



**United Nations Development Programme
Country: Republic of Serbia
Project Document**

Project Title: Finance Sector Policy Coordination Framework

UNDAF Outcome: Efficient, accountable and people-centred public sector

Expected CP Outcome: Improved efficiency, accountability and transparency in the public sector (Fostering democratic governance)

Expected CPAP Output: Cadre of professionalized civil servants in relevant institutions

Expected Project Outputs:

- Improved structure, optimized systems & maximum coordination achieved
- ICT & knowledge infrastructure established
- Technical capacity & expertise enhanced
- Monitoring and evaluation mechanisms developed and introduced

Implementing Partner: Ministry of Finance of the Republic of Serbia

Responsible Parties: Ministry of Finance of the Republic of Serbia/UNDP

Brief Description

Since the political turning point in the year 2000, the Serbian Ministry of Finance has led a major donor-supported reform drive, encompassing four distinct administrations and five Finance Ministers over eight years. Initially, the Ministry's internal structure, strategic, planning and forecasting capacity, technical know-how, as well as ICT systems were inadequate for the challenge of transforming economy into a transparent and fast-evolving market-based system. However, through three successive UNDP-led interventions and compatible projects of other donors, the Ministry of Finance has consistently introduced and promoted effective public administration mechanisms and practices and has succeeded in providing emerging financial stability. Now firmly on the path towards EU integration, the Ministry of Finance continues to set the pace of reform by focusing on priorities and conditions set by the stabilization and association process. Within the context of the global financial crisis, strategic public management and informed policy-making urgently compel the Ministry to prioritize its policy coordination capacity and develop it – internally as well as with other stakeholders. New cohesive mechanisms are needed, which would optimally link strategic priorities as distinct as strengthening mechanisms and planning and forecasting, finalizing the privatization process, containing public-sector wages, controlling state aid, fostering free movement of capital, raising EU integration capacity and boosting information systems for data monitoring. UNDP has the know-how, the responsiveness and an implementation infrastructure well suited to assist the Ministry with improving the policy process through creating a policy coordination framework. This advanced facilitation structure, in NIM/NEX modality, would include development of learning tools, communication, training, research, and knowledge sharing, thus creating a development tool which would advance the public administration reform, promote human development and pave the way for Serbia's Millennium Development Goals achievement.

Programme Period:	2005 - 2009
Key Result Area (Strategic Plan):	Support national partners to implement democratic governance practices grounded in human rights, gender equality and anti-corruption
Atlas Award / Project ID:	58117 / 72046
Start date:	15 September 2009
End Date:	15 September 2012
PAC Meeting Date:	17 July 2009
Management Arrangements:	NIM/NEX

AWP budget:	288,150 USD
Estimated total resources required:	2,650,000 USD
Total allocated resources:	288,150 USD
• Regular:	50,000 USD
• Other:	
◦ Government:	238,150 USD
	(subject to the NBS exchange rate on the date of conversion)
Unfunded budget:	2,361,850 USD
In-kind Contributions:	Ministry facilities

Agreed by Ministry of Finance of the Republic of Serbia:


 H.E. Diana Dragutinovic, Minister of Finance

Agreed by UNDP:



15. 09. 2009

H.E. William S. Infante, UNDP Resident Representative

I. ANNUAL WORK PLAN

Year: I (12 months duration)

EXPECTED OUTPUTS And baseline, associated indicators and annual targets	PLANNED ACTIVITIES List activity results and associated actions	TIMEFRAME				RESPONSIBLE PARTY	Funding Source	Budget Description	Amount (USD)
		Q1	Q2	Q3	Q4				
1. Improved structure, optimized systems & maximum coordination achieved Baseline: Inadequate organizational structure of the Ministry Indicators: Recommendations of the functional review adopted Targets: New organizational structure adopted and implemented Related CP outcome: Institutional development for accountable and transparent governance	<ul style="list-style-type: none"> Performing a full organizational review w/recommendations for an optimum structure & functioning of MoF 	X	X	X		MoF	National consultants (71300) Organizational review experts	15,000	
						MoF	International Consultants (71200) Organizational review experts	25,000	
2. ICT & Knowledge Infrastructure established Communication & Inter-sector Coordination (structure & tools); Knowledge Management (exchange and capitalization of knowledge	<ul style="list-style-type: none"> Defining of communication, coordination and KM infrastructure Development of standards and templates for policy-related documents 	X	X			MoF	National consultants (71300)	17,400	
		X	X	X	X	MoF			

<p><i>products and documentation); Technical Support (any new equipment software/hardware/data bases)</i></p> <p>Baseline: Insufficient horizontal inter-sector coordination within the Ministry</p> <p>Partial and sporadic application of knowledge management system and tools</p> <p>Inadequate existing database</p> <p>Indicators: Policy framework developed</p> <p>Knowledge management tools improved</p> <p>New database developed</p> <p>Targets: Horizontal coordination within the Ministry enhanced and fully functional</p> <p>Knowledge management system fully utilized and applied</p> <p>An adequate database introduced and fully functional</p> <p>Related CP outcome: Institutional development for accountable and transparent governance</p>	<ul style="list-style-type: none"> • Appointment of Focal points within the Project units/Sectors of the MoF • Appointment of Focal points within the Ministry of Finance 	X								MoF	MoF	15,000									
													IT Equipment (72800)								
<p>Inadequate existing database</p> <p>Indicators: Policy framework developed</p> <p>Knowledge management tools improved</p> <p>New database developed</p> <p>Targets: Horizontal coordination within the Ministry enhanced and fully functional</p> <p>Knowledge management system fully utilized and applied</p> <p>An adequate database introduced and fully functional</p> <p>Related CP outcome: Institutional development for accountable and transparent governance</p>	<ul style="list-style-type: none"> • Coordination of unit teams • Defining policy coordination process • Implementation of policy coordination process • Introduction of knowledge codification and creation & upkeep of a system for storing of all knowledge products • Development & installation of new hardware & software 	X								MoF	MoF	1,000									
													X	X	X	X	X	X	X	X	X
													X	X	X	X	X	X	X	X	X
													X	X	X	X	X	X	X	X	X
													X	X	X	X	X	X	X	X	X
													X	X	X	X	X	X	X	X	X

<p>3. Technical Capacity & Expertise enhanced</p> <p><i>In the areas of Economy & Public Enterprises, Securities, Macroeconomic & Fiscal Analyses & Projections, EU Integration, State Aid Control, as well as in the domain of Secretariat and the Cabinet of the Finance Minister</i></p> <p>Baseline: Insufficient capacity of the Ministry in certain specific areas of expertise necessary for continuation of structural reforms</p> <p>Indicators: Continuous trainings in relevant fields conducted</p> <p>Targets: Capacities of the key sectors enhanced</p> <p>Related CP outcome: Institutional development for accountable and transparent governance</p>	<ul style="list-style-type: none"> Conducting of analysis and studies, which will serve as a base for projections of PE 	X	X	X	X	MoF	<p>MoF</p>	<p>National consultants (71300) ECPE National experts</p>	<p>9,600</p>
	<ul style="list-style-type: none"> Creating of long-term projections of Public enterprises impact on the state economy 	X	X	X	X	MoF			
	<ul style="list-style-type: none"> Conducting comparative analysis of the development of the market of corporate and municipal bonds in Serbia 	X	X	X	X	MoF			
	<ul style="list-style-type: none"> Developing legal and institutional framework in debt securities markets 	X	X	X	X	MoF	<p>MoF</p>	<p>National consultants (71300) FS National experts</p>	<p>12,255</p>
	<ul style="list-style-type: none"> Harmonization of tax treatment of corporate and municipal bonds with EU directives 	X	X	X	X	MoF			
	<ul style="list-style-type: none"> Proposing activities for establishing and development of market of corporate and municipal bonds in Serbia and their implementation 	X	X	X	X	MoF			
	<ul style="list-style-type: none"> Development of corporate and municipal bonds market 	X	X	X	X	MoF	<p>MoF</p>	<p>National consultants (71300)</p>	<p>16,800</p>
	<ul style="list-style-type: none"> Development of macro-fiscal database 	X	X	X	X	MoF			

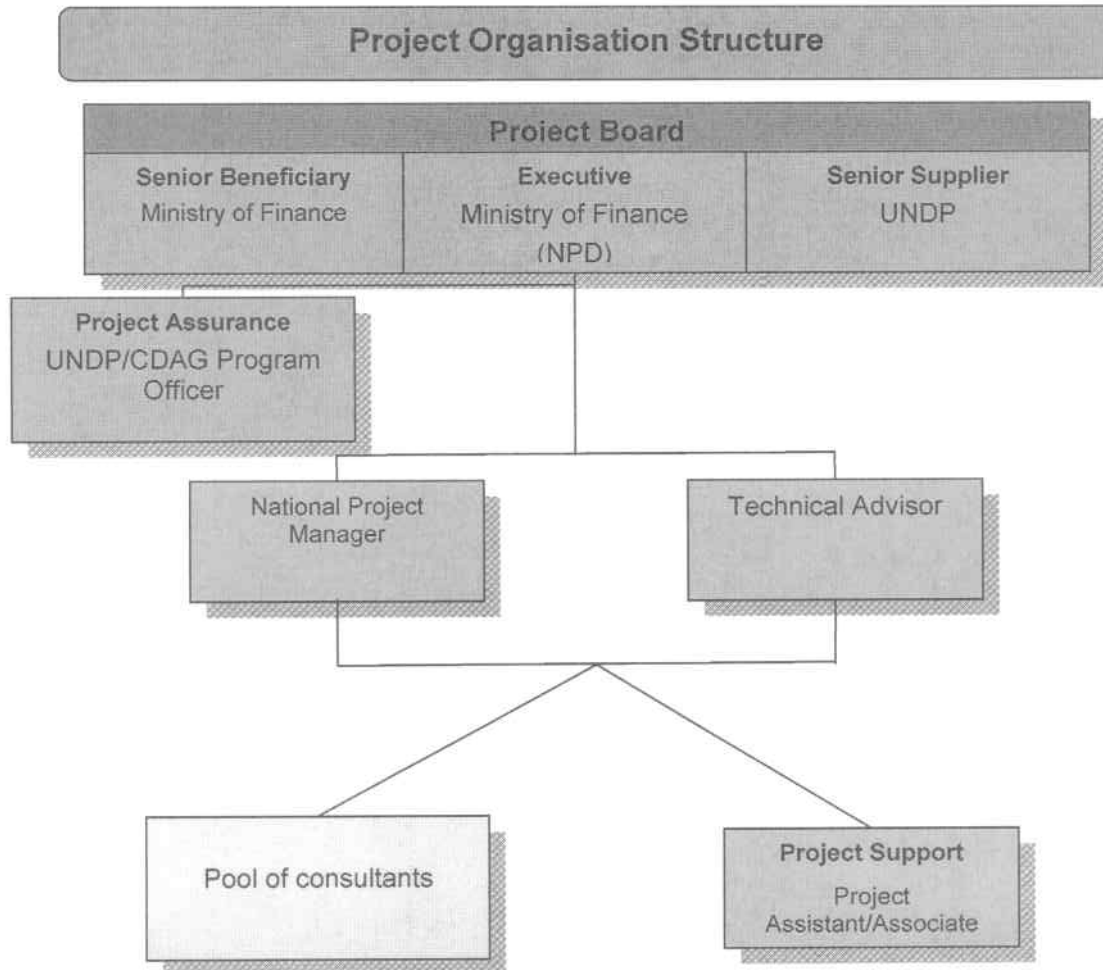
	<ul style="list-style-type: none"> Development of econometric modeling, with improved MBEFP structure, analyses & projections Preparation & delivery to EU Commission of Economic & Fiscal Programme (EFP) Preparation & delivery to EU Commission of Pre-accession Economic Programme (PEP) 	X	X	X	MoF		MFAP National Experts	9,550
		X	X	X	MoF			
		X	X	X	MoF			
	<ul style="list-style-type: none"> Preparation of EUI Strategy, defining exact steps for MoF to take in the process of Serbia joining the EU Developing a detailed EI operation plan Preparation of regulation containing detailed rules concerning allocation and use of state aid Preparation of a rulebook prescribing methodology of an annual plan design, for submission of data and reports to the Government 	X	X	X	MoF		National consultants (71300) IFR National experts	9,600
		X	X	X	MoF			
		X	X	X	MoF			

	<ul style="list-style-type: none"> Preparation of clear rules and procedures for the work of an independent State Aid Control Commission 	X	X	X	X		MoF			
		X	X	X			MoF			
	<ul style="list-style-type: none"> Preparation of a program aligning existing state aid, with provisions of the Law and bylaws over a four-year period, starting from the day when Law enters into force 	X	X	X	X		MoF			
		X	X	X			MoF			
	<ul style="list-style-type: none"> Providing advice and guidance to Minister of Finance on all relevant issues 	X	X	X	X		MoF			20,000
		X	X	X			MoF			
	<ul style="list-style-type: none"> Drafting of MoF ICT Strategy 	X	X	X	X		MoF			
		X	X	X			MoF			
	<ul style="list-style-type: none"> Enhancing capacities of the civil servants across the Sectors of the Ministry (ref. annex 1) 	X	X	X	X		MoF			
		X	X	X			MoF			
	<ul style="list-style-type: none"> Manage the realization of project outputs through activities 	X	X	X	X		UNDP			
		X	X	X			UNDP			
	<ul style="list-style-type: none"> Provide direction and guidance to project team/responsible party(ies) 	X	X	X	X		UNDP			
		X	X	X			UNDP			
	<ul style="list-style-type: none"> Monitoring of all project activities 	X	X	X	X		UNDP			
		X	X	X			UNDP			
4. Monitoring and Evaluation mechanisms developed and introduced Baseline: No PMU established and monitoring mechanisms not in place Indicators: Performance Planning Report drafted Targets: Project Team formed and fully operational										

At least 90% annual delivery rate ensured Timely implementation of planned activities Timely development and submission of workplans and progress reports Compliance with UNDP rules and regulations Related CP outcome: Institutional development for accountable and transparent governance	• Guidance and advisory on key issues	X	X	X	X	X	UNDP	MoF	Miscellaneous (74500)	2,000
		• Reporting	X	X	X	X	MoF/UNDP			
TOTAL										281,150
GMS 3% (TRAC excluded)										7,145
GRAND TOTAL										288,150

NB: The present project document addresses the immediate needs for which funds have been allocated and further programming will be undertaken prior to a donor conference envisaged during the inception phase. Detailed work plans of activities that match the total estimated funds will be programmed during the inception phase prior to the donor conference. UNDP will coordinate all donor related activities.

II. MANAGEMENT ARRANGEMENTS



Project Board

The Project Board is responsible for making by consensus management decisions for the project when guidance is required by the Technical Adviser, including recommendations for UNDP / Implementing Partner approval of project revisions. In order to ensure UNDP's ultimate accountability, final decision-making rests with UNDP in accordance with its applicable regulations, rules, policies and procedures. Project reviews by this group will be made biannually, or as necessary when raised by the Technical Adviser. The Project Board will be consulted by the Technical Adviser in order to receive necessary decisions when project management tolerances have been exceeded.

This Project Board will consist of these three roles:

- Executive: performed by the Ministry of Finance of the Republic of Serbia
- Senior Supplier: performed by UNDP
- Senior Beneficiary: performed by the Ministry of Finance of the Republic of Serbia

Project Assurance

The Project Assurance role supports the Project Board by coordinating independent project evaluation and monitoring functions. This role ensures appropriate project management milestones are managed and completed. The Project Assurance role will be filled by a UNDP Serbia Capacity Development for Accountable Governance Programme Officer.

Throughout the project implementation the UNDP CDAG Program Officer will, as part of the assurance role, conduct quarterly reviews.

National Project Director

For each UNDP supported programme or project, the government must appoint a national director. The National Project Director supports the programme or project and acts as a focal point on the part of the government. This responsibility normally entails ensuring effective communication between partners and monitoring of progress towards expected results.

The National Project Director is the party that represents the Government's ownership and authority over the project, responsibility for achieving project objectives and the accountability to the Government - for the use of project resources.

In consultation with UNDP, the concerned ministry/agency designates the National Project Director among ministry/agency officials at not less than the Secretary or Assistant Minister level. The National Project Director (NPD) may be supported by a full time National Project Manager (NPM).

The NPD will have the following duties and responsibilities:

- Assumes responsibility on behalf of counterpart for the successful execution and implementation of the project, accountability to the Government for the proper and effective use of project resources;
- Serves as a focal point for the coordination of projects with other Government agencies, UNDP and outside implementing agencies, if any;
- Ensures that all Government inputs committed to the project are made available;
- Arranges recruitment, in cooperation with UNDP, of the National Project Manager and Technical Advisor;
- Supervises the work of the National Project Manager and Technical Adviser, and ensures that the National Project Manager and Technical Adviser are empowered to effectively manage the project and other project staff to perform their duties effectively;
- Supervises the preparation of project work plans, updating, clearance and approval, in consultation with UNDP and other stakeholders and ensures the timely request of inputs according to the project work plans;
- Represents the Government institution (national counterpart) at the Project Board and other stakeholder meetings.

The National Project Director may not receive monetary compensation from project funds for the discharge of his/her functions.

National Project Manager

The National Project Manager's prime responsibility is to ensure, on behalf of national counterpart, 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.

Specific responsibilities include the following:

- Submits Project Work Plans and all project reports (Progress reports including the final report) and presents them to the National Project Director/Project Board for review/approval;
- On behalf of the national counterpart, undertakes regular monitoring and reporting on project progress and constraints; further monitors progress against the initial quality criteria and updates the plan as required;
- Promotes cross-unit teamwork and the development of operational skills of the team members, through coaching and mentoring;
- Reports regularly to and keeps NPD up-to-date on project progress, implementing issues, emerging risks/problems and suggests to him/her necessary remedial actions;
- Ensures that the progress is in accordance with the timetable set out in the project document and work plans;
- Ensures good cooperation and coordination between Ministry's counterparts and the UNDP consultants;
- Liaises closely with Ministry's top management (Minister, State Secretary, Assistant Ministers and Secretary) to ensure that the activities of the consultants are suitable to the strategy of the Ministry and fulfill the aims of the Project;
- Contributes to the achievement of the project results, the delivery of the project and systematic dissemination of results and impact as a basis for advocating, building partnerships and further normative and institutional reform, with a focus on a knowledge management system;
- Organizes team learning as an integral part of project management cycle;
- Prepares briefs, talking points and relevant materials for the National Project Director;
- Approves work plans and terms of reference for consultants and project staff;
- Actively participates in coordination of meetings, training sessions, conferences and public promotion of the project;
- Initiates and maintains regular contact with beneficiaries, trainers, partners, etc.
- Drafts correspondence with existing and potential partners ranging from government institutions to NGOs in Serbia;
- Liaisons with implementing agency on project and programme matters;
- Ensures the implementation of knowledge management activities
- Works closely with Technical Adviser to ensure effective implementation of the project activities and achievement of all project outputs in a timely manner.

Technical Adviser

Overall responsibilities: The Technical Adviser monitors the project implementation on a day-to-day basis with a prime responsibility to provide advice and guidance in ensuring 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.

Specific responsibilities include:

- Drafts project's Annual Work Plan and all project Reports, and prepares work plans and terms of reference for consultants and project staff;
- Advises on establishment of suitable monitoring mechanisms, collecting, maintaining, and updating data relevant to the project, plan and coordinating work of consultants and other project activities;
Advises the National Project Director and the National Project Manager on all relevant issues;
- Undertakes regular monitoring and reporting on project progress and constraints; further monitors progress against the initial quality criteria and updates the plan as required;
- Manages and monitors identified project risks and updates the states of these risks by maintaining the Project Risk Log. Keeps the Project Board members and National Project Manager abreast of emerging project issues and provides input to the Issues Log;
- Ensures the preparation and monitoring of the project budget. Technical Adviser is responsible for oversight of financial management through ATLAS;
- Provides leadership in overseeing of effective provision of services to counterparts including fair and transparent procurement, efficient logistics and sound financial management;

- Ensures the integrity of the project's financial system and directly oversees the administrative, financial and budgetary aspects of the project and advises the Project Board members and National Project Manager accordingly;
- Promotes cross-unit teamwork and the development of operational skills of the team members, through coaching and mentoring;
- Provides expert advice and guidance as needed;
- Monitors and advises on the implementation of the work plans and alerts NPM and Project Board members if there are any issues related to project implementation;
- Advises on strategic, regulatory, organizational and managerial issues as they arise;
- Liaises closely with NPD and NPM to ensure that the activities of the consultants are suitable to the strategy of the Ministry and fulfill the aims of the Project;
- Monitors and provides guidance on the implementation of knowledge management activities.

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

- Quarterly progress reports shall be submitted by the National Project Manager to the Project Board for approval.
- An Issue Log shall be activated in Atlas and updated by the Technical Adviser to facilitate tracking and resolution of potential problems or requests for change.
- The Technical Adviser will also activate a risk log in Atlas and update it quarterly by reviewing the external environment that may affect the project implementation.
- The Technical Adviser will likewise activate a project Lesson-learned log and regularly update it 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 Communication and Monitoring Plan will be activated in Atlas and updated to track key management actions/events. The Technical Adviser will be responsible for recording progress towards the completion of activities in the quality log.

Annually

- **Annual Review Report.** An Annual Review Report shall be prepared by the Technical Adviser and shared with the Project 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.

PROJECT RESULTS & RESOURCES FRAMEWORK

<p>Intended Outcome as stated in the Country/ Regional/ Global Programme Results and Resource Framework: Improved efficiency, accountability and transparency in the public sector</p>	
<p>Outcome indicators as stated in the Country/ Regional/ Global Programme Results and Resources Framework, including baseline and targets.</p> <p><u>Baseline:</u> Lack of institutionalized mechanisms for policy process and policy coordination</p> <p><u>Target:</u> Institutionalized mechanisms for inclusive and cohesive policy process established</p> <p><u>Baseline:</u> Recent emergence of strategic approach to EU integration</p> <p><u>Target:</u> Strategic approach to EU integration adopted and widely endorsed with its implementation underway</p> <p><u>Baseline:</u> Insufficient capacity of the Ministry in certain specific areas of expertise necessary for continuation of structural reforms</p> <p><u>Target:</u> Civil servants of Ministry given additional expertise necessary for further structural reforms</p> <p>Key Result Area (Strategic Plan): Support national partners to implement democratic governance practices grounded in human rights, gender equality and anti-corruption</p> <p>Partnership Strategy: The Project modality will be NEX/NIM, as the Ministry of Finance has previously demonstrated substantial readiness for and benefits of national execution. UNDP support services will be provided upon request and signature of Letter of Agreement. Professional exchanges and knowledge building strategies will rely on national sources, drawing on economic, management and ICT expertise from non-governmental and private sectors. Other national partners will be invited to participate in information and experience exchanges and knowledge building, as well as in outlining actions and designing tools: Ministry of Economy & Regional Development, Ministry of Public Administration and Local Self-Government, Ministry for NIP, Legislation Office, NBS, SEIO, SCTM, NITIA, academia, local think-tanks & NGOs. International partners: College of Europe, Clingendael institute, diplomatic academies, Ministries of Finance of EU countries, think tanks etc.</p>	
<p>Project title and ID (ATLAS Award ID): Finance Sector Policy Coordination Framework (FSPCF)</p>	

Intended Outputs	Output Targets	Indicative Activities	Responsible Parties	Inputs
<p>1. Improved structure, optimized systems & maximum coordination achieved</p>	<ul style="list-style-type: none"> Efficient planning of the state budget, preparation of financial and work plans and more consistent coordination of the Ministry's work by its management on individual, organizational or institutional levels enabled Policy coordination framework created 	<ul style="list-style-type: none"> Recruitment of international and national expert(s) Performing a thorough organizational review w/recommendations for an optimum structure & functioning of MoF Improvement and optimization of internal processes on multiple levels Appointment of Focal points within the Project units Appointment of Focal points within the Ministry of Finance 	<p>MOF</p>	<ul style="list-style-type: none"> International and national experts Training & workshop costs (per diem, travel, accommodation, printing costs, etc.)

Intended Outputs	Output Targets	Indicative Activities	Responsible Parties	Inputs
<p>2. ICT & knowledge infrastructure established</p>	<ul style="list-style-type: none"> • New ICT Strategy in line with recommendations of the Organization Review and Needs Analysis developed • Knowledge management and communication framework designed 	<ul style="list-style-type: none"> • Development of standards and templates for policy-related documents • Coordination of unit teams • Defining policy coordination process • Implementation of policy coordination process • Establishment of reporting routine • Performing a Training Needs Analysis • Organization of expertise exchange and trainings • Recruitment of national expert(s) • Preparation of MoF ICT Strategy in line with the Organizational Review and an analysis of needs • Procurement/development/installation of any new hardware/software, in line with needs analysis • Creation of Performance & Work Plan • Engagement of Communication & Knowledge Expert • Definition of a communication, coordination and KM infrastructure • Introduction of knowledge codification and creation & upkeep of a system for storing of all knowledge products • Organization of expertise exchange and trainings 	<p>MOF</p>	<ul style="list-style-type: none"> • National experts • IT services • IT equipment • Publication • Training & workshop costs (per diem, travel, accommodation, printing and other miscellaneous costs, etc.)

Intended Outputs	Output Targets	Indicative Activities	Responsible Parties	Inputs
<p>3. Technical capacity & expertise enhanced</p>	<ul style="list-style-type: none"> Utilization of information collected through financial control and monitoring of public enterprises' operation and development of a national policy of their market transformation and its synchronization with its fiscal and other policies enabled 	<ul style="list-style-type: none"> Recruitment of national expert(s) Conducting of analysis and studies to serve as a basis for projections Creating of long-term projections of public enterprises impact on the state economy Organization of expertise exchange and trainings 	MOF	<ul style="list-style-type: none"> National experts Equipment Training & workshop costs (per diem, travel, accommodation, printing costs, etc.)
	<ul style="list-style-type: none"> State aid policy developed and its full implementation enabled, through increased MOF capacity in this field 	<ul style="list-style-type: none"> Recruitment of national expert(s) Preparation of regulation containing detailed rules concerning allocation and use of state aid Preparation of a rulebook prescribing methodology of an annual report design, deadlines for submission of data and draft reports to the Government Preparation of clear rules and procedures for the work of an independent State Aid Control Commission Preparation of a program aligning existing state aid, with provisions of the Law and bylaws over a four-year period, starting from the day when Law enters into force Establishment of routine for monitoring State Aid related developments in EU Organization of expertise exchange and trainings 	MOF	<ul style="list-style-type: none"> National experts Equipment Training & workshop costs (per diem, travel, accommodation, printing costs, etc.)
<ul style="list-style-type: none"> Strategic development of debt securities market enabled, through planning policy and 		<ul style="list-style-type: none"> Recruitment of national experts Conducting comparative analysis of the development of the market of corporate 	MOF	<ul style="list-style-type: none"> National experts Equipment Training &

Intended Outputs	Output Targets	Indicative Activities	Responsible Parties	Inputs
	<p>creating legal and institutional frameworks, design and implementation of an optimum tax treatment and coordination with other stakeholders</p>	<ul style="list-style-type: none"> and municipal bonds in Serbia Developing legal and institutional framework Harmonization of tax treatment of corporate and municipal bonds with EU directives Proposing activities for establishing and development of market of corporate and municipal bonds in Serbia and their implementation Development of corporate and municipal bonds market Organization of expertise exchange and trainings 		<p>workshop costs (per diem, travel, accommodation, printing costs, etc.)</p>
	<ul style="list-style-type: none"> Structured mechanisms within Sector for Macroeconomic & Fiscal Analyses & Projections to reliably anticipate risks and challenges and develop sound policies safeguarding public finances, as well as to coordinate various economic policies in order to foster economic growth and stability 	<ul style="list-style-type: none"> Recruitment of national experts Development of macro-fiscal database Development of econometric modelling, with MBEFP structure, quality of analysis and projections improved Preparation and delivery to the EU Commission of Economic & Fiscal Programme (EFP) Preparation and delivery to the EU Commission of Pre-accession Economic Programme (PEP) Organization of expertise exchange and trainings 	MOF	<ul style="list-style-type: none"> National experts Equipment Training & workshop costs (per diem, travel, accommodation, printing costs, etc.)
	<ul style="list-style-type: none"> Efficient planning of the state budget, preparation of financial and work plans and more consistent coordination of the Ministry's work by its management on individual, organizational or institutional levels enabled 	<ul style="list-style-type: none"> Recruitment of an international and a national expert Performing a thorough organizational review w/recommendations for an optimum structure & functioning of MoF Recruitment of national experts Improvement and optimization of internal processes on multiple levels 	MOF	<ul style="list-style-type: none"> International & National experts National experts IT services Training & workshop costs (per diem, travel, accommodation,

Intended Outputs	Output Targets	Indicative Activities	Responsible Parties	Inputs
		<ul style="list-style-type: none"> Preparation of MoF ICT Strategy in line with the Organizational Review and an analysis of needs Procurement/development/installation of any new hardware/software, in line with MoF needs 		printing costs, etc.)
	<ul style="list-style-type: none"> A strategic blueprint of MoF defining steps, activities, responsibilities and timeline on the path towards EU integration prepared 	<ul style="list-style-type: none"> Recruitment of national experts Preparation of European Integration Strategy, defining exact steps for MoF to take in the process of Serbia joining the EU Developing a detailed EI operation plan 	MOF	<ul style="list-style-type: none"> National experts Equipment Training & workshop costs (per diem, travel, accommodation, printing costs, etc.)
4. Monitoring and evaluation mechanisms developed and introduced	<ul style="list-style-type: none"> Achievement of project outputs ensured through establishment of project management team and through regular monitoring 	<ul style="list-style-type: none"> Establishment of FSPCF Project Management Team Conducting regular monitoring and reviews 	MOF/UNDP	<ul style="list-style-type: none"> Technical Adviser National Project Manager Project Assistant/ Associate UNDP Program Officer

Quality Management for Project Activity Results

OUTPUT 1: Improved structure, optimized systems and maximum coordination achieved		
Activity Result 1	Coordination within the Ministry	
Purpose	Enhancing effectiveness and efficiency of the Ministry requires an optimum structure & functioning of the Ministry.	
Description	<ul style="list-style-type: none"> • Recruitment of an international and a national expert • Performing a thorough organizational review w/recommendations for an optimum structure & functioning of MoF • Improvement and optimization of internal processes on multiple levels 	
Quality Criteria	Quality Method	Date of Assessment
Organizational review of the Ministry conducted	Monitoring Plan Project Assurance will make sure log is kept up to date	III Q
Recommendations of organizational review implemented and Internal processes optimized on multiple levels	Monitoring Plan Project Assurance will make sure log is kept up to date	IV Q
OUTPUT 2: ICT and Knowledge Infrastructure Enhanced		
Activity Result 1	ICT structure and knowledge management system	
Purpose	Enhancing effectiveness and efficiency of the Ministry requires an upgraded ICT structure and knowledge management system in place.	
Description	<ul style="list-style-type: none"> • Recruitment of national experts • Preparation of MoF ICT Strategy in line with the Organizational Review and an analysis of needs • Procurement/development/installation of any new hardware/software, in line with MoF needs • Defining of communication, coordination and KM infrastructure • Development of standards and templates for policy-related documents 	
Quality Criteria	Quality Method	Date of Assessment
MOF ICT Strategy in line with organizational review drafted and implemented	Monitoring Plan Project Assurance will make sure log is kept up to date	III Q
New database developed and installed	Monitoring Plan Project Assurance will make sure log is kept up to date	IV Q
Knowledge management system fully utilized and applied	Monitoring Plan Project Assurance will make sure log is kept up to date	IV Q
OUTPUT 3: Technical Capacity and Expertise Enhanced		
Activity Result 1	State aid policy	

Purpose	To ensure fairness in the market, the Ministry also needs to establish state aid coordination and transparency, as a step towards full state aid control.	
Description	<ul style="list-style-type: none"> • Recruitment of national experts • Preparation of regulation containing detailed rules concerning allocation and use of state aid • Preparation of a rulebook prescribing methodology of an annual report design, deadlines for submission of data and draft reports to the Government • Preparation of clear rules and procedures for the work of an independent State Aid Control Commission • Preparation of a program aligning existing state aid, with provisions of the Law and bylaws over a four-year period, starting from the day when Law enters into force • Establishment of routine for monitoring State Aid related developments in EU • Organization of expertise exchange and trainings 	
Quality Criteria	Quality Method	Date of Assessment
Regulation containing detailed rules concerning allocation and use of state aid prepared	Monitoring Plan Project Assurance will make sure log is kept up to date	Throughout the project period
A rulebook prescribing methodology of an annual report design, deadlines for submission of data and draft reports to the Government prepared	Monitoring Plan Project Assurance will make sure log is kept up to date	Throughout the project period
Clear rules and procedures for the work of an independent State Aid Control Commission drafted	Monitoring Plan Project Assurance will make sure log is kept up to date	Throughout the project period
A program aligning existing state aid, with provisions of the Law and bylaws over a four-year period prepared, starting from the day when Law enters into force	Monitoring Plan Project Assurance will make sure log is kept up to date	Throughout the project period
Process of monitoring State Aid related developments in EU introduced	Monitoring Plan Project Assurance will make sure log is kept up to date	Throughout the project period
Activity Result 2	Debt security markets	
Purpose	Developing the financial sector would help improve the business environment to foster the development of the private sector and employment, promoting competitive markets, level playing fields and an improved access to finance.	
Description	<ul style="list-style-type: none"> • Recruitment of national experts • Conducting comparative analysis of the development of the market of corporate and municipal bonds in Serbia • Developing legal and institutional framework • Harmonization of tax treatment of corporate and municipal bonds with EU directives • Proposing activities for establishing and development of market of corporate and municipal bonds in Serbia and their implementation 	

	<ul style="list-style-type: none"> • Development of corporate and municipal bonds market • Organization of expertise exchange and trainings 	
Quality Criteria	Quality Method	Date of Assessment
Comparative analysis of the development of the market of corporate and municipal bonds in Serbia conducted	Monitoring Plan Project Assurance will make sure log is kept up to date	Throughout the project period
Legal and institutional framework adopted and institutionalized	Monitoring Plan Project Assurance will make sure log is kept up to date	Throughout the project period
Tax treatment of corporate and municipal bonds harmonized with EU directives	Monitoring Plan Project Assurance will make sure log is kept up to date	Throughout the project period
Corporate and municipal bond market developed	Monitoring Plan Project Assurance will make sure log is kept up to date	Throughout the project period
Activity Result 3	Budget preparation	
Purpose	Improving the budget process requires strengthening the capacity for budget preparation and execution, requiring an optimum internal structure, coordination and prioritization, as well as better financial management at both central and local levels.	
Description	<ul style="list-style-type: none"> • Recruitment of national experts • Development of macro-fiscal database • Development of econometric modelling, with MBEFP structure, quality of analysis and projections improved • Preparation and delivery to the EU Commission of Economic & Fiscal Programme (EFP) • Preparation and delivery to the EU Commission of Pre-accession Economic Programme (PEP) • Organization of expertise exchange and trainings 	
Quality Criteria	Quality Method	Date of Assessment
Macro-fiscal database developed	Monitoring Plan Project Assurance will make sure log is kept up to date	Throughout the project period
Economic modelling with MBEFP structure developed	Monitoring Plan Project Assurance will make sure log is kept up to date	Throughout the project period
Economic and Fiscal Program prepared (EFP) and delivered to EU	Monitoring Plan Project Assurance will make sure log is kept up to date	Throughout the project period
Pre-accession Economic Programme (PEP) prepared and delivered to EU	Monitoring Plan Project Assurance will make sure log is kept up to date	Throughout the project period
Activity Result 4	Public enterprises	

Purpose	The restructuring, privatization or bankruptcy procedures for insolvent public enterprises need to be finalized, including securing budgetary resources for redundancy and restructuring costs, while keeping public sector wages at productivity gains levels in the meantime. However, inherited economic and social immobility of the public sector work force and the need to reallocate it against a backdrop of a global downturn require an intense market orientation, education and training effort. Continuing with privatizing the utilities is necessary in order to help grow the private sector and its share in the economy. Simultaneous full liberalization of utility markets is necessary for ensuring sustainability of the infrastructure sector in the long term, but needs to be monitored for inflationary effects.	
Description	<ul style="list-style-type: none"> • Recruitment of national experts • Conducting of analysis and studies to serve as a basis for projections • Creating of long-term projections of public enterprises impact on the state economy • Organization of expertise exchange and trainings 	
Quality Criteria	Quality Method	Date of Assessment
National policy on market transformation of public enterprises drafted	Monitoring Plan Project Assurance will make sure log is kept up to date	Throughout the project period
Analysis and studies to serve as a basis for projections conducted	Monitoring Plan Project Assurance will make sure log is kept up to date	Throughout the project period
Long-term projections of public enterprises impact on the state economy prepared	Monitoring Plan Project Assurance will make sure log is kept up to date	Throughout the project period
Activity Result 5	European Integration Strategy	
Purpose	In the context of SAA, the Ministry needs to boost further its EU integration capacity and cooperation mechanisms with European integration offices.	
Description	<ul style="list-style-type: none"> • Recruitment of national experts • Preparation of European Integration Strategy, defining exact steps for MoF to take in the process of Serbia joining the EU • Developing a detailed EI operation plan 	
Quality Criteria	Quality Method	Date of Assessment
European Integration Strategy prepared	Monitoring Plan Project Assurance will make sure log is kept up to date	Throughout the project period
Detailed EI operation plan developed	Monitoring Plan Project Assurance will make sure log is kept up to date	Throughout the project period
OUTPUT 4: Monitoring and Evaluation Mechanisms Developed and Introduced		
Activity Result 1	Project Management Team and quarterly reviews	
Purpose	Such a complex project requires a very skilled project management team in place as well as systematic monitoring and reviews throughout project	

	implementation	
Description	<ul style="list-style-type: none"> • Establishment of FSPCF Project Management Team • Conducting of regular monitoring and reviews by UNDP Program Officer 	
Quality Criteria	Quality Method	Date of Assessment
Project Management Team established and fully operational	Monitoring Plan Project Assurance will make sure log is kept up to date	I Q
At least 90% delivery rate ensured	Monitoring Plan Project Assurance will make sure log is kept up to date	IV Q
Planned activities implemented in accordance with the Annual Work Plan	Monitoring Plan Project Assurance will make sure log is kept up to date	Throughout the project period
Development and submission of work plan and progress reports in a timely manner	Monitoring Plan Project Assurance will make sure log is kept up to date	Throughout the project period
Compliance with UNDP rules and regulations	Monitoring Plan Project Assurance will make sure log is kept up to date	Throughout the project period
Conducting monitoring/ reviews in line with UNDP monitoring plan	Monitoring Plan Project Assurance will make sure log is kept up to date	Throughout the project period

IV. LEGAL CONTEXT

This document together with the Country Program Action Plan (CPAP) signed by the Ministry of Finance and UNDP which is incorporated by reference constitutes together a Project Document as referred to in the Standard Basic Assistance Agreement (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. Project's personnel will act accordingly with implementing partner's rules and regulation as to the security procedures and plans.

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".

ANNEX I

SITUATION ANALYSIS

The reform achievements of the Ministry of Finance over the past seven years are notable, as is its firm orientation toward facilitating sustainable development of the Serbian financial sector. The Ministry's strategy, objectives and planned activities are not only fully in line with strategic documents guiding development interventions agreed between the Government of Serbia and UNDP, but also address the agenda stated in the *European Partnership* document, the National Programme of Integration with European Union published in 2008 and the objectives of the *National Public Administration Reform Strategy*, adopted in 2004.

European Partnership for Serbia sets, among others, the following crosscutting priorities:

- *Continue efforts to implement the reform of the public administration, improve coordination throughout the public administration and pay particular attention to policy coordination at government and local levels;*
- *Further strengthen European integration capacity within the public administration, embedding the necessary structures within line ministries and throughout government, and improve cooperation mechanisms with all departments dealing with European integration;*

The Ministry of Finance, among other tasks, is committed to:

- *Continue reforms of public finance management in order to strengthen control, transparency, accountability and efficiency;*
- *Implement a stability-oriented fiscal policy, including a public sector wage policy, which aims at fiscal consolidation and is conducive to low inflation and external sustainability;*
- *Finalize the process of privatizing or liquidating large socially-owned and State-owned enterprises and, where appropriate, publicly-owned utilities, to reduce the role of the state sector; create space for private-sector development and growth, strengthen corporate governance and raise the share of private sector in the economy;*
- *Further liberalize short- and medium-term capital movements;*
- *Implement state aid legislation and ensure that an independent authority monitoring state aid functions effectively.*

Although the *National Public Administration Reform Strategy* was adopted by the Government of Serbia in 2004, its implementation remains one of the more difficult tasks ahead, as it in fact illustrates the need to develop the capability of the state to adjust to its own policies. In setting its priorities, the Ministry of Finance has taken into account the following global trends, as cited by the National PAR Strategy:

- Conversion from the industrial society to the ICT society;
- Switchover from the national to the global economy;
- Shift to long-term planning and forecasting;
- Move from the centralized to the decentralized governance.

The five principles guiding the *National PAR Strategy* are as well incorporated in the character of the proposed Project - decentralization, de-politization, professionalization, rationalization and modernization of the public administration are at the core of the stated objectives planned by the Ministry of Finance, in its effort to safeguard the achieved level of reform and reach a new plateau of effectiveness in the service of the citizens of Serbia.

In recent months, major macroeconomic risks have emerged, due to the upheaval in global finances. With the aim of easing the resulting excessive daily fluctuations of the exchange rate of the *dinar*, the National Bank of Serbia has been promptly intervening in the interbank foreign exchange market. Furthermore, the Government has concluded a new arrangement with the IMF, which implies SDR 2.62 billion of budget support to Serbia. In addition to the rebalancing of the 2009 state budget, the Ministry of Finance is one of key institutions designated by the Government to implement measures

aimed at minimizing the effects of the economic crisis on public finances and the overall economy of Serbia. This intervention package combines a variety of measures – restrictive ones concerning the public administration & public enterprises sector and growth-inducing ones, aimed at helping the economy, i.e. easing the prerequisites for general liquidity, exports, infrastructure, business and fiscal environments.

Background

Immediately following the Serbian political watershed in the year 2000, the Ministry of Finance had lacked key departments with functional responsibilities, such as treasury and budgetary control, or macroeconomic & fiscal analysis. With multi-donor support and, in particular, a sizeable contribution by the Royal Government of the Netherlands channelled via UNDP, the Ministry has gradually raised its capacity to tackle key national challenges: macroeconomic stability, structural reforms and pursuing EU integration.

During Phase I of UNDP support – an intervention where capacity substitution of emergency nature was the only solution to virtually no capacity *in situ* - international and local consultants significantly contributed to the achievements of the Ministry over the two-year period, in the areas of policy reform, strategies, planning, servicing obligations, organizational restructuring, improvement of business procedures, management and information systems, HR development and PR & communication.

Phase II of UNDP assistance had addressed the lack of the Ministry's capacity in technical areas (e.g., fiscal, financial markets) and in functional areas such as Human Resources. The intervention sought to improve individual, organizational and institutional capacity and made activities in the area of policy advice sustainable, by not only deploying external consultants, but by building capacity of permanent civil servants through a major training effort.

With this support, the Ministry has, over the years, conceived and adequately implemented comprehensive budgetary & fiscal reforms, internal debt consolidation and foreign debt reprogramming, banking sector & financial organizations reform and initial privatizing, as well as the reforms of social security & pension systems. The Ministry has also negotiated the return of Serbia into the fold of international financial institutions. Further regulatory improvements it has made had focused on the restructuring and privatization of large and local socially-owned utilities, as well as entirely new regulations on public procurement, political parties financing, customs tariffs and free economic zones, securities & financial markets, insurance & leasing, games of chance etc.

In 2006, the Ministry of Finance requested UNDP to support the development of its capacity to deal with EU accession processes. This intervention has been implemented between June 2006 and June 2008. It was comprised of four pillars: a) Project Centre, a multi-faceted instrument for managing internal & donor related projects, b) strategic reorganization of the Human Resource Department, c) continued support to the restructuring of local public utilities, and d) a Policy Taskforce of short-term legal experts in strategic areas where the Ministry has lacked substantial capacity for harmonizing the finance regulation with the *Acquis*. The strategy of the project had included measurable indicators aiming for sustainable results and a clear exit strategy, built on intense knowledge management. Phase III has received kudos by independent evaluators, for systematically surpassing expected targets, relentlessly focusing on institutionalization and sustainability of achievements, as well as for creating a set of innovative development strategies, applicable in other interventions.

Outlook

In the coming period, the Ministry needs to synchronize activities across several sectors, while maintaining macroeconomic stability in challenging conditions. Continuing with fiscal policy fine-tuning, consolidation is needed to reduce external imbalances and contain inflationary pressures. The Ministry does not yet have full capacity to optimize and coordinate these activities, on strategic and operational level.

Improving the budget process requires strengthening the capacity for budget preparation and execution, requiring an optimum internal structure, coordination and prioritization, as well as better financial management at both central and local levels. To ensure fairness in the market, the Ministry also needs to establish state aid coordination and transparency, as a step towards full state aid control. The restructuring, privatization or bankruptcy procedures for insolvent public enterprises need to be finalized, including securing budgetary resources for redundancy and restructuring costs, while keeping public sector wages at productivity gains levels in the meantime. However, inherited economic and social immobility of the public sector work force and the need to reallocate it against a

backdrop of a global downturn require an intense market orientation, education and training effort. Continuing with privatizing the utilities is necessary in order to help grow the private sector and its share in the economy. Simultaneous full liberalization of utility markets is necessary for ensuring sustainability of the infrastructure sector in the long term, but needs to be monitored for inflationary effects. Developing the financial sector would help improve the business environment to foster the development of the private sector and employment, promoting competitive markets, level playing fields and an improved access to finance. In the context of SAA, the Ministry needs to boost further its EU integration capacity and cooperation mechanisms with European integration offices.

In the politically fragile and professionally scanty environment of Serbia and given the significant contribution of external expertise to the notable reform accomplishments of the Ministry of Finance to date, leaving the Ministry without further support in fulfilling these and other related responsibilities would mean decelerating the pace of the reform, endangering its progress and possibly even jeopardizing the delicate financial stability achieved, as worsening internal and external imbalances show the Serbian macroeconomic equation to be very fragile.

STRATEGY

In the economic context, the Ministry is striving to transform the economy of Serbia through strengthening its competitiveness and creating a favourable business environment, thus fostering macroeconomic stability, which in turn encourages new investments and broadens the margin for further structural reforms, the ultimate goal of which is to reduce macroeconomic imbalances and increase financial stability for all. These interconnected strategies lead to genuine EU integration in a sustainable way.

Whereas the mechanisms through which these strategies interact are not always obvious and the sectors in question may seem to pursue heterogeneous agendas, they are all facets of the same challenge. State aid is essentially the policy of subsidies, which distort competition in the market, but may on occasion be necessary. Systematic restructuring of public enterprises and market liberalization seek to restore the equality and fairness to the playing field. Establishing a regulatory framework for a free flow of capital can mobilize considerable foreign and domestic savings, as new investments in business ventures. The effort of forecasting, testing and fine-tuning the fiscal policy seeks to grow and strengthen the economy, through fostering macroeconomic stability long-term. Proper coordination of these policy instruments is essential for tapping new and diverse financing avenues and thus boosting the economy, especially given the grim global economic outlook.

In the development context, the sectors and divisions of the Ministry proposed for support are chosen with a view to rectify a critical capacity shortage, which they share. **The Ministry intends to develop internal capacity for synchronizing efforts in addressing its main priorities - maintaining macroeconomic stability and advancing structural reforms, both of which lead to a faster EU integration progress – and seeks assistance in structuring an effective framework for maximizing policy coordination.**

The Project will help the Ministry to improve policy coordination by creating mechanisms and tools which will better structure internal communication, as well as facilitate an improved work flow. Developing standards and templates for policy-related documents (policy briefings, policy submissions, options papers, inter-sector reviews and other structured forms) will improve the consistency of the Ministry's policy products, also allowing for a better coordination around items requiring inter-sector consultations and in particular around the issues dealing with EU integration. Standardization and regular dissemination of data, information, ideas, knowledge and tools will enhance public servants' capacity for consistently producing relevant high-quality material for decision-makers, facilitate frequent inter-sector consultations and ensure that the improved consistency of policy products developed by the sectors enhances policy-making and coordination.

While gender mainstreaming measures will not be the focus of the project, its gender responsiveness will be substantial. One of the project pillars will rely on collecting, sorting and analyzing statistical data across Serbia, including demographic indicators. This information will ultimately be used to better adapt financial sector policies to the needs of the population and in particular the needs of women and men from various marginalized groups. Thus, the needs of women and men, the ultimate beneficiaries of the project, will be addressed by creating a more relevant and effective policy development process. Gender responsiveness will be integrated into policy coordination mechanisms on all levels within the Ministry by developing specific gender-responsive indicators for monitoring and evaluation purposes and by disaggregating all data collected during project implementation by gender.

Structure

To support the Ministry of Finance in developing internal capacity to conceive and implement diverse interrelated strategies needed for pursuing successful EU integration in a sustainable way, the proposed project will use a combination of four strands. Their effects on the various organizational and functional components of the Ministry will amalgamate over time to generate an advanced, cost-effective and transparent policy coordination system. These four strands relate to:

- a) the organization and the functioning of the institution,
- b) its information, communication, technology and knowledge infrastructure,
- c) the technical capacity and expertise of its personnel and
- d) the monitoring and evaluation of the Ministry's capacity development.

These four strands will be explained in greater detail in the *Planned Activities* section of the document.

Focal Points & Allocation of Support

Previous three interventions had focused on strategically selected organizational units of the Ministry, boosting its institutional effectiveness overall. For example, in Phase III, support had been given to the Human Resources Department, the Project Management Sector (later Group), the Public Utilities Restructuring Unit and the European Integration Group. Earlier, expert support had been provided as needed, for policy reforms in multiple areas (fiscal, finance system, health & pensions, securities etc.). This was not done institutionally, i.e. very little external expertise was captured, codified and preserved long term. The development of the policy coordination capacity in the whole of the finance sector now needs to shift from intervening to institutionalizing the policy development know-how by the Ministry. In this vein, six organizational units will be targeted.

Sector of Economy & Public Enterprises

Context

The Sector of Economy & Public Enterprises was established in August 2007, with the goal to prepare public enterprises to manage their business operations according to market rules. Its primary tasks are to define the policy regarding public enterprises, maintain sound economic and financial control (at the state level) and enforce their monitoring (at the local level).

As the central policy maker, the Ministry of Finance collects from pertinent ministries and local self-governments information related to the business plans of public enterprises and assesses their effect on the overall economy. While the Ministry of Economy & Regional Development, Ministry of Mining & Energy, Ministry of Trade and Services, Ministry of Infrastructure and the local governments interact in governing the public enterprises within their respective jurisdictions, the Ministry of Finance sets the overall policy regarding the manner in which public enterprises run their business operations.

The state public enterprises are an important part of economy, especially in the fields of energy and infrastructure. Efficient control of this part of the public sector is important for the functioning of the entire economy and for macroeconomic and fiscal stability.

Problem

The complexity of the problem arises from the fact that, on the local level, Serbia has numerous public enterprises (water supply, wastewater, central heating etc.). They comprise diverse types of services and activities and vary greatly in their "social" or "public" nature, as well as in readiness for competing in the market. Their problems lie in the field of operational efficiency, risks to financial sustainability and inadequate investment in new equipment and facilities. The major problems are:

- Unclear governance arrangements between founders (municipalities) and utility companies, meaning that performance expectations and criteria for satisfactory performance, universal obligations and use of resources are not set in contracts or performance agreements;
- Financial transfers from municipalities to local public enterprises are not based on clear parameters, i.e. performance or management of costs and revenues (e.g. compensation for services delivered to disadvantaged users unable to pay or exempt from payment, is not distinct from other financial losses, caused by inadequate tariffs or inefficient operation);

- Procedures for tariff review are rigid and cumbersome; proposals for tariff increases must be reviewed by as many as five ministries, while annual increases are allowed only up to the general inflation index level. Tariffs at the most reflect operating costs, without provision for capital costs;
- Frequent turnover of senior and middle managers and pressures for employment of unqualified staff do not help the prospects of public enterprises;
- Public enterprises accounts lead to a very poor environment for mobilizing funds from internal revenues or from external creditors, to meet extensive investment needs.

Solution

To determine the nature and extent of "public enterprises transformation" that may be required to meet the Government's economic and social goals, and before making strategic decisions regarding priorities for private sector involvement, it would be important to assess the public enterprises from a sector-wide or service-level perspective. Across the main service sectors (water and sanitation, solid waste, public transport) it would be important to have a clear picture regarding:

- The magnitude and sources of public enterprises' financial losses absorbed by municipal budgets;
- Average service costs & levels of tariff revenue from various user categories (revenue adequacy);
- Indicators of operational performance and service quality that can be compared to industry benchmarks elsewhere;
- Staffing and human resources issues (e.g. disproportion of technical and administrative personnel, major skill and capacity shortages, overstaffing etc.).

Objective

Even a broad-stroke analysis of such information across sectors would help to determine the priorities in particular areas, for example by indicating where the performance issues are due to national policy frameworks, to internal company management, to underinvestment, etc. With this knowledge, the Government and other stakeholders could assess the urgency of reforms and the prospects for attracting external participants into sectors and better design a workable strategy for transformation.

The purpose of the support to this sector is to assist the Ministry in strengthening the capacity to develop and coordinate a national policy of market transformation for Serbian public enterprises and to implement financial control and monitoring of their operation, which would almost immediately enable more cost efficiency in managing public finances. The increased market orientation of Serbian public enterprises would also level the field for investments, joint ventures, infrastructure building/refurbishing and supply contracts, consulting and development opportunities etc. and open them to foreign and domestic suppliers alike, creating new avenues of access to finance.

Expected Results

- Capacity of employees in the Sector for Economy and Public Enterprises increased;
- A number of analyses and studies, which will serve as a base for projections, but also for recommendations for enforcement and implementation of a national policy and the financial control of public enterprises;
- Long-term projections of public enterprises operations and their impact on the state economy.

Division for State Aid Control

Context

The Division for State Aid Control has been active since the establishment of the Ministry of Finance's Treasury Administration in August 2005; it continues the work of a workgroup which had been tasked with drafting the State Aid Control Law. Through short-term support of an expert from Slovenia, the orientation of the Division was shifted towards identifying and recording instances of state aid, in preparation for full harmonization with the Acquis. At present, the Division is designing bylaw proposals for the implementation of the State Aid Control Law (the Bill has been in the parliamentary procedure since December 2008). These will contain detailed EU rules concerning the control of state aid, to the degree required for a country that is not an EU member, but is a signatory of the Stabilization and Association Agreement.

Problem

The Division had also been preparing a draft of a State Aid Control Bill, outlining the prerequisites for full state aid transparency, as a first step towards state aid control. Paradoxically, while the draft Bill is in line with the Acquis, it requires fine-tuning with the Serbian Constitution and other national regulation. However the Division, consisting of only one permanent civil servant and one part-time

associate, is severely understaffed. There is added urgency in the fact that the stipulations of Serbia's State Aid Control Bill, the Stabilization & Association Agreement (at present ratified by Serbia, but not yet approved by the Council of EU) and the related Interim Agreement with EU (which Serbia has been implementing unilaterally as of January 30, 2009) will obligate Serbia to ensure a functioning State Aid control system as early as the end of summer 2009, or shortly thereafter.

Solution

Combining short-term external expertise and targeted training of internal civil service resources should develop long-term capacity to analyze, coordinate and control all state aid provided by the Republic of Serbia, autonomous provinces or local self-governments.

Objective

The objective is to institute order in this disorganized field. The optimal approach is to facilitate the growth of governmental capacity to analyze, coordinate and control all state aid provided by all levels of administration of the Republic of Serbia. This imminent legal obligation will entail disclosure by grantors of all schemes and instances of state aid, as well as instituting a commission, charged with ex-ante and ex-post control of all state aid.

Expected Results

- One or more ordinances issued by the Government, containing detailed rules concerning allocation and use of state aid, and the process of the State Aid Control Commission's ex-ante and ex-post control of state aid;
- A rulebook issued by the Finance Minister, prescribing the methodology of an annual report design, deadlines for submission of data and for the submission of draft reports to the Government;
- A program aligning existing state aid, granted before the Law enters into effect, with provisions of the Law and bylaws over a four-year period, starting from the day when the Law enters into force;
- Clear rules and procedures for the work of an independent State Aid Control Commission;
- The capacity in the Ministry to monitor state aid reporting and to coordinate timely provision of statistical and other relevant data;
- The capacity within the Ministry for providing technical assistance to the future State Aid Control Commission;
- The capacity in the Ministry for regular monitoring of State Aid-related developments in the EU – new directives, discretionary decisions, exemptions, new member states' experiences etc.

Financial System Sector

Context

The Securities Group of the Financial System Department prepared in 2005-2006 a number of laws governing the local financial markets. Among these, the Law on Securities & Other Financial Instruments Market constitutes a systemic law, largely harmonized with those EU Directives which were realistically applicable at the present level of development of the Serbian capital market.

Problem

Domestic debt securities markets cannot be quickly developed in developing economies and the transition from a heavily bank-dependent to a capital-market-dependent economy takes time. To develop a domestic debt securities market, the government must ensure an adequate market infrastructure, to reduce transaction costs and settlement risks, as well as enhance transparency of trading in securities. As well, appropriate tax incentives must be offered. Furthermore, continued development of this market calls for the application of and the harmonization with new EU directives, including the Directive governing the operations of investment firms, as new players in the market.

Solution

Developing capacity for creating and implementing a Strategy for the development of debt securities' market in Serbia, including a systemic legislation, clearly delineating the role of the Ministry of Finance in regulating the market and creating appropriate tax incentives, which would establish an effective mechanism for mobilizing domestic savings, to better meet the growing needs of the economy.

Objective

An expanding domestic debt securities market would complement the banking system in efficiently mobilizing and allocating financial resources and reduce reliance on bank lending. Opening access to new finance through the development of the financial sector would help strengthen the private sector and raise employment, create dynamic competitive markets and level playing fields.

Expected Results

Creation of preconditions for the issuance and trade in corporate and municipal bonds in Serbia:

- Comparative analysis of the development of the market of corporate and municipal bonds in the transition countries vs. Serbia;
- Legal framework - legislative preconditions;
- Tax treatment of corporate and municipal bonds;
- Institutional framework;
- Proposal of activities necessary for establishing and development of the market of corporate and municipal bonds in Serbia and their implementation;
- Corporate and municipal bonds market developed.

Sector for Macroeconomic & Fiscal Analysis & Projections

Context

The Sector for Macroeconomic & Fiscal Analysis & Projections (MFAP) consists of two groups: the Macroeconomic Group and the Fiscal Group. In the previous period (2003-2004 and 2006-2007) DFID had financed the Strengthening the Medium-term Expenditure Framework project. Close cooperation between DFID consultants and MFAP has produced a new structure of the Budget Memorandum, a medium-term macroeconomic projection and a new approach to macroeconomic analyses in general. With DFID assistance, MFAP has reached the neighbouring countries' level of quality in macroeconomic analyses. Its main task is to analyze and test fiscal policy measures and contribute to their fine-tuning with the goal of reducing macroeconomic imbalances and thus maintaining stability long term.

Problem

The main product of the MFAP is the Memorandum on the Budget and Economic and Fiscal Policy (MBEFP) for the current year and the next two years, which is the fundamental document for the next year budget preparation, containing medium-term economic policies and instruments of the Serbian Government. MBEFP is also the basis for the Economic and Fiscal Programme (EFP) and the Pre-accession Economic Programme (PEP) preparation. This kind of analytical work is presently not feasible exclusively with internal human resources of the Ministry, but depends on external expertise and assistance. Consequently, Serbia's ability to develop sound policies safeguarding its public finances and its aptitude to anticipate risks and future challenges depends heavily on the varying availability of individual experts. Furthermore, the sector is inherently in charge of coordinating various economic policies in order to foster economic growth and stability, but lacks capacity and structured mechanisms for optimum coordination.

Solution

For MFAP to regularly prepare such complex analyses and projections with required reliability would require the development of internal capacity, through transferring of this external know-how to the civil servants of the Ministry, via a systematic knowledge codification and sharing effort. As well, the MFAP personnel needs to be relieved of technical assignments and assigned to focus on absorbing modern techniques and standards of medium-term macroeconomic projection techniques (econometrics).

Objective

The objective of MFAP is to continue with the development of its internal capacity for macroeconomic and fiscal analyses and policy coordination in its domain, allowing a continuous policy dialogue within relevant institutions in the country. The main objective of the project support would be the steady capacity development of MFAP for specific medium-term macroeconomic and fiscal analyses. A simultaneous creation of a macro-fiscal database would allow MFAP team to fulfill its share of EU harmonization objectives confidently and reliably.

Expected Results

- Development of a macro-fiscal database;
- Econometric modeling developed, with MBEFP structure, quality of analyses and projections further improved;
- Economic and Fiscal Programme (EFP) and Pre-accession Economic Programme (PEP) delivered to the EU Commission.

The Secretariat

Context

State Administration Law stipulates that the Secretariat assists the Finance Minister in personnel, financial, information technology and other matters and in coordination of activities of internal units in the MoF. Consequently, the Secretariat needs to boost ICT governance at MoF, by providing long overdue leadership and harmonized services in the areas of project support, administrative computing and network & telecommunications services, coupled with a tight security framework.

Problem

During Phases II & III at the Ministry, several ICT tools were introduced or upgraded, without development of a corresponding appreciation of their strategic potential. Virtually simultaneously, a new website for the Ministry, an HR intranet portal, *Project Office 4.0* - an electronic database of projects and its interface linking it to the ISDACON Information system (the main catalogue of donor-aided projects in Serbia) were all developed in a short span of time. However, monitoring, control and evaluation of projects are far from optimal and project registration discipline is not fully developed. Hence the opportunity is lost for creating, keeping and using an all-inclusive institutional log of activities. Furthermore, there is now a growing need to build the Ministry's capacity to prepare the programmatic budget and work plan, in line with the methodology of GOP (Annual Operating Planning). On another level, the link between civil servants' assignments and assessing their performance entirely bypasses the projects database, indicating that the use of available systems is far from optimum. Overall, the Ministry's internal makeup is an insufficiently planned amalgamation of inherited and current systems not duly synchronized; its inadequate organization and a weak affiliation with its various administrations considerably hinder its effectiveness.

Solution

A thorough analysis of the Ministry's setup and an authoritative proposal of its reorganization, optimizing the use of existing systems and tools, would greatly increase the capacity of the Ministry to fulfill its ambitious agenda in the coming years. This organizational review would assess whether a further boost to the infrastructure would be needed, in order to more strategically cater to the needs of diverse users of ICT tools in various departments and administrations of the Ministry. The Secretariat and the Cabinet could monitor projects and their progress against deadlines, promoting a system of focusing on results, ensuring that coordinators and managers are accountable for items assigned to their units. Different improved uses of information systems and existing databases could further promote transparency and accountability in public procurement or other sensitive activities in the system. Developing the Ministry's capacity in this direction would help improve access to IPA funds, coordinate assistance and thus advance the EU integration process.

Objective

To optimize the use and harmonize the functioning of all available systems, procedures and tools at the Ministry through a detailed organizational review and later implementation of its recommendations. This might entail:

- A new proposed structure for the Ministry and optimized internal coordination, as well as links with other governmental bodies;
- An advanced ICT package to grow the Ministry's capacity to efficiently plan the budget, prepare the financial and work plans and allow the management to more reliably coordinate the Ministry's work, on individual, organizational or institutional level;
- Advanced level of monitoring, control and evaluation of projects of the Ministry of Finance, allowing a more efficient allocation of budget funds, international assistance and other finances;

- Transparent and consistent decision-making in regard to priorities, strategic projects and programs in the MoF;
- Harmonization between various ICT tools & systems and their optimal use and development.

Expected Results

- A thorough organizational review, with a detailed proposal for structuring the Ministry and its links with its administrations most effectively;
- The Ministry's ICT strategy, developed with the Secretariat's guidance, following a detailed and coordinated analysis of needs;
- An advanced technical package (hardware & software), streamlining project management & reporting in harmony with GOP methodology;
- Service-oriented ICT architecture and optimized ICT usage policies, coupled with self-sufficiency of security protocols and reinforcing steady links of the Ministry's ICT systems with relevant external information systems (PERBIT, ISDACON, future e-government infrastructure, etc.);
- Internal processes analyzed, improved and optimized, boosting the Ministry's effectiveness on multiple levels.

Sector for International Financial Relations

Context

The Division for European Integration of the Ministry of Finance was formed in mid-2003 and is in charge of coordinating the EU accession process in the area of jurisdiction of the Ministry of Finance, normative and analytical tasks pertaining to the developments in the area of European legislation, analysis of the level of harmonization of the Serbian legal system in the domain of finance with European legislation standards, preparation of proposals for improvement of legal acts in that area, preparation of information and materials for the participation of the representatives of the Ministry of Finance in the inter-departmental and other working groups, in connection with the harmonization of the country's economic and legal system with the European Union.

Problem

Owing to the changing political context and the fluctuating composition of the country's leadership over the past seven years, a comprehensive national European integration plan has only been developed in 2008. The results still vary across line ministries and their sectors, while the expertise and capacity for EU harmonization are evenly in short supply. Coordination and planning of activities was difficult without a clear blueprint for all to follow.

Solution

With project support, the Ministry of Finance would produce key strategic documents outlining its future actions in the area of European Integration. The planning and consensus-building process would engender a strategy and a detailed plan for all organizational units of the Ministry, for the forthcoming period of two to four years. The strategy would include guidelines for the work of the Ministry as a whole, as well as for each organizational unit within it (laws to be adopted/harmonized, implementation details, the establishment of new bodies/agencies, macroeconomic targets, capacity-building measures, etc.).

Objective

The general objective in developing a strategy for the fulfillment of obligations undertaken within the field of competence of the Ministry of Finance is to define the future steps in the process of European integration. The strategy would enable a faster and more effective fulfillment of obligations, define tasks and activities, as well as clearly specify the timeline for their accomplishment.

Expected Results

- The European Integration strategy for MOF, defining the exact steps for the Ministry of Finance to take in the process of Serbia joining the EU, related to the fulfillment of obligations stemming from the European Partnership and/or from the Stabilization & Association Agreement;
- A detailed EI operational plan, based on a systemic approach to the harmonization of national legislation with the Acquis, outlining the exact dynamics of the process and clearly defined conditions, activities and the time frame needed for relevant functions required by EU to gradually become standard at the Ministry of Finance;

- A strengthened European integration unit at the Ministry, fully able to establish and utilize pertinent cooperation and exchange mechanisms with other line ministries and governmental bodies, as well as with European integration offices abroad.

Planned Activities

In order to address the most immediate needs of the sectors seeking support, and to build an advanced coordination framework, the following activities are envisaged, performed by a small team of essential experts, working in close coordination with the Project Management Unit:

Organization & Functioning

To assess the institution's baseline adequately, a thorough organizational review, encompassing aspects of a functional analysis, capacity appraisal and a training needs assessment, will be performed at the outset of the project and, among other findings, will produce a detailed proposal for structuring the Ministry and its links with its administrations most effectively. The results of this introductory activity will further dictate the exact composition and structure of the policy coordination framework required and inform all other facets of the intervention.

This strategic approach to coordination, encompassing a thorough organizational review of the institution by external experts, will result in an improved structure, optimized systems & maximum coordination achievable at this time.

ICT & Knowledge Infrastructure

The introductory baseline examination will pay particular attention to the existing infrastructure and will inspect everything: from traditional and contemporary communication protocols, to the condition and distribution of IT equipment, to the information exchange rules and customs, to the emergence of any informal communities of practice, to the digital fingerprint which any Ministry staff may be emitting via the Web 2.0 tools they might use. This assortment of channels and message vehicles will then be structured effectively and reapplied systematically using forms, procedures, ICT tools and training, in order to boost quality communication, foster knowledge exchange and strengthen coordination paths, thus creating a flexible framework which would help establish an advanced policy coordination system for the future. This framework will consist of several elements: communication & inter-sector coordination, knowledge management, technical support and more.

Communication & Inter-sector Coordination

Particular attention will be given to developing a tailored Communication & Inter-sector Coordination system, based on lessons learnt and findings related to communication, education, codification and sharing of knowledge during the previous UNDP interventions at the Ministry. This would entail:

- Development and implementation of a communication structure and tools (contact lists, templates and forms, defined communication channels & procedures etc.);
- Regular as well as ad-hoc meetings and presentation opportunities, to foster coordination and knowledge-sharing;
- Regime of regular multi-lateral and multi-level reporting.

Knowledge Management

In support of capacity development, a knowledge-building system would include codifying programmable and unique knowledge, effective knowledge transfer between the consultants and civil servants in all units and across the Project and a structured exchange and capitalization of knowledge products and documentation throughout the Project. This would be achieved by:

- Generating specific documents, codifying and sharing Project staff and civil servants' knowledge and know-how, through individual or joint production of knowledge products;
- Documenting key work processes, both in the management of the Project and in specific units;
- Documenting instances of knowledge transfer, such as workshops, conferences, seminars and other training events, twinning arrangements etc.;
- Systematically collecting documents referred to as Project outputs;
- Storing documents in knowledge bases (portals, share drives or hard drives, digital repositories, knowledge network, library) so that the work done can become retrievable during and after the Project, allowing civil servants to reuse what has been done and build on it;

- Utilizing knowledge institutionalization & promotion mechanisms.

Technical Support

- Installation of any new hardware/software/applications/data bases;
- Procurement of necessary equipment.

Technical Capacity & Expertise

Notwithstanding its notable achievements in capacity development, during the previous interventions the Ministry had been developing its institutional, organizational and individual capacities, while it outsourced any expert competence in financial and legal issues when it needed, via employment or short-term contracts. Whereas academic expertise is needed and welcome in any institution, in itself it does not suffice. Policy development know-how, including impact assessment skills, is predominantly acquired through practice. The Ministry therefore needs to develop this particular facet in its staff, especially given the enormous finance policy remodelling effort expected in the context of Acquis communautaire. Intense activities in this area will entail expert support, professional specialisation, structured training and more. These activities will affect all organizational units of the Ministry, especially civil servants and line managers within the Economy & Public Enterprises, Financial System, Macroeconomic & Fiscal Analyses & Projections sectors and the EU Integration and State Aid Control divisions, as well as the Secretariat and the Cabinet of the Finance Minister.

Expert Support

- Policy advice in the field of restructuring of local public enterprises and state aid;
- Policy advice in the sphere of capital markets;
- Policy advice in the sphere of advanced macroeconomic and fiscal analysis and projections, with a view to developing high-level dialogue with other relevant institutions;
- Policy advice in EU integration process;
- Policy advice in the field of institutional structuring, work process streamlining and policy development & coordination standards, as well as *ex ante* policy impact assessment models.

Professional Specialization

- Cooperation with various educational institutions in Europe, offering special courses and seminars (duration 2-3 weeks) from the field of expertise of the Ministry of Finance (e.g. College of Europe, *Clingendael* institute, Diplomatic Academies, Ministry of Foreign Affairs of the Netherlands, etc.).

Training

Regular general and specialized training for all involved would include:

- Trainings on specific areas of expertise (e.g. Programming of EU Funds, Management Decentralization of EU Funds, Ex-Ante Policy Impact Assessment, Negotiations and Bargaining Skills in the EU, Strategic Planning, Gender Mainstreaming etc.);
- Training in ICT, advanced project management skills & tools, project evaluation standards etc.
- Language training in specific areas of expertise, e.g. fiscal, customs, public procurement, securities, macroeconomics, banking, etc.;
- Acquiring of necessary literature for each area of the Ministries' competence. Procurement of Consensus Forecasts publications and studies (G-7 countries, West and East Europe, Asia, FOREX); Bloomberg (financial market data, external projections, comparative analyses, exchange of macroeconomic data), Economist magazine and other books.

Monitoring and Evaluation

At the outset of the Project, a team consisting of an international and a national expert, will be deployed to perform an organizational review and offer recommendations for optimizing the structure, the harmonization of ICT systems and work procedures, improving coordination within the Ministry. These findings will also vitally inform the objectives and key factors of the FSPCF Project, laying the foundation of the policy coordination framework which the Ministry seeks.

Based on these initial expert findings, it will be possible to determine working modes, processes, performance targets and indicators, to guide the Project team in achieving relevant results. A resulting performance management plan will incorporate lessons learned, as well as procedures and tools developed by the consultants during Phase III and will invoke standards, best practices and innovative

solutions from effective public administrations worldwide. The corresponding work plan will provide a clear course to ensuring sustainability of project outputs and creating an environment allowing a successful exit at the end of the project. The Project Management Team will regularly monitor the performance against the work plan.

ANNEX II

PROJECT RISK LOG

Project Title: Finance System Policy Coordination Framework		Award ID:		Date: August 2009					
#	Description	Date Identified	Type	Impact & Probability	Countermeasures / Mngt response	Owner	Submitted, updated by	Last Update	Status
1	Evolving political environment	1 August 09	Political	This may affect delivery of the project and achievement of the project outputs P = 3 I = 4	Much of the risk can be mitigated by experience in capacity development programmes with the Serbian government since 2000, and its regular programme management arrangements	Technical Adviser	Project Developer		No change
2	Frequent changes in the Ministry and Project leadership in the past (5 Ministers, 4 National Project Directors)	1 August 09	Political	This may cause severe delays and interruptions during project implementation, which in turn will affect achievement of project outputs and project delivery P = 3 I = 5	Much of the risk can be mitigated by experience in capacity development programmes with the Serbian government since 2000, and its regular programme management arrangements	Technical Adviser	Project Developer		No change
3	Global Economic Crisis	1 August 09	Strategic	This may lead to refocusing of the top management of the Ministry to external	Much of the risk can be mitigated by experience in capacity development programmes with	Technical Adviser	Project Developer		No change

4	Limited supply of consultants with required expertise	1 August 09	Strategic	<p>This risk may severely delay achievement of project outputs and slow down delivery significantly</p> <p>P = 2 I = 5</p>	<p>developments and other priorities rather than to project issues</p> <p>P = 3 I = 5</p>	the Serbian government since 2000, and its regular programme management arrangements	Technical Adviser	Project Developer	No change
5	Complexity of proposed objectives and their complicated interconnectedness	1 August 09	Strategic	<p>This risk may lead to difficulties in project implementation as delay in one segment of the project may cause delays of other aspects of intervention</p> <p>P = 2 I = 4</p>	<p>At the beginning of the project, the project management team will develop a Performance Planning Report, including Workplan, to serve as a roadmap of proper project implementation. The project will adopt a result-based management approach, which will ensure achievements of project outputs and sustainability of the results. The findings and recommendations of the Sustainability Mission, as well as the Final Project Evaluation Mission, and in particular lessons learnt, will be taken into consideration and will be incorporated into the</p>	<p>At the beginning of the project, the project management team will develop a Performance Planning Report, including Workplan, to serve as a roadmap of proper project implementation. The project will adopt a result-based management approach, which will ensure achievements of project outputs and sustainability of the results. The findings and recommendations of the Sustainability Mission, as well as the Final Project Evaluation Mission, and in particular lessons learnt, will be taken into consideration and will be incorporated into the</p>	Technical Adviser	Project Developer	No change

6	Difficulty in measuring success in such a context (too many external factors)	1 August 09	Operational	A clear vision of the progress of project outputs may be blurred due to this risk and, consequently, major obstacles in project implementation may not be identified and addressed properly and in a timely manner. P = 2 I = 4	At the beginning of the project, the project management team will develop a Performance Planning Report, including Work plan, to serve as a roadmap of proper project implementation. The project will adopt a result-based management approach, which will ensure achievements of project outputs and sustainability of the results. A clearly defined monitoring mechanism will be put in place	Technical Adviser	Project Developer		No change
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