

UNITED NATIONS DEVELOPMENT PROGRAMME



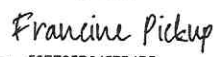
**PROJECT DOCUMENT****Republic of Serbia****Project Title:** Harnessing AI for the common good - facilitating an AI-friendly ecosystem in Serbia**Project Number:** 00139237**Implementing Partner:** The Office for Information Technologies and Electronic Government**Start Date:** 20 December 2021 **End Date:** 19 December 2022 **PAC Meeting Date:****Brief Description**

The project's objective is to strengthen the institutional and legal framework for AI and enhance collaboration in the field of AI among the public and private sector, as well as academia in Serbia. The institutional framework will be enhanced through the establishment of an AI implementation unit within the Office for Information Technologies and eGovernment, that will drive, and coordinate the implementation of government's AI policy. The unit will also design and implement flagship AI projects in the public sector. Capacities of the recently established AI Institute will be strengthened. Legal and ethical frameworks will be improved to support inclusive and socially responsible AI implementations. Collaboration among different actors in the AI ecosystem will be supported, along with flagship initiatives and positioning of Serbia at the global stage. These steps will lead to the creation of an environment conducive to harnessing AI for the common good, which will ultimately contribute to increased competitiveness of the Serbian economy, reduced costs, and increased quality and efficiency of the public sector.

This project is grounded in the Strategy for the Development of Artificial Intelligence in the Republic of Serbia for the period 2020-2025 and the UN 2030 Agenda for Sustainable Development. Additionally, it reflects the goals set out in UNDP Serbia Country Program Document 2021-2025 and UNDP Strategic Plan 2022-2025. The project builds on the UNDP's ongoing work addressing digital governance and innovation challenges.

Contributing Outcome (UNDAF/CPD): <ul style="list-style-type: none"> Serbia harnesses the full potential of a green, sustainable and inclusive economy Indicative Outputs with gender marker: <ul style="list-style-type: none"> Output 1: Strengthened institutional and legal framework for AI (GEN2)²⁰ Output 2: Enhanced collaboration in the field of AI among public and private sector and academia (GEN1) 	Total resources required:	765,901.00 USD	
	Total resources allocated:	UNDP:	
		Donor:	
		Government:	765,901.00USD
	Unfunded:	-	

Agreed by (signatures):

Government of Serbia, Office for Information Technologies and Electronic Government	UNDP
  Mihailo Jovanovic Director, Office for Information Technology and Electronic Government	DocuSigned by:  58FE35D8457B4BB... Francine Pickup Resident Representative, UNDP Serbia
Date:	Date: 13-Dec-2021

I. DEVELOPMENT CHALLENGE

The growing presence of artificial intelligence (hereinafter AI) technologies in everyday life has led to many socio-political and economic changes in a short period of time worldwide. The consequences and prospects of AI application are perceived ambivalently. Some observers approach this phenomenon from a principally optimistic point of view, emphasizing how AI could respond to the most pressing problems facing humanity at the present moment (such as climate change). Others warn of dystopian scenarios if the application of these technologies is not ethically driven and regulated. Nevertheless, one thing is certain – the increasing use of AI is considered as one of the most significant technological shifts of the 21st century. A recent study conducted by Microsoft and Ernst and Young across twelve Western European countries indicates that two-thirds of public sector organizations perceive AI as a digital priority.¹ Yet, only 4% of these countries are able to scale AI and attain high outcomes that ensue in organizational structural transformation.²

Against this backdrop, the Serbian Government decided to pursue digitalization and education as one of the most important catalysts of innovations, competitiveness, and growth.³ The Prime Minister pointed to the need to transition from an economy based on labour-intensive investments to an economy based on innovation, research and development, know-how, and creativity. To drive this agenda forward, the Government drew an ambitious plan related to the digital transformation of the administration, economy, and society.

In October 2019, recognizing the high development potential of AI technologies, the Serbian Government initiated work on the national AI strategy. A multi-stakeholder group established by the Government produced a draft text and conducted public consultations. The final document was adopted as the Strategy for the Development of Artificial Intelligence for the Period 2020-2025⁴ (hereinafter the Strategy). Serbia thus joined a group of no more than 30 countries around the world that have taken a strategic approach to developing, regulating, and using artificial intelligence.

However, even though Serbia has adopted the AI Strategy and established the national Research and Development Institute for Artificial Intelligence (hereinafter the AI Institute), many challenges lie ahead in this novel policy domain. The two most pressing challenges are related to establishing the institutional and legal framework for AI, and improving cooperation between the public and private sector, as well as academia.

The adoption of the Strategy created a precondition for the Government of Serbia to establish the AI Institute based in Novi Sad. The creation of the AI Institute, which will cooperate with research organizations and the private sector, needs to be augmented with a team that could coordinate implementation of the AI policy at the Cabinet level. Following the best international practice,⁵ the Prime Minister's Office determined that the centrally positioned Office for IT and e-Government would be the best fit to host the Government of Serbia's "AI Team". This team needs to be capacitated to tackle the momentous task of supporting the implementation of the AI Strategy Action Plan, work with other institutions on bringing about the legal and ethical framework for AI, implement flagship AI initiatives in the public sector, and provide policy guidance on the impacts of the global AI trends on Serbian economy and society. The ethical framework will be crucial to address a wide variety of issues, ranging from the importance of gender mainstreaming to data management processes.

Apart from strengthening the institutional and legal frameworks, efforts also need to be directed towards supporting the nascent AI ecosystem in Serbia and improving collaboration among academia, the public and private sectors. Serbia currently lacks a good understanding of its AI ecosystem - its key actors, products, capacities, investors etc. A low level of adoption of AI technologies in the SME sector and a lack of qualified labour need to be tackled through AI training and incentive programs. Finally, the AI community needs to be supported in knowledge exchange and positioning Serbia at the global stage. In addition, special attention needs to be paid in terms of gender as the tech sector in Serbia is still male dominated, and the women should be empowered and encouraged to equally participate in the AI community.

¹ [Artificial Intelligence in the Public Sector: European Outlook for 2020](#)

² [Ibid.](#)

³ [Keynote Address of Serbian Prime Minister Designate Ana Brnabić](#), National Assembly of the Republic of Serbia (October 2020).

⁴ [Strategy for the Development of Artificial Intelligence in the Republic of Serbia for the period 2020-2025](#)

⁵ [The UK Office for Artificial Intelligence](#) is a joint BEIS-DCMS unit responsible for overseeing implementation of the National AI Strategy; [UAE Council for Artificial Intelligence and Blockchain](#) is tasked with proposing policies to create an AI-friendly ecosystem; advanced research in the sector; and promoting collaboration between the public and private sectors, including international institutions to accelerate the adoption of AI.

Since 2017, UNDP in Serbia has been collaborating with many government ministries and the Office for IT and eGovernment in designing and managing digital projects. These projects included support to e-government, designing of the Government Data Centre in Kragujevac, opening data of public institutions, delivery of the national IT retraining programme, as well as establishing the AI institute. Encouraged by the past results and equipped with lessons learned from the previous endeavours, the Office for IT and eGovernment and UNDP aim to launch this project to respond to the aforementioned challenges and ensure that Serbia shares in the Fourth Industrial Revolution, powered by artificial intelligence.

II. STRATEGY

This project strategy is predicated on the following theory of change:

If we provide support to strengthening of institutional and legal framework for AI, **and ensure** that civil servants, businesses and researchers enhance their collaboration in the field of AI, gain adequate technical capacities for ethical implementation of AI-based solutions, and start utilizing AI and other new technologies as enablers of development, **this will contribute** to increased competitiveness of the Serbian economy, reduced costs and increased quality and efficiency of the public sector, **which will be reflected** in accelerated development of the country, building on a knowledge-based economy and greater opportunity to achieve the SDG goals.

The Office of the Prime Minister approached UNDP in October 2021 for support in establishing an AI implementation unit within the Office for Information Technologies and eGovernment to strengthen the institutional, legal and ethical framework for AI in Serbia. Establishing such a framework would help bridge the gap between academia, the private and public sectors in a strategic and coordinated manner.

While the effective implementation of the AI Strategy requires a capacitated coordination unit, and the current action plan expires soon, the authorities need operational assistance to perform the actions needed to meet these requirements, given their urgency and scope.

Root issues that have influenced and shaped the collaboration of the Office for Information Technologies and eGovernment of the Republic of Serbia and UNDP on the strengthening institutional and legal framework for AI include: insufficient institutional capacity for AI implementation, lack of skilled AI experts, non-existing legal and ethical framework, insufficient flexibility for development and testing of innovative solutions, little AI cooperation between academia, private and public sector, lack of cross-sector cooperation in the start-up ecosystem, and a lack of a data governance mechanism.

While the comprehensive intervention of this project has been designed for a one-year period and the financial resources are secured for one year period as well, there is a huge potential for scaling up this intervention in the upcoming years. The joint effort of the UNDP team and the Government of Serbia will be to secure the implementation of the complete intervention, aimed at creating a sustainable institutional set-up and an AI environment that will embrace AI solutions and new technologies as enablers of development.

The following diagram visually represents the Project's Theory of Change, starting with root causes, a focused development challenge, and continuing with two concrete project outputs addressing the overall challenge, which contribute to the achievement of outcomes and their desired impact.

Project impact

Increased competitiveness of the Serbian economy, reduced costs and increased quality and efficiency of the public sector will be reflected in accelerated development of the country, building on a knowledge-based economy and greater opportunity to achieve SDGs.

Project outputs

Output 1 - Strengthened institutional and legal framework for AI

Activities:

- Establish an AI implementation unit
- Strengthen the capacities of the AI Institute
- Support the development of legal, ethical and data framework, and accompanying documents

Output 2- Enhanced collaboration in the field of AI among public and private sector and academia

Activities:

- Foster the cooperation between academia, private and public sector
- Support the flagship initiatives in AI

Development challenge

Lack of a legal, ethical and data framework, skilled AI workforce and cooperation between academia, private and public sector which prevents the harnessing of AI for the common good.

Root causes



Strategic Alignment of the Project

The project is strategically aligned with the following documents:

- **The Strategy for the Development of Artificial Intelligence for the period 2020-2025:** The Strategy defines objectives and measures for the development of AI in Serbia, whose implementation should result in economic growth, improvement of public services, advancement of scientific staff, and development of skills for the jobs of the future.⁶ The implementation of the Strategy measures should ensure that AI in the Republic of Serbia is developed and implemented safely and following internationally recognized ethical principles in order to exploit the potential of this technology to improve the quality of life of each individual and the society as a whole, as well as help in the achievement of specific SDGs.⁷
- **Action plan 2020-2022 for the implementation of the Strategy for the Development of AI:** To operationalize the AI Strategy, the Minister of Education, Science and Technological Development formed a working group to draft an action plan for its implementation. The Government adopted the final version of the action plan in June 2020. This Action plan focuses on the development of science and innovation in the field of AI and its applications; development of an economy based on AI (where AI is a crucial competence and used in various branches of industry); improvement of the preconditions for the development of AI and public sector services through the application of AI; and ethical and safe application of AI.⁸
- **The European Artificial Intelligence Initiative,**⁹ which sets out the European Commission's AI policy.
- **SDG Agenda 2030** - two Sustainable Development Goals that are particularly relevant in the context of this project are:
 - **Sustainable Development Goal 8:** aims to promote inclusive and sustainable economic growth, employment and decent work for all.¹⁰ To operationalize this SDG, the relevant target is *to achieve higher levels of economic productivity through diversification, technological upgrading, and innovation, including a focus on high-value added and labour-intensive sectors by 2030.*¹¹
 - **Sustainable Development Goal 9:** resilient infrastructure, sustainable industrialization and innovation are decisive factors in empowering communities in many countries.¹² Hence, *support for domestic technology development, research and innovation by ensuring a conducive policy environment for, inter alia, industrial diversification and value addition to commodities* will be streamlined through this entire project.¹³
- **UNDP Country Programme Document 2021-2025:** one of the outcomes includes the establishment of an enabling environment that promotes inclusive and sustainable economic development and creates job opportunities and is recognized as *"Equitable economic and employment opportunities are promoted through innovation and circularity"*.¹⁴
- **UNDP Strategic Plan 2022-2025** aims to support countries in pursuing a structural transformation, including green, inclusive and digital transitions, as one of the three directions of systemic change.¹⁵

⁶ Strategy for the Development of Artificial Intelligence for the period 2020-2025, The Government of the Republic of Serbia (2020)

⁷ Ibid.

⁸ 2020-2022 Action plan for the implementation of the Strategy for the Development of Artificial Intelligence in the Republic of Serbia for the period 2020-2025: 81/2020-21

⁹ Artificial Intelligence for Europe, European Commission, COM(2018)237

¹⁰ Sustainable Development Goal 8.

¹¹ Ibid: Indicator 8.2.1 is annual growth rate of real GDP per employed person.

¹² Sustainable Development Goal 9.

¹³ Ibid: Indicator 9.b.1 is proportion of medium and high-tech industry value added in total value added.

¹⁴ UNDP Serbia – Country Program Document 2021-2025, UN (2020)

¹⁵ UNDP Strategic Plan 2022-2025, UN (2021)

III. RESULTS AND PARTNERSHIPS

Expected Results

This project seeks to achieve the following specific outputs:

Output 1: Strengthened institutional and legal framework for AI

This output will be achieved through implementation of the following project activities:

1.1. **Establish an AI implementation/coordination unit** within the Office for IT and eGovernment (recruitment and capacity building of senior, medior and junior staff)

1.2. **Strengthen the capacities of the AI Institute**

1.3. **Support the implementation of the National AI strategy** and the development and implementation of the **AI Strategy Action Plan** for the period 2022- 2025

1.4. **Monitoring mid- to long-term impacts** of the global AI trends on the Serbian economy and society (in which areas there is the greatest risk of bias and discrimination, which industries and jobs will be most affected, what policies need to adapt, what kinds of retraining programs are needed, etc.)

1.5. **Develop an ethical framework for AI** by analysing Serbia's alignment with different frameworks for ethical AI (e.g., UNESCO's framework, EU framework), developing checklists and guidelines for AI in the public sector - – for procurement, development and approval of AI solutions (e.g., regarding data quality, AI model training oversight, mechanisms for monitoring potential negative effects after commissioning etc.), and organizing capacity building programs for implementation of these guidelines

1.6. **Analyse the legal framework and propose improvements** (amendments/ determine other needs/gaps for revising legislation), develop a needs assessment for introduction of regulatory sandboxes (in what domains, what aspects should be covered)

1.7. **Map datasets/institutions and develop a plan for opening data relevant for AI** – supporting the development of relevant AI data infrastructure (including databases and data lakes)

1.8. **Identify, design and implement flagship initiatives** for AI in the public sector (a GovTech approach)

Output 2: Enhanced collaboration in the field of AI among public and private sector and academia

This output will be achieved through implementation of the following project activities:

2.1. **Support to mapping the Serbian AI ecosystem** – what is happening, who is working on what, who are the early adopters, what are the needs and expectations, where are the opportunities for connection between government/academia/industry

2.2. **Disseminating information and results including via digital tools**

2.3. **Develop AI trainings for different audiences** (with special focus on education) and support the training delivery

2.4. **Support the development of AI initiatives and use cases in priority sectors** (medicine, energy, telecommunications, transport/mobility, smart cities, education, agriculture, justice/ethics, security, environment, public administration...)

2.5. **Support SMEs to implement AI to improve business**

2.6. **Support the cooperation with start-up community**

2.7. **Support the cooperation between public and private sectors** with a particular focus on collaboration with: 1) the start-up ecosystem; 2) the R&D sector across different industries.

2.8. **Support the cooperation with research and development sector**

2.9. **Design a program to maximize use of the supercomputer platform in DDC KG**

2.10. **Organize innovation challenges with start-ups and academia**

2.11. **Establish a platform for the use of private-sector data for development purposes**

2.12. **Support the AI community** (Support AI events, conferences, bringing expert lecturers from abroad, map relevant international AI competitions and challenges, and support the participation of Serbian teams)

Resources Required to Achieve the Expected Results

The project has been developed with high ownership of national counterparts that will engage their resources in implementation of the project and quality assurance. In addition, the government's Delivery Unit will be engaged in providing support in project implementation.

This project is part of a wider UNDP Competitiveness and Digital Governance portfolio and will benefit from well-established lines of communication with all key stakeholders and routine management practices. The UNDP Program Analyst, Portfolio Manager and Digital Advisor will provide quality assurance, oversight, and support from the perspective of UNDP's rules and procedures. Project management and quality assurance will be cost-shared with other portfolio initiatives.

External expertise will be outsourced for conducting in-depth studies and analyses, as well as project evaluation.

Further resources required for scaling up the project interventions will be determined based on the needs assessment, analysis of the AI legal framework and the results of the project evaluation (impact assessment).

Partnerships

The **Institute for Artificial Intelligence Research and Development of Serbia** is a newly formed institute based on the initiative from the Strategy for development of artificial intelligence in the Republic of Serbia for the period 2020-2025.

The **Ministry of Education, Science and Technological Development** is the institution responsible for the coordination and reporting regarding the implementation of the Strategy for the Development of Artificial Intelligence in the Republic of Serbia for the period 2020-2025 and its Action plan.

Serbian AI Society has a mission to develop and maintain a plan for the AI ecosystem development, promote AI, and study the impact of AI on ethical, economic and social issues.

National Academy for Public Administration is the central institution of the system of professional development in public administration of the Republic of Serbia, officially recognised as the organiser of informal adult educational programs.

The **Science Fund of the Republic of Serbia** is a public organization that supports scientific and research activities with the aim of providing funds and supporting the conditions for the continuous development of scientific and research activities necessary for the advancement of a knowledge-based society.

The **Innovation Fund of the Republic of Serbia** is the key state institution supporting innovative activities and managing funding for stimulating innovation.

The **Chamber of Commerce of Serbia** is an independent national association of all Serbian businessmen which puts its tradition, experience, knowledge and expertise in the service of the best interests of its members and the Serbian economy.

Development Agency of Serbia (RAS) is a governmental organization that promotes investment potentials and gives support to export and fostering the competitiveness of the market.

Science Technology Parks (STP) in different cities across Serbia support start-ups and growing tech companies in accelerated growth and development, conquering new markets, and attracting investment.

Risks and Assumptions

Risks have been assessed and analysed in the annexed risk log.

The project will work against the following assumptions:

1. Sustained high-level government support to digital transformation and application of new technologies, including AI;
2. Sufficient number of qualified industry-knowledge experts in Serbia exist, which can be engaged on this project as members of the AI team and experts supporting various project activities;
3. Public trust in AI is not undermined by sudden changes in government policies or the use of an AI-based system without proper safeguards;
4. COVID-19 pandemic does not spiral out of control, resulting in a widespread economic crisis, prolonged periods of lockdown and/or other sustained socio-economic disturbances.

Stakeholder Engagement

Key stakeholders and target groups have been identified as follows:

- **Civil servants**, which include all civil servants at both the national and local level with a particular focus on those involved in the identified key areas. This target group will be engaged through training courses, seminars, and other educational and knowledge exchange events. The training course "Introduction to emerging technologies – the 4th industrial revolution" provided through the National Academy for Public Administration will be available soon after the commencement of the project, along with the already existing training for data officers. Moreover, additional trainings, educational and knowledge exchange events will be organized in order to offer civil servants the opportunity to acquire necessary knowledge and skills regarding artificial intelligence and other new technologies and their application.
- **Business sector**, including **start-ups**, as developers and integrators of AI solutions that will be supported through this project and applied in the public sector, leading to the improved government efficiency and decision making.
- **Universities and research institutions**, including the AI Institute in order to support research and implementation of AI-powered solutions.
- **General public and media** will be informed about the project activities and results, and able to use some of the knowledge products developed and implemented within the scope of this project.

Knowledge

Knowledge products, such as studies, reports, media products, blog posts, and databases, will be produced within the project. Media products (such as advertisements and promotional videos) will be used in the project outreach phase, for raising awareness about different aspects of AI, but also in the later project stages (along with blog posts) regarding the project's impact and results. Reports and studies will be shared with government partners and discussed with other relevant parties outside of government (e.g. NGOs). These assessments will feed into the design of future project phases (scaling up). Some of the most interesting lessons learned throughout the project will be shared with the public through blog posts, published through the UNDP's and project partners' online channels. All deliverables produced during the project term, will bear the logos of the Office for IT and eGovernment, Government of Serbia, UNDP, and potential donors, depending on the sources of funding, and, where appropriate, will include the standard UNDP disclaimer.

Sustainability and Scaling Up

The project objectives are aligned with the existing national legislative and strategic documents/initiatives, mentioned in the Development and Strategy sections of this Project Document. Such an approach ensures inherent ownership over the project's interventions and targets the core needs of the administration, contributing significantly to sustainability. Impact and sustainability of the project will be assessed by the third year of project implementation.

IV. PROJECT MANAGEMENT

Cost Efficiency and Effectiveness

A portfolio management approach is foreseen for implementing this project. This will improve cost effectiveness by leveraging activities and partnerships with other initiatives and projects implemented by UNDP. In its approach, UNDP relies on national capacities and uses the "national implementation modality" where possible (i.e. where government procedures and capacities exist and are applicable/appropriate for implementation of activities). Apart from contributing to sustainability of results, such an approach decreases operational costs, while ensuring robust monitoring and assurance of both financial and operational performance. In addition, UNDP Serbia's TechCell unit might be consulted in relation to data processing and IT services, as needed.

To achieve cost effectiveness, outsourcing of services will be based on transparent and competitive processes, as well as on the best value-for-money principle. All training and capacity development assistance will be procured in bulk, to ensure economy of scale. The project will also seek to utilize in-kind contributions from partners in the form of venues, hospitality, and transport costs for events and training, where possible/appropriate.

Project Management

Project management will be seated at the UNDP Serbia office. The management costs are calculated on a cost-sharing basis between the donors contributing to the overall portfolio. This ensures more efficient and effective implementation at less cost per donor. The project will be a part of the Good Governance program, Competitiveness and Digital Governance portfolio at UNDP Serbia and will rely on synergies with other associated initiatives, as well as coordination with other program clusters. UNDP Serbia Program Analyst, Portfolio Manager – Competitiveness and Digital Governance, and Digital Advisor will provide technical and managerial support from the angle of UNDP's rules and procedures. UNDP will also provide support for procurement of goods and services.

V. RESULTS FRAMEWORK

Intended Outcome as stated in the UNDAF:						
Outcome 7: There is an effective enabling environment that promotes sustainable livelihoods and economic development, focused on an inclusive labor market and decent job creation						
Outcome indicators as stated in the Country Programme Results and Resources Framework, including baseline and targets:						
Output 2.3: Innovation ecosystem, sustainable business and investment improved						
Indicative Indicator 2.3.1: Business start-up and early trading operations score						
Baseline: 68 (2018)						
Target: 73 (2025)						
Output 1.3: Digital transformation of public administration accelerated						
Indicative Indicator 1.3.1: User centrality of eGovernment services score						
Baseline: 68 (2018)						
Target: 74 (2025)						
Applicable Output(s) from the UNDP Strategic Plan:						
Strategic priority 1: Serbia harnesses the full potential of a green, sustainable and inclusive economy						
Project title and Atlas Project Number:						
EXPECTED OUTPUTS	OUTPUT INDICATORS	DATA SOURCE	BASELINE		TARGETS (by frequency of data collection)	DATA COLLECTION METHODS & RISKS
			Value	Year	2022	
Output 1 Strengthened institutional and legal framework for AI	Fully capacitated AI team	Project reports	AI team does not exist	2021	AI team in place	Project reports
	AI Strategy Action plan for the period 2022-2025	Official gazette and PPS database	Action Plan not in place	2021	Developed and Adopted	Official gazette and PPS database
	Legal framework for AI improved	Project reports and Official	Legal framework does not exist	2021	Analysis conducted and improvement designed	Project reports and Official gazette and PPS database

		gazette and PPS database				
Output 2 Enhanced collaboration in the field of AI among public and private sector and academia	<i>AI cross-sector collaborative initiatives (cumulative)</i>	Project reports and observation	No initiative undertaken	2021	3	Project reports and observation
	<i>Presentation, trainings and events in data, ethics and other AI-related topics (per year)</i>	Media reports/trainings reports	No training conducted	2021	30 (minimum 35% female participants)	Media reports/trainings reports

VI. MONITORING AND EVALUATION

In accordance with UNDP's programming policies and procedures, the project will be monitored through the following monitoring and evaluation plans:

Monitoring Plan

Monitoring Activity	Purpose	Frequency	Expected Action	Partners (if joint)	Cost (if any)
Track results progress	Progress data against the results indicators in the RRF will be collected and analysed to assess the progress of the project in achieving the agreed outputs.	Quarterly, or in the frequency required for each indicator.	Slower than expected progress will be addressed by project management.		
Monitor and Manage Risk	Identify specific risks that may threaten achievement of intended results. Identify and monitor risk management actions using a risk log. This includes monitoring measures and plans that may have been required as per UNDP's Social and Environmental Standards. Audits will be conducted in accordance with UNDP's audit policy to manage financial risk.	Quarterly	Risks are identified by project management and actions are taken to manage risk. The risk log is actively maintained to keep track of identified risks and actions taken.		
Learn	Knowledge, good practices and lessons will be captured regularly, as well as actively sourced from other projects and partners and integrated back into the project.	At least annually	Relevant lessons are captured by the project team and used to inform management decisions.		
Annual Project Quality Assurance	The quality of the project will be assessed against UNDP's quality standards to identify project strengths and weaknesses and to inform management decision making to improve the project.	Annually	Areas of strength and weakness will be reviewed by project management and used to inform decisions to improve project performance.		
Review and Make Course Corrections	Internal review of data and evidence from all monitoring actions to inform decision making.	At least annually	Performance data, risks, lessons and quality will be discussed by the project board and used to make course corrections.		
Project Report	A progress report will be presented to the Project Board and key stakeholders, consisting of progress data showing the results achieved against pre-defined annual targets at the output level, the annual project quality rating summary, an updated risk log with mitigation measures, and any	Annually, and at the end of the project (final report)			

	evaluation or review reports prepared over the period.				
Project Review (Project Board)	The project's governance mechanism (i.e., project board) will hold regular project reviews to assess the performance of the project and review the Multi-Year Work Plan to ensure realistic budgeting over the life of the project. In the project's final year, the Project Board shall hold an end-of-project review to capture lessons learned and discuss opportunities for scaling up and to socialize project results and lessons learned with relevant audiences.	Semi-annually	Any quality concerns or slower than expected progress should be discussed by the project board and management actions agreed to address the issues identified.		

Evaluation Plan

Evaluation Title	Partners (if joint)	Related Strategic Plan Output	UNDAF/CPD Outcome	Planned Completion Date	Key Evaluation Stakeholders	Cost and Source of Funding
Final Project Evaluation				Q4 2022		20,000\$ (GoS)

WORK PLAN ^{16,17}

EXPECTED OUTPUTS	PLANNED ACTIVITIES	RESPONSIBLE PARTY	FUNDING SOURCE	BUDGET DESCRIPTION	PLANNED BUDGET		TOTAL AMOUNT
					2021	2022	
Output 1		UNDP	GoS	Company Contracts	\$0.00	\$25,000.00	\$25,000.00
	1.1 Establish an AI implementation/coordination unit 1.2 Strengthen the capacities of the AI Institute 1.3 Support the implementation of the National AI strategy 1.4 Monitoring mid-to long-term impacts 1.5 Develop an ethical framework for AI 1.6 Analyze the legal framework and propose improvements 1.7 Map datasets/institutions and develop a plan for opening data relevant for AI 1.8 Identify, design and implement flagship initiatives	UNDP	GoS	Contractual Services - Individuals	\$0.00	\$499,223.30	\$499,223.30
		UNDP	GoS	National Consultants	\$0.00	\$40,000.00	\$40,000.00
		UNDP	GoS	International consultants	\$0.00	\$0.00	\$0.00
		UNDP	GoS	IT equipment	\$0.00	\$30,000.00	\$30,000.00
		UNDP	GoS	Miscellaneous	\$0.00	\$1,000.00	\$1,000.00
		UNDP	GoS	Travel	\$0.00	\$10,000.00	\$10,000.00
		UNDP	GoS	Training, workshops and conferences	\$0.00	\$20,000.00	\$20,000.00
Gender marker: GEN2	Management & Backstopping & Oversight	UNDP	GoS	Contractual Services - Individuals	\$0.00	\$37,513.40	\$37,513.40

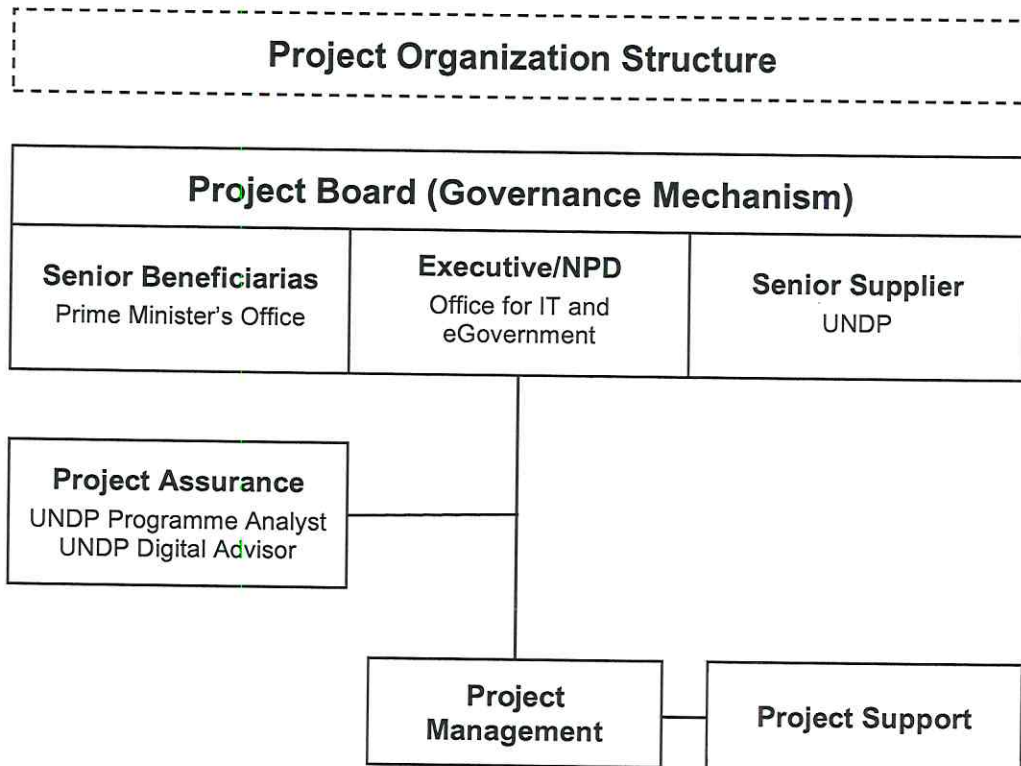
¹⁶ Cost definitions and classifications for programme and development effectiveness costs to be charged to the project are defined in the Executive Board decision DP/2010/32.

¹⁷ Changes to a project budget affecting the scope (outputs), completion date, or total estimated project costs require a formal budget revision that must be signed by the project board. In other cases, the UNDP programme manager alone may sign the revision provided the other signatories have no objection. This procedure may be applied for example when the purpose of the revision is only to re-phase activities among years. The planned activities will be implemented in phases in alignment with the available resources of the Office for IT and eGovernment (ITE), and in accordance with the Republic of Serbia budget availability and limits set for the Office for IT and eGovernment through the Ministry of Finance Republic of Serbia.

		UNDP	GoS	Direct Project Costing	\$0.00	\$25,008.93	\$25,008.93
Output 2	2.1 Support to mapping the Serbian AI ecosystem	UNDP	GoS	Company Contracts	\$0.00	\$10,000.00	\$10,000.00
	2.2 Disseminating information and results including via digital tools	UNDP	GoS	National Consultants	\$0.00	\$25,000.00	\$25,000.00
	2.3 Develop AI trainings for different audiences	UNDP	GoS	Training, workshops and conferences	\$0.00	\$14,000.00	\$14,000.00
	2.4 Support the development of AI initiatives and use cases in priority sectors						
	2.5 Support SMEs to implement AI to improve business						
	2.6 Support the cooperation with startup community						
	2.7 Support the cooperation between public and private sectors						
	2.8 Support the cooperation with research and development sector	UNDP	GoS	Miscellaneous	\$0.00	\$1,770.52	\$1,770.52
	2.9 Design a program to maximize use of the supercomputer platform in DDC KG						
	2.10 Organize challenges with startups and academia						
	2.11 Establish a platform for the use of private-sector data for development purposes						
	2.12 Support the AI community						
Gender marker: GEN1	Management & Backstopping & Oversight	UNDP	GoS	Contractual Services - Individuals	\$0.00	\$3,046.23	\$3,046.23
		UNDP	GoS	Direct Project Costing	\$0.00	\$2,030.82	\$2,030.82
				Sub-Total Programme Cost:	\$0.00	\$743,593.20	\$743,593.20
				General Management Services: (3% for GoS funding)	\$0.00	\$22,307.80	\$23,307.80
				TOTAL PROJECT COST:	\$0.00	\$765,901.00	\$765,901.00

VII. GOVERNANCE AND MANAGEMENT ARRANGEMENTS

The Project Board will be formed with representatives of the key beneficiaries and partner organizations – Prime Minister’s Office (PMO), Office for IT and e-Government (ITE) and UNDP – as illustrated in the following diagram:



The Project Board will be responsible for making management decisions by consensus, when guidance is sought by the Project Manager, including recommendation for approval of project plans and revisions. This group will also be consulted by the Project Manager for decisions when tolerances (normally in terms of time, budget and quality) have been exceeded and in the event of any necessary revisions to the objectives of the project, as well as the budget. It will also ensure that required resources are committed and will arbitrate on any conflicts within the project or negotiate a solution to any problems between the project and external bodies. Project Board decisions will be made in accordance with standards that ensure best value in terms of money, fairness, integrity, transparency and effective international competition. Project reviews by this group will be made at designated decision points during the running of a project, or as necessary when requested by the Project Manager. In any case, the Project Board shall meet at least quarterly to review the project progress and discuss other issues relevant for the project implementation.

Project Assurance is the responsibility of each Project Board member. However, this role will be delegated to the UNDP Program Analyst to perform on behalf of the Project Board. The Project Assurance role supports the Project Board by carrying out objective and independent project oversight and monitoring functions. This role ensures appropriate project management milestones are managed and completed.

The Project Manager role has the authority to run the project on a day-to-day basis on behalf of the Project Board within the constraints laid down by the Board. The Project Manager is responsible for day-to-day management and decision-making for the project. His/her prime responsibility is to ensure that the project produces the results specified in the Project Document, to the required standard of quality and within the specified constraints of time and cost.

The Project Support role provides project administration, management and technical support to the Project Manager, as required by the needs of the individual project or the Project Manager.

VIII. LEGAL CONTEXT

This project document shall be the instrument referred to as such in Article 1 of the Standard Basic Framework Agreement between the Government of the Republic of Serbia (Yugoslavia) and UNDP.¹⁸ All references in the SBFA to "Executing Agency" shall be deemed to refer to "Implementing Partner."

This project will be implemented by The Office for Information Technologies and eGovernment ("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.

IX. RISK MANAGEMENT

Government Entity (NIM) Implementation Modality

1. Consistent with the SBFA, 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 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.

¹⁸ The agreement applicable to UNDP activities in Serbia was initially signed by the Government (Federal Executive Council) of Socialist Federal Republic of Yugoslavia (SFRY) in 1988. The Government of Federal Republic of Yugoslavia (FRY), as the legal successor state of SFRY reaffirmed the validity and applicability of this Agreement in 1992. Equally, legal successor states of FRY, namely State Union of Serbia and Montenegro, and the Republic of Serbia have also reaffirmed the validity and applicability of the SBFA originally signed in 1988.

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.

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.

Special Clauses Related to Government Cost-Sharing¹⁹

1. The schedule of payments and UNDP bank account details:

¹⁹ Special Clauses Related to Government Cost Sharing are reflected in detail, as per UNDP standard procedure on Revenue Management, in the Annex to the Project Document under the "Government Financing Agreement Harnessing AI for the common good - facilitating an AI-friendly ecosystem in Serbia, Project award 00139237, project output 00129053) to be signed on the same date with the Project Document'.

Tranche #	Amount (in USD)	Due Date
1	765,901.00 USD	31 December 2021

UNDP Serbia bank account:

Bank name: Bank of America, 1401 Elm St., Dallas TX 75202 – 2958

Account number: UNDP Representative in Serbia USD Account No. 3752174582

ACH Routing Number: 111000012 [to be used only by US-based banks using ACH payment type]

Wire Routing Number: ABA# 0260 - 0959 - 3

SWIFT Address: BOFAUS3N

2. The value of the payment, if made in a currency other than United States dollars, shall be determined by applying the United Nations operational rate of exchange in effect on the date of payment. Should there be a change in the United Nations operational rate of exchange prior to the full utilization by the UNDP of the payment, the value of the balance of funds still held at that time will be adjusted accordingly. If, in such a case, a loss in the value of the balance of funds is recorded, UNDP shall inform the Government with a view to determining whether any further financing could be provided by the Government. Should such further financing not be available, the assistance to be provided to the project may be reduced, suspended or terminated by UNDP.
3. The above schedule of payments takes into account the requirement that the payments shall be made in advance of the implementation of planned activities. It may be amended to be consistent with the progress of project delivery.
4. UNDP shall receive and administer the payment in accordance with the regulations, rules and directives of UNDP.
5. All financial accounts and statements shall be expressed in United States dollars.
6. If unforeseen increases in expenditures or commitments are expected or realized (whether owing to inflationary factors, fluctuation in exchange rates or unforeseen contingencies), UNDP shall submit to the government on a timely basis a supplementary estimate showing the further financing that will be necessary. The Government shall use its best endeavours to obtain the additional funds required.
7. If the payments referred above are not received in accordance with the payment schedule, or if the additional financing required in accordance with paragraph [] above is not forthcoming from the Government or other sources, the assistance to be provided to the project under this Agreement may be reduced, suspended or terminated by UNDP.
8. Any interest income attributable to the contribution shall be credited to UNDP Account and shall be utilized in accordance with established UNDP procedures.
9. In accordance with the decisions and directives of UNDP's Executive Board:
The contribution shall be charged:
 - (a) 3% cost recovery for the provision of general management support (GMS) by UNDP headquarters and country offices;
 - (b) Direct cost for implementation support services (ISS) provided by UNDP and/or an executing entity/implementing partner.
10. Ownership of equipment, supplies and other properties financed from the contribution shall vest in UNDP. Matters relating to the transfer of ownership by UNDP shall be determined in accordance with the relevant policies and procedures of UNDP.
11. The contribution shall be subject exclusively to the internal and external auditing procedures provided for in the financial regulations, rules and directives of UNDP.

X. ANNEXES

- 1. Offline Risk Log**
- 2. Project Quality Assurance Report**
- 3. Social and Environmental Screening Report**
- 4. Capacity Assessment: Results of capacity assessments of Implementing Partner (including HACT Micro Assessment) – work in progress**
- 5. Project Board Terms of Reference and TORs of key management positions**
- 6. Gender Marker Document**

Annex 1: Offline Risk Log

Project Title: Harnessing AI for the common good – facilitating an AI-friendly ecosystem in Serbia	Award ID: 00139237	Date: 31 December 2021
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#	Description	Date Identified	Type	Impact & Probability 1 low/unlikely – 5 high/certain	Countermeasures / Management Response	Owner	Submitted, updated by	Last Update	Status
1	Political instability (e.g. extraordinary elections, government reshuffle)	Project development phase	Political	P = 4 I = 2	Better organization and more networks; Existing mechanisms for coordination between the UNDP and host country	Project manager	Project developer		
2	AI development demoted as a government priority	Project development phase	Political	P = 2 I = 4	Advocacy focused on benefits of digital transformation and application of new technologies (e.g. increased productivity and competitiveness, more efficient administration etc.) and society (contribution to GDP etc.); Orientation towards achieving already set national strategic priorities	Project manager	Project developer		
3	Insufficient number of skilled AI practitioners willing to work in the public sector	Project development phase	Operational	P = 4 I = 3	Better outreach/headhunting accompanied by targeted narrative of the potential impact and transformational power of initiatives in the public sector; UNDP support services, providing more competitive salaries in comparison to those in the public sector	Project manager	Project developer		
4	Exchange rate fluctuations	Project development phase	Financial	P = 2 I = 2	Longer term budget planning in close coordination with national partners	Project manager	Project developer		

5	Institutional weaknesses in implementing partners and their coordination may undermine progress despite strong political support	Project development phase	Organizational	P = 3 I = 3	UNDP support services; increased networking activities	Project manager	Project developer		
6	Implementation plan might be anticipated insufficiently, due to general lack of information on the local AI situation	Project development phase	Operational	P = 3 I = 3	Closer oversight of the project implementation by the Project Manager and Project Board; engagement of experienced advisors to facilitate/advise/oversee project implementation	Project manager	Project developer		
7	Unrealistic expectations from the AI solutions by the stakeholders	Project development phase	Operational	P = 3 I = 2	Managing expectations by utilizing cost-benefit analyses and discussing different aspects of AI with a broader network of stakeholders	Project manager	Project developer		