***Final Evaluation of the project  
“Enhancement of Municipal Audit for Accountability and Efficiency in Public Finance Management”***

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# List of abbreviations

|  |  |
| --- | --- |
|  |  |
| CHU | Central Harmonization Unit (of the Ministry of Finance) |
| DAC | Development Assistance and Cooperation |
| DAC | Development Assistance Committee of the OECD |
| EC | European Commission |
| EU | European Union |
| FE | Final Evaluation |
| FMC | Financial Management Control |
| GoS | Government of Serbia |
| IA | Internal Audit |
| LSG | Local-self governments |
| MoF | Ministry of Finance |
| OECD | Organization for Economic Cooperation and Development |
| OVI | Objectively Verifiable Indicator |
| PAR | Public Administration Reform |
| PB | Project Board |
| PFM | Public Finance Management |
| PIFC | public internal financial control |
| PU | Project Unit |
| SAI | Supreme Audit Institution |
| SCTM | Standing Conference of Towns and Municpalities |
| SDG | Sustainable Development Goals |
| SoV | Sources of Verification |
| ToR | Terms of Reference |
| UNDAF | United Nations Development Assistance Framework |
| UNDP | United Nations Development Programme |

# 1. Executive summary

UNDP has been working since 2008 to implement activities for sterengthening accountable and transparent public finances. Further expanding these results, the project "Enhancement of Municipal Audit for Accountability and Efficiency in Public Finance Management" (also "Municipal Finance Project" or "the Project") strived to enhance the system of Financial Management and Control across local self-government units (LSG), by strengthening their internal audit-function. The priority was to establish functional networks between the Central Harmonization Unit of the Ministry of Finance and cities representing the seat of regional centers. The Project worked to enhance the interface between internal and external municipal audit by increasing the effectiveness of municipal internal audits to carry out assigned responsibility, thus increasing the external auditors' focus on a performance audit. The results of the Project at the local level facilitated and enabled more frequent, quality audits of municipalities, that the State Audit Institution (SAI) carried out within the budget cycle. These results and reports generated through the Project enabled to identify and promote through civil society engagement, good practices for the enforcement of the Public Finance Management (PFM) reform, particularly at the sub-national level.

The State Audit Institution and the Ministry of Finance are the key partners, and ultimately the beneficiaries of the Project. In parallel, local-level institutions have benefited from different capacity development initiatives in several areas, including the open data standard in public.

The final evaluation of the Municipal Finance Project has been initiated, covering the entire period of its implementation from 2015 until 2019, to provide information about its results. The objective was to assess its relevance vis-a-vis national strategic framework and UNDP Country Programme and analyze if and how project outputs were achieved, testing also their sustainability. The evaluation distilled lessons learned and provided recommendations for future engagement. The FE was summative in terms of determining the results, impact and sustainability, also analyzing the achievement of objectives concerning the resources deployed. At the same time, the evaluation was formative, particularly under the second outcome, intending to provide inputs and improve the next programming cycle.

The FE adhered to the UNDP Evaluation Guidelines (2019 aligned with the new UNDP Strategic Plan, Agenda 2030, and the adoption of the SDGs. Also, the evaluation complied with the OECD DAC criteria for assessment of development assistance. The Terms of Reference indicated the core areas for the evaluation through the proposed questions and the FE designed the tailor-made methodology to answer all these questions. The desk review of literature, key informant interviews and on-the-spot visits served to collect critical information and capture different perspectives about the Municipal Finance Project and its implementation.

The FE applied triangulation of the collected data to validate findings and identify points of convergence and divergence. The FE started in the beginning of October 2019, with the field phase from the middle of October until second week of November and was completed by the end of November 2019.

During the evaluation, the following critical findings have emerged:

*Relevance:*

* The Project has been highly relevant when designed and remained relevant during the implementation.
* The Project was in line with the national priorities for the establishment of financial control mechanisms and the needs of the partner organizations, the Central Harmonization Unit, the Supreme Audit Institution and municipalities in Serbia.
* In the changing context of management of public finances in Serbia, the Project was providing responsive and agile assistance to the partners/ beneficiaries at the central and local levels in Serbia.
* The project partners were positive about the Project responsiveness while re-stating the demand for the technical assistance that was available through the Project.
* The Project provided a positive model for replication through a nationally-driven development approach, and active involvement of the leadership and employees from identification and planning to implementation of priorities.
* The Project intervention logic has, in general, a well-established hierarchy of objectives. The links between the project intervention logic (outputs and outcomes) and the needs of the partners (local authorities and the MoF-CHU) have been evident. However, the internal project coherence was sub-optimal, with vague interlinks between the outcomes.
* The Project’s indicators have been, in principle, useful to measure progress and validate achievements, particularly at the level of outputs.
* The Project has been effective in proposing and adopting appropriate measures to identify and address risks and challenges timely.

*Effectiveness*

* The effectiveness of the Municipal Finance project was, in general, satisfactory.
* The Project was effective in delivering planned outputs, while results in some areas exceeded expected benefits, contributing to sustainable development of technical and organizational capacities of partners’ organizations.
* The Project and UNDP have been and remained valuable partners in supporting the achievement of development priorities for the reform of public finance in Serbia.
* Reliable and productive relationships between the SAI, CHU and municipalities with UNDP, further strengthened through UNDP collaborative advantages, have been some of the critical factors that facilitated effective implementation of the Project.
* The beneficiaries and their leaderships have recognized sustainable improvements in the functioning of the participating organizations (SAI, CHU and municipalities).
* The Project has effectively coordinated activities with the national partners and other interventions in the sector and ensured complementarity with these other interventions (at the national and local levels).

*Efficiency:*

* The Project steering mechanism and project management team were timely established, ensuring national ownership and contributing to efficient project implementation.
* The Project Unit (PU), headed by the Portfolio Manager for Public Finance, was in charge of the overall implementation. The PU has been at the full operational capacity since the start of the Project.
* Technical Project Coordinators in charge of the implementation of activities under each outcome have been working in the respective partners’ institutions. They have established strong relationships based on mutual trust and respect. This relationship has been one of the most critical factors that contributed to efficient implementation.
* The appointment of a (new) Team Leader for Accountable Governance, UNDP increased its technical capacities in the area of public finance and establishment of financial control mechanisms, also contributing to greater efficiency.
* UNDP Country office provided timely and quality support for the Project
* The Project has in general well-established reporting practice. Still, some indicators have been weak, and sources of verification were not appropriate or available.

*Impact and sustainability*

* The Project has been working steadily to develop capacities of beneficiaries, enabling them to fully understand the need for the establishment of internal audit functions in the context of enhancing financial control and building a system of transparent municipal finances.
* The main results of the Project could be observed at levels of individuals and institutions, and it is expected that established capacities would remain in place and available upon the completion of the Project. The partners have, in general, expressed positive views about the sustainability of Project's results, analyzed in the context of a long-term sustainable institutional development for a sound financial control system in Serbia.
* The current political and socio-economic situation in Serbia, together with institutional challenges and high turnover of certified internal auditors, have been, in general, the main external factors that could affect the sustainability of results.
* A certain degree of the Project's fulfillment could be identified at the level of sector policy, although this remains an area that would require further attention.

**Conclusions:**

C1: The Project has been fully aligned with the national priorities for the establishment of a system for financial control and accountability, while also addressing some of the critical governance and public sector reform priorities in the context of Serbia’s accession to the EU

C2: During the preparation and implementation of the Project, UNDP confirmed itself as a responsive and adaptive partner.

Long-term presence and partnership with the SAI, CHU and municipalities, technical capacities of the UNDP team twinned with their strong accountability for results, were critical factors for the successful implementation of the Project.

C3: The effectiveness of the Municipal Finance project was satisfactory, and the Project has created a solid basis for further reforms in the area of financial control and public finance

C4: The efficiency of the Project was highly satisfactory, and the support from UNDP was timely and adequate, enabling the delivery of the planned resources and setting an excellent example of cost-efficiency.

C5: Coordination and cooperation between the SAI, CHU-MoF, municipalities, the Municipal Finance Project and other development partners supporting reform of public finance in Serbia has generally been satisfactory

C6: Monitoring of the municipal finance project has been based on the RRF and approved indicators; however, these indicators have not been sufficient or adequate in many cases to measure the progress or verify achievements

C7: The sense of ownership of the SAI leadership, the CHU management, and, to some extent, municipalities that have benefited from the Project over the results achieved during the implementation of the Municipal Finance project was satisfactory.

C8: The Municipal Finance Project provided support to municipalities, increasing their awareness of the complexities of gender equality, showing links between gender equality, gender mainstreaming, and transparent budgeting.

**Recommendations:**

R1: It is recommended to continue support and continue with the next level support for the establishment of financial control in Serbia

R2: It is recommended to continue and expand support to the CHU to define and implement reform of the certification system of internal auditors. It is recommended to improve and modernize the method for preparing and delivering training and mentoring support.

R3: Analyse existing experiences with setting up joint internal audit functions and prepare specific guidance, practical tools, and models for users.

R4: It is recommended to consider options and propose models for greater integration of gender priorities in new plans and interventions in public finance and the sector of financial control.

R5: It is recommended to work on a knowledge management system related to public finance management and financial control

R6: it is recommended to work on more active and competent participation of citizens in municipal budgeting and local policymaking processes

# 2. Background

UNDP has been supporting accountability mechanisms in public finances since 2008, creating a portfolio of assistance for relevant institutions (such as the State Audit Institution, Commissioner for Access to Information of Public Importance and Personal Data Protection, Ministry of Finance, Public Procurement Office, and Commission for Protection of Rights in Public Procurement Procedures). The project "Enhancement of Municipal Audit for Accountability and Efficiency in Public Finance Management" is building on these results, complementing other UNDP initiatives aimed to advance accountability mechanisms in public finances.

The project strived to enhance the system of Financial Management and Control across local self-government units (LSG), by strengthening their internal audit-function. The State Audit Institution and the Ministry of Finance are the key partners, and ultimately the beneficiaries of the project. In parallel, local level institutions have benefited from different capacity development initiatives in several areas, including the open data standard in public.

The priority was to establish functional networks between the Central Harmonization Unit of the Ministry of Finance and cities representing the seat of regional centres. The project also intended to enhance the interface between internal and external municipal audit by increasing the effectiveness of municipal internal audits to carry out assigned responsibility and increasing the external auditors' focus on a performance audit. The results of the project at the local level facilitated and enabled more frequent, quality audits of municipalities, that the State Audit Institution (SAI) carried out within the budget cycle.

These results and reports generated through the project, enabled to identify good practices for the enforcement of the Public Finance Management (PFM) reform, particularly at the sub-national level; civil society organizations and media promoted these good practices.

Within this context, the project was organized around the following outcomes:

Outcome 1 SAI enhances its audit capacities to increase the number and quality of external audit reports at national and local levels.

Outcome 2 Ministry of Finance coordinates accountable expenditure management by supporting the introduction of internal audit and ensures responsible debt management through enhanced debt calculation and forecasting.

Outcome 3 Municipalities advance their public finance management through coordinated efforts of internal and external audit.

The Project is contributing to a more effective audit system in the country through more effective functioning of internal audit and control mechanisms at the local level. Practically, functional and quality internal audit at the local level should set a solid ground for the external auditor. The project contributed to the institutions within the system to concentrate and implement international standards: for internal audit the responsibility remains with the Ministry of Finance, while for external is with the auditor general.

These improvements could result in greater system efficiency, enabling that the municipal audits are implemented with fewer resources (e.g., time, human and financial resources).

A cultural change in the perception of the internal audit, from the previous “inspecting watch dog” to the current “supportive right hand of the mayor to efficiently and effectively use scarce resources” was key to success: the Ministry of Finance has therefore committed to a major outreach campaign into municipalities, combined with capacity building and pragmatic solutions to approach internal auditor’s salaries to market levels (e.g. to permit shared internal auditors for several small municipalities) to increase retention rates. In cooperation with pioneer mayors that have embraced the new internal audit role at an early stage, the auditor general, independent media and the SCTM success stories that illustrate the benefit of internal auditors’ work to municipalities and the public were identified and promoted in the public sphere as well as municipal expert networks.

# 3. The scope and the objective for the final evaluation

The final evaluation covered the entire period of implementation of the project “The Enhancement of Municipal Audit for Accountability and Efficiency in Public Finance Management", from the start-up phase, through implementation to its completion, in the period from 2015 until 2019.

The purpose of the evaluation, as highlighted in the Terms of References, was to provide information about the results of the *Enhancement of Municipal Audit for Accountability and Efficiency in Public Finance Management* project implementation.

The objective was to assess if and how project outputs were achieved, the efficiency with which outputs were achieved, relevance for the national strategic framework and UNDP Country Programme outcome and sustainability of the results- e.g. how these results may or may not contribute to systemic changes,and to provide recommendations for future engagement.

# 4. Methodology for the final evaluation

This part provides a description of data collection methods and data sources that were employed, including the rationale for their selection (how they have informed the final evaluation) and their limitations. In addition, this part reflected on data collection tools and instruments, highlighting reliability and validity for the evaluation.

The FE adhered to the UNDP Evaluation Guidelines (2019)[[1]](#footnote-1) aligned with the new UNDP Strategic Plan, Agenda 2030 and the adoption of the SDGs. Also, the evaluation complied with the OECD DAC criteria for assessment of development assistance[[2]](#footnote-2).

The Terms of Reference indicated the core areas for the evaluation: Relevance; Effectiveness; Efficiency; Impact and Sustainability. Also, the evaluation assessed what was working and why, highlighting intended and unintended results. It provided strategic lessons to guide decision-makers and inform stakeholders.

Therefore, the FE was summative in terms of determining the results, impact and sustainability, also analyzing achievement of objectives in relation to the resources deployed. At the same time, the evaluation was formative, particularly under the second outcome. The approach was to look “through the windshield to see what is coming and making adjustments[[3]](#footnote-3)”; thus, the intention was to provide inputs and improve the next programming cycle in this area.

The FE was primarily focused on criteria I, II III and V. Formally, evaluation of impact and sustainability is not feasible until at least 2-3 years after the end of the development intervention. However, the FE allowed anticipating impact and sustainability and this approach was followed.

The desk review of literature, key informant interviews and on-the-spot visits served to collect critical information and capture different perspectives about the project and its implementation. The FE applied triangulation of the collected data to validate findings and identify points of convergence and divergence.

## 4.1. Data collection methods

The evaluation followed a mixed-method approach to enable gathering of qualitative and quantitative information through a well-balanced combination of desk research and interviews with key informants, at various level of analysis. The evaluation used desk research to analyse collected secondary information. In-person interviews during the field phase have been organized and carried out, serving to collect primary data and to validate findings and conclusions from the desk phase.

The following table presents the main data collection methods and sources

**Table 1. Main data collection approaches**

|  |  |
| --- | --- |
| Approach | Activities |
| Document review | * Review the project document, with particular focus on the Results and Resources Framework, the areas of intervention, and its intervention logic, including indicators, baselines and targets; * Analyse progress reports, monitoring reports and * Review documented results from the project (e.g. documents produced by the Ministry of Finance- Central Harmonization Unit and the Supreme Audit Institution, reports from municipalities, etc) * Analyse minutes from the Project Board Meetings * Review national policies and strategies and also priorities and needs for financial control mechanisms at the local and national level. This will ensure insight into the environment in which the project was implemented. * Analyse international practices in internal and external audits, establishment of the system for financial management and control, practices and the international obligations of the Republic of Serbia within the EU negotiation process. Review web sources, video materials, etc related to the project * Analyse key governance indicators for Serbia, national reports and strategies related to public finance management * Analyse products (reports and analysis) of other organizations and development partners in the area of public finance management * Identify key horizontal issues, themes, best practices and success stories for follow- up, further investigation, verification, and triangulation. Also, identified needs for interviews. |
| Field phase | * Organize and deliver interviews with the leadership and management of the Central Harmonization Unit of the Ministry of Finance, the Supreme Audit Institution, municipalities, etc * Carry out interviews with the UNDP management, the Project Unit and other relevant UNDP units that were involved in the implementation of the project. * Prepare and carry out interviews with the Swiss Development Cooperation, other development partners involved in supporting the project area |

## 4.2. Data analysis

To respond to the requirements from the ToR, the evaluation has developed a tailor-made methodology[[4]](#footnote-4) focusing to make credible causal claims about interventions and their results[[5]](#footnote-5)..The scope, complexity, and the period covered by the evaluation required a sophisticated analytical approach that encompassed different analytical tools and models. The evaluation analysed collected information and the Results and Resources Framework through causality and causal effects model, complementing it with the political economy and the analysis of the timelines within the EU accession process for Serbia. Particular reference has been Chapter 32 of the EU accession process.

The analysis of the “The Enhancement of Municipal Audit for Accountability and Efficiency in Public Finance Management" intervention logic and the Results and Resources Framework were in the centre of this evaluation and understanding of the project. The evaluation included the assumption that the project was relevant, necessary and sufficient to achieve outputs and contribute to changes under the outcomes.

The results of the political economy and the timeline analysis together with the analysis of the primary and secondary data served to identify challenges or obstacles that affected progress and contribution towards the achievement of outputs and outcomes, while also suggesting a more substantive analysis through the causal chain to identify points of break.

The analysis therefore, considered the following steps:

#### Analysis of the Project’s relevance - from the design phase to the current moment

The review of the design phase explored links between the Project’s intervention logic and the development priorities for the financial control at the national and local level, and its relevance to the needs of the Ministry of Finance- Central Harmonization Unit, the Supreme Audit Institution and municipalities in Serbia.

The broad scope and thematic areas, and also relatively long period of project evaluation (covered by the evaluation) will require a holistic approach that would combine the analysis at the strategic and policy levels; thus, the evaluation will analyse contribution of the project to the implementation of relevant national strategic frameworks and UNDP’s Country Programme Document.

#### Effectiveness: Results of the Project

The FE will assess the overall progress of the Project towards the achievement of planned outputs (results) and contribution towards the achievement of the outcome, from the quality and timeliness of inputs and efficiency and effectiveness of activities carried out. The FE will identify critical factors that have contributed or negatively affected the achievement of results.

Considering the complexity of the Project, and the limited time for the evaluation, the FE will use progress reports complementing them by in-person interviews.

The FE will also analyse the indicators from the Project Results Matrix, focusing on their relevance, frequency of collection, reliability, disaggregation and quality, while also assessing the accuracy and the extent of use of the indicators.

#### Efficiency in the Project implementation

The FE will analyse the Project implementation, including management system and delivery of results, and the existing monitoring and the reporting practices. The FE assessed the efficiency of the approach in delivering outputs; reflecting on the adequacy and efficiency of the Project management, and mechanisms for coordination of activities with the development partners in the same area.

The evaluation carried out the analysis of external factors affecting the Project, reviewing its ability and capacity to adapt or mitigate these effects and factors.

#### Sustainability and impact of the Project’s results

In the context of assessment of sustainability, the FE analysed the likelihood that the benefits and results ensured during the implementation of the Project would continue after the end of implementation cycle. The FE analysed the longer-term impact of the Project on institutional development of the stakeholders’ institutions (at the central and local level) and also replicability of the achieved results or tested models. The FE analysed the degree to which the Project has enabled innovative approaches for institutional learning and development of national capacities, while assessing ownership of results and sustainability established partnerships.

#### Preparation of recommendations for UNDP and the stakeholders

The final report is objective, balanced and substantiated; it presented findings, conclusions and recommendations following a logical cause-effect linkage. When formulating and presenting findings and conclusions, the report described the facts assessed, the judgement criteria applied and how this led to findings and conclusions.

The report included a consolidated analysis of challenges and lessons learned. The FE generated lessons, with a two-fold purpose, summative and formative. Using lessons in a summative sense can measure impact of the results and also explore accountability. Conversely, using lessons in a formative manner facilitates improvements and planning for the follow-up intervention in this area.

Recommendations have been defined to address the weaknesses identified and reported; they are operational and realistic in the sense of providing clear, feasible and relevant input for decision-making.

## 4.3. Evaluation Matrix for the Municipal Finance Project

The Terms of Reference provided a broad list of evaluation questions that were also discussed during the initial meeting with the UNDP/ Project Unit. These questions were used for the preparation of the evaluation matrix.

For each of these evaluation questions the FE proposed indicators, judgement criteria and sources of verification. These elements of the matrix served to validate achievements and provide credible conclusions. In correlation with the Evaluation Matrix, the FE has prepared interview guides with specific question for the stakeholders, reflecting limited time for field mission and the number of planned interviews (Annex 1).

## 4.3. Limitations

The final evaluation included field visit and in-person interviews during October and November 2019, complementing document review and enabling to collect in-depth information about the status of the Project, its outputs and contribution to the sustainable development of the financial control system in Serbia. The evaluation included a limited time for in-country mission. Considering this, the final sample of key stakeholders for interviews has been agreed in cooperation with UNDP, while the involvement and importance of the stakeholders in the project implementation[[6]](#footnote-6) has been the main determining criteria. Although the evaluation met with different stakeholders, some of the partners from the local level could have been missed.

The implementation of the project has been characterized with the changes in the leadership positions of participating organizations (e.g. three heads of the Central Harmonization Units; the President of the Supreme Audit Institutions); this also posed limits to this evaluation. The FE had limited time to organize interviews with the previous leaders/ managers from the participating organizations.

However, thorough communication with the Portfolio Manager and intensive communication with UNDP Team Leader for Accountable Governance and the notes from the previous Project Board meetings served to explain project related processes and developments to some extent; thus, provided valuable information and mitigated these issues.

Although the ToR was not focused on the actual results and achievement of the Project; still, the FE assessed the extent to which the project achieved its plans and contribute to the progress under its outcome. However, the final project report was in the draft version and not completed, with some gaps in its content. Thus, the final evaluation used quarterly and annual reports to validate findings in the specific areas of the project’s performance.

Sustainability is an ex-post measure and ideally, measuring sustainability require a time-period between two to five years after the completion of the project. Therefore, the evaluation approach was to anticipate or forecast sustainability and impact. The intention was to measure the extent to which the positive results achieved through the project implementation are likely to continue after the end of the implementation cycle and also if the longer-term influence on the development changes (in the specific sector) would have lasting nature.

# 5. Findings of the final evaluation

## 5.1. Relevance of the Project

Under the relevance, the final evaluation analysed the extent to which the Project is suited to the priorities and policies of the Government of Serbia and the core institutions within the financial control mechanism. The focus was to assess the extent of consistence of the Project with the needs of the Central Harmonization Unit and the Supreme Audit Institution and municipalities in Serbia, and its validity to meet these identified needs. This analysis reflected if the proposed implementation plan, developed during the design stage, was coherent, realistic and aligned with the sector and partners’ priorities. The evaluation of the "design phase" relevance analysed if there was a clear exit strategy with a focus on impact and sustainability of the intervention beyond the life of the project.

The evaluation analyzed the “real-time” relevance, looking at Project’s significance at any point during its life-cycle; thus, analysing whether the intervention logic remained true in the context of possible changes on the demand side. The evaluation assessed the response made to adjust and fine-tune intervention as set out in the project's Results Resources Frameworks. The FE identified and assessed challenges that the project faced and the extent of adaptability and flexibility in responding and addressing these changes and challenges. The central question was whether the Project’s target benchmarks remained valid and achievable[[7]](#footnote-7).

The FE also assessed relevance of the project at any point during its life-cycle, answering if the intervention logic remained true in the context of possible changes on the demand side while identifying the response made to address changes and fine-tune the intervention.

* **The FE finds Project’s relevance is highly satisfactory: the assistance available and provided through the project was relevant and in line with the national priorities and needs of partners and beneficiaries[[8]](#footnote-8).**

The evaluation confirms the broad conclusions from the original Project document that external intervention was relevant and responded to the national priorities for the establishment of a functional internal financial control in Serbia, and the needs to enhance capacities of the Central Harmonization Unit (of the Ministry of Finance), the Supreme Audit Institution and municipalities to effectively and productively implement their core functions concerning the establishment of a sound financial control.

* **In the changing dynamics of reform of public finances in Serbia, the Project was providing responsive and agile assistance to the partners and beneficiaries at the national (the Central Harmonization Unit and the State Audit Institution) and local level in Serbia.**

The Project has established clear links with the national development and reform priorities for Serbia. The Project is compliant with the Constitution of the Republic of Serbia (2006) which under the Part III Economic System and Public Finance, defined the State Audit Institution as "a supreme state body for auditing public finances in the Republic of Serbia" (Article 96), with the responsibility to audit actual realization of all budgets.  The Project also supported the implementation of the Budget System Law that defined the main principles of public expenditure management and the critical stages of the budget cycle. The primary references have been within the part VI Public Sector Internal Financial Control. Article 82 Internal Control of this Law stated that "internal audit shall be established in direct beneficiaries of the Republic of Serbia budget and organizations for mandatory social insurance", defining the main duties and highlighting possible forms of internal audit. Article 83 provided that the Central Harmonization Unit of the Ministry of Finance should be in charge of harminization of financial management and control and internal audit. This Article also defined core functions of the CHU[[9]](#footnote-9)

The Project supported the achievement of the priorities from the Public Finance Management (PFM) Reform Program 2016 – 2020 "to improve transparency and accountability, and strengthen cooperation among the Ministry of Finance, line ministries and all other relevant stakeholders from different levels." The PFM Reform Program covered six broad areas of action/pillars. Most central to the Project were pillars 4 Effective Financial Control and 6 External Scrutiny of Public Finances. The underlaying principe of the PFM reform program was that transformation the PIFC represents a management reform in itself, with the increasing focus on managers’ responsibility within each budget user to ensure a proper financial management and control (FMC) system, supported by an internal audit function[[10]](#footnote-10).

The Project also supported the implementation of the priorities deriving from the EU accession requirements for Serbia. The country started EU accession negotiations in January 2014, particularly Chapter 32 Financial Control and the policy priority for the establishment of the public internal financial control (PIFC) and external audit[[11]](#footnote-11) . Critical institutions for the achievement of the targets under Chapter 32 are the Ministry of Finance/ Central Harmonisation Unit and the State Audit Institution.

In addition to the strategy and policy frameworks, the project was also aligned with the stated needs and priorities of the Republic of Serbia for international assistance[[12]](#footnote-12), particularly related to public finance amangement. Specifically, technical support available through the Project was instrumental in the implementation of the Measure 3.3 Strengthening public expenditure management and budget execution (under Priority 3[[13]](#footnote-13)within the PAR Sector) and also Measure 13 To support the introduction and further development of the Internal Audit function[[14]](#footnote-14) (under Pillar 4 Effective Financial Control of the Public Financial Management Reform Program for the period 2016 – 2020).

* **The Project was in general well-aligned with the needs and priorities of the MoF-CHU, SAI and municipalities, ensured during the programming phase.**

**The partners were positive about the Project responsiveness and their involvement from design and planning to implementation, while re-stating the demand for the technical assistance that was available through the Project**

The Project design process was consistent, based on sound programming and Project formulation. Problem identification followed a bottom-up process of collaboration and involvement of policy makers and representatives of different partners. The FE finds that the design of the Project was satisfactory, as the project document reflected the needs and priorities of the CHU and SAI. The partners expressed high degree of satisfaction with their involvement during this stage, emphasizing that the needs and priorities of their respective organizations have been adequately considered and reflected in the Project’s areas of intervention[[15]](#footnote-15).

The FE finds that the approved project document (and the final proposed action) was in principle tied to problem identification and assessment phase, especially related to the SAI and CHU problems. However, some of the crucial problems and challenges that were identified and emphasized for municipalities in Serbia in their efforts to establish internal audits have been less relevant for this intervention.

Concerning the needs and priorities of the partners’ institutions, the Project responded directly to one of the strategic objectives of SAI to “intensify audits at the local level, with adopted targets to perform audits of cities and larger municipalities annually, of medium-size municipalities bi-annually and every three years for small municipalities[[16]](#footnote-16)”. Achievement of this objective and progress towards the targets required further development of capacities within SAI[[17]](#footnote-17), and the Project was well-positioned to respond to these needs. In addition, the Project was relevant in addressing the need to continue with the certification and systematic training of SAI audit staff. Also, the Project was instrumental to enhance capacities of the SAI to proceed and enhance financial audits focusing on compliance and legality[[18]](#footnote-18). The project document highlighted some of the organizational challenges and needs of the CHU: as strong emphasis on training activities affected the delivery of the CHU core functions. The CHU's critical role in preparing PIFC strategies and policies required strengthening, especially for the improvement of PIFC methodology. Also, there was a need to strengthen networking of Financial Management Control (FMC) officials and internal audit managers, the monitoring and reporting on systematic shortcomings in FMC and internal audit implementation as well as on good practices in FMC and internal audit. The CHU has started to provide training and methodological guidance also to the local government level and should gradually move from being a training provider to a strategic role in training needs analysis and management.

The Project document recognized structural challenges deriving from the legal framework to ensure presence of internal auditors in public funds users: it is emphasized the obligation for the internal audit function, but without legal sanctions for a public fund user if this function is not introduced. The project document provided an extensive overview of problems for to the functioning of internal auditors particularly at the local level. Some of the critical problems have been among other lack of internal rules and procedures for this function have and prevailing negative perception; insufficient number of systematized internal auditors’ positions; inadequate systematization of these positions including salary scale, turn-over of certified auditors. Also, the project document recognized that the overall internal auditors’ certification process is cumbersome, posing high demand for a candidate to embark on it. In the absence of the adequate reward system- salary scale, the turn-over of auditors has been obvious. However, these problems were listed but without any credible links to the follow up intervention, delivered within the framework of this project.

Also, the approved Project document highlighted needs for the citizens to become more involved in supporting transparent public finance management system at the local level, recognizing that the role of media and civil society should be more prominent. **The need to enhance their technical capacities has been recognized, particularly in regard to competent reporting and dissemination of transparent and accountable public finances. These challenges and needs have been addressed under the third outcome of the Project.**

The long-lasting and productive partnership between UNDP, SAI, MoF-CHU, and municipalities in Serbia has been an additional factor that contributed to relevance of the Project[[19]](#footnote-19).

* **The Project intervention logic has, in general, a well-established hierarchy of objectives as the links between the outputs and outcomes and the needs of the partners have been evident. Still, the internal Project coherence was sub-optimal, as the links between the outcomes remained limited and vague**

**The project’s indicators, particularly at the level of outputs have been appropriate, but less adequate to measure contribution to outcomes or the achievement of impact.**

The Project document provided fairly comprehensive identification of problems, while the proposed activities and expected outputs/ outcomes have been in general tied to identification phase[[20]](#footnote-20). The formulation of the intervention logic has followed sound and inclusive process with involvement of the leadership of the Central Harmonization Unit and the Supreme Audit Institution[[21]](#footnote-21), and representatives of participating municipalities. The Project internal structure has been, in general, well-established and solid[[22]](#footnote-22), particularly at the level of outputs. The formulation of the Project’s intervention logic has followed the principles of Results Based Management[[23]](#footnote-23), showing the chain of connections/ causality and attribution between input and activities and the results presented as outputs and outcomes. Also, the Project document indicated expected cumulative effects of outcomes, indicating prospects for impact.

The hierarchy of objectives and benchmarks -indicators, baselines, targets and sources of verification during the entire project implementation has been in general satisfactory. Overall, the indicators at the output level contained realistic and achievable benchmarks, baselines and targets for the planned period. The data sources provided were in general adequate and appropriate to validation progress and achievements. The analysis of project reports and meetings with the UNDP Project Unit and representatives of the partners’ organizations has confirmed that data and sources of verification for these indicators were accessible and available[[24]](#footnote-24). UNDP Project Unit was reporting against these indicators as the main references for the progress and achievements.

Still, the FE finds that, although relevant for the public finance management system in Serbia, some of the indicators particularly at the impact and outcome levels have not been relevant to credibly measure the contribution of the Project. Some examples about inadequate indicators could be improvements related to the Public Expenditure and Financial Accountability (PEFA), scoring on the Corruption Perception Index, or country’s progress on EU accession agenda[[25]](#footnote-25).

The sex-disaggregated indicators have been used to the extent possible for the Project in this area. Positive finding was that the project designed alternative methods of data collection for systematization of gender-disaggregated information. One of the examples could be the delivery of capacity development and training activities that included gender-focused topics, such as the presentation on gender-sensitive budgeting[[26]](#footnote-26). The intention was to establish links between the gender mainstreaming and more transparent public finances. Also, evaluation questionnaires for capacity development included gender sensitive questions, with the objective to identify perception and challenges related to gender dynamics and also explore perception of the existing inequalities within the system for more transparent financial management[[27]](#footnote-27).

* **The Project has been effective in proposing and adopting appropriate measures to timely identify and address risks and challenges, responding to emerging priorities of the participating institutions and flexible to challenges that have occurred during its implementation.**

The Project has been facing different challenges that periodically impeded progress in its implementation; still, the Project has been, in general, responsive and flexible to the changes in the external environment within the agreed programmatic framework.

Changes in the leadership within the partners' organizations have occurred during the Project implementation (2016-2019). The Ministry of Finance established its new top management (from 2018), that was reflected in its organizational reconfiguration and important policy re-orientation. Concerning the critical functions in the field of financial control[[28]](#footnote-28), the organization of the Department for Internal Control and Internal Audit (CHU) was renamed to Department – Central Harmonization Unit, while its organizational rearrangement has been optimized and organized around delivery of core services[[29]](#footnote-29). The new Assistant Minister in charge of the CHU and the new Head of the Negotiating Group for Chapter 32 was appointed. Also, the changes in the MoF-CHU coincided with the appointment of the new SAI President, after a relatively lengthy process. However, these changes (in the Ministry of Finance and its Central Harmonization Unit and the engagement of the new SAI President have affected the implementation of the Project to a minor extent. The existence of the Annual Work Plans, developed and agreed through active participation of the stakeholders, further supported by technical capacities of UNDP team[[30]](#footnote-30) in the CHU and SAI have been the essential factors that ensured timely and successful implementation of the Project's activities. Also, the Project’s mitigation strategy was to focus on delivery of technical level activities, ensuring that the strategic level decisions involve newly appointed leaderships[[31]](#footnote-31).

Another example of responsiveness and flexibility could be consideration of improvements in the certification process. Originally, the Project document recognized a slower pace of certification for internal auditors (48 certified in 2013 and 54 in 2014 internal auditors); nevertheless, not identifying it as a critical challenge for further progress within the system. The project document provided an illustrative example to justify this conclusion, comparing the systems in Holland with 600 internal auditors (population of 16.6 ) to one in Serbia assuming a total of 352 internal auditors for its full functioning (population of 7.1 million). However, the Project implementation showed the need to revise this (initial) conclusion. The legal provisions and the system requirements, showed high demand to increase number of certified internal auditors. The Project was flexible, and responded to this challenge- furthermore, the addendum to the existing project has been prepared to better reflect the priorities within this policy area.

## 5.2. Effectiveness of the Municipal Finance project

Effectiveness refers to the relationship between the planned and achieved results of the project; it could be considered as a measure of the extent to which the project achievements have enabled progress under the project outputs and contributed to the project outcomes.

In this context, the final evaluation finds that the Municipal Finance project has been in general effective in achieving its objectives, despite challenging implementation environment.

* **The effectiveness of the Municipal Finance project was, in general, satisfactory.**

**The Project was effective in ensuring progress under the planned outputs, while in results in some areas exceeded anticipated benefits, contributing to sustainable development of technical and organizational capacities of partners’ organizations.**

During the implementation of the Project, some of the most important results have been:

* The Project was instrumental in the development of capacities of the SAI auditors, mainly targeting the Department for Auditing LSGs by delivering professional training programs on financial and compliance to performance audits. Practically, this Department started with independent risk-based audits of financial statements of local self-governments, with the focus on the areas exposed to irregularities, namely, calculation of salaries, public procurement, and assumed obligations above-approved appropriations. (which comprise 60-80% of the total number of irregularities at the local level).

As part of the efforts to increase SAI's technical capacities, the Project reported that as of 2019, the pool of state auditors reached 163 of them, with a total of 60 certified in 2019. In addition to designing and implementing demanded capacity development support for SAI, the Project assisted in enhancing its capacities for international cooperation. This included support for the membership in EUROSAI and INTOSAI, participation in their thematic working groups, including critical meetings. The Project was also working in partnership with SAI and CHU to jointly work for introducing international audit standards (such as defined by INTOSAI and the Institute for Internal Audit (IIA). The Working Group has been established, but the Project was less effective in designing and implementing actions to facilitate actual and practical implementation of international audit standards.

* With help from the Project, the MoF-CHU has established a new e-learning platform intending to support candidates in preparing for the certification exam through easily accessible and independent learning (ifkj.mfin.gov.rs). The electronic versions of the Financial Management Control (FMC) and Internal Audit (IA) training materials were designed, prepared, and a tutorial for on-line reporting was created and posted on the CHU website.

The Project provided critical support to the development of organizational and technical capacities of the CHU, with particular reference to data analysis and data collection, upgrade of software, training materials and e-learning, follow-up on the SAI recommendations from annual audit reports, assessment of public opinion. Also, the Project assisted the CHU in providing capacity-building support for IA to the LSG Units, including field visits and practical training on FMC for LSG staff and PFB managers.

The Project supported participation of CHU staff at workshops discussing collaboration between Internal and External Auditors, organized by the Centre for Excellence in Finance (CEF) in Ljubljana, and supported annual best-practice meetings between the staff of CHU Croatia and CHU Serbia on the topic of irregularity management in Serbia. With support from the Project, the CHU carried out a gap assessment of the current system of certification of internal auditors in public sector versus new rational system for certification and professional development, in line with best international practices. Based on the specific circumstances and needs, the Project played a pivotal role in designing and testing models for the establishment of joint internal audit functions. The Project provided technical support to two pilot cases, (municipality of Kursumlija and municipality of Backi Petrovac for inter-municipal cooperation with the municipality of Bac), in their efforts to implement joint internal audit functions.

* A total of 438 Internal Auditors have successfully completed the certification process (2019); this is a remarkable achievement compared to the baseline of 258 in 2016.
* The Project was effective in promoting LGU positive practices in public finance management, through collaboration and active participation of citizens, media, and LGU staff. The activities were inititally implemented in 15 selected municipalities (in 2017) and continued in 5 LGUs (in 2018).
* The Report on good practices in Public finance management, was prepared based on seven agreed criteria that were applied on the data from audits performed by SAI in the period 2014 - 2017. Ten LGUs, assessed as having the best PFM performance according to the set criteria, were publicly rewarded as part of the media campaign in December 2018[[32]](#footnote-32) .
* Public perception of LGUs performance was measured in 15 LGUs at the start of the project, in December 2016, and again in January 2019. The results showed that citizens aren’t sufficiently informed about the way cities and municipalities are financed and how the local budgets are spent. The citizens are aware that one of the main reasons for this is their own lack of interest and inactivity. Only half of the respondents state they know where the information about the local budget can be found.

Still, the following paragraphs provide more details analysis of the impact, outcomes and outputs, commenting also on their status and reflecting omn indicators at different levels of intervention logic.

The analysis of the effectiveness during the period 2015-2019 (Municipal Finance Project)

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Intervention logic (Impact)** | | | **Indicators and baselines** | | **Assumptions** |
| **Impact:** | | State institutions develop horizontal and vertical accountability mechanisms in the area of public finances, contributing to sound public financial management and decreased opportunity for corruption in Serbia at all levels [[33]](#footnote-33)  ***Specification for SDC funded contribution to UNDP overall goal****:*  *Proven good public finance management enables the allocation of additional financial resources to LGUs, necessary to fulfil their competences and increasing the legitimacy of the decentralization process. More efficient internal proceedures will also allow an increase in budget allocation rates;* | **II1** Serbia’s overall improvement of Public Expenditure and Financial Accountability (PEFA) indicators compared to 2014 by 2019   * *PEFA 2010 assessment results of Serbia*   **II2** Corruption Perception Index scoring 50 by 2019   * *Corruption Perception Index scoring 41 (2014 result)*   **II3** Assessment of the EU that Serbia is ‘well advanced’ in preparations for Chapters 5 (public procurement) and 32 (financial control) by 2019.   * *EU Progress Report for 2015 ratings on chapters 5 (public procurement) and 32 (financial control) (pending)*   **II4** Serbia’s Public Expenditure and Financial Accountability (PEFA) indicators related to LSGs audit and accountability, and intergovernmental transfer system have improved   * *EU Progress Report 2014 on LSGs procurement: “the Public Procurement office approving LSG procurement does not sufficiently control corruption at local level”*   **II5** Improved EU Progress Reporting on procurment by LSGs (Chapter 5 on public procurement)   * *EU Progress Report on Internal Control in LSGs 2014: “Understanding of the managerial accountability principle and internal control standards at local levels is weak and needs to be further developed among senior managers”*   **II6** Improved EU Progress Reporting on Internal Control in LSGs (Chapter 32 on financial control)   * *EU Progress Report on Internal Control (Chapter 32)*   **II7** Serbia’s access to international funds (EU pre accession, solidarity fund etc.) is no longer limited by the lack of internal audit procedures   * *Serbia has no access to Solidarity Fund reimbursement due to lack of internal audit*   **II8** Improved rating in muncipal assembly accountabilty index (measured through UNDP parliament project in 2018)   * *Baseline of municipal council Accountability Index (measured by UNDP parliament project in early 2016)*   **II9** Average rating of LSGs’ PFM in SCTM’s self assessment tool improved (tbd)   * *Average rating of LSGs’ PFM in SCTM’s assessment tool in average on level yy* | | No assumptions at this level |
| **Comments and analysis** | | The approved project document provided two impact statements.  The first statement is a relevant for this Project, as the focus as been to development horizontal and vertical accountability mechanisms in the area of public finances among different level intuitions. Consequently, this should lead to a sound public financial management, while also decreasing opportunity for corruption in Serbia at all levels [[34]](#footnote-34)  However, the second statement, marked as “**specification for SDC funded contribution to UNDP overall goal**” is not logically tied to the Project. The impact as defined here should result in allocation of additional resources and further legitimization of decentralization process. Successful implementation of the Project and progress under all three outcomes could improve transparency and governance processes at the local level. However, it is difficult to expect that the achievement/ progress under the outcomes would lead to greater mobilization of additional resources or further legitimize decentralization process.  *Proven good public finance management enables the allocation of additional financial resources to LGUs, necessary to fulfil their competences and increasing the legitimacy of the decentralization process. More efficient internal procedures will also allow an increase in budget allocation rates;* | The FE recognizes rather high number of indicators at the impact level; this is situation is further affected by the fact that some of these indicators are either too broad and non-specific or irrelevant. This has created difficulties to formally verify progress that the Project made towards the impact. Also, the impact as formulated in the project document, did not capture cumulative effects ensured through the progress under outcomes.  Some indicators such as for example II9 Average rating of LSGs’ PFM in SCTM’s self-assessment tool improved or II8 Improved rating in municipal assembly accountability index (measured through UNDP parliament project in 2018) could be relevant and reflect on the impact of the Project. However, there were no evidences available that these indicators have been composed or monitored.  Also, indicators such as II1 that relates to the improvement of Serbia’sPublic Expenditure and Financial Accountability (PEFA) could not be verified as PEFA was not done since 2010. Also, imporved scoring under the II2 Corruption Perception Index could not be considered as directly relevant for this Project.  Indicators II3, II4, II5 and II6 should serve to measure the EU accession progress of Serbia, in particularly under the Chapter 32. Although these indicators could be relevant to capture the impact that the Project is contributing to, the scope of project has only limited focus on the systemic changes (as required by the Chapter 32). Still, the addendum to the original Project, with focus on the improvements in the certification process, could have more critical impact on progress under the Chapter 32. | | No assumptions at this level |
| **Validation of the Outcome from evaluation evidence** | | | | | |
| The analysis of the essential elements of the legitimate, transparent and inclusive governance shows that it is the range of processes through which a society reaches consensus on and implements regulations, human rights, laws, policies and social structures—in pursuit of justice and human rights, welfare, and environmental protection. Policies and legislation are agreed on and carried out by many institutions: the legislature, judiciary, executive branch and formal and informal organizations of civil society. Considering this, democratic governance for human development brings to the fore the question of how a society organizes itself to ensure equality (of opportunity) and equity (social and economic justice) for all citizens. It stresses both the outcomes and processes of governance because the policy-making process is as important as its result. Rooted in a rights-based approach to help governments and citizens fulfil their commitments and obligations, it promotes constructive interaction among the three governance actors, and it is infused with the principles of good governance.  The principles at the heart of good governance are the same as those at the heart of democracy: Equity; Participation; Pluralism; Partnership; Subsidiarity; Transparency; Accountability; Rule of law; Effectiveness; Efficiency; Responsiveness; Sustainability  The Project was working to support the establishment of transparent and good governance in Serbia, by mainstreaming and promoting all principles of good governance in all its activities. This is confirmed in the primary goal of the Project: " strengthen horizontal and vertical accountability mechanisms in the area of public finances thus, contributing to sound public financial management and decreased opportunity for corruption in Serbia at all levels, hence, contributing to a growing culture of legitimate and inclusive governance. | | | | | |
| **Intervention logic (Outcomes)** | | | **Indicators (including Baselines and targets)** | | **Assumptions** |
| **Outcome 1:** | | The State Audit Institution (SAI) upgrades its audit capacities in order to increase the number and quality of external audit reports at national and local levels  **SDC contribution to Outcome 1-**  SAI externally audits LGUs more frequently and risk based, and introduces performance audits of municipal resources[[35]](#footnote-35) | **O1I1:** Increased number of audit reports issued annually by SAI by at least 10 % by 2019;  *Baseline:* *In 2014 there were 135 audit reports issued in total (with 27 pertaining to the local level)*  **O1I2**: Improved results of PEFA indicators PI-26, PI-27, PI-28 by 2019;  *Baseline: PEFA 2014 assessment results (pending);*  **O1I3** Scope and quality of external audits of LSGs by SAI increased in 2018 (taking international good practice and risk assessment into account);  *Baseline: The Law on SAI states that SAI should audit “an appropriate number of LSGs on annual basis”*  **O1I4** Performance audit by SAI on several key areas (e.g. property management, public sector ethics) of LSGs performed until 2018;  *Baseline: Municipal audit frequency by SAI is in average one external audit in four years, bigger municipalities more frequently, smaller less;*  *Baseline: SAI has published its first performance audit report in 2014;*  **O1I5** Improved results of sub national PEFA indicators PI-26, PI-27, PI-28 by 2019;  *Baseline: Sub national PEFA assessment results 2015;* | | * The Government of Serbia respects the independence of the SAI, and the parliamentary committee for finances protects the independence if necessary; * As in the past mayors and LSGs repeatedly requested more frequent SAI financial audits (in order to close the budget cycle, to get clarity on the correct interpretation of instructions), an open attitude towards SAI performance audits by mayors can be expected |
| **Comments and analysis** | | The Outcome 1. Is well-defined, capturing to a full extent the efforts of the Project in supporting the Supreme Audit Institution in Serbia.  The Project was working to upgrade professional, audit capacities of State Audit Institution (SAI) through assistance to the certification process of its staff, and continued and systematic training of SAI audit staff. The intention was to proceed and enhance financial audits, particularly at sub-national level, focusing on compliance and legality.  The progress under this Outcome is contributing to one of the strategic objectives of SAI to intensify audits at the local level, with adopted targets to perform audits of cities and larger municipalities annually, of medium-size municipalities bi-annually and every three years for small municipalities. The number of auditors that received training on implementing performance audits was increased to 17% during 2018, compared to 5% in 2017, in order to raise the technical capacities of SAI staff for performing performance audits, which is a precondition for diversifying the scope of audits.  The efforts to strengthen technical capacities of SAI included assistance with international cooperation and exchange of experience, while also supporting cooperation and coordination of activities between SAI and CHU, with special consideration of the EU negotiation Chapter 32, public finance reform, PIFC reform. | The evaluation finds that the proposed indicators have been in general valid and useful to measure progress under this Outcome. These indicators communicate the process, and also the result of the process or the relationship/ measure of the particular achievements.  However, indicators O1I2 on Improved Results of PEFA indicators PI 27, 27 and 28 (by 2019) and the Indicator O1I5 Improved results of sub-national PEFA indicators PI 26, 27 and 28 (by 2019) could not be formally validate as PEFA exercise for Serbia has not been organized. The situation with the sub-national PEFA indicators could be somewhat different, as the RELOF project is working on PEFA in some municipalities in Serbia.  The Project has been reporting progress towards the achievement of targets under other indicators. For example, under the O1I1, the number of audit reports in 2019 reached a total of 444, with 240 related to local level, exceeding planned target of increase of 10% to increase of 328%. This difference between planned and achieved results have been significant; thus, the target of 10% was rather low and should have been revised.  Indicator O1I3 refers to two equality important dimensions of the external audits of LSG, focusing on scope and quality of these reports. The FE finds that this indicator demonstrated continuous progress from 100 (2016) through 105 and 109 in 2017 and 2017 respectively to a total of 240 Audit Reports in 2019  The Progress has achieved targets envisaged under the o1I4 on preparation of performance audits by SAI on key areas of performance such as property management, public sector ethics.  After the initial performance audit released in 2014, the Project assisted to meet and exceed targets under related to this indicator. With support from the Project, two Performance Audits were conducted in 2017 of which one related to Public Procurement covering several LSGs. The SAI completed two Performance Audits in 2018: “Subventions for hail protection” that covered all municipalities and cities in Serbia and “Subsidies of local self-government units to public companies” in eight municipalities. During 2019, SAI completed 12 Performance Audits and 3 related to LSGs: "Leasing of business premises owned by local government units", "Availability and safety of drinking water" and "Utility Management of Water Supply Infrastructure" | | The project document has rightly identified assumptions that are required to hold true to ensure that SAI could perform more frequently risk based external audits.  Thus, assumptions established at the level at the Outcome 1 are reasonable. However, some of these assumptions remained very general statements (for example, number 1). The assumption number 2 is reasonable and important, but is formulated more as an expectation, to be ensured with support from the Project |
| **Validation of progress under the Outcome 1** | | | | | |
| The Project was in general effective in ensuring progress towards the achievements of this Outcome and the mark is satisfactory. The validation of the achievement has been done based on progress reports and during the field phase during the discussion with the SAI management.  The Project has been effective under this outcome. The main achievements could be that the number of external audit reports issued by the State Audit Institution increased for more than three hundred percent (from 135 audit reports in 2014 to a total of 444 in 2019).  Its Department for Auditing Local Self Governments has been capacitated to deliver stand-alone audits of financial statements of local authorities based on risk assessments in three key areas: calculation of salaries, public procurement and assumed obligations above approved appropriations.  The assistance was provided to release post-audit reports, providing information about follow-up actions of auditees- if they have removed irregularities or improprieties.  Under this outcome, the Project Delivered support for enhanced international and peer-to-peer cooperation (membership in EUROSAI and INTOSAI thematic working groups). Also, the Project was effective in supporting inter-institutional connectivity (particularly with the CHU, concerning the work for the achievement of Chapter 32 priorities  Important results have been achieved through strengthening channels between Internal Auditors and State Auditors to increase audit effectiveness and to contribute to the further enhancement of financial accountability at the local level. With support from the project, different capacity development events were organized for managers of local self-governments to facilitate and reinforce the introduction and professionalization of their internal audit functions and to present most common findings in audit reports. During the Project, all local self-government units in Serbia participated in these lectures at least once. Also, the Project in close cooperation with SAI prepared and delivered. Separate trainings were organized for Internal Auditors working in local self-governments.  Assumptions established at the level of the Outcome 1 were well identified; these are key factors that are external to the project, but which represent conditions that must be met if the project is to succeed. Assumptions should be closely monitored: therefore, the project conducted a thorough project appraisal during the starting moths to identify if the assumptions are still holding true. The FE finds that the assumption 2 although relevant is not so-called “killing assumption”- even if not achieved the work of SAI will proceed. | | | | | |
| **Outcome** | | | **Indicators (including Baselines and targets)** | | **Assumptions** |
| **Outcome 2** | Ministry of Finance coordinates accountable expenditure management by supporting the introduction of internal audit and ensures responsible debt management through enhanced debt calculation and forecasting.  **SDC contribution: Outcome 2** - Ministry of Finance/Central Harmonization Unit (CHU) takes a lead in advocating fulfilment of legal internal audit obligations in LGUs | | **O2I1:** Improvement in PEFA indicators PI-17, PI-21, C iv;  *PEFA 2014 assessment results (pending);*  **O2I2** At least 352 internal auditors certified by 2019;  *There were 258 internal auditors in July 2015;*  **O2I3** Internal auditors are perceived as ideally defined in the screening report of chapter 32 (financial control);  *Internal auditors are not perceived as “facilitators of quality assurance” (screening report chapter 32 on financial control);*  **O2I4** Positive trend retention rate of internal auditors in LSGs;  *Retention rate internal auditors in LSGs in 2015 perceived as 1 in 2 only;*  **O2I5** 50% of LSGs fulfill internal audit obligations;  *Almost 90% of LSGs do not fulfill internal audit legal obligations, e.g. have no internal auditor; SAI has not used any internal audit report for external audit by 2015*  **O2I5** 50 % of LSGs fulfilling International Public Internal Finance Control (PIFC) Standards for LSGs fulfilled by 2018  *PIFC in LSGs only partly fulfilled, as per chapter 32 (financial control) screening report 2014*  **O2I6** Improvement in LSGs PEFA indicators PI-17, PI-21, PI-26 C iv*[[36]](#footnote-36);*  *Sub National PEFA Assessment results 2015;*  **O2I7** Interface between SAI and CHU led by INTOSAI standards*[[37]](#footnote-37);*  *Very good attendance of LSGs in conference organized by SAI and MoF on INTOSAI standards in 2015 (UNDP inception phase);* | | * Effective retention policies for internal auditors are very high on the agenda of the Government. More market oriented renumeration of internal auditors may be safeguarded or even increased through pragmatic solutions (e.g. sharing of internal auditors between small LSGs or with other budget users) in order not to undermine other investments into higher retention rate; * As the added value will be illustrated, mayors and heads of municipal finance will embrace the new INTOSAI standards for internal audit, despite the need to adapt numerous internal procedures, |
| **Comments** | | | | | |
|  | The overall Outcome 2 is relevant for the project in its first part, relating to the capacities of the “Ministry of Finance coordinates accountable expenditure management by supporting the introduction of internal audit”. However, the Project contribution to “responsible debt management” could not be credibly established, as the Project support did include components for “enhanced debt calculation and forecasting.  The SDC contribution Outcome 2 is more relevant for the Project. However, its formulation is more appropriate for an activity, rather than for an outcome. Namely, its formulation suggest that the Project supported CHU to implement advocating activities for the establishment of the internal audits, but the actual focus under the Outcome 2 was much broader. | | The indicators O2I1 and O2I6 refer to the improvement of some of the PEFA references. Although relevant and useful to measure progress, these indicators could not serve the purpose, as Serbia has not conducted national PEFA yet (2019).  The indicator O2I2 refers to "a number of certified internal auditors by 2019", targeting a total of 400 of them. A total of 439 certified internal auditors in the public sector (as of 2019) exceeded the planned target.  The indicator O2I5 is closely related, measuring the increase in percentages of the annually released internal audit reports at the level of local self-government units. The targeted 5% of growth referred to the baseline of 100 reports, as planned in 2015. The progress exceeded plans by reaching 259 reports released annually in 2016; however, the figures showed some decline with a total of 151 and 168 in 2017 and 2018, respectively. Still, these figures do not include internal audit reports released by local public enterprises and indirect budget users at the local level.  Indicators O2I3 and O2I4 are less relevant to measure progress under Outcome 2. The indicator O2I3 strives to measure the perception of internal auditors ("ideally defined in the screening report", while the O2I4 measured a positive retention rate of internal auditors in LSGs. The Project did not, however, include components or implement activities that could be credibly linked to improve perception of internal auditors or prevent the turn-off of internal auditors measured by these indicators.  Thus, under the Indicator O2I4, the Project reported on the number of public fund beneficiaries with established IA function, and also with systematized and occupied work positions for IA, showing the overall positive trends. | | * The FE finds that the proposed assumptions are not appropriate for the Outcome 2. Even without an effective retention policy for internal auditors, the project was implemented and results have been achieved. Still, defining effective retention policies for internal auditors could be an objective that the project could contribute to. Also, reform of the salary system thus salary scale for internal auditors based on market determination is not prerequisite for successful implementation of the project. * The second assumption is formulated as an objective that the project could support or achieve. It could not be assumed that “mayors and heads of municipal finance will embrace the new INTOSAI standards for internal audit”, despite the need to adapt numerous internal procedures. It is more appropriate to assume “mayors and heads of municipal finance understand the importance of internal audit functions”; and “support capacity development of internal auditors”, and “they are committed to reform and adaptations of procedures to ensure functional internal audit”. |
| **Validation of progress under the Outcome 2** | | | | | |
| The progress under Outcome 2 could be considered as satisfactory. There is an evident increase in the number of certified internal auditors reaching a total of 438 in 2019 (a growth of more than 60% compared to the baseline in 2015). At the same time, the Project, in close cooperation with the CHU and national stakeholders, has identified systemic obstacles for a more effective certification process and proposed a set of strategic upgrades to improve the certification system in Serbia.  The Project has been effective in preparing and delivering needs-based capacity development assistance for strengthening internal audit functions at the local level. The CHU, with support from the Project, provided training programs on financial management control, combined with field visits to LSGs that included coaching, mentoring, and monitoring activities[[38]](#footnote-38).  The improvement of the technical and operational basis of the CHU included a new software tool, e-learning platform module, that was developed and integrated into the CHU website. Part of these efforts also included electronic versions of the FMC and internal audit training programs. Also, a tutorial for online reporting has been designed and tested. | | | | | |
| **Outcome** | | | **Indicators (including Baselines and targets)** | | **Assumptions** |
| **Outcome 3** | Higher public attention on LSG public finance management increases peer competition among LSGs for better PFM performance, and an informed demand for accountability by municipal councillors and citizens | | **O3I1** Public perception of LGUs PFM performance improved compared to 2016 baseline;  *Public perception of LGUs PFM performance measured in 2016*  **O3I2** Outreach and content of discussions triggered by the Municipal PFM stories in the public sector (measured by gamma analytics);  *PFM performance is generally perceived negative by the average citizen* | | * A number of media remain sufficiently independent, professional, and have outreach to LSGs country wide; * LSGs will subscribe to the award criteria, as they will be consulted with the SCTM; |
| **Comments** | The Outcome 3 is well-integrated in the Project’s intervention logic. However, in the Project’s hierarchy of objectives, this outcome could better serve as an output (under Outcomes 1 or 2), rather than an independent outcome. Also, the formulation is more appropriate for activities rather than for outcomes. | | The proposed indicators are useful and relevant to measure some dimensions of the Outcome 3, as defined here. This is particularly the case to measure if and what extent has the public interest increased specifically to LSG public finances and the need for improved PFM performance.  However, these indicators only partially reflect or measure “informed demand for accountability by municipal councillors and citizens”.  Under the first indicator, the Project carried out public perception of LGUs performance on two occasions (12.2016 and 02.2019) targeting same 15 municipalities. The summary of results showed lack of knowledge among the citizens about municipal finances in general including municipal budgeting (lack of knowledge about collection of taxes and revenues to balancing, spending and reporting), while lack of interests and inactivity have been emphasized as main reasons for this.  The second indicator measured increase of public attention to LGU public finance management, focusing on 15 selected municipalities (in 2017) and continued in 5 LGUs (2018) | | The assumptions that are provided at the level of the Outcome 3 are irrelevant (for this outcome).  Still, it is surprising that the project did not consider assumptions that citizens have interest and willingness to participate in the local decision-making process or local media have sufficient capacities and interest to report on municipal finances. |
| **Validation of progress under the Outcome 3** | | | | | |
| The effectiveness of the Project under the Outcome 3 was satisfactory, particularly considering available resources, geographic coverage and the timeframe for implementation and delivery of results (under this outcome). Project activities for strengthening the monitoring role of the citizens in public finance management at the local level were implemented in 15 initially selected municipalities (Užice, Požega, Vranje, Valjevo, Leskovac, Zaječar, Niš, Ruma, Novi Pazar, Novi Sad, Kragujevac, Zrenjanin, Aleksinac, Kruševac and Loznica) and continued in 5 LGUs.  The Project reported that a total of "sixty examples of effective public finance management at the local level were captured and promoted through two media campaigns (in 2018 and 2019)". The top ten performing LGUs (Smederevo, Pančevo, Pirot, Zrenjanin, Gornji Milanovac, Beograd, Kruševac, Plandište, Paraćin and Subotica) were rewarded in 2018.  The Project has carried out a survey on public perception of LGUs performance covering 15 selected municipalities. The baseline survey, done in December 2016 and the follow up from January 2019, showed that insufficient level of knowledge and/ or access to information among the citizens about municipal budgets, collection and mobilization of resources and expenditures including reporting on budget execution. The results of the survey revealed the need for more substantive investment to enhance the role of citizens (and civil society) in local affairs (including budgeting). Still, the project responded to the challenges and delivered a series of four 2-day tailored events under the joint title “Transparent public finance management and citizens’ participation”. These events provided a platform for discussing some of the critical topics such as citizens in the budget process; issues related to local public procurement or good practices in citizens participation. | | | | | |
| **ANALYSIS OF OUTPUTS** | | | | | |
| **Outputs** | | | **Indicators and baselines** | **Status of Indicators** | |
| **Output 1.1** | SAI Department for external audit of LSG has widened its competences and capacities from financial and compliance to performance audits, through certification and professional training of its auditors;  *SAI’s capacity building program will respect principles of an equal opportunity employer;* | | **O1.1. I1.** Women and men, staff of the department for auditing local self-governments have successfully passed intensive training for widening the scope and type of audit according to international standards by 2017;  **O1.1. I2.** SAI publishes reader friendly audit reports by 2018;  *Department for auditing local self-government has no regular training program, but identified a respective need* | | |
| **Comments** | There is a link between Output 1.1 and Outcome 1 within the intervention logic and its hierarchy of objectives.  The output is designed to address technical/ professional capacities of SAI’s department for external audit of LSG. The intention is to enhance the professional basis through creation of certified auditors and delivery of professional trainings on financial, compliance and performance audits.  The achievement of this Output will strengthen organizational and functional capacities of the Supreme Audit Institution. | | The indicators could be considered are partially adequate to measure progress in the specific areas related the Output 1.1. The Indicator O1.1.I1 is just a simple statement, but not a proper indicator. The statement that women and men, staff of Department for auditing LSG have successfully passed intensive trainings…” could not serve or capture the extent to which these training programs have been linked with “wider competences and capacities of the SAI’s department”. Combination of qualitative and quantitative indicators, together with the indicators related to SAI’s performance could be better option to measure progress. The proposed indicator O1.1.I2 is formulated as an activity, and could not be considered as an indicator to measure functioning of the SAI’s department.  Also, the proposed Sources of verification, Annual Report of SAI and Project Progress Reports UNDP, could be only partially useful to verify progress. Positive project management practice suggests to use “neutral” sources to verify progress or at least combine project deliverables with some external and neutral sources of verification. | | |
| **Status of Output 1.1.** | As indicated in the previous paragraphs, during the Project lifetime, a total of 60 state auditors were certified, (increasing the number of certified state auditors to 163). Also, the Project supported preparation and deliver of in-house training programs, focusing on ethics, financial audit and IT audit.  Part of the organizational development efforts included support to SAI to take active role in international state audit associations, serving to enhance and align audit standards with international requirements. The new INTOSAI standards are now available in Serbian, accessible to all auditors.  Also, user-friendly reports including audit summary have been put in place.  The Audit Methodology Department finalized the new format of Audit Reports, that will become effective as the new Audit Management System (AMS) becomes operational (by 2021). | | | | |
| **Output 1.2** | SAI is provided competent advice on a risk based appraoch and respective prioritization of the selection of LSGs for external audit, based on good practice analysis and an expert workshop (participatively, including the SCTM); | | **O1.2.I1** Analysis conducted and a debate with key stakeholders held on criteria for definition of audit frequency and scope and to advise SAI further action by 2017.  *Analysis and debate to be organized in a participative way in 2016 and 2017.* | | |
| **Comments** | The output is well-defined and integrated in the overall Project intervention logic. The achievement of this outputs will contribute to the achievement of the outcome 1.  Under this output, it is envisaged that SAI will enhance its capacities for risk-based selection and prioritization of LSG for external audit. | | The issue with the indicator O1.2.I1 is that is not formulated as an indicator but rather as a target or milestones for certain activities. This indicator does not capture or measure if the core elements of the Output 1.2., namely if and to what extent is SAI competent to follow a “risk-based approach” and if the system for prioritization of selection of LSGs for external audit. | | |
| **Status of Output 1.2.** | The progress under this Output 1.2. is reported as the Department for Auditing of Local Self Governments started to conduct independent risk-based audits of financial statements of local self-governments in three key areas - calculation of salaries, public procurement and assumed obligations above approved appropriations (which comprise 60-80% of the total number of irregularities at the local level). The figures show that in 2019, a total of 125 audits related to local level were released. The evidences of the improved functioning of the Department for Auditing of LSG could be the release of the Performance Audits related to LSGs (two in 2018[[39]](#footnote-39) and three in 2019[[40]](#footnote-40)). | | | | |
| **Output 1.3.** | LSGs, SCTM and the parliamentary committee on finance are regularly informed by the SAI on recurring external audit findings and on how they can best be addressed;  (SAI external municipal audit findings are reader friendly e.g. for MPs (central and local level), citizens, municipal financial department staff and internal auditors; | | **O1.3.I1.** Updates for SCTM e - learning platform on re-occurring external audit findings are secured and uploaded periodically (more than once a year);  **O1.3.I2.** At least 10 meetings with local self-governments and parliamentary committee held with an aim to sensitize stakeholders on common and reoccurring audit findings and identify respective corrective measures;  **O1.3.I2.** At least two major media campaigns on re-occurring audit findings led, with outreach to all LGUs.   * *Initial round of training for local self-government on external audit findings held during 2014-2015 in cooperation with the SCTM; findings from these trainings provided basis for the e-learning platform amendment on re-occurring external audit findings;* | | |
| **Comments** | The Output 1.3. is relevant and well-integrated in the Project’s intervention logic. The importance to ensure that the LSGs, SCTM as their association and also the Parliament of Serbia are timely and adequately informed about the external audit findings could not be overstated. The inter-institutional cooperation is also required to define more appropriate follow up on issues and challenges. | | The FE finds that the proposed indicators, and especially O1.3.I2 and O1.3.I3, could validly measure progress and the achievement of the output. The reader friendly features of the SAI audit reports will facilitate better understanding of issues and challenges at first instance, while also generating coalitions for support to address them. | | |
| **Status of Output 1.3.** | The project supported SAI to cooperate closely with Parliament Committee for Finance, organizing several joint sessions in different cities and municipalities (in Novi Sad, in Subotica and Leskovac in 2017, Kruševac, Zrenjanin and Pirot in 2018). Other development partners were also involved in these activities.  The SAI has been positioned to present Sectoral Reports to the local level and to the Parliamentary Committee on Finances. These events served also to reflect on future plans and developments in the external audit. Specifically, the topics such as compliance and performance audits prioritizing needs of citizens, primarily communal topics, health and social welfare topics, and also other topics relevant for all stakeholders (such as the use of the best value for money principle in public procurement). | | | | |
| **Output 1.4** | SAI and Central Harmonization Unit (CHU) introduce international audit standards (such as defined by INTOSAI and the Institute for Internal Audit IIA) jointly, in order that external audits can build on internal audits and external audits can (increasingly) focus on LSGs’ performance;   * *The interface between internal and external audit is developed for the purpose of audit effectiveness.* | | **O1.4.I1.** Working group consisting of State Audit Institution and Ministry of Finance representatives (Central Harmonization Unit-CHU) has developed and implemented its work plan for the joint introduction of internal and external international audit standards;  **O1.4.I2.** All internal municipal auditors receive up-to-date and tailor-made information on how to achieve international audit standards by 2019;   * *Working Group re-convened in 2015 and decided to develop a work plan;* * *Until 2015, the SAI could not rely or not build on internal audit reports when performing external audits;* * *Internal auditors in municipalities have no complete picture on international auditing standards, nor on their concerted introduction;* | | |
| **Comments** | The Output 1.4. is highly relevant and inherently linked to the Outcome 1. Its focus to introduce international audit standards (INTOSAI and Institute for Internal Audit) through cooperation and joint work of the SAI and Central Harmonization Unit should bring benefits through more effective use of internal audits to generate external audits | | The indicators O1.4.I1. and O1.4.I2. could in principle measure progress under the Output 1.4.. Still the indicator O1.4.I1. could be fine-tuned to better describe progress under the Output- e.g. yes or no indicator formulation could be appropriate at this level | | |
| **Status of Output 1.4.** | The draft final report provided a brief overview of the status of the Output 1.4, as the project has partially met expectations and targets. Although several activities were organized in close cooperation of SAI and CHU (thematic workshops on application on international auditing standards), the Working Group has not reached its full capacity in joint design and introduction of envisaged actions on achieving international audit standards. | | | | |
| **Output 2.1** | LGUs embrace the new role of internal audit and financial control as they see the added value of it, as a result of countrywide outreach campaigns of the MoF/ CHU, a modern e-learning platform particularly reaching out to poor and remote LGUs, and tailor made facilitation support to the network of internal municipal auditors for good practice exchange and advocacy for their role; | | **O2.1.I1.** CHU E-learning platform (e.g. for internal auditors) developed, tested and operational in 2017.  **O2.1.I2.** CHU reached out (with visits, workshops, regional trainings) to the local level as a positive measure to boost the internal audit and internal financial controls profile and expertise throughout 2015-2019;  **O2.1.I3.** Internal municipal auditors exchange good practice in order to fulfil their role through networking facilitated as a positive measure (e.g. through CHU software, live meet-ups) until 2017;   * *No e-learning platform developed by 2015.* * *Initial outreach of CHU piloted in 2015.* * *Ad hoc networking of internal auditors exists since 2015, but with no systemic exchange of information or work plan.* | | |
| **Comments** | The actual formulation of the output 2.1. is suboptimal to capture the results and activities within its framework. The first part of the output is committed to increase abilities of the LGUs to “embrace the new role of internal audit” recognizing its added value.  However, the existing formulation of the output is inappropriate and disconnected from activities and indicators. Thus, this first part of the output could be considered as cross between output and outcome. Namely, changes in the perception of the LGUs, and the efforts to embrace new role of internal audit and financial control will occur if other outputs/ results are achieved, as expressed in the second part of this output.  The second part of Output 2.1 is more appropriate, and it includes elements such as countrywide outreach campaigns of the MoF/ CHU, establishment of a modern e-learning platform particularly reaching out to poor and remote LGUs, and implementation of tailor made facilitation support to the network of internal municipal auditors for good practice exchange and advocacy for their role. | | The FE finds that all three indicators are appropriate and adequate to measure second part of the Output 2.1 However, none of the proposed indicators measure the extent to which “LGUs embrace new role of internal audit and financial control” or the degree to which they recognize the added value of internal audit function. | | |
| **Status of Output 2.1.** | It was already mentioned that the Project supported establishment of new e-learning platform to facilitate more effective independent learning in the process of preparing for certification exam. Also, e-versions of the training materials on Financial Management Control and Internal Audit have been created and made accessible to LGUs/ other clients.  The Project prepared and delivered sound technical support to the employees of the CHU, in line with their needs. Also, the Project supported CHU to provide training for IA and LSGs in Serbia.  Finally, the number of internal auditors that have completed certification process has increased, reaching a total of 438 (in 2019), compared to 258 at the commencement of the Project. | | | | |
| **Output 2.2** | CHU internal auditor trainers successfully pass internationally certified trainings and effectively train internal auditors of LGUs on the application of international internal audit standards; | | **O2.2.I1**. At least 5 CHU trainers have undergone international certification in issues of particular relevance for the local level by 2017;  **O2.2.I2.** MoF/CHU knows comparative good practices of internal audits of local budgetary users by 2017 from other countries with advanced internal audit systems (e.g. inviting international experts);  **O2.2.I3.** Internal auditors’ rate in self-assessments quality of trainings by CHU trainers in average at least “good” if not excellent;   * *No CHU trainers have international certification in 2015,* * *MoF/CHU lacks insight in good practice of internal audit of local budget users generating in other European countries;* * *Quality rating of internal auditors CHU trainings by self-assessment not introduced;* | | |
| **Comments** | The Output 2.2. has been well-formulated, fitting within the hierarchy of objectives under Outcome 2. However, policy re-orientation and focus on reform of the certification process in Serbia have been the basis to revise activities under this output. Hence, it was decided to substitute activities on international certification of the CHU trainers with activities related to more substantive reform of the current system for certification of Internal Auditors in the Public Sector | | The indicators have been well-established and specific to measure progress under the Output 2.2. However, the changes of the scope of the Output 2.2. (on reform of the certification process) have caused that the indicator O2.2.I1. became obsolete.  Still, the project has achieved targets measured by other two indicators, O2.2.I2 and O2.2.I3- more details are provided in this document. | | |
| **Status of Output 2.2.** | The project supported participation of CHU staff at workshops discussing collaboration between Internal and External Auditors, organized by the Centre for Excellence in Finance (CEF) in Ljubljana, and supported annual best-practice meetings between relevant staff of CHU Croatia and CHU Serbia on the topic of irregularity management in Serbia.  International consultant supported the CHU with gap assessment of the current system of certification of internal auditors in public sector versus new rational system for certification and professional development, in line with best international practices. | | | | |
| **Output 3.1** | Citizens, LSGs, and MPs are regularly and country wide (e.g. through local and national newspapers, social media) informed about good LSG public finance management presented according to good journalistic standards; | | **O3.1.I1.** At least 50 positive examples of LSG’s PFM practices captured and promoted through social and other media by 2019, ensuring outreach also to remote LSGs and attracting the attention of both women and men;   * *The project will commence from a baseline of zero positive examples.* | | |
| **Comments:** | This output is well-defined and directly linked to the Outcome 3. | | The indicators O3.1.I1. is adequate to measure progress under the output 3.1, introducing quantifiable dimension (e.g. 50 positive examples of LSG’s PFM practices). However, the second part of the indicators should have been separated. One indicator should have been focused to measure outreach activities to remote LSGs (e.g. nr of remote municipalities reached, for example; of the extent to which leadership of remote municipalities understand the IA). The other indicator could measure the extent to which identified and promoted positive examples of PFM have created positive attitude and attracted attention of women and men (through perception survey, for example). | | |
| **Status of Output 3.1.** | The Project was effective in achieving this output, by preparing and delivering activities that promoted LGU public finance management for broad audience. Initially, the activities took place in 15 selected municipalities (in 2017) and continued in 5 LGUs (in 2018).  Some of interesting achievements could be that in the City of Nis online survey was established to enable citizens to propose projects for financing from the local budget and the decision is made through participation. In Aleksinac, regular radio talk shows with LGU representatives answering citizens’ questions have been organized. In Loznica, the focus was on public debates on budgets and budgeting (increasing the number from 9 in 2017, to 16 in 2018). In Leskovac, the LGU created an info banner on the city website where citizens can directly give their proposals regarding budget spending to the finance department; elements of gender budgeting were introduced in the youth and sports section of the budget.  Also, the Project implemented two media campaigns to educate citizens on public finance issues and promote good PFM practices and delivered four two-day events under the joint title “Transparent public finance management and citizens’ participation”. | | | | |
| **Output 3.2** | Mayors and their finance departments and internal auditors with excellent LSG PFM performance are rewarded publicly, and set examples and benchmarks for other LSGs; award criteria pay particular attention to added value of interal audit and control, and good practices in gender-sensitive budgeting or other gender sensitive PFM practices; | | **O3.2. I1.** Analyses of public finance performance at local level conducted at the beginning and end of the project;  **O3.2. I2.** Good PFM practice awarded at the beginning and end of the project, with special attention paid to good practices in internal audit and of gender-sensitive budgeting.   * *Analyses envisaged to be conducted during project implementation.* * *Awarding of good PFM practices envisaged during project implementation.* | | |
| **Comments** | This output 3.2 is well-defined and directly linked to the Outcome 3. | | The proposed two indicators could serve to validate/ measure progress under the Output 3.2. However, the FE finds that wording of this indicators is inappropriate (for indicators). Specifically, as formulated Indicator O3.2. I1. (Analyses of public finance performance at local level conducted at the beginning and end of the project) is more appropriate for an activity, or even a target. Still, the wording is not adequate even for “yes/no” ndicators.  From UNDP definition, indicators are “observable signals of status or change that are intended to provide a credible means of verifying results”, it is clear that some more specific adjustments are required. | | |
| **Status of Output 3.2.** | The project prepared the Report on good practices in Public finance management, based on seven agreed criteria applied on the data from audits performed by SAI in the period 2014 - 2017. Ten LGUs, assessed as having the best PFM performance according to the set criteria, were publicly rewarded as part of the media campaign in December 2018 (Smederevo, Pančevo, Pirot, Zrenjanin, Gornji Milanovac, Beograd, Kruševac, Plandište, Paraćin and Subotica).  Public perception of LGUs performance was measured in 15 LGUs at the start of the project, in December 2016, and again in January 2019. The results showed that citizens aren’t sufficiently informed about the way cities and municipalities are financed and how the local budgets are spent. The citizens are aware that one of the main reasons for this is their own lack of interest and inactivity. Only half of the respondents state they know where the information about the local budget can be found - the primary source is the media, followed by information obtained in the local administration, the LGU website and newsletter. | | | | |

* **The Project (and UNDP as the implementing partner) has been and remained a valuable partner in supporting achievement of development priorities within the reform of public finance in Serbia.**

**Strong and effective partnerships and UNDP collaborative advantages, paved the road for implementation of the Project, with recognized impact on sustainable improvements in the functioning of the participating organizations (SAI, CHU and municipalities) and the overall financial control framework**

The stakeholders from the partners’ organizations (SAI, CHU, municipalities in Serbia) recognized “strong comparative advantages”[[41]](#footnote-41) of UNDP as the implementing partner (of the Project), also stating that UNDP remains “an important, credible and widely accepted partner in achieving development priorities for the establishment of functional financial control framework in the Republic of Serbia[[42]](#footnote-42)”. This opinion evolved from the practical experience in working with UNDP in Serbia[[43]](#footnote-43). The long-lasting presence, technical capacities and profound understanding of the organization-specific constraints and development needs, and also its proven independency and impartiality[[44]](#footnote-44) have been the backbone of UNDP’s comparative advantage. In addition, “UNDP through the Project and previous interventions in the area of building transparent and accountable governance system in Serbia demonstrated strong abilities to establish and maintain effective partnerships based on trust, responsiveness and mutual respect[[45]](#footnote-45)”. Also, the stakeholders from the participating organizations recognized the added value of the Project through its technical support and enhanced efforts to ensure compliance of the SAI and CHU with international norms and standards in the area of internal audit and transparent and accountable governance[[46]](#footnote-46).

The genuinely nationally driven approach has been emphasized[[47]](#footnote-47) through partners’ involvement in articulating, planning and participating in the Project’s activities. Capacity support available through the Project has been based on needs assessment and reform priorities[[48]](#footnote-48). This approach has generated fairly strong sense of ownership of processes and results achieved (with support from the Project)[[49]](#footnote-49).

* **The Project has effectively coordinated activities with the national partners and other interventions in the sector and ensured complementarity with these other interventions in the public finance reform**

The Project was focused to increase the effectiveness of audit by enhancing the system of Financial Management and Control across local self-government units through functional internal audits in local government (through cooperation between the CHU and municipalities). The unique position of the Municipal Finance project with activities supporting governance actors at the local and national levels created additional demand for coordination.

Some of the positive examples could be active cooperation with other UNDP interventions for strengthening transparent public management system and building accountable governance in Serbia. The primary references have been the project “Accelerating Accountability Mechanisms in Public Finances” (funded by SIDA) and the also the project “Strengthening the Oversight Function and Transparency of the Parliament 2nd Phase”, (funded by SDC). Through the cooperation with the Parliamentary project, the presentation on gender-sensitive budgeting has been prepared and delivered by one of the leading female-member of the Parliament[[50]](#footnote-50) at the event “Transparent public finance management and citizens’ participation: the importance of sharing information and good practice[[51]](#footnote-51)”.

Furthermore, the project “Accelerating Accountability Mechanisms in Public Finances” (supported by SECO) has been a logical continuation that is addressing some of the critical issues identified during the implementation of the Municipal Finance project. This new initiative has been designed to support CHU in facilitating reform of the system for certification of internal auditors in the public sector while also working on the establishment a sustainable and easy-accessible system for their professional development.

The cooperation between the Municipal Finance Project and other development interventions in this area (supported by the EUD, GIZ and the SECO-funded RELOF project) has been in general satisfactory, ensured through the efforts of the CHU to coordinate activities and respond to arising needs[[52]](#footnote-52).

However, this coordination was not systematic, based on a sound and well-established system. Coordination was more at the level of activity, and not ensure during the planning and programming phase.

## 5.3. Management arrangements and efficiency of the Project

Efficiency refers to the extent to which the project results have been achieved by rational use of inputs, such as financial resources, expertise, time, etc. The analysis of the Project efficiency reflected on the overall implementation approach, management, and operational mechanisms. UNDP provided information on the project governance structure and implementation mechanisms that were in place during the project implementation. The filed visit served to confirm these inputs.

UNDP with its technical and administrative capacities, was in charge for implementation of activities and delivery of outputs. Still, the nature of the Project- aimed at institutional development of the national partners at different levels required an intensive cooperation and their involvement. The Project was working continuously to ensure national ownership and involvement. In the challenging context of governance and public system reform in Serbia, the implementation of the Project required multi-layered advisory and management structures, to ensure national ownership and participation of the stakeholders through the implementation cycle.

* **The Project steering mechanism and the Project Unit were timely established, ensuring nationally ownership and contributing to efficient project implementation.**

At the strategic level, the Project envisaged the Project Board, which comprised of representatives of the main partners on this project, the State Audit Institution, Ministry of Finance Central Harmonization Unit, Swiss Development Cooperation and UNDP, along with SIDA as an observer. The PB provided strategic support and endorsed management decisions, including approval of project annual work plans and reports. Also, the PB ensured technical oversight, quality assurance advice and recommendations on emerging priorities during the project implementation.

Considering the role of the PB and high-level representation, its meetings were organized once per year. This timing ensured that the PB successfully performed its role while also creating supporting environment for the partners' organizations leadership (SAI and CHU) to implement challenging reforms.

* **The Project Unit headed by the Portfolio Manager for Public Finance implemented the Project, with the full operational capacity since it’s initiation.**

**Technical Project Coordinators in charge for implementation of activities under each outcome have been working in the (respective) partners’ institutions. They have established strong relationships, based on mutual trust and respect. This relationship has been one of the most important factors that contributed to efficient implementation.**

At the operational level, the project document envisaged establishing the Project Unit, and the Portfolio Manager for Public Finance (PM-PF) is leading it. The PM-PF's prime responsibility was to ensure the efficient planning and delivery of Project results and to ensure that the results are of satisfactory quality and delivered within budget and on time. Regarding reporting lines, the PM-PF reports to the Project Board through the UNDP Team Leader for Accountable Governance.

The "technical" coordinators, members of the PU were responsible for implementing project activities under each outcome, deployed and working in close collaboration with the national partners (SAI and CHU). Working under the direct supervision of the PM-PF, the coordinators have established strong partnership with the staff and management in the relevant institutions. They were responsible for supporting and ensuring the timely implementation of activities (under the specific outcome), performing also tasks related to monitoring, evaluation and reporting for the project in the respective institutions.

The start of the Project was marked with the sound recruitment process and a swift deployment of the technical coordinators to the respective institutions. All the coordinators were highly technical persons, with profound experience and technical background in the specific areas of work. They have established strong relationship with the national partners, based on mutual respect and trust. In principle, this relationship has been the most important factors contributing to successful and efficient Project implementation. With the appointment of a new Team Leader for Accountable Governance, UNDP has enhanced its technical capacities in the area of public finance and establishment of financial control mechanisms.

* **UNDP Country office provided timely and quality support for the Project in all aspects (e.g. timely procurement and recruitment; effective finances and logistics)**

The operational support to the Project provided by the UNDP office was adequate and timely, without major deviations from the plans. The FE did not record any significant occurrence that affected procurement of good or services or recruitment of experts. It was reported that the project timely prepared procurement plans and clear and elaborated Terms of References, avoiding procurement disputes or delays in selection and engagement of experts or procurement of equipment (such as software for e-learning). The management of the Project remained flexible and established effective relationship with UNDP CO and its operational units, based on competence and problem solving[[53]](#footnote-53).

* **The Project has in general well-established reporting practice. Still, some indicators have been weak and sources of verification were not provided.**

The Project has established the basis for results-oriented reporting procedure with Six-monthly Progress Reports. The Project in general reported progress towards the achievement of planned results and targets, while using proposed indicators from the Results and Resources Framework to measure the progress.

The Project has not established a sound and specific monitoring system. However, in the absence of a monitoring system including tailor-made data-collection protocols and instruments, the basis for monitoring were indicators and the benchmarks from the RRF. However, during the implementation, the Project Team did not perform analysis of the status of adopted indicators to revise or update them. Thus, some of the indicators (such as the indicators on the Impact level), remained in the RRF although being irrelevant for the project. The indicators were sex-disaggregated to some extent; however, the main challenge remained that these indicators measured gender participation, rather than gender transformation and effects on greater gender equality.

More details on indicators and targets have been provided under the effectiveness part of this report.

## 5.4. Sustainability and impact

The impact of the Project measures its effects in meeting the outcomes. However, achievement of outcomes is beyond the scope of a particular project; thus, a positive impact could be expected if the Project outputs have been achieved as the achievement of outputs could help to meet outcomes. Sustainability on the other hand is a measure of the degree to which the Project has a lasting effect or durability after its completion.

* **The Project has been working steadily to address capacity needs of direct beneficiaries to fully grasp and perform internal audit functions in the context of ehnancing financial control and budiling a system of transparent municipal finances.**

**The results could be observed at levels of individuals and institutions and it is expected that established capacities would remain in place and available upon the completion of the Project. Also, certain degree of fulfilment could be identified at the policy level.**

During the implementation, the Project was assisting national partner institutions, to enhance operational efficiency by improving procedures and modernizing processes related to financial control and the establishment of internal audit functions. Results have been achieved at the level of local governments, primarily by addressing (capacity) needs of internal auditors. Efforts have been invested to increase broader understanding of this function in the context of good local governance. Especially notable were the efforts to raise awareness and knowledge about the internal audit functions among the decision-makers.

The Project has been working steadily to address capacity needs and remove obstacles that are affecting the functioning of financial control and particularly internal audits (at the local level). The intention has been to enhance the basis of certified internal auditors and strengthen the links between internal and external- (state) audits. The partners have stated that the Project "ensured tailor-made, innovative, and effective approaches to capacity development," focusing on the demands of the stakeholders (from the SAI, CHU, and municipalities). The central idea of this support has been to ensure greater transparency and more citizens-focused budgeting in Serbia through strengthening the financial control mechanism and improved public finance system at the local level.

The practical approach to capacity development applied throughout the Project was effective in improving performance in the areas related to the establishment and functioning of internal audit. There are numerous examples of capacity development of the employees, certified auditors, or representatives of municipal structures that will, in the long run, and through greater transparency, bring benefits for all citizens, including from vulnerable groups. In the context of capacity development, capacities of (local) media and representatives of CSOs have been strengthened to recognize and report on best models in public finance management.

The evaluation analyzed in the chapter on impact, Project's achievements for improved performance of the partners' institutions, also reflecting on the sustainability of these results. Although the short period for the review and lack of the baseline data on organizational performance before the assistance of the Project were limiting factors for this analysis, the primary data collected through interviews and documented results of the Project assistance served as the basis to assess the sustainability of results at the institutional level. The analysis, as indicated, showed that the Project had an impact on improved performance of partners' organizations. In this context, tailor-made measures were designed and implemented to assist in addressing the specific needs of partners, CSOs, and other partners.

Organizational development and reinforcement of capacities of national institutions have been the primary and most advanced areas of the Project implementation. Sustainability of the organizational capacities could be achieved if sufficient resources are allocated for regular functioning (e.g. municipal budgets, adopted municipal organizational charts and systematization of positions).

An important contribution of the Project has been to local governance institutions in the country, specifically focusing on the municipalities and local authorities to become pro-active and inter-connected with increased capacity to facilitate citizens participation. There were different examples of "to engage citizens, involve women, include the most vulnerable, make joint decisions, and carry out their ideas" through regular communication chanelles and involvement of local media. Sustainability of these results and established participation mechanisms is fragile and will depend on the willingness of local authorities to remain committed to the active participation of citizens in policymaking, budget formulation, and allocation of resources for priorities.

* **The important area of the Project's work included efforts to support policy processes in Serbia, although this remains an area that would require further attention**

The evaluation analysed if and to what degree have the results achieved during the Project implementation contributed to improved policy process and policies in its focus areas of intervention and if these improvements would remain in place after the completion of the Project cycle.

The final evaluation has used the policy cycle model for this analysis, presented in more details under the Impact chapter of this report. Still, the results of the Project at the systemic/ policy level could be positive

Support provided through the implementation of the Project and the work of UNDP, have re-eif changes for certification process and inputs to the legal framework are implemented. It is also emphasized the importance and need to follow human rights-based approach, international norms and standards in identifying and developing policies and strategies. The model was promoted that policy decision should be made based on needs (in the respective areas), the country's commitments and in line with HRBA, international standards. National partners have been exposed to these practices.

* **The current political and socio-economic situation in Serbia, together with institutional challenges and high turnover of certified internal auditors have been in general the main external factors that could affect sustainability of results**

Factors that positively contributed to sustainability were proper Project management and implementation, paying due attention to ownership. However, without integrated and broadly supported long-term vision for the establishment of financial control with a strong commitment of the principal decision-makers, the sustainability of the results could be less apparent.

The stakeholders have identified tensed political situation with strong division among the ruling coalition and opposition parties further complicated with a new general elections ahead and negative signals delivered by the EU countries regarding the enlargement process have been the main external factors that could affect results of the Project. Also, the negative trend in institutional developments including weakening of their independence with high turnover of qualified staff, together with insufficient vertical collaboration and horizontal coordination of policies among different tiers within the public finance system in Serbia, have been identified as the main factors that could affect sustainability of results.

 The partner institutions strived to adopt new operational modalities and reform internal structures to accommodate international standards in internal audit better. However, the lack of sound retention policy for certified internal auditors especially from the local level (and particularly from underdeveloped municipalities) without clear understanding the role and importance of internal audit (among the senior managers) could affect sustainability of the results at the local level. The policy and legal provisions would need additional adjustments and institutional framework have been established but the lack of human and financial resources, together with decreasing support from political structures, have been interfering with the sustainability of the achieved results.

**Impact of the Project**

The impact of the Project, as much as its sustainability, can only be assessed after certain period upon the end of the project. However, it is increasingly conventional in the final evaluations to anticipate or forecast both impact and sustainability. Therefore, the FE anticipated and assessed possible impact of the Project, after its completion.

* **Overall, the Project has made important contribution and impact to the SAI and CHU’s long-term sustainable institutional development. Also, the results of the Project at the local level have been less apparent, but still important.**

The final evaluation followed general practice to validate impact looking at the expected outputs and outcomes, and assuming possibility of the Project and its outputs to achieve the outcomes. Thus, the analysis of impact has been focused on three levels: policy level, and the levels of institutions and individuals.

|  |  |
| --- | --- |
| **Analysis of the possible impact of the Project on individual, institutional and systemic levels** | |
| ***Policy impact*** | The impact of the Project at the policy level is limited but still evident. The actual question to consider in this context was if the Project influenced or provided the basis for improvements or further development of policies relevant for more effective financial control in Serbia. It equally concerns national and sub-national levels.  Assessed through a policy cycle model[[54]](#footnote-54), the Project was important in recognizing and setting issues related to financial control that require attention through more specific policy measures.  The policy cycle approach with its separated elements served as a model for the analysis of the impact:   * ***Policy decision:*** The Project has provided materials for definition of issues and agenda setting, as part of Policy decision. Namely, priority setting is almost inherently complex and involves making choices about what issues are important, and inescapable (while many others that have greater long-term significance may be very easy to ignore, or to define incorrectly). After the issues have been identified, the next step in setting of an agenda setting, to address the issues through the actions of the Government. The "framing" of issues involves defining particular problems, but in terms that can help to mobilize political support for its adoption. Thus, issue “definition and agenda-setting are closely allied; and the FE finds that effects of the Project at this stage have been important[[55]](#footnote-55)”.   The analysis of challenges during the implementation of the Project revealed some of the main issues that have been affecting establishment of a comprehensive system for financial control in Serbia. The Project showed, for example, that the certification of internal auditors is a burdensome, slow process, confirming bottlenecks at different levels. In connection to this, a brief reflection on the capacity of internal auditors, as presented in the Gap Assessment report, showed important discrepancies across local self-government units. Certified internal auditors have undergone the same process of certification comprised of a balanced combination of lectures and mentoring, with the final graduation exam. However, the follow up development of capacities of internal auditors (upon certification) has not been approached systematically. This has resulted in important differences concerning abilities and skills of internal auditors to perform quality functions.  Another issue that have been brought to the policy agenda the establishment of joint internal audit function. The existing legal framework provided positive basis for more public fund users to share the internal audit function. Still, actual implementation has been linked with challenges.   * ***Inputs for policy development:*** following the identification of problems, the Project has been effective in proposing (what it considered) the appropriate responses to solve these problems. Based on practical experience, the Project advised stakeholders about the most effective ways of designing approaches, acceptable and clear to other stakeholders in the process. The notion of instruments is crucial at this stage; hence, the Project has made an impact on proposing and working on (policy) tools and instruments.   The Project provided inputs for reform of the legislative and operational framework for Certifying Internal Auditors in the public sector. The basis derived from the recommendations from the Gap Assessment report and Road Map, showing that “certain amendments to the applicable bylaws need to be made to provide the legislative framework for more effective functioning of the certification system”.  The Project also contributed to a comprehensive and more systematic development of capacities of internal auditors, as identified in the section 4.4 of the Gap Assessment Report and Road Map. In correlation to this, the Project is working to prepare additional amendments to the applicable bylaws to ensure its implementation.  The Project tested different models of joint internal audit function, reflecting specific needs of pilot municipalities. These pivotal examples of joint internal audit function in Serbia could be models for replication, showing lessons learned and requirements for this.   * Credible links for the impact of the Project on other elements of the policy cycle, namely Decision on instruments; Implementation; Evaluation and follow up, could not be clearly established at this stage of implementation. |
| ***Institutional level impact*** | At the institutional level, the FE analyzed possible impact of the Project on functioning and performance of the stakeholders’ organizations, particularly the Supreme Audit Institution, the Central Harmonization Unit and municipalities in Serbia, as institutions that directly benefited from the Project support. Also, the analysis reflected on the possible broader impact on other public funds users in Serbia.  The following findings emerged during the field and desk phases:   * Technical and professional capacities of the SAI have improved, particularly through enhanced audit standards aligned with good international practices and practical application of risk assessment analysis. The Project provided specialized, tailored activities, i.e. workshops, training programs, lectures for the employees. The measure of this improvement could be the enhanced number of external audit reports: in 2014, there was a total of 135 audit reports and 27 related to local level reaching 444, with 240 associated with the local level in 2019. Also, at the institutional level of SAI impact could be observed through its more technically capacitated Department for Auditing Local Self Governments. This Department of SAI has started to conduct stand-alone audits of financial statements of local authorities based on risk assessments in three key areas: calculation of salaries, public procurement and assumed obligations above approved appropriations.   The example of the impact at the institutional level could be that the SAI has built capacities to publish analytical post-audit reports, serving as a primary indicator of the follow-up actions and practical effects of the work of SAI on improved functioning of public funds users. These post-audit reports provided an overview if auditees removed irregularities or improprieties, and otherwise, which ones did not follow recommendations. The tangible impact could be observed as the stakeholders and public at large could monitor actions of auditees, and their commitment to improved and more transparent functioning.   * Possible impact at this level could be expected through the ***establishment of inter-institutional cooperation***, involving the leading organizations relevant for further strengthening of the overall financial control in the public institutions in Serbia. Some of the examples could be that the Project was instrumental in maintaining cooperation between the State Audit Institution and Central Harmonisation Unit on the specific project related activities (workshops, lectures, meetings), while also supporting more strategic cooperation around the negotiation Chapter 32. The Project also facilitated cooperation between the SAI and the Parliamentary Committee for Finance (of the National Assembly of Serbia), involing both institutions in different capacity development activities for local authorities, for example.   Another aspect related to inter-institutional cooperation could be enhanced cooperation and communication between the State Auditors (of the State Audit Institution) and Internal Auditors . The representaves from the participating municipalities (representatives of the Internal Audit Departments) have been posiitve, stating that more effective "cooperation with the SAI and State Auditors contributed to increased audit effectiveness and to contributed to the further enhancement of financial accountability at the local level".   * The Project has a strong impact on the overall administrative culture of the CHU through the application of modern tools and methods for delivery of services, at the same time nurturing of a new work ethics and attitude. It is expected that. Some evidences that can support these findings could be that the Project was working to improve CHU’s operational platform, through upgrades of its web-site and e-learning platform. Its technical capacities have been strenghtened as the CHU trainers have undergone international certification in issues of particular relevance for the local level. Also, the Project was supporting development of capacities of the CHU in distinct although interlinked areas of its functioning. Some examples could be further imporvements and upgrades of training materials and e-learning, delivery of technical support to local authorities and assistance with policy development (e.g. data collection and analysis, including analysis of the SAI recommendations provided in the its annual audit reports; analysis of the challenges related to the establishment of internal audits at the local level and preparation of policy response, among other).   Other aspects of technical support included enhanced abilities of the CHU for international cooperation- example could be discussiojn on best-practice of irregularity management in Serbia (with CHU Croatia)   * The impact at the institutional level could be also observed among municipalities that benefited from the Project technical support: in partnership with the CHU municipalities benefited from trainings on Financial Management Control (FMC), Internal Audit (IA) and Risk Management, Management and Control Systems for Pre-accession Assistance and Importance of the internal control for the efficient and effective implementation of public procurement and Internal Financial Control in Public Sector. The project supported organization of field visits dedicated to coaching and mentoring of IA and relevant PFB staff.   At the level of organizational leaderhip of participating municipalities, the Project has contributed to increasing their understanding of the importance of management and financial control framework and the function of internal audit in this context. Although municipal leaderships have been showing limited interest (and understanding) in internal aduti function and its importance in the context of transparent and accountable governance[[56]](#footnote-56), the Project invested efforts to mobilize them and provide initial training programs. Particularly useful and motivating was presence of the high-level key speakers, for example the President of the SAI during all events for municipal officials.   * The impact of the project on organizational transparency could be also highlighted. For example, the Project supported SAI to prepare and publish all the audit reports with findings and recommendations and post audit reports, presenting the extent of implementation of recommendations. Also, the Project assisted with the improvement of the CHU web-site, enabling easy access and availability of all materials (training manuals, handbooks and other knowledge products) generated through the Project. * Possible impact of the Project on the public funds users in Serbia could be expected as they will receive successful models for replication for more effective functioning of internal audit. For example, the Project is testing different models for the establishment of joint internal audits functions. Practically, the Project has been working on the establishment of shared internal audit through inter-municipal cooperation and shared internal audit function between public enterprises and a municipality. * The potential impact at the institutional level could be expected through increased capacities of media to understand local finances and municipal budgeting, and also to report on best practices in transparent public finances. The Project has been successful in bringing the topics related to municipal budgeting and public finances to the attention of local media, while increasing their understanding about the actual importance of these topics |
| ***Individual level impact*** | At the level of individuals, the impact could be observed among the individuals that participated in the project activities or directly benefited from them. Details have been provided in the previous parts of this analysis (under the Policy and Institutional impact).   * The impact at the individual level could be expected through improved performance of the employees in the SAI, particularly from the Department for Auditing Local Self Governments. The employees from the SAI benefited from number of in-house trainings with subjects on ethics, financial audit and IT audit. They have also benefited from access to all new INTOSAI standards, that were translated into Serbian and distributed to state auditors. Also, employees from the CHU have improved technical capacities in different areas, from skills development (training delivery techniques, mentoring, etc) to technical skills in the specific areas of internal audit. * Individuals from municipalities participating in the training programs increased their technical capacities and knowledge basis in the broad areas of public finance management and financial control, and particularly related to the establishment and functioning of municipal audit. Another dimension of impact at the individual level is through exchange of experience and direct interaction among the professionals from different municipalities, creating unformal networks for exchange of knowledge. * Media representatives and journalists that participated in the Project were additionally capacitated to report competently on public finance at the local level, showing increased understanding of transparent local governance and public finances as its integral part. * The Outcome 3 of the Project has been defined with particular focus to bring to attention of public best practices in management of the LGU public finances, facilitating . collaboration and active participation of citizens, media, and municipal employees. The campaign under this Outcome has been effective, producing important results in different municipalities. However, the limited scope and limited resources under this Outcome have been the main constraints- the impact of this Outcome could not be easily justified (even in the particiaptng municipalities). |

## 5.5. Gender mainstreaming

* **The project performance concerning gender equality has been in general satisfactory by providing support to the beneficiary institutions to better understand links between gender mainstreaming and municipal budgeting.**

The Project in general considered the subjects of transversal gender themes, governance and Human Rights throughout its implementation, according to indicators presented in the log frame.

Gender issues have been addressed through different activities, such as the presentation on gender-sensitive budgeting. Also, experts have been engaged on specific gender issues: for example, a gender specialist was engaged to guide the media agency engaged under the project for promoting good public finance management practices at the local level on how to introduce gender-responsive budgeting into the campaign design. The media campaign was monitored and evaluated by the gender specialist. The media agency was advised on how to use gender-sensitive language in videos, posters and on social media.

Equally, empowerment of civil society for effective citizen engagement and participation in decision-making processes was a core added value of the approach taken by the project. Accountable governance was treated as a fundamental right, with a strong component of the project dedicated to strengthen

# 6. Conclusions and lessons learned

## 6.1. Conclusions

The analysis of the findings resulted in the following core conclusions:

**Conclusion 1: The Project has been fully aligned with the national priorities for the establishment of system for financial control and accountability, while also addressing some of the critical governance and public sector reform priorities in the context of Serbia’s accession to the EU**

The presence of substantive problem analysis and needs assessment of the participating organizations and municipalities in Serbia that continued through priority setting facilitated process of the Project’s gradual adjustments and more targeted assistance, increasing its relevance in the context of the arising needs. Some of additional activities that the project initiated around establishing a rational and fully functional system for the certification and professional development of Certified Internal Auditions in the Public Sector is becoming especially relevant as the reform vehicle; hence, the project contributed to some of the sensitive reform efforts.

The project was instrumental in strengthening the partnership between the SAI, CHU and municipalities in Serbia. Also, important partnership achievements have been recorded at international level through participation in INTOSAI and EUROSAI working groups, while intensive cooperation has been evident at regional level. Further support for the adoption and implementation of the financial control framework especially at the local level remains priority and stated goal for the governance actors in Serbia.

**Conclusion 2. During the preparation and implementation of the Project, UNDP confirmed itself as a responsive and adaptive partner.**

**Long-term presence and partnership with the SAI, CHU and municipalities, technical capacities of the staff and especially the coordinators, Portfolio Manager and UNDP Governance Team Leader, twinned with their strong accountability for results, were recognized as the critical factors for successful implementation of the project.**

UNDP as the implementing partner was recognized and appreciated by the SAI, CHU and municipalities and other international development partners (and donors) as highly effective in delivering results and adaptive to the changes in the difficult implementation environment. In this context, the project was relatively flexible within the defined project framework and approved Annual Work Plans, while being responsive to the needs and priorities of the national partners- examples were upon requests from SAI participation in important meetings and work with the CHU on defining more comprehensive system for certification and mentoring of internal auditors.

Based on the positive experience and comparative advantages of UNDP, the need for further engagement of UNDP in strengthening of institutions within the public finance management/ financial control framework has been articulated.

**Conclusion 3: The effectiveness of the Municipal Finance project was satisfactory, and the Project has created a solid basis for further reforms in the area of financial control and public finance**

Implementation of the Municipal Finance project over the entire period has brought concrete, visible results, contributing to the progress under the outcomes. Overall, the effectiveness of the Project was satisfactory.

The impact of the project could be identified at the level of participating institutions and individuals that have benefited from Project’s support. The impact at the policy level could be anticipated, as the Project provided elements for the policy reform, for example in the area of certification of internal auditors, or more strategic and sustainable development of their capacities.

Overall sustainability of the achievements is likely to be ensured to a satisfying degree. Continuation of support will be needed in the Municipal Finance priority areas for SAI, CHU and municipalities, to further enhance sustainability prospects of achieved results, thus, advance and “institutionalize” results.

**Conclusion 4: The efficiency of the Project was highly satisfactory, and the support from UNDP was timely and adequate. UNDP ensured efficient implementation of the project, delivering all planned resources. The project was an excellent example of cost-efficiency.**

**The Project Unit, and its coordinators, was well-integrated in the national institutions. Support from the UNDP has been highly valuable, and strategic thus contributing to delivery of results.**

The Municipal Finance project has been implemented in general efficiently: there were issues during the implementation that were addressed timely and adequately, without affecting the actual progress of the project. The core staff for the project team has been timely recruited and during the implementation the new UNDP Team Leader for Accountable Governance portfolio was appointed, with a strong background in reform of public finance management system. These technical capacities within UNDP and the Project Team have been highly critical in achieving quality results.

The position and focus of the Municipal Finance project on the national institutions (the SAI, CHU\_MOF) and on local level institutions within the framework of building transparent and accountable financial control system was unique. There were opportunities for internal cooperation that the project was also using, for example between this project and UNDP support to the Parliament of Serbia. There are needs to even better integrate and connect different initiatives in the governance area, particularly around the SDGs.

**Conclusion 5. Coordination and cooperation between the SAI, CHU-MoF, municipalities, the Municipal Finance project and other development partners implementing projects in support reform of public finance in Serbia has generally been in place.**

The Project has been in general effective in supporting leaderships of the SAI and CHU-MoF, and working with other international development partners to establish a coordination mechanism of the interventions in the area of financial control and broader, public finance reform. However, these (coordination) efforts remained mainly at the level of the Project’s specific activities; while more broader sector coordination remained weak and further efforts are required to institutionalize it.

**Conclusion 6: Monitoring of the municipal finance project has been based on the RRF and approved indicators; however, these indicators have not been sufficient or adequate in many cases to measure the progress or verify achievements**

The RRF adopted indicators that were agreed with the partners, as the main points of reference to measure progress. However, there were gaps in reporting and collecting information related to these indicators – e.g. monitoring assignment, reporting on progress, disaggregation of data. Although the Project adopted results-oriented reporting practice, the quality of indicators did not facilitate this process.

Capacity development has been implemented steadily across different activities of the project, being probably the main technical assistance tool. However, the project did not have specific indicators to measure developed capacities or utilization of developed capacities. Thus, capacity development support has been implemented without considering fine tuning or adjustments that could contribute to higher level results in relation to overall reform agenda.

**Conclusion 7. The sense of ownership of the SAI leadership, the CHU management and to some extent municipalities that have benefited from the project over the results achieved during the implementation of the Municipal Finance project was satisfactory, and the strong content with the extent of their involvement in the specific project activities was evident**

National partners feel ownership over the results achieved during the implementation of the project. They expressed content with involvement in planning and delivering activities, and flexibility of the project to their needs.

**Conclusion 8:** **Through the Municipal Finance Project support was available to municipalities to increase awareness of the complexities of gender equality, showing links between gender equality, gender mainstreaming and transparent budgeting (and public finances)**

However, these interventions have been less effective in expanding focus from gender participation toward more gender responsive and gender transformative approaches. Gender mainstreaming has not been strongly linked to transformation of gender relations in the functioning of the partners’ organization.

## 6.2. Lessons learned

The final evaluation has analysed results, conclusions and findings that were generated during the implementation of the Project and generated the following lessons learned have generated:

* **Ensuring ownership of reform processes and results is inevitably linked with sustainability of reform efforts**

Ownership is the exercise of control and command over development activities; practically, national stakeholders “owe” the development process when they are committed to it and able to translate its commitment into effective action. This definition incorporates institutional dimensions such as the control of resources and abilities to implement activities and achieve results. The Project was working steadily to ensure national ownership, starting from reform ideas from the policy and strategic frameworks and the EU accession obligations, to organizational development priorities to ensure achievement of a sound implementation. The national partners stated that the Project was flexible and responsive to their needs, while also expressing high degree of satisfaction with actual involvement in implementation of activities. The ownership of implementation processes has been particularly important for the preparation of plans of activities and designing capacity development support for municipalities and internal auditors. Also, highly important were the efforts to facilitate training, mentoring and certification of internal auditors.

* **Recognizing and responding to the needs of the national partners (from the central and local levels) was crucial to successful implementation of activities and the achievement of results**

Responsiveness and flexibility, alignment with the development priorities and the needs for the establishment of a sound financial control system in Serbia and also a long-term strategic commitment of UNDP and other development partners involved in public finance reform and building greater transparency have contributed to the achieved results. Also, cooperation and coordination between the Project and other interventions for the SAI, CHU and municipalities in Serbia (in the area of reform of financial control) proved to be beneficial for more effective implementation.

Maintaining strong cooperation with the leadership of the participating partners’ organizations, other partners and donors contributed to good results during the implementation of the project and proved to be an excellent operational model.

* **Involvement of civil society and citizens in the establishment of financial control mechanisms at the local level proved to be highly critical for sustainable changes.**

The Project brought the Public Financial Management topics closer to the public, especially at the local level. The enhanced cooperation between the main governance partners, from civil society organizations, media, and local authorities, has been the most critical factor in this regard. Also, strengthening capacities within CSOs and media to understand and communicate best practices in public finance management proved to be an added value of the project. Particularly useful was the model that the Project tested whereby the CSOs and media showed the ability to understand, competently comment and present public budgets to broader audience.

* **Exposure to best international practices and learning from the international partners has additionally contributed to reform efforts in establishing sound financial framework and commitments deriving from Chapter 32**

The reform capacity and commitment for transparent and accountable functioning of municipalities and other public institutions have increased significantly through the support of the Project. The Project facilitated exchange of best practices and engagement with numerous relevant stakeholders, such as: Centre for Excellence in Finance (CEF) in Ljubljana, The Chartered Institute of Public Finance and Accounting (CIPFA), European Court of Auditors (ECA), International Organization of Supreme Audit Institutions (INTOSAI), European Organization of Supreme Audit Institutions (EUROSAI), Swedish NAO, UK NAO, Swiss Federal Audit Office, State Comptroller of Israel, CHUs from the region. Exposure to international best practices and participation in different international forums and bodies further advanced through direct exchange of experience with the technical experts and peers proved to be highly important for commitments and momentum.

Continued engagement and cooperation with international partners remain critical and required for further advancement of planned and initiated reforms as envisaged in the PEFA strategy and implementation of the Chapter 32.

* **Timely established and competent UNDP project team minimized risks that could occurred during the project implementation**

The Project Team has been established at full capacity, with highly competent coordinators for each of the project components. The functioning of the Project has relied heavily on the coordinators and the portfolio manager who have been great asset. Therefore, the Project Team with optimal structure and clear roles of each position, together with high-level technical capacities is required to ensure adequate support and also provide technical advice to the national partners.

* **Organizational development of public institutions to implement public finance control framework requires time and commitment of all partners**

The longer-term support ensured through the Project and demonstrated commitment of all partners have contributed to institutional development of the SAI, CHU and municipalities. UNDP long-term presence in the previous period and technical assistance available through the Municipal Finance project set the stage for more comprehensive strategic and programming approach that would lead to more substantial gains and measurable progress in the functionating of (the internal auditors as a part of) public finance control and the overall governance system in Serbia.

* **Exploring new partnership and promoting innovative approaches contributes to broadening the scope of the intervention**

The Municipal Finance project has been steadily working to enhance cooperation basis and bring new partners onboard. With support from the Slovak Government additional activities have been initiated, aiming to support five selected underdeveloped LSGs in improving their management and control systems and medium-term economic planning documents. Also, part of these efforts included strengthening their absorption capacities for external financial assistance. In addition, an addendum to the original Project document has been introduced, expanding reform efforts in the area of certification of internal auditors. The Project, as well-planned and effectively implemented initiative, created solid basis for additional activities and expanded focus.

# 7. Recommendations

Based on the analysis of findings and conclusions the evaluation has prepared the following core recommendations:

**R1: It is recommended to continue support and continue with the next level support for the establishment of financial control in Serbia**

Technical assistance of CHU and SAI made available through the Project should continue, in line with reform priorities and organizational needs. It is recommended to carry out a detailed assessment of needs and capacities in these organizations and the sector to identify the specific areas where support is most needed.

**R2: It is recommended to continue and expand support to the CHU to define and implement reform of the certification system of internal auditors. It is recommended to improve and modernize the method for preparing and delivering training and mentoring support.**

There is a need to consider the following components:

- Continue work on the preparation of introductory and advanced modules of the training program for internal audits. The training modules should be based on the capacity assessment needs, using adult learning technics and on-line platforms.

- Consider expanding the mentoring support through the establishment of a capable and competent network of mentors. It will be required to define selection criteria for mentors, carry out interviews, and ensure that a pool of mentors is available. Also, it will be recommended to determine a uniform approach to mentoring for all members of the network.

- Consider organizing regular, six-monthly, or quarterly examinations for internal auditor candidates: to meet the legal requirement for the number of internal auditors in public funds users it is recommended to organize regular six-monthly or quarterly certification exams for internal auditors.

**R3: Analyze existing experiences with setting up joint internal audit functions and prepare specific guidance, practical tools, and models for users.**

The Project is piloting some activities for the establishment of joint inter-municipal internal audits and also share internal audits between local governments and internal audits

At the same time, based on identified problems and positive experiences, support the improvement of the regulatory and methodological framework for internal audit

**R4: It is recommended to consider options and propose models for greater integration of gender priorities in new plans and interventions in public finance and the sector of financial control.**

It is recommended to consider activities and approaches that are beyond gender participation but focused more on gender transformation.

**R5: It is recommended to work on a knowledge management system related to public finance management and financial control**

It is recommended to work on the codification of knowledge generated through this Project and other interventions in the areas of financial management and control and internal audit.

At the same time, it is essential to consider ways to enhance the e-learning platform for further knowledge sharing.

**R6: it is recommended to work on more active and competent participation of citizens in municipal budgeting and local policymaking processes**

Consider and define awareness-raising activities on financial management and control as an integral part of the public sector management process (especially for governance structures)

Also, it is crucial to support the strengthening of the technical capacities of civil society and the media in the area of public finances. At the same time, work to promote the importance of reform of internal financial control in the public sector

# Annex 1: List of People Interviewed

Ana Jolovic, Team Leader, ROLOF project

Ana Pajkovic, Programme Officer, SDC

Bogdan Urošević, OSCE Coordinator- previously BFPE Manager

Dusko Pejovic, President of SAI, Auditor General

Iva Vasilić Miljić, the Head of International Cooperation, SAI

Jelena Bosnjak, Internal Auditor, City of Zrenjanin

Jelena Despotovic, Director at Mayor's office City of Belgrade-Internal Audit Service

Milena Milojevic, Deputy Director at Mayor's office City of Belgrade-Internal Audit Service

Milovan Filimonovic, UNDP Team Leader

Neven Dobrijevic, Portfolio Manager

Petar Vasilev, SDC

Sinisa Biljman, Project Coordinator

Spomenka Wurzburger, Assistant Minister a.i., Central Harmonization Unit

Stojanka Milovanović, State Auditor

Vera Kovacevic, Project Coordinator

# Annex 2: Evaluation Matrix for the Municial Finance Project

The Terms of Reference provided a broad list of evaluation questions that were also discussed during the initial meeting with the UNDP/ Project Management Team. These questions were used for the preparation of the evaluation matrix. For each of these evaluation questions the FE proposed indicators, judgement criteria and sources of verification, that will be used to validate achievements and provide credible conclusions.

In correlation with the Evaluation Matrix, the FE has prepared interview guides with specific question for each of the identified stakeholders’ groups, reflecting limited time for in-country mission and number of planned interviews (Annex 1).

| Evaluation Question | Judgement criteria | Indicators | Evidences and Data Sources |
| --- | --- | --- | --- |
| 1. Relevance | | | |
| *1. 1. Was the aligned with the relevant national strategic frameworks and UNDP’s Country Programme Document?* | * The extent of *contribution of the project to the implementation of the relevant national strategic frameworks and UNDP Country document* | * Opinions of the stakeholders about the extent of consistence of the project with the national priorities and the needs of the stakeholders’ institutions * Examples of alignment of the project with the relevant national strategic frameworks | * Interviews with the representatives of the MoF-CHU, SAI, municipalities in Serbia * Analysis of the national strategic and policy documents (including EU progress reports for Serbia) |
| *1.2 Was the project aligned with the priorities of the MoF-CHU, SAI and municipalities?* | * The extent of alignment between the project’s intervention and the strategic priorities of for public finance and financial control mechanisms at the national and local level in Serbia | * Degree of correspondence between the priorities identified by the MoF-CHU, SAI and municipalities and the project * The opinion of the stakeholders about the validity and alignment of the project’s objectives with the current needs of the participating institution | * Interviews with the representatives of the MoF-CHU, SAI, municipalities in Serbia * Analysis of the national strategic and policy documents (including EU progress reports for Serbia) |
| *1.3. Has the project included soundly formulated intervention logic including indicators for measuring progress?* | * The extent of consistence and coherence of the project intervention logic * The degree of alignment of the project intervention logic with the with RMB principles * The extent of adequate planning of resources for the project implementation | * The assessment of the internal coherence of the Municipal Finance project * The analysis of the extent to which RBM tools have been used in establish a logical chain of results (intervention logic) * The appropriateness of indicators including their adequacy for measuring progress under outcomes and outputs | * Analysis of the project results chain/ intervention logic * Analysis of the project progress reports |
| 2. Effectiveness | | | |
| *2.1. To what extent the project objectives were achieved? What are the major factors that facilitated or hindered the achievement of these objectives?* | * Extent to which the project objectives have been achieved * Evidence of external factors that affected progress towards the achievement of objectives | * Examples of the main achievements during the project implementation including the extent of utilisation of inputs * Opinions of stakeholders on barriers, analysis of the challenges encountered during the implementation of the project | * Interviews with the stakeholders * Project progress reports and other sources of information |
| *2.2. How well-has the project coordinated its efforts with the interventions of other development partners?*  *Were all development partner interventions well-coordinated in support of the priorities of the financial control system (at the national and local levels) in Serbia?* | * The extent to which the project coordinated its efforts with the interventions of other development partners * The extent to which the MoF-CHU has established capacities to coordinate all development partner interventions in support of the reform of public financial management and introduction of financial control | * Opinions of the stakeholders about the coordination capacities of the CHU- MoF * Examples and evidences of the project’s coordination with other development interventions * Stakeholders' opinions about the partnership, actual involvement and ownership of results achieved during the implementation of the project * Existence of mechanisms to ensure sectoral coordination and national participation * Examples showing that the project effectively complement interventions of other development partners | * Interview with the key stakeholders (SDC, Relof, etc) * Analysis of documents produced by the project |
| *2.3. What are the lessons learned from the project that may be applicable to future planning and programming in this area, particularly under the Outcome 2?* | * Examples of lessons learned from the project related to institutional development | * The opinion of the stakeholders about the critical lessons learned from the project * Analysis and examples of lessons learned from the implementation of the Municipal Finance Project | * Interviews with the stakeholders * Project progress reports and other sources of information |
| 3. Efficiency | | | |
| *3.1. Has the project been implemented efficiently? To what degree has the efficiency of the project implementation been ensured?* | * The extent to which the project has been implemented efficiently * Evidences of the established sound management practices for the implementation of the project * Examples of factors that have contributed or undermined the efficiency | * Opinion of the project team about the efficiency in implementation of the project * Perception of the representatives of the national stakeholders about the efficiency of the project * Information about the existence of measures to increase efficiency including factors that have contributed to or undermined the efficiency of the project * The degree of timely availability of inputs to implement activities and timely achievement of outputs * Existence of a sound monitoring system | * Primary data collection- interviews with the key stakeholders * Analysis of the project reports and other documents |
| *3.2. What challenges did the project face and did it deal appropriately to overcome these by proposing mitigating measures related to issues and risks in advance? Has the project received adequate and timely support from the partners?* | * The degree to which the project responded to the changes in planning and during the implementation * The extent to which project received adequate and timely support from the partners (MoF\_CHU, SAI, municipalities, SDC) | * Factors/ examples of factors that have influenced the project’s responsiveness and flexibility to the emerging priorities and needs within the public finance sector * Opinions of the stakeholders about responsiveness and flexibility of the project during its implementation * The examples and opinion of the UNDP team about timely and adequate support from the partners | * Interviews with the stakeholders * Interviews with the UNDP programme/ project staff * Interviews with the Municipal Finance project team |
| 4. Sustainability and Impact | | | |
| *4.1. Has the Municipal Finance project contributed to the long-term sustainable institutional development of the stakeholders’ institutions and individuals?* | * The extent to which the project contributed to the CHU-MoF, participating municipalities and the SAI’s long-term sustainable institutional development | * Opinion of the stakeholders about sustainability of results achieved by the project and its contribution to the participating institutions long-terms sustainable (institutional) development * Analysis and conclusions about the factors that influenced sustainability and the likelihood for sustainability of the project results on institutional development of the stakeholders (institutions and individuals) | * Primary data collection- interviews with the key stakeholders * Analysis of the project reports and other documents |
| *4.2. The potential for continuation or up scaling of the initiative and its sustainability.* | * Degree to which project responded to the capacity development needs of the municipalities in Serbia * The extent to which the national stakeholders perceive ownership of the results of the project * Expressed opinion of the stakeholders for the future | * The analysis of alignment of capacity development support delivered within the project with the capacity development needs of participating municipalities (or/and stakeholders participating in the project) * Opinion about appropriateness and responsiveness of capacity development programs to the stakeholders’ needs * MoF-CHU, SAI and municipal management and staff opinion about the ownership of the results of the project and the future needs | * Interviews with the key stakeholders * Analysis of best practices in capacity development * Analysis of the project reports and other documents |
| 5. Gender Mainstreaming | | | |
| *5.1. Have the target groups benefited from the project activities, including women and vulnerable groups? Have the beneficiaries and partners been satisfied with the Project results and implementation?* | * The extent to which gender equality and HRBA approach have been considered and mainstreamed during the project formulation and implementation * The extent to which the target group benefited from the project activities, including women and vulnerable groups * The extent to which beneficiaries and stakeholders expressed satisfaction with the project and its results | * The evidences that gender has been mainstreamed during the design of the project * Opinions of the UNDP team about the degree of mainstreaming of HRBA and gender equality during the design and implementation of the project * Examples of best practices in promotion and mainstreaming HRBA and gender mainstreaming during the implementation of the project * Opinions of the partners about the benefits provided/ delivered through the project, particularly to women and vulnerable groups * Examples of benefits from the project for the vulnerable groups and women * The opinions of the beneficiaries and stakeholders about the benefits from the project and its results | * Primary data collection- interviews with the key stakeholders * Analysis of the project reports and other documents |

# Annex 3 Interview Guides

During the field phase the Final Evaluation will use semi-structured interviews with the main questions provided in this interview guide; this will enable to ask additional, more specific questions, in line with the Evaluation Matrix and the Terms of References.

The priority is given in-person interviews and the intention is to ensure representative sample during the field phase; however, other means such as on-line interviewing will also be considered.

Could you please introduce yourself?

*Relevance*

* Has the Municipal Finance project been aligned with the national and secotral (and also UNDP) priorities? Has the project been well-integrated in the UNDP Governance portfolio?
* To what extent have the needs of the CHU-MoF, SAI and municipalities and their employees have been recognized during the planning and programming?

*Effectiveness*

* To what extent the project objectives were achieved? What were in your opinion the main achievements of the project?
* What is your opinion about the coordination capacities of the CHU-MoF - to what extent has the CHU established its capacities to coordinate different development initiatives?
* Were all development partner interventions well-coordinated in support of the priorities of the financial control system (at the national and local levels) in Serbia?
* What are the lessons learned from the project that may be applicable to future planning and programming in this area, particularly under the Outcome 2?

*Efficiency*

* Do you think that the UNDP project team has been efficient in the delivery of the project? To what degree has the efficiency of the project implementation been ensured?
* Were there barriers that prevented success? And were risks anticipated and mitigated against? In particular, were program responses appropriately designed to mitigate or prevent them?

*Impact and sustainability*

* Has the Municipal Finance project contributed to the long-term sustainable institutional development of the stakeholders’ institutions and individuals?
* What are in your view the potentials for continuation or up scaling of the initiative and its sustainability.

*Gender equality*

* Have the target groups benefited from the project activities, including women and vulnerable groups? Have the beneficiaries and partners been satisfied with the Project results and implementation?

# Annex 4: Terms of References

1. <http://web.undp.org/evaluation/guideline/> [↑](#footnote-ref-1)
2. OECD DAC Criteria for Evaluation of Development Assistance;  
   <http://www.oecd.org/dac/evaluation/daccriteriaforevaluatingdevelopmentassistance.htm> [↑](#footnote-ref-2)
3. Willis H. Thomas, “The Basics Of Project Evaluation And Lessons Learned”, 2nd Edition- Plus/Minus/Delta, CRC Press, Boca Raton, New York, Lodnon, 2015 [↑](#footnote-ref-3)
4. Line Dybdal, Steffen Bohni Nielsen, Sebastian Lemire (Ramboll Management Consulting and Aarhus, Denmark): “Contribution Analysis Applied: Reflections on Scope and Methodology”, The Canadian Journal of Program Evaluation Vol. 25 No. 2 Pages 29–57 ISSN 0834-1516 [↑](#footnote-ref-4)
5. John Mayne: „Contribution analysis: Coming of age?” from Evaluation, 2012, Sage Publication, DOI: 10.1177/1356389012451663 [↑](#footnote-ref-5)
6. A detailed list of interviewed people is provided in the Annex 1 to this document. [↑](#footnote-ref-6)
7. Or conversely, if there was a case for revision to take account of change in demand or the speed of delivery of services [↑](#footnote-ref-7)
8. The Central Harmonization Unit, the Supreme Audit Institution and municipalities in Serbia have been the partners and ultimately beneficiaries of the assistance available through the Project. [↑](#footnote-ref-8)
9. Central Harmonization Unit shall perform the following:  1) Central harmonization and coordination of financial management, control, and internal audit methodologies in the public sector; 2) Defining standards of control in line with internationally acknowledged standards; 3) Defining common criteria for internal audit organization and operation in the public sector, and keeping the registry of internal auditors and internal auditor charters; 4) Defining methodological instructions and manuals for financial management and control; 5) Occupational training, certification and supervision of the work of internal auditors; 6)Training of public sector managers and employees in the field of financial management and control, line with internationally acknowledged standards; 7) Internal audit in budget beneficiaries, organizations, enterprises and entities referred to in Article 81, Paragraph 1 of this Law, in accordance with the plan passed by the Minister; 8) Internal audit in budget beneficiaries, for projects co-financed by the European Union. [↑](#footnote-ref-9)
10. EU Screening Report on Chapter 32 [↑](#footnote-ref-10)
11. The second priority area is protection of the EU's financial interests and the protection of the euro against counterfeiting [↑](#footnote-ref-11)
12. National Priorities For International Assistance (Nad) 2014-2017 With Projections Until 2020- more details available at <http://www.evropa.gov.rs/Documents/Home/DACU/12/74/NAD%202014-2017%20with%20projections%20until%202020%20(english).pdf> (accessed: 06 November 2019) [↑](#footnote-ref-12)
13. improving transparency, efficiency and accountability in public finance management [↑](#footnote-ref-13)
14. Result 13.4. Coverage of Certification Program for internal Auditors in the Public Sector expanded [↑](#footnote-ref-14)
15. Key Informants Interviews (KII)- 03 and 05 [↑](#footnote-ref-15)
16. KII notes 03 and <https://www.dri.rs/upload/documents/Opsti_dokumenti/dri-strateski1-plan2016-2020.pdf> (visited 06 November 2019) [↑](#footnote-ref-16)
17. Sub-national level includes the Autonomous Province of Vojvodina and local government units, including subordinated entities benefiting from the public/ municipal funds [↑](#footnote-ref-17)
18. KII notes 03 and also project reports [↑](#footnote-ref-18)
19. The main references could be that UNDP has been working to strengthen horizontal and vertical accountability mechanisms in the area of public finances through the Advancing Accountability Mechanisms in Public Finances (supported by the Swedish International Development Cooperation Agency (SIDA). Critical institutions that participated in the efforts to enhance the public finance management system and prevent corruption have been the Ministry of Finance, State Audit Institution, Public Procurement Office and Commission for Protection of Rights in Public Procurement Procedures. [↑](#footnote-ref-19)
20. The identification process and formulation mission took place during 2015, with the involvement of the UNDP staff and representatives of the partners. [↑](#footnote-ref-20)
21. KII notes 01, 03 and 04 [↑](#footnote-ref-21)
22. Project document- results and resources framework. Also, the reference could be UNDP planning and programming resources books that clearly delineate between the elements of the intervention logic. [↑](#footnote-ref-22)
23. United Nations Development Group: Results-Based Management Handbook, 2010 [↑](#footnote-ref-23)
24. Kii notes o1, 03 and 04 [↑](#footnote-ref-24)
25. More details and comments on indicators have been provided under the Effectiveness part of this report. [↑](#footnote-ref-25)
26. This was part of the workshop “Transparent public finance management and citizens’ participation: the importance of sharing information and good practice” organized for the project beneficiaries (representaives of the finance departments from municipalities; and also representatives of CSOs and media) [↑](#footnote-ref-26)
27. KII notes 03; also project reports have indicated this approach. [↑](#footnote-ref-27)
28. Also, the functional independence of the Budget Inspection and the Anti-Fraud Coordination Service (AFCOS) has been restored through their re-institutionalization in the form of independent departments, which directly report to the Minister of Finance. [↑](#footnote-ref-28)
29. The previous organizational set up with two units – the Unit for Harmonization of Internal Control and the Unit for Harmonization of Internal Audit, has been replaced with five internal units: (1) Section for methodology for establishing and developing financial management and control, (2) Section for monitoring quality of established systems of Financial Management and Control, (3) Section for methodology for establishing and developing internal audit, (4) Section for monitoring quality of established Internal Audit functions, and (5) Section for training on Financial Management and Control and Internal Audit. [↑](#footnote-ref-29)
30. KII notes 03 and 05 [↑](#footnote-ref-30)
31. KII notes 01. Also, project progress reports reflected on these changes and reconfirmed the approach. [↑](#footnote-ref-31)
32. Awarded Smederevo, Pančevo, Pirot, Zrenjanin, Gornji Milanovac, Beograd, Kruševac, Plandište, Paraćin and Subotica [↑](#footnote-ref-32)
33. The needs of both men and women will be taken into account in all stages of project implementation, including monitoring and evaluation. [↑](#footnote-ref-33)
34. The needs of both men and women will be taken into account in all stages of project implementation, including monitoring and evaluation. [↑](#footnote-ref-34)
35. SAI insists to safeguards its complete independence on the selection of topics to audited; the selection is made on an annual basis, with possibility of amendments during the year; [↑](#footnote-ref-35)
36. This indicator is conditional to an international donor (e.g. SECO) funding a sub national PEFA assessment by 2018; [↑](#footnote-ref-36)
37. INTOSAI GOV 9150 ‘Coordination and Cooperation between SAIs and Internal Auditors in the Public Sector’ (2010) and IIA Standard 2050 and Practice Advisory 2050-1-2-3 ‘Coordination’ (2013). [↑](#footnote-ref-37)
38. *CHU staff visited a total of 82 LSGs.* [↑](#footnote-ref-38)
39. In 2018, the SAI released “Subventions for hail protection” that covered all municipalities and cities in Serbia and the second report “Subsidies of local self-government units to public companies” covering eight selected municipalities. [↑](#footnote-ref-39)
40. In 2019, the SAI released the following three reports, namely: "Leasing of business premises owned by local government units", "Availability and safety of drinking water", "Utility Management of Water Supply Infrastructure". [↑](#footnote-ref-40)
41. KII notes 02 and 03 [↑](#footnote-ref-41)
42. KII notes o2 [↑](#footnote-ref-42)
43. KII notes 02 and 03 [↑](#footnote-ref-43)
44. KII notes 02 and 03 [↑](#footnote-ref-44)
45. KII notes 02 and 03. Also, KII notes 07 and 08 [↑](#footnote-ref-45)
46. KII notes 02 and 03 and other project documentation [↑](#footnote-ref-46)
47. KII notes 02 and the results presented under the previous part of this report [↑](#footnote-ref-47)
48. Ref to the Relevance part of this report. [↑](#footnote-ref-48)
49. KII notes with the representatives of the national partners. During the field phase, the stakeholders from the SAI and CHU commented on the draft project final report, clearly stating that the results of the Project have been achieved through strong and effective partnership, highlighting that the final report need to reflect it even more thoroughly. [↑](#footnote-ref-49)
50. Ms. Dubravka Filipovski, MP and member of the Women’s Parliamentary Network [↑](#footnote-ref-50)
51. This event took place in October 2018, and involved a total of 23 representatives of finance departments from twenty different municipalities, 16 representatives of CSOs and 5 media representatives. [↑](#footnote-ref-51)
52. KII notes 02 [↑](#footnote-ref-52)
53. KII notes UNDP\_01 [↑](#footnote-ref-53)
54. Ref to Guy Peters “Policy Making Cycle- steps and approaches”, from “Capacity for Policy- how can we do it better” (prepared by Tomislav Novovic, UNDP Serbia) [↑](#footnote-ref-54)
55. Jon Pierre, B. Guy Peters “Governance, Politics and the State”, Macmillan, USA, 2006 [↑](#footnote-ref-55)
56. KII notes 02 and 03 [↑](#footnote-ref-56)