

United Nations Development Programme



PROJECT DOCUMENT
[UNDP Country Office Serbia]

Project Title: Reducing Community Carbon Footprint by a Circular Economy Approach in the Republic of Serbia

Project Number: 00129537 / 00123168

Implementing Partner: Ministry of Environmental Protection

Start Date: 02 March 2022 End Date: 02 March 2027 LPAC Meeting date: 30 September 2021

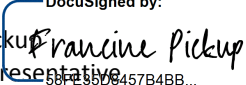
Brief Description

The project aims at reducing community carbon footprint by advancing circular economy (CE) in Serbia by supporting: i) the establishment of an enabling policy and institutional framework aligned with the EU CE policies with related training and other capacity building of the key stakeholders and by fostering broad community participation in developing and implementing those policies; ii) the establishment of a Low Carbon Communities Innovation Platform (LCCIP) to source and support the development and implementation of new resource efficient circular economy related business ideas, products, investments and process improvements; iii) selected pilot CE investments by using the LCCIP and CE challenge calls and UNDP Low-Value Performance - Based Payments linked to them; and iv) scaling up the project results by related knowledge gathering, dissemination and public outreach activities.

The direct GHG reduction impact of the project has been assessed at 100 kilotons of CO_{2eq} over the estimated 20-year lifetime of the pilot investment, together with the estimated consequential (indirect) GHG reduction impact of 1 640 kilotons of CO_{2eq} and related social, economic and local environmental benefits.

<p>Contributing Outcome (UNDAF/CPD, RPD or GPD): Serbia adopts and implements climate change and environmentally friendly strategies that increase community resilience, decrease carbon footprint and boost the benefits of national investments.</p> <p>Priority Area: Signature solution 3: Enhance national prevention and recovery capacities for resilient societies; Outcome 2: Accelerate structural transformations for sustainable development</p> <p>CPD Output 3.2: Equitable economic and employment opportunities are promoted through innovation and circularity</p> <p>Indicative Output(s) with gender marker: GEN 2</p>	Total resources required:	Direct: \$ 1,877,000	Parallel: \$14,050,000	
	Total resources allocated:	UNDP TRAC:	\$ 100,000	
		GEF:	\$ 1,777,000	
		Other (parallel) co-financing:	\$ 13,850,000	
		UNDP In-Kind:	\$ 50,000	
		GOV In-Kind:	\$ 150,000	

Agreed by:

Government	UNDP
<p>Print Name: Jelena Tanaskovic State Secretary, Ministry of Environmental Protection</p>	<p>DocuSigned by: Print Name: Francine Pickup Resident Representative</p> 
Date:	Date: 11-Mar-2022

I. DEVELOPMENT CHALLENGE

As concluded by the Global Resource Outlook 2019 published by the UNEP International Resource Panel (IRP) in March 2019¹, the extraction and processing of natural resources has accelerated over the last two decades and accounts for more than 90 per cent of our biodiversity loss and water stress and approximately half of the climate change. Thus, a systematic and holistic cross-sectoral improvement of resource efficiency and a shift towards circular economy (CE) needs to be among the core actions to reach the targets of the Paris Climate Agreement. The role of circular economy in this context is also highlighted by the GEF Background Note on Circular Economy prepared for the sixth GEF Assembly meeting in June 2018 noting that *'The circular economy model provides tremendous opportunities for reducing natural resource extraction and emissions of hazardous chemical emissions and greenhouse gases, along with fast tracking the achievement of commitments by countries with the major international conventions'*.

On the path towards more efficient resource utilization and for meeting its commitments to the Paris Agreement, Serbia still has major steps to take. Managing the material streams is inadequate and collection of recyclable materials is poorly organized by the mostly inefficient Public Utility Companies (PUCs). Lack of appropriate surveillance and control system allows the use of non-compliant landfills and the establishment of illegal dumpsites. Besides wasting resources, the situation represents a major threat also to the local environment with more than 3,500 illegal dumpsites, uncontrolled burning and pollution of air, soil and waters. According to initial estimates, approximately 50 million Euros worth of usable resources are every year deposited to non-sanitary landfills in Serbia with the estimated recycling rate from 5 to 7% only.

From wastewater only 13% is treated. In most municipalities, there is no infrastructure for sewage and wastewater treatment, but wastewater is released untreated into the rivers. A significant amount of plastic from Serbia and other countries of the region is also ending up to the rivers and further to the sea.

The Ministry of Environmental Protection (MoEP) still lacks adequate resources, capacity and information for developing effective CE policies and for ensuring their effective enforcement and implementation. For this, it would need to establish new project management and financing structures, while also strengthening its enforcement capacity. The available incentives for the private sector should be applied more transparently way by taking into account criteria and indicators, which promote circular economy and efficient use of resources in general. The public awareness on the benefits and practical means to effectively advance circular economy would need to be enhanced in parallel.

While some circular economy related strategies and legislation have been developed and adopted during the past few years, the work has been largely focusing on an effort to align the Serbian legislation with the corresponding EU directives. There has been less emphasis on new bottom-up initiatives for promoting cross-sectoral co-operation for new innovative ideas and business opportunities, by which waste management would not be seen as an additional cost item only. An enabling policy and financing environment for circular economy is equally needed for local communities. In advancing green procurement schemes, greater attention should be paid, among others, to manufacturers' prolonged product responsibility and life-time carbon footprint of the products and services to be purchased.

The main barrier to improving resource efficiency is the lack of end-of-waste regulations for all such waste streams, which would enable better reuse and recycling of raw materials and boost circular economy in a broader context. Besides communal waste, other waste streams, such as construction waste, still lack basic legislation that would allow their recycling and/or reuse. Inadequate surveillance and enforcement of environmental legislation represent a further barrier to this effect. Although there is a growing number of start-up companies, which are innovating and developing new solutions for waste originating from households, service sector and industry, the current approach to resource management in Serbia is still largely based on a linear use of raw materials. This is discouraging also the SMEs, which could be reliable partners to the public sector in advancing circular economy and at the same time their corporate environmental responsibility.

The baseline scenario is that in the absence of the project, the policy and other barriers discussed above continue to hinder the effective advancement of circular economy in Serbia, thereby also preventing the related GHG emission reduction.

¹ <https://www.resourcepanel.org/reports/global-resources-outlook>

The problem tree illustrating the causal chain between the root, underlying and immediate causes is presented in Figure 1 below.

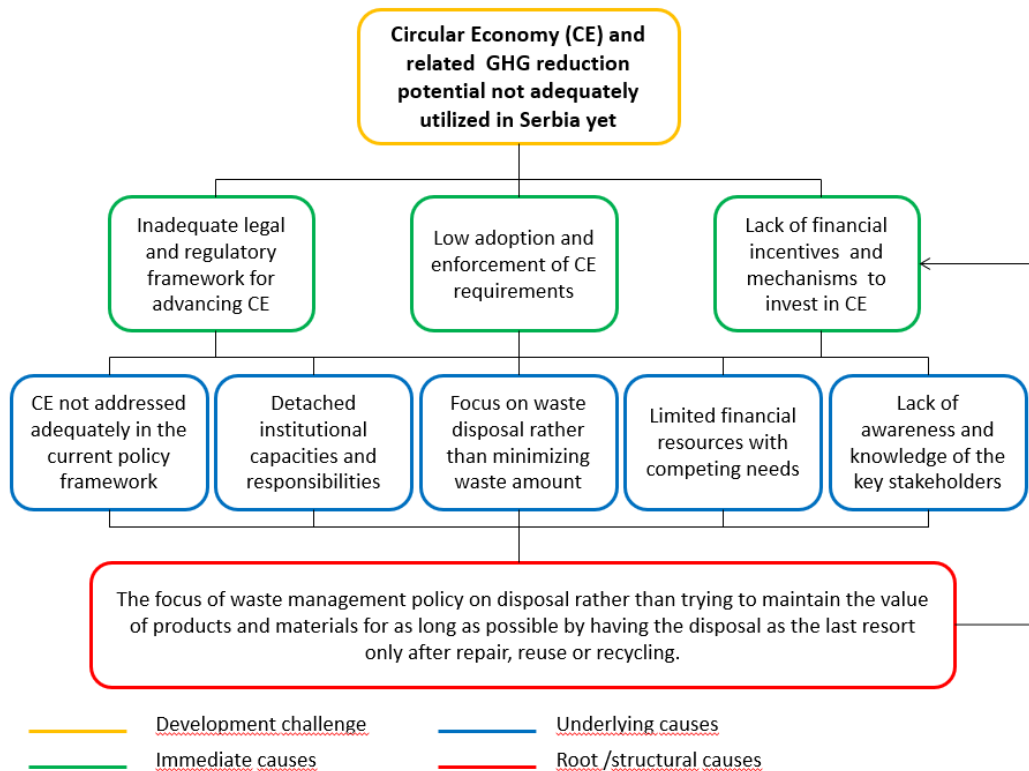


Figure 1 Problem tree

The environmental and climate change related policies and strategies in Serbia are under the jurisdiction of the Ministry of Environmental Protection, although indirectly associated also with the responsibilities of other ministries such as the Ministry of Mining and Energy. The Ministry of Environmental Protection is also the key institution in charge of promoting a circular economy by building upon strategic directions such as those described in the National Cleaner Production Strategy and the Strategy for Sustainable Use of Natural Resources and Goods.

In Serbia's EU accession process, resource efficiency based on circular economy approaches and other related topics, are included in Chapter 27 of the EU Acquis. The screening report published in 2016 concluded that in general the legislation has satisfactory level of alignment with Chapter 27 of the Acquis, and Serbia should be able to complete the alignment by the date of accession, although the implementation and enforcement are still at an early stage. The dismantling of the functional Chemicals Agency and Green Fund, the high turnover of the staff and limited financial resources of the Ministry and in the Environmental Inspection were listed as concerns. Also, Serbia endorsed the Sofia Declaration on Green Agenda for the Western Balkans which is largely based on the introduction of circular economy in the context of decarbonization. This Agenda is put forward by the EU, reflecting upon the EU Green Deal policy and is supposed to facilitate Serbia's EU accession process

A National Strategy of the Republic of Serbia for Cleaner Production was adopted in 2010. Other documents including references to resource efficiency and circular economy include: the National Strategy for Sustainable Use of Natural Resources and Goods (2012), National Environmental Protection Programme (2010), National Strategy on Water Resource Management (2016), the Law on Environmental Protection (with the latest revision in 2011) and the Law on Waste Management (with the latest revision in 2016).

Regarding the UNFCCC framework, resource efficiency has been recognized in the national communications of Serbia and their biennial update reports to have a significant potential for reducing GHG emissions and achieving carbon neutral economy. At first place by reducing emissions from landfills, but also by increasing resource efficiency by different reuse and recycling schemes, thereby also contributing to the Intended Nationally Determined Contribution (INDC) of Serbia to the Paris Agreement to reduce the GHG emissions by 9.8 % by 2030 compared to the 1990 baseline year emissions.

II. STRATEGY

By building on successful testing and piloting of performance-based grants and a challenge-based approach by the earlier GEF supported Climate Smart Urban Development (CSUD) project, a similar mechanism and financing modality for combatting climate change will be applied for advancing circular economy. The performance-based payments approach using financial incentives that do not exceed more than 20% of the total project cost have been proven successful, because it requires a meaningful cost-sharing contribution by the project owner and/or project other co-financing partners, while at the same time increasing project owner's accountability on the results to be actually achieved. Further discussion on performance-based grants can be found from chapter IV.

Besides sourcing new innovative community-based business initiatives and investment ideas to serve as pilot projects using a blended finance approach mixing grants and equity and loans, the project will also address the equally important policy, capacity building and public awareness raising dimensions by engaging key stakeholders to work together on an enabling legal and regulatory framework, a strategic roadmap and related implementation program to facilitate a gradual move from the current linear to a circular economy.

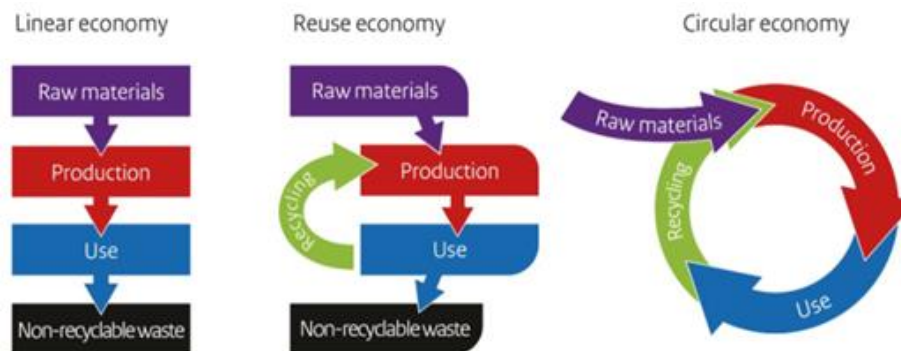


Figure 2 From linear to a circular economy in using limited natural resources

To address the identified development challenge, the immediate, underlying and root causes and the related causal chains discussed in the previous section, the theory of change (ToC) can be presented by an iterative process including three main elements, as illustrated in figure 3 below.

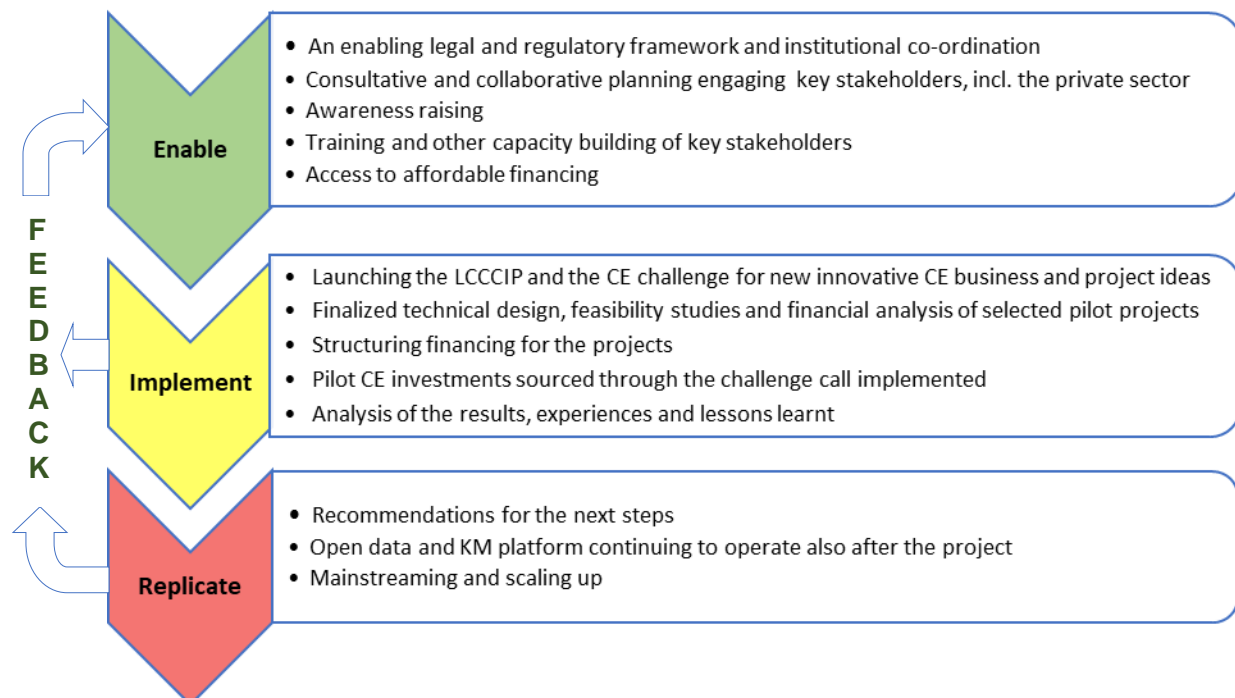


Figure 3: Simplified illustration of the ToC and the areas to be addressed and supported by the project

Furthermore, the causal chains between the identified barriers/underlying problems and the project outputs, outcomes and objective as suggested by the to STAP’s primer on the issue of Theory of Change (TOC) - <https://www.stagef.org/theory-change-primer> is illustrated in figure 4 below. As commonly noted, access to financing is not really the main problem as long as: the economic and financial benefits of low and no carbon investments can be clearly demonstrated and verified based on credible data, there are trained local professionals to prepare and implement projects based on state of the art knowledge and practices, the policy makers also recognize and acknowledge the benefits of low and no carbon circular economy investments on country’s overall economic and environmental wellbeing and, consequently, advance enabling policies to facilitate this also in practice. As such, the Theory of Change also heavily builds on creating an enabling environment for further advancing the circular economy agenda in Serbia rather than just financing a few technical demonstration projects.

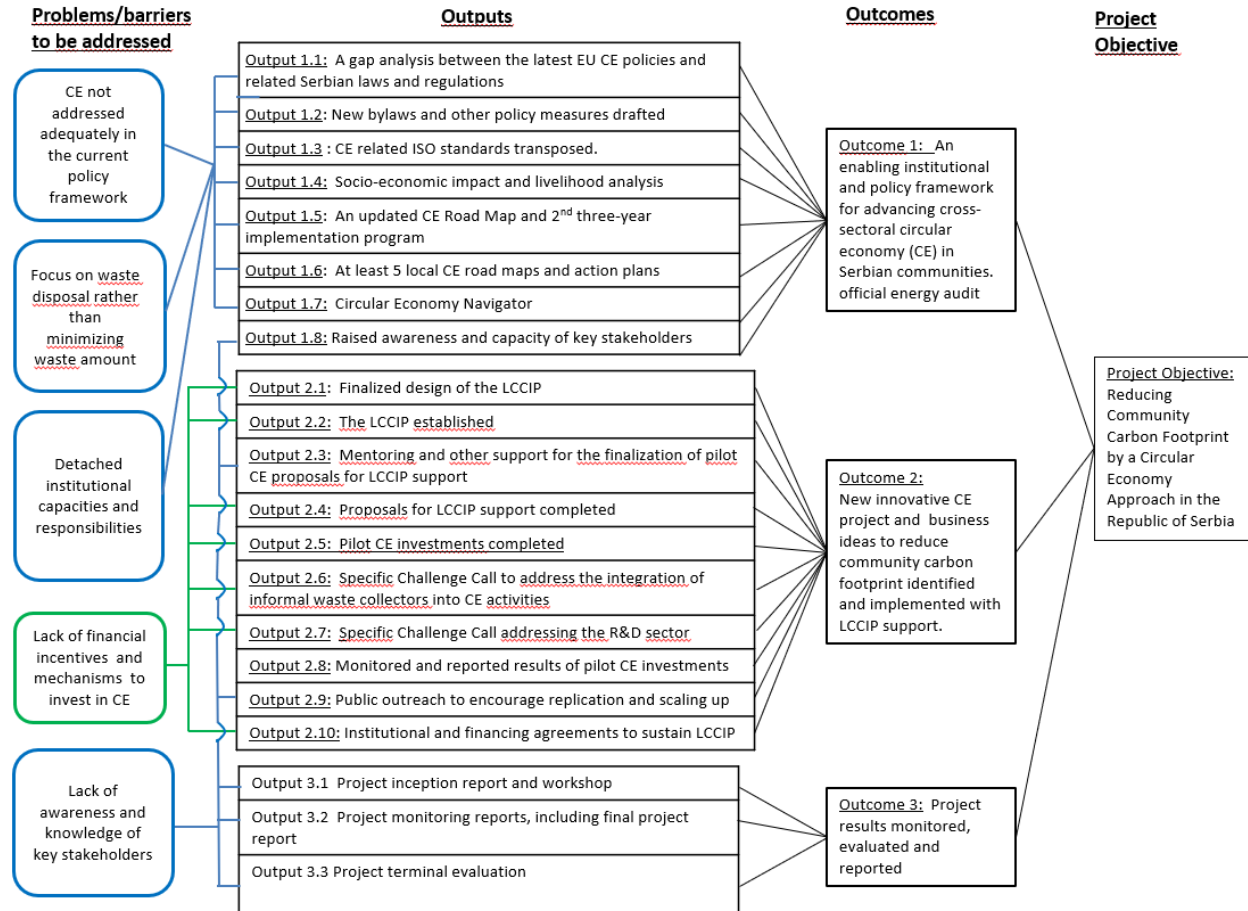


Figure 4: A complementary illustration of the ToC showing the causal chains

By taking a system-wide approach to a circular economy by dematerialization (savings, reduction of material and energy use) and rematerialization (reuse, remanufacturing and recycling) as essential elements of a sustainable city and community development, the project seeks to establish an enabling policy and institutional framework and create a sustainable financing mechanism for facilitating the implementation of new technologies, processes and business initiatives. Switching the focus from the responsive passive approach in environmental protection to a modern, circular/green economy-based approach will provoke structural changes and create a market for new green investments and green jobs, while at the same time improving Serbia’s overall resource efficiency and reducing the greenhouse gas emissions and other pollutants to the environment.

It is also important to note that promoting a circular economy is not only about supporting specific investments or facilities but about supporting a change in people’s way of thinking, which should go through the entire society. Moving from a linear to a circular economy is not a project, but a process, which requires inputs and commitments from a variety of different stakeholders to work towards the same goal by hopefully recognized mutual benefits.

Therefore, it is critical that from the very beginning the policy framework and suggested measures for moving towards a circular economy will be developed by a broad consultative process in close cooperation between the public, private, academic and civil society stakeholders. This offers an opportunity to better engage civil society and also emphasize the important role women can play in this process. Furthermore, it helps to foster investments from the private sector and multilateral development banks and raise investors' awareness and transparency regarding the sustainability of their investments.

The project is following this approach by lending from the idea of a highly consultative, participatory and well-documented process of developing cross-sectoral national and community-oriented circular economy road maps, as earlier piloted in Finland, France, Slovenia and the City of Amsterdam. This will serve as an initial platform for the required consultations, research and awareness-raising and will be complemented by a funding mechanism to support and share the risks of new concrete initiatives and pilot/demo projects and business ideas.

As it concerns the actual investments and new circular economy business opportunities, the project will follow the methodology and tools already tested within the CSUD project in order to further blend and leverage funding for climate resilient development solutions. These include innovation challenges and performance-based payments, new type of partnerships with the private sector, multi-stage evaluation of proposals with strong ownership of national counterparts as well as incubation/acceleration type of technical assistance and mentoring provided to the project teams. The support will be organized by the establishment of a Low Carbon Communities Innovation Platform (LCCIP) for facilitated interaction between the cities and communities, research institutions and companies (both, public and private) in order to produce new innovative circular economy related project ideas and business solutions.

The main assumptions and risks to the proposed project strategy are discussed in greater detail in Annex 7 of this project document. For meeting the project objective, it is essential that there will be a clear political will to effectively encourage the further transformation of Serbian production and waste management facilities and practices to apply the principles of circular economy. The positive experiences from the ongoing CSUD project as well as some initial steps were already taken by the Government provide a positive signal to this effect. The project has been developed in close consultation with the key stakeholders and beneficiaries. By rigorous technical and financial due diligence of the proposed pilot investments, the project also seeks to minimize any technical and financial failures.

All the measures supported by the project also need to be socially and environmentally acceptable. This has been addressed by a comprehensive Social and Environmental Screening Process (SESP) and related Environmental Social Management Framework as well as a Gender Analysis and Gender Action Plan presented as Annexes to this project document.

The project is contributing to the GEF-7 Focal Area Objective 1: "Promote innovation and technology transfer for sustainable energy breakthroughs". As outlined by the GEF-7 Replenishment Programming Directions (GEF/R.7/10 April 2, 2018): *"Technology is key area for the UNFCCC and in Article 10 of the Paris Agreement, and is one of the key means to reduce, or slow the growth in GHG emissions, and to stabilize their concentrations. To that end, technology innovation with the private sector can help to create or expand markets for products and services, generate jobs and support economic growth. Supportive policies and strategies are fundamental to catalysing innovation and technology transfer for mitigation and enhancing private sector investments. Resources from the GEF play a key role in piloting emerging innovative solutions, including technologies, management practices, supportive policies and strategies, and financial tools which foster private sector engagement for technology and innovation."*

The Circularity Gap Report 2019, released during the annual meeting of the World Economic Forum in Davos further recognizes circular economy as a regenerative system in which resource input and waste, emission, and energy leakage are minimized by slowing, closing, and narrowing energy and material loops. Such an approach has been reaffirmed by the UNFCCC Secretariat as well.

III. RESULTS AND PARTNERSHIPS

By building on the Theory of Change discussed in the previous section, the project implementation strategy and expected results are structured under three interrelated components, which are briefly discussed below. For further details, a reference is made to chapter V. "Project Results Framework".

Component 1 is about strengthening institutional capacities and creating an enabling policy environment for tackling GHG emission reduction at the city and community level by fostering better resource efficiency.

The environmental and climate change related policies and strategies in Serbia are under the jurisdiction of the Ministry of Environmental Protection (MoEP). Co-ordination between different Government entities is ensured by intersectoral Government bodies such as the National Climate Change Council, the Working Group for Circular Economy and the Working Group for SDGs implementation. Within the MoEP, the Group for Circular and Green Economy and the Department for Waste Management have been specifically assigned to deal with circular economy related issues.

Strategic directions for the work on circular economy is provided by documents such as the National Industrial Policy Strategy from 2021 to 2030 (2020) with an Action plan (2021), the Strategy for Sustainable Use of Natural Resources and Goods (2011) and the initial Roadmap for Circular Economy, of which the last one was completed by the MoEP in 2020. These baseline activities will be followed up by the development and enactment of a three-year Circular Economy Program and Action Plan and other related policy documents such as the new Waste Management Strategy with Action Plan, a new Law on Waste, amendments to the Law on Packaging and Packaging Waste and the draft Law on Green Public Procurement. The project also seeks to co-operate with the EU funded Eco-design and Energy Labelling Project. By enhancing the conformity assessment and enforcement infrastructure in Serbia, the project will be used to further establish eco-design requirements on resource efficiency and facilitate their integration into public procurement guidelines and regulations.

Local self-governments are obliged to produce local Waste Management Plans contributing to the national Waste Management Strategy, including operationalization of regional waste management centers. The majority of the local waste management plans have been expiring in 2020 and have to be renewed, thereby representing an effective entry point for mapping local CE potential and integrating CE related targets also at the level of local self-governments.

By building on the above the project outcomes and outputs for component 1 have been structured as follows:

Outcome 1: An enabling institutional and policy framework for advancing cross-sectoral circular economy (CE) in Serbian communities

Output 1.1 A gap analysis between the latest EU circular economy policies and related Serbian laws and regulations.

Output 1.2 By building on the results and recommendations of Output 1.1, new bylaws and other policy measures for effectively advancing circular economy in Serbia drafted

Output 1.3 Circular economy related ISO standards that are not in use in Serbia yet transposed

Output 1.4 A completed socio-economic impact and livelihood analysis with related recommendations and, as applicable, a Livelihood Action Plan (further detailed in Annex, to mitigate the eventual harmful socio-economic impacts to vulnerable population groups such as informal waste collectors, who may be affected by new CE policies.

Output 1.5 An updated Circular Economy Road Map and the 2nd three-year Implementation Program for Circular Economy completed by building on a broad consultative process and incorporating experiences and lessons learnt from monitoring the implementation of the first program and the CE investments piloted.

Output 1.6 At least 5 circular economy road maps or action plans developed by local self-governments by building on the activities of the Climate KIC project "Developing pathways for the circular economy" and its potential further follow-up with EU IPA funding.

Output 1.7 Circular Economy Navigator as an online knowledge management and marketing platform (serving also as the project and the LCCIP website) to support: i) collection and use of recycled secondary raw materials; ii) marketing of new innovative business ideas and projects; and iii) finding suitable implementation and financing

partners for them. While taking full advantage of the available IT opportunities, the activities implemented within this framework may also encompass specific match-making events, trainings etc.

Output 1.8 Raised awareness and built capacity of the key stakeholders to implement CE related policies, including capacity building of the industry and commercial sector to integrate circular economy ideas into their businesses.

The outputs above in combination with the experiences and lessons learnt from the supported pilot projects will assist the Government of Serbia in meeting the targets set by the National Programme for the Adoption of EU Acquis, including a target to process at least 60% of the packaging waste and establishing a system for the management of different communal, agricultural and industrial waste streams in accordance with circular economy principles. As a part of this, the project will explore the opportunities for producers' and retailers' prolonged responsibility of products they deliver, including recycling of the packaging waste and improved source waste separation. Specific attention will also be paid to initiating the segregation and recycling of construction and demolition waste, which is accounting for almost 3% of the overall waste amount in Serbia, or nearly 330.000 tons annually.

The required awareness raising and capacity building can be done in close cooperation with the Chamber of Commerce and Industry of Serbia and its Circular Economy Department, by building upon the Circular Economy Academy recently established in the Chamber with UNDP support.

The capacity building activities under Outcome 1 will also be taking into account related regional activities. In addition to the Climate KIC project mentioned above, which is operating in several countries, UNDP offices in the region will be approached for cooperation. Due attention will also be given to the elaboration of such policy measures that would facilitate better interaction between the research institutions and commercial sector in order to transform the research into innovative CE products and getting them into the market.

In order to further assess the social and environmental risks related to policy changes, additional screening through assessment of legislation via a scoped Strategic Environmental and Social Assessment (SESA) is foreseen based upon the Environmental and Social Management Framework (ESMF).

Component 2 is about supporting the development and implementation of a portfolio of new, carbon neutral or close to carbon neutral pilot/demonstration projects and business ideas contributing to circular economy together with related KM and public outreach activities.

This will be done by launching a CE Challenge Call and a Low Carbon Communities Innovation Platform (LCCIP) by building on the experiences and lessons learnt from the earlier GEF financed, UNDP supported project, namely, "Climate Smart Urban Development (CSUD) project in Serbia" (GEF ID: 9342). The LCCIP will provide guidance and mentorship for entrepreneurs in developing their initial ideas to marketable businesses and products and offer co-financing for leveraging financing from other public, semi-commercial or commercial funding sources by sharing the project risks with an idea that the private sector will be engaged as development partners and co-creators rather than mere implementers of pre-defined pilot and demonstration projects.

The Challenge Call(s) will be formulated in close consultation with the communities and business sector in order to attract ideas that are in line with the community priorities and needs, while also leaving enough space for creative solutions and innovation to create new markets for the private sector. For this, the project will also co-operate with the EU Delegation to Serbia through "Green Agenda for the Western Balkans" in Serbia, the EIT funded Climate KIC program that bring climate-focused innovation to market and with the CE Hub of the Chamber of Commerce and Industry to boost the innovation capacity of domestic enterprises in the field of green technologies and resource efficiency by linking them to local R&D service providers. Participation of the research institutions is equally relevant as they will ensure promotion and testing of new technologies, based on their research work and collaboration with other research institutions globally.

The EU funding worth of EUR 8 million for the implementation of the "Green Agenda for the Western Balkans will support practical solutions to reduce the carbon intensity of both the public and the private sector and industries by technical assistance and identification of diversified sources of financing for such solutions. Beside supporting energy efficiency and renewable energy, a large portion of financing will also be directed to support technical solutions and business models that apply circular economy principles. The EU Delegation to Serbia already confirmed readiness to work in parallel with the UNDP supported and GEF financed project in identification, acceleration and co-financing of complementary projects.

Examples of projects that can be supported by the LCCIP are those that can reduce the disposal of usable resources by transforming former waste into new products or usable raw materials such as diverting organic waste from landfilling and including it into energy and/or fertilizer production, introducing new technical innovations for wastewater treatment and recovery of different kind of inorganic waste by new collection and/or dismantling facilities and using the obtained secondary raw materials for new products. Ideas and solutions prolonging the lifetime of products and innovations in industrial processes that can lead to greater resource efficiency can be considered as well. Further examples of the type of projects eligible for LCCIP support can be found from the CSUD project website (<http://inovacije.klimatskepromene.rs/en/home/>). It has also been agreed that at least one of pilot project should focus on applying circular economy principles in a public building.

The criteria for benefitting from the LCCIP support was further elaborated during the PPG phase and a pre-challenge call was organized to collect an initial set of project ideas as candidates for later project support.

The GEF financing for investment support will be primarily used in the form of Low-Value Performance-Based Payments, which is a financing modality successfully applied by the support of UNDP already in the earlier CSUD project. Low-Value Performance-based payment is an umbrella term for various schemes that pay a party upon the achievement of results, rather than for efforts to accomplish those results. Otherwise, similar to other grant incentives, the performance-based payments modality can be considered as a form of credit enhancement to increase projects' economic viability thus making it easier to reach their financial closure. Also, the PBPs may be used for development challenges that are typically "large and proven", which means the theory of change is well understood, the 'result' has already been tested in another setting, and best practices exist that can be replicated at scale. Applying the PBP increases focus on **measurable and sustainable development results**, validated by the **Project Board** base on the prior assessment assistance of the independent, international project advisor. They also **incentivize** full achievement or over-achievement of the pre-agreed results, while, similarly, they allow flexibility to **reduced payments** envisaged for near-misses or partial achievement of results. The PBPs are considered to be drivers of **innovation** and **accountability** and the recipient must be financially viable and able to bear upfront costs. Applying PBPs provide greater certainty to donors about the **Value for Money** for scarce development funds, as well as they reduce donor's **financial and reputational risks**. PBPs are convenient for **catalyzed funding** from other development partners attracted by scalable and measurable results. The issuance of PBPs will be subject to the decision of the Project Board and the PB will be in charge of monitoring implementation of the PBPs and approve each payment as per the delivered results. Only upon the receipt of the documentation that confirms fulfilment of the planned results (deliverables) by the PBP beneficiary, the project management team will prepare recommendation to the PB for approving or discarding the payments. Any deviation from original PBP will have to be also verified and approved by the PB. Also, in case the recipient of the PBP fails to deliver agreed results, the PB will decide on cancelation of the PBP.

The sources and modalities to co-finance the projects may include public grant financing (such as by the budget of the MoEP/future Green Fund, budgets of local self-governments such as the City of Belgrade), other bi- or multilateral international donor support, private lending, venture capital or, when applicable, crowdfunding. A possibility for piloting green bonds will be explored as well.

As regards project KM and public outreach activities, the project will follow an "Open Knowledge" approach publishing all project related documentation, training materials and supported project and business initiatives on the project and UNDP website, as well as to the extent feasible on the web sites of the key project partners. Considerable attention will also be paid to other electronic media such as TV and radio, for which regular statements and video coverages of project activities will be provided.

The Open Knowledge approach applies also for project terminal evaluation, which similar to all GEF financed UNDP implemented projects can be downloaded from the public UNDP website: web.undp.org/gef/evaluation.shtml.

For learning from corresponding initiatives in other countries and for ensuring that the latest global knowledge, best practices and technical developments can be taken into account, the project shall link up with other knowledge management networks and platforms dealing with the topic.

Special attention will be given to communication with expert community. Given the technical complexity of the project, the project results will be presented on expert conferences and workshop organized by different professional organizations such as Climate KIC, Chamber of Commerce, National Association for Local Economic Development etc.). The participation of the Serbian Chamber of Commerce, as well as the National Association for Local Economic Development, Chamber of Engineers, will ensure that project related information is broadly

disseminated among the business community while participation of the Standing Conference of Towns and Municipalities will ensure commitments and contribution of the local self-governments.

There is also a need to increase the awareness of the population on environmental issues in general, as well as on the meaning and benefits of circular economy. The project will build its awareness raising activities on the results of previously conducted circular economy-oriented projects with due attention on the inclusion of marginalized groups.

Given the foreseen interest of also several other BPPS NCE-VF program countries to advance circular economy as a part of combatting climate change and meeting their commitments to the Paris Agreement, the materials developed and the results and lessons learnt in this project are expected to be of direct interest also to other countries. Close monitoring and evaluation of project implementation and documenting of the results and lessons learnt will also in this respect be of primary importance.

The project seeks to facilitate continuing contacts and co-operation between the different stakeholder groups at the national and international level by organizing seminars, workshops and other public events, thereby bringing project proponents, policy makers and potential investors and other donors together. The co-operation between the different Balkan countries, for instance, from which many have been implementing or are initiating activities of similar kind can be seen mutually beneficial.

Low-Value Performance-Based Payments Modality

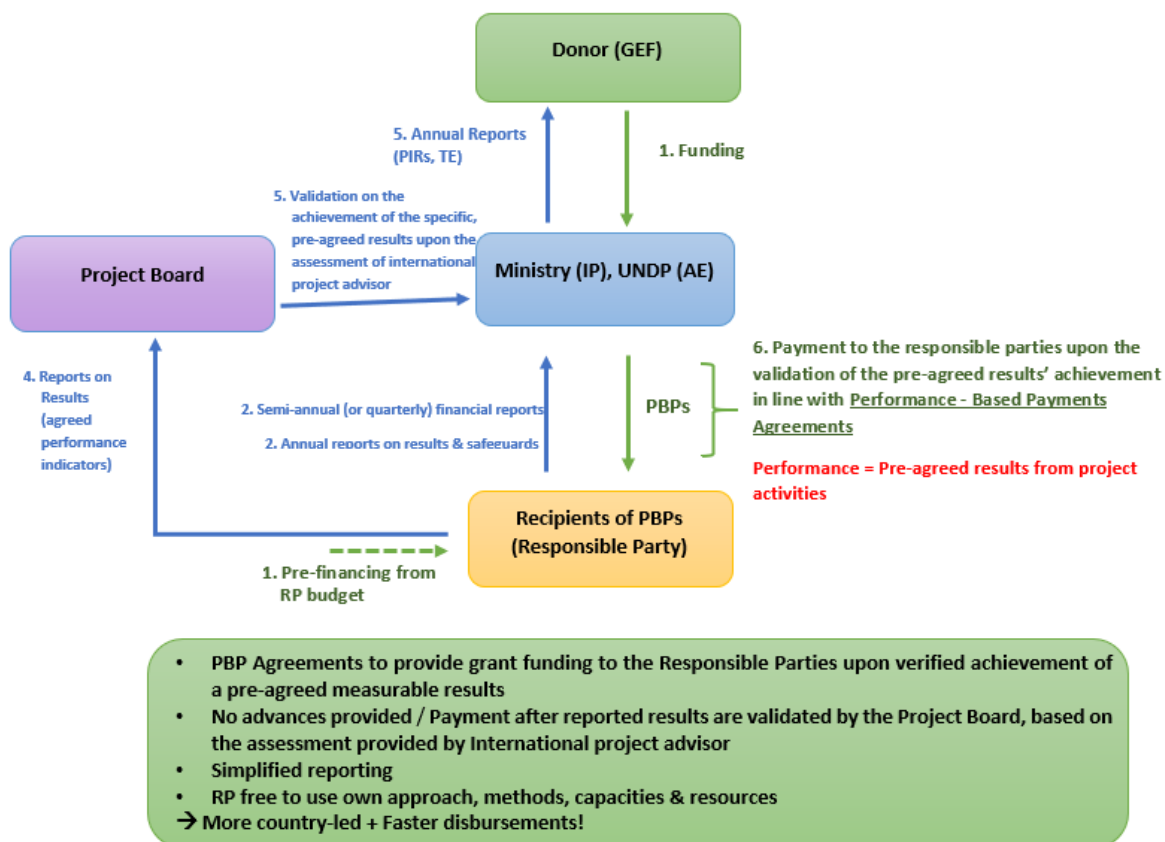


Figure 4. Low-Value Performance-Based Payments modality

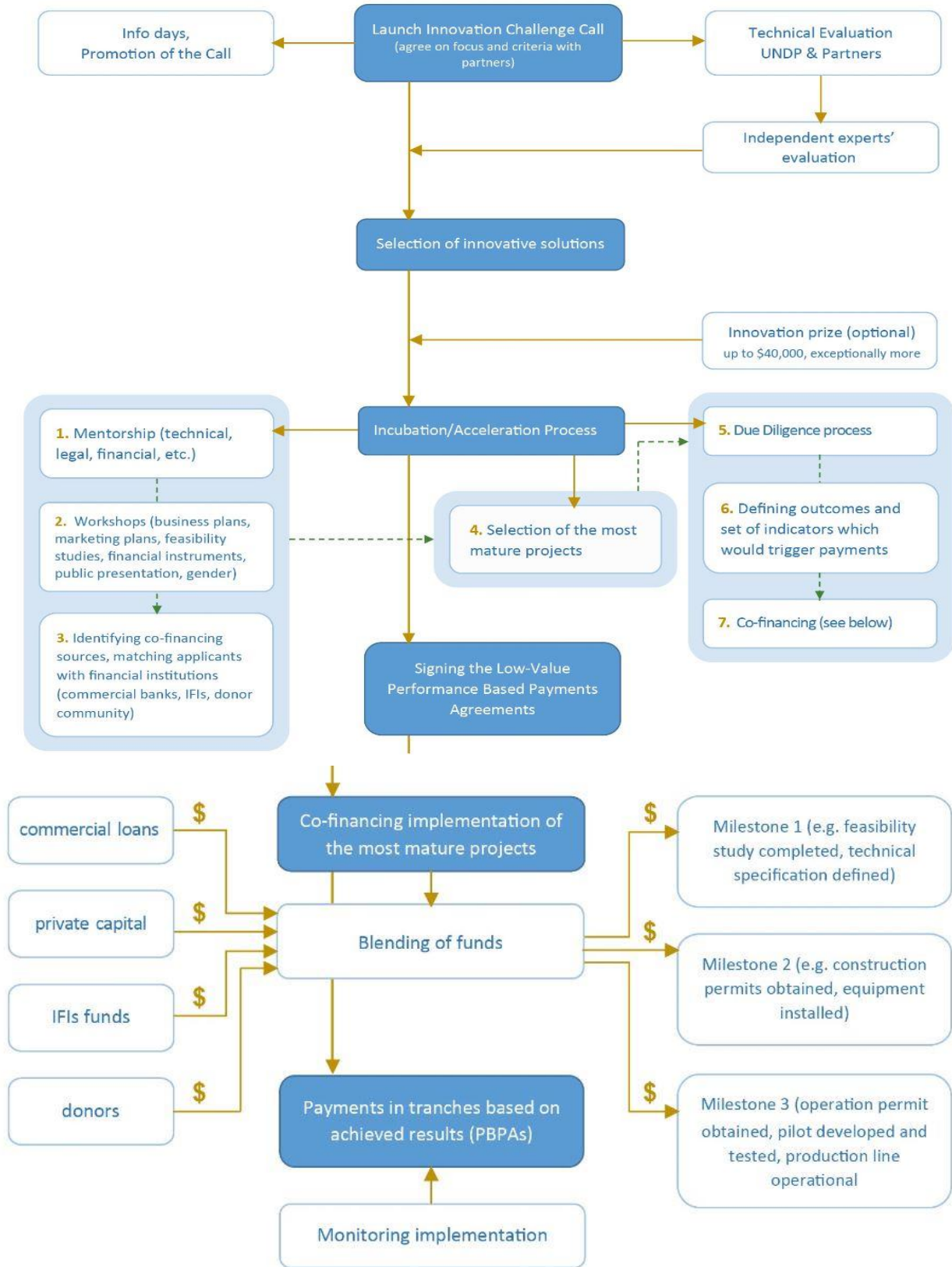


Figure 5. Steps in preparing and implementing Innovation Challenge and Low-Value Performance -Based Payments Agreements

The policy documents and the institutional mechanisms for the re-establishment and effective operationalization of the Green Fund belong to the project baseline activities, but the project can support this process with different institutional strengthening and capacity building activities. Similar to the LCCIP, the aim of the Green Fund is to blend different bi- and multilateral donor (incl. EU IPA) funding and Government's own resources and thus it complements well the proposed GEF funded project.

By building on the above the project outcomes and outputs for component 2 have been structured as follows:

Outcome 2: New circular economy project and business ideas to reduce community carbon footprint identified and implemented with support by LCCIP with related KM and public outreach activities

Output 2.1: Finalized design of the Low Carbon Communities Innovation Platform (LCCIP) to source and support the implementation of new resource efficient circular economy related business ideas, products, investment projects and process improvements.

Output 2.2: The LCCIP established with agreed co-financing arrangements and a mentorship and technical assistance facility as part of the LCCIP to provide guidance and technical support for entrepreneurs in developing their initial ideas to marketable businesses and products and structuring financing from other public, semi-commercial or commercial funding sources for sharing the initial project costs and risks.

Output 2.3: Workshop and other training events, including direct mentoring to support the finalization of proposals for LCCIP financial support

Output 2.4: Proposals including feasibility studies, business and financing plan seeking for LCCIP financial support completed

Output 2.5 Pilot CE investments selected by a challenge call and their implementation supported by Performance-Based Payments

Output 2.6 Specific Challenge Call organized to source and support by innovation awards up to 5 new initiatives for the integration of informal waste collectors in the waste management system.

Output 2.7 Specific Challenge Call organized to source and support by innovation awards up to 10 innovative CE based low-carbon solutions proposed by the R&D sector.

Output 2.8: Monitored and reported results of the supported projects for their direct GHG reduction, social, economic and local environmental impacts

Output 2.9 Public outreach to disseminate results and encourage the replication of pilot projects, including the use of social media, TV, radio, articles in printed media and video coverage, as well as organizing walk-through tours of key public officials to get more government buy-in and a final project workshop

Output 2.10 Institutional and financing agreements to sustain the LCCIP operations after the project end completed to facilitate the implementation of new innovative project and business ideas to advance the CE agenda in Serbia.

As common criteria for the evaluation of all proposals is that the GEF grant contribution cannot exceed 20% of the total investment costs and that the projects need to contribute to the achievement of national targets for the reduction of GHG emissions (as per the NDCs) and increase the efficient use of resources by a circular economy approach. This can be done by supporting the ongoing processes of integrated resource management at the national and municipal levels, increase, as applicable, the share of renewable energy in total energy mix and/or improve the resource efficiency and environmental performance of the local industry.

The activities under Outcome 2 will also specifically encourage female innovators, entrepreneurs and experts to participate in project implementation. A gender action plan will lay out how this will be done in practice. Promotion activities and trainings will be gender mainstreamed, targeting specific needs and roles of women, who are directly involved in circular economy related sectors or in any part of the product's lifecycle, and who would seek an opportunity to onboard the LCCIP. To allow this, the project will incorporate gender related criteria. A more specific gender strategy and action plan is presented as Annex 11 to this project document.

Some communities in Serbia have also demonstrated interest in taking more progressive steps towards becoming circular economy communities. Consultations with them will be continued during project implementation to assess the feasibility of such entire community- based pilot and demo projects.

During the PPG phase, SESP has identified potential risk stemming from project ideas that will be supported in scope of Component 2 and included them in the ESMF. However, since the final risk assessment cannot be done at this stage, it is foreseen that project ideas that are pre-selected to participate in the acceleration process, based on the challenge calls, will need to be SESP screened by the Country Office (during the initial stage of the acceleration process) and this will show what assessments are required for SES compliance. For those project ideas which will be selected for co-financing support, before signing the Low-Value Performance-based Payment Agreements, the SESP and other assessments will be conducted, defining management measures for the results triggered by that proposal. If needed, an ESMP will be developed. As part of SESP during PPG, three disqualification criteria have been set, risk of physical displacement, significant economic displacement and management of hazardous waste. Project proposals which trigger any of the two risks will be disqualified in the earliest selection stage.

Furthermore, due to the identified potential negative impact of project proposals towards the informal waste collectors, a specific call for supporting innovative approaches for the integration of informal waste collectors and their piloting is foreseen. This specific call will also support activities for enabling affected groups to obtain alternative income sources, such as training and education for new opportunities in the job market. Several capacity building events will be arranged for marginalized groups to become part of the formal waste management schemes (including the options for the establishment of their businesses). As a result, Output 2.6 will provide solutions for integration of informal waste collectors in the waste management. In order to mitigate this risk, the incorporation of these solutions for integration of potentially affected informal waste collectors will be obligatory for the innovative project proposal supported throughout Component 2.

Component 3 covers the required project monitoring and evaluation (M&E) activities in accordance with the project M&E plan with the following outputs:

Output 3.1 Project inception report and workshop.

Output 3.2 Project monitoring reports, including final project report including monitored results of the supported project and business ideas and compilation of the lessons learnt

Output 3.3 Project terminal evaluation.

Partnerships

The key partnerships of the project include those already outlined in the previous chapter with a brief summary in table 1 below. A more comprehensive stakeholder engagement plan is presented in Annex 9 to this project document.

Table 1 Key partnerships of the project

Name of the entity	Envisaged role in project implementation
Ministry of Environmental Protection	The project implementing partner, including daily management of project activities, ensuring timely implementation of project activities and reporting on the achieved results. Coordination of the work with other entities engaged as project partners and across the Government counterparts. The MoEP is also responsible for environmental protection, circular economy, industrial emissions, waste management and climate change related issues in general, including related legal and regulatory framework. It is also the Government entity in charge of financing green investments from the Government budget and for supporting investments into environmental infrastructure at the local level. The MoEP will provide the required financial resources to ensure sustainability of project interventions upon the project closure.
Ministry of Finance	A key stakeholder for the establishment of any new financial support mechanisms. The role of the Ministry of Finance in the project would be to ensure that financing mechanisms, such as Innovation Awards, Performance-

	based Payment Agreements, are integrated gradually into the Government budgeting and financing framework. The Ministry of Finance also approves budget plans for and expenditures of other governmental entities, including resources that are to be used as co-financing for any Government co-financed projects.
Local Self-Governments	Project partners for the preparation of communal circular economy road maps or action plans and their implementation. Eventually also hosting pilot projects supported by the LCCIP.
Chamber of Commerce and Industry and its Circular Economy Department	Envisaged project partner for engaging and advancing the CE agenda within the private sector, including knowledge management, capacity building and training, and hosting the Circular Economy Hub recently established within the Chamber with UNDP support. The Chamber of Commerce will also contribute to the work of LCCIP through the engagement of its Circular Economy Hub and assist in mobilizing the companies and industries.
Climate KIC	A project partner collaborating on the preparation of communal circular economy road maps or action plans developed by building on the activities of the Climate KIC project “Developing pathways for the circular economy” and its potential further follow-up with EU IPA funding. The partnership with Climate-KIC will also bring in the expertise and lessons learned from similar CE & decarbonization projects conducted in Europe and globally (e.g the results of the Climate/KIC Circular Cities project). Also, the results of the project will be further disseminated through the Climate-KIC networks).
Standing Conference of Towns and Municipalities	A representative of the Serbian municipalities and a key project partner to support the introduction and implementation of project related activities at the municipal level with the related outreach, networking, co-ordination and training activities through its working committees. Also participating in the legal and regulatory work by reviewing and commenting draft regulations and assisting Local Self Governments (LSGs) to prepare local supporting policy documents of relevance to the project.
EBRD	The EBRD is implementing Circular Economy Regional Initiative (Near Zero Waste), which is a GEF funded initiative that includes Serbia and other countries of the Western Balkans. The objective of the project is to catalyse and scale up of circular economy initiatives by addressing barriers to investments in circular economy technologies and processes, and adoption of circular economy strategies and business practices. The project will establish partnerships with the mentioned EBRD initiative in order to jointly consider support in policy planning, but also in supporting innovative decarbonization solutions based on the circular economy. This will ensure synergy and upscale of the impacts of both initiatives. In addition, the project will cooperate with the EBRD’s “Green Cities Initiative” in particular in assisting Local Self Governments in the development of environment and climate related policies, including the local circular economy roadmaps.
EIF InnovFin and Procredit Bank	The InnovFin Programme is a joint initiative of the European Investment Fund (EIF) and the ProCredit group supported also by Horizon 2020 - the EU Framework Program for Research and Innovation to increase lending to innovative SMEs and mid-caps. In the frame of the UNDP supported and GEF financed project, it presents an envisaged co-financing source for CE related investments and business development.
Delegation of the EU in Serbia	The EU is providing Economic and Investment Plan for the countries of the Western Balkans to support ambitious Green Agenda for the Western Balkans, including Serbia. This programme will secure additional financing for green

	transition of public and private sector and industries. One of the core elements of this initiative is to decarbonize the economies of the West Balkan countries. To achieve this, circular economy has been recognized as one of the priority areas for intervention. The project will seek synergy with the EU funded initiative on Green Agenda, in particular in identification, acceleration and co-financing of concrete decarbonization solutions based on principles of circularity.
The City of Belgrade	The City of Belgrade will contribute to the project results by securing full participation of competent administrative units and public utility companies in the implementation of project activities. The city of Belgrade, as one of the beneficiary LSGs, will apply innovative decarbonization solutions that are based on circular economy (in waste, wastewater management, energy management, the construction and transport) in order to improve its communal services and improve the quality of life for its citizens. It will also be a lead LSG to develop and pilot implementation of the local CE Roadmap.
GIZ	The GIZ is one of the international development agencies operating in Serbia at the national but also at the municipal level. Projects supported by GIZ contribute to improvement of policies but also support the development of local environmental infrastructure, such as in case of municipal waste and wastewater management. The project will build partnership with the GIZ funded activities at the municipal level to ensure synergy and multiplication of effects on the state of environment, lowering emissions and improving waste recovery, reuse and recycling. Also, together with the GIZ, UNDP assisted the MoEP in formulating its first CE Roadmap. The project will build upon this partnership when providing further policy support to the Government and LSGs. Joint investment in CE solutions for decarbonization will also be explored.

In addition to the partnerships listed above, private sector entities, including small and medium sized enterprises are absolutely critical for the project as initiators, implementors and financiers of new business ideas that will support the transition towards circular communities in Serbia. Therefore, the private sector needs to be actively engaged and consulted both for the development of an enabling policy framework, including updating of the Serbia Circular Economy Roadmap and the 2nd CE Implementation Program, as well as beneficiaries of the LCCIP, which is foreseen to continue to operate also after the project. The performance-based payment agreements are defined as a financing arrangement that provides funding based on achieving certain project-specific development results and are still a specific UNDP financing modality to engage the private sector for innovating solutions to pending social and environmental problems. Therefore, new mechanism that can continue to de-risk the piloting of such solutions and blend funding for that without direct UNDP involvement needs to be elaborated during the project time-span in co-operation with the MoEP and the Ministry of Finance, including the development of eventual green impact bond schemes.

The economic benefits of greater resource efficiency and circular economy approaches are estimated to promote livelihoods opportunities and represent a \$US4.5 trillion GDP opportunity by 2030. It is critical to foster the circular economy concept by bringing governments and the private sector together in developing economies, where it is increasingly important to accommodate their economic growth with the related environmental concerns. This can help to foster investments from private capital investors and multilateral development banks and also raise investors' awareness and transparency regarding the sustainability of their investments. The rise of the sharing and collaborative economy has an increasing impact on communities as it generates more open, transparent and participatory solutions, while boosting public innovation. It is creating high sustainability expectations for its potential to contribute to sustainable development such as contributing to a circular economy paradigmatic change beyond the 'take, make, dispose' extractive industrial model. Yet the disruptive impact of some models is still arousing huge controversy, while alternative modalities are opening up a new frontier of innovation for inclusive economies. It has become a top priority for governments around the globe.

Risks and Assumptions

The project risks are discussed in greater detail in Annex 7 to this project document, including a more detailed discussion on COVID-19 and climate change related risks. As per the standard UNDP requirements, the Project Manager will monitor risks quarterly and report on the status of the risks to the UNDP Country Office. The UNDP Country Office will record progress in the UNDP ATLAS risk log. Risks will be reported as critical when the impact and probability are high (i.e. when impact is rated as 5, and when impact is rated as 4 and probability is rated at 3 or higher). Management responses to critical risks will also be reported to the GEF in the annual PIR.

Stakeholder Engagement

The stakeholder engagement plan is presented as Annex 9 to this project document.

As regards global outreach and “south-south” co-operation, project will explore opportunities for meaningful participation in specific global and regional events where UNDP could support engagement with the global development discourse on advancing circular economy as means for saving natural resources and reducing CO₂ emissions. The bilingual Serbian-English circular economy knowledge management platform named as Circular Economy Navigator to be established by the project will also contribute to this.

The private sector will have a key role in implementing the project as project developers and participants to the challenge calls as well as actual investors and project co-financiers. In addition, the projects seeks to closely engage the private sector by various means into a truly consultative process for further developing the CE related legal and regulatory framework in Serbia, including getting feedback on the implementation of the first Circular Economy Roadmap and the related Implementation Program as well as for the development of an updated Circular Economy Roadmap and the related second three-year implementation program.

Performance based payments, as innovative tool for private sector engagement, is still UNDP’s internal procedure and can only supplement the existing complicated Government procedures for engagement of private companies. However, in order to ensure continuity and efficiency of partnerships with the private sector, more sustainable mechanisms will need to be elaborated during the time span of the project for blending of funds and de-risking investments. This addressed by Output 2.10 in the project design. This may also include transferring knowledge and mechanisms for the implementation of green impact bonds schemes in Serbia, by closely working with the Ministry of Finance and the Ministry of Environmental Protection, as key institutions.

The co-financing of the private sector SMEs has been estimated to be equivalent to at least US\$ 4 million and will represent the expected project owners’ own financing share of the pilot CE investments (about 30% of the total estimated investment of US\$ 12,85 million).

Gender equality and Women’s Empowerment

The National Gender Equality Strategy for the period 2016-2020 calls for equal participation of women and men in decision making at all levels and in all policy areas. Similarly, in the “Development Partnership Framework 2016-2020” of the Government of Serbia, gender equality is regarded as a critical precondition for the improvement of human rights situation and sustainable development. Based on the fundamental principles of promoting equality and combating discrimination, participation in the proposed project activities shall be guaranteed regardless of sex, racial or ethnic origin, religion or belief, age or sexual orientation.

Project activities will be designed in such a manner that gender specific issues can be taken into account in the policy and regulatory amendments, when applicable. The gender specific dimensions of the project can also show up when counting the number of participants benefitting from the related training. Therefore, the project will facilitate and closely monitor that equal training opportunities are provided for both men and women. As an example, the project can arrange childcare services during the training sessions, when and as needed. Awareness

raising activities will involve participation and cooperation of women associations and women NGOs to support mainstreaming of gender considerations in CE related awareness raising and information materials.

A more specific gender strategy and action plan is presented as Annex 11 to this project document. They will be monitored during project implementation by collecting gender specific data on the stakeholders engaged in project activities as well as on the impact of those activities. Gender specific indicators have also been included in the project results framework.

All contractors shall be requested to provide non-discriminate participation of men and women during the implementation phase of respective tasks. Female innovators, entrepreneurs and experts will be specifically encouraged to participate in the project implementation. Some challenges may particularly focus on the relation of circular economy and gender, and the project will ensure that all circular economy challenges are to be designed and implemented with a gender sensitive approach. The project will ensure gender balance among stakeholders and beneficiaries of the circular economy challenges, though defining gender sensitive criteria, ensuring gender balance within the project selection committees and providing gender expertise to the projects that will be selected to participate in the Low Carbon Communities Innovation Platform (LCCIP).

The project will prioritize those future beneficiaries that hire more women workers. Promotion activities and training will be gender mainstreamed, targeting specific needs and roles of women and girls, who are directly involved in the waste management in any part of the product's lifecycle (e.g. from purchasing products such as food, product use/processing food, composting at home and/or disposal of residues and their recovery). Individuals from the target group will be chosen voluntarily as promotion champions with the mission to raise awareness within their local communities/companies. The specific effort will be made to help women to improve their knowledge and skills and to obtain additional job training for their better positioning at the job markets.

In order to ensure sustainability and replicability of gender-related interventions, the project will involve national institutions addressing women's issues in all related activities, such as the Coordinating Body for Gender Equality of the Government of Serbia (www.gendernet.rs), the Ministry of Labor, Employment and Social Policy, the Ministry of Interior, the Network of Women Members of Parliament, the Provincial Secretariat for Gender Equality, local-level bodies for gender equality and women's NGOs. The project will also establish formal cooperation with the Statistical Office of the Republic of Serbia so that project results can feed in the statistical data related to women and men in the Republic of Serbia, which provides an overview of gender-disaggregated data. This will contribute to the implementation of the national strategy on gender equality containing a specific objective on gender-sensitive statistics and records.

Digital Solutions

The project includes several innovative elements both in Serbia and in the global context. It will support the transition from the current linear to a new circular economy-based approach that improves resource and product efficiency, creates green jobs and reduces significantly harmful emissions, including GHGs. It will create a new type of platform for closer interaction between the Government, local communities, companies, financing entities and research institutions in advancing circular economy in Serbia, thereby contributing also to the related policy development by taking into account the findings of the scientific community and the feedback from the private sector. Collectively prepared Circular Economy Road Maps have just been prepared for a few countries so far and Serbia would be among the first GEF programme country/ies to do so. Combining this with the development of a "Circular Economy Navigator" may present a somewhat novel idea as well.

On the financing side, the project will explore new green funding schemes and provide a new platform for blended financing for combining different financial sources from bilateral donors, private sector and other international sources such as EU IPA and multilateral funds. In order to avoid any possible criticism that this project is about providing large subsidies to private companies, the criteria for the low-value performance-based payments under the platform will be very care in that in no case will the payment be larger than 20% of the total project cost and the decision on the incentive payment must in all cases be made before project investment works has started. There will be no retroactive awarding of performance-based payments. Through the support of such a platform, applying different incentive, risk sharing and co-funding instruments in an innovative and flexible way still presents a novel approach to project financing in Serbia and would make the targeted circular economy investments and related business development more attractive also to the private sector. The innovation challenges combined with low-value performance-based payments (PBPs) will be an elementary part of this initiative as a method for

sourcing new project and business ideas as well as exploring the use of new financing modalities such as crowdfunding (with or without the PBPs) in financing circular economy investments. Finally, no medium or full-size GEF funded project with a specific focus on supporting sustainable city development by a circular economy and challenge-based approach has been implemented yet. As such, the project can be considered to have some innovative elements also from this viewpoint.

As regards the pilot CE investments selected by a challenge call and supported by new type of innovative financing modalities, the project is advancing by innovative "*best-value-for-money*" principles innovative solutions that can be applied and replicated at the community level, thereby assisting the cities in becoming sustainable and aligned with the global development agenda and with the Paris Agreement Goals. The innovation challenges used by the project, complemented by acceleration support and PBPs as co-financing and by supporting access to other innovative financing products for low-carbon, circular economy solutions and businesses, the project will facilitate that such new cost-effective innovations can enter the market that otherwise would remain hidden. For some issues, such as waste management, the project will introduce completely new approaches to existing practices by applying principles of circular economy, bringing new values to waste materials and creating new market of secondary raw materials. Serbia needs to transform its industrial production in line with the advanced EU standards, by applying best available technologies to reduce harmful emissions. Project will also pioneer implementation of Serbia's new Industrial Development Strategy that promotes circular economy as completely new and innovative approach in industrial production. In doing so, the project will create a pool of innovative best-available techniques/technologies for potential selection and application by interested industries. In addition, the team of mentors will assist interested industries, through the acceleration process, to test and apply such innovative techniques/technologies.

Knowledge

For knowledge management, the project will build on an "Open Knowledge" approach by publishing all project related documentation, presentations, training materials and supported new project and business initiatives in the national circular economy knowledge sharing platform (CE Navigator), unless there is a specific reason for not doing so in order to protect, for instance, some intellectual property rights or commercially sensitive information. This applies also to the project terminal evaluation, which similar to all GEF financed UNDP implemented projects will be available for downloading from the public UNDP website: web.undp.org/gef/evaluation.shtml.

By building on the knowledge management portal of the ongoing CSUD project (<http://inovacije.klimatskepromene.rs/>) and the CE-HUB jointly established by the Serbian Chamber of Commerce, UNDP and the GIZ, their further development to a CE Navigator has been included as Output 1.7 in the project strategy to serve as an integrated online knowledge management platform and market place for i) collection and use of recycled secondary raw materials; ii) marketing of new innovative business ideas and projects; and iii) finding suitable implementation and financing partners for them. While taking full advantage of the available IT opportunities, the activities implemented within this framework may also encompass specific match-making events, trainings etc.

The initial version of the CE Navigator is sought to be established by the end of the first year of project implementation with continuing further development, upgrading and updating throughout the project implementation. The budget assigned for this includes US\$ 70,000 as subcontract, including the estimated initial development costs (US\$ 40k) and its annual management and further upgrades during four years (US\$ 5-10k per year). The day-to-day management and updating of the content of the CE Navigator will be done by the staff of the Project Management Unit (PMU) supported also by the MoEP. The project's KM and related implementation strategy also includes workshops to provide an opportunity at regular intervals to present and discuss project results and further plans with the key stakeholders. The GEF funding allocation for the organisational costs of the workshops is US\$ 25,000 over 5 years, including a bigger final workshop to be organized at the end of the project. The GEF funding allocation for the workshops will be complemented by the MoEP cash and/or in-kind co-financing.

In order to ensure the sustainability of the KM, the project-based CE Navigator will be transformed into the CE Knowledge Hub, linked with the Chamber of Commerce and Industry Circular Economy platform, and supported also by the Project Implementing Partner (MoEP). As such, it will become a central tool for further dissemination of the good practices and lessons learnt of public and private enterprises piloting decarbonization projects and solutions based on the CE approach. This will be complemented by a training programme targeting key

policy makers and company managers to build their knowledge on the main CE related policy and legislative trends and achievements at the national, EU and global level and to enhance their capacity to respond to the increasing demand for resource efficient low-carbon CE solutions in combatting climate change and other environmental challenges. As a part of this, the project will also assist companies to align with the requirements of the EU Green Agenda for the Western Balkans and its Economic and Investment Plan, thereby enhancing their knowledge and skills in this area and helping the companies to maintain their competitiveness at the regional and global markets. The training programme will be an integral part of the CE Navigator and will be implemented by the Project Implementing Partner in co-operation with the Chamber of Commerce and Industry to ensure its sustainability also after the project.

As it concerns other aspects of the project's KM approach, more detailed information on that can be presented as follows:

Overview of existing lessons and best practice that inform the project concept:

The project is building on the methodology and tools already successfully tested by the Climate Smart Urban Development (CSUD) project in Serbia" (GEF ID: 9342)) in order to further blend and leverage funding for climate resilient development solutions. These include innovation challenges and performance-based payments, a new type of partnership with the private sector, multi-stage evaluation of proposals with strong ownership of national counterparts as well as incubation/acceleration type of technical assistance and mentoring provided to the project teams. The Low Carbon Communities Innovation Platform (LCCIP) builds on the good experiences of the KM platform established as a part of the CSUD project to facilitate interaction between the cities and communities, research institutions and companies (both, public and private) in order to produce new innovative circular economy related project ideas and business solutions.

The CSUD project supported 11 public and private enterprises in piloting innovative approaches for climate smart farming, turning organic waste into biogas, carbon neutral production of essential oils, energy generation from diversified woody biomass and new business models for solar energy generation with further examples about the type of projects that could be considered also for LCCIP support to be found from the CSUD project website (<http://inovacije.klimatskeprome.rs/en/home/>). The lessons learnt obtained from the previous CSUD project as it concerns, for instance, the role of the private sector, the project selection procedures, the areas that appeared to benefit from the mentoring support most such as assessing the global environmental benefits of the proposed projects, their market potential or business development opportunities, in general, have been used and applied in the design of this new project.

Plans to learn from relevant projects, programs, initiatives & evaluations:

All previously piloted innovative climate smart solutions supported by the CSUD project and the new CE based solutions will be presented within the "examples of good practice" section of the CE Navigator and LCCIP to inspire and support new projects. All new pilot CE initiatives will be given a specific ID code, by which the progress of each pilot initiative during the mentoring and acceleration phase can be monitored and recorded based on the agreed criteria. Besides ensuring effective monitoring and evaluation of project progress, this will also support systematic compilation of further experiences and lessons learnt from the projects supported.

For learning from corresponding initiatives in other countries and for ensuring that the latest global knowledge, best practices and technological developments can be taken into account in further development and implementation of project activities, the project shall link up with other knowledge management networks and platforms dealing with the topic. This includes initiatives such as the European Circular Economy Stakeholder Platform (<https://circulareconomy.europa.eu/platform/knowledge>), Dutch Circular Economy Knowledge Hub (<https://www.circulareconomyclub.com/listings/case-studies/circular-economy-knowledge-hub/>) and the frontrunners in preparing national Circular Economy Roadmaps such as SITRA (<https://www.sitra.fi/en/topics/a-circular-economy/>) to just mention a few. The core project team will also be supported by a coaching team composed of a network of international research institutes and professionals, who may provide technical backstopping and share knowledge on the latest international developments in their particular field e.g. as invited speakers or other contributors to the events organized by the project.

The project also seeks to both benefit from and contribute to the Global Platform for Sustainable Cities (GPSC), which serves as a knowledge platform where participating cities can tap the cutting edge knowledge and expertise in sustainable urban planning, and exchange ideas and share experiences. The larger Global Platform is led by the

World Bank and joined by major global city-based networks advocating urban sustainability including, ICLEI and C40 and leading environmental think-tanks such as World Resources Institute (WRI). Through engagement with the GPSC, these technical partners and city-based networks provide knowledge sharing and technical expertise in support of participating cities, in partnership with Implementing Agencies, and National Governments. Also, the project will build an interface with the European Circular Economy Platform (ECESP), a joint initiative by the European Commission and the European Economic and Social Committee, as well as other similar platforms for business sector, such as BusinessEurope CE platform that continuously brings new examples of innovative ways in which industry, SMEs and other business add to the circular economy in Europe.

Proposed processes to capture, assess and document info, lessons, best practice & expertise generated during implementation:

As mentioned before, all new CE-based decarbonization initiatives will be given a specific ID code and a card, by which the progress of each pilot initiative can be monitored and the experiences and lessons learnt from them recorded. Each ID card will consist of two parts. One part will be available only to the Implementing Partner and UNDP for internal monitoring purposes (incl. financial monitoring), while the other part will include publicly visible data about the project and the lessons learned from their implementation. The project team will also monitor and prepare specific progress reports for each supported pilot initiative, while also preparing visual materials such as videos to document different stages of their development and implementation. Otherwise, a reference is made to what was written already before on the proposed processes to capture, assess and document info, lessons, best practice & expertise generated during implementation.

Proposed tools and methods for knowledge exchange, learning & collaboration:

Targeted stakeholders will be primarily engaged through bilateral discussions as well as by organizing at least one or two larger consultative knowledge management workshops, where the project intermediate results and further implementation can be presented for and discussed with a broader audience. For this purpose, the project will also establish a “Community of Practitioners” which will have its dedicated webpage on social media to exchange information and communicate with other interested stakeholders.

The new CE pilot initiatives sourced by the Innovation Challenge are sought to be further elaborated with stakeholders such as the Serbia’s Innovation Fund and the Cleaner Production Center of the Faculty for Technology from Belgrade, so that they can continue to identify and disseminate innovative decarbonization technologies even upon the completion of the project. It is expected that this will boost the innovation capacity of domestic enterprises in the field of green technologies and resource efficiency by linking them to local R&D service providers. Participation of the research institutions is equally relevant as they will ensure promotion and testing of new technologies, based on their research work and collaboration with other research institutions globally.

The Standing Conference of Towns and Municipalities will support matching local self-governments with the innovators and facilitating the application of appropriate innovative CE & decarbonization solutions at the local level. The SCTM will also include dissemination of lessons learned, knowledge and examples of good practices, sourced through the project, among interested municipalities. The SCTM will be in this way an active contributor to the work and sustainability of the CE Navigator.

Proposed knowledge outputs to be produced and shared with stakeholders:

The CE Navigator and the LCCIP will compile into one easily accessible online platform all knowledge materials generated by the project, including the training materials, data and reports with lessons learned from the new pilot CE initiatives, draft regulations and their updates as well as other materials of interest. Through the CE Navigator and the LCCIP, good practices and lessons learned will be available for any private company, local authorities, national institutions or interested individuals seeking to better inform themselves on circular economy and its decarbonization potential in Serbia.

As a summary from what has been discussed already earlier in this chapter, the knowledge outputs to be produced and shared with the stakeholders will include, among others, the following:

- The CE Navigator and LCCIP Platform to facilitate open online access to all KM materials produced by the project as well as links to other CE related KM services

- A virtual marketplace included within the CE Navigator and LCCIP Platform to compile and share information for: i) collection and use of recycled secondary raw materials; ii) marketing of new innovative business ideas and projects; and iii) finding suitable implementation and financing partners for them
- Specific match-making and training events to facilitate face-to-face contacts and discussions together with associated training materials stored and published also online
- The progress, monitoring and evaluation reports of the pilot CE initiatives supported by the project as well as the overall project final report and terminal evaluation
- Videos and other visual presentation materials of the pilot CE initiatives

For all knowledge products, the support of a gender expert will also be used in order to incorporate gender specific considerations into them at a required level.

How knowledge and learning will contribute to overall project and sustainability plans for strategic communications:

The project will support the implementation of open monitoring, information and knowledge management as well as broad community engagement and participation in the preparation and updating of key policy documents under Outcome 1. This will be done by a highly participatory approach, thereby seeking to improve the transparency and accountability of local governance, opportunities for public participation in decision making and development of people's living environment. In this way, the project will make sure that all findings and good results obtained during the acceleration and implementation phase are captured and used to inform the policy creation/amendments.

The Implementing Partner will also make sure that all successful results arising from the acceleration and implementation phases, as well as examples of good practice, are captured and used to feed policies and decision making. For this purpose, the MoEP as Implementing Partner will form an inter-ministerial Working Group comprised of all relevant national and regional/local authorities. These working groups will closely follow the implementation of the project and use the results for informed decision making and policy creation/amendments (e.g. development of policy document on CE and the accompanying action plan, by-laws on to Climate Change Law, energy legislation, implementing acts of Industrial Development Policy etc.).

The project will also support the processes of mainstreaming human rights issues through its design and activities by a clearly defined human-rights based approach. This action will also support the right to information and will aim to reflect the views of various stakeholders, including minorities and marginalized groups.

Sustainability and Scaling Up

For sustainability, the supported pilot initiatives must offer both long and short term "win-win" opportunities, including environmental, economic and, when applicable, social ones. Realistic cost-sharing opportunities of project owners and other key stakeholders will be considered from the very beginning together with the engagement of the private sector. The GEF contribution is limited to a maximum of 20% of the total investments, which can be considered as a reasonable cost-sharing ratio for de-risking new innovative project and business ideas not tested before without over-subsidizing them, while also ensuring that the supported projects have an adequately healthy financial basis and risk profile.

As regards the sustainability of the proposed challenge-based financing mechanism, the Ministry of Environmental Protection is currently looking for new financing vehicles, which would facilitate partnerships with the private sector, in particular the waste industries, and to move away from direct subsidies towards blending of funds and leveraging private capital. After initiated by the GEF project, the proposed challenged based financing mechanism is envisaged to later become a part of the new Green Fund of the Ministry of Environmental Protection together with a variety of other financing instruments that can be used for supporting environment and climate infrastructure/project investments. In order to help facilitate this transition, a key part of Outcome 3 will be walk through tours of MoEP officials to view the successful pilot projects. In other words, the Ministry can take the proposed challenge-based financing mechanism over and continue to manage and implement it also after the GEF project. Worth mentioning in this context is also the EUR 820 million InnovFin Programme of the European

Investment Fund (EIF) and the ProCredit group allowing banks in Germany, Greece, Ukraine, Georgia, Albania, Bosnia and Herzegovina, Bulgaria, Macedonia, Moldova, Romania and Serbia to offer to innovative SMEs and mid-caps additional lending by reducing the collateral requirements without passing on the cost of increased risk to the client, thereby also reducing the required grant funding to support such projects.

Additionality and Potential for scaling-up

Additionality and potential for scaling up will both be among the key criteria when evaluating the proposals submitted to LCCIP. Additionality means the project will need to demonstrate that without the performance-based payment it would be unlikely to proceed, or to make transformational shift from linear to low-carbon and circular businesses, in order to justify that the payment is required in the first place. The required framework for this is provided by the CE Road Maps and Implementation Programs identifying the challenges and opportunities for improved resource efficiency and circular economy in a broader national context, while also identifying and highlighting tangible actions (through the challenge call and otherwise), which could be easily implemented, replicated and scaled up from the economic and commercial point of view. Rather than preparing the updated Road Map as a simple civil servant or consultancy work, the aim is to produce it by a truly consultative and participatory process by bringing different stakeholders together to discuss and work on concrete actions that are required to accelerate the process towards a more efficient use of natural resources in Serbia. As a part of this process, the awareness of the key decision-makers and their trust on the benefits and opportunities in moving towards a circular economy at the community level can be built also in general.

The market transformation towards a low-carbon, resource efficient, circular economy and communities, will be further enabled and encouraged by assisting the Government with drafting new legislative and regulatory acts to remove the identified barriers and by facilitating the transfer of the knowledge and experience gained during the project by using public media, seminars, workshops and other already existing communication and co-operation platforms, including the GEF supported Circular Economy Platform. Given the foreseen interest of several GEF program countries in similar activities, the materials developed, and the results and lessons learned during the project are expected to be of direct interest also to them. The rapidly growing international recognition of the importance of moving from a linear to a circular economy as key means to combat climate change is likely to give a further boost for scaling up the project impact.

Potential for scaling up will be among the key criteria when evaluating the proposals submitted for LCCIP. The required framework for this is provided by the preparation of the Circular Economy Road Map identifying the challenges and opportunities for improved resource efficiency and circular economy in a broader national context, while also identifying and highlighting tangible actions (through the challenge call and otherwise), which could be easily implemented, replicated and scaled up from the economic and commercial point of view. Rather than preparing and updating the Road Map and the related Implementation Program as a simple civil servant or consultancy work, the aim is to produce them by a truly consultative and participatory process by bringing different stakeholder together to discuss and work on concrete actions that are required to accelerate the process towards a more efficient use of natural resources in Serbia. As a part of this process, the awareness of the key decision makers and their trust on the benefits and opportunities of moving towards circular economy at the community level can also be built in general. The market transformation towards a low-carbon, resource efficient circular economy will be further enabled and encouraged, as needed, by assisting the Government in drafting new legislative and regulatory acts to remove the identified barriers for related business ideas as well as by facilitating the transfer of the knowledge and experience gained during the project by using public media, seminars, workshops and other already existing communication and co-operation platforms, including the GEF supported Circular Economy Platform. Given the foreseen interest of several GEF programme countries to similar activities, the materials developed, and the results and lessons learned during the project are expected to be of direct interest also to them. The rapidly growing international recognition of the importance of moving from a linear to a circular economy as key means to combat climate change is likely to give a further boost for scaling up the project impact. The project will also work with the commercial banks and lending institutions to support scale up of businesses that will be suitable candidates for green borrowing and transformation. Such support will include the acceleration support services of the LCCIP and will match suitable candidates with the bank's green borrowing criteria.

IV. PROJECT MANAGEMENT

Cost Efficiency and Effectiveness

The experiences both in the EU and globally have shown that moving from a linear to circular economy can play a major role in boosting the economy, creating new jobs and promoting social equality, while at the same time generating global environmental benefits by better resource efficiency and consequent reduction of the use of earth's non-renewable resources. As concluded by the new Circular Economy Action Plan published by the EU in 2020, moving increasingly towards circular economy has the potential in the EU to increase its GDP by an additional 0.5% by 2030 and create 700,000 new jobs. By putting this into the perspective within the Serbian Economy, the GDP of Serbia in 2020 was about 53 billion US dollars, so a 0,5% increase of this would correspond to about 265 million US dollars, while with a similar ratio the amount of new jobs created by circular economy in Serbia has been estimated by OECD to be in the range of 30,000

For private companies, moving to circular economy can provide new business opportunities, boost their profitability by better resource efficiency and making them less vulnerable to price fluctuations and possible supply disruptions of imported raw materials. For consumers, moving to circular economy should mean more reliable and long - lasting high-quality products with lower life-cycle costs, thereby addressing also social equality aspects.

While it is clear that the GEF supported project is just one part of a broader attempt to support the transfer of the Serbian economy from the current largely linear one to a more circular type, it will by supporting new CE pilot initiatives, training different professional groups and decision makers and raising awareness also directly contribute to and benefit hundreds or even thousands people in Serbia and providing and training and capacity

At the municipal level, innovative solutions related to waste reduction, reuse and recycling will contribute to the achievement of local waste management targets, closure of illegal dumpsites (app. 2,500 of them throughout Serbia) and expand the lifetime of landfills. In turn, this will reduce waste management related costs in municipal budgets by turning waste into a resource for businesses and reduce pollution. The project will also foster collaboration between municipalities and companies involved in waste related businesses (waste operators) by increasing the share of recyclable materials available at the local markets. In return, this will increase the employment opportunities, in particular for vulnerable groups such as the Roma population with related social benefits,

By incentivising the circular economy-based business models and by setting up the secondary raw materials stock market, the project will boost the creation of start-ups and SMEs interested to operate in some part of the product life cycle from resource recovery to manufacturing, distribution, reparation, reuse and recycling. Serbia would be given a chance for development by the model of the circular economy, and according to that its citizens will have ecological security, "green" jobs, new water and air quality, healthy food and a new quality of life. The nation's social capital is also an investment for future.

The project support to decarbonization solutions based on circular economy principles will also contribute to the "Just Transition" efforts of the Paris Agreement in Serbia through prequalification of the workforce and diversification of local economies. Also, the promotion of innovative low-carbon technologies and business models will increase the demand for reskilling. This trend will trigger the transformational shift of the educational systems in order to better respond to the market needs for clean, green and fossil-free products and services. Since Serbia is part of the European Commission Initiative for coal regions in transition in the Western Balkans, the project will assist the Government to create the Just Transition Roadmap and accompanying incentive schemes for accelerating labour market transformation. This will assist Serbia in mobilizing additional financing to support green transition.

In addition, the project activities will contribute directly to mobilizing additional funding from both, public and private sectors, as well as commercial borrowing, needed to attain the global climate mitigation targets embedded into the NDCs. Serbia's draft revised NDC document proposes an increase of the economy-wide climate ambition from 9,8% (as expressed by Serbia's INDC) to 33,3% of GHG emission reduction by 2030 compared to the 1990 levels. Such a significant increase will require the mobilization of additional funding for new technologies and low-carbon business models in all sectors of the economy. In this way, Serbia will be able to actively contribute to the achievement of the Paris Agreement targets, while at the same time boosting the national economy.

By moving towards circular economy, the project will also assist Serbia in contributing to SDGs with related socio-economic benefits such as goal 13 on Climate Action, goal 7 by increasing the energy efficiency rates; goal 9 by increasing the access of small-scale industrial and other enterprises to financial services, including affordable credit, and their integration into value chains and markets; goal 12 by achieving the sustainable management and efficient use of natural resources and substantially reducing waste generation through prevention, reduction, recycling and reuse; and goal 11 by promoting sustainable urban development and reducing the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management.



PROJECT DOCUMENT

CO Serbia

Project Management

Implementing Partner: The Implementing Partner (IP) for this project is **the Ministry of Environmental Protection (MoEP)** of the Government of Serbia, *while the* execution modality for this particular project is assistance to National Implementation Modality (NIM).

The Implementing Partner is the entity to which the UNDP Administrator has entrusted the implementation of UNDP assistance specified in this signed project document along with the assumption of full responsibility and accountability for the effective use of UNDP resources and the delivery of outputs, as set forth in this document.

The Implementing Partner is responsible for executing this project. Specific tasks include:

- Project planning, coordination, management, monitoring, evaluation and reporting. This includes providing all required information and data necessary for timely, comprehensive and evidence-based project reporting, including results and financial data, as necessary. The Implementing Partner will strive to ensure project-level M&E is undertaken by national institutes and is aligned with national systems so that the data used and generated by the project supports national systems.
- Risk management as outlined in this Project Document;
- Procurement of goods and services, including human resources;
- Financial management, including overseeing financial expenditures against project budgets;
- Approving and signing the multiyear workplan;
- Approving and signing the combined delivery report at the end of the year; and,
- Signing the financial report or the funding authorization and certificate of expenditures.

Responsible Parties: The Project Board may introduce other Responsible Parties during the project implementation to assist in the implementation of certain project outputs, as well as the recipient of Low-Value PBPs Agreements.

Project stakeholders and target groups: The key project stakeholders, target groups and envisaged partnerships are presented in chapter IV “Results and Partnerships” as well in Annex 9: “Stakeholder Engagement Plan.”

UNDP: UNDP is accountable to the GEF for the implementation of this project. This includes oversight of project execution to ensure that the project is being carried out in accordance with agreed standards and provisions. UNDP is responsible for delivering GEF project cycle management services comprising project approval and start-up, project supervision and oversight, and project completion and evaluation. UNDP is also responsible for the Project Assurance role of the Project Board/Steering Committee.

The GEF OFP (Ministry for Environmental Protection – also an IP for the Project) and UNDP had the discussions on the several options of the management arrangements and discussed the Ministry's capacities on the implementation of the Innovation Challenge and accompanying Innovation Challenge Awards and Performance-based Payment Agreements (PBPA), in specified outputs under Outcome 2 of the project, in which the mechanisms of the Innovation Challenge Awards and PBPA are approved at PIF by GEF Sec. The discussion and analysis were concluded that the most feasible option for the Ministry is to proceed with limited assistance to NIM, specifically on the implementation of the aforementioned outcome and that is the only option given the modalities proposed within the project concerning the Innovation Challenge.

The UNDP execution support to NIM has been requested by the Implementing Partner (MoEP) through the official letter signed by Serbia GEF OFP (as Annex 2). It is to be note that execution support, in line with UNDP ICF and POPP/financial regulations, can only be provided in case requested by the Government and agreed by GEF. The UNDP execution support will be performed by the Innovation Challenge Support Unit, which is project-based and located at the premises of the Government/Ministry of Environmental Protection. The Innovation Challenge Support Unit will be part of the overall project management.

Strict firewall within UNDP will be maintained between “Project execution support (performed by the project-based Innovation Challenge Support Unit, as part of the Project Management)”, and “oversight” performed by CO Programme and Operations Staff. There is no overlap (neither people in respective positions nor in reporting lines)

between the project-based Innovation Challenge Support Unit of the project, CO Program Unit, and CO Operations units.

The firewall settings as outlined below apply and are coherent with the standing UNDP ICF and POPP:

“Project execution support performed by Innovation Challenge Support Unit” will be undertaken by personnel on non-staff contracts (i.e. Service Contract holders) specifically hired for the implementation/ of the specific outputs under Outcome 2 of this project (specified in further detail in table 2), forming the so-called Innovation Challenge Support Unit which is fully project-based. It will not involve any actions from the category of “programme or operational oversight”; it will be limited to preparing TORs, specifications, requests, and arranging for a proper process for all project management activities (e.g. “managing” the Innovation Challenge Calls, acceleration support, issuing and monitoring of the Innovation Awards and Low-Value Performance-based payment Agreements), preparing documentation for procurement, recruitment processes, as needed. The Innovation Challenge Support Unit is funded fully out of the project budget. The firewall will be ensured by the fact that the Innovation Challenge Support Unit will report to the Project Manager, engaged by the Implementing Partner, and to the Project Board, while administrative aspects of the contracts of the Unit’s project personnel will be managed by the UNDP CO officer who is not, in any way, involved in programme nor operational oversight of the project.

The Innovation Challenge Support Unit will perform the requested services outlined in the letter of GEF OFP of Serbia (in Annex 2), in line with UNDP ICF, Financial and HR rules and other relevant sections of POPP. The anticipated costs of the service provided will be covered by non-GEF resources of the project.

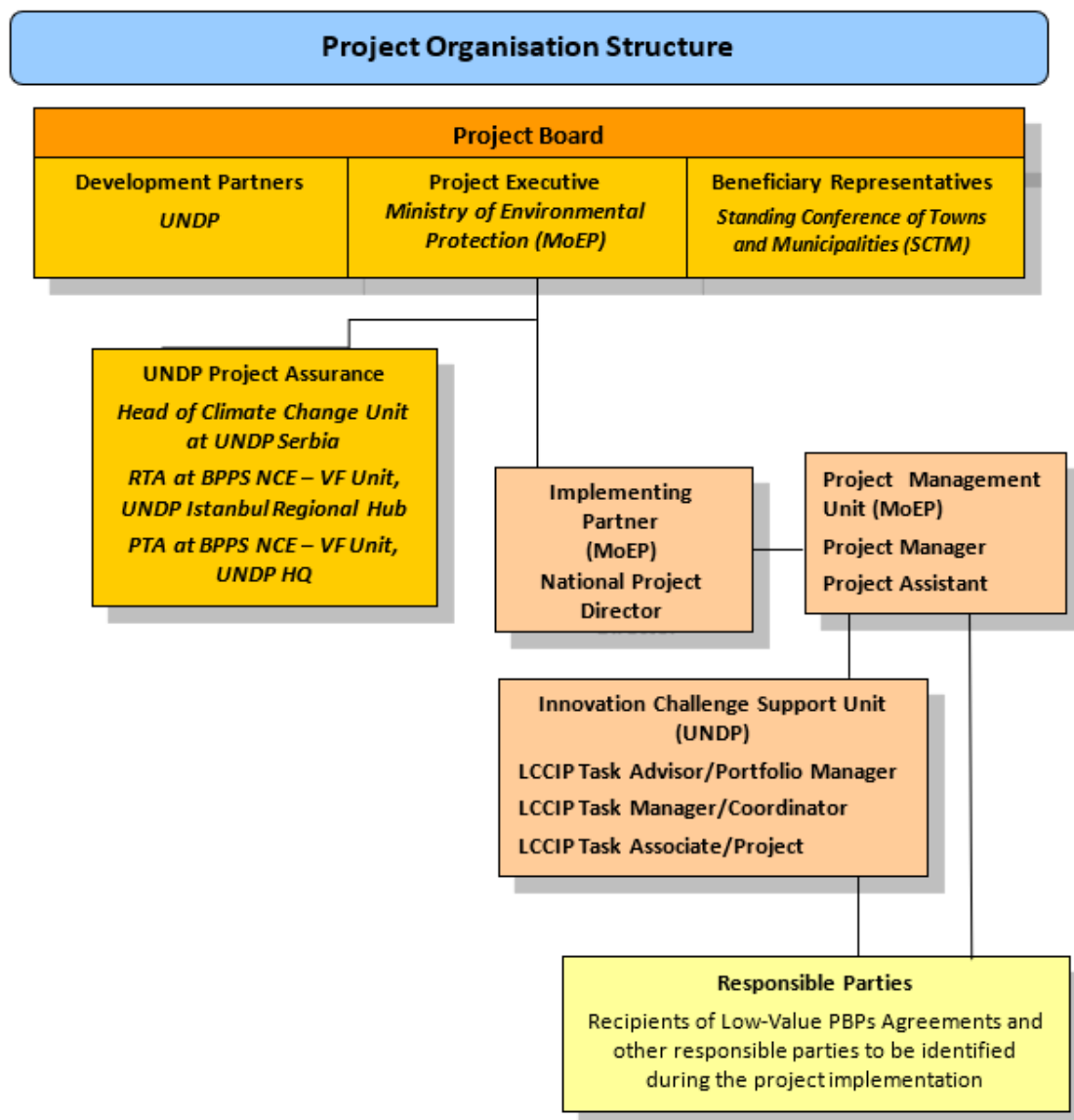
The oversight (i.e. over the Innovation Challenge Support Unit’s compliance with the approved Total Budget and Work Plan) will be carried out by UNDP Country Office programmatic and operational units (i.e. the Resilience and M&E/Program Finance Teams under the supervision of the CO Senior Management). The second tier of oversight will be provided from the UNDP regional and global level. Further detail can be found in Annex 19, UNDP Audit Checklist.

Project organisation structure:

The Project Management Unit will be established by the Ministry of Environmental Protection and will consist of **the Project Manager and the Project Assistant**. The Unit will perform day-to-day management of project activities, regular reporting and manage stakeholder engagement, communication and outreach activities. Also, the Project Management Unit, based on the Letter requesting UNDP’s execution support services, will be fully in charge of implementing the Outcome 1, Outcome 3 and Outputs 2.8, 2.9 and 2.10 under the Outcome 2 of the Project which are specified in further detail in table 2, below.

The Innovation Challenge Support Unit will be fully project-based and the support will be organized by the establishment of a Low Carbon Communities Innovation Platform (LCCIP). The support unit will consist of **the LCCIP Task Manager, LCCIP Task Associate and LCCIP Task Advisor**. The Unit, based on the Letter of the MoEP requesting execution support services of UNDP, will be in charge of implementation of the outputs 2.1, 2.2, 2.3, 2.4, 2.5, 2.6 and 2.7 under the Outcome 2 of the Project and reports to the Project Manager engaged by the Implementing Partner and to the Project Board. This in particular refer to following: organize and conduct the acceleration process, organize and conduct the challenge calls, manage the evaluation process and issuance and monitoring of the Low-Value Performance-based Payment Agreements. This will be done through the LCCIP that will be established in close cooperation with the MoEP. The Unit will act in close coordination and under the overall management of the Project Management Unit of the MoEP.

Both, the Project Management Unit and Innovation Challenge Support Unit, will be governed by the decisions of the Project Board and under the authority of the National Project Director (appointed by the MoEP).



The Project Board (also called Project Steering Committee) is responsible for taking corrective action as needed to ensure the project achieves the desired results. In order to ensure UNDP's ultimate accountability, Project Board decisions should be made in accordance with standards that shall ensure management for development results, best value money, fairness, integrity, transparency and effective international competition. The Project Board will hold its regular sessions at least twice a year, while dedicated PB meetings will be organized on the occasion of validations of the PBPs (dynamics is to be determined once the PBP Agreements are signed) and in case of making the decisions on any deviation from originally planned project activities. In fact, the Project Board will be validating the documentation prior to the signing of the Low-Value Performance Based Payment Agreements as well as prior to any disbursements under the signed low/value PBP Agreements, upon the prior assessments of the PBP Agreements deliverables/results conducted by the independent International Project Advisor.

In case consensus cannot be reached within the Board, the UNDP Resident Representative (or their designate) will mediate to find consensus and, if this cannot be found, will take the final decision to ensure project implementation is not unduly delayed.

V. RESULTS FRAMEWORK

This project will contribute to the following Sustainable Development Goal (s): #5 Gender equality, #11 Sustainable cities and communities, #13 Climate Action				
This project will contribute to the following country outcome (UNDAF/CPD, RPD, GPD): Serbia adopts and implements climate change and environmentally friendly strategies that increase community resilience, decrease carbon footprint and boost the benefits of national investments ²				
	Objective and Outcome Indicators (no more than a total of 20 indicators)	Baseline	Mid-term Target	End of Project Target
Project Objective: Reducing Community Carbon Footprint by a Circular Economy Approach in the Republic of Serbia	Mandatory Indicator 1 (also Core Indicator 11): Number of direct project beneficiaries disaggregated by gender (individual people)	NA	Males: 500 Females: 500	Males: 5 000 Females: 5 000
	Mandatory GEF Core Indicators: Indicator 2 Core Indicator 6.2): Direct and indirect lifetime GHG emissions avoided (metric tons of CO ₂ e)	NA	Direct: 0 Indirect: 0	Direct: 100 ktons of CO ₂ eq Indirect: 1 640 ktons of CO ₂ eq
	Indicator 3 Core Indicator 6.3): Energy saved (TJ)	NA	0 TJ	1 000 TJ
	Indicator 4 Core Indicator 6.4): Increase in installed renewable energy (RE) capacity (MW)	NA	0 MW	1 MW
Project component 1	An enabling institutional and policy framework			
Project Outcome 1: An enabling institutional and policy framework for advancing cross-sectoral circular economy (CE) in Serbian communities	Indicator 5: Alignment of the Serbian legal and regulatory framework with the EU circular economy related policy framework and the Chapter 27 of the EU Acquis covering CE related matters	Satisfactory	Satisfactory	Good
	Indicator 6: Level of completion of an updated Circular Economy Road Map, 2 nd three-year CE implementation program and at least 5 communal circular economy road maps or action plans	NA	20%	100%
	Indicator 7: Number of users of the CE Navigator and the Registry for Recycled Secondary Raw Materials	NA	400	4 000

² leveraging at least \$10 million USD in co-financing investments and leading to direct project lifetime CO₂ reductions of at least 100,000 tonnes of CO₂e

Outputs to achieve Outcome 1	<p>Output 1.1 A gap analysis between the latest EU circular economy policies and related Serbian laws and regulations.</p> <p>Output 1.2 By building on the results and recommendations of Output 1.1, new bylaws and other policy measures for effectively advancing circular economy in Serbia drafted</p> <p>Output 1.3 Circular economy related ISO standards that are not in use in Serbia yet transposed</p> <p>Output 1.4 A completed socio-economic impact and livelihood analysis with related recommendations and, as applicable, a Livelihood Action Plan, to mitigate the eventual harmful socio-economic impacts to vulnerable population groups such as informal waste collectors, who may be affected by new CE policies.</p> <p>Output 1.5 An updated Circular Economy Road Map and the 2nd three-year Implementation Program for Circular Economy completed by building on a broad consultative process and incorporating experiences and lessons learnt from monitoring the implementation of the first program and the CE investments piloted.</p> <p>Output 1.6 At least 5 circular economy road maps or action plans developed by local self-governments by building on the activities of the Climate KIC project “Developing pathways for the circular economy” and its potential further follow-up with EU IPA funding.</p> <p>Output 1.7 Circular Economy Navigator as an online knowledge management and marketing platform (serving also as the project and the LCCIP website) to support: i) collection and use of recycled secondary raw materials; ii) marketing of new innovative business ideas and projects; and iii) finding suitable implementation and financing partners for them. While taking full advantage of the available IT opportunities, the activities implemented within this framework may also encompass specific match-making events, trainings etc.</p> <p>Output 1.8 Raised awareness and built capacity of the key stakeholders to implement CE related policies, including capacity building of the industry and commercial sector to integrate circular economy ideas into their businesses.</p>			
Project component 2	Implementation of new innovative project sourcing and financing modalities to promote low carbon circular economy development			
Outcome 2: New innovative circular economy project and business ideas to reduce community carbon footprint identified and implemented with support by LCCIP with related KM and public outreach activities	<i>Indicator 8:</i> Number of new CE economy project and business ideas implemented with LCCIP support	NA	0	At least 5 projects implemented
	<i>Indicator 9:</i> Amount of co-financing leveraged for the supported CE investments	NA	0	US\$ 10 million
	<i>Indicator 10:</i> Amount of financing assigned at the end of the project to sustain LCCIP operations beyond the life of the project	NA	0	US\$ 1 million
	<i>Indicator 11:</i> : Status of the project KM platforms and other public outreach material	NA	Project KM platform in operation and regularly updated, and at least 5 articles or stories about the project in public media published	Project KM platform in operation and regularly updated, final workshop organized and at least 10 articles or stories about the project in public media published
Outputs to achieve Outcome 2	Output 2.1: Finalized design of the Low Carbon Communities Innovation Platform (LCCIP) to source and support the implementation of new resource efficient circular economy related business ideas, products, investment projects and process improvements.			

	<p>Output 2.2: The LCCIP established with agreed co-financing arrangements and a mentorship and technical assistance facility as part of the LCCIP to provide guidance and technical support for entrepreneurs in developing their initial ideas to marketable businesses and products and structuring financing from other public, semi-commercial or commercial funding sources for sharing the initial project costs and risks.</p> <p>Output 2.3: Workshop and other training events, including direct mentoring to support the finalization of proposals for LCCIP financial support</p> <p>Output 2.4: Proposals including feasibility studies, business and financing plan seeking for LCCIP financial support completed</p> <p>Output 2.5 Pilot CE investments selected by a challenge call and their implementation supported by Performance-Based Payments</p> <p>Output 2.6 Specific challenge call organized to source and support by innovation awards for a minimum of 5 new initiatives for the integration of informal waste collectors in the waste management system.</p> <p>Output 2.7 Specific Challenge Call organized to source and support by innovation awards up to 10 innovative CE based low-carbon solutions proposed by the R&D sector.</p> <p>Output 2.8: Monitored and reported results of the supported projects for their direct GHG reduction, social, economic and local environmental impacts</p> <p>Output 2.9 Public outreach to disseminate results and encourage the replication of pilot projects, including the use of social media, TV, radio, articles in printed media and video coverage, as well as organizing walk-through tours of key public officials to get more government buy-in and a final project workshop</p> <p>Output 2.10 Institutional and financing agreements to sustain the LCCIP operations after the project end completed, with at least US\$ 1 million assigned for continuing the challenge calls and for blending other financing sources, including the potential use of the Green Fund as the main source of public co-financing to facilitate the implementation of new innovative project and business ideas to advance the CE agenda in Serbia.</p>			
M&E	Monitoring and evaluation			
Outcome 3: Project results monitored, evaluated and reported	<i>Indicator 12:</i> Status of the project M&E reports	NA	Inception report, inception workshop and initial monitoring reports completed	Final project report and terminal evaluation completed
Outputs to achieve Outcome 3	<p>Output 3.1 Project inception report and workshop.</p> <p>Output 3.2 Project monitoring reports, including final project report, including monitored results of the supported project and business ideas and compilation of the lessons learnt</p> <p>Output 3.3 Project terminal evaluation.</p>			

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VI. MONITORING AND EVALUATION

The project results, corresponding indicators and mid-term and end-of-project targets in the project results framework will be monitored annually and evaluated periodically during project implementation. If baseline data for some of the results indicators is not yet available, it will be collected during the first year of project implementation. The Monitoring Plan included in Annex details the roles, responsibilities, and frequency of monitoring project results.

Project-level monitoring and evaluation will be undertaken in compliance with UNDP requirements as outlined in the [UNDP POPP and UNDP Evaluation Policy](#). The UNDP Country Office is responsible for ensuring full compliance with all UNDP project monitoring, quality assurance, risk management, and evaluation requirements.

Additional mandatory GEF-specific M&E requirements will be undertaken in accordance with the [GEF Monitoring Policy](#) and the [GEF Evaluation Policy](#) and other [relevant GEF policies](#)³. The costed M&E plan included below, and the Monitoring plan in Annex, will guide the GEF-specific M&E activities to be undertaken by this project.

In addition to these mandatory UNDP and GEF M&E requirements, other M&E activities deemed necessary to support project-level adaptive management will be agreed during the Project Inception Workshop and will be detailed in the Inception Report.

Additional GEF monitoring and reporting requirements:

Inception Workshop and Report: A project inception workshop will be held within 60 days of project CEO endorsement, with the aim to:

- a. Familiarize key stakeholders with the detailed project strategy and discuss any changes that may have taken place in the overall context since the project idea was initially conceptualized that may influence its strategy and implementation.
- b. Discuss the roles and responsibilities of the project team, including reporting lines, stakeholder engagement strategies and conflict resolution mechanisms.
- c. Review the results framework and monitoring plan.
- d. Discuss reporting, monitoring and evaluation roles and responsibilities and finalize the M&E budget; identify national/regional institutes to be involved in project-level M&E; discuss the role of the GEF OFP and other stakeholders in project-level M&E.
- e. Update and review responsibilities for monitoring project strategies, including the risk log; SESP report, Social and Environmental Management Framework and other safeguard requirements; project grievance mechanisms; gender strategy; knowledge management strategy, and other relevant management strategies.
- f. Review financial reporting procedures and budget monitoring and other mandatory requirements and agree on the arrangements for the annual audit.
- g. Plan and schedule Project Board meetings and finalize the first-year annual work plan.
- h. Formally launch the Project.

GEF Project Implementation Report (PIR):

The annual GEF PIR covering the reporting period July (previous year) to June (current year) will be completed for each year of project implementation. Any environmental and social risks and related management plans will be monitored regularly, and progress will be reported in the PIR. The PIR submitted to the GEF will be shared with the Project Board. The quality rating of the previous year's PIR will be used to inform the preparation of the subsequent PIR.

GEF Core Indicators:

The GEF Core indicators included as Annex will be used to monitor global environmental benefits and will be updated for reporting to the GEF prior to the TE. Note that the project team is responsible for updating the indicator status. The updated monitoring data should be shared with TE consultants prior to required evaluation missions, so these can be used for subsequent ground truthing. The methodologies to be used in data collection have been defined by the GEF and are available on the GEF [website](#).

Terminal Evaluation (TE):

An independent terminal evaluation (TE) will take place upon completion of all major project outputs and activities. The terms of reference, the evaluation process and the final TE report will follow the standard templates and guidance for GEF-financed projects available on the [UNDP Evaluation Resource Center](#).

³ See https://www.thegef.org/gef/policies_guidelines

The evaluation will be 'independent, impartial and rigorous'. The evaluators that will be hired to undertake the assignment will be independent from organizations that were involved in designing, executing or advising on the project to be evaluated. Equally, the evaluators should not be in a position where there may be the possibility of future contracts regarding the project being evaluated.

The GEF Operational Focal Point and other stakeholders will be actively involved and consulted during the terminal evaluation process. Additional quality assurance support is available from the BPPS/GEF Directorate.

The final TE report and TE TOR will be publicly available in English and posted on the UNDP ERC by **November 25th, 2026**. A management response to the TE recommendations will be posted to the ERC within six weeks of the TE report's completion.

Final Report:

The project's terminal GEF PIR along with the terminal evaluation (TE) report and corresponding management response will serve as the final project report package. The final project report package shall be discussed with the Project Board during an end-of-project review meeting to discuss lesson learned and opportunities for scaling up.

Agreement on intellectual property rights and use of logo on the project's deliverables and disclosure of information: To accord proper acknowledgement to the GEF for providing grant funding, the GEF logo will appear together with the UNDP logo on all promotional materials, other written materials like publications developed by the project, and project hardware. Any citation on publications regarding projects funded by the GEF will also accord proper acknowledgement to the GEF. Information will be disclosed in accordance with relevant policies notably the UNDP Disclosure Policy⁴ and the GEF policy on public involvement⁵.

Monitoring and Evaluation Plan and Budget: This M&E plan and budget provides a breakdown of costs for M&E activities to be led by the Project Management Unit during project implementation. These costs are included in Component 4 of the Results Framework and TBWP. For ease of reporting M&E costs, please include all costs reported in the M&E plan under the one technical component. The oversight and participation of the UNDP Country Office/Regional technical advisors/HQ Units are not included as these are covered by the GEF Fee.		
GEF M&E requirements	Indicative costs (US\$)	Time frame
Inception Workshop	5 000	Within 60 days of CEO endorsement of this project.
Inception Report	Incl. in workshop costs	Within 90 days of CEO endorsement of this project.
M&E of GEF core indicators and project results framework	10 000	Annually and at mid-point and closure
GEF Project Implementation Report (PIR)	10 000	Annually typically between June-August
Monitoring of GAP and ESMF (NA)	5,000	On-going.
Supervision missions	None	Annually
Independent Terminal Evaluation (TE)	40 000	November 25, 2026
TOTAL indicative COST	70 000	

Project-level Grievance Redress Mechanisms

The MoEP and UNDP will establish and implement, a transparent, fair and free-to-access project-level Grievance Redress Mechanism (GRM), approved by stakeholders, which will be put in place at the start of implementation. Interested stakeholders may raise a grievance at any time to the Project Management Office, the Executing Agency, Implementing Agency (UNDP), or the GEF.

The main features of the GRM and draft outline are provided in ESMF.

The full details of the GRM will be agreed upon during project inception.

⁴ See http://www.undp.org/content/undp/en/home/operations/transparency/information_disclosurepolicy/

⁵ See https://www.thegef.org/gef/policies_guidelines

This Monitoring Plan and the M&E Plan and Budget in Section VI of this project document will both guide monitoring and evaluation at the project level for the duration of project implementation.

Monitoring	Indicators	Targets	Description of indicators and targets	Data source/Collection Methods ⁶	Frequency	Responsible for data collection	Means of verification	Risks/Assumptions (Risk to reaching the set targets)
Project objective from the results framework	<u>Indicator 1:</u> Number of direct project beneficiaries disaggregated by gender (individual people)	<u>Midterm:</u> Males: 500 Females: 500 <u>Final:</u> Males: 5000 Females: 5000	Among the beneficiaries are people using or benefitting otherwise from supported CE investments, project's KM, training and other TA activities as well as by new work opportunities created by them	User statistics of the supported CE investment and/or products related to them. Records of the number of people employed by project related activities.	Annually for the PIR	Owners of supported CE investments. PMU	Annual reports As needed, complementary reports by contracted consultants	Lack of political will to effectively support further development and implementation of circular economy in Serbia or other risks discussed in further detail at the outcome level materializing.
	<u>Indicator 2:</u> Direct and indirect lifetime GHG emissions avoided (metric tons of CO ₂ e)	<u>Midterm:</u> Direct: 0 Indirect: 0 <u>Final:</u> Direct: 100 000 Indirect: 1 640 000	Direct GHG emission reduction generated by supported CE projects, indirect by replication after the project.	Monitoring reports of the supported CE investments and calculation of the related GHG reduction benefits	Annually for the PIR	PMU, LCCIP Task manager, the owners of supported CE investments and, as needed, contracted GHG monitoring experts	Site visits	See above
	<u>Indicator 3:</u> Energy saved (TJ)	<u>Midterm:</u> 0 TJ <u>Final:</u> 1000 TJ	Monitored and calculated energy savings generated by supported CE projects	Monitoring reports of the supported CE investments	Annually for the PIR	PMU, the LCCIP task manager and the owners of supported CE investments	Site visits	See above
	<u>Indicator 4:</u> Increase in installed RE capacity (MW)	<u>Midterm:</u> 0 MW <u>Final:</u> 1 MW	Reported installation of new renewable energy capacity by supported CE projects	Monitoring reports of the supported CE investments	Annually for the PIR	PMU, the LCCIP task manager and the owners of supported CE investments	Site visits	See above

⁶ Data collection methods should outline specific tools used to collect data and additional information as necessary to support monitoring. The PIR cannot be used as a source of verification.

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Monitoring	Indicators	Targets	Description of indicators and targets	Data source/Collection Methods ⁶	Frequency	Responsible for data collection	Means of verification	Risks/Assumptions (Risk to reaching the set targets)
Project Outcome 1	Indicator 5: Alignment of the Serbian legal and regulatory framework with the EU CE related policy framework and the Chapter 27 of the EU Acquis	<u>Midterm:</u> Satisfactory <u>Final:</u> Good	As a part of the EU accession process of Serbia, the level of alignment of the Serbian legislation with the Chapter 27 of the EU Acquis (incl. waste management and CE related matters) is regularly assessed	Review by legal experts contracted by the project and the EU screening reports assessing the alignment of the Serbian legislation with the Chapter 27 of the EU Acquis	In the mid -term or terminal evaluation	PMU	Project monitoring and EU screening reports	Lack of political will to effectively support further development and implementation of CE policy framework in Serbia.
	Indicator 6: Level of completion of an updated CE Road Map, 2 nd three-year CE implementation program and at least 5 communal CE road maps or action plans	<u>Midterm:</u> 20% <u>Final:</u> 100%	Self-explanatory in relation to outputs 1.5 and 1.6	Project monitoring reports	Annually for the PIR	PMU	Independent expert review of the draft or final documents	Lack of political will to effectively support further development and implementation of CE policy framework in Serbia.
	Indicator 7: Number of users of the Circular Economy Navigator and the Registry for Recycled Secondary Raw Materials	<u>Midterm:</u> 400 <u>Final:</u> 4 000	Self-explanatory in relation to outputs 1.7 and 1.8					
Project	Indicator 8: Number of new CE economy	<u>Midterm:</u> 0 <u>Final:</u> 5	Self-explanatory. The target was defined	Investment project monitoring	Annually for the PIR	PMU and the LCCIP task manager	Project progress reports /	The challenge call does not generate enough qualified CE proposals or the required co-

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Monitoring	Indicators	Targets	Description of indicators and targets	Data source/Collection Methods ⁶	Frequency	Responsible for data collection	Means of verification	Risks/Assumptions (Risk to reaching the set targets)
Outcome 2	project and business ideas implemented with LCCIP support		based on an assessment of a realistic amount of CE projects that could be supported by the LCCIP during project implementation by taking into account the outcome of the pre-challenge call organized during the PPG phase and the available financial resources				Annual PIRs	financing for their implementation does not materialize.
	Indicator 9: Amount of co-financing leveraged for the supported CE investments	<u>Midterm:</u> USD 0 <u>Final:</u> USD 10 000 00	Self-explanatory	Investment project monitoring	Annually for the PIR	PMU and the LCCIP task manager	Project progress reports / Annual PIRs	See above
	Indicator 10: Amount of financing assigned at the end of the project to sustain LCCIP operations beyond the life of the project	<u>Midterm:</u> USD 0 <u>Final:</u> USD 1 000 00	Self-explanatory	Project terminal evaluation	At the end of the project	PMU and the project evaluators	Government budget allocations	Government commitment to continue the LCCIP operations by building on the results achieved
	Indicator 11: Status of the project KM platforms and other public outreach material	<u>Midterm:</u> Project KM platform in operation and regularly updated, and at least 5 articles or stories about the project	Self-explanatory	Project monitoring reports	Annually	Project management	Annual PIRs	NA

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Monitoring	Indicators	Targets	Description of indicators and targets	Data source/Collection Methods ⁶	Frequency	Responsible for data collection	Means of verification	Risks/Assumptions (Risk to reaching the set targets)
		in public media published <u>Final:</u> Project KM platform in operation and regularly updated, final workshop organized and at least 10 articles or stories about the project in public media published						
Project Outcome 3 (Monitoring and evaluation)	<u>Indicator 12:</u> Status of the project M&E reports	<u>Midterm:</u> Inception report, inception workshop and initial monitoring reports completed <u>Final:</u> Final project report and terminal evaluation completed	As per the standard UNDP M&E requirements of the project	Project monitoring reports	Annually	Project management	Annual PIRs	NA

VII. MULTI-YEAR WORK PLAN

Total Budget and Work Plan			
Atlas Award ID:	00129537	Atlas Output Project ID:	00123168
Atlas Proposal or Award Title:	Circular Economy in Serbia		
Atlas Business Unit	SRB10		
Atlas Primary Output Project Title	Serbia - Reducing Community Carbon Footprint by a Circular Economy Approach		
BPPS NCE-VF PIMS No.	6285		
Implementing Partner	Ministry of Environmental Protection		

Atlas Activity (GEF Component)	Atlas Implementing Agent (Share of responsibilities)	Atlas Fund ID	Donor Name	Atlas Budgetary Account Code	ATLAS Budget Account Description	Amount Year 2021 (USD)	Amount Year 2022 (USD)	Amount Year 2023 (USD)	Amount Year 2024 (USD)	Amount Year 2025 (USD)	Amount Year 2026 (USD)	Total (USD)	See Budget Note:
Outcome 1: An enabling institutional and policy framework	MoEP	62000	GEF	71200	International consultants	0	17,500	10,000	10,000	7500	0	45,000	1
				71300	Local consultants	800	9,500	9,500	9,500	9,500	8,700	47,500	2
				71600	Travel	0	1,500	1,500	1,500	0	0	4,500	3
				72100	Contractual services - Companies	0	30,000	35,000	35,000	30,000	10,000	140,000	4
				75700	Training workshops & meetings	200	4,000	3,950	2,950	2,950	950	15,000	5
				TOTAL OUTCOME 1		1,000	62,500	59,950	58,950	49,950	19,650	252,000	
Outcome 2: Implementation of new innovative project sourcing and financing modalities to promote low carbon circular economy development together with related KM and public outreach activities	MoEP with UNDP Implementation Support	62000	GEF	71200	International consultants	0	15,000	10,000	5,000	0	0	30,000	6
				71300	Local consultants	0	25,000	25,000	15,000	5,000	0	70,000	7
				71400	Contractual services - Individual	10,000	57,700	57,700	57,700	57,700	48,700	289,500	8
				71455	Innovation awards	0	35,000	35,000	0	0	0	70,000	9
				71600	Travel	0	1,000	1,000	1,000	1,000	1000	5,000	3

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				72600	Performance based payments	0	0	150,000	300,000	330,000	0	780,000	11	
				75700	Training workshops & meetings	500	3,000	3,000	2,000	1000	500	10,000	12	
				Subtotal of MoEP with UNDP support		10,500	136,700	281,700	380,700	394,700	50,200	1,254,500		
	MoEP			72100	Contractual services Companies	-	0	2000	7,000	9,500	1000	29,000	10	
				75700	Training workshops & meetings	0	0	0	0	0	10000	10,000	17	
				Subtotal of MoEP		0	2,000	7,000	9,500	9,500	11,000	39,000		
				Subtotal of GEF		10,500	138,700	288,700	390,200	404,200	61,200	1,293,500		
	UNDP	4000	UNDP	71400	Contractual services Individual	-	1,950	13,650	13,650	13,650	11,700	68,250	13	
				Subtotal UNDP		1,950	13,650	13,650	13,650	13,650	11,700	68,250		
				TOTAL OUTCOME 2		12,450	152,350	302,350	403,850	417,850	72,900	1,361,750		
Outcome 3: Monitoring and Evaluation	MoEP	62000	GEF	71300	Local consultants	800	3,800	3,800	3,800	3,800	3,000	19,000	14	
				71600	Travel	200	1,000	1,200	1,200	1,200	1,200	6,000	3	
				72100	Contractual services Companies	-	0	0	0	0	0	40,000	40,000	15
				75700	Training workshops & meetings	5,000	0	0	0	0	0	5,000	5,000	16
				Subtotal GEF		6,000	4,800	5,000	5,000	5,000	5,000	44,200	70,000	
				TOTAL OUTCOME 3		6,000	4,800	5,000	5,000	5,000	5,000	44,200	70,000	
Project management Cost	MoEP	62000	GEF	71400	Contractual services Individual	-	4,450	26,050	26,050	26,050	21,850	130,500	18	
				71600	Travel	500	1000	1000	1,200	1,000	1,300	6,000	19	

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				72200	Equipment	2000	1500	0	0	0	0	3,500	20
				72400	Communication	200	800	800	800	800	600	4,000	21
				72500	Office supplies	300	450	450	450	450	400	2,500	22
				74100	Professional Services		3000	3,000	3,000	3,000	3,000	15,000	23
				Subtotal GEF		7,450	32,800	31,300	31,500	31,300	27,150	161,500	
	UNDP	4000	UNDP	74596	Services to projects -GOE	1,050	6,350	6,350	6,350	6,350	5,300	31,750	24
Subtotal UNDP				1,050	6,350	6,350	6,350	6,350	5,300	31,750			
Project management total				8,500	39,150	37,650	37,850	37,650	32,450	193,250			
	MoEP	62000	GEF	Subtotal GEF		24,950	238,800	384,950	485,650	490,450	152,200	1,777,000	
	UNDP	4000	UNDP	Subtotal UNDP		3,000	20,000	20,000	20,000	20,000	17,000	100,000	
				PROJECT TOTAL		27,950	258,800	404,950	505,650	510,450	169,200	1,877,000	
PROJECT TOTAL of Outcomes						27,950	258,800	404,950	505,650	510,450	169,200	1,877,000	

Summary of Funds	Co-financing Type	Amount (USD)	Amount (USD)	Amount (USD)	Amount (USD)	Amount (USD)	Amount (USD)	Total (USD)
		2021	2022	2023	2024	2025	2026	
GEF grant administered by UNDP	Grant	24,950	238,800	384,950	485,650	490,450	152,200	1,777,000
UNDP	Grant	3,000	20,000	20,000	20,000	20,000	17,000	100,000
UNDP	In-kind	2,000	10,000	10,000	10,000	10,000	8,000	50,000
Ministry of Environmental Protection (MoEP)	Grant	50,000	770,000	770,000	770,000	750,000	450,000	3,560,000
Ministry of Environmental Protection (MoEP)	In-kind	15,000	30,000	30,000	30,000	30,000	15,000	150,000

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EU Delegation	Grant	100,000	500,000	500,000	500,000	500,000	500,000	2,600,000
Chamber of Commerce	Grant	20,000	100,000	120,000	120,000	200,000	30,000	590,000
City of Belgrade	Grant	0	200,000	250,000	300,000	250,000	100,000	1,100,000
EIF and Procredit Bank	Loan	0	0	500,000	500,000	500,000	500,000	2,000,000
Serbian SMEs	Equity Investment	0	500,000	1,000,000	1,000,000	1,000,000	500,000	4,000,000
Total Grant		197,950	2,328,800	3,544,950	3,695,650	3,710,450	2,249,200	15,727,000
Total In-kind		17,000	40,000	40,000	40,000	40,000	23,000	200,000
GRAND TOTAL		214,950	2,368,800	3,584,950	3,735,650	3,750,450	2,272,200	15,927,000

Budget note number	Budget Notes
1	International project advisor on Circular Economy support for Outcome 1, including support for annual planning and adaptive management during the first three years. \$3,750 weeks for 12 workweeks in total
2	Local expert support for public outreach design and implementation (\$1,000 per week for 47,5 weeks)
3	International and local expert travel
4	Contractual services for Outputs 1.1 - 1.7, including review and drafting CE related legal texts (\$30,000), facilitating a consultative process for and drafting national CE Road Map and 2nd Implementation Program (incl. elaboration of measures to mitigate the eventual negative social impacts) & supporting the development of at least 5 local CE plans (\$50,000), and development and management of the Circular Economy Navigator and related public outreach (\$60,000)
5	Organisational costs for co-ordination, KM and training workshops contributing to different outputs of component 1
6	International project advisor on Circular Economy support for Outcome 2, including support for annual planning and adaptive management during the first three years. \$3,750 per week for 8 workweeks in total
7	Local expert support for Outputs 2.1-2.7, incl. the mentoring team (50 weeks) and design of the LCCIP and specific challenge calls (20 weeks). \$1,000 per week for 70 weeks in total
8	Costs of the LCCIP management team with a LCCIP Advisor for 80 weeks at the rate of \$975 per week, LCCIP task manager for 180 weeks at the rate of \$700 per week and LCCIP Assistant for 180 weeks at the rate of \$475 per week.
9	Innovation awards for outputs 2.6 and 2.7. Innovation awards will be coordinated and implemented in line with UNDP policy on Innovation challenges.
10	Contractual services for monitoring and reporting LCCIP results (incl. GHG accounting) together with related public outreach and developing a draft proposal for sustaining LCCIP results
11	Low-Value Performance Based Payments Agreements for at least 5 new and innovative CE investment projects, projects where the payment does not make up more than 20 percent of the total capital cost of the project

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12	Organisational costs for co-ordination, KM and training workshops contributing to different outputs of component 2
13	UNDP cost sharing of LCCIP advisor costs for 70 weeks at the rate of \$975 per week
14	Short term local expert support for project monitoring (incl. GHG accounting) (\$1,000 per week for 19 weeks)
15	Final evaluation
16	Inception workshop (\$5,000)
17	Final project workshop (\$10,000)
18	Contribution of project manager by 160 weeks at the rate \$450 per week and project assistant by 260 weeks at the rate of \$225 per week to administrative project management
19	Project management related travel
20	ICT equipment and furniture for the PMU staff and office, as needed
21	Audio visual equipment and communications costs
22	Office supplies
23	Annual financial audits
24	UNDP financed Direct Project Cost for UNDP support services for Outcome 2

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Outcomes	Outputs Q1	2021	2022				2023				2024				2025				2026		
		Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Outcome 1	Output 1.1 A gap analysis between the latest EU circular economy policies and related Serbian laws and regulations.																				
	Output 1.2 By building on the results and recommendations of Output 1.1, new bylaws and other policy measures for effectively advancing circular economy in Serbia drafted																				
	Output 1.3 Circular economy related ISO standards that are not in use in Serbia yet transposed																				
	Output 1.4 A completed socio-economic impact and livelihood analysis with related recommendations and, as applicable, a Livelihood Action Plan, to mitigate the eventual harmful socio-economic impacts to vulnerable population groups such as informal waste collectors, who may be affected by new CE policies.																				
	Output 1.5 An updated Circular Economy Road Map and the 2nd three-year Implementation Program for Circular Economy completed by building on a broad consultative process and incorporating experiences and lessons learnt from monitoring the implementation of the first program and the CE investments piloted.																				
	Output 1.6 At least 5 circular economy road maps or action plans developed by local self-governments by building on the activities of the Climate KIC project “Developing pathways for the circular economy” and its potential further follow-up with EU IPA funding.																				
	Output 1.7 Circular Economy Navigator as an online knowledge management and marketing platform (serving also as the project and the LCCIP website) to support: i) collection and use of recycled secondary raw materials; ii) marketing of new innovative business ideas and projects; and iii) finding suitable implementation and financing partners for them. While taking full advantage of the available IT opportunities, the activities implemented within this framework may also encompass																				

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	specific match-making events, trainings etc.																				
	Output 1.8 Raised awareness and built capacity of the key stakeholders to implement CE related policies, including capacity building of the industry and commercial sector to integrate circular economy ideas into their businesses.																				
Outcome 2	Output 2.1: Finalized design of the Low Carbon Communities Innovation Platform (LCCIP) to source and support the implementation of new resource efficient circular economy related business ideas, products, investment projects and process improvements.																				
	Output 2.2: The LCCIP established with agreed co-financing arrangements and a mentorship and technical assistance facility as part of the LCCIP to provide guidance and technical support for entrepreneurs in developing their initial ideas to marketable businesses and products and structuring financing from other public, semi-commercial or commercial funding sources for sharing the initial project costs and risks.																				
	Output 2.3: Workshop and other training events, including direct mentoring to support the finalization of proposals for LCCIP financial support																				
	Output 2.4: Proposals including feasibility studies, business and financing plan seeking for LCCIP financial support completed																				
	Output 2.5 Pilot CE investments selected by a challenge call and their implementation supported by Performance-Based Payments																				
	Output 2.6 Specific Challenge Call organized to source and support by innovation awards up to 5 new initiatives for the integration of informal waste collectors in the waste management system.																				
	Output 2.7 Specific Challenge Call organized to source and support by innovation awards up to 10 innovative CE based low-carbon solutions proposed by the R&D sector.																				
	Output 2.8: Monitored and reported results of the supported projects for their direct GHG reduction, social, economic and																				

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	local environmental impacts																			
	Output 2.9 Public outreach to disseminate results and encourage the replication of pilot projects, including the use of social media, TV, radio, articles in printed media and video coverage, as well as organizing walk- through tours of key public officials to get more government buy-in and the final project workshop																			
	Output 2.10 Institutional and financing agreements to sustain the LCCIP operations after the project end completed.																			
Outcome 3:	Output 3.1 Project inception report and workshop.																			
Monitoring and evaluation	Output 3.2 Project monitoring reports, including final project report with monitored results of the supported project and business ideas and compilation of the lessons learnt.																			
	Output 3.3 Project terminal evaluation																			

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VIII. GOVERNANCE AND MANAGEMENT ARRANGEMENTS

Roles and responsibilities of the project's governance mechanism:

Implementing Partner: The Implementing Partner (IP) for this project is **the Ministry of Environmental Protection (MoEP)** of the Government of Serbia, *while the* execution modality for this particular project is assistance to National Implementation Modality (NIM).

The Implementing Partner is the entity to which the UNDP Administrator has entrusted the implementation of UNDP assistance specified in this signed project document along with the assumption of full responsibility and accountability for the effective use of UNDP resources and the delivery of outputs, as set forth in this document.

The Implementing Partner is responsible for executing this project. Specific tasks include:

- Project planning, coordination, management, monitoring, evaluation and reporting. This includes providing all required information and data necessary for timely, comprehensive and evidence-based project reporting, including results and financial data, as necessary. The Implementing Partner will strive to ensure project-level M&E is undertaken by national institutes and is aligned with national systems so that the data used and generated by the project supports national systems.
- Risk management as outlined in this Project Document;
- Procurement of goods and services, including human resources;
- Financial management, including overseeing financial expenditures against project budgets;
- Approving and signing the multiyear workplan;
- Approving and signing the combined delivery report at the end of the year; and,
- Signing the financial report or the funding authorization and certificate of expenditures.

Responsible Parties: The Project Board may introduce other Responsible Parties during the project implementation to assist in the implementation of certain project outputs, as well as the recipient of Low-Value PBPs Agreements.

Project stakeholders and target groups: The key project stakeholders, target groups and envisaged partnerships are presented in chapter IV "Results and Partnerships" as well in Annex 9: "Stakeholder Engagement Plan."

UNDP: UNDP is accountable to the GEF for the implementation of this project. This includes oversight of project execution to ensure that the project is being carried out in accordance with agreed standards and provisions. UNDP is responsible for delivering GEF project cycle management services comprising project approval and start-up, project supervision and oversight, and project completion and evaluation. UNDP is also responsible for the Project Assurance role of the Project Board/Steering Committee.

The GEF OFP (Ministry for Environmental Protection – also an IP for the Project) and UNDP had the discussions on the several options of the management arrangements and discussed the Ministry's capacities on the implementation of the Innovation Challenge and accompanying Innovation Challenge Awards and Performance-based Payment Agreements (PBPA), in specified outputs under Outcome 2 of the project, in which the mechanisms of the Innovation Challenge Awards and PBPA are approved at PIF by GEF Sec. The discussion and analysis were concluded that the most feasible option for the Ministry is to proceed with limited assistance to NIM, specifically on the implementation of the aforementioned outcome and that is the only option given the modalities proposed within the project concerning the Innovation Challenge.

The UNDP execution support to NIM has been requested by the Implementing Partner (MoEP) through the official letter signed by Serbia GEF OFP (as Annex 2). It is to be note that execution support, in line with UNDP ICF and POPP/financial regulations, can only be provided in case requested by the Government and agreed by GEF. The UNDP execution support will be performed by the Innovation Challenge Support Unit, which is project-based and located at the premises of the Government/Ministry of Environmental Protection. The Innovation Challenge Support Unit will be part of the overall project management.

Strict firewall within UNDP will be maintained between “Project execution support (performed by the project-based Innovation Challenge Support Unit, as part of the Project Management)”, and “oversight” performed by CO Programme and Operations Staff. There is no overlap (neither people in respective positions nor in reporting lines) between the project-based Innovation Challenge Support Unit of the project, CO Program Unit, and CO Operations units.

The firewall settings as outlined below apply and are coherent with the standing UNDP ICF and POPP:

“**Project execution support performed by Innovation Challenge Support Unit**” will be undertaken by personnel on non-staff contracts (i.e. Service Contract holders) specifically hired for the implementation/ of the specific outputs under Outcome 2 of this project (specified in further detail in table 2), forming the so-called Innovation Challenge Support Unit which is fully project-based. It will not involve any actions from the category of “programme or operational oversight”; it will be limited to preparing TORs, specifications, requests, and arranging for a proper process for all project management activities (e.g. “managing” the Innovation Challenge Calls, acceleration support, issuing and monitoring of the Innovation Awards and Low-Value Performance-based payment Agreements), preparing documentation for procurement, recruitment processes, as needed. The Innovation Challenge Support Unit is funded fully out of the project budget. The firewall will be ensured by the fact that the Innovation Challenge Support Unit will report to the Project Manager, engaged by the Implementing Partner, and to the Project Board, while administrative aspects of the contracts of the Unit’s project personnel will be managed by the UNDP CO officer who is not, in any way, involved in programme nor operational oversight of the project.

The Innovation Challenge Support Unit will perform the requested services outlined in the letter of GEF OFP of Serbia (in Annex 2), in line with UNDP ICF, Financial and HR rules and other relevant sections of POPP. The anticipated costs of the service provided will be covered by non-GEF resources of the project.

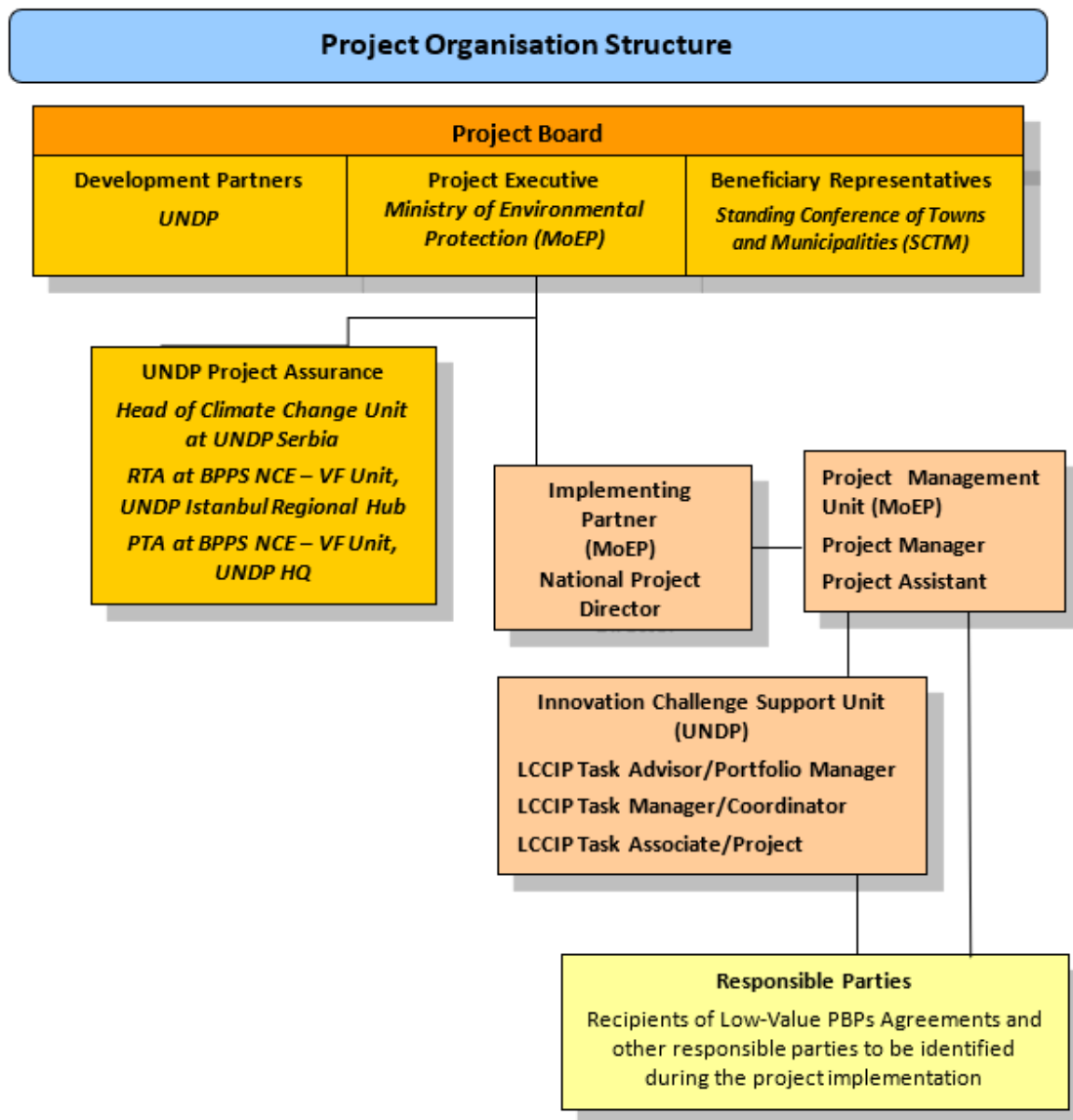
The oversight (i.e. over the Innovation Challenge Support Unit’s compliance with the approved Total Budget and Work Plan) will be carried out by UNDP Country Office programmatic and operational units (i.e. the Resilience and M&E/Program Finance Teams under the supervision of the CO Senior Management). The second tier of oversight will be provided from the UNDP regional and global level. Further detail can be found in Annex 19, UNDP Audit Checklist.

Project organisation structure:

The Project Management Unit will be established by the Ministry of Environmental Protection and will consist of **the Project Manager** and **the Project Assistant**. The Unit will perform day-to-day management of project activities, regular reporting and manage stakeholder engagement, communication and outreach activities. Also, the Project Management Unit, based on the Letter requesting UNDP’s execution support services, will be fully in charge of implementing the Outcome 1, Outcome 3 and Outputs 2.8, 2.9 and 2.10 under the Outcome 2 of the Project which are specified in further detail in table 2, below.

The Innovation Challenge Support Unit will be fully project-based and the support will be organized by the establishment of a Low Carbon Communities Innovation Platform (LCCIP). The support unit will consist of **the LCCIP Task Manager**, **LCCIP Task Associate** and **LCCIP Task Advisor**. The Unit, based on the Letter of the MoEP requesting execution support services of UNDP, will be in charge of implementation of the outputs 2.1, 2.2, 2.3, 2.4, 2.5, 2.6 and 2.7 under the Outcome 2 of the Project and reports to the Project Manager engaged by the Implementing Partner and to the Project Board. This in particular refer to following: organize and conduct the acceleration process, organize and conduct the challenge calls, manage the evaluation process and issuance and monitoring of the Low-Value Performance-based Payment Agreements. This will be done through the LCCIP that will be established in close cooperation with the MoEP. The Unit will act in close coordination and under the overall management of the Project Management Unit of the MoEP.

Both, the Project Management Unit and Innovation Challenge Support Unit, will be governed by the decisions of the Project Board and under the authority of the National Project Director (appointed by the MoEP).



The Project Board (also called Project Steering Committee) is responsible for taking corrective action as needed to ensure the project achieves the desired results. In order to ensure UNDP's ultimate accountability, Project Board decisions should be made in accordance with standards that shall ensure management for development results, best value money, fairness, integrity, transparency and effective international competition. The Project Board will hold its regular sessions at least twice a year, while dedicated PB meetings will be organized on the occasion of validations of the PBPs (dynamics is to be determined once the PBP Agreements are signed) and in case of making the decisions on any deviation from originally planned project activities. In fact, the Project Board will be validating the documentation prior to the signing of the Low-Value Performance Based Payment Agreements as well as prior to any disbursements under the signed low/value PBP Agreements, upon the prior assessments of the PBP Agreements deliverables/results conducted by the independent International Project Advisor.

In case consensus cannot be reached within the Board, the UNDP Resident Representative (or their designate) will mediate to find consensus and, if this cannot be found, will take the final decision to ensure project implementation is not unduly delayed.

Specific responsibilities of the Project Board include:

- Provide overall guidance and direction to the project, ensuring it remains within any specified constraints;
- Address project issues as raised by the project manager;

- Provide guidance on new project risks, and agree on possible mitigation and management actions to address specific risks;
- Agree on project manager's tolerances as required, within the parameters set by BPPS NCE-VF, and provide direction and advice for exceptional situations when the project manager's tolerances are exceeded;
- Advise on major and minor amendments to the project within the parameters set by BPPS NCE-VF;
- Ensure coordination between various donor and government-funded projects and programmes;
- Ensure coordination with various government agencies and their participation in project activities;
- Track and monitor co-financing for this project;
- Review the project progress, assess performance, and appraise the Annual Work Plan for the following year;
- Appraise the annual project implementation report, including the quality assessment rating report;
- Appraise the final selection of project which will receive innovation awards and co-financing under the Low-Value Performance Based Payments Agreements;
- Validate pre-agreed results under the signed Low-Value Performance Based Payments Agreements;
- Ensure commitment of human resources to support project implementation, arbitrating any issues within the project;
- Review combined delivery reports prior to certification by the implementing partner;
- Provide direction and recommendations to ensure that the agreed deliverables are produced satisfactorily according to plans;
- Address project-level grievances;
- Approve the project Inception Report, Mid-term Review and Terminal Evaluation reports and corresponding management responses;
- Review the final project report package during an end-of-project review meeting to discuss lesson learned and opportunities for scaling up.
- Ensure highest levels of transparency and take all measures to avoid any real or perceived conflicts of interest.

The composition of the Project Board must include the following roles:

- a. **Project Executive:** Is an individual who represents ownership of the project and chairs the Project Board. The Executive is normally the national counterpart for nationally implemented projects. The Project Executive is **the Ministry of Environmental Protection**.
- b. **Beneficiary Representative(s):** Individuals or groups representing the interests of those who will ultimately benefit from the project. Their primary function within the board is to ensure the realization of project results from the perspective of project beneficiaries. Often civil society representative(s) can fulfil this role. The Beneficiary representative (s) is **Standing Conference of Towns and Municipalities (SCTM)**.
- c. **Development Partner(s):** Individuals or groups representing the interests of the parties concerned that provide funding and/or technical expertise to the project. The Development Partner(s) is **United Nations Development Programme**.
- d. **Project Assurance:** UNDP performs the quality assurance and supports the Project Board and Project Management Unit by carrying out objective and independent project oversight and monitoring functions. This role ensures appropriate project management milestones are managed and completed, and conflict of interest issues are monitored and addressed. The Project Board cannot delegate any of its quality assurance responsibilities to the Project Manager. UNDP provides a three – tier oversight services involving the UNDP Country Offices and UNDP at regional and headquarters levels (The Project Assurance will be managed by: Head of Resilience Team at UNDP Serbia, RTA at BPPS NCE-VF Unit, UNDP Istanbul Regional Hub, PTA at BPPS NCE-VF Unit, UNDP HQ). Project assurance is totally independent of project execution.

The MoEP, serving as the project's IP, has requested UNDP implementation/execution support for certain project sub-components and tasks, as specified in further detail in table 2, below, and the attached letter of the Government/GEF OFP (Annex 2). The subcomponents and tasks requested to be supported include: (1) the implementation of the Innovation Challenge Policy of UNDP, (2) conducting acceleration process and (3) issuing and monitoring of Low-Value

Performance-based Payment Agreements. The reason for requesting implementation support from UNDP is that the MoEP is incapable to carry out performance-based payments, whereas inside the UNDP it is an approved modality which has been successfully implemented on a previous UNDP GEF project in Serbia on climate smart urban development.

Table 2. List of Responsibility Distribution between MoEP and UNDP

Outcomes	Updated outputs	Responsibility
Outcome 1: An enabling institutional and policy framework	Output 1.1 A gap analysis between the latest EU circular economy policies and related Serbian laws and regulations.	MoEP
	Output 1.2 By building on the results and recommendations of Output 1.1, new bylaws and other policy measures for effectively advancing circular economy in Serbia drafted	MoEP
	Output 1.3 Circular economy related ISO standards that are not in use in Serbia yet transposed	MoEP
	Output 1.4 A completed socio-economic impact and livelihood analysis with related recommendations and, as applicable, a Livelihood Action Plan, to mitigate the eventual harmful socio-economic impacts to vulnerable population groups such as informal waste collectors, who may be affected by new CE policies.	MoEP
	Output 1.5 An updated Circular Economy Road Map and the 2nd three-year Implementation Program for Circular Economy completed by building on a broad consultative process and incorporating experiences and lessons learnt from monitoring the implementation of the first program and the CE investments piloted.	MoEP
	Output 1.6 At least 5 circular economy road maps or action plans developed by local self-governments by building on the activities of the Climate KIC project “Developing pathways for the circular economy” and its potential further follow-up with EU IPA funding.	MoEP
	Output 1.7 Circular Economy Navigator as an online knowledge management and marketing platform (serving also as the project and the LCCIP website) to support: i) collection and use of recycled secondary raw materials; ii) marketing of new innovative business ideas and projects; and iii) finding suitable implementation and financing partners for them. While taking full advantage of the available IT opportunities, the activities implemented within this framework may also encompass specific match-making events, trainings etc.	MoEP
	Output 1.8 Raised awareness and built capacity of the key stakeholders to implement CE related policies, including capacity building of the industry and commercial sector to integrate circular economy ideas into their businesses.	MoEP
	Output 2.1: Finalized design of the Low Carbon Communities Innovation Platform (LCCIP) to source and support the implementation of new resource efficient circular economy related business ideas, products, investment projects and process improvements.	MoEP with UNDP Implementation Support
	Output 2.2: The LCCIP established with agreed co-financing arrangements and a mentorship and technical assistance facility as part of the LCCIP to provide guidance and technical support for entrepreneurs in developing their initial ideas to marketable businesses and products and structuring financing from other public, semi-commercial or commercial funding sources for sharing the initial project costs and risks.	MoEP with UNDP Implementation Support

Outcome 2: Implementation of new innovative project sourcing and financing modalities to promote low carbon circular economy development with related KM and public outreach activities	Output 2.3: Workshop and other training events, including direct mentoring to support the finalization of proposals for LCCIP financial support	MoEP with UNDP Implementation Support
	Output 2.4: Proposals including feasibility studies, business and financing plan seeking for LCCIP financial support completed	MoEP with UNDP Implementation Support
	Output 2.5 Pilot CE investments selected by a challenge call and their implementation supported by Performance-Based Payments	MoEP with UNDP Implementation Support
	Output 2.6 Specific Challenge Call organized to source and support, by innovation awards, up to 5 new pilot initiatives for the integration of informal waste collectors in the waste management system.	MoEP with UNDP Implementation Support
	Output 2.7 Specific Challenge Call organized to source and support, by innovation awards, up to 10 innovative CE based low-carbon pilot initiatives proposed by the R&D sector.	MoEP with UNDP Implementation Support
	Output 2.8: Monitored and reported results of the supported projects for their direct GHG reduction, social, economic and local environmental impacts	MoEP
	Output 2.9 Public outreach to disseminate results and encourage the replication of pilot projects, including the use of social media, TV, radio, articles in printed media and video coverage, as well as organizing walk-through tours of key public officials to get more government buy-in and a final project workshop	MoEP
	Output 2.10 Institutional and financing agreements to sustain the LCCIP operations after the project end completed to facilitate the implementation of new innovative project and business ideas to advance the CE agenda in Serbia.	MoEP
Outcome 3: Monitoring and evaluation	Output 3.1 Project inception report and workshop.	MoEP
	Output 3.2 Project monitoring reports, , including final project report including monitored results of the supported project and business ideas and compilation of the lessons learnt	MoEP
	Output 3.3 Project terminal evaluation.	MoEP

The MoEP does not have the required institutional capacity and human resources to implement these sub-components on its own including being unable to make performance-based payments and therefore, would not be able to meet the project targets. The requested support services for implementing the outputs 2.1 - 2.7 for Outcome 2 will include: i) procurement, (ii) HR recruitment/management, (iii) financial services, (iv) logistics support, and (v) project reporting.

The observed decline in the Government capacity has occurred due to frequent government structure changes, either due to the elections or internal re-shuffling of the institutions. Such a trend also caused a massive outflow of qualified personnel from the institutions, equally affecting expert departments' capacities and those in charge of project management services. It is also important to indicate that Serbia's national institutional capacities are already suffering by being stretched and overburdened by strict requirements for managing the EU funded projects. Even in

the case of other donor financed projects (such as the EU IPA projects), the MoEP receives execution support from the donor by sub-contracting implementing entities. Yet, the implementation of many of these projects is lagging, and the absorption capacity for EU funds is low.

The co-operation of the MoEP with municipalities on waste management and waste-water treatment is largely based on “business as usual” by using EU (IPA) funds and state loans as sources of financing, but without really actively exploring new innovative or more effective ways of dealing with waste and wastewater management at the municipal level and how these sectors could contribute to the decarbonization of Serbian economy.

At the moment, the Government/MoEP conducts public calls only for procurements that have strictly detailed and predefined technical criteria, thereby leaving not much room for the offerors to suggest alternative, innovative and eventually more effective ideas to deal with the required service or product. Cooperation with the private sector in the recycling industry, for instance, is based on incentives that are paid according to such criteria. The budgets of public calls for NGOs and research organizations are limited and activities are focused on one-time research-oriented interventions with no development focus or monitoring of impact after the projects have ended. As a financing modality, there are no mechanisms in place to use performance-based payment agreements. In Human Resource management, MoEP has lengthy procedures for the selection of experts, which is imposing a serious risk to timely implementation of the project.

The UNDP’s Innovation Challenge policy and Low-Value Performance-based Payment Agreements are an integral part of this project (as presented in the approved PIF) and they have already been piloted and proven to work in a previous UNDP GEF project on climate smart urban development. In order to conduct the challenges, ensure implementation and proper M&E of the selected innovative solutions, the MoEP has requested UNDP execution support for these particular components of the project.

Together with the GEF funds and the co-financing of the project, including support for the private sector, UNDP has developed a mechanism based on performance-based agreements, as an integral part of UNDP’s Innovation Challenge Policy, where payments are done only after fulfilling the defined, measurable and sustainable development results/milestones and verification as per the defined indicators by the Project Board. The MoEP does not have the legal basis neither operational capacity to perform such duties on its own but would need to delegate this to a third party, namely the UNDP.

For effectively fulfilling the requirements of its supporting role, UNDP Serbia has already established and gradually built several partnerships with institutions such as Serbian Chamber of Commerce and Industry, National Association for Local Economic Development (NALED), the Innovation Fund, Standing Conference of Towns and Municipalities, the EU funded Climate-KIC project, and the Government of Sweden with a network of around 10,000 stakeholders in order to foster co-operation and facilitate exchange experience and peer-to-peer learning. All this cannot be simply transferred to a third party without losing the ingredients of this groundwork, which is essential for the successful implementation of the proposed project.

By building on UNDP’s Innovation Challenge Policy, UNDP Serbia has established its capacity to effectively support national institutions in launching challenge-based procurement calls for innovative solutions and to ensure transparent and prompt evaluation process consisting of three steps (technical screening, independent experts’ evaluation and final evaluation in cooperation with national partners) by engaging a number of experts of various professional background. By this, UNDP will also build the capacities of the other institutions so that they can effectively provide similar services in the future, in particular concerning the cooperation with the corporate sector and industries.

For ideas selected for further development, the proponents receive mentoring and other expert support from an “Incubator/Accelerator Clinic” which was implemented by GEF financed, UNDP supported project, namely, “Climate Smart Urban Development (CSUD) project in Serbia” (GEF ID: 9342), in order to develop initial ideas and proposals into mature projects ready for implementation. These are unique mechanisms developed by UNDP Serbia that ensure fast track engagement of specific expertise, but also provide other types of assistance to innovative solutions, such as identification and establishment of partnerships, market research, business plan development, identification of funding sources (investors, commercial lending etc.). The Innovation Challenge Policy was already described in the approved Project Identification Form (PIF), as the main mechanism for sourcing, accelerating and implementation of the innovative solutions based on circular economy principles. The Government/MoEP cannot provide such de-risking assistance. Financial and other management of such supporting functions would be practically impossible to outsource for any other international agency either, which do not have specific operational procedures developed by UNDP for this purpose as an integral part of UNDP’s Innovation Challenge policy.

In short, while launching the Low Carbon Communities Innovation Platform (LCCIP) proposed by the project and the challenge-based approach as a part of that will provide an entirely new entry mechanisms to advance circular economy in Serbia and to source new innovative ideas for it, the MoEP is not yet fully geared to implement it on its own. Therefore, it has requested UNDP support for implementation/execution for certain project sub-components and tasks, as specified in detail in table 2, thereby allowing the MoEP in parallel to also build its own capacity for eventually incorporating such support mechanism into its operations later on.

Project extensions: The UNDP Resident Representative and the BPPS NCE-VF Executive Coordinator must approve all project extension requests. Note that all extensions incur costs and the GEF project budget cannot be increased. A single extension may be granted on an exceptional basis and only if the following conditions are met: one extension only for a project for a maximum of six months; the project management costs during the extension period must remain within the originally approved amount, and any increase in PMC costs will be covered by non-GEF resources; the UNDP Country Office oversight costs in excess of the CO's Agency fee specified in the DOA during the extension period must be covered by non-GEF resources.

United Nations Development Programme
Project Document

PROJECT DOCUMENT
UNDP in Serbia



IX. LEGAL CONTEXT

This project document shall be the instrument referred to as such in Article 1 of the Standard Basic Assistance Agreement between the Government Socialist Federal Republic of Yugoslavia - SFRY (the Republic of Serbia as the legal successor of the SFRY) and UNDP, signed on 24th of March 1988. All references in the SBAA to “Executing Agency” shall be deemed to refer to “Implementing Partner.”

This project will be implemented by the Ministry of Environmental Protection (“Implementing Partner”) in accordance with its financial regulations, rules, practices and procedures only to the extent that they do not contravene the principles of the Financial Regulations and Rules of UNDP. Where the financial governance of an Implementing Partner does not provide the required guidance to ensure best value for money, fairness, integrity, transparency, and effective international competition, the financial governance of UNDP shall apply.

The designations employed and the presentation of material on this map do not imply the expression of any opinion whatsoever on the part of the Secretariat of the United Nations or UNDP concerning the legal status of any country, territory, city or area or its authorities, or concerning the delimitation of its frontiers or boundaries.

X. RISK MANAGEMENT

1. Consistent with the Article III of the SBAA, 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. To this end, 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.
2. 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 the Implementing Partner’s obligations under this Project Document.
3. The Implementing Partner agrees to undertake all reasonable efforts to ensure that no 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/sc/committees/1267/aq_sanctions_list.shtml.
4. The Implementing Partner acknowledges and agrees that UNDP will not tolerate sexual harassment and sexual exploitation and abuse of anyone by the Implementing Partner, and each of its responsible parties, their respective sub-recipients and other entities involved in Project implementation, either as contractors or subcontractors and their personnel, and any individuals performing services for them under the Project Document.
 - (a) In the implementation of the activities under (a) this Project Document, the Implementing Partner, and each of its sub-parties referred to above, shall comply with the standards of conduct set forth in the Secretary General’s Bulletin ST/SGB/2003/13 of 9 October 2003, concerning “Special measures for protection from sexual exploitation and sexual abuse” (“SEA”).
 - (b) Moreover, and without limitation to the application of other regulations, rules, policies and procedures bearing upon the performance of the activities under this Project Document, in the implementation of activities, the Implementing Partner, and each of its sub-parties referred to above, shall not engage in any form of sexual harassment (“SH”). SH is defined as any unwelcome conduct of a sexual nature that might reasonably be

expected or be perceived to cause offense or humiliation, when such conduct interferes with work, is made a condition of employment or creates an intimidating, hostile or offensive work environment.

5. a) In the performance of the activities under this Project Document, the Implementing Partner shall (with respect to its own activities), and shall require from its sub-parties referred to in paragraph 4 (with respect to their activities) that they, have minimum standards and procedures in place, or a plan to develop and/or improve such standards and procedures in order to be able to take effective preventive and investigative action. These should include: policies on sexual harassment and sexual exploitation and abuse; policies on whistleblowing/protection against retaliation; and complaints, disciplinary and investigative mechanisms. In line with this, the Implementing Partner will and will require that such sub-parties will take all appropriate measures to:
 - i. Prevent its employees, agents or any other persons engaged to perform any services under this Project Document, from engaging in SH or SEA;
 - ii. Offer employees and associated personnel training on prevention and response to SH and SEA, where the Implementing Partner and its sub-parties referred to in paragraph 4 have not put in place its own training regarding the prevention of SH and SEA, the Implementing Partner and its sub-parties may use the training material available at UNDP;
 - iii. Report and monitor allegations of SH and SEA of which the Implementing Partner and its sub-parties referred to in paragraph 4 have been informed or have otherwise become aware, and status thereof;
 - iv. Refer victims/survivors of SH and SEA to safe and confidential victim assistance; and
 - v. Promptly and confidentially record and investigate any allegations credible enough to warrant an investigation of SH or SEA. The Implementing Partner shall advise UNDP of any such allegations received and investigations being conducted by itself or any of its sub-parties referred to in paragraph 4 with respect to their activities under the Project Document, and shall keep UNDP informed during the investigation by it or any of such sub-parties, to the extent that such notification (i) does not jeopardize the conduct of the investigation, including but not limited to the safety or security of persons, and/or (ii) is not in contravention of any laws applicable to it. Following the investigation, the Implementing Partner shall advise UNDP of any actions taken by it or any of the other entities further to the investigation.
 - b) The Implementing Partner shall establish that it has complied with the foregoing, to the satisfaction of UNDP, when requested by UNDP or any party acting on its behalf to provide such confirmation. Failure of the Implementing Partner, and each of its sub-parties referred to in paragraph 4, to comply of the foregoing, as determined by UNDP, shall be considered grounds for suspension or termination of the Project.
6. Social and environmental sustainability will be enhanced through application of the UNDP Social and Environmental Standards (<http://www.undp.org/ses>) and related Accountability Mechanism (<http://www.undp.org/secu-srm>).
 7. The Implementing Partner shall: (a) conduct project and programme-related activities in a manner consistent with the UNDP Social and Environmental Standards, (b) implement any management or mitigation plan prepared for the project or programme to comply with such standards, and (c) engage in a constructive and timely manner to address any concerns and complaints raised through the Accountability Mechanism. UNDP will seek to ensure that communities and other project stakeholders are informed of and have access to the Accountability Mechanism.
 8. All signatories to the Project Document shall cooperate in good faith with any exercise to evaluate any programme or project-related commitments or compliance with the UNDP Social and Environmental Standards. This includes providing access to project sites, relevant personnel, information, and documentation.
 9. The Implementing Partner will take appropriate steps to prevent misuse of funds, fraud or corruption, by its officials, consultants, responsible parties, subcontractors and sub-recipients in implementing the project or using UNDP funds. The Implementing Partner will ensure that its financial management, anti-corruption and anti-fraud policies are in place and enforced for all funding received from or through UNDP.
 10. The requirements of the following documents, then in force at the time of signature of the Project Document, apply to the Implementing Partner: (a) UNDP Policy on Fraud and other Corrupt Practices and (b) UNDP Office of

Audit and Investigations Investigation Guidelines. The Implementing Partner agrees to the requirements of the above documents, which are an integral part of this Project Document and are available online at www.undp.org.

11. In the event that an investigation is required, UNDP has the obligation to conduct investigations relating to any aspect of UNDP projects and programmes in accordance with UNDP's regulations, rules, policies and procedures. The Implementing Partner shall provide its full cooperation, including making available personnel, relevant documentation, and granting access to the Implementing Partner's (and its consultants', responsible parties', subcontractors' and sub-recipients') premises, for such purposes at reasonable times and on reasonable conditions as may be required for the purpose of an investigation. Should there be a limitation in meeting this obligation, UNDP shall consult with the Implementing Partner to find a solution.
12. The signatories to this Project Document will promptly inform one another in case of any incidence of inappropriate use of funds, or credible allegation of fraud or corruption with due confidentiality.

Where the Implementing Partner becomes aware that a UNDP project or activity, in whole or in part, is the focus of investigation for alleged fraud/corruption, the Implementing Partner will inform the UNDP Resident Representative/Head of Office, who will promptly inform UNDP's Office of Audit and Investigations (OAI). The Implementing Partner shall provide regular updates to the head of UNDP in the country and OAI of the status of, and actions relating to, such investigation.

13. UNDP shall be entitled to a refund from the Implementing Partner of any funds provided that have been used inappropriately, including through fraud or corruption, or otherwise paid other than in accordance with the terms and conditions of the Project Document. Such amount may be deducted by UNDP from any payment due to the Implementing Partner under this or any other agreement. Recovery of such amount by UNDP shall not diminish or curtail the Implementing Partner's obligations under this Project Document.

Where such funds have not been refunded to UNDP, the Implementing Partner agrees that donors to UNDP (including the Government) whose funding is the source, in whole or in part, of the funds for the activities under this Project Document, may seek recourse to the Implementing Partner for the recovery of any funds determined by UNDP to have been used inappropriately, including through fraud or corruption, or otherwise paid other than in accordance with the terms and conditions of the Project Document.

Note: The term "Project Document" as used in this clause shall be deemed to include any relevant subsidiary agreement further to the Project Document, including those with responsible parties, subcontractors and sub-recipients.

14. Each contract issued by the Implementing Partner in connection with this Project Document shall include a provision representing that no fees, gratuities, rebates, gifts, commissions or other payments, other than those shown in the proposal, have been given, received, or promised in connection with the selection process or in contract execution, and that the recipient of funds from the Implementing Partner shall cooperate with any and all investigations and post-payment audits.
15. Should UNDP refer to the relevant national authorities for appropriate legal action any alleged wrongdoing relating to the project, the Government will ensure that the relevant national authorities shall actively investigate the same and take appropriate legal action against all individuals found to have participated in the wrongdoing, recover and return any recovered funds to UNDP.
16. The Implementing Partner shall ensure that all of its obligations set forth under this section entitled "Risk Management" are passed on to each responsible party, subcontractor and sub-recipient and that all the clauses under this section entitled "Risk Management Standard Clauses" are included, *mutatis mutandis*, in all sub-contracts or sub-agreements entered into further to this Project Document.

XI. ANNEXES

- 1. Project Quality Assurance Report (as a separate document)**
- 2. Social and Environmental Screening Template (as a separate document)**
- 3. Risk Analysis**
- 4. Capacity Assessment:** Results of capacity assessments of Implementing Partner (including Partner Capacity Assessment Tool (PCAT) and HACT Micro Assessment) (as a separate document) (as a separate document)
- 5. Project Board Terms of Reference and TORs of key management positions**

Annex 3 Risk Analysis

#	Description	Risk Category	Impact & Probability	Risk Treatment / Management Measures	Risk Owner
1	Lack of political will either at the central or local governmental level to effectively contribute to the development and implementation of the CE related policies in Serbia	Political	The adoption of the envisaged policy documents will significantly delayed or cancelled entirely L = 2 I = 4 Risk level: Moderate	Developing the project in close consultation with the key stakeholders of the national and local self-governments as well as by proposing measures, which are fully aligned with and can contribute to the achievement of the national priority targets in the waste management sector.	MoEP / Project director
2	The Government or the participating local self-government do not have the financial resources to support the proposed solutions or their effective replication.	Financial	There is less co-financing for the planned pilot projects L = 2 I = 4 Risk level: Moderate	This risk is mitigated by signed co-financing letter required at the CEO Endorsement as well as having several different co-financing sources, including bi- and multilateral donors and the environmental funds managed by local self-governments. A significant share of financing for the planned pilot projects is also expected from the private sector.	MoEP / Project director
3	The LCCIP does not motivate the targeted stakeholders i.e. no proposals of decent quality and amount are received	Operational	There will be no pilot project ideas to be supported L = 1 I = 4	This risk will be mitigated by careful preparation and design of the call for proposals. The experiences and results from prior CSUD Challenge project as well as the pre-challenge call organized during the PPG phase of this project also indicate that by good preparation and attractive marketing, this risk can be effectively addressed	Project management
4	Due to technical failure of the equipment and/or software used, the trust of the key stakeholders and investors on the proposed CE solution(s) is lost	Other (technology risk)	The confidence of the key stakeholders on the proposed CE measures is lost L = 2 I = 3 Risk level: Moderate	Adequate due diligence and, when applicable, pre-testing of the proposed CE solutions.	Project management
5	The CE pilot projects and policy measures may generate waste that is harmful to the environment and human health, if not properly managed and disposed.	Environmental	The implemented measures will result in non-acceptable local environmental problems L = 2 I = 3 Risk level: Moderate	Having as an obligatory component for all proposals an environmental impact assessment addressing also the waste issue.	Project management

6	The changing climate and extreme weather conditions eventually appearing more frequently and more intensively may pose specific risks to CE projects and measures that are exposed to such weather.	Environmental	The implemented measures will not produce the desired benefits or will result in adverse effects to environment L = 2 I = 3 Risk level: Moderate	Taking the changing climate and the risk for more frequent and intensive extreme weather conditions into account in the calculations, in defining the technical specifications for the equipment and in ensuring their proper installation.	Project management
7	Inadequate local capacity to effectively implement the proposed measures	Operational	The targeted project results will not be achieved L = 2 I = 4 Risk level: Moderate	Adequate focus on capacity building, coaching and adaptive management	Project Board and UNDP by their oversight functions and responsibilities
8	Continuing COVID-19 pandemic will prevent some project activities from being implemented	Social	The targeted project results will not be achieved and the stakeholders cannot be engaged at the level required. L = 2 I = 4 Risk level: Moderate	Planning and developing alternative ways or introducing required precautionary measures for allowing the implementation of critical project activities despite of COVID-19 restrictions. For instance, all required project meetings, workshops and training events can also be organized online.	Project management

The risks related to Social and Environmental Screening Procedure were presented and discussed in Annex 6.

The COVID-19 and climate change related risk are discussed in further detail below.

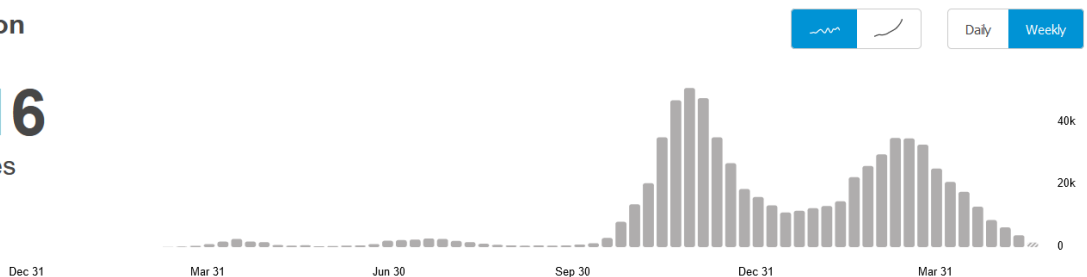
COVID-19 related risks and opportunities

While the situation with COVID-19 in Serbia is gradually getting better (Figure 4) and Serbia is also vaccinating its people with leading rates in Europe, the possible impacts COVID-19 or similar pandemic are briefly discussed below.

Serbia Situation

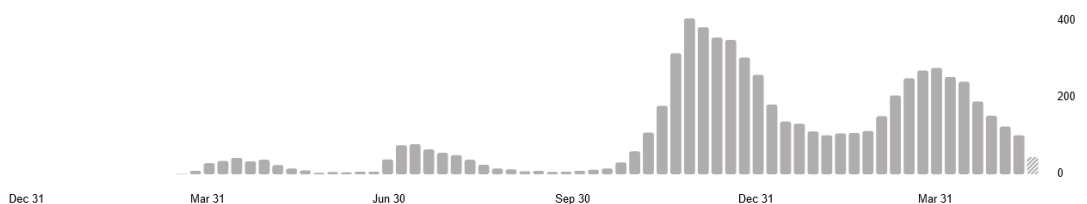
711,116

confirmed cases



6,811

deaths



Source: World Health Organization
Data may be incomplete for the current day or week.

Figure 7-1 COVID-19 related situation in Serbia as of May 25th 2021 (Source: <https://covid19.who.int/region/euro/country/rs>)

The main impact of continuing COVID-19 pandemic on project implementation will be because of eventually continuing social distancing measures and restrictions for public gatherings. In such a case, the planned public outreach events, stakeholder consultation meetings and group training cannot be organized by physical meetings, but they would need to be virtual ones. During the pandemic most people among the stakeholders the project is targeting have already become familiar with different types of virtual meetings and, therefore, continuing such online events in the frame of this project, as needed, is not expected to create major challenges. As needed, the project will also provide specific training for or facilitate otherwise the participation of those stakeholders that may require such support.

Also, as it concerns the project staff, they will be responsible for the type of deskwork that can also be conducted outside the project office, if needed. As such, COVID-19 even if continuing with related restrictions is not likely to have any major impact on implementing the project in schedule. Similarly, no impact on baseline or stated project targets is foreseen.

The project co-financing arrangements have been discussed and agreed upon in the middle of COVID-19 pandemic and there was no indication that COVID-19 would somehow influence the availability of this co-financing, including the private sector companies that so far have expressed interest in participating the project. The most vulnerable SMEs would be those that work in such services sectors fields (such as cafes, restaurants, sport facilities etc., whose revenues and related investment capacity depends directly on the number of clients they can serve with social distancing measures in force. Such sectors are not, however, expected to play any dominant role in the type of projects seeking for GEF support.

As regards the opportunities, the project will be at the core of promoting new innovative ideas for promoting circular solutions to reduce unsustainable resource extraction and environmental degradation, as suggested also by the GEF Guidance Note dated August 27, 2020. It aims at i) minimizing waste that threaten Global Environmental Benefits (GEBs) by contributing to POPs and GHG emissions; ii) avoiding or reducing marine and freshwater pollution which has risen dramatically during COVID19 due to rise in use of disposables, particularly in the medical and food sectors and iii) examining new opportunities for improved waste management (incl. waste water treatment) that may help in mitigating the risk for future pandemics and vector-borne diseases.

Similarly, the project will encourage innovation also in other climate change related fields contributing to energy efficiency and use of low- and zero-carbon technologies such as renewable energy and electromobility, while not increasing the use of harmful chemicals and ensuring the ability to recapture and recycle materials at the end of life. Furthermore, it can support and facilitate the implementation of new innovative ideas presented by project's business development partners to improve resilience to climate change and promote sustainable business practices that are bio-based, energy efficient and chemicals free (as far as possible).

By all of the above and by applying challenge-based project sourcing and performance-based project financial support mechanisms, the project has an opportunity to significantly contribute to green recovery and resilience by engaging both the public and the private sector for mutually benefitting co-operation producing both global and local environmental benefits, new green business opportunities for the private sector and ingredients for green economic recovery in general.

The project will have a specific focus also on exploring and, to the extent possible, creating new jobs and income opportunities for the current informal waste collectors, while at same time reducing the severe health risks associated with the current informal waste segregation practices and illegal dump sites.

Climate Change Risks

Since the final selection of the specific CE pilot investments to be supported by the project will be done by a challenge call during the project implementation, the climate change related risks can at this stage be discussed at a general level affecting all sectors, including those associated with different CE related activities. A more detailed analysis of climate change related risks and their mitigation will, however, be requested from every project applying for GEF grant support at the final project selection stage. Furthermore, the UNDP performance-based payment modality in itself is forcing the project proponents to consider also climate change related risks in their project formulation and management, since the support is only paid in the case the project is completed in accordance with the agreed specifications.

The analysis prepared for the Second National Communication of Serbia predicted an average temperature rise of 0.5-0.9 °C by 2040 and 1.8-2.0 °C during 2041-2070. For precipitation, the models predicted a change between +20% and -20% with reduced rainfall expected during the summer season accompanied by longer periods of drought. Vulnerability assessments were made for the hydrology and water resources, forestry, agriculture and health care with a conclusion that all these sectors will be affected by climate change.

No specific vulnerability assessment has been done yet on the built environment such as buildings, waste treatment facilities and landfills, thereby limiting the availability of information for these particular areas. It is clear, however, that any predicted changes in the temperature and precipitation as well as the risks for more frequent extreme weather events would need to be fully taken into account also in these subsectors.

As it concerns the climate change related risks to circular economy related activities in general, the models predict increasing temperatures and eventual shortages of both surface and groundwater, while at the same time extreme weather events such as heavy rainfalls increase the risks for disastrous floods, as already evidenced in 2014. There are 99 areas in Serbia that have been recognized to be under a significant flood risk during intensive rainfall periods. The largest potentially flooded areas lay along the Danube, Tisa, Sava, Drina, Velika Morava, Južna Morava, and Zapadna Morava rivers. The impact would affect the entire society

causing serious damage to existing infrastructure, disrupting supply and distribution chains and resulting in significant financial losses to both private and public companies thereby hindering their current CE related activities and further investment capacity. As an example, the agriculture and farming related businesses suffered losses in the amount of \$2 billion in 2012 due to the drought only, while in 2017 these losses amounted to over \$1 billion. During the extreme floods of 2014, the overall estimated economy-wide losses amounted to more than \$1,7 billion (<http://www.obnova.gov.rs/uploads/useruploads/Documents/RNA-REPORT-140714.pdf>). Especially smaller companies, while having a significant potential to contribute to and advance circular economy (e.g. small-scale renewable energy producers, waste operators, recycling industry, construction companies etc), were found to be most vulnerable to any market disruptions.

During the implementation of the ongoing GEF-funded CSUD project, some main climate change related risks and challenges as it concerns different types of CE projects were identified as follows:

- Physical damage to CE related infrastructure, incl. waste collection, segregation and treatment facilities due to heavy storms, flooding or similar;
- Other distortions in waste collection and segregation chains, which can result in a shortage of raw materials for CE related product manufacturing such as organic waste for biogas/compost production, wood for pellet production, plastic, glass and metal for manufacturers of recycled products from these materials etc.;
- Operational risks in all sectors in the case of extreme weather conditions due to difficulties with regular supplies and/or with the employees and other workforce to reach their working places. Such a risk may also materialize due to a possible increase in infectious vector-borne diseases due to climate change.
- Temporary suspension of Power Purchase Agreements (PPA) for CE related renewable energy (RE) producers, which the Force Majeure articles of the PPAs in the case of extreme weather conditions or their consequences would allow. While loan agreements with banks may also be temporarily suspended, in the end, the obligations of borrowers still need to be completely fulfilled, which can significantly affect the liquidity of especially smaller RE producers and start-ups;
- In the building sector, any new construction materials and equipment produced from circulated raw materials would need to resist more extreme weather conditions, while also maintaining buildings' thermal comfort in the case of increasing temperatures and be also tested for those;
- In the forestry sector, the predicted temperature rise and increased periods of drought are expected to lead to growing number of more extensive forest fires, thereby having an impact on CE projects relying on forest resources;
- In agriculture, the climate change impact assessment focused on the crop yield only, which even on its own may have an impact on different CE related business initiatives using the agricultural residues as raw material

Based on the type of proposals received under the pre-challenge call organized during the PPG phase and as indicated in the draft Third National Communication under the UNFCCC and analysis prepared under the National Adaptation Plan (NAP), the highest climate risks are imposed on projects related to agriculture - using circular economy principles in food production and production of heat energy from agricultural residues.

The increased intensity and frequency of storms, droughts, floods, and other natural disasters, reduced availability and quality of water (for irrigation) and altered precipitation periods (no precipitation during the periods of importance for normal crop growth and development) have negative impacts on agriculture. Therefore, climate change impacts are reflected as direct impacts on the quality and quantity of crops, food growing (high and low temperatures, especially during maturity periods; heavy precipitation or its absence, hail); and indirect impacts caused by changes in soil quality, water availability, the appearance of pests and weeds. If selected for co-financing, SMEs working in these sectors will have to prepare a detailed SESP and Livelihood Assessment Plan, before signing PBP agreements. In SESP, SMEs will have to define activities to address climate change impact, as follows: identify climate change impact on specific micro-locations, climate change projections and social and economic aspects in the impact assessment on crops and fruit growing; necessity for applying the appropriate agro and pomo-technical measures; selection of the most resistant varieties.

Based on assessments presented in the Third National Communication under the UNFCCC, the increased intensity and frequency of floods can be expected in flooded zones. Therefore, if a project selected for co-financing is located in the Mačva region (the City of Šabac, Municipality of Mali Zvornik), South Bačka region (municipality of Bačka Palanka), Srem region (Municipality of Ruma), SMEs will have to reflect this risk in SESP and Livelihood Assessment Plans. SMEs will have to take into account climate models and projected precipitation and define legally binding plans of reactions in the case of disasters, with a particular focus on extreme weather events. These documents will have to include measures to protect assets and human lives, short term and long term measures, and have to be developed before signing PBP agreements.

By taking into account the above, the climate change specific risks concerning some selected candidate projects sourced by the preliminary pre-challenge call organized during the PPG phase can be summarized as follows:

Project name/type	Physical damage by extreme weather conditions	Distortions in supply chains	Operational risks

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CE student housing for building integrated RE, EE and CE construction materials	X	X	
Biomass energy (wood chips from waste wood)		X	X
Restarting glass recycling and processing		X	
Biodiesel against the greenhouse effect		X	X
Bioenergy from agricultural waste (briquettes)	X	X	X
Using waste bases and acids for fertilizer production		X	X
Collecting and supplying for recycling technical surplus paper produced in printing houses		X	X
Switching from fuel oil to wood chips produced from wood waste (fruit trees)	X	X	X
Constructing compost fields and hangars for the treatment of green waste collected from public areas.	X	X	X

While it is clear that all the risks discussed above would need to be taken duly into account in pilot CE investments considered for project support, by giving due attention to the precautionary measures as it concerns, for instance, the location of those investments, these risks are manageable. Serbian companies also have legal obligations to produce emergency plans for eventual disastrous events and, consequently, are requested to present these plans also in the case of applying for GEF project support, should they be subject to legal obligation.

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5. Project Board Terms of Reference and TORs of key management positions.

Consultant	Time Input	Tasks, Inputs and Outputs
<i>For Project Management</i>		
<i>Local / National contracting</i>		
Project Manager Rate: \$450/week	Full time 260 weeks over 5 years, from which 160 weeks covered by GEF grant contribution	<p>The Project Manager (PM) will be responsible for the overall management of the project, including the mobilization of all project inputs, supervision over project staff, consultants and sub-contractors.</p> <p><u>Duties and Responsibilities</u></p> <ul style="list-style-type: none"> • Manage the overall conduct of the project. • Plan the activities of the project and monitor progress against the approved workplan. • Execute activities by managing personnel, goods and services, training and low-value grants, including drafting terms of reference and work specifications, and overseeing all contractors' work. • Monitor events as determined in the project monitoring plan, and update the plan as required. • Provide support for completion of assessments required by UNDP, spot checks and audits. • Manage requests for the provision of UNDP financial resources through funding advances, direct payments or reimbursement using the FACE form. • Monitor financial resources and accounting to ensure the accuracy and reliability of financial reports. • Monitor progress, watch for plan deviations and make course corrections when needed within project board-agreed tolerances to achieve results. • Ensure that changes are controlled and problems addressed. • Perform regular progress reporting to the project board as agreed with the board, including measures to address challenges and opportunities. • Prepare and submit financial reports to UNDP on a quarterly basis. • Manage and monitor the project risks – including social and environmental risks - initially identified and submit new risks to the Project Board for consideration and decision on possible actions if required; update the status of these risks by maintaining the project risks log; • Capture lessons learned during project implementation. • Prepare revisions to the multi-year workplan, as needed, as well as annual and quarterly plans if required. • Prepare the inception report no later than one month after the inception workshop. • Ensure that the indicators included in the project results framework are monitored annually in advance of the GEF PIR submission deadline so that progress can be reported in the GEF PIR. • Prepare the GEF PIR;

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Consultant	Time Input	Tasks, Inputs and Outputs
		<ul style="list-style-type: none"> • Assess major and minor amendments to the project within the parameters set by BPPS NCE-VF; • Monitor implementation plans including the gender action plan, stakeholder engagement plan, and any environmental and social management plans; • Monitor and track progress against the GEF Core indicators. • Support the Terminal Evaluation process. • In addition to the administrative project management functions, the project manager will contribute by technical inputs to and supervision of all outputs under Outcomes 1, 2 and 3.
Project Assistant (incl. account management) Rate: \$225/week	Full time 260 weeks over 5 years	<p><u>Duties and Responsibilities</u></p> <p>Under the guidance and supervision of the Project Manager, the Project Assistant will carry out the following tasks:</p> <ul style="list-style-type: none"> • Assist the Project Manager in day-to-day management and oversight of project activities; • Assist in matters related to M&E and knowledge resources management; • Assist in the preparation of progress reports; • Ensure all project documentation (progress reports, consulting and other technical reports, minutes of meetings, etc.) are properly maintained in hard and electronic copies in an efficient and readily accessible filing system, for when required by PB, TAC, UNDP, project consultants and other PMU staff; • Provide PMU-related administrative and logistical assistance. • Keep records of project funds and expenditures, and ensure all project-related financial documentation are well maintained and readily available when required by the Project Manager; • Review project expenditures and ensure that project funds are used in compliance with the Project Document and Government financial rules and procedures; • Validate and certify FACE forms before submission to UNDP; • Provide necessary financial information as and when required for project management decisions; • Provide necessary financial information during project audit(s); • Review annual budgets and project expenditure reports, and notify the Project Manager if there are any discrepancies or issues; • Consolidate financial progress reports submitted by the responsible parties for implementation of project activities; • Liaise and follow up with the responsible parties for implementation of project activities in matters related to project funds and financial progress reports. • In addition to the administrative and financial project management functions listed above, the project assistant will contribute to all outputs under Outcomes 1, 2 and 3 by different organizational and logistic support
For Technical Assistance		
Outcome 1:		
Local / National contracting		

Consultant	Time Input	Tasks, Inputs and Outputs
Individual experts		
Support for implementation of Output 1.8: \$1000/week	Estimated total of 47,5 weeks over the duration of the project	Supporting the MoEP in designing and implementing the public outreach activities of the project
Subcontracts		
Support for implementation of outputs 1.1-1.3	NA	<ul style="list-style-type: none"> • A gap analysis between the latest EU circular economy policies and related Serbian laws and regulations. • Drafting new bylaws and other policy measures for effectively advancing circular economy in Serbia • Reviewing Circular economy related ISO standards that are not in use in Serbia with related recommendations to facilitate their transposition
Support for implementation of outputs 1.4-1.6	NA	<ul style="list-style-type: none"> • Completing a socio-economic impact and livelihood analysis with related recommendations and, as applicable, a Livelihood Action Plan for projects requiring that to mitigate the eventual harmful socio-economic impacts to vulnerable population groups such as informal waste collectors, who may be affected by new CE policies. • Monitoring the implementation of the 1st three-year Implementation Program for Circular Economy with related analysis and recommendations for the next steps • Identifying the key stakeholders for and organising the consultative and participatory process for preparing an updated Circular Economy Roadmap and the 2nd three year Implementation Program with related sector specific working groups • Managing the work of the working groups by organising their meetings and preparing reports on their results • Conducting analysis on how CE can be effectively advanced in different sector with related recommendations to serve as inputs to the WG meetings • By building on the activities listed above, drafting an updated Circular Economy Road Map and the 2nd three-year implementation program • Supporting the development and drafting of at least 5 circular economy road maps or action plans for local self-governments
Support for implementation of output 1.7	NA	<ul style="list-style-type: none"> • Establishing and managing the Circular Economy Navigator as an online knowledge management and marketing platform serving also as the project and the LCCIP website to support: i) the collection and use of recycled secondary raw materials; ii) marketing of new innovative business ideas and projects; and iii) finding suitable implementation and financing partners for them. While taking full advantage of the available IT opportunities, the activities implemented within this framework may also encompass specific match-making events, trainings etc.
International / Regional and global contracting		
International Project Advisor on Circular Economy Rate: \$3750/week	12 weeks over 4 years for Outcome 1	<p>The international PA will be one position advising both Outcome 1 and 2 and funded jointly by the budgets of Outcome 1 and 2</p> <p><u>Duties and Responsibilities:</u></p> <p>Support project management in planning the implementation of project activities under Outcome 1, including:</p> <ul style="list-style-type: none"> • Drafting the inception report from the project workshop • drafting Terms of Reference for the required expert and company contracts; • monitoring the project progress for Outcome 1, including review of the draft reports prepared by the contracted experts and

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Consultant	Time Input	Tasks, Inputs and Outputs
		<p>making related recommendations;</p> <ul style="list-style-type: none"> • support the project manager in conducting adaptive management for reaching the set targets for Outcome 1 otherwise, including support for drafting annual work plans for the first three years • Assisting with the selection of successful applicants under the performance-based payments mechanism • Assisting with the assessment of the pre-agreed results under the low-value performance-based payment agreements, prior to the validation of the achieved results by the Project Board
Outcome 2:		
Local / National contracting		
<p>Support for implementation of outputs 2.1</p> <p>Rate: \$ 1000/week</p>	<p>10 weeks over 1 year</p>	<p>Finalized design of the Low Carbon Communities Innovation Platform (LCCIP) to source and support the implementation of new resource efficient circular economy related business ideas, products, investment projects and process improvements.</p>
<p>Support for implementation of outputs 2.2-2.4</p> <p>Rate: \$ 1000/week</p>	<p>50 weeks over 2 years</p>	<p>Mentors to provide guidance and technical support for entrepreneurs in developing their initial ideas to marketable businesses and products and structuring financing from other public, semi-commercial or commercial funding sources for sharing the initial project costs and risks.</p>
<p>Support for implementation of output 2.6</p> <p>Rate: \$ 1000/week</p>	<p>5 weeks of over 1 year</p>	<p>Finalized design of a specific Challenge Call to source and support by innovation awards up to 5 new initiatives for the integration of informal waste collectors in the waste management system.</p>
<p>Support for implementation of output 2.7</p> <p>Rate: \$ 1000/week</p>	<p>5 weeks over 1 year</p>	<p>Finalized design of a specific Challenge Call organized to source and support by innovation awards up to 10 innovative CE based low-carbon solutions proposed by the R&D sector.</p>
<p>LCCIP Task Manager</p> <p>Rate: \$700/week</p>	<p>Part time</p> <p>180 weeks over 5 years</p>	<p>Under the Innovation Challenge Support Unit, Supporting the project manager in the implementation of the LCCIP related activities (including the management of UNDP innovation awards and low-value performance-based payments) under Outcome 2, consolidate work plans, report to the Project manager, coordinate and supervise the work of national and international experts and operational project management per the Project Document and the UNDP guidelines. The specific responsibilities as it concerns the management and implementation of the LCCIP related activities under Outcome 2 include:</p> <ul style="list-style-type: none"> • Supervision of the implementation of activities, on both organizational and substantive matters– ensuring that budgeting, planning and general monitoring of the project are done per the Project Document and the rules and procedures established in the UNDP Programming Manual; • Preparation of annual work plans and budgets with close monitoring of the overall project progress and conducting required

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Consultant	Time Input	Tasks, Inputs and Outputs
		<p>adaptive management to reflect the changing circumstances and eventually emerging new opportunities;</p> <ul style="list-style-type: none"> • Manage the procurement and the project budget under the UNDP procedures to assure timely involvement of local and international experts, organization of training etc. following UNDP rules and procedures; • Supervise and coordinate the contracts of the experts working on Innovation Challenge Calls; • Support preparation of Innovation Challenge Calls, mobilization of potential applicants, contracting of independent evaluators; • Prepare documentation for selected teams necessary for paying Innovation awards following UNDP rules and procedures, monitoring progress and progress reports submitted by the awarded team; • Establish mentorship teams on an ad-hoc basis and as requested by beneficiaries (teams undergoing the acceleration process); • Perform Due Diligence, assist responsible parties to prepare project document and supporting Annexes as obligatory documents of the Low-value Performance-Based Payments agreements (PBPs) under the UNDP rules and procedures, review progress reports, prepare documentation to be submitted to the Project Boards for approving tranches; • Mobilize internal UNDP support and learning/knowledge sharing networks to support successful implementation of the innovative projects; • Visit at regular basis teams which received financial support for implementation to monitor the project progress and clarify the related issues on the ground; • Actively exploring opportunities for new partnerships and opportunities for co-ordination and co-operation with other ongoing and planned activities in Serbia and abroad, with a focus on innovative solutions; • Ensuring otherwise successful completion of the project in accordance with the stated outcomes and performance indicators summarized in the project's results framework and within the planned schedule and budget.
<p><i>LCCIP Task Associate</i> Rate: \$475/week</p>	<p><i>Part time</i> <i>180 weeks over</i> <i>5 years</i></p>	<p>Under the Innovation Challenge Support Unit, supporting the project manager in the implementation of the LCCIP related activities (assisting the management of UNDP innovation awards and low-value performance-based payments) under Outcome 2, report to the Project manager, supporting the operational project management per the Project Document and the UNDP guidelines. The specific responsibilities as it concerns the management and implementation of the LCCIP related activities under Outcome 2 include:</p> <ul style="list-style-type: none"> • Assist the LCCIP Task Manager in day-to-day management and oversight of project activities, including the following; • Assist in the LCCIP acceleration process for the innovative solutions selected to the Challenge Calls; • Assist in managing the pool of experts supporting the LCCIP and the acceleration process; • Establish and maintain a knowledge database of similar innovative circular economy and low-carbon projects and initiatives; • Collect information and web materials for updating of Circular Economy Navigator as an online knowledge management and marketing platform for LCCIP. • Collect experiences and lessons learnt from the earlier GEF financed LCCIP related initiatives. • Provide logistics and administrative assistance, including administrative management of the project budget, required procurement

Consultant	Time Input	Tasks, Inputs and Outputs
		<p>support, etc. as it concerns the LCCIP related activities;</p> <ul style="list-style-type: none"> • Control LCCIP related project expenditures and maintaining up to date business and financial documentation, in accordance with UNDP and other project reporting requirements; • Provide support in managing the LCCIP related project finances in UNDP Financial system Atlas (e.g., preparation of e-requisitions, PO and non-PO vouchers, etc); • Assist LCCIP team members, experts and consultants on travel and logistics matters based on UNDP rules and procedures; • Maintain constant communication with cities, municipalities and other stakeholders LCCIP responsible focal points in order to better coordinate joint activities in producing new innovative circular economy related project ideas and business solutions. • Assist in replicating successful examples of innovative low-carbon solutions that are based on circular economy principles; • Prepare financial document necessary for the payment of Innovation awards and tranches under the Low-Value Performance-Based Payments Agreement per UNDP rules and procedures; • Manage the LCCIP related projects files and support the Task manager in preparing the required financial and other reports necessary for monitoring and supervision of the project progress; • Provide necessary financial information as and when required for project management decisions; • Provide necessary LCCIP related financial information during project audit(s); • Assist in preparing briefings, relevant documents (including progress reports for dedicated project outputs and for the awarded PBPA) and outreach materials to the Implementing Partner in order to ensure close coordination and synergy across Project outcomes.
<p><i>LCCIP Task Advisor</i> Rate: \$975/week</p>	<p><i>Part time</i> <i>80 weeks over</i> <i>5 years</i></p>	<p>Under the Innovation Challenge Support Unit, provide advisory functions to the LCCIP Task Manager regarding the application of UNDP's Innovation Challenge Policy, regarding Innovation award and Low-Value Performance-Based Payments agreements modalities, in line with UNDP rules and procedures.</p> <ul style="list-style-type: none"> • Provides guidance for effective coordination with other similar initiatives applying Innovation Challenge policy in the region; • Supports the establishment of LCCIP related partnerships with government entities, R&D sector, university and academia, CSOs, think-thanks, innovation hubs and other relevant stakeholders and creates community of practitioners to facilitate exchange of information, dissemination of results and replication of success stories; • Advises on compliance between the Government procurement procedures and the UNDP's Innovation Challenge Policy, with the focus on Innovation Awards and the Low-Value Performance-Based Payments Agreements modalities; • Ensures that Innovation Policy is embedded in all actions coordinated by National Partners to ensure consistency of project activities
<p>Subcontracts</p>		
<p><i>Support for implementation of outputs 2.8 – 2.10</i></p>		<p>Monitoring and analyzing the supported project for their direct GHG reduction, social, economic and local environmental impacts and reporting the results</p> <p>Supporting the project management in organizing public outreach for disseminating the results of the pilot projects to encourage their replication and making recommendations for required institutional and financing agreements to sustain the LCCIP operations.</p>

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Consultant	Time Input	Tasks, Inputs and Outputs
International / Regional and global contracting		
<i>International Project Advisor on Circular Economy</i> <i>Rate: \$3750/week</i>	<i>8 weeks over 3 years for Outcome 2</i>	The international PA will be one position advising both Outcome 1 and 2 and funded jointly by the budgets of Outcome 1 and 2 <u>Duties and Responsibilities:</u> Support project management and the LCCIP team in planning the implementation of project activities under Outcome 2, including: <ul style="list-style-type: none"> • drafting Terms of Reference for the required expert and company contracts; • monitoring the project progress for Outcome 2, including review of the draft reports prepared by the contracted experts and making related recommendations; • support the project manager and the LCCIP team in conducting adaptive management for reaching the set targets for Outcome 2 otherwise, including support for drafting annual work plans for the first three years
Outcome 3:		
Local / National contracting		
Subcontracts		
<i>Inception report</i>	<i>NA</i>	Support the project management in organising the inception workshops and compiling the inception report
<i>Final report</i>	<i>NA</i>	Drafting the final project report
International / Regional and global contracting		
Subcontract		
<i>Terminal evaluation</i>		Terminal evaluation of the project

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