, and of UNDP's property in the implementing partner's custody, rests with the implementing partner.

The implementing partner shall:

- a) put in place an appropriate security plan and maintain the security plan, taking into account the security situation in the country where the project is being carried;
- b) assume all risks and liabilities related to the implementing partner's security, and the full implementation of the security plan.

UNDP reserves the right to verify whether such a plan is in place, and to suggest modifications to the plan when necessary. Failure to maintain and implement an appropriate security plan as required hereunder shall be deemed a breach of this agreement.

The implementing partner agrees to undertake all reasonable efforts to ensure that none of the UNDP funds received pursuant to the Project Document are used to provide support to individuals or entities associated with terrorism and that the recipients of any amounts provided by UNDP hereunder do not appear on the list maintained by the Security Council Committee established pursuant to resolution 1267 (1999). The list can be accessed via <http://www.un.org/Docs/sc/committees/1267/1267ListEng.htm>. This provision must be included in all sub-contracts or sub-agreements entered into under this Project Document".

ANNEXES

Risk Analysis:

#	Description	Category	Impact & Probability	Countermeasures / Mngt response	Owner	Author	Date Identified	Last Update	Status
1	Political instability/possible changes of government structure causes discontinuity in project implementation	Political	High impact (5) Low probability (1)	1. Donors and international community lobby relevant institutions to acknowledge the need for greater transparency and accountability in public finance	Project Manager	Project developer			No change
2	Lack of support from the Government of republic of Serbia for project implementation	Political	High impact (5) Low probability (3)	1. Secure National Counterpart Ownership of the process 2. MoU with key local partners to start the project 3. joint donor intervention, emphasizing relevance of coordination activities	Project manager	Project developer			
3.	Changes in appointments in key project partners institutions resulting in decreased interest for project implementation	Political	Medium impact (3) Medium probability	1. Secure National Counterpart Ownership of the process 2. Involvement of major stakeholders in the Project through appropriate National Project Boards	Project manager	Project developer			No change

4	Problem with coordination of different stakeholders due to complexity of the project	Organizational	High impact (5) Medium probability (3)	Clear work plan developed and re-evaluated with responsibilities of all shareholders strictly defined	Project manager	Project developer		
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ANNEX 1

SITUATION ANALYSIS

Foreword:

In Serbia, the period of isolation and political turmoil have adversely affected adequate functioning of key institutions of the government. Institutions providing for effective rule of law and respect for human rights, judicial institutions, operational checks and balances and oversight mechanisms were crippled by a high level of corruption and incompetence for over a decade. Although there have been major improvements in a range of development areas in recent years, progress in respect to mitigating corruption has been partial and slow.

In order to review Serbia's progress in combating corruption, it is useful to assess the main features of the country's anti-corruption legal framework. In October 2005, the Serbian Parliament has ratified the **United Nations Convention against Corruption (UNCAC)**, the first global legally binding instrument in the fight against corruption which provides a set of standards and provisions that facilitate member states' in designing legislation and improving practices in accordance with good governance principles³. In addition to this, a considerable number of laws addressing various forms of corruption have been adopted and amended: Law on Public Procurement, Law on Financing of Political Parties, Law on Prevention of Conflict of Interest, Law on Free Access to Information, Law on the State Audit Institution, Law on Ombudsman and National Strategy to Combat Corruption followed by an action plan. The Law on the Anti-corruption Agency (AC Agency) was approved by the Parliament in 2008.

However, operational implementation of these laws has produced mixed results. In some cases, the government bodies responsible for the implementation of the adopted laws lack the resources, human and financial to adequately carry out their mandates. In addition, the key implementation commitments of the national strategy to combat corruption are yet to be fulfilled.

A more systematic approach to fighting corruption is needed, including proper financial control, transparent public procurement procedures and parliamentary and CSO oversight.⁴

1. Introduction

Over the past decades, sound public procurement management has become a milestone towards good governance and national progress. Public Procurement makes up 15 to 30 per cent of national GDP in all countries. Historically, it has been used by governments to encourage a more equitable economic growth. Through public procurement, governments can "raise the bar" for the respecting of labour and environmental standards by all market

³ The draft UNDP Sub Regional Anti-Corruption Strategy also emphasizes the importance of the UNCAC, stating that it *should be the anchor in ensuring a unique methodology based on consistent system of programmes and activities.*

⁴ Adapted from a study commissioned by UNDP – *The Fight Against Corruption in Serbia: An Institutional Framework Overview*, April 2008.

operators, thereby improving the "quality of jobs" while facilitating sustainable development. More recently, with the advent of globalization and the increased role of private sector in governance, public procurement features as an important market-based incentive for promoting Corporate Social Responsibility (CSR).

Public Procurement Office - background information

The Public Procurement Office (PPO) was established under Article 18 of the Public Procurement Law (Official Gazette 39/2002) on January 15, 2003, as an independent governmental organization accountable directly to the Prime Minister. The PPO mission is to ensure that public procurement procedures are being followed in order to secure efficient, effective and transparent use of public funds for supply of goods, works and services. Moreover, the Office aspires to increase value-for-money savings and to curb corruption. In order to achieve these goals, the PPO promotes competition and equal treatment of all bidders.

The PPO is operating in three departments: Legal department, Analytical department and Secretariat. The Legal department is responsible for taking part in preparation of the Public Procurement Law, by-laws and standard bidding documents, providing advice to purchasing entities as well as monitoring of the regularity of public procurement procedures. The Analytical department is responsible for collecting data on contracts awarded, analysis and preparation of analytical reports for Government. Furthermore, the department is managing web Portal of the PPO where purchasing entities send their notices for an ex-ante checking and publishing.

Public Procurement Office has prepared the document entitled " **Baseline of Strategy for Upgrading the Public Procurement System in Serbia**" for the Government, with guidelines for the reform of the public procurement system in Serbia in the next five years.

The Public Procurement Office (PPO) representatives participated in working group⁵ for preparing the new Public Procurement Law that was adopted by the Parliament in December 2008. Moreover, the PPO prepared amendments of related by-laws, as well as drafts of the two new by-laws: "Rulebook for the certification of the public procurement officers" and "Rulebook for small value contracts" and submitted them to the Ministry of Finance for approval.

Activities on promoting transparency and competitiveness

The PPO played an active role in preventing ungrounded negotiated procedures on one side and promoting competitive procedures on the other by issuing opinions in written form. In 2008, the PPO issued 9013 opinions or 751 monthly, on average. Reliable indicator of the effect of the PPO ex-ante activity on promoting transparent and competitive procedures is the share of number of contracts awarded in competitive procedure in the total number of contracts awarded. In 2002, when the PPO started to operate, the share of competitive procedures was 36%, while in 2008 the share doubled to 70%⁶.

During the period January 2007 – December 2008, the PPO has trained 845 civil servants and workers from public sector coming from various state (purchasing entities) and local self-government level institutions. In cooperation with OPVZ, the Austrian institution with high reputation in public procurement training, the PPO developed curriculum for training courses and implemented it on its training seminars.

⁵ The working group includes representatives of the Ministry of Finance, the PPO and the Commission for Protection of Bidders' Rights.

⁶ According to the PEFA (Public Expenditure and Financial Accountability) methodology adopted and applied by the World Bank, if the share of contracts awarded in competitive procedures in the total number of contracts awarded is 75% or more, the country has the rating A. If the share ranges between 50 and 75%, the rating is B, which means that Serbia, with the share of 70%, is at the upper range of the rating B.

Moreover, the PPO initiated and elaborated the concept of certification of public procurement officials in the form of the draft of the "Rulebook for the certification of the public procurement officers" that was submitted to the Ministry of Finance for approval. The main goal of the act was implementation of the request of the Group of Countries against Corruption (GRECO) / Council of Europe presented in the Evaluation report 2006 recommending that Serbia should upgrade system of training of public procurement officers and increase a level of professionalism in the field.

By the end of June 2009, the PPO legal experts would finalize the Public Procurement Manual and would make it available to purchasing entities at the PPO web site.

Upgrading preconditions for e-procurement

The PPO developed advanced public procurement portal that serves for publishing notices free of charge. Before making the notices public, the PPO legal experts were checking them if they were in accordance with the Law and inform the sender (purchasing entity) on irregularities. Moreover, the PPO has developed electronic "bookkeeping system" including all PPO's opinions issued up-to-date, as well as data base that includes information related to tender procedures and contracts awarded that enables an efficient cross-checking aimed to reveal irregularities.

Cooperation with other institutions and donors

The PPO was among the group of six institutions⁷ holding accountability mechanisms that agreed to act in a coordinated way in order to make their anticorruption efforts more efficient. Moreover, the PPO established cooperation with Treasury at the operative level aimed to increase the efficiency of the control of the public procurement processes through exchange of information and expertise between the two institutions. Furthermore, the PPO is ready to establish close cooperation with the Supreme Audit Institution once it starts to operate.

The PPO is a member of the Public Procurement Network that includes all EU member countries, as well as the candidate countries. Moreover, the PPO initiated and played an active role in establishing of regional cooperation among peer institutions from: Slovenia, Croatia, Bosnia and Herzegovina, Macedonia and Montenegro by organizing regional conferences. The key goals of the cooperation were: exchange of information and practical knowledge, as well as sharing experiences and good practice among the countries. The expected effect would be more efficient harmonization of the legislation and the practice in the region.

PPO has so far received assistance from EU through Policy and Legal Advice Centre which provided expertise and advice with regard to new draft law on Public Procurement and its compatibility with EU directives. PPO also has a continuous co-operation with OSCE mainly focusing on organization of regional events and conferences with public procurement topics. In addition, PPO will benefit from IPA funds earmarked for strengthening Public procurement system in Serbia.

Capacity needs

According to the systematization the PPO should have 42 full time staff. At present there are only 29 employees (including 4 admin. Staff and 10 legal advisors working for Commission for Protection of Bidders Rights). In order to carry out its mandate, the PPO needs to strengthen its capacities in a number of areas and to establish functional and legislative ties with other institutions regulating the use of public funds. PPO is temporarily situated in inadequate and insufficient office space (140 m²) with somewhat outdated equipment.

In addition there is a need to enhance access to the knowledge and skills of PPO staff needed for the process of European Integration, introduction of transparent and accountable system for spending of public finance and prevention and mitigation of corruption on central and local level. In addition, the

⁷ The group of anticorruption institutions consists of: Supreme Audit Institution, Ombudsman, Office for Prevention of Conflict of Interest, Office for Free Access to Information, Commission for Protection of Bidders' Rights and the PPO.

PPO lacks access to relevant expert advice for the further enhancement of its services to clients on national and local level and further strengthening of functional ties with other institutions (ministries and specialized agencies) dealing with accountability. The main capacity development needs of PPO staff are closely tied with best EU standards and best practices and can be summarized in following categories: I) professionalization of public procurement in Serbia; II) centralization of public procurements in order to achieve economies of scale, III) introduction of electronic public procurement and capacity development for more IT application in public procurement IV) exchange and codification of knowledge and best practices from the region and EU.

IPA Twinning project

The project "Strengthening the Serbian Public Procurement System" is a part of IPA 2007 program. The final twinning fiche was prepared in June 2009. A realistic deadline for technical start of the project is September 2010. The budget for the project is 2,000,000 EUR (out of which 500,000EUR for the equipment). The most important activities within the project are focused on alignment of existing regulations with EC directives, review and updating of the Strategy for Upgrading of the Public Procurement System in Serbia, upgrading existing internal organization and operation of the three institutions in charge of public procurement (PPO, Commission and PP System Group in MoF), training on substantial law of EU public procurement, PPP and concessions Directives, including workshops, internships and study visits

Commissioner for Information of Public Importance and Personal Data Protection - background information

The Commissioner for Information of Public Importance and Personal Data Protection is the independent and autonomous state body established by the Freedom of Information Act adopted by the end of 2004; after the adoption of the Personal Data Protection Act in October 2008 which granted new competencies to this state body, as of 1 January 2009 its title was changed to the Commissioner for Information of Public Importance and Personal Data Protection (in further text: the Commissioner). The Commissioner's main competencies are the protection of the right to free access of information in the possession of public authorities, which is guaranteed by the Law and by the Constitution, as well as protection of the right to privacy and other rights related to personal data processing.

In the past four years, the institution of the Commissioner managed to establish itself and to achieve significant results in practice and in protection of the right to free access to information. Within that period, the Commissioner has resolved around 5.000 cases, out of which in 3.650 the complaint was filed by the requestors of information whose right was initially denied by the public authorities, refusing to act upon the request; another 900 appeals is pending in the office of the Commissioner. Over 90% of appeals filed to the Commissioner were legally justified and the requesters received the information after the Commissioner intervened; out of that percentage over 2/3 of cases were resolved after the authorities received the information that the appeal was filed to the Commissioner (as they immediately granted the information access, thus the appealing procedure in those cases was stopped) and in other cases the authorities acted upon the instructions of the Commissioner.

Statistical data indicate that the interest of citizens for the work for public authorities increases from year to year, thus increasing the number of requests for information access. In 2008 only, for example, 55.850 information requests were sent to the authority, which is more than six times over then for the same period in 2007, when 9.000 requests were filed.

During the past four years, the commissioner has proposed to respective authorities several initiatives and amendments during the process of drafting or changing of relevant laws with purpose to enhance laws implementation and easy access to respective rights. In addition, the Commissioner's office took part in drafting of several laws of particular importance for promotions of the "right to know", for example, in preparing the Draft law on classification of the information, as well as in the process of preparing changes and amendments to the Free Access to Information Act.

There are two aspects of freedom of information relevant for strengthening accountability mechanisms in public finance. First, passive – it obliges public authorities to provide information upon free access to information requests and second, active – it obliges public authorities to provide information the public might be interested in regardless of whether there is a formal request for access to information. The first component mainly serves as a checking mechanism, i.e. whether tax payers' money has been properly managed and it may be, as it has been, used to initiate investigation by other authorities including prosecutors. The latter aims to prevention i.e. the demand to reveal all information regarding the expenditure results in having the public authorities as more careful, thus accountable in all phases of the expenditure processes.

It is of immense importance to improve the implementation of legal obligations vis-à-vis right to free access to information, thus the accountability for spending of domestic of foreign tax payers' money.

The work of Commissioner's Office is supported by internet presentation (www.poverenik.org.rs) which is regularly updated and which was with the support of UNDP CO in Serbia advanced in this year with the latest technological solutions to respond to the expended competencies of the Commissioner, in force from 1 January 2009. The content of the new internet presentation is also accessible for disabled persons.

In the past four years the Commissioner has established good cooperation with other independent state institutions, with the civil sector and the media. Besides the UNDP office in Belgrade, which provided the support and capacity building to the Office of the Commissioner in the second half of the 2008, the Commissioner has been receiving the support from other international organizations such as the OSCE Mission to Serbia, GTZ, American bar Association (ABA/CEELI).

The cooperation in the area of information access was established with other appropriate institutions for the protection of this right is the neighbouring countries, through participation of the Commissioner at relevant conferences and through other encounters.

State Audit Institution-Background information

State Auditing Institution Law was passed in 2005 with its actual enforcement coming in 2006. While the 5 member Council has been appointed by the NA, the operational staffing has been limited to few technical staff (auditors) so that basic work of financial auditing/accountability has not been fully performed yet. It is safe to say that at present SAI has very limited capacity.

The SAI office has faced numerous challenges in last period (lack of premises, funding, staffing) which resulted in SAI lack of capacity to perform its basic competences. The premises issue have been resolved with SAI staff moving in new premises in October 2009. Staffing of technical personnel (auditors) continues to present a challenge due to low level of salaries of civil servants compared to salaries of auditors in private sector. In last 2 years with Assistance of the Norwegian State Audit Institution and some regional SAI offices efforts have been made to increase SAI capacity and develop SAI strategic plan. This has resulted in first Audit Report of the State budget to be published in 2009. UNDP has assisted SAI in development of web site.

ANNEX 2

Project Rationale

Project scope-The project is multifaceted since it primarily focuses on creation of permanent accountability mechanisms and raising transparency of public spending through strengthened institutional linkages by:

- Streamlining and clarifying institutional ties between the three institutions as per the legislations;
- Fostering co-ordination with other institutions (mainly Parliament, Local authorities and other Government bodies); and
- Creating permanent channels of communication with Media and NGOs as a way of ensuring that civil sector becomes a permanent stakeholder in monitoring the use of public funds.

Raising the level of transparency and accountability of use of public funds will result in raising the efficiency and effectiveness of public spending. For example, if the effectiveness of total public procurements (conservative estimate is 4 billion Euros per year) is improved for 5%, this will result in savings of about 200 million.

Thus the project aims at coordinated action in developing the capacities on system level by establishing permanent channels of communication between 3 institutions and the CSO dealing with use of public funds. It will include following partners/areas:

- **Public Procurement Office**-setting the rules for use of public funds;
- **Commissioner for information of Public Importance**-making the information of use of public funds available to public;
- **State Audit Institution**-control of spending of public fund; and
- **Civil Sector** (NGO and media) acting as a watchdog.

Important aspect of the project will be the creation of a regional community of practices where regional sister institutions (mostly SEE) will be in a position to exchange experiences and share best practices.

Participatory approach -The project was developed in close consultation with all project partners during last 14 months. Jointly with Transparency Serbia (local chapter of Transparency International) UNDP has developed a set of indicators for monitoring of PPO system. Assistance has been provided to Commissioner's Office and SAI in establishment of regional co-operation (regional conference and on-job training in Slovenia) and communication strategy (development of web sites).

The project is synergistic with other UNDP interventions which will ensure effective use of already established UNDP partnerships (Parliament, local governments through Standing Conference of Towns and Municipalities, Ministry of PA and Local Self- Government, NGOs, media etc)

Technical assistance and project quality assurance will be ensured in co-operation with UNDP Copenhagen Global Center for Capacity development in Public Procurement and UNDP Bratislava Regional Center

Gender-The project will take in to consideration gender concerns throughout project implementation. The needs for strengthening gender responsiveness of Public Procurement Office will be identified as part of the feasibility study for introduction and promotion of green procurement, CRS and persons with disabilities. Capacity development activities on the project will include both women and men. Capacity of civil society and media for monitoring of use of public funds will address also gender responsiveness in the use of public funds.

Sustainability and exit strategy- UNDP has proven record in working with developing the capacities of newly established institutions. All three institutions are relatively new and have been tasked with very important competencies and implementation of several important laws. Their establishment was not followed by adequate staffing, budgeting and premise allocation, although PPO and Commissioner for Information have produced significant results despite these difficulties. SAL has just been placed in new premises (October 2009) so no significant results could have been expected in previous period. The first audit report on State budget will be presented in November 2009.

UNDP according to its mandate aims at developing the capacities on all three levels (individual, organizational and enabling environment) which consequently ensures the sustainability of project results. The project will aim to develop sustainable capacities and strong ownership of the project results by all three institutions through UNDP and Government agreed NIM (national Implementation) modality. After the project completion, the above institutions will be capacitated to perform their competencies while civil society will become a permanent stakeholder in monitoring of public spending. The results will also increase national capacities for absorption of IPA funds in the next 2 years period.

