



**UNDP Serbia Initiation Plan**

**Project Title:** Testing Blockchain Based Remittances from Serbian Diaspora to Vulnerable Beneficiaries of the City of Nis (Republic of Serbia)

Expected CP Outcome(s): By 2020, governance institutions at all levels have enhanced accountability and representation to provide better quality services to people and the economy

Expected SDGs and targets: 10-Reduce inequalities

10.1 by 2030 progressively achieve and sustain income growth of the bottom 40% of the population at a rate higher than the national average

10.4 adopt policies especially fiscal, wage, and social protection policies and progressively achieve greater equality

10.c by 2030, reduce to less than 3% the transaction costs of migrant remittances and eliminate remittance corridors with costs higher than 5%

**Initiation Plan Start Date:** 15 May 2018

**Initiation Plan End Date:** 15 October 2018

**Implementing Partner:** UNDP Serbia

**Brief Description**

Serbian government has recognized that the level of cooperation with Serbian diaspora has been substantively in decline for several decades, whereas up to 32,000 citizens of Serbia on average, annually, have been leaving Serbia in pursuit of more prosperous life abroad. The need to provide better conditions for cooperation with Serbian diaspora has been recognized by the Government of Serbia. To address one among many complex issues of diaspora in relation to their country of origin, UNDP Serbia will initiate a prototype project on blockchain-based remittances by the Serbian diaspora from at least 4 diaspora countries (Germany, Switzerland, France, the United States) to vulnerable beneficiaries, residents of the City of Nis, Serbia. The diaspora blockchain-based remittance prototype project aims at testing the blockchain technologies in secluded prototype environment, combining application of new technologies, reduced transaction cost, enhanced transparency and positive impact on lives of vulnerable in the City of Nis, Serbia. If the outcome of the prototype project, involving all above aspects, deems to be positive, condition will be set for immediate scaling-up of blockchain technologies application in wider UNDP development context.

Programme Period: 2016-2020

CP Outcome: By 2020 governance institutions at all levels have enhanced accountability and representation to provide better quality services to people and the economy

Atlas Award ID: 00102899

PAC Meeting Date 15 May 2018

Total resources required US\$ 85,000

Total allocated resources: US\$ 85,000

- Regular \_\_\_\_\_
- Other:
  - Donor (Aid:Tech) US\$ 85,000
  - Donor \_\_\_\_\_
  - Donor \_\_\_\_\_
  - Government \_\_\_\_\_

Unfunded budget: \_\_\_\_\_

In-kind Contributions (City of Nis) US\$ 2,000

**Steliana Nedora**  
UNDP Deputy Resident Representative

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## I. PURPOSE

According to the National Bank of Serbia (March 2017), total volume of individual remittances from diaspora to Serbia in 2016 amounts 2,7 billion Euro, representing 8,2% of Serbian GDP, whereby 23% of the total population living in Serbia has strong connections with Serbian diaspora. Potential for utilizing a stable and regular financial support coming from diaspora to their relatives in Serbia is noteworthy. Present legal setting does not provide sufficient support by banking sector and international financial services providers to either senders or recipients to utilize the benefits of non-traditional low cost transfers with real time data. Average cost to a single transaction is maintained at a minimum 5% for individual transaction (usually borne by the recipient), sometimes exceeding 25% of the total transaction, whereby cash flow estimated duration is 3-5 days. Due to the fact that majority of recipients in Serbia are vulnerable and unemployed, potential for addressing the burden of poverty and inequality by the State and development players is huge in attempting to pursue both, providing a legal framework for low cost-real time transfers, as well as a potential for more scrutinized Government measures to positively affect Serbian economy through diaspora investments and lives of the ones in need.

In order to test the innovative approach towards remittances from Serbian diaspora to local community in an un-sensitized local environment (Serbia, City of Nis), UNDP Serbia, supported by UNDP Regional Istanbul office, organized a mission of AID:Tech representatives to the City of Nis, between 14-18 November 2016. In direct communication with representatives of the local community, an assessment was made that critical group of diasporas could be included in testing blockchain-based remittances from at least 4 countries (Germany, Switzerland, France, the United States). Key UNDP Serbia stakeholders in the Initiation Plan phase are:

- a) Stripe, global company dealing with financial instruments and payments over internet
- b) AID:Tech Company (in the capacity of the donor and a provider of blockchain open source platform)
- c) City of Nis (Mayor's Office, Diaspora Office, Local Economic Development Office, Youth Office, Centre for Social Welfare, Employment Office)
- d) Nis Utility company (local public enterprise)
- e) Up to 5 private grocery stores with stable and dynamic business environment.

The main value-added will be the savings originating from not paying a bank fees on each individual transaction by senders or recipients (5-7%). The social impact will be made by providing digital tokens to recipients to settle the outstanding utility bills with Nis utility company (public enterprise), and accrued bills for groceries with up to 5 grocery stores. Ideally, the distribution of each individual transaction will be shared equally between Nis utility company (public enterprise) and grocery store (50:50) to make a share of interest by the recipients equally appealing for acceptance.

The main precondition for initiating the prototype is an existence of verified lists with data on senders - recipients that has to be prepared and endorsed by the City of Nis (Mayor's office). The main assumption of the intervention is that the beneficiaries, both senders and recipients, will voluntarily accept participation in the prototype as a results of the campaign that will be organized by the City of Nis, UNDP and AID:Tech. Campaign and listed senders and recipients involved in remittances via blockchain will be formally submitted to UNDP by the City of Nis authorities . By doing so, both, City of Nis and UNDP will ensure open and equal opportunity to vulnerable and diaspora without violating the Law on Protection of Personal Data of the Republic of Serbia. With all stakeholders and respective parties UNDP Serbia will have duly signed MOUs.

Partnership with Private Sector during the prototype project implementation:

**Stripe, Los Angeles, USA, <https://stripe.com/>, Service Provider**

*lowest fees being negotiated*

Stripe is a US technology company operating in over 25 countries, that allows both private individuals and businesses to accept payments over the Internet. Stripe focuses on providing the technical, fraud prevention, and banking infrastructure required to operate online payment systems.

**AID:Tech, London, Great Britain, Project donor and Service Provider, no fee imposed**

<https://aid.technology/>

AID:Tech is a private company based in London, England and Dublin, Ireland, Great Britain. AID:Tech brings innovative solutions to humanitarian sector and has 40 years of experience in the technology sector. AID:Tech provides innovation technology which changes the lives of people who are excluded from the financial system.

**UNDP Bank of America, London, Great Britain, no fee imposed**

**UNDP Serbia – account with Komercijalna banka, Belgrade, Serbia, no fee imposed**

Thus, the purpose of the prototype project (Initiation Plan) is to test application of low cost blockchain-based remittances in UNDP development context. If successful, the deliverable will have a potential for replication and will have an impact on the overall UNDP way of doing business, which would foster redefinition of UNDP development paradigme based on the traditional communication with UNDP partners, in particular governments, traditonal and non-traditional donors. Significant value-added is to be expected in the domain of social impact.

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## **II. EXPECTED OUTPUT**

Expected output is *up to* 200 one-offs, individual low-cost remittances transferred from Serbian Diaspora (preferably, from at least 4 diaspora countries: Germany, Switzerland, France, the United States) to up to 200 vulnerable recipients from the City of Nis. Vulnerable beneficiaries are registered as mostly non-payers of bills issued by the Nis utility company, as well as beneficiaries who use food supplies from up to 5 grocery stores in the City of Nis. It is expected that the total volume of transactions will not exceed US\$ 20,000 whereby it is expected that full amounts will be disbursed from recipients' accounts during the project duration.

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## **III. MANAGEMENT ARRANGEMENTS**

The Initiation Plan will be implemented in DIM modality with an active involvement of several non-traditional key stakeholders, out of which are two private sector entities in a dual role: donor and service provider. In order not to be exposed to a conflict of interest, UNDP Programme and Operations Policies and Procedures will be adhered to in HR, Procurement, Finance and Project and UNDP rules and procedures will supersede any external party request for exception.

*The Project Board* is the group responsible for making by consensus management decisions for a project when guidance is required by the Project Manager, including recommendation for approval of project plans and revisions. Project Board decisions will be made in accordance to standards that shall ensure best value to money, fairness, integrity transparency and effective international competition. Project reviews by this group will be made *at least once a month*, bearing on mind the project duration and its purpose, or more often, as requested by the Project Manager. This group is consulted by the Project Manager for decisions when time, budget and quality tolerances are likely to be 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.

*Project Assurance* is the responsibility of each Project Board member, but is usually delegated. In this case, UNDP Deputy Resident Representative will perform the project assurance role. UNDP Deputy Resident Representative will support the Project Board by carrying out objective and independent project oversight and monitoring functions thus ensuring that appropriate project management milestones are managed and completed.

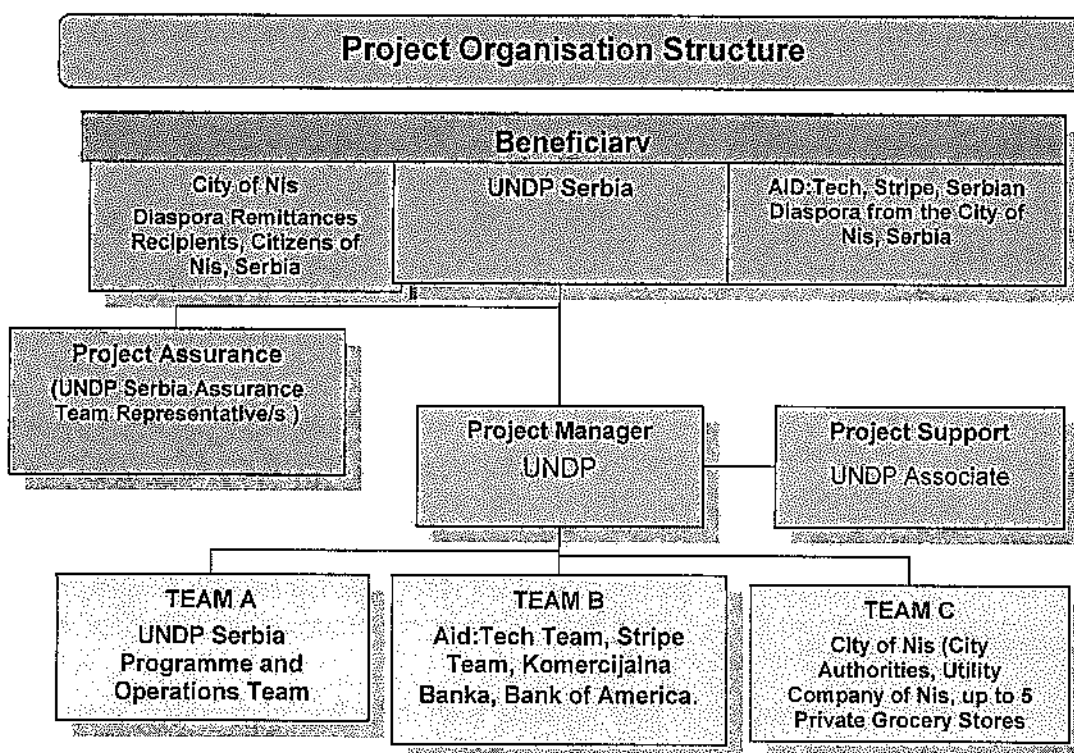
The Project Manager has the authority to run the project on a day-to-day basis on behalf of the Project Board within the constraints laid down by the Board. The Project Manager is responsible for day-to-day management and decision-making for the project. The Project Manager's prime responsibility is 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.

The Project Support role provides project administration, management and technical and financial support to the Project Manager.

All deliverables produced during the project term, will bear the donor and UNDP logo and, where appropriate, the standard UNDP disclaimer. It is anticipated that the result of the prototype project will be regarded as an *asset of UNDP as the Organization* and will be codified as such. To initiate remittances project, UNDP Serbia was granted a waiver on adhering to UNDP financial and procurement procedures in February 2017 by UNDP HQ, BPPS applicable to remittances solemnly, not giving any authorization to deviate from UNDP standard POPP procedures to Initiation Plan itself.

*“Programme & Project Management Organization Structure”.*



**IV. MONITORING**

In accordance with UNDP’s programming policies and procedures, the Initiation Plan will be monitored intensively during the 5 Month implementation period:

Track Progress. Data against the results indicators will be collected on weekly basis to assess the progress of agreed output.

Monitor and Manage Risk. Based on the initial risk log submitted, it is a responsibility of UNDP Serbia to report on risks defined on monthly basis and/or when the risk is to be escalated to ensure no delays during the short period of implementation.

Lessons Learnt –One of the key objectives of the prototype project is to accurately collect data on lessons learnt from the prototype. UNDP Serbia will have monthly update on lessons learned during the prototype implementation so that lessons can be captured and shared with UNDP at all levels and integrated into existing and future projects.

Gender: UNDP Serbia will use an opportunity to collect data on vulnerable population (Roma, refugees, IDPs), gender disaggregated data will be collected for future potential scaling-up of activities of UNDP Serbia ongoing and pilot projects (GEN2)

Potential for cross-linking the projects in UNDP Serbia – prototype project will outsource data for UNDP Serbia Universal Basic Income pipeline project and its initiation during 2018, whereby data on remittances recipients will be applied to assess the potential for cross-linking UBI and remittances in future iteration. UNDP Serbia Diaspora Home Office Project (project document being developed), Output3 on remittances to be initiated in 2018, will utilize lessons learnt from the prototype project, focusing on application of blockchain technologies and legal context (involvement of the National Bank of Serbia for national ownership of blockchain platform for diaspora remittances in future).



Risk type	Risk	Mitigation Measures
Programmatic	The objective of this proposed prototype project is unknown yet, whether it is within the CPD mandate (or consistent with development outcomes).	The CO to review and confirm if the objective of this prototype project is in line with the provisions of the CPD.
Financial	<ul style="list-style-type: none"> <li>• Potential financial risk due to the creation of a Stripe account under UNDP Serbia name, as proposed above.</li> <li>• Possibility of missing cost recovery (though the amount is small) against the efforts required from UNDP and other transaction costs.</li> </ul>	<ul style="list-style-type: none"> <li>• The CO will get technical guidance and further consultations with HQ units, esp. OFRM Treasury, on the proposed arrangement of creating a Stripe account under UNDP name.</li> <li>• The CO will request an exception from HQ, as this is a time-bound prototype.</li> </ul> <p><i>NB: The estimated amount that will be managed during the prototype is around \$20K - \$50K.</i></p>
Operational	The recipient may fail to utilize or disburse the received funds/ resources within the allocated timeframe of the prototype.	The principal partners (esp. City of Nis) to ensure that all received funds are disbursed within the prototype duration of 3 months, e.g. conduct regular review of a real-time expenditure reports for each remittance transfer with the details.
Strategic/ Reputational	<p>Possible failure to deliver the support that UNDP agreed with the government and suppliers.</p> <p>UNDP will hold the money into its bank account with a lien mark to final beneficiary. UNDP will be exposed to failure and reputation even if other parties involved in the process is exposed to risk – such as compliance risk, credibility of utility companies, reputation or sender or receiver of the money.</p>	All concerned parties of UNDP are duly consulted and agreed to the proposed prototype so that the CO could meet its obligations to deliver the support as agreed with the partners during the pilot period.
Regulatory	<p>Currently UNDP does not have relevant policy and procedures on such a prototype project implementation or processes specifically, while engaging suppliers.</p> <p>Potential legal risks</p>	<p>The CO will work with relevant units, e.g. OFRM Treasury, to develop specific procedures on the proposed process of payments from Stripe account to be applied on interim basis.</p> <p>All parties involved must be addressed and covered from legal perspective including financial provisions and authorization required from the Ministry of Finance or the Central Bank.</p>

V. ANNUAL WORK PLAN YEAR: 2018

EXPECTED OUTPUTS And baseline, indicators including annual targets	PLANNED ACTIVITIES List activity results and associated actions	TIMEFRAME				RESPONSIBLE PARTY	PLANNED BUDGET			
		Q1	Q2	Q3	Q4		Funding Source	Budget Description	Amount	
<p>Output 1</p> <p>More effective diaspora support to vulnerable population in the city of Nis, diaspora remittances recipients</p> <p>Baseline: 5-7% charges for remittances by commercial banks</p> <p>Indicators: % of fees charged for remittances</p> <p>Targets: 1.2% and 25c per transaction</p> <p>Baseline: 0</p> <p>Indicator: Number of recipients of diaspora remittances, vulnerable, receiving digital tokens for settling utility and grocery bills</p> <p>Target: 200</p>	<p>1. Campaign (mobilizing and capacity building of senders and recipients) in the City of Nis and diaspora countries prepared and conducted to collect data on diaspora and sensitize local community (to promote individual one-off remittances in the amount of EUR/USD 100.</p> <p>Activity result: Up to 200 recipients of remittances and 200 senders of remittances from diaspora verified (as per individual consent and endorsement of the City of Nis authorities)</p> <p>2. Remittances received and transferred, communication to senders, recipients and wider public established. Impact assessed and information disseminated.</p> <p>Activity result: Up to 200 remittances fully transferred and utilized for utility bills and grocery shopping; blockchain technology in use of development context tested</p>		X	X		UNDP	AID:Tech	Contractual Services-Individuals (3)	15,000	
		X	X	X		UNDP	AID:Tech	Company Contract (PR campaign) (1)	20,000	
		X	X	X		UNDP	AID:Tech	Travel	5,000	
		X	X	X		UNDP	AID:Tech	Monitoring, Assurance, Backstopping(DPC)	6,000	
		X	X	X		UNDP	AID:Tech	Miscellaneous	2,000	
		X	X			UNDP	AID:Tech	Utilities (City of Nis)	2,000	
		X	X	X		UNDP	AID:Tech	UNDP IT staff (1)	4,704	
		X	X	X		UNDP	AID:Tech	Contractual Services-Individuals (3)	10,000	
		X	X	X		UNDP	AID:Tech	Communication and Printing	10,000	
		X	X	X		UNDP	AID:Tech	UNDP Finance staff (2)	4,000	
<b>General Management Fee (GMS) 8%</b>									6,296	
<b>TOTAL</b>										85,000

