



“Accountable Public Finance Management Platform”

Progress Report

To the Swedish International Development Cooperation Agency (SIDA)

July 2019 – June 2020

Approved by:



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ACRONYMS AND ABBREVIATIONS

AMS	Audit Management System
AWP	Annual Work Plan
CAI	Certified Internal Auditor
CHU	Central Harmonization Unit
CP	UNDP Country Programme
CPAP	UNDP Country Programme Action Plan
CSOs	Civil Society Organizations
EC	European Commission
EU	European Union
EUROSAI	European Organization of Supreme Audit Institutions
FMC	Financial Management and Control
GIZ	German Corporation for International Cooperation GmbH
GDF	Guardia di Finanza
IA	Internal Audit/or
INTOSAI	International Organization of Supreme Audit Institutions
LSG	Local Self-government
MEAT	Most economically advantageous tender
MoF	Ministry of Finance
MPALSG	Ministry of Public Administration and Local Self-Government
NPAA	National Programme for the Adoption of the Acquis Communautaire
NPD	National Project Director
OECD	The Organization for Economic Co-operation and Development
PAR	Public Administration Reform
PBF	Public Fund Beneficiary
PFM	Public Finance Management
PFM RP	Public Financial Management Reform Programme
PIFC	Public Internal Financial Control
PP	Public Procurement
PPO	Public Procurement Office/rs
PRODOC	Project Document
SA	State Auditors
RELOAD	Regional Programme on Local Democracy in the Western Balkans” project
SAI	Supreme Audit Institution
SCTM	Standing Conference of Towns and Municipalities
SDC	Swiss Agency for Development and Cooperation
SCO	Swiss Cooperation Office
SECO	State Secretariat for Economic Affairs (Swiss)
SIDA	Swedish International Development Cooperation Agency
STA	Serbian Tax Administration
TFMA	EUROSAI Task Force for Municipal Audit
UNDAF	United Nations Development Framework
UNDP	United Nations Development Programme

I. BASIC INFORMATION

Project Title:	Accountable Public Finance Management Platform	
Project duration:	June 2019 – September 2021	
Implementing Partners:	State Audit Institution Ministry of Finance (Central Harmonization Unit and Tax Administration) Public Procurement Office Standing Conference of Towns and Municipalities UNDP	
Total Project Budget:	USD 2,972,484	
UNDP ATLAS ID:	Award ID: SRB10 / 00105420	
	Project IDs: 00106702 – Support to Tax Police 00116634 – Support to Tax Administration 00116635 – Support to IAs and PP Officers 00116636 – Support to PPO 00116637 – LSGs and transparency in PF 00116638 – Support to LSGs in cooperation with CSOs 00116639 – Support to SAI 00116640 – Support to Media and CSO in monitoring and reporting on corruption and misuse of public funds	Output 1.1 Output 1.2 Output 1.3 Output 1.4 Output 1.5 Output 2.1 Output 3.1 Output 4.1

II. STRATEGIC REVIEW AND OUTLOOK

Public Administration Reform (PAR) remains one of the top priorities of the Government of the Republic of Serbia and at the same time, it constitutes one of the basic preconditions for joining the EU Administrative Space in the process of acceding to the EU.

The main objectives of PAR are improving the functionality and effectiveness of the public sector institutions and organizations, strengthening public policy management, developing a modern and professional civil service system, improving of the system of local self-government, digitization and development of e-government, improving public financial management, s, increasing transparency in public sector management as a whole.

Public Finance Management (PFM) is one of the cornerstones of Public Administration Reform. It has a crucial impact on economic governance and the sustainability of socio-economic reforms and it is also closely linked to meeting EU accession requirements under negotiation chapters which relate to Taxation (Chapter 16), the Customs Union (Chapter 29), Economic and Monetary Policy (Chapter 17), Public Procurement (Chapter 5) and Financial Control (Chapter 32).

The current project builds on the previous UNDP led interventions in this area which includes the “Accelerating Accountability Mechanisms in Public Finance” and “Enhancement of Municipal Internal Audit for Accountability and Efficiency in Public Finance Management” projects which have were successfully completed in 2018 and 2019.

The current project was designed as a “multi-point” holistic solution – with combined actions from several key directions (stakeholders). It focuses on improving financial control and external scrutiny over public finances simultaneously to support the cross-cutting issues like internal control mechanisms in public institutions; transparency in the management of public funds at the local level and improving cooperation between civil society and local self-governments.

It is important to highlight that the project is providing assistance to the Government of the Republic of Serbia in the process of harmonization of the national institutional capacities and legislative framework with the EU acquis through structured capacity development, applying EU best practices, and assisting the national counterparts in the process of accession negotiations with the European Union under Chapter 5 – Public procurement and Chapter 32 – Internal control and external audit.

This UNDP initiative also joins the general efforts of the UN and its partners in Serbia who are working towards achieving global Sustainable Development Goals to support country's progress in advancing national development priorities fully aligned with the Agenda 2030, National Program for the Adoption of the Acquis Communautaire (NPAA) and with the EU reform processes.

Key Results in the Relevant Fields

During the reporting period a number of activities was initiated of which some completed and noteworthy progress was achieved in the areas of internal and external control of public funds, as well as in raising the awareness and oversight on public funds planning, budgeting and utilization from the side of civil society through improved cooperation with local self-governments.

The key achievements to-date are grouped in line with the respective areas and outputs defined in the Project document.

Taxation - Tax Administration / Tax Police Capacities

Serbian Tax Police became acquainted with updated IT solutions for data collection, structuring and analytics which were proven beneficial for strong enforcement of tax policies through a newly established cooperation with the Italian Financial Police (Guardia di Finanza). A new analytical software solution for the Serbian Tax Police is currently under preparation, along with the ongoing development of the Smart mobile application "Tax Alarm" and SMS Notification Service for taxpayers (entrepreneurs).

Serbian Tax Administration (STA) also instigated collaboration with the Swedish Tax Administration (Skatteverket), which is an early stage and currently focused mainly on exchange of best practices. This and other similar activities have set the re-envisioning of the future concept of the STA in motion. Additionally, assistance has been provided to the STA's transformation process and implementation of structural changes through conducting surveys on employee satisfaction and preparing a Gap Analysis with recommendations for further improvements in the aspects required.

Retention of Internal Auditors and Public Procurement Officers

A report on the comparative analysis of retention policies for Certified Internal Auditors in the public sector was developed based on best practice examples provided from Croatia, the Czech Republic and Ireland, and recommendations for the improvement of their status in Serbia were provided on its basis.

Similarly, a comparative analysis report on the professional development, conditions and retention policies for Certified Public Procurement Officers was produced based on the best practices of France, Malta, Italy, Romania, Bulgaria, Germany, Finland /examples of the status of the profession of PPOs; and of Croatia, Hungary, Austria, Ireland /examples of practice of certification schemes for PPOs. This report served as basis for the preparation of adjustments in the relevant legislature related to certification of Public Procurement Officers and their qualifications.

Public Procurement System

Key achievements were noted through the further promotion of the Most Economically Advantageous Tender (MEAT) criteria: A tailored workshop for contracting authorities was held in Vrdnik, Serbia (21-22 October 2019) and bidding model documents were developed for the procurement of computer equipment, property insurance, and passenger vehicles. An analysis of procurement types that could be centralized was conducted in order to facilitate their centralization in the public sector in Serbia and an additional analysis of factors influencing competition was performed in order to devise a set of measures which would stimulate competition in public procurement procedures.

Collaboration and partnership building is being continuously facilitated at the international level through best practice exchange with the EU (including member states) [Participation of the Public Procurement Office Delegation at the Interactive forum Facing 2020: Latest Developments in EU Public Procurement, Amsterdam, Netherlands (23-25 October 2019); Participation of the Public Procurement Office Delegation at the European Union (EU) Stabilization and Association Council, Brussels, Belgium (5-7 November 2019); Study visit to the Public Procurement Office of the Slovenia, Ljubljana, Slovenia (25-27 November 2019)].

Transparency in Management of Public Funds at the Local Level - Local Budget Portals

The project continued to empower local self-governments in increasing transparency of local budget planning and utilization in close cooperation with the Standing Conference of Towns and Municipalities. 21 local self-governments were selected for support in the process of budget portals implementation.

Cooperation of LSGs with CSOs in implementing measures and activities to contribute to achieving the Sustainable Development Goals (SDGs) at local level

Successful trainings of 20 representatives from LSGs (Bač, Raška, Valjevo, Vrnjačka Banja and Niš) in four out of five modules were completed, thus building on their knowledge on the importance and benefits of cooperation between LSG and CSOs, methodology of transparent financing of CSOs from local budgets and project writing and evaluation.

Additionally, 65 representatives of CSOs took part in both standard and online training and mentoring sessions, which taught them writing thorough, comprehensive and results-oriented projects proposals that reflect the needs of local communities and priorities defined by LSGs in order to contribute to achieving the following SDGs 1: End poverty in all forms, 5: Achieve gender equality and empower all women and girls and 10: Reduce inequality within and among countries.

A public call for CSO project proposals was published in five-partner LSG, compliant with the national Regulation for financing and the methodology for transparent financing of CSOs, which resulted in a total of 51 project proposals received.

External Audit

The project contributed to fostering collaboration at the international level and active participation of SAI representatives at tailored workshops on best external audit practices (IntoSAINT trainings, SAI SPMR, IT Audit, IDEA software training, Microsoft trainings, GDPR event Cyprus). In furtherance of the Audit Management System development, the technical specification and tender documentation was finalized and accepted by the SAI AMS working group. The tendering process was completed, vendor for software development selected and the contract for software development was signed in the reporting period.

Media and CSOs equipped to monitor and report on corruption and misuse of public funds

Young journalists in the state were invited to take part in the initial training on public finance management through an open call. The training was completed in December 2019 and 21 journalists attained basic knowledge on public finance management.

POSITIVE HIGHLIGHTS IN THE REPORTING PERIOD:	NEGATIVE HIGHLIGHTS IN THE REPORTING PERIOD:
<ul style="list-style-type: none">• 505 external audit reports issued by the State Audit Institution in 2019 in comparison to 436 in 2018.• 21 local self-government selected and to be supported in the process of implementation of the budget portals.• 3 sets of bidding model documents developed for public procurement with a special focus on applying the meat criteria.• 2 EU member countries began collaboration with Serbian Tax Administration (Italy and Sweden).	<p>COVID-19 Pandemic slowed the implementation of certain activities in the second quarter of 2020</p>

III. INTRODUCTION

Building on the achievements of the Accelerating Accountability Mechanisms in Public Finances project, the current project supports the relevant national stakeholder institutions in improving their management of public funds and independent external scrutiny of the use of public resources. Strengthening budget planning and transparency, improving functionality and corporate image of the Tax Administration are a key to improving Budget Planning and Execution. Retaining internal audit capacities in the public sector and optimizing the audit process conducted by the SAI are the next steps towards strengthening internal control in the public sector, as well as external audit, thus closing up on the accountability chain and reducing systemic risk of corruption.

Promoting use of the MEAT criteria and finally bridging the gap between LSGs and civil society, as well as increasing financing for project-based initiatives at the local level are essential elements in the Government's aim to improve public financial management at national level and to meet EU accession requirement for becoming a fully-fledged member state.

The present intervention represents a new phase in the support that SIDA has been providing to Serbia in reforming public finance management. It continues the practice of engaging a variety of stakeholders grouped around the common platform of improving accountability in public finance management, for purposes of better cost-efficiency and for stronger impact.

It builds on and complements the support previously provided by SIDA under the completed Accelerating Accountability Mechanisms in Public Finance Project and is closely synchronized with the SECO funded project of Improving the System for Financial Management and Control (FMC) and certification and professional development of Internal Auditors in Serbia. The project slightly shifts focus towards economic development -- a priority topic for the Government but using this focus to embed accountability elements and ensuring its long-term sustainability.

The project provides support to the two key areas, within the four outcomes and eight outputs:

I. EFFECTIVE BUDGET EXECUTION AND FINANCIAL CONTROL (Outcomes 1 and 2)

Outcome 1 – The Government improves overall management of public funds at both state and local levels

- **Output 1.1** - Reducing tax evasion by strengthening the capacities of the Tax Police for operational analysis and intelligence
- **Output 1.2** - The Tax Administration increases voluntary tax compliance by improving its corporate values and image
- **Output 1.3** - The Ministry of Finance/The Department for Internal Control and Internal Audit and the Public Procurement Office increase the retention of Internal Auditors and Public Procurement Officers in the public sector
- **Output 1.4** - Further support to Serbian contracting authorities in stimulating competition and applying the Best Value for Money Approach
- **Output 1.5** - Local self-governments increase transparency in the management of public funds

Outcome 2 – Strengthening transparent and project-based funding of civil society organizations (CSOs) from local government budgets towards greater civic engagement in decision-making and improvement of local service delivery

- **Output 2.1** Local self-governments improve cooperation with civil society organizations (CSO) in implementing measures and activities to contribute to achieving the Sustainable Development Goals (SDGs) at local level

II. EXTERNAL SCRUTINY OVER PUBLIC FINANCES (Outcomes 3 and 4)

Outcome 3 – The State Audit Institution automatizes and improves the management of the entire audit process

- **Output 3.1** - The State Audit Institution (SAI) increases the number and quality of external audit reports by improving the management of the audit business processes through an Audit Management System

Outcome 4 – The capacities of CSOs and journalists to monitor and report on corruption and misuse of public finance are improved

- **Output 4.1** - Media and CSOs are better equipped to monitor and report on corruption and misuse of public funds

IV. PROJECT PROGRESS

Significant progress has been achieved in the project implementation during the reporting period. UNDP established the required project structures and completed the recruitment processes for putting project staff in place. Project offices at the PPO, the SAI and Tax Administration were also established and set up.

Close collaboration with national partners, relevant bodies and institutions contributed to building relationships of mutual trust and shared goals - improved management of public funds, monitoring the use of public funds by the civil sector and creating preconditions for further economic development and employment.

Outputs and Performance

Output 1.1 Reducing tax evasion by strengthening the capacities of the Tax Police for operational analysis and intelligence

During the reporting period, a project office was established within the Tax Administration headquarters. This step enables the continuous physical presence of UNDP project staff and relevant experts in the beneficiary institution and contributes to efficient and effective execution of planned project activities. The activities envisaged in the PRODOC and AWP were carried out with the aim to strengthen the analytical capacities of the Tax Police and thus reduce the overall tax evasion in close collaboration with the representatives of the Tax Administration and Tax Police Sector.

Key results include:

Collaboration with the Italian Tax Police (Guardia di Finanza - GDF) established

- **Representatives of the Serbian Tax Police visited the Anti-Corruption Unit and Special Unit for Combating Organized Crime of the Financial Police of the Republic of Italy (Guardia di Finanza).** The goal of the visit was to consider the ability to build data processing tools for operational analytics, which the Serbian Tax Police would use for its own purposes, in accordance with its jurisdiction, modeled on the Italian application called "Molecule". During the three-day working visit, topics which were elaborated were: intelligence work, analytics (operational analytics and operational reports), technical support in investigations, and custom made "Molecule" analytical application.
- **Working visit of Financial Police of the Republic of Italy to Serbian Tax Police**
This visit represents a continuation of the established cooperation where the Italian experts evaluated analytical potentials of the Serbian Tax Police (applications "PROFIL" and "SAPS"), presented tools for data search and provided valuable inputs for strategic development of analytical tools.

Expert assistance to the Tax Police secured

- A Local Expert was engaged to conduct system analysis and propose logical design for the operational analysis sub-system of the information system of the Tax Police Sector.
- An International Senior Expert on Tax System conducted an analysis and prepared the background report on the functioning of the tax police in comparison with international good practice.



Representatives of the Serbian Tax Police meet with Guardia di Finanza

Indicator (from PRODOC)	Target (from PRODOC)	Latest Data (disaggregated by gender where possible) & Source of Data	Indicator Status (Achieved/On Track/Off Track)
Organizational model and Tax Police business processes developed GAP analysis and Road Maps for further strengthening of the capacities of the Tax Police prepared	Y/N	Relevant analyses have been conducted and best practices collected prior to development of the road map and organizational. model.	On track
Inspectors and Operational Analysts trained on data collection, work with informers and data assessment and using Analyst Notebook I2	Y/N	With assistance of the specialists from GDF key personnel received coaching on data collection and analytics. I2 Analyst Notebook licenses are to be procured in the coming quarter.	On track

Output 1.2 The Tax Administration increase voluntary tax compliance by improving its corporate values and image

A number of activities were carried out with the aim to support the improvement of corporate values and image of STA which will consequently increase voluntary tax compliance in Serbia.

Key activities and results include:

- **Engagement of an International Senior Expert on Tax System** to assist the STA in designing the paths for improving its functionality and corporate image.
- **Engagement of a Local Expert on Organizational Transformation** to assist the STA in defining the key structural changes required to support the transformation process.
- **Organization of a tailored (expert supported) three-day workshop on re-envisioning the vision for STA** to provide assistance to the STA in the implementation of the Tax Administration Transformation Programme Action Plan for the period 2018 – 2023.
- Facilitation of participation of the Serbian Tax Administration Office delegation **at the OECD Global Forum on Transparency and Exchange of Information for Tax Purposes.**
- Support to Serbian Tax Administration in their **initial collaboration with the Swedish Tax Administration** (Skatteverket) on best practices exchange.
- Engagement of local experts to assist the STA in compiling and structuring of relevant data for Annual Reports, as well as conducting surveys on employee satisfaction and preparing Gap Analysis with recommendations for status improvement.
- **Currently ongoing development of the Smart phone application “Tax Alarm”** - the smart phone application for the Serbian Tax Administration that would assist the Control Sector in early-stage risk assessment on tax evasion.
- **SMS Notification Service – plans established** for development and integration of the SMS notification service for entrepreneurs on their due taxes.



Tax Alarm Mobile App Screenshot



Tailored workshop on re-envisioning the vision for STA

Indicator (from PRODOC)	Target (from PRODOC)	Latest Data (disaggregated by gender where possible) & Source of Data	Indicator Status (Achieved/On Track/Off Track)
At least three examples of best practices implemented by 2020.	Y/N	Introduction of new e-tools is underway as well as new models of internal and external communication.	On Track
Road Map for improving corporate values, culture, identity, and image prepared.	Y/N	Key consultants engaged. To be finalized by the end of the year.	On Track
Tax Administration Communication Strategy prepared.	Y/N	Key consultants engaged. To be finalized by the end of the year.	On Track
Legislative framework for introducing the Register of Business Invoices prepared.	Y/N	Activity will be synchronized with the MoF	On Track
Number of trained staff of the Tax Administration for the introduction of the new Register conducted.	Y/N	Activity will be synchronized with the MoF	On Track
Technical specification for the procurement of the software solution for introducing the Register of Business Invoices prepared.	Y/N	Activity will be synchronized with the MoF	On Track

Output 1.3 The Ministry of Finance/The Department for Internal Control and Internal Audit and the Public Procurement Office increase the retention of Internal Auditors and Public Procurement Officers in the public sector

In order to support the Ministry of Finance(Central Harmonization Unit)and the Public Procurement Office in strengthening their internal capacities and fostering better retention of certified internal auditors and public procurement officers, the project showcased best EU practices in regulating the position of Internal Auditors in public sector and Public Procurement Officers, providing assistance to the national partners in envisaging legislative changes that would provide the optimal benefit packages for these two groups of civil service professionals. The project will, build on the best EU practices and expertise in terms of strengthening the attractiveness of these professions in the coming period

Two International Consultants were engaged to assist the Central Harmonization Unit and the Public Procurement Office in obtaining an independent opinion on the status of the Internal Auditors (IAs) in public sector and Public Procurement Officers (PPOs) in selected EU countries. A report on the comparative analysis of retention policies for Internal Auditors in public sector was developed based on best practice examples provided from Croatia, Czech Republic and Ireland, and recommendations for improvement of their status in Serbia were provided on the basis of this report.

The Comparative Analysis Report on the professional development, conditions and retention policies for PPOs was produced based on the best practices gleaned from France, Malta, Italy, Romania, Bulgaria, Germany, Finland /examples of the status of the profession of PPOs; and Croatia, Hungary, Austria, Ireland /examples of practice of certification schemes for PPOs. Based on the latter report, the Public Procurement Office has begun preparing adjustments in the relevant legislature related to certification of Public Procurement Officers and their qualifications.

Indicator (from PRODOC)	Target (from PRODOC)	Latest Data (disaggregated by gender where possible) & Source of Data	Indicator Status (Achieved/On Track/Off Track)
A Gap Assessment of the applicable legislation to identify essential needs for upgrading in order to improve the status and functional independence of IAs and PPOs in the public sector completed by the third quarter of 2019	Y/N	2 Comparative Analysis regarding the status of the Internal Auditors in public sector and Public Procurement Officers produced	On track
Draft Amendments to the applicable legislation and a structured and sustainable retention policy for Internal Auditors and Public Procurement Officers in the public sector prepared by the end of 2020	Y/N	Public Procurement Office is preparing the changes of the Rulebook regulating the certification of Public Procurement Officers	On track
Regional cooperation and exchange among CHUs in the region established through at least three conferences of topical seminars	Y/N	The first seminar to gather the representatives of regional CHUSs was planned for September 2020	On track

Output 1.4 Further support to Serbian contracting authorities in stimulating competition and applying the Best Value for Money Approach

The Serbian Parliament adopted a new Law on Public Procurement in December 2019. The law came into effect on 1 January 2020. The act introduces changes that comply with the EU directives and bring many improvements related to transparency, competitiveness, anticorruption, efficient implementation of public procurement procedures, reduction in costs and administrative procedures, protection of small and medium-sized businesses, enhanced application of “best value for money” approach (MEAT criteria) and other modern legislative solutions.

In this sense, the project continued to aid the Public Procurement Office (PPO) in aligning with the requirements stemming from the Chapter 5 - Public Procurement. The project continued to support the PPO in the promotion of the “best value for money” concept, increasing competition in public procurement processes, and standardization of public procurement practices through developing bidding model documents aiming to encourage bidders to bid and increase the number of bidders per tender. The project also supported regional cooperation and exchange of good practices and representatives of the PPO had the opportunity to discuss select topics with high standing international experts in the area of public procurement.

Key activities and results include:

- Organization of a tailored **workshop** by the PPO for Serbian contracting authorities on the Most Economically Advantageous Tender (MEAT) criteria.
- **Bidding model documents for procurement of:** (1) desktop computers, (2) notebook computers, (3) property insurance, and (4) passenger vehicles with a special focus on applying the MEAT criteria were completed
- **An analysis on types of procurements that could be centrally conducted** with the aim to facilitate centralized procurements in public sector in Serbia was completed.
- **An analysis of factors influencing competition** with the aim to facilitate competition in public procurement in Serbia was completed.
- **Participation of the PPO delegation at the Interactive forum Facing 2020: Latest Developments in EU Public Procurement, Amsterdam, Netherlands was ensured** – where the Serbian PPO Delegation had the opportunity to glean from experience and practice from the EU countries in applying the MEAT criteria and its benefits to contracting authorities and in tendering. These solutions provided valuable inputs for drafting the new Public Procurement Law.
- **Participation of the PPO delegation at the European Union (EU) Stabilization and Association Council, Brussels, Belgium was secured.** The subject of the meeting was the new Public Procurement Law and the practice of EU countries regarding the application of the MEAT criteria and its benefits.
- **A study visit to the Public Procurement Office of Slovenia in Ljubljana was executed.** Learning from the experience of countries already implementing procurement procedures in accordance with the EU Directives was very valuable to the representatives of the Public Procurement Office of the Republic of Serbia. A particular emphasis was placed on the experience and practice of EU countries in applying the MEAT criteria and the benefits it brings to both contracting authorities and tenderers, as well as some concerns regarding application of certain provisions of the Directives in practice.
- The PPO staff has been continuously supported in advancing their knowledge of English language with a particular focus on the technical vocabulary used in EU negotiation process.



Workshop for Serbian contracting authorities on the Most Economically Advantageous Tender (MEAT) criteria.

Indicator (from prodoc)	Target (from prodoc)	Latest Data (disaggregated by gender where possible) & Source of Data	Indicator Status (Achieved/On Track/Off Track)
Availability and quality of support to contracting authorities and economic operators to strengthen professionalization of procurement operations (SIGMA Monitoring Reports)	5	SIGMA evaluation to be published. Numerous activities undertaken by PPO and UNDP to support both categories and increase professionalization.	On Track
Increase in the share of contracts awarded using the MEAT criteria	20%	10% (in 2019, according to PPO annual data report)	On Track
Decrease in the percentage of tenders with one offer	38%	46%	On Track

Output 1.5 Local self-governments increase transparency in the management of public funds

21 Local self-governments (LSGs) were selected for the provision of support to establishing and putting in place budget portals. The selection process took place during November – December 2019 and the following LSGs were selected: Medveđa, Paraćin, Kuršumlija, Užice, Lapovo, Šabac, Vlasotince, Sombor, Gadžin Han, Tutin, Topola, Sokobanja, Varvarin, Kovin, Loznica, Boljevac, Bojnik, Petrovac na Mlavi, Bečej, Čuprija and Požega.

Cooperation agreements were signed with few local self-governments during the initial field visits to LSGs in March 2020. Two National Consultants were engaged to conduct needs analyses and an additional consultant was hired to provide guidance and perform overall advisory services, acting as a Team leader. A Questionnaire was developed for LSG representatives regarding the preparation and execution of the budget process.

Indicator (from PRODOC)	Target (from PRODOC)	Latest Data (disaggregated by gender where possible) & Source of Data	Indicator Status (Achieved/On Track/Off Track)
<ul style="list-style-type: none"> Analyses of the existing systems (including IT) for budget preparation and execution at 20 local self-governments conducted and finalized by the end of Q2 2019. Hardware and related equipment purchased and installed at 20 local self-governments by the end of Q3 2019 Software for the budget portals (including pre-defined template reports) installed at all 20 local self-governments by the end of Q4 2019 Training of SCTM Municipal Finance Department staff on using the system and data it generates SCTM Municipal Finance Department staff provide support to 20 local self-governments in using and maintaining budget portals by the end of Q2 2020 	Y/N	SCTM Quarterly Report	On Track

Output 2.1 Local self-governments improve cooperation with civil society organizations (CSO) in implementing measures and activities to contribute to achieving the Sustainable Development Goals (SDGs) at local level

Baseline: Mechanisms for cooperation between CSOs and selected local governments are not fully transparent and inclusive

Selection of partner local-self governments

Info-sessions were organized in seven LSGs: Leskovac, Sjenica, Valjevo, Vrbas, Velika Plana, Zaječar and Zrenjanin.

Out of 19 LSGs that had applied, 5 were selected using the ReLOaD evaluation criteria: **Bač, Raška, Valjevo, Vrnjačka Banja** and **Niš**. The selection approved by the Board of Partners comprising representatives from the following institutions/organizations: Embassy of Sweden in Serbia, Ministry of Finance, Ministry of Public Administration and Local Self Government, Office for Cooperation with Civil Society, Standing Conference of Towns and Municipalities, TACSO Resource Center/Civic Initiatives and UNDP. The UNDP Local Democracy Portfolio team visited all 5 LSGs in October 2019, to meet the project teams (each LSG was asked to nominate four staff members to participate in the project, including one coordinator/focal point) and discuss all the details, including the plan of activities and upcoming cost-sharing agreements.

LOD Methodology and the national Regulation for financing CSOs

The selected LSGs committed to adopting/improving local legislation that regulates the financing of CSOs from budgetary sources. The Office for Cooperation with Civil Society in Serbia published the *Guidelines for Transparent Financing of Associations and Other Civil Society Organizations from Local Governments' Budgets* (hereinafter the *Guidelines*) in November 2019 in line with the national

Regulation for financing of CSOs. Since the LOD methodology served as an input for drafting the national regulation and the *Guidelines*, it was expected that a substantial part of the LOD methodology would be incorporated in the Regulation and *Guidelines*. However, to provide quality support to the partner LSGs under this project, it was necessary to compare national legislation, regulations and guidelines with the LOD methodology.

During the first half of December, a consultant finalized an independent assessment of the conformance of the methodology for transparent financing of CSOs (LOD) with the Regulation for financing CSOs of the Republic of Serbia, and the *Guidelines*. The assessment demonstrated that these documents were rather compatible and that their conformance, for the most part, manifested in the way they interpret and define the issue of transparent financing, both on procedural and policy level. However, the assessment demonstrated that minor differences do exist, so the decision of management was to follow recommendations from the *Guidelines*, while still using most of the formats and matrixes from ReLOaD. The decision was made to fully comply with the national regulation and prescribed rules, which are not contradictory to the LOD.

Trainings and the open call for project proposals

The **first module** of training for LSG on the topic of **civic participation and cooperation between LSG and CSOs** was held in November 2019. All members of project teams took part in this portion of the training, as well as the following two. Besides the expert consultants conducting the training, a colleague from the UNDP SDG Integration Center talked about Sustainable Development Goals and their localization.

The **second module** of training on **increasing transparency in the process of funding CSOs from local budgets** was held in December 2019. A representative of the Office for Cooperation with Civil Society participated in the event and presented the *Guidelines for Transparent Financing of Associations and Other Civil Society Organizations from Local Governments' Budgets*.

The **third module** of training could be regarded as an extension of the second, with a focus on the results of the assessment, previously completed by a UNDP consultant, on existing (budget) mechanisms for disbursement of public funds to CSOs in five selected local self-governments. A report containing detailed analysis, findings, recommendations, and comments for each LSG (regarding the proposed changes for institutionalizing processes and systems compliant with existing legislation, proposed legislative changes and methodology for transparent disbursement of funds) was shared with each LSG. The representative of the Office for Cooperation with Civil Society again took part in the event and presented models of inclusion of CSO members in evaluation commissions and local administration advisory bodies.

Following the third module, in March 2020, all partner LSGs announced a public call for CSO projects proposals, along with public calls for participation in evaluation commissions to CSO members. Both calls were extended until 10th of May due to COVID-19 and the state of emergency in the country. For the same reason, in three out of five LSG, it was decided that all CSOs apply to both calls via email, instead of sending hardcopies of their applications and other documentation through the post office.

Due to COVID-19, the **fourth module** of training for LSGs, dedicated to project evaluation, was also postponed for mid-May and subsequently organized via Zoom video conference. CSO members that were selected to represent civil society in evaluation commissions also took part in this two-day online training.

During the state of emergency, a UNDP consultant held trainings and mentoring sessions for CSOs interested to apply. This was also done online via Viber app group calls, exchange of emails and a video presentation on Project Cycle Management and rules and preconditions of the public call. Despite the

disadvantages of training and mentoring in this manner, the consultations was successful and CSOs benefited in preparing their project applications.

Indicator (from PRODOC)	Target (from PRODOC)	Latest Data (disaggregated by gender where possible) &Source of Data	Indicator Status (Achieved/On Track/Off Track)
Partnerships between five local governments and civil society in Serbia strengthened	Y/N	Bač, Raška, Valjevo, Vrnjačka Banja and Niš published a public call for CSOs compliant with the Guidelines for Transparent Financing of CSOs and LOD methodology; 20 LSG staff representatives participated in trainings on the topic of civic participation and cooperation with CSOs. Source of Data: links for public calls and trainers' report (in the making).	On track
Civil society organizations in five selected local self-government supported in implementing priorities project-based initiatives through a grant scheme	Y/N	5 LSGs received a total of 51 project proposals, following trainings and mentoring sessions done by UNDP consultants. Source of data: trainer's/mentor's report (in the making); evaluation tables and minutes from project evaluation meetings.	On track

Output 3.1 The State Audit Institution (SAI) increases the number and quality of external audit reports by improving the management of the audit business processes through an Audit Management System

Project activities were mainly focused on the preparations for development and design of the Audit Management System (AMS) during the reporting period. Two Consultants were recruited to support the SAI AMS Working Group prepare a detailed technical specification for AMS and support the establishment of the SAI AMS Working Group which lead the process of design, monitoring and implementation of the AMS. Detailed technical requirements for the AMS and, a ToR for the design and development of the AMS were produced. An public call for proposals was published and a successful bidder was selected with whom a contract was signed.

The project continued to provide significant support to the State Audit Institution and particularly to the Sector for IT Audit (three SAI Serbia IT Auditors participated at Microsoft Sinergija 2019, ISACA 2020 Basic Membership Dues for two IT Auditors, IDEA Software trainings for 16 State Auditors organized, three IT Auditors participated at the CUBE and Active IT Audit Manual workshop in Bratislava).

A number of documents related to the improvement of audit and alignment with INTOSAI standards were translated, including: INTOSAI GOV 9160, Implementation of ISSAI 31, Manual INTOSAI, Guidance PFC, Guide 5202, Guide 5290, Guide 9020, Guide 5100 and ISSAI Guidelines Risk Assessment.



First meeting of the SAI AMS Working Group chaired by SAI President, Belgrade, September 2019

Indicator (from PRODOC)	Target (from PRODOC)	Latest Data (disaggregated by gender where possible) &Source of Data	Indicator Status (Achieved/On Track/Off Track)
<ul style="list-style-type: none"> A customized Audit Management System for automatizing the audit processes developed by the State Audit Institution by mid-2020 (y/n) 	Y/N	AMS Software development supplier selected and contracted	On Track

Output 4.1 Media and CSOs are better equipped to monitor and report on corruption and misuse of public funds

During the reporting period, the project published an Open call for young journalists to participate in the initial training in public finance management. In order to achieve greater impact with the training, the target group was defined in close cooperation with professors of journalism. UNDP received more than 40 applications, mostly from students of journalism and young professionals. Even though the initial plan was to provide training to 15 journalists, the Selection Committee decided to select 21 participants. The four-day intensive seminar covered topics related to public finance management on a basic level, while future in-depth lectures are planned be organized upon selection of grantees within the project, when joint seminars both for young journalists and their more experienced colleagues will take place.



Training for young journalists, Stara planina, 1-4 December 2019

In addition, the project launched a Call for Proposals for NGO & Media working in the area of public finance. This activity will result in funding for seven selected NGOs and media outlets to publish stories related to public finance management and anti-corruption.

One of the major constraints is a decreased interest by media in the topics related to public finances, mainly due to specialized knowledge and education required for the understanding of the issues. The first Open call defined young journalists as professionals with less than seven years of experience. The criteria were set in cooperation with the academia in order to attract even those journalists with some previous experience, aiming to provide them with specialized knowledge in PFM. In spite of that fact, the greatest number of applications came from students or journalists with only a few years of experience. In order to achieve greater impact, the project will include more experienced journalists interested in public finance within the grant scheme, where a group of 15 journalists will be included in the creation of stories on public spending. Finally, young journalists will get the opportunity to cooperate with more experienced colleagues and gain from tailor-made courses that will be organized in the following months.

Indicator (from PRODOC)	Target (from PRODOC)	Latest Data (disaggregated by gender where possible) & Source of Data	Indicator Status (Achieved/On Track/Off Track)
Fifteen (15) journalists trained on public Finance management, corruption, the use of open data and methodologies of investigative journalism Joint field visits/activities in investigating and reporting cases of misuse of public funds	15	21 journalists trained on public finance management	On Track

Transversal gender themes, governance and Human Rights based on the monitoring results.

The project regularly considered the subjects of transversal gender themes, governance, and human rights throughout its implementation, according to indicators presented in the log frame.

While the project does not contain a separate, explicit gender component, it does mainstream gender in several areas, including external audit and implementation of gender-related projects by CSOs at the local level. The project strives to include a fair balance of participants, thus contributing to equal opportunities. One of the preconditions that was defined in the CSO open call was that the project initiatives proposed for financing address and contribute to achieving SDGs 1: End poverty in all forms, 5: Achieve gender equality and empower all women and girls, and 10: Reduce inequality within and among countries.

Gender-related activities included a variety of actions and awareness in different layers of the project. As an example, the current data shows that 67% of certified IAs in the public sector are women.

Certified Internal Auditors in Public Sector		
Female	293	67%
Male	145	33%
Total	438	100%

Similarly, 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. A strong component of the project is dedicated to strengthening the voice of the community in decisions affecting public spending.

V. FINANCES AND MANAGEMENT

Implementation period, reporting and payments schedule

Project financial management was executed in line with UNDP rules and procedures and as foreseen by the Third-Party Cost Sharing Agreement between the Sweden, represented by the Swedish International Development Cooperation Agency SIDA and UNDP signed on May 31st, 2019, to support implementation of the project activities as described in Project Document signed by all implementing parties.

In accordance with the Third-Party Cost-Sharing Agreement, the first tranche was released upon signature of the agreement, amounting to \$1,048,768.00 (10 mil. SEK in the original currency), enabling efficient and continuous project implementation throughout the period.

The Project's cumulative expense (incl. commitments) from the beginning of the project to date amounted to \$ 935,885.88, as illustrated in the attached Annex 1. This indicates that the first tranche was spent at 89%.

In line the provisions of the Third-Party Cost-Sharing Agreement the next tranche in the amount of 10 mil. SEK is due on June 1st, 2020.

Planned versus executed activities

Project activities implemented in the reporting period were largely in line with the endorsed Annual Work Plans. There were short delays in implementation mainly caused by the COVID19 Pandemic. Although certain project activities were somewhat delayed due to the outbreak of Coronavirus, the project managed to maintain high delivery rate and successfully continued support to beneficiary institutions.

Annual Work Plans and Budget Modification

Annual Work Plans which have been signed by all implementing parties remain relevant and targeted delivery also remains at the prognosed level, in line with the PRODOC.

VI. LESSONS LEARNED

The Project brings the Public Financial Management topics closer to the public, especially at local level, through enhanced cooperation with the relevant partners, including civil society organizations, media, and local self-governments.

Different (public) events organized by the project provided an excellent tool – a platform for discussing the novelties in the legal framework and the exchange of good practices in public financial management between representatives of the central government, independent institutions, LSGs, civil society organizations and media representatives. This approach proved to be very efficient in capturing new ideas and facts, gathering relevant inputs from professionals and beneficiaries, and assisted the project management in making proper and timely decisions.

It proved to be a good decision to design the project based on the experience (and needs recognized) from previous phases with the involvement of all multiple relevant stakeholders. This systematic portfolio intervention approach is certainly a good method to ensure cost-efficiency, achieve desired change and expected effects. Inclusion of civil society, media, relevant institutions and bodies from the early beginning and late implementation minimizes (un)envisaged potential risks, reduces obstacles, and leads in the direction of good results, national ownership, and sustainability.

Having the SCTM under UN umbrella as a responsible party proved to be adequate choice, as it provides neutral and impartial venue for supporting reforms and development of LSGs

Also, Involvement of civil society organizations in preparing strategic documents and their active participation in the implementation has proven to be both effective and beneficial. Active civil society and media are two important ingredients in a strong and healthy democracy and rule of law.

VII. CHALLENGES AND RISKS

These factors can be grouped into the several categories, such as:

1. Coronavirus pandemic (COVID-19) in Serbia and worldwide

Although the implementation went well, the virus outbreak and the state of emergency have imposed minor delays in the implementation of project activities. Namely, to combat the virus, national and global measures were introduced to prevent the spread of the virus. Measures such as social distancing had an impact on the implementation of planned workshops and conferences. Activities involving travel had to be canceled or redirected to digital meeting platforms or their implementation had to be postponed for the coming period. Nevertheless, UNDP, with the understanding and assistance of national partners, was able to conduct many activities online (from secure locations, using digital tools), thus limiting the impact of the precautionary measures on project implementation. However, if this approach becomes a new reality, a certain amount of funds dedicated to training and workshops will need to be allocated to other budget lines. Also, certain activities were rescheduled and implemented earlier than planned initially, (such as consultancy work-analytics, software development, printing, preparation of tendering documentation, etc.).

2. The upcoming parliamentary elections

Parliamentary elections are scheduled to be held in Serbia on June 21st, 2020. Usually, pre-election and post-election activities cause slowdowns in the implementation of certain project activities. Nevertheless, thanks to the longstanding experience UNDP has in collaboration with national partners, the project is sure to maintain its continuity during the forthcoming period, focusing on medium-level technical activities while potential vacuum in strategic positions is filled.

VIII. PARTNERSHIPS

Stakeholder analysis

The project successfully maintained a high level of longstanding productive collaboration with national partner institutions (Ministry of Finance – CHU, Tax Administration, PPO, SAI, SCTM...) as well as with LSGs, civil society and media. This collaboration sometimes extended beyond the scope of the concrete project activities, either in the direction of strategic moves or simple technical assistance. The productive cooperation with Standing Conference of Towns and Municipalities from the previous SIDA funded project initiative continued. Efficient, constructive, and well-established cooperation with the media and civil society organizations in overseeing the development and reform of Serbian public finances made a special contribution to balancing the initiative through the involvement of all relevant actors.

Synergies

The project continued sequencing its activities and in close conjunction with others implemented by UNDP:

- the “*Strengthening the Oversight Function and Transparency of the Parliament*”, funded by SDC,

- *“Support for Improving Governance and Economic Planning at the Local Level”* funded by the Slovak Republic,
- the SECO funded component of the *“Enhancement of Municipal Internal Audit for Accountability and Efficiency in Public Finance Management”* supporting the CHU in introducing the new system for certification of internal auditors in the public sector and professional development program for internal auditors.
- *“ReLOaD - Regional Programme On Local Democracy In The WB”*, financed by the EU.
- *“Open Data- Open Opportunities”*, financed by the UK Good Governance Fund.

Additionally, UNDP maintained its close cooperation with other development partners operating in this field, such as the EUD, GIZ, SCO, USAID, and others.

New Partnerships

In the future period there are plans and potentials for expanding the project cooperation with the Ministry of Public Administration of Local Self-Government and National Academy for Public Administration in terms of defining special competencies for different types of civil servants.

IX. INNOVATION

The project has ventured to take an innovative approach to carrying out its planned activities and fulfilment of projected goals in the most effective and efficient manner. The innovative approach has been promoted and applied to activities at different stages, such as:

- implementing activities as a “multi-point” holistic and combined actions from several key stakeholders,
- promoting and introducing new programmatic, technical and software solutions,
- educating the project stakeholders and end recipients on topics within the project scope,
- facilitating a constructive exchange, which gives way to a new understanding of the perspectives of each of the social actors involved. This holistic approach, as evaluated by the participants, should be practiced in the future, as it has had a positive effect on cooperation between the key actors at both national and local levels,
- trainings in open data for journalists is an innovative approach to research stories since open data is an excellent tool for research in the area of public finance.

X. VISIBILITY

Project activities were actively promoted through the following **internet communication channels (websites and social media)**:

- State Audit Institution website - <http://www.dri.rs>
- SCTM website - <http://www.skgo.org/>
- Ministry of Finance website – <http://www.mfin.gov.rs>
- Central Harmonization Unit Portal – <http://ifkj.mfin.gov.rs>
- Public Procurement Office website - <http://www.ujn.gov.rs/>
- UNDP Serbia website – <http://rs.undp.org.org>
- UNDP Serbia Twitter account: <https://twitter.com/UNDPSerbia>
- UNDP Serbia YouTube channel - <https://www.youtube.com/user/UNDPSerbia>
- UNDP Serbia Facebook page - <https://www.facebook.com/UNDPSerbia/>
- UNDP Serbia Instagram account - https://www.instagram.com/undp_serbia/?hl=en

Major activities, workshops and conferences have been covered by the media, local and national radio-television stations, as well as by daily newspapers.

Some of the media links:

Platforma za odgovorno upravljanje javnim finansijama – public call for CSOs in 5 LSGs	(Government Social Inclusion and Poverty Reduction Unit)
Javni konkurs za jedinice lokalne samouprave- platforma za odgovorno upravljanje javnim finansijama	(Civic Initiatives)
Javni konkurs za jedinice lokalne samouprave za učešće projektu platforma za odgovorno upravljanje javnim finansijama	(Informational center for development of Potisje region)
18 07 2019 Platforma za odgovorno upravljanje javnim finansijama predstavljena u Vrbasu	(TV Vrbas)
Platforma za odgovorno upravljanje javnim finansijama	(TV Raska)
Grad Niš jedan od 5 učesnika u projektu „Platforma za odgovorno upravljanje javnim finansijama“	(Juzna Srbija Info)
Javni poziv za podnošenje prijave za podršku LS za uspostavljanje budžetskih portala	(SCTM)

Project visibility was also maintained through continuous use of designed banners and various (promotional) working materials which have been shared with beneficiaries, stakeholders, workshop participants, etc.