



UNITED NATIONS DEVELOPMENT PROGRAMME

**PROJECT DOCUMENT***[Serbia]*

**Project Title:** Addressing COVID-19 and Sustainable Investments along the Belt and Road by Strengthening Partner Countries' Capacities and Establishing a Network of Sustainable Investment Promotion (SIP) Facilities with Serbia as an Early Pilot

**Project Number:** Award number: 00136369 Output: 00127304

**Implementing Partner:** UNDP

**Start Date:** September 2021

**End Date:** September 2023 **PAC Meeting date:**

**Brief Description**

*The 2019 novel coronavirus (COVID-19) is set to have an immense impact on people's health and economic development across the globe. In parallel there has been a steady growth of foreign direct investments and external financing in Serbia in the past several years, with new partner countries, especially China, recording strong upward trends, even while traditional partners such as the EU and Russia remain the largest originators of inward investment. New inward investments have the potential of not only helping close critical development gaps in coping with a COVID-driven global recession, but also in advancing the achievement of the Sustainable Development Goals (SDGs) at country level.*

*In this context, it is important to ensure that the implementation of such overseas financing and investment is systematically aligned with the principles and practices of economic, social and environmental sustainability and with sustainable investment approaches. This includes inter alia strengthening partner countries' capacities to absorb investments through establishing a network of sustainable investment promotion (SIP) facilities that can help facilitate cross-border investment and business, stimulate employment, and foster economic growth in order to assist the country's post-crisis recovery.*

*With the help of the UN Peace and Development Trust Fund, UNDP launched the first SIP programme pilot in Ethiopia in 2019. Serbia is proposed as the second pilot country owing to its emerging role as an important investment location in Central Europe, and the challenges COVID-19 has imposed on the country. Through policy engagement, platform building, and piloting projects, the programme in Serbia aims to improve its overall investment climate to attract and sustain foreign investments that counteract the impact of COVID-19 on economic and social sustainability of development in the country. This will be done through strengthening the relevant institutional frameworks and further developing capacities.*

*The overarching short-term goal is to provide a multilateral framework of cooperation to leverage sustainable investment opportunities in response to the immediate aftermath of the COVID-19 pandemic, which will show early and positive results, bridge communication gaps, and ensure that foreign investments complement existing programs and local stakeholders are fully engaged. The program will first focus on the positive early results in Serbia and is expected to generate: i) concrete, relevant and effective modalities for setting up an effective SIP facility; and ii) concrete lessons for what areas to focus on to maximize impact and what approaches work the best (and which ones do not).*

**Contributing Outcome (UNDAF/CPD, RPD or GPD):**

Equitable economic and employment opportunities are promoted through innovation and circularity

**Indicative Output(s) with gender marker: GEN 1**

**Output 2.3:** Innovation ecosystem, sustainable business and investment improved

**Total resources required:**

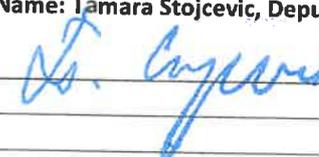
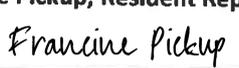
USD 999,646.54

**Total resources allocated:**

United Nations Trust Fund for Peace and Development, 2030 Agenda for Sustainable Development Sub-fund, UNDESA

USD 999,646.54

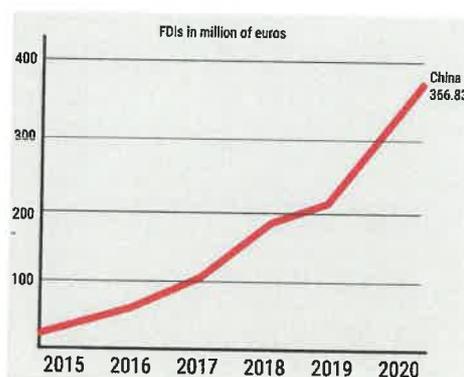
**Unfunded:**

<b>General Secretariat of the Government:</b>	<b>UNDP:</b>
<b>Print Name:</b> Tamara Stojcevic, Deputy Secretary General 	<b>Print Name:</b> Francine Pickup, Resident Representative 
<b>Date:</b>	<b>Date:</b> 08-Oct-2021

## I. PROJECT BACKGROUND

### 1.1 Context

1. The 2019 novel coronavirus (**COVID-19**) is set to have an immense impact on people's health and economic development across the globe. On March 11 2020, the World Health Organization (WHO) officially designated the COVID-19 crisis a pandemic, and the International Monetary Fund (IMF) has subsequently declared that the world is entering a global recession<sup>1</sup>. The ensuing global crisis has had severe social and economic implications.
2. There has been a steady growth of foreign direct investments and external financing in Serbia in the past several years. Most of the investments in Serbia have been traditionally coming from countries of the European Union, but as of 2015, new partner countries, especially China, have recorded strong upward trends, as shown on the following graph:



Identification and selection of potential partner countries was done based on several different criteria related to Foreign Direct Investments (FDIs) – top 20 countries with FDIs in Serbia by value of investments, value of projects and number of implemented projects. Furthermore, Serbia's top 20 trade partners (import/export) and countries/regions that have signed Free Trade Agreements or other types of preferential agreements with Serbia (EU countries, CEFTA, EFTA, USA, China, Russian Federation, Belarus, Kazakhstan, Kyrgyzstan, Armenia, Turkey, United Kingdom, etc.) have also been considered as potential partner countries under this project, having in mind their impact to the foreign trade balance of the Republic of Serbia in the period 2015 – 2020.

#### Top 20 FDI in Serbia by Value of Investment in period 2015-2020

Top rank	Countries	Top rank	Countries
1	Netherlands	11	United Arab Emirates
2	China	12	Italy
3	Austria	13	United States of America
4	Germany	14	Denmark
5	Russian Federation	15	United Kingdom
6	Switzerland	16	Czech Republic
7	Hungary	17	Croatia
8	Slovenia	18	Turkey
9	France	19	Bosnia and Herzegovina
10	Luxembourg	20	Malta

<sup>1</sup> <https://www.imf.org/en/News/Articles/2020/03/27/sp032720-opening-remarks-at-press-briefing-following-imfc-conference-call>

Source: National Bank of Serbia

### Top 20 FDI in Serbia by Value of Projects in period 2015-2020

Top rank	Countries	Top rank	Countries
1	China	11	Switzerland
2	Germany	12	Hungary
3	Japan	13	France
4	Russian Federation	14	United Arab Emirates
5	United States of America	15	United Kingdom
6	Italy	16	Sweden
7	Austria	17	Canada
8	Republic of Korea	18	Finland
9	Turkey	19	Philippines
10	Slovenia	20	Cyprus

Source: Development Agency of Serbia Database\*

### Top 20 FDI in Serbia by Number of Projects in period 2015-2020

Top rank	Countries	Top rank	Countries
1	Germany	11	Japan
2	Italy	12	United Kingdom
3	China	13	Canada
4	United States of America	14	Republic of Korea
5	Turkey	15	United Arab Emirates
6	Austria	16	Sweden
7	Slovenia	17	Belgium
8	France	18	Romania
9	Hungary	19	Netherlands
10	Switzerland	20	Israel

Source: Development Agency of Serbia Database\*

3. Such opportunities have the potential of not only helping close critical development gaps in coping with a COVID-driven global recession, but also in advancing the achievement of the Sustainable Development Goals (SDGs) at country level. As such, it presents an opportunity to globally reduce the impact of COVID-19 on all three pillars of sustainable development. In this context, it is however critical to ensure that the implementation of such overseas financing and investment is systematically aligned with the principles and practices of economic, social and environmental sustainability and with sustainable investment approaches.
4. To leverage the potential of **aligning overseas financing and investment with the SDGs** to counteract the impact of COVID-19 and increase sustainable development gains, UNDP aims for a balanced analysis focused on SDG attainment in partner countries and globally. This analysis highlights opportunities and positive impact, as well as potentially adverse implications and risks to inform SDG-aligned policy thinking and implementation of investments. This includes, inter alia, strengthening partner countries' capacities to absorb these investments through establishing a network of sustainable investment promotion (SIP) facilities that can help facilitate cross-border investment and business, stimulate employment, and foster economic growth in order to assist the country's post-crisis recovery.

5. The proposed SIP facilities aim to ensure that while foreign investments provide a timely platform for the delivery of funding and resources needed for driving post-crisis economic recovery, it also puts into action the opportunity to advance sustainable social and environmental development and generates global public goods, particularly in developing countries. **Sustainable investment**, that fully incorporates environmental, social and governance (ESG) factors in portfolio selection, management and evaluation, is to be promoted. Suffering from a COVID-driven global recession, sustainable investment that counteracts the impact of COVID-19 and advances the sustainable development at both country and global levels becomes even more indispensable.
6. Through long-established platforms such as the UN, World Bank, EU and OECD, policymakers, institutional investors and corporations from both developed and emerging economies, are increasingly focusing on sustainable investment. At G20 2016, *the Guiding Principles for Global Investment Policy-Making* were endorsed by the G20 Leaders, highlighting the promotion of inclusive economic growth and sustainable development.
7. Against this background, the present project was conceptualized and submitted to UN Peace and Development's Sub-Fund for the 2030 Agenda for Sustainable Development. In accessing the Fund's financial support, it caters to its stated service line that **seeks to strengthen national capacity** of developing countries along the Belt and Road on integrated policy formulation, trade promotion, inclusive and sustainable industrialization, financial cooperation, inter-regional and intra-regional connectivity, and integrating the 2030 Agenda for Sustainable Development into national plans and strategies.<sup>2</sup>
8. The proposal also builds on the **first SIP programme pilot in Ethiopia** that UNDP launched in 2019 with funding support by UNPDF. In line with Ethiopia's national strategies, the first SIP programme focuses on: 1) sustaining the manufacturing sector's contribution to industrial and economic growth; 2) industrial zone development; 3) private sector development; and 4) integrating Ethiopian industries into regional and global markets. Best practices and lessons learnt from Ethiopia will be taken into account in the replication of SIP facilities in other partner countries.
9. **Serbia is proposed as the second pilot country** owing to its emerging role as an important foreign investment destination in Central Europe, as well as the challenges COVID-19 has imposed on the country. Priority sectors under the SIP programme in Serbia tentatively include automotive, artificial intelligence and food-processing.

## 1.2 Link to the 2030 Agenda for Sustainable Development

10. Sustainable investment promotion is fully aligned with the Secretary-General's Strategy and Roadmap for Financing the 2030 Agenda<sup>3</sup>. The financing gap to achieve the SDGs in developing countries is estimated to be US\$ 2.5 – 3 trillion per year<sup>4</sup>, in areas ranging from basic infrastructure to climate change mitigation and adaptation. The COVID-19 pandemic made these financing needs even more urgent.
11. Sustainable investment promotion, beyond its potential in filling the financial gap, can also accelerate the achievement of the 2030 Agenda if foreign investments can be oriented towards responding to the urgent economic and social sustainable development needs of partner countries suffering from COVID-19, while enabling them to build back better—i.e., enabling them to meet the SDGs and confer resilience to the infrastructure systems—after the crisis. This helps address a key challenge in SDG implementation: allocating all available resources, both public and private, in ways aligned with sustainability in all countries.
12. The SIP strategy aims to generate positive impact to advance the SDGs both in the short and long run. The overarching **short-term goal** is to provide a multilateral framework of cooperation to leverage sustainable

<sup>2</sup> <https://www.un.org/en/unpdf/priorities.shtml>

<sup>3</sup> The Secretary-General's Strategy and Roadmap for Financing the 2030 Agenda <https://www.un.org/sustainabledevelopment/sg-finance-strategy/>

<sup>4</sup> UNCTAD World Investment Report, 2014 [https://unctad.org/en/PublicationsLibrary/wir2014\\_en.pdf](https://unctad.org/en/PublicationsLibrary/wir2014_en.pdf)

investment opportunities from all sources in response to the immediate aftermath of the COVID-19 pandemic, which will show early and positive results, bridge communication gaps and ensure that foreign investments complement existing programs and fully engage local stakeholders. The expected short-term deliverables would directly focus on the **economic aspects** of the SDGs, including:

- ✓ **SDG 8:** decent work and economic growth;
- ✓ **SDG 9:** industry, innovation and infrastructure;
- ✓ **SDG 17:** partnerships for the goals.

13. **The long term and intermediate goals** are to improve overall investment cooperation and conditions towards a sustainable, forward-looking path, and to anchor the investment promotion approach in well-structured, local institutions that embody local needs and development priorities of partner countries. The facility will target to address the social, environmental and governance aspects of the SDGs with a long-term vision centered on “building back better”, including in particular:
- ✓ **SDG 1:** no poverty;
  - ✓ **SDG 11:** sustainable cities and communities;
  - ✓ **SDG 13:** effectively addressing climate change;
  - ✓ **SDG 16:** peace, justice and effective institutions.
14. The SIP facility in Serbia will strive to enhance the overall investment climate in Serbia after COVID-19 and contribute to the sustainability of all investments in the country, regardless of source. The facility will be designed with a view to enable subsequent replication in other partner countries.

### 1.3 Mandates, comparative advantage

15. Advancing sustainable investments is fully in line with UNDP’s mandate to facilitate the achievement of the SDGs. It is also envisioned to contribute to UNDP’s work on leveraging “financing for development”, a key priority of the UNDP 2018-2021 Strategic Plan.
16. UNDP’s interventions support partner countries in engaging in sustainable investment promotion and provide tailor-made solutions in the alignment with the SDGs. UNDP is well-placed for this, given its:
- ✓ Position as the lead development agency, key advocate for the 2030 Agenda for Sustainable Development and the SDGs, and leading source of advice on an integratory approach following its SDG integration mandate;
  - ✓ Universal mandate and global presence with a capacity network in more than 170 countries and territories with in-depth and unique understanding of national and local contexts;
  - ✓ Access to and ability to convene all stakeholders, including national and local governments, civil society, private sector and society at large;
  - ✓ Policy influence based on a large project portfolio on the ground, and its national policy advisory inputs and role in global development cooperation, and;
  - ✓ Impartiality promoting independent and evidence-based actions.
17. Through its global network and development expertise, UNDP can utilize SIP facilities to respond to development priorities of partner countries, to incorporate sustainability principles into foreign investment and its subsequent implementation, and to leverage financing for development in providing the following services in general:
- ✓ Pre-investment analysis (research, analysis, ex-ante impact assessments, investment promotion);
  - ✓ Impact measurement, quality assurance, project monitoring and evaluation;
  - ✓ Support to project identification and pipeline management;
  - ✓ Risk assessment and de-risking of investment projects from an ESG standpoint.

## II. ANALYSIS

### 2.1. Problem analysis

18. Several obstacles and challenges need to be overcome to enable foreign investments and financing inflows to maximize their sustainable development potential. From the **demand side**, developing countries are facing challenges such as lack of knowledge and experience on how to align foreign investors' considerations with national development priorities, how to maximize development dividends of foreign investments, and how to tackle potential financial, environmental and social risks of foreign investments. COVID-19 further pushes countries to have concerns over post-crisis engagement mechanisms, lack of viable opportunities during an economic downturn, potential risks of large infrastructure projects and the need to better understand how to manage their impact and trade-offs while recovering from a crisis. This is critical because of the considerable challenges faced by developing countries with regard to institutional capacity and governance of foreign direct investment after COVID-19.
19. From the **supply side**, foreign investors are also facing challenges in the areas of financing, laws and regulations, labor relations, and community engagement. Specifically, there has been a lack of understanding of the host countries' priorities, policies and regulations considering their highly diverse development levels, value and legal systems, as well as environmental and social conditions. The COVID-driven economic downturn tends to further suppress foreign investing activities in partner countries, and communication barriers due to cultural differences and COVID-driven geopolitical frictions are on the rise.
20. The development challenge is to **ensure that while foreign investments focus on shared economic growth after the global pandemic, they also help realize host countries' post-crisis objectives on sustainable social and environmental development and the provision of regional and global public goods centered on "building back better"**. In particular, the programme aims to identify specific proposals on how foreign investments can better contribute to sustainable development in host countries and their post-crisis recovery, as well as to stability and cooperation in the region. By building the capacities of Serbian authorities to attract sustainable investments, the skills built through this project will help guide investments from all countries.
21. Linking the supply and demand sides of markets, the proposed SIP facility will assist in strengthening Serbia's **engagement in cross-regional cooperation**. The Serbia SIP facility will be connecting Serbia to other economic hubs worldwide, with a focus on regional cooperation and trade facilitation after COVID-19. This raises the importance of **the coherence of regulation, standards and policies** at the national and subnational levels, of the distribution of the gains, and of the mitigation of social and environmental challenges.
22. **Many foreign enterprises when investing abroad face challenges**, particularly in their awareness and ability to **identify and manage social and environmental impacts during project implementation**. For instance, according to the 2017 UNDP Report on the Sustainable Development of Chinese Enterprises Overseas<sup>5</sup>, nearly half of the surveyed enterprises have not yet carried out independent Social Impact Assessments (SIA) and 35% of firms proceeded with their overseas investment operations without in-depth or timely Environmental Impact Assessments (EIA).<sup>6</sup> This reflected their lack of familiarity with global standards, or with local business norms. It is critical to carry out such assessments early enough

<sup>5</sup> 2017 Report on the Sustainable Development of Chinese Enterprises Overseas, 8 May 2017, UNDP China, <http://www.cn.undp.org/content/china/en/home/library/south-south-cooperation/2017-report-on-the-sustainable-development-of-chinese-enterprise.html>

<sup>6</sup> Social Impact Assessments (SIA) predict and assess potential social effects of a proposed intervention and provide optimization and monitoring measures. Environmental Impact Assessments (EIA) aim to identify environmental impacts of a project before its execution and to propose solutions that can avoid or mitigate negative impacts.

in the investment process, so that the critical findings can be incorporated into the project design.

23. These development challenges demonstrate a further need to improve investment cooperation and conditions after COVID-19. A re-balancing between partner countries' demands and external investors' interests is required to leverage sustainable investment opportunities that can at the same time address post-crisis recovery needs. There are three main dimensions to consider when assessing the needs:
  - ✓ Quantity and quality of foreign investments, including the investment motive, sourcing strategy, and potential sustainable development contribution to countries' post-COVID recovery;
  - ✓ The absorptive capacity of host countries from both private and public sectors after COVID-19 and their ability to generate knowledge;
  - ✓ The achievement of early-harvest results that complement existing programmes and engage local stakeholders.
24. Zooming in on the Serbian context, Serbia is a landlocked country located at the crossroads of Central and Southeast Europe. Serbia's development priorities are closely tied to the country's commitment towards European Union (EU) integration, which sets out the framework and standards for policy reforms of the country, including its strategy to achieve the SDGs.
25. Echoing the EU sustainability transformation, **six strategic pathways** were identified by the Serbian government for achieving sustainable development for all: 1) connect, partner and integrate Serbia in Europe and the world; 2) achieve faster, inclusive and sustainable growth, based on economic, scientific and innovation resources; 3) render efficient and effective public services; 4) promote human rights and security; 5) education for the twenty-first century; and 6) transformative digitalization.
26. Since 2014, the government of Serbia has launched a number of **resolute measures** to improve the investment climate and business environment to incentivize foreign direct investment (FDI), including a national *Strategy on Promotion and Development of Foreign Investments*. With pending EU membership, Serbia has also jointly launched a declaration with Albania and North Macedonia to implement the EU principles of "four freedoms" in the Western Balkans: the free movement of goods, services, people and capital in the Western Balkans. Through the SIP facility, the Serbian Government seeks to further align its national legislation and investment policies, initially with Albania and North Macedonia to enable these four areas of freedoms, facilitate cross-border transport and trade, and improve the business environment at both national and regional levels to create more job opportunities and stimulate economic growth.
27. In response to COVID-19, **key measures** taken by the Serbian Government to ease its economic and social consequences include 1) tax policy measures, 2) measures of direct financial aid to private sector; 3) liquidity measures in the private sector, and 4) other measures (e.g. direct aid to citizens, moratorium on dividend payments) in order to stimulate domestic demand and improve business liquidity.

## 2.2. Country level problem analysis

28. Over the past years, Serbia has transformed into a **steadily growing economy**, with a fiscal surplus, declining public debt, significantly reduced external imbalances and labour market recovery. The country expects to experience a continued growth trend, past the pandemic period, primarily driven by investment and consumption. In 2019, Serbia attracted 4.3 billion USD net inflows of FDI, with an increase of 5.2% from 4.1 billion USD in 2018<sup>7</sup>.
29. However, COVID-19 is posing considerable risks to the country's prospects that might be particularly accelerated in 2021. During 2020, Serbia's economy showed certain level of resilience, with the gross domestic product (GDP) dropping by only 1.1%<sup>8</sup>, compared to the EU average GDP drop of 6.4%<sup>9</sup>. This

<sup>7</sup> World Bank Data <https://data.worldbank.org/indicator/BX.KLT.DINV.CD.WD?locations=RS>

<sup>8</sup> Ministry of Finance estimate

<sup>9</sup> Eurostat estimate

result is mostly related to the Serbia's specific economic structure that does not rely on sectors most affected by the crisis such as tourism and capital goods. However, if the pandemic continues, there are both ongoing and potential risks that might further endanger Serbia's economic position – prolonged sluggish recovery of EU (Serbia's main trade partner), potential debt crisis of private sectors, liquidity issues etc. The most affected sectors during 2020 were tourism, hospitality, capital goods such as automotive, basic metals, transport of passengers, construction, professional services etc. Particularly vulnerable were micro and small companies who faced severe liquidity and demand issues, which continues to threaten their survival in 2021. Right at the beginning of the crisis, around 80% of micro and small enterprises in Serbia have experienced a decline in demand, and more than 48% of companies fear that they will not be able to survive the crisis without further support.

30. Growing into an important investment location in Central and Eastern Europe, Serbia has an economy that relies heavily on manufacturing and exports, driven largely by foreign investment<sup>10</sup>. However, the current level of investment still remains **insufficient to sustain high long-term growth, and the COVID-driven dramatic drop in global FDI flows<sup>11</sup> is likely to make the matter worse**. For the past five years, total investment in Serbia has averaged 18.8 percent of GDP, and has recently increased to 23.6 percent of GDP in 2019<sup>12</sup>. However, despite the increased level of investment in Serbia, an overall investment level of at least 26 percent of GDP would be needed to reach a 7 percent growth rate and to sustain it for a prolonged period of time<sup>13</sup>. Increasing public investment, closing the gap in private investment, as well as ensuring the quality of investment remains crucial.
31. **The state sector remains significant in Serbia's economy**. Although the country has made progress in trade liberalization and enterprise restructuring and privatization, many large enterprises are still state-owned, including the power utilities, telecommunications company, and natural gas company. **Private sector development** remains key in Serbia's post-crisis recovery as well as the sustainability of the country's long-term prosperity. Serbia's average firm productivity remains relatively low and slow-growing compared to EU firms. Being the backbone of the Serbian economy, domestic private firms are employing over half of the formal private labor force and exhibiting the highest recent productivity growth. Over three-quarters of net job creation between 2014 and 2017 was from only 5 percent of firms<sup>14</sup>. Therefore, empowering the private sector by removing constraints to doing business, entry and competition after COVID-19 should help increase the number of high growth firms, enhance the private sector's resilience, stimulate employment, and foster economic growth that assists the country's post-crisis recovery. Similarly, policies that encourage digital innovation, strategic transition, equal access to finance, as well as a more skilled workforce will also be needed in order to allow more labor and capital to flow to the most productive firms, increasing overall productivity in the Serbian economy.
32. **Exports of goods and services**, an important component for Serbia's development, grew from 30 percent of GDP in 2006 to 52 percent of GDP in 2019. However, this is still lower than the level of similar small transition economies that have already joined the EU, whose total exports reach 80 percent of GDP. Moreover, COVID-driven global supply chain disruptions, as well as shrinking global demand will inevitably affect the manufacturing sector in the country. Serbia needs to further upgrade export-supporting services (e.g., better transport, warehousing and brokerage services), and improve the operating environment for exporters (e.g., access to raw materials, cost and inefficiency of border compliance). Low levels of investment in new technologies, weak trade facilitation, and border constraints on potential exporters will impede Serbia's economic recovery and slow the entry of Serbian businesses to international markets or expanding exports in the long term.

<sup>10</sup> Moody's analytics, Economic Indicator, Serbia <https://www.economy.com/serbia/indicators#ECONOMY>

<sup>11</sup> Investment trends monitor, UNCTAD, March 2020 [https://unctad.org/en/PublicationsLibrary/diaeiainf2020d3\\_en.pdf](https://unctad.org/en/PublicationsLibrary/diaeiainf2020d3_en.pdf)

<sup>12</sup> [IMF - World Economic Outlook](#)

<sup>13</sup> Serbia's New Growth Agenda (2018). World Bank <http://pubdocs.worldbank.org/en/782101580729358303/Serbia-CEM-Synthesis-web.pdf>

<sup>14</sup> Serbia's New Growth Agenda (2018). World Bank

33. The establishment of **industrial and free zones**, their efficient management during and after COVID-19, and sustainable development in the long run, are important prerequisites in the implementation of the development strategy for the Serbian economy. Currently, industrial parks and free trade zones are still **insufficiently developed as effective instruments** to drive economic development for local communities and the country as a whole, and COVID-19 has further posed challenges (e.g. business continuity, online presence, digitalization of services) on industrial parks and free trade zones. Besides low labour cost and preferential trade agreements that Serbia has concluded with other countries, improved incentives, strategic planning, toolkits on innovation and digitalization, effective management have to be in place to sustain and attract investments that counteract the impact of COVID-19 on sustainable development.
34. Additionally, to improve the **overall business environment** in the country after the COVID-19 crisis will also require a more skilled labour force, improved transparency and efficiency of administrative procedures, streamlined investment and business facilitation support, harmonization of investment standards and rules, as well as simplification of overly complex laws.
35. **Expected Outcome:** This SIP facility in Serbia will be aligned with the Country Programme Document for Serbia - CPD (2021-2025). As per the CPD, UNDP will support the Government in improving its innovation ecosystem, sustainable business and investment (Output 2.3 of the CPD). This is in line with the draft United Nations Sustainable Development Cooperation Framework (UNSDCF) Strategy priority to support Serbia to harness the full potential of a green, sustainable and inclusive economy. In addition, the SIP facility covers the following cooperation framework outcome involving UNDP: Equitable economic and employment opportunities are promoted through innovation and circularity, specifically: Output 2.3: Innovation ecosystem, sustainable business and investment improved. Finally, the SIP facility covers "enhanced human capital that ensures prosperity, well-being and cohesion of Serbian society", a goal in the National Priorities for International Assistance.

More specific expected outcome contributions of the proposed SIP facility are highlighted herein:

- ✓ **Sustaining the manufacturing sector's contribution to industry and economic growth after COVID-19:** As the manufacturing sector will continue to be one of the major sources of growth, the SIP facility is instrumental for minimizing the impact of COVID-19 on manufacturing by promoting export, enhancing productivity, diversifying industrial products and markets to enhance the sector's crisis resilience, and shifting towards higher value-added products. It will also open room for knowledge exchange, appropriate technology transfer through encouraging greater investments, both in terms of quantity and quality, to Serbian industries.
- ✓ **Private sector development:** As noted earlier, the private sector is the main expected actor in Serbia's industrial development. Hence supporting private sector involvement in the prioritized industries is among the key industrial development directions during Serbia's recovery process. The SIP facility will serve as a platform to link the private sector with existing and potential opportunities. Identifying such growth potentials, addressing challenges and recommendations via the SIP dialogue forums will provide opportunities for post-crisis economic inclusiveness, poverty alleviation, and income generation that safeguards social security and stimulates economic growth in Serbia after the COVID-19 pandemic.
- ✓ **Industrial zone development:** The development of industrial parks, ultimately into industrial city developments, is a continuous process which requires a long-term and sustained commitment from the part of the government. It demands not only the preparation/update of policy and regulatory frameworks, but also a comprehensive and integrated plan to establish regional business centers, social services (e.g., schools, hospitals, residences), environmental standards and other dimensions which are crucial to develop industrial cities – commonly known as development zones. The SIP platform will be vital for the provision of post-COVID advisory services on these matters, for sharing best practices, exchanging knowledge and bringing partner countries' experiences into national contexts. This is a crucial step towards urbanization and industrial

transformation that supports Serbia's immediate post-crisis recovery and empowers structural change of the country's overall economy in the long term.

- ✓ **Integrating the Serbian industries into regional, EU and global market:** The facility will assist in bringing out opportunities and clearing obstacles towards economic integration at the regional and global levels after the pandemic. Awareness will be created on regional and international business agreements to enhance competitiveness of Serbian industries in regional, EU and global markets. Free movement of goods, services, people and capital will be facilitated in the region. High-value products will be promoted for investment attraction at various SIP dialogue/discussion forums towards making the country a regional hub for selected products and services.

**Table 1 – Country/Regional/Sectoral analysis**

Description of the Issues to be addressed	Status of affairs /Baseline	Realistic Outcomes/Target
1. Focus sectors supported by Development Agency of Serbia (DAS) (with focus on manufacturing)	<ul style="list-style-type: none"> <li>○ Limited technical capacity, coordination challenges, as well as limited interests in engaging the private sector in the manufacturing and other sectors at the expected level.</li> <li>○ COVID-driven global supply chain disruptions and global demand shrink.</li> </ul>	<ul style="list-style-type: none"> <li>○ Sectors in focus of DAS further supported and developed to contribute at a satisfactory level towards achieving an open, regionally and globally competitive, investment-active, educated, innovative and digitally transformed industry of Serbia, which strongly supports the post-crisis economic growth and raising the quality of life of its citizens.</li> </ul>
2. Private sector development	<ul style="list-style-type: none"> <li>○ Limited private sector participation in the manufacturing sector.</li> <li>○ Pressure on the private sector from COVID-driven market downturn.</li> </ul>	<ul style="list-style-type: none"> <li>○ Enhanced knowledge and information exchange among government, private sector community on sustainable investment after COVID-19. Networks established, and B2B relations strengthened.</li> </ul>
3. Industrial zone development	<ul style="list-style-type: none"> <li>○ Limited operational efficiency and effectiveness for industrial parks to recover from COVID and operate at optimal level.</li> </ul>	<ul style="list-style-type: none"> <li>○ Enhanced management capacity and operational efficiency with increase in measurable investment in industrial parks after COVID-19.</li> </ul>
4. Integrating the Serbian industries into regional, EU and global market	<ul style="list-style-type: none"> <li>○ Limited knowledge and awareness about regional agreements/business opportunities.</li> <li>○ Weak export-supporting services and operating environment for exporters, border constrains when it comes to free movement of goods, services, people and capital.</li> </ul>	<ul style="list-style-type: none"> <li>○ Improved business environment on national level with strengthened regional integration after COVID-19. Measurable increase in Serbia's regional competitiveness to attract FDI in manufacturing sector. Best post-crisis practice sharing and knowledge exchange at the regional level.</li> </ul>

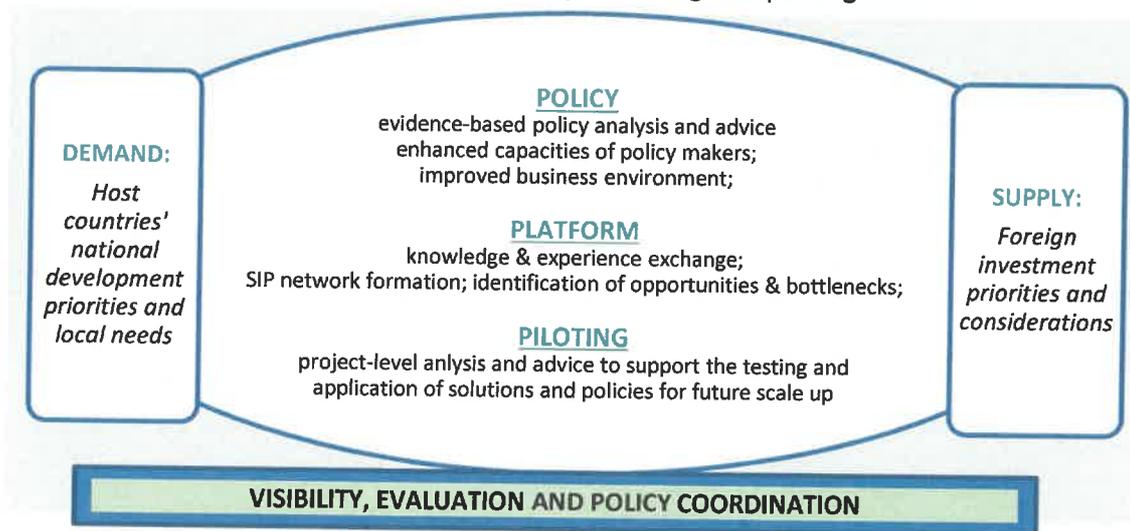
## 2.3. Stakeholder analysis and capacity assessment

Table 2 – Stakeholder Analysis

Non-UN Stakeholders include:	Type and level of involvement in the project	Capacity assets	Capacity Gaps	Desired future outcomes	Incentives
<b>Stakeholder 1:</b> Development Agency of Serbia	Together with the relevant institutes established by the Serbian Government, DAS will be a lead government institution to implement the SIP intervention involved in FDI facilitation and their SDG impact evaluation. DAS will be in charge of supporting sectors within its field of jurisdiction i.e., which are supported through current investment attraction measures.	DAS as a government organization dedicated to facilitating and implementing direct investments, promoting and increasing exports, improving the competitiveness of Serbian economy, and economic and regional development is well positioned to facilitate promotion of SDGs.	Lack of experience and expertise, including technical knowledge in measuring SDG impact.	Overall increase in investment flows to the nation (FDI) through business dialogue, knowledge exchange, cooperation, and better understanding and measurement of their impact on the SDGs.	Support in strengthening business to business linkages towards increase in investment flows to the nation (FDI). Knowledge and experience in sustainable and inclusive investments.
<b>Stakeholder 2:</b> General Secretariat of the Government/Sector for International and Development Cooperation	The central Government coordinating authority.	Well placed to coordinate various authorities in designing policies and delivering services.	Newly established sector being capacitated.	System level adaptation in favor of servicing FDIs.	Support in improving the enabling environment for sustainable investments.
<b>Stakeholder 3:</b> Office of the National Council for Coordination of Cooperation with the Russian Federation and the People's Republic of China	The responsible authority in charge of coordinating bilateral cooperation with China and Russia.	Well placed in guiding strategic cooperation frameworks.	Operates at the political and policy levels, not at operational levels.	Overall deepening of partnerships for future cooperation.	Support/experience in expanding/strengthening partnership opportunities.

## 2.4. Proposed Response /Solution

36. The proposed SIP facilities adopt a **two-pronged strategy** in order to increase sustainable investments and financing flows for sustainable development:
- ✓ In response to the **demand** side challenges as identified earlier (paragraph #17), the programme aims to increase partner countries' institutional capacity to attract, absorb, sustain and upgrade foreign investments that helps the country to "build back better" after the COVID-19 crisis.
  - ✓ In response to the **supply** side challenges as identified earlier (paragraph #18), the programme plans to fill communication gaps, facilitate knowledge exchanges, introduce, incentivize and advocate for sustainable investment at best-practice level to enhance foreign investments' impact on post-crisis recovery, and to increase the provision of regional and global public goods.



37. **Adopting a partner country-oriented approach with the focus on the national and local development priorities and capacity development as its core.** One of the lessons learnt from the previous and existing programs related to engaging multilateral development cooperation and overseas investments was that empowering and enhancing partner countries' capacities help attract and manage investments, as well as leverage long-term impact and associated benefits. Through country engagement and capacity development, the proposed SIP facilities will enhance engagement ability and absorptive capacity with the outcome of strengthening partner countries' leadership and ownership in SIP engagement when recovering from the COVID-19 crisis. National stakeholders will collaborate to enhance policy, regulatory and procedural coordination, institutional frameworks for post-crisis investment promotion and methods for monitoring its effectiveness and sustainability. This aligns the proposed SIP facility in Serbia with the country's national sustainable development goals.
38. **Emphasizing a multi-country and multi-stakeholder perspective.** SIP facilities are designed to provide a neutral, transparent and interactive multilateral platform to engage various countries including the EU, Russia, United States, Turkey and China who have been investing in Serbia given its role as gateway for Central Europe. SIP facilities aim at matching investment opportunities with local demands, and exchanging knowledge, best practices and lessons learnt on sustainable investment, as well as investment-led employment stimulation and economic growth after COVID-19. Potential partners include government agencies, regulators, financial institutions, public and private enterprises, chambers

and civil society as well as the academic institutions and think tanks. Both cross-sector and in-sector tailored dialogues will be carried out to exchange knowledge and experiences. Based on these, and considering well-established international guidelines (e.g., EU, World Bank, OECD), recent ones initiated by the G20 mechanism as well as domestic ones in Serbia, the facility aims to promote and attract overall investment to the country from all interested nations.

39. The establishment of a SIP facility will build on the existing framework in Serbia, and on the achievements and partnerships gained from **UNDP's country-level ongoing initiatives** such as the *SDG Acceleration Framework (2020-2024)* between UNDP and the Government of Serbia. This Framework has provided a solid foundation for the implementation of the SIP programme in Serbia. Under it, UNDP provides policy advisory services to the FDI Unit within the government to improve the investment climate in Serbia; as well as capacity development of central authorities for SDG monitoring and implementation to accelerate national progress towards sustainable development. In addition, there may also be opportunities for collaboration between the SIP network and relevant institutes established by the Serbian Government to enhance sustainable investment related information exchanges and policy coordination.
40. **Piloting at country level to demonstrate impact and paving the way towards scaling up.** The proposed SIP facility applies a two-phase approach:
- i) **In the short term**, it will initially develop a pilot SIP facility in Serbia, with support from UNDP. The facility will first focus on the positive early results in the piloting country over two years, during which it is expected to generate the following deliverables as a stepping stone toward future scaling-up and replication:
    - ✓ Concrete, relevant and effective modalities for setting up an effective SIP facility in support of the country's post-crisis recovery; and
    - ✓ Concrete lessons for what areas to focus on for the biggest impact and what approaches work the best (and which ones do not).
  - ii) **In the intermediate and long term**, based on the "dos & don'ts" and the effective modalities that are derived from the piloting results, the upgraded facility will further link with existing SIP facilities in partner countries (e.g. Ethiopia), have better access and make bigger impact to other future potential SIP partner countries should there be replication while ensuring the sustainability of the institutional setting created by the proposed facility in Serbia.



### III. PROJECT STRATEGY: OBJECTIVE, EXPECTED ACCOMPLISHMENTS, INDICATORS, MAIN ACTIVITIES

#### 3.1. Logical Framework

41. UNDP proposes to advance sustainable Investments by strengthening partner countries' capacities and establishing a network of sustainable investment promotion (SIP) facilities, to help facilitate cross-border investment and business, stimulate employment, and foster economic growth in order to assist the country's post-crisis recovery. In the case of Serbia, this will be aligned with the SDG Acceleration Framework (2020-2024) to accelerate national progress on sustainable development. The proposed strategy aims to:
- ✓ **Increase** foreign investments social impact while boosting economic growth supporting post-crisis job creation, access to services and poverty eradication;
  - ✓ **Accelerate** context-based structural transformations for sustainable development channeling investments towards a low carbon and green economy; and
  - ✓ **Catalyze** global partnerships in leveraging finance and investments towards key sectors for economic growth and regional cooperation after COVID-19.

#### Objective

42. Serbia (as second pilot) has improved its overall investment climate to attract and sustain foreign investments from all sources that counteract the impact of COVID-19 on economic and social sustainable development in the country. This will be done through strengthening the relevant institutional frameworks and further developing capacities.
43. The overarching **short-term goal** is to provide a framework of cooperation to leverage sustainable investment opportunities from all sources in response to the immediate aftermath of the COVID-19 pandemic, which will show early and positive results, bridge communication gaps and ensure that foreign investments complement existing programs and fully engage local stakeholders.
44. The **long-term and intermediate goals** are to improve overall investment cooperation and investment conditions towards a sustainable, forward-looking path, and to anchor the investment promotion approach in well-structured, local institutions that have embodied local needs and development priorities of partner countries, with a vision of "building back better". Specifically, the SIP facility will:
- a) **Advance economically, socially and environmentally sustainable investments**, searching for innovative solutions that will ensure a sustainable recovery from COVID-19, as well as accelerate progress toward the advancement of the 2030 Agenda and the 17 SDGs.
  - b) **Facilitate investment supply to match investment demand**. The assessment of development needs of SIP partner countries after COVID-19 calls for a careful matching of demand with available supply and resources. This needs to take into account the quantity and quality of foreign investments, including investment motives, sourcing strategy, and potential sustainable development contribution to countries' post-COVID recovery.
  - c) **Strengthen developing countries' capacities to better engage with foreign investment opportunities**. The development of domestic skills and innovation capabilities is essential not only to attract and manage foreign investments needed for post-crisis recovery, but also to leverage long-term positive impact and potential benefits associated with such investments.
  - d) **Forge mutually beneficial and win-win cooperation for both local and multilateral actors**. There is a need to increase transparency of enterprises and awareness of procedures of partner countries, and make investment decisions more consistent and predictable. It is vital to foster cooperation in the context of a multi-stakeholder platform that will generate mutually beneficial outcomes for investors, operators, government officials, regulators and local communities.

- e) **Promote positive early-harvest results and enhanced communication.** While the proposed SIP facility is still at an early stage, it is crucial to achieve positive results and to showcase successful examples, to demonstrate its potential under contexts such as post-crisis recovery and encourage sustainable investments in the long run that clearly benefits partner countries. It also needs to create engagement mechanisms to enhance communication and consultation among key stakeholders to strengthen linkages to national and local authorities, rules and regulations and partners.

#### Pathways

- ✓ **Policy.** The SIP facility will strengthen capacities of policymakers in Serbia to understand the impact of COVID-19 on enterprises, identify practical challenges, priorities, regulatory and institutional gaps in sustaining and upgrading investments and businesses that support Serbia's post-crisis recovery and long-term sustainability of its development.
- ✓ **Platform.** The SIP facility will act as a platform to enhance knowledge, information exchange and communication on foreign investment opportunities, foster knowledge and experience sharing on investment-led employment stimulation and economic growth, and present investment policy as well as governance solutions to counteract the impact of COVID-19 on economic and social sustainable development in Serbia.
- ✓ **Pilot.** The SIP facility will support the testing and application of the above solutions by showcasing successful practices on how sustainable investment and business approaches can support post-crisis recovery and can be further scaled up and/or replicated in Serbia and possibly other SIP pilot countries.

### 3.2. Logical Framework Matrix

Table 3 – Logical Framework

<u>Logic Intervention</u>	<u>Indicators</u>	<u>Means of verification</u>
<b>Objective</b> Serbia (as second pilot) has improved its overall investment climate to attract and sustain foreign investments from all sources that counteract the impact of COVID-19 on economic and social sustainable development in the country. This will be done through strengthening the relevant institutional frameworks and further developing capacities.		
<b>Outcome 1</b> <b>Policy:</b> Strengthened capacities of policymakers in Serbia to understand the impact of COVID-19 on enterprises, identify	<b>IA 1.1</b> <b>An impact assessment study of COVID-19 on enterprises, and its outcome to be developed into an assessment report summarizing key findings with relevant case studies/best practices included.</b>	One assessment study

<p>practical challenges, priorities, regulatory and institutional gaps in sustaining and upgrading investments and businesses that support Serbia's post-crisis recovery and long-term sustainability of its development.</p>	<p><b>IA 1.2</b>  <b>A Post-COVID-19 SDG Investor Map</b> to highlight business opportunities as well as potential social and economic benefits of foreign investments in priority sectors, subsectors, sub-regions and, more gradually, proven business models to safeguard social security and stimulate economic growth in Serbia after the COVID-19 crisis.</p>	<p>One SDG Investor Map</p>
	<p><b>IA 1.3</b>  <b>Legal advisory service</b> to the Serbian government to align its national legislations and investment policies with Albania and North Macedonia at first, so as to enable the free movement of goods, services, people and capital (i.e., EU principles of "four freedoms") in the Western Balkans, facilitating cross-border transport and trade, and improving the general business environment to attract and sustain foreign investments on both national and regional levels after the COVID-19 crisis.</p>	<p>One set of legal analysis</p>
<p><b>Output 1.1</b>  Depending on the evolution of the pandemic, prepare and launch an <b>impact assessment study of COVID-19 on enterprises</b> in Serbia to assess the short-term and mid/long-term impact of COVID-19 on these enterprises, the support needed by them, and the impact on their ability to implement sustainable investment in the country; to identify potential opportunities, gaps, and priority areas for recovery to inform follow-up programme actions including critical "building back better" aspects; and to produce an assessment report summarizing key findings with relevant case studies/best practices included. A team of senior national and international experts will be convened for drafting, based on both desk writing and field visits (if situation allows). The knowledge product is planned to be started in Q4 of the first year, and to be launched by Q1 of the second year, with a consultation / review meeting included in the half-day launch event, tentatively to invite about 100 participants. The total estimated activity cost is \$68,250.</p>		
<p><b>Output 1.2</b>  Building upon the findings of the SDG Impact<sup>15</sup> initiative, develop a <b>Post-COVID-19 SDG Investor Map</b>, a targeted platform of country-level data that highlights business opportunities as well as potential social and economic benefits of foreign investments in priority sectors, subsectors, sub-regions and, more granularly, proven business models to safeguard social security and stimulate economic growth in Serbia after the COVID-19 crisis. A team of senior national and international experts will be convened for drafting, based on both desk writing and field visits (if situation allows). The SDG Investor Map is planned to be started in Q4 of the first year, and to be launched in Q4 of the second year, with an estimated activity cost of \$55,000.</p>		

<sup>15</sup> SDG Impact is a UNDP initiative focused on eliminating barriers and driving integrity for SDG-enabling investment at scale. It consists

**Output 1.3**

In line with Serbian national strategies on foreign investment, provide **legal advisory service** to the Serbian government to align its national legislation and investment policies with countries in the region as to enable the free movement of goods, services, people and capital (along the EU principles of “four freedoms”) in the Western Balkans<sup>16</sup>, facilitating cross-border transport and trade, and improving the general business environment to attract and sustain foreign investments at both national and regional levels after the COVID-19 crisis. A team of senior legal experts will be convened for drafting, based on both desk writing and field visits (if situation allows). This activity is planned to be completed by Q2 of the third year, with an estimated cost of \$96,200.

<p><b>Outcome 2</b>  <b>Platform:</b> Enhanced knowledge, information exchange and communication on foreign investment opportunities, fostered knowledge and experience sharing on investment-led employment stimulation and economic growth after COVID-19, and an established learning and capacity development network among the SIP pilot countries towards presenting investment policy as well as governance solutions to counteract the impact of COVID-19 on economic and social sustainable development in Serbia.</p>	<p><b>IA 2.1</b>  <b>Two sets of annual SIP events</b> with participation from all countries investing in Serbia, held in Serbia and abroad (i.e., <i>High-level Policy Dialogue</i> and <i>Sustainable Investment Promotion Forum</i>) for increasing the awareness and forging mutual understandings among targeted regional cooperation stakeholders (e.g. Western Balkans, EU, Central Asia, etc). The aim is to identify how to advance sustainable investments in support of Serbia’s post-crisis recovery; as well as gaps, lessons learned, and pathways to advance sustainable investment in Serbia and beyond with a specific focus on enterprises most affected by COVID-19.</p>	<p>Pre-event background paper/ scoping paper and agenda;  List of participants,  Participants feedback and questionnaires;  Post-event summary, knowledge products, project quarter/annual reports.</p>
	<p><b>IA 2.2</b>  <b>Two knowledge and information exchange visits</b> to facilitate learning and experience sharing among all partner countries, enhance understanding and institutional capacities in Serbia’s post-crisis recovery, with a focus on investment-driven employment stimulation and economic growth. Field trip to selected projects, Special Economic Zones (SEZs) or enterprises will be organized.</p>	<p>Event materials and agenda;  List of participants;  Participants feedback and questionnaires;  Post-event summary.</p>

of three pillars: 1) Impact Management, with practice standards, tools for impact measurement and certification with an SDG Impact Seal; 2) Impact Intelligence, with country-level data on SDG-enabling investment; 3) Impact Facilitation.

<sup>16</sup> [https://ec.europa.eu/neighbourhood-enlargement/policy/common-regional-market\\_en#:~:text=The%20Common%20Regional%20Market%20represents,privileged%20relation%20with%20the%20EU.](https://ec.europa.eu/neighbourhood-enlargement/policy/common-regional-market_en#:~:text=The%20Common%20Regional%20Market%20represents,privileged%20relation%20with%20the%20EU.)

	<p><b>IA 2.3</b>  <b>An online SIP One-Stop Platform</b> to inform and encourage sustainable investments that facilitate local needs to match investment opportunities from all interested nations after COVID-19, reducing transaction costs on project identification and screening; that enhance online learning and capacity development; and that provide easy access to analysis and measures for project de-risking and assessment with focus on social, environmental and governance aspects.</p>	<p>Online one-stop platform to update regular country-/project-/investment- level data, information and tailor-made analysis.</p>
--	---	---

**Output 2.1** Based on the findings of the impact assessment of COVID-19 on enterprises (O. 1.1) and the legal advisory services on enabling “four freedoms” (O. 1.3), organize **High-level Policy Dialogue** among relevant stakeholders from Serbia, and other partner countries to facilitate exchanges, forge mutual understandings, identify opportunities, bottlenecks as well as pathways to advance sustainable investment in Serbia in support of its post-crisis recovery after COVID-19. In particular, this activity will consist of the following with a total estimated activity cost of \$120,152:

- O. 2.1.1 **First High-level Policy Dialogue**, aiming to exchange understanding, knowledge and practices on how to advance sustainable investment in Serbia supporting its post-COVID-19 recovery, and to jointly develop a comprehensive Action Plan among cross-sector stakeholders on facilitating sustainable investment from all sources in Serbia, and creating an enabling environment for regional cooperation (e.g. Western Balkans, EU, Central Asia, etc.) on investment and trade. Tentatively to invite about 80 participants from Serbia, Asia and other partner countries, with a specific focus on central and local governments, investment bureaus, private sector partners, financial institutions, overseas chambers, local commercial associations as well as development agencies. A field trip visit to selected projects (completed or ongoing), SEZs, industry parks or enterprises around Belgrade will also be planned, as to facilitate first-hand knowledge and experience sharing between participants and in-site managers on opportunities, challenges and solutions. The dialogue is currently planned to be held in Q3 of the third year, with the estimated activity cost of \$61,926. Depending on the evolution of the pandemic, the timing and format (e.g., teleconference) of the proposed activity may be further adjusted.
- O. 2.1.2 **Final High-level Policy Dialogue**, summarizing programme results and outcomes, contribution to post-crisis recovery, and consolidating best practices and lessons learned for future SIP programme expansion in other partner countries. The high-level dialogue tentatively plans to invite about 50 key policy makers, technical experts, enterprises and other relevant stakeholders from Serbia, Asia and other partner countries for in-depth discussion. The dialogue is planned to be held in Q4 of the third year, with the estimated activity cost of \$58,226.

**Output 2.2** Facilitate sustainable investment cooperation through **Sustainable Investment Promotion Forums**, with the aim to support the promotion, actualization, sustaining and upgrading of foreign investment from all interested nations in Serbia with a specific focus on enterprises most affected by COVID-19. In particular, this activity will consist of the following with a total estimated activity cost of \$138,652:

- **O. 2.2.1: First Sustainable Investment Promotion Forum**, convening about 100 private and public stakeholders from Serbia, Asia and other partner countries to meet, exchange and share their practices, expertise and experience. Targeting potential investors from all interested nations, the forum plans to focus on opportunities and challenges for investing in Serbia after COVID-19 through investment pitches, roundtable discussions and Business to Business (B2B) networking sessions to advance the general sustainable investment climate in Serbia. The forum is planned in Q1 of the third year (may be further adjusted depending on the evolution of the pandemic), with the estimated activity cost of \$70,976.
- **O. 2.2.2: Second Sustainable Investment Promotion Forum**, convening about 100 private and public stakeholders from Serbia, Asia and other partner countries to meet, exchange and share their practices, expertise and technologies. Focusing on existing and potential international investors from all interested nations with concrete investment plans in Serbia, the forum will emphasize the actualization, sustaining and upgrading of foreign investment in Serbia after the COVID-19 crisis. The forum is planned in Q3 of the third year (may be further adjusted depending on the evolution of the pandemic), with the estimated activity cost of \$67,676.

**Output 2.3 Knowledge and information exchange visits** to facilitate learning and experience sharing among all partner countries, enhance understanding and institutional capacities in Serbia's post-crisis recovery, with a focus on investment-led employment stimulation and economic growth. Field trip to selected projects, Special Economic Zones (SEZs) or enterprises will also be organized. In particular, this activity will consist of the following with a total estimated activity cost of \$111,126:

- O. 2.3.1 **Organize a knowledge exchange** in Asia, tentatively to invite about 15 participants (at both policy making and implementation levels) from line ministries in Serbia. The exchange is designed to include: i) seminars led by international experts and practitioners based in Asia and elsewhere regarding sustainable investment related topics such as post-crisis investment promotion, cross-border trade facilitation, employment stimulation, and small and medium enterprise (SME) revitalization, etc. Specific topics will be determined based on further consultation with Serbian government to reflect actual training needs; and ii) field visits to selected projects (completed or ongoing), SEZs or enterprises in Asia, as to demonstrate good practices and to facilitate first-hand knowledge and experience sharing between participants and in-site managers on opportunities, challenges and solutions for post-crisis recovery. The exchange is planned to be held in Q1 of the third year (may be further adjusted depending on the evolution of the pandemic), with the estimated activity cost of \$59,000.
- O. 2.3.2 **Organize an investor trip** to Serbia as a follow-up to the Sustainable Investment Promotion Forum in Asia (O. 2.2.1), bringing together a broad range of international investors and enterprises from all interested nations, government representatives and agencies, financial institutions, advisory groups and media (approximately 25 people in total) to selected projects (completed or ongoing), SEZs, industry parks or enterprises in Serbia. Participants will be able to discover/showcase emerging investment opportunities after COVID-19, build direct connections with the investment and business community in Serbia, and advance the actualization of sustainable investment in support of the country's post-crisis recovery. The involvement of media also aims to increase international exposure of the exchange through site visits and communication platforms. The investor trip is planned to be held in Q3 of the third year, with an estimated activity cost of \$52,126.

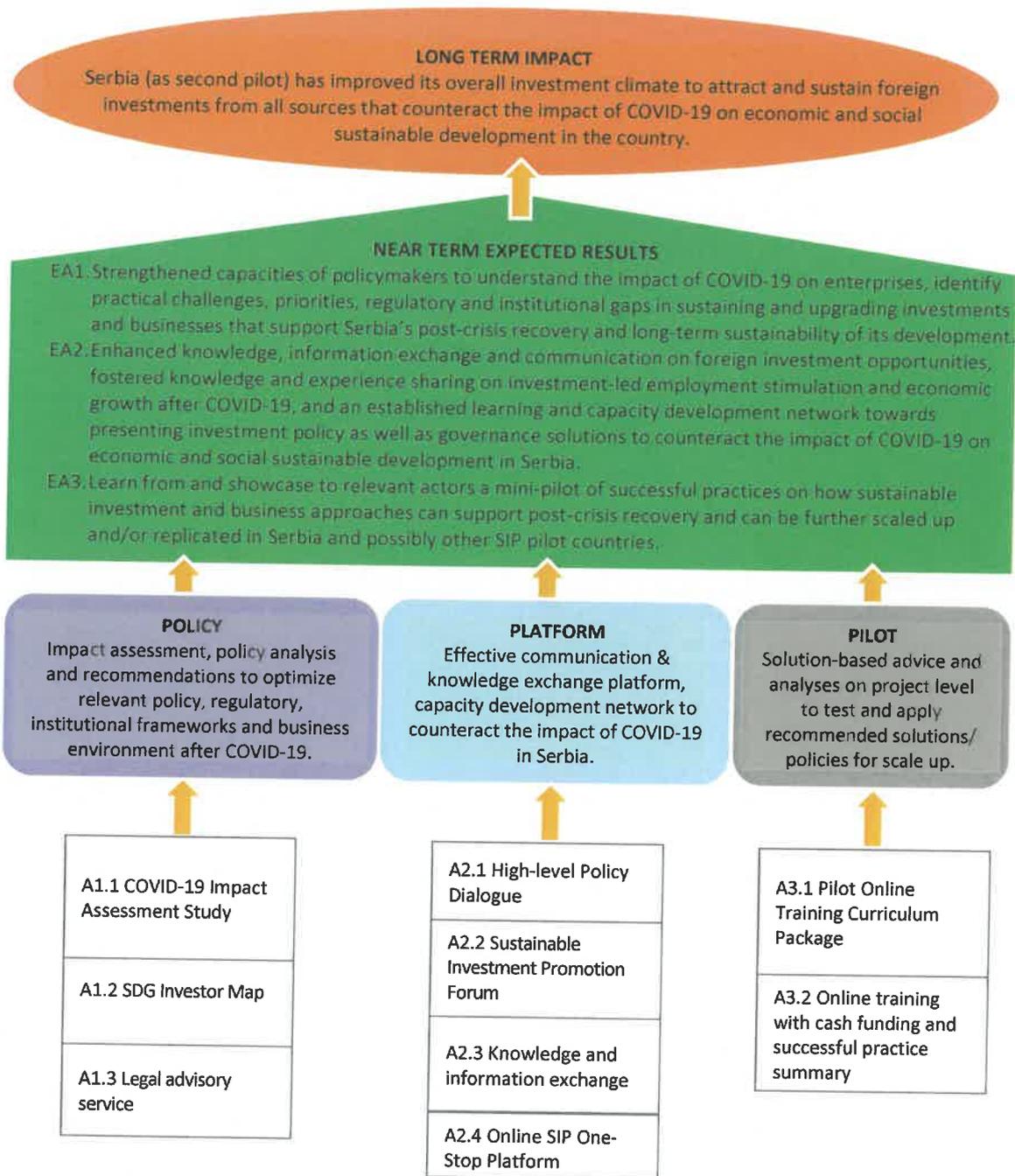
**Output 2.4 Develop and maintain an online SIP One-Stop Platform**, that offers a wide array of information and analysis and training resources for both existing and potential foreign investors from all interested nations keen on sustaining and expanding their business in Serbia and beyond after COVID-19. In particular, the platform will consist of the following with the estimated activity cost of \$110,500:

- O. 2.4.1 A **“one-stop shop”** that offers a wide array of information, analysis and training resources for existing and potential foreign investors from all interested nations keen on sustaining and expanding their business in Serbia and beyond after COVID-19. The one-stop shop will serve as a resource and service hub that provides context analysis at country, sectoral and industry level; online training resources helping enterprises and investors adjust to new business models and industrial trends after COVID-19 (e.g. cross-border ecommerce, digital transformation); as well as tailored solutions at project/investment level addressing specific enquiries and/or barriers encountered by companies. A **desk/field officer working mechanism** will be established to facilitate communication and outreach to all relevant institutions and delivery units within and beyond Serbia. The desk/field officers will serve to enhance public sector efficiency and enforcement of investment-related policies at all levels in Serbia. Each regional desk/field officer will be responsible to liaise between the investors, central government bodies and the local governments. This function will be incorporated into relevant institutional setting established by the Government of Serbia with other stakeholders to ensure long-term sustainability. The total estimated activity cost is \$70,500.
  
- O. 2.4.2 **Online platform** to enhance the easy access of information and data, and to facilitate service provision for brokering demand and supply for foreign investments from all interested nations in Serbia. Consolidating the efforts of the one-stop shop, the main functions of this online platform can tentatively include the following with an estimated cost of \$40,000:
  - Enable **information publication and retrieval**, particularly on context information and analysis of investment-related policies, regulations, laws and legislations at country and sectoral/industry level.
  - Advance **online learning and capacity development** for investors, particularly in response to emerging business models and industrial trends after COVID-19.
  - Allow potential investors to **identify and make initial contacts** with respective government agencies, professional institutions / organizations, or experts who can provide support in their quest to establish cooperation with/in Serbia.
  - Establish a **Frequently Asked Questions (FAQs)** section with answers to common investment inquiries to avoid duplication of efforts and thus to improve service efficiency of relevant government agencies.
  - To host **open calls for cooperation** to enable matchmaking between investors and product/technology/service providers.

<p><b>Outcome 3</b>  <b>Pilot:</b> Learn from and showcase to relevant actors a mini-pilot of successful practices on how sustainable investment and business approaches</p>	<p><b>IA 3.1</b>  <b>A pilot online training curriculum package</b> designed for most affected enterprises (especially SMEs) with a focus on sustaining and upgrading their business after COVID-19, to enhance enterprises’ awareness and ability to economically and socially sustain their business, and thus to increase the resilience and</p>	<p>One online training curriculum package.</p>
--	---	--

<p>can support post-crisis recovery and can be further scaled up and/or replicated in Serbia and possibly other SIP pilot countries.</p>	<p>inclusiveness of the labor market in Serbia after COVID-19.</p>	
	<p><b>IA 3.2</b>  <b>Pilot online training curriculum and cash funding provided, with three successful practices</b> (e.g. rapid adjustment of business strategy, innovative business models, social safety net for vulnerable employees) summarized and adequately disseminated to demonstrate best practices and lessons learned.</p>	<p>One knowledge product on the selected best practices</p>
<p><b>Output 3.1</b>  Based on programme outcomes and findings of the impact assessment of COVID-19 on enterprises, design a <b>pilot online training curriculum package</b> for high value-added enterprises with innovative background, focusing on sustaining and upgrading their business after COVID-19. Topics will cover both the economic (e.g. financing, cost reduction, cross-border ecommerce, digital transformation) and social sides (e.g. labor law, protection of women and children rights, vulnerable employment) of post-crisis business, to enhance enterprises' awareness and ability to economically and socially sustain their business, and thus to increase the resilience and inclusiveness of the labor market in Serbia after COVID-19. The online training curriculum package will be completed by Q4 of the second year, with a total estimated activity cost of \$44,500.</p>		
<p><b>Output 3.2</b>  Provide and <b>subsequently implement</b> the pilot online training package for 10 selected<sup>17</sup> enterprises that have been most affected by COVID-19 in Serbia, and pair the training curriculums with <b>cash funding</b> for these enterprises to increase their cash flow to get through the temporary market downturn, allow them the flexibility to adjust post-crisis business strategy and increase their resilience capacity. <b>Three successful practices</b> (e.g. rapid adjustment of business strategy, innovative business models, social safety net for vulnerable employees) summarized and adequately disseminated to demonstrate best practices and lessons learned, and to explore possibilities for scaling up / replicating. The activity will be completed by Q4 of the third year with an estimated activity cost of \$128,750.</p>		

<sup>17</sup> The criteria for selection will be developed by the order of the potential impacts, as assessed by the Project Board at the time of implementation.



### 3.3. Risks Assessment and Mitigation Actions

**Table 4 – Risks and mitigation actions**

<b>Risks</b>	<b>Mitigating Actions</b>
<p><b>R1.</b> Unpredictability of how long the COVID-19 pandemic will last and the possibility of its recurrence during the proposed project cycle, which will impact project implementation.</p>	<p><b>M1.</b> Activities that rely less on physical travel/presence, and can be performed online have been prioritized. Currently planned off-line activities have also been designed with flexible format or timing sequence, in order to enhance the project’s overall resilience.</p>
<p><b>R2.</b> Difficulties to identify the targeted participants and audiences, and to monitor and assess the impact on the participants’ awareness and understandings towards sustainable investment through the proposed interventions.</p>	<p><b>M2.</b> Initial mapping and analysis on the stakeholder status and capacity will be conducted. Initial meetings and workshops will be organized to consult and brief with the potential partners to be involved.</p>
<p><b>R3.</b> Difficulties in convening a broad range of different stakeholders on the same page, and pace for the timely delivery of the project within the two-year project cycle.</p>	<p><b>M3.</b> Regular progress reports and assessment will be conducted, with the focus on the achievements gained by the last intervention and the direct implications to the concurrent and upcoming activities. If needed, intra-agency meetings will be arranged on project progress, achievements and lessons learnt, potential risks and mitigation measures.</p>
<p><b>R4.</b> Data availability to establish the proposed online SIP One-Stop Platform and to update on a regular, on-time basis.</p>	<p><b>M4.</b> Additional knowledge and technical support will be pursued from the targeted media partners.</p>
<p><b>R5.</b> Available staff from the Serbian government counterparts and enterprises in charge of the piloting projects to devote to supporting project interventions.</p>	<p><b>M5.</b> Capacity and awareness gaps will be augmented by including the targeted staff with the proposed events on knowledge sharing, capacity development and training. Necessary questionnaires, one-on-one interviews and consultations will be organized.</p>
<p><b>R6.</b> Creating a SIP facility that is seen to exclusively focus on Chinese investment, not providing useful lessons for all investment – domestic and foreign, or the necessary compatibility with Serbia’s EU membership objectives. The facility pays lip service to sustainability without actually promoting in tangible ways improvements to the way investments are made.</p>	<p><b>M6.</b> Throughout the process of the project implementation, local participation and buy-ins of the facility need be strengthened and highlighted, multilateral stakeholders from all interested nations will also be fully engaged, including investor roundtables, trips, etc planned under the SIP facility. Inputs will be sought from Serbia’s relevant Ministries regarding EU rules. The SIP facility will provide support to the country in ensuring sustainability standards in early stages of negotiations on investments.</p>

<b>R7.</b> Limited institutional capacity to fully realize the outputs of the SIP initiative.	<b>M7.</b> Relevant institutions to be provided with technical and operational assistance within the scope of the initiative to kick start and fully implement the SIP facility.
<b>R8.</b> Lack of strong information management system.	<b>M8.</b> Support will be provided to strengthen capacity in data management in implementation of the SIP One-Stop Platform.
<b>R9.</b> Weak coordination between national ministries, sector bureaus and regional governments.	<b>M9.</b> The advocacy platforms will be used to promote coordination and harmonization for the success of SIP initiation.
<b>R10.</b> Lack of financial resources to further expand the programme beyond the 2-year period.	<b>M10.</b> The SIP facility will also serve as a platform to advocate for resource mobilization to further expand the programme.

### 3.4. Monitoring and Evaluation

45. In accordance with the programme and project management policies of UNDP, the proposed programme will be monitored in order to ensure that the project activities are implemented effectively and efficiently. The responsible party on the end of the UNDP Serbia has the responsibility of monitoring ongoing activities on a regular basis. The Monitoring and Evaluation (M&E) strategy will include project monitoring, field visits, regular provision of reports, and data collection on a biannual basis. The focus will be on the achievement of the benchmarks indicated in the Logical Framework. In this regard:
- A monitoring plan is to be developed and implemented during the project life cycle. The plan shall be designed in due consideration of assessing progress of activities under each output. Results shall also be measured against set targets, indicators, and estimated duration;
  - Monitoring reports should be documented (electronic and hard copies), and these would be useful for follow-up on the identified issues and scheduled briefing to the project steering committee;
  - Programme progress will be reviewed quarterly and annually; and,
  - Communication engagements will be guided by a strong M&E system.

#### ✓ Project Reviews within the annual cycle

- On a quarterly basis, a quality assessment shall record progress towards the completion of key results, based on standard quality criteria;
- Regular progress report shall be submitted using the standard reporting format (reporting schedule detailed as down below);
- An issue log shall be activated in Atlas and updated on timely manner to facilitate tracking and resolution of potential problems or requests for change;
- Based on the initial risk analysis, a risk log shall be activated in Atlas and regularly updated by reviewing the external environment that may affect project implementation;

- A project lesson-learned log shall be activated and regularly updated to ensure on-going learning within the organization, and to facilitate the preparation of the lessons-learned report at the end of the project;
  - A monitoring schedule shall be activated in Atlas and updated to track key management actions/events; and,
  - Following regular progress report, an annual project review shall be conducted during the fourth quarter of the year or soon after as per requirement of the Trust Fund, to assess the performance of the project with focus on the extent to which progress is being made towards outputs, and that these remain aligned to appropriate outcomes.
- ✓ **Reporting:** The UNDP Programme Manager assigned will regularly prepare consolidated progress report (supported by cumulative financial report when applicable) on the supported activities.

Project Progress Report	Covering Period	Proposed Deadline
1 <sup>st</sup> Progress Report supported by Cumulative Financial Report	1 September 2021 to 28 February 2022	By 31 March 2022
2 <sup>nd</sup> Progress Report supported by Cumulative Financial Report	1 October 2021 to 31 March 2022	By 30 April 2022
3 <sup>rd</sup> Consolidated Progress Report supported by Cumulative Financial Report	1 April 2022 to 30 September 2022	By 31 October 2022
4 <sup>th</sup> Progress Report supported by Cumulative Financial Report	1 October 2022 to 31 March 2023	By 30 April 2023
Final report and Evaluation supported by Cumulative Financial Report	XX XXXX 2021 to XX XXXX 2023	By XX XXXX 2023
Final financial report		Upon closure of the second fiscal year

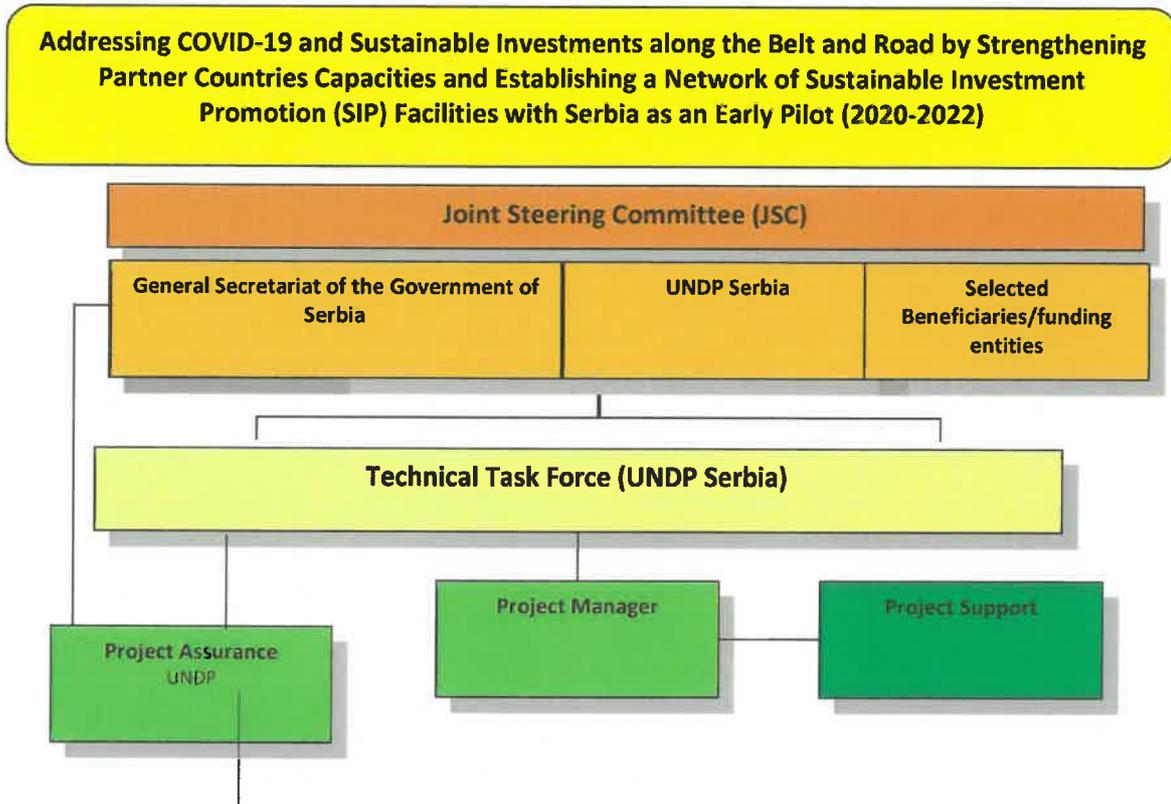
- ✓ **Audit:** The project will be audited according to UNDP rules and regulations for nationally implemented projects and minimum once during the project's life cycle.
- ✓ **Project evaluation:** A final evaluation will be undertaken to assess outcome achievements, document lessons learned, and to outline the scope for future programming prospects.

Evaluation Title	Type	Timeframe	Budget in USD\$ (as per detailed budget)
End-of-project evaluation	External	Month XXIV	\$26,194 (approximately 3% of project total cost)

### 3.5. Management and Coordination

46. The UNDP Serbia country office will implement this programme entitled "Addressing COVID-19 and Sustainable Investments along the Belt and Road by Strengthening Partner Countries Capacities and Establishing a Network of Sustainable Investment Promotion (SIP) Facilities with Serbia as an Early Pilot (2020-2022)".
47. On Serbia country office end, the General Secretariat of the Government will be responsible for an overall oversight in pursuing agreed activities of the programme.
48. The **project board/Joint Steering Committee (JSC)** will provide strategic direction and oversee the overall implementation of the SIP facility. The JSC will be composed of representatives of UNDP Serbia,

General Secretariat of the Government. The JSC is responsible for: (i) providing strategic direction and aligning the SIP interventions with priorities of the Serbian government and to ensure coordination among the various actors. The chart below presents the management arrangement of the project.



49. There will be a Technical Task Force (TTF). The TTF will be responsible for developing action plans; review implementation status and challenges and recommend mitigation measures; provide technical backstopping as well as validate and monitoring project outputs meet set targets outlined within the scope of the project.
50. UNDP Serbia will provide technical and operational support in implementing the agreed activities. Furthermore, UNDP Serbia will support the JSC in oversight and monitoring functions. Additional specific responsibilities will include, but are not limited to, ensuring: beneficiary needs and expectations are being met or managed; risks are being controlled; the project remains viable; internal and external communications are conducted smoothly; quality management procedures are properly followed; and that the JSC deliberation are followed and possible activity revisions are managed in line with the required procedures.

#### IV. SUSTAINABILITY

51. In the short run, the activities and process in supportive of the SIP facilities will serve as a good testing ground and starting point to examine the feasibility, relevance and impact of UNDP's strategy, approach

and measures. If early-harvest results are generated from the pilot country, this would potentially bring complementarities and synergies to the existing relevant initiatives, programs, projects and partnerships. On the other hand, through the substantive multi-stakeholder interactions during the project implementation process, it is expected to seek local buy-ins of the SIP key concepts, proposed measures and best practice sharing.

52. In a long run, the proposed facilities are to create not only a one-stop shop to facilitate sustainable investments, but also to promote an enabling business environment based on a partner country perspective in which foreign investments and business engagements can thrive, supporting thus both trade, economic growth and technological advancement along the routes. On its geographical scope, while on the short term the programme focuses on the positive early results in Serbia, the facility will have great potentials to be replicated and scaled up on the longer term to other partner countries.
53. Ultimately, it will aim at creating a network of SIP facilities, which can engage with other facilities in neighboring and other partner countries while strengthening cross-border, sub-regional and global cooperation to advance the SDGs.

#### **V. PUBLIC INFORMATION AND COMMUNICATIONS**

54. Live or online public event-based activities (e.g. O2.1-2.3) in the proposed programme, include communication and outreach activities, aimed at sharing achievements resulting from the initiative.
55. For policy dialogues, investment promotion forums, and knowledge and information exchange programmes (e.g. O2.1-2.3), media representatives will be invited to participate in and report the events, distributing before/during/after event communication products (e.g. op-ed, info-graphic, photos, event videos, blogs, press release, social media posts) via a variety of media platforms; in-depth interview with selected representatives and sectoral opinion leaders will also be conducted. For publication of planned knowledge product (e.g. O1.1-1.3), digestible communication products (e.g. info-graphic, op-ed, blogs, press release, social media posts) will be prepared for media distribution; launching event will also be organized inviting relevant domestic and international stakeholders. Through site visits, dialogues, interviews and other activities, media representatives will have access to project-level information, key results and outcomes, milestone, lessons learnt and good practices of the project. Specific communication plan is to be further concretized to each specific activity.
56. Moreover, acknowledgement of the project and the 2030 ASD Sub-Fund of the UNPDF will be made during the whole project communication circle. Communication materials will also be shared with the Programme Management Team of the 2030 Agenda Sub-Fund.

#### **VI. PROJECT ANNEXES**

- Annex 1.1: Detailed Budget by Results
- Annex 1.2: Budget Summary by Reporting Class
- Annex 2: Project Workplan