

**PROJECT DOCUMENT**  
**Public Enterprise Integrity Project (PEIP)**

**Project title:** Public Enterprise Integrity Project (PEIP)**Project (Award) number:** 00120342**Implementing partner:** United Nations Development Programme (UNDP)**Start date:** 01 July 2019**End date:** 30 June 2020**LPAC meeting date:****Implementation modality:** DIM**Brief description**

The project is expected to enhance government capacities to tackle and deter corruption in the country's public sector through strengthened integrity management within the public enterprise system. Acting in concert with, and at the request of, the Prime Minister of the Canton of Sarajevo, UNDP will provide the Government with assistance in formulating and executing a pilot anti-corruption project aimed at mitigating corruption risks in the public sector, and publicly owned enterprises in particular.

The project will: 1) assess the historical compliance of targeted corporation to the relevant financial management rules and regulations through an exhaustive and external review process; 2) map out corruption and fraud risks to future corporate operations through an examination of risk management and fraud prevention protocols currently in force; and 3) work with ministry and corporate leaderships to formulate and implement an action document that will entail structural and procedural measures aimed at safeguarding public funding allocated to the two companies under review.

The project will be implemented in close cooperation and coordination with the Office of Anti-Corruption as well as the Cantonal Internal Audit Service, recently established by the new government.

**Linkage with SDGs:** SDG 16**Linkage with EU accession agenda:** Public procurement (Chapter 5), Judiciary and fundamental rights (Chapter 23), Financial control (Chapter 32)**Linkage with UNDP Strategic Plan 2018-2021:** Outcome 2. Accelerate structural transformations for sustainable development.**Contributing outcome (UNDAF/CPD):** Outcome 4. By 2019, economic, social and territorial disparities are decreased through coordinated approach by national and subnational actors.**Output/s ID (with gender marker<sup>1</sup>):** 00116541; GEN 2

<b>Total resources required (USD):</b>	252,990	
<b>Total resources allocated (USD):</b>	<b>UNDP TRAC:</b>	22,999
	<b>Donor:</b>	229,991
	<b>Government:</b>	N/A
<b>Unfunded (USD):</b>	N/A	

**Agreed by:**

UNDP:

Sukhrob Khoshmukhamedov, Deputy Resident Representative

Date: 25.08.19

<sup>1</sup> The Gender Marker measures how much a project invests in gender equality and women's empowerment. Select one for each output: GEN3 (Gender equality as a principle objective); GEN2 (Gender equality as a significant objective); GEN1 (Limited contribution to gender equality); GEN0 (No contribution to gender quality).

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## I. DEVELOPMENT CHALLENGE

### 1. Context

#### 1.1 Wider country context

Bosnia and Herzegovina (BIH) is an **upper middle-income country** with 3.5 million population, which is gradually declining and aging. The country has a high level of human development<sup>2</sup>, but is still below the average for the Europe and Central Asia region. Poverty remains a concern, particularly in rural areas and among minorities<sup>3</sup>.

While the **country's Gross Domestic Product (GDP) rate** is projected to increase from 3.2% in 2018 to 3.8% by 2021<sup>4</sup>, this is still too low to lead to a noticeable improvement in many citizens' living conditions. With the per capita GDP at some 32% of the European Union (EU) average<sup>5</sup>, the pace of BIH's convergence with the EU remains among the slowest in the region. The overall business environment in the country remains weak<sup>6</sup>, while BIH is also among the least competitive economies in Southeast Europe<sup>7</sup>. While the **unemployment** rate has been falling (reaching an historic low at 18.4% in 2018), high inactivity and low employment rates continue. Only about one third of the working-age population are accounted as employed in BIH. The labour market participation of women remains low<sup>8</sup>. The country also has a relatively low level of wages as a reflection of its overall weak competitive position.

The complexity of BIH **governance structure**, insufficient efficiency of governments' institutions, complex coordination and political consensus undermine public policies and slow reforms. With the expiration of the Reform Agenda 2015-2018, the country is without a strategic framework to guide its development efforts. On a positive note, with UN's support, authorities across all government levels have stepped up their engagement to nationalize the Agenda 2030 and develop the **Sustainable Development Goals (SDGs) Framework 2030 for BIH**.

According to the [Fragile States Index 2019](#), BIH features as a **fragile state**, ranked 86<sup>th</sup> among 178 countries. Nine months after the October 2018 General Elections, BIH still does not have established governments at state, entity<sup>9</sup> and some cantonal levels. **Corruption** continues to plague the country, while many challenges persist in relation to the **rule of law and human rights**. Reform efforts in the area of **public administration** have not yielded significant results. Public administration accounts for over one-fifth of the country economy. The dominant matrix, whereby the political elites use the public administration as their spoils, is manifested as mass recruitment into the public administration based on party affiliation criteria, with the aim of buying social peace and staying in power. This concept has led to hypertrophied and under-capacitated public administration, answerable to the political elites. The process of reforming the public administration lacks the necessary political support needed to modernise the administrations in order to meet the expectations of the citizens and businesses.

BIH has been a potential candidate country for **EU accession** since 2003. The Stabilization and Association Agreement (SAA) with the EU was signed in 2008 and entered into force in June 2015, including its adaptation in 2017 to take into account the accession of Croatia to the EU<sup>10</sup>. BIH submitted its formal application for EU membership in February 2016. In May 2019, the European Commission issued its Opinion on BIH's application for membership of the EU<sup>11</sup>, which represents a crucial milestone in the EU-BIH relations.

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<sup>2</sup> Measuring average levels of income, health and education, the Human Development Index of BIH was at 0.768 in 2018, ranking it 77<sup>th</sup> among the countries with a high level of human development. [Human Development Indices and Indicators, 2018 Statistical Update](#), UNDP.

<sup>3</sup> The poverty headcount ratio showed 17% of the population living on less than 60% of median national income, a lower value than in many countries of Central and Eastern Europe. Household Budget Survey, 2015, BIH Agency of Statistics.

<sup>4</sup> Economic Reform Programme of BIH (2019-2021), [European Commission Assessment](#).

<sup>5</sup> [Eurostat](#), 2017.

<sup>6</sup> The [World Bank Doing Business Report for 2019](#) ranks BIH as 89<sup>th</sup> out of 190 countries globally.

<sup>7</sup> The Competitive Industrial Performance Index by the UN Industrial Development Organization ranks BIH 81<sup>st</sup> on the global scale of industrial competitiveness (latest available data for 2016).

<sup>8</sup> [Labour Force Survey](#), BIH Agency for Statistics, 2018.

<sup>9</sup> Entity of the Federation of Bosnia and Herzegovina (FBiH).

<sup>10</sup> The SAA includes provisions on cooperation in agriculture and in the veterinary and phytosanitary fields with the aim of modernizing and restructuring the agriculture and agro-industrial sector.

<sup>11</sup> [Analytical Report accompanying the Commission's Opinion on BIH's application for membership of the EU](#), Commission Staff Working

## 1.2 Sector specific analysis

Corruption represents a serious challenge for BiH. In 2018, BiH ranked 89 out of 180 countries in Transparency International's Corruption Perception Index, scoring 38 –on a scale of 0 (highly corrupt) to 100 (very clean)<sup>12</sup>. Country's complex administrative and regulatory frameworks create ample opportunities for corruption. All levels of government show signs of political capture, directly affecting the daily life of citizens, notably in health, education, employment and public procurement matters<sup>13</sup>. Political figures and agencies increasingly voice their concerns over the dangers presented by corruption, but there has been limited activity or political will to combat the issue directly.

While the country has overall established legal and strategic frameworks to prevent and combat corruption, there are still significant gaps. The relevant legislative framework is not harmonized, while fragmentation of strategies and action plans across the different levels of government makes their implementation ineffective. Adequate funding is not provided, while coordination and cooperation across all levels of government needs to be enhanced. New legislation needs to be adopted at all levels on the declaration of assets and conflict of interests in line with international standards, in particular relevant recommendations by the Council of Europe Group of States against Corruption (GRECO). There are no systemic and consolidated data on practice of integrity of civil servants, both in terms of questionnaires on self-declarations on civil service integrity and verification of integrity of civil service to assess better this area<sup>14</sup>.

The criminal justice policy throughout the whole country is largely ineffective in the fight against corruption, also due to inadequate penalties that do not ensure sufficient deterrence. Frequent conflicts of jurisdiction, leading to transfers of cases between levels of government, slow down proceedings and reduce efficiency, thus undermining the credibility of the system. The police are not proactive in investigating corruption cases, which is a serious concern. The trend over the past years shows that only a limited number of investigations are launched and finalised<sup>15</sup>.

With fraud and corruptive practices prevalent throughout the BiH public sector, practical and immediate measures are needed to mitigate risks and effectively deter fraudulent behaviour by public sector budget holders. Inadequate internal audit capacity and internal controls across institutions, especially in public procurement, make the public finance management systems in BiH vulnerable to inefficiency and waste<sup>16</sup>.

Within the ranks of the public sector, government-owned corporations are especially prone to behaviour that undermines transparency, accountability and integrity - a recent report by Transparency International singles out public enterprises as extremely vulnerable to corruption due to multiple factors, including politicized boards and administration, and a low level of transparency and accountability. International best practices have shown that two separate but equally important lines of defence are needed to safeguard public funds and interests when it comes to the management of public companies: 1) better corporate governance and operational management, to include properly functioning steering and oversight structures, as well as transparency in decision making; and 2) enhanced internal control mechanisms with anti-corruption and anti-fraud protocols in place across the organization. The introduction of an effective financial management and control system is also an obligation for EU candidate countries under Chapter 32 of the Accession Negotiations (Public Internal Financial Control).

## 1.3 Anti-corruption efforts in Canton Sarajevo

Sarajevo Canton has a professional anti-corruption body with full-time staff. The Office was originally founded in 2006 with primary focus on Quality Control/Management. However, its mandate was expanded in 2018 to

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Document, 2019.

<sup>12</sup> <https://www.transparency.org/cpi2018>

<sup>13</sup> *Analytical Report accompanying the Commission's Opinion on BiH's application for membership of the EU*, Commission Staff Working Document, 2019.

<sup>14</sup> *Idem*

<sup>15</sup> *Idem*

<sup>16</sup> For example, in 2015, more than 75% of all public procurements were conducted behind closed doors, through direct negotiations. <https://ba.usembassy.gov/wp-content/uploads/sites/270/2017/08/BiH-ICS-FINAL-2017.pdf>

include and focus on fight against corruption. It remains the only official cantonal level anti-corruption agency in the country.

The new Cantonal Government has aggressively pushed the anti-corruption agenda and in early 2019 successfully passed a Law on Asset Declarations of Public Function Holders in the Canton, covering conflict of interest. This move triggered massive public interest in the topic as for the first time it was government that disclosed all assets owned by the holders of public functions through a web-based platform in order to identify potential conflict of interest. In addition to this, the Office made publicly available registers of public officials and employees in all public institutions and companies.

Recognizing the importance of public sector auditing for strengthening public governance, ensuring accountability and protecting the core values of the public sector entity, the Cantonal Government has also set up the Office for Cantonal Internal Audit Service, as part of the Ministry of Finance. In the upcoming period, efforts will be invested in improving capacities for internal audits of public companies as a key to good public governance. This is particularly important due to the fact that in the Sarajevo Canton alone, some EUR 45 million are being allocated to 14 public corporations, or close to 10% of the overall budget annually. These 14 public companies include eight companies providing different communal services (heating, sanitation, water, gas, water etc), as well as those managing public goods such as sports facilities, television etc. Sheer volume of public funds allocation on yearly basis as well as variety of services provided to the general public further stresses the importance of channelling these funds in a transparent and accountable manner.

#### **1.4 Lessons learnt from previous experiences**

Since 1996, UNDP has delivered more than USD 540 million in development assistance to BIH. While UNDP finances some initiatives with own resources, the majority of its funding comes from partnerships with multilateral funds and bilateral donors that recognise UNDP as a reliable and strategic development partner. Since 2014, UNDP in BIH has implemented more than USD 10 million in partnership with the Government of Norway.

At present, UNDP works in more than 70% of local governments in the country, with a wide portfolio of assistance, including local governance and service delivery; energy efficiency; local economic development; private sector development; agriculture and rural development; community development; diaspora engagement; and disaster risk management. Since 2016, UNDP has been working with local governments to optimize their operational costs and reinvest savings into development projects with a vast array of methodological tools and resources already developed. Much of the focus in these programs has been on ensuring good governance and sound financial management by partner public institutions through both increased capacities as well as strengthened transparency and accountability.

In terms of combating corruption, UNDP has been active in the field for more than a decade with two projects already implemented in cooperation with the Government of Norway: 1) "Strengthening Parliamentary Capacities and Key Institutions Mandated with Fighting Corruption in BIH" from November 2013-February 2015 with a total budget of USD 206,456.06; and 2) "Fighting Corruption Interim Response" from October 2015 – December 2016 with a total budget of USD 117,702.45.

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## **II. STRATEGY**

### **2.1 Theory of change and impact hypothesis**

The project will 1) assess the historical compliance of targeted corporation to the relevant financial management rules and regulations through an exhaustive and external audit process; 2) map out corruption and fraud risks to future corporate operations through an examination of risk management and fraud prevention protocols currently in force; and 3) work with ministry and corporate leaderships to formulate and implement an action document that will entail structural and procedural measures aimed at safeguarding public funding allocated to the two companies under review. By focusing on enhancing government capacities

to tackle and deter corruption in public sector, the project will tangibly contribute to systemic and scalable improvements in public enterprises' internal control and risk management practices.

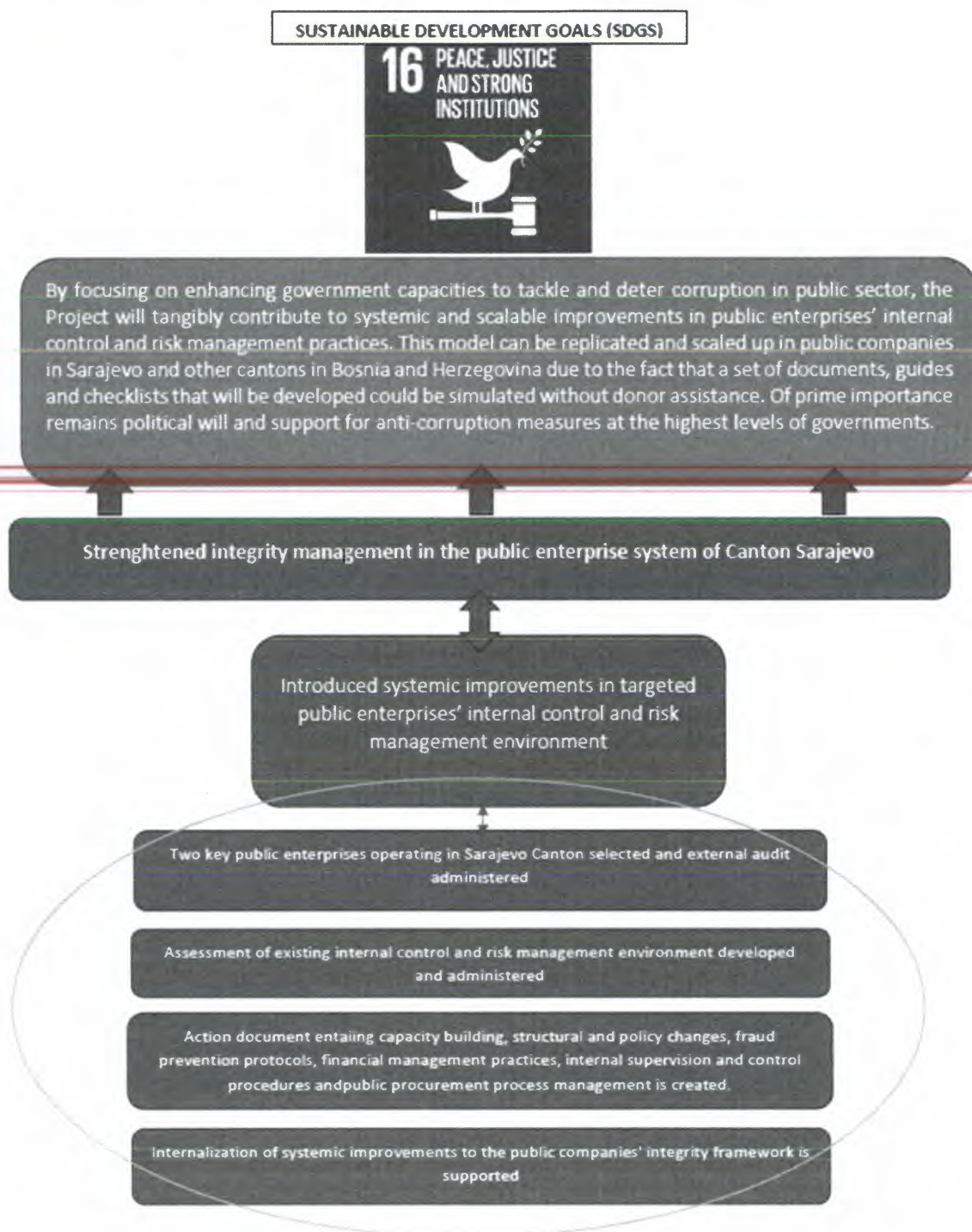


Figure 1 - Visual snapshot of the project theory of change

At impact level, the project is expected to gradually help improve the country's poor corruption perception performance by enhancing government capacities to curb and deter corruption. This will take place through a managed process of best practice dissemination and replication of project results achieved across the cantonal landscape and beyond.

The project is expected to contribute to **strengthened integrity management in the public enterprise system of Canton Sarajevo**, entailing enhanced governance structures, policies and procedures, as well as capacities of key personnel to identify and curb corruptive and fraudulent practices. This will be measured by:

- Number of public enterprises in Canton Sarajevo with improved integrity frameworks, i.e. anti-corruption and fraud prevention protocols, enhanced financial management practices, internal supervision and control procedures, as well as public procurement process management (at least 2).

## 2.2 Relevance to international and national policies/strategies and frameworks

The project is in line with the **Canton Sarajevo Anti-Corruption Strategy and Action Plan (2018-2019)** that were adopted in line with the BIH Anti-Corruption Strategy (2015-2019), and in particular the Strategic Programmes 1.1. Systemically assess integrity in public institutions in Canton Sarajevo and 1.2. Strengthening internal control and audit systems for supervision of public institutions.

The project additionally feeds into the **EU accession agenda** set out for BIH through three chapters in particular (Public procurement – Chapter 5, Judiciary and fundamental rights – Chapter 23, Financial control – Chapter 32), as anti-corruption theme cuts across many segments including government, private sector as well as civil society.

Importantly, the project will also contribute to the implementation of the **Agenda 2030 and the SDGs**, specifically SDG 16: Peace, Justice and Strong Institutions. It is aligned with the **UNDP Country Programme Document for BIH (2015-2020)**, Outcome 4. By 2020, economic, social and territorial disparities are decreased through coordinated approach by national and subnational actors.

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## III. RESULTS AND PARTNERSHIPS

### 3.1 Detailed description of output, activities and expected results, project duration

The project **output** is as follows: **Introduced systemic improvements in targeted public enterprises' internal control and risk management environment.** This will be measured by:

- Number of audit and due diligence recommendations implemented by the two targeted corporations (at least 50% during the project implementation period) as identified through the audit/assessment and formulated in the action document;
- Number of managers and other key personnel trained on anti-corruption measures, conflict of interest situations and ethical violations (target 30).

Through the stated output, the project is expected to enhance government capacities to tackle and deter

The output will be achieved through four below described activities.

#### ***Activity 1.1 Design, commission and administration of an external audit of two key public enterprises operating in Canton Sarajevo.***

Given the size and scope of public enterprises in Sarajevo Canton, the project will initially need to identify two where the project activities could be implemented and where the outreach could be most significant, in terms of both ripple effect on other public enterprises in the Canton but also on the quality of services for the citizens. Once these enterprises are identified, thorough and detailed audit will be performed which will result in findings and recommendations in order to address weaknesses, gaps and control deficiencies. This activity is planned to take place in the first quarter of project implementation.

This activity will be implemented through the following set of specific sub-activities:

- Perform mapping of public companies in Sarajevo Canton to identify two to be audited;
- Review any existing audit reports for selected companies;
- Perform an external audit to identify weakness, gaps and deficiencies in financial management;
- Share and audit findings and recommendations with partners in the form of summary report.

***Activity 1.2 Develop and administer an assessment of existing internal control and risk management/governance environment (Corruption Risk Mapping) in the two selected companies.***

This activity entails development of customized methodology in order to assess corruption potential within internal control and risk management mechanisms – with specific focus on reporting requirements, as well as operations management. Once this methodology is approved the project team, it will be applied to the selected public enterprises in order to gain insight into the existing internal control mechanisms and risk management environment.

This activity will be implemented through the following set of specific sub-activities:

- Develop a Corruption Mapping methodology to assess existing internal control and risk management mechanisms;
- Administer the corruption risk mapping exercise;
- Draft detailed assessment report and share finding with ministry and corporate leadership.

***Activity 1.3 Create an action document entailing capacity building, structural and policy changes to encompass improvements in anti-corruption and fraud prevention protocols, financial management practices, internal supervision and control procedures, as well as public procurement process management.***

This activity will result in a document which will specify capacity building plans, policy changes in internal supervision, control procedures and public procurement process. All this will be implemented in order to rectify current situation which allows for corruptive and fraudulent activities to take place.

This activity will be implemented through the following set of specific sub-activities:

- Discuss findings of external audit and corruption risk mapping process with selected group of experts;
- Identify concrete, time-bound, measures to effect structural improvements to financial management and control procedures across the public enterprise landscape;
- Present action document to line ministers and public enterprise management for final comments and endorsements.

***Activity 1.4 Support internalization.***

This activity rests of on the availability of political will to implement all mentioned recommendations within the identified public enterprises and to follow through the changes within the internal structures which will follow adoption of these changes.

This activity will be implemented through the following set of specific sub-activities:

- Secure formal and public endorsement of proposed actions by political and operational leadership;
- Identify experts required to support as well as oversee implementation of commitments;
- Implement selected actions in the form of capacity building as well procedural overhaul of the standard operating framework of the two enterprises;
- Provide regular reports to political and operational leadership.

The project will be implemented over a period of 12 months, starting in July 2019.

### **3.2 Methodological approach**

UNDP will execute this pilot anti-corruption project **acting in concert with, and at the request of, the Prime Minister of the Canton of Sarajevo**. The project will work with two key public corporations, to be selected in cooperation with the Government, in order to mitigate risks to public funding through mismanagement, fraud and corruption. It will also help create a baseline for future anti-corruption activities and test the project approach and methodology for scaling up potential.

The project will, **simultaneously, undertake a traditional audit of historical financial records as well as a mapping of corruption risks** inherent in the structure and protocols of the two companies. It is expected that the intervention will ultimately result in systemic improvements in targeted public enterprises' internal control and risk management environment and as such will serve as a blueprint for similar future activities.

Besides the two targeted public enterprises, the project will entail **capacity development** of relevant cantonal institutions (Anti-Corruption and Internal Audit Offices) through their close involvement with project implementation, enabling them to undertake similar interventions independently of donor assistance.

All activities will make ample use of internal and partner expertise and will be preceded by thematic assessments and broad consultations.

### 3.3 Target groups, beneficiaries

The project will focus on the following main institutional beneficiaries:

- The Sarajevo Canton Government;
- Two publicly owned enterprises;
- The Government Office for Anti-Corruption and Quality Management;
- The Internal Audit Office;
- Ministry of Communal (Utility) Services (other ministries as relevant);
- Resident non-governmental organisations working on anti-corruption and fraud prevention.

The project is expected to ultimately benefit the citizens of the Canton, as the recipients of services provided by the corporations targeted through the project.

### 3.4 Geographical area of intervention and territorial demarcation with other relevant interventions

The project will be implemented in Canton Sarajevo, the largest regional administrative unit in the country, catering to a population of some 500,000 across 9 local communities. The canton was selected due to the size of its annual budget (+500 million EUR) and the fact that the bulk of its services are provided by a network of public enterprises operating with minimum supervision and little transparency.

### 3.5 Resources Required to Achieve the Expected Results

Balance		
<b>Income (USD)</b>	<b>1</b>	<b>Total</b>
Support from the Ministry/Norad	229,991	229,911
Funding provided by grant recipient	22,999	22,999
Support from other donors	0	0
Other income	0	0
Subtotal	252,990	252,990
<b>Costs (USD)</b>	<b>1</b>	<b>Total</b>
Salary and personnel costs	55,399	55,399
External consultants	148,880	148,880
Travel costs	3,910	3,910
Other costs (incl. indirect operating)	44,801	44,801
Subtotal	252,990	252,990

### 3.6 Partnerships (stakeholders' engagement)

UNDP will assume full responsibility for the management of the project, including achieving of the output, the efficient and effective use of resources, as well as implementation monitoring.

Project partners include:

- **Office of the Prime Minister** as the project instigator and process champion that will assure buy-in and long-term ownership of the process;
- **Office for Anti-Corruption and Quality Management** as an operational level counterpart in project implementation that will help ensure replicability of results across the canton;
- **Office of Internal Audit** as an operational level counterpart that will build its capacities for audit and risk review through the project;
- **Ministry of Communal Affairs** as the responsible line ministry that will secure access and ensure compliance of corporate management with the demands of the process (other ministries as relevant);
- **Two public enterprises to be targeted through the project and will be expected to comply with, and implement, the recommendations arising from the audit and review processes.**

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### 3.7 Transversal themes: gender equality, social inclusion, human rights, disaster risk reduction

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The project will ensure gender equality perspective across all activities, with specific focus on female public enterprise and public sector employees being included in capacity building trainings which will be conducted by the project. The project will track changes by collecting data for sex-disaggregated indicators where possible and relevant.

### 3.8 Innovation and untraditional approaches, as well as potential link with the Accelerator Lab

The potential of e-government solutions for tackling corruptive and fraudulent practices in public enterprises remains to be explored, but several examples from the international arena could be considered when it comes to scaling up possibility, such as eProcurement system.

### 3.9 Synergies with other on-going or planned interventions

The project will build synergies with the ongoing projects implemented by UNDP, but also by other local and international partners that focus on fight against and prevention of corruption. Donors which remain focused on this topic are USAID through their unwavering support of Justice Activity in BIH, as well as the EU through support to projects implemented by Transparency International and Justice International Cooperation. Finally, the OSCE Mission to BIH continues to focus on the topic as it initially kick-started this anti-corruption effort, in concert with the Cantonal Government, in early 2018.

### 3.10 Knowledge management

Knowledge management and sharing is becoming increasingly important to ensure that good practices and decision-making are based on sound evidence. In that sense, the project will embrace a set of tools ensuring knowledge management and sharing and awareness raising on the subject matter; contributing to mind-set change of cantonal administration and decision-makers with regard to the fight against corruption and promoting exchange and dialogue among the project stakeholders.

Specifically, the following knowledge sharing tools will be utilized by the project:

- Tailored and interactive media promotion (utilizing electronic and social media);
- Facilitation of cooperation between knowledge holders in the subject matter through established working groups;

- Capacity development and on-the-job coaching for relevant institutions;
- Facilitation of information and knowledge-sharing within the Canton Sarajevo Anti-Corruption and Internal Audit Offices;
- Best practice sharing and knowledge diffusion in two selected public enterprises;
- Knowledge sharing with the Sarajevo Canton Ministry of Communal (Utility) Services (and other ministries, as relevant).

### **3.11 Use of existing country systems, mechanisms and frameworks**

The project will be implemented in close cooperation with all relevant stakeholders and wherever possible use already existing systems and mechanisms with aims to put in place the needed frameworks to mitigate corruption risks in the public sector, and publicly owned enterprises in particular.

The project will be fully embedded within the sub-national governance system and as such, will directly support its structures, functions and strategic commitments regarding integrity management within the public enterprise system.

### **3.12 Sustainability and Scaling Up**

Project ownership and sustainability will be ensured through embedding local institutions into the project, starting with the design phase, and, in the process, strengthening their capacity to identify and root out corruptive risks and practices. Representatives from the Anti-Corruption Office and the Internal Audit Service will be part of the project team, helping guide and support the audit and review processes, while reporting directly to the Office of the Prime Minister to maintain political momentum.

In particular, representatives of domestic institutions will also be provided with training of trainers' support in order to enhance their capacities to provide the necessary skills, knowledge and abilities to other public enterprises on how to identify and mitigate corruption risks beyond the project scope.

The project will also look to identify any policy gaps that need to be addressed in order to effect structural changes to the anti-corruption system in Canton Sarajevo. This may include a review of sectoral legislation as well as any by-laws or implementing instructions at ministry level, or, alternatively, policies governing the work of the targeted corporations themselves. Relevant parliamentary commissions will be consulted and briefed regularly in order to secure broad political support for the project and the overall process expected to build on initial project results.

The project will also produce a set of documents, guides and checklists that can be deposited with the relevant partner institutions and utilized, as needed, in order to replicate the project without donor assistance.

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## **IV. GOVERNANCE AND MANAGEMENT ARRANGEMENTS**

### **4.1 Project management**

UNDP in BIH will assume full responsibility and accountability for the overall management of the project, including achieving of the output, the efficient and effective use of resources, as well as implementation monitoring. The Direct Implementation Modality (DIM) will be applied, premised on the fact that institutional and administrative capacities within national stakeholders are still not sufficient to undertake core functions and activities, also having in mind its high potential for maximum cost-effectiveness and tailored flexible capacity development of institutional partners.

As per standard practice, the steering structure will include the Project Board, Project Assurance and the Project Team, interacting in a broader context with partners and all interested stakeholders.

The Project Board is responsible for making management decisions for the project. Its scope of work includes project oversight, as well as regular review of work plans, progress reports and relevant procedures submitted by the Project Team. It also provides strategic guidance, as well as gives final approval to milestone strategic and operational matters.

Members of the Project Board include representatives of the Embassy of Norway, Cantonal Government and UNDP. The Project Board will meet semi-annually, or as necessary when raised by the Project Manager.

Independent of the Project Manager, the Project Assurance role will support the Project Board by carrying out objective and independent Project oversight and monitoring functions. This role ensures Project milestones are managed and completed. It will be performed by the UNDP Rural and Regional Development Sector Leader. The Project Assurance role will support the Project Board by carrying out objective project oversight and monitoring functions. This role ensures appropriate Project management milestones are managed and completed. Independent of the Project Manager, the role of Project Assurance will be performed by the UNDP Rural and Regional Development Sector Leader, supported by the UNDP Sector Associate.

The Project Team comprises a part-time National Project Manager and 1 core team member. Part-time support will also be provided by the Finance and Administration Associate and Communications Officer.

The Project Manager will run the project on a day-to-day basis on behalf of the UNDP and will be responsible for ensuring that the project produces the required results that can achieve the benefits defined in this document. He or she will ensure conceptualisation, delivery and monitoring of project activities in the fields of results, learning, knowledge management, awareness raising.

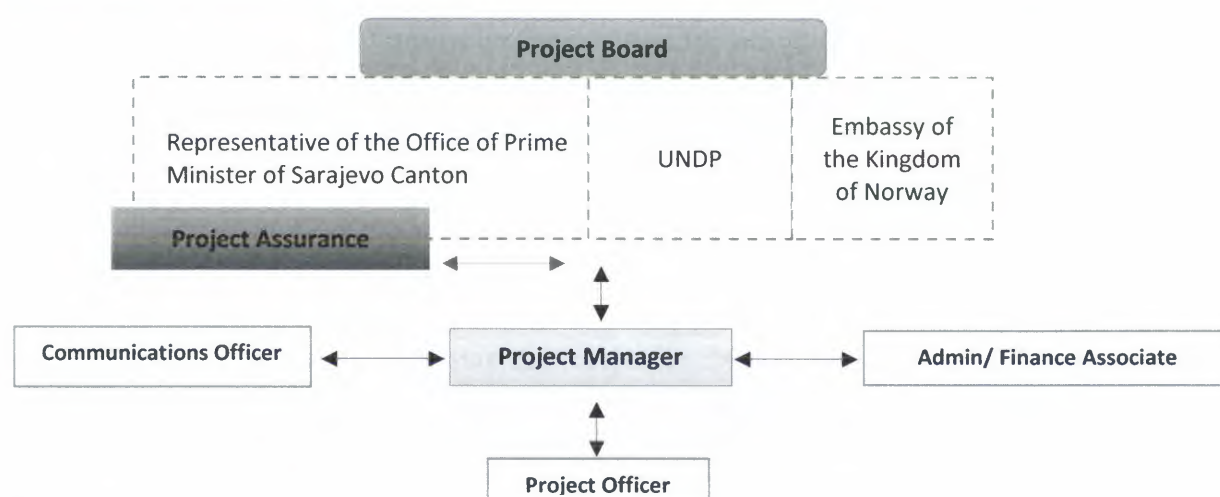


Figure 2 – Project management structure

## 4.2. Cost efficiency and effectiveness

The project will deploy numerous measures in order to achieve cost effectiveness. In terms of procurement, outsourcing of services will be based on a transparent and competitive process, as well as on the value-for-money principle. The project will seek to utilize in-kind contribution from partners in the form of hosting venue, hospitality and transport costs for events and training. For further cost efficiency, the project will make use of existing relevant training programmes, thus reduce cost for training programme design.

## 4.3 Project monitoring, evaluation and reporting

### Monitoring

The project will be monitored and evaluated in line with UNDP corporate standards. Project monitoring will be characterised by a gender-sensitive approach. The main tools for organising the monitoring system

encompass: the gender-sensitive Results Framework and its indicators as described in section V of the Project Document; and the project risk analysis.

### **Evaluations**

UNDP will undertake a **mid-term internal and closing quality assurance**, as per standard UNDP corporate project quality assurance system, while the results and its recommendations will be presented to the Project Board.

### **Reporting**

UNDP will consolidate narrative reports, as well as detailed financial reports as per the standard UNDP reporting requirement:

- **A progress report** will be presented to the Project Board and key stakeholders, consisting of progress data showing the results achieved against pre-defined annual targets at the output level, the annual project quality rating summary, an updated risk long with mitigation measures, and any evaluation or review reports prepared over the period.
- **Final Project Narrative Report** submitted to the Embassy of the Kingdom of Norway to BIH;
- **Final Project Financial Report** submitted to the Embassy of the Kingdom of Norway to BIH.

## **4.4 Visibility and communication**

The project will develop and follow a structured Communication and Visibility Plan. The Plan will be guided by and respond to UNDP and Embassy of the Kingdom of Norway branding policies and requirements, in full recognition of their support and contribution.

Visibility, media-presence and public information sharing of project activities and achievements will be ensured on a regular basis by the UNDP through: i) press events related to formal ceremonies or highlight project results in the field, where representation of the representatives of the Embassy of the Kingdom of Norway will be sought ii) Embassy of the Kingdom of Norway to the project results; v) promotional and information materials; vi) photo and video stories supported by the Embassy of the Kingdom of Norway.

Through implementation of the Communication and Visibility Plan, the project intends to raise awareness on project activities, encourage further interaction with stakeholders in Bosnia and Herzegovina and disseminate knowledge and information. Key visibility outputs are linked to “routine” project activities along the implementation, including:

- National or local level events to launch the project and/or its thematic components
- Capacity building workshops
- Public events in the project areas involving beneficiaries and main stakeholders
- Dissemination of results of various assessments undertaken or interim results achieved in the framework of the implementation
- Utilization of social media to disseminate information on project results.
- Establishing relations with media to follow and report on project results

Information and press-statements will be in line with the Communication and Visibility Plan and visual identity requirements of the Embassy of the Kingdom of Norway as the primary donor of the project. The visual identity of the Embassy of the Kingdom of Norway will be visibly displayed on all locations, events and materials.

## V. RESULTS FRAMEWORK

### 5.1 Logical framework (format by the Government of the Kingdom of Norway)

Level	Goal (expected result)	Indicator and source reference	Indicator Values		
			Baseline	Milestone (target) Year 1	Milestone (target) Final (2020)
Impact	To enhance government capacities to tackle and deter corruption in Bosnia and Herzegovina	Improved country Corruption Perception Index ranking <i>(Source: Transparency International)</i>	89 (2018)	N/A	87 or higher
Outcome	Strengthened integrity management in the public enterprise system of Canton Sarajevo	Number of public enterprises in Canton Sarajevo with improved integrity frameworks (i.e. anti-corruption and fraud prevention protocols, enhanced financial management practices, internal supervision and control procedures, as well as public procurement process management) <i>(Source: audit reports, due diligence study, project reports, corporate protocols and procedures)</i>	0	N/A	2
		Management and key personnel in targeted public enterprises possess enhanced understanding of anti-corruption protocols and integrity risk management <i>(Source: entry and exit surveys of training participants, project reports)</i>	No	N/A	Yes
Output	Introduced systemic improvements in targeted public enterprises' internal control and risk management environment	Percentage of external audit and due diligence recommendations being addressed by targeted public enterprises <i>(Source: audit reports, snapshot reports, project reports, targeted public enterprises reports, copies of policies and protocols introduced)</i>	N/A	N/A	At least 50% of recommendations under implementation
		Number of managers and other key personnel trained on anti- corruption measures, possible conflicts of interest and ethics violations <i>(Source: project reports, training evaluation, lists of training participants)</i>	0	N/A	At least 30 managers and other key personnel
<b>Activity 1.1. Commission and administer an external audit of two key public enterprises operating in Sarajevo Canton</b> <ul style="list-style-type: none"><li>- Perform mapping of public companies in Sarajevo Canton to identify two to be audited (considering number of employees, yearly turnover and dependence on cantonal funding)</li><li>- Review any existing audit reports for selected companies</li><li>- Perform an external audit to identify weaknesses, gaps and deficiencies in financial management</li></ul>					
<b>Activity 1.2. Develop and administer an assessment of existing internal control and risk management environment (Corruption Risk Mapping) in two selected companies</b> <ul style="list-style-type: none"><li>- Develop a Corruption Risk Mapping methodology to assess existing utility of existing internal control and risk management mechanisms</li><li>- Administer the corruption risk mapping exercise</li><li>- Draft detailed assessment report and share findings with ministry and corporate leadership</li></ul>					

**Activity 1.3. Create an action document entailing capacity building, structural and policy changes to encompass improvements in anti-corruption and fraud prevention protocols, financial management practices, internal supervision and control procedures, as well as public procurement process management**

- Discuss findings of external audit and corruption risk mapping process with selected group of experts
- Identify concrete, time-bound, measures to effect structural improvements to financial management and control procedures across the public enterprise landscape
- Present action document to line ministers and public enterprise management for final comments and endorsement
- Secure formal and public endorsement of proposed actions by political and operational leadership

**Activity 1.4. Support internalization of systemic improvements to the companies' integrity framework**

- Identify experts required to support as well as oversee implementation of commitments
- Implement selected actions in the form of capacity building as well as procedural overhaul of the standard operating framework of the two enterprises
- Provide regular reports to political and operational leadership

## 5.2 Results and resources framework (UNDP format)

### **Intended Outcome as stated in the UNDAF/Country [or Global/Regional] Programme Results and Resource Framework:**

UNDAF/CPD Outcome 4. By 2019, economic, social and territorial disparities are decreased through coordinated approach by national and subnational actors.

UNDAF outcome Indicator: Laws, procedures, functions and mandates of anti-corruption bodies reviewed and amended: Repressive and preventive side of corruption mechanism changed; capacities, knowledge and ability to identify and act when necessary enhanced.

### **Outcome indicators as stated in the Country Programme [or Global/Regional] Results and Resources Framework, including baseline and targets:**

SP 2018-2021 Outcome 2. Accelerate structural transformations for sustainable development.

SP 2018-2021 relevant indicator 1.2.1.1.1: National and sub-national governments have improved capacities to plan, budget, manage and monitor basic service.

**Applicable Output(s) from the UNDP Strategic Plan:** 1.2.1 Capacities at national and sub-national levels strengthened to promote inclusive local economic development and deliver basic services including HIV and related services

### **Project title and Atlas Project Number: 00120342 - Public Enterprise Integrity Project (PEIP)**

EXPECTED OUTPUT	OUTPUT INDICATORS <sup>17</sup>	DATA SOURCE	BASELINE		TARGETS (by frequency of data collection)		DATA COLLECTION METHODS & RISKS
			Value	Year	Year 1	FINAL	
<b>OUTPUT Introduced systemic improvements in targeted public enterprises' internal control and risk management environment</b>	1.1 # of audit and due diligence recommendations implemented by the two targeted corporations (at least 50% during the project implementation period) as identified through the audit/assessment and formulated in the action document;	<i>Government official records, Official audit reports</i>	0	2019	2	2	<i>Desk review, focus group, observation</i>
	1.2 # of managers and other key personnel (male and female) trained on anti-corruption measures, conflict of interest situations and ethical violations	<i>Attendance records</i>	0	2019	30	30	<i>Desk review, focus group, observation</i>
	1.3 Availability of the Corruption Mapping methodology to assess existing internal control and risk management mechanisms;	<i>Corruption Mapping Methodology</i>	No	2019	<i>Draft designed</i>	Yes	<i>Desk review, focus group, observation</i>
	1.4 Availability of measures for structural improvements of financial management and control procedures across the public enterprise landscape.	<i>Government official records</i>	No	2019	<i>Draft designed</i>	Yes	<i>Desk review, focus group, observation</i>

<sup>17</sup> Projects should use output indicators from the Strategic Plan IRRF and from the Country Programme Document, as relevant, in addition to project-specific results indicators. Indicators should be disaggregated by sex or for other targeted groups where relevant.

## VI. MONITORING AND EVALUATION

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

### **Monitoring Plan**

<b>Monitoring Activity</b>	<b>Purpose</b>	<b>Frequency</b>	<b>Expected Action</b>	<b>Partners (if joint)</b>	<b>Cost (if any)</b>
<b>Track results progress</b>	Progress data against the results indicators in the RRF will be collected and analysed to assess the progress of the project in achieving the agreed outputs.	Quarterly, or in the frequency required for each indicator.	Slower than expected progress will be addressed by project management. <sup>18</sup>	UNDP	
<b>Collect stakeholder feedback and evidence on contextual changes, and operational performance</b>	Appropriate and credible data and documents will be collected and properly maintained as evidence for monitoring and reporting.	Quarterly, or in the frequency of the Project Board review	Slower than expected progress will be addressed by project management. <sup>19</sup>	UNDP	
<b>Verify progress</b>	Verify output progress and/or completion	Quarterly, or in the frequency of the Project Board review	Slower than expected progress will be addressed by project management. <sup>20</sup>	UNDP	
<b>Monitor and manage risk</b>	Identify specific risks that may threaten achievement of intended results. Identify and monitor risk management actions using a risk log. This includes monitoring measures and plans that may have been required as per UNDP's Social and Environmental Standards. Audits will be conducted in accordance with UNDP's audit policy to manage financial risk.	Annually	Risks are identified by project management and actions are taken to manage risk. The risk log is actively maintained to keep track of identified risks and actions taken. <sup>21</sup>	UNDP	
<b>Learn</b>	Knowledge, good practices and lessons will be captured regularly, as well as actively sourced from other projects and partners and integrated back into the project.	At least annually	Relevant lessons are captured by the project team and used to inform management decisions. <sup>22</sup>	UNDP	

<sup>18</sup> Templates: Results framework; CO Project Monitoring Platform; Atlas (Output, Targets and Results Log; Activity Log).

<sup>19</sup> Templates: Project Progress Report; Project space in the corporate planning system.

<sup>20</sup> Field Visit Report Template.

<sup>21</sup> Project Risk Log and Templates; Social and Environmental Standards; Enterprise Risk Management Policy.

<sup>22</sup> Template: Lessons Learned Log

<b>Annual project quality assurance</b>	The quality of the project will be assessed against UNDP's quality standards to identify project strengths and weaknesses and to inform management decision making to improve the project.	Every other year	Areas of strength and weakness will be reviewed by project management and used to inform decisions to improve project performance. <sup>23</sup>	UNDP	
<b>Review and make course corrections</b>	Internal review of data and evidence from all monitoring actions to inform decision making.	At least annually	Performance data, risks, lessons and quality will be discussed by the project board and used to make course corrections.	UNDP	
<b>Project report</b>	A progress report will be presented to the Project Board and key stakeholders, consisting of progress data showing the results achieved against pre-defined annual targets at the output level, the annual project quality rating summary, an updated risk long with mitigation measures, and any evaluation or review reports prepared over the period.	Annually, and at the end of the project (final report)		UNDP	
<b>Project review (Project Board)</b>	The project's governance mechanism (i.e., project board) will hold regular project reviews to assess the performance of the project and review the Multi-Year Work Plan to ensure realistic budgeting over the life of the project. In the project's final year, the Project Board shall hold an end-of project review to capture lessons learned and discuss opportunities for scaling up and to socialize project results and lessons learned with relevant audiences.	Specify frequency (i.e., at least annually)	Any quality concerns or slower than expected progress should be discussed by the project board and management actions agreed to address the issues identified.	UNDP	
Total costs for regular project monitoring activities are already included in the overall budget of the Project (3 % of total budget)					7,589

<sup>23</sup> UNDP Quality Assurance Corporate System

## VII. YEARLY WORK PLAN

EXPECTED OUTPUT	ACTIVITIES	PLANNED SUB-ACTIVITIES	Planned Budget by Year	RESPONSIBLE PARTY	PLANNED BUDGET		
			Y1		Funding Source	Budget Description	Amount
<b>OUTPUT</b> <b>Introduced systemic improvements in targeted public enterprises' internal control and risk management environment</b>  <i>Gender marker: 2</i>	Activity 1. Assess integrity and strengthen internal control and audit systems in select public enterprises operating in Canton Sarajevo	1.1. Commission and administer an external audit of two key public sector enterprises operating in Sarajevo Canton	24,150	UNDP	Norway	72100, 71300	24,150
		1.2. Develop and administer an assessment of existing control and risk management environment (Corruption Risk Mapping) in two selected companies	25,836	UNDP	Norway	72100, 71300	25,836
		1.3. Create an action document entailing capacity building, structural and policy changes to encompass improvements in anti-corruption and fraud prevention protocols, financial management practices, internal supervision and control procedures, as well as public procurement process management	28,898	UNDP	Norway	72100, 71300	29,898
		1.4. Support internalization	68,996	UNDP		72100, 71300	68,996
		MONITORING <sup>24</sup>					
		<b>Sub-total for Activity 1</b>					<b>148,880</b>
	Activity 2. Project management	Project staff and management	84,965	UNDP	Norway and UNDP	71400, 71600, 72400, 73100, 74500	84,965
		MONITORING					
		<b>Sub-total for Activity 2</b>					<b>84,965</b>
	<b>General Management Support (8%)</b>		16,868	UNDP	Norway	74500	16,868
	<b>1% levy to donor's contribution</b>		2,277	UNDP	Norway		2,277
	<b>TOTAL</b>						<b>252,990</b>

<sup>24</sup> Cost of monitoring are part of project management and operational costs.

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## VIII. LEGAL CONTEXT

*Project developers can use this standard text for Bosnia and Herzegovina*

This project document shall be the instrument referred to as such in Article 1 of the Standard Basic Assistance Agreement between the Government of Bosnia and Herzegovina and UNDP, signed on 07 December 1995. All references in the SBAA to “Executing Agency” shall be deemed to refer to “Implementing Partner.”

The United Nations Development Assistance Framework in Bosnia and Herzegovina for the period 2015-2019 (signed by the Council of Ministers of Bosnia and Herzegovina and UN on 15 June 2015), as well as the current UNDP Country Programme Document 2015-2019 represent the basis for the activities of UNDP in the country.

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

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## IX. RISK MANAGEMENT

### **Option b. UNDP (DIM)**

1. *UNDP as the Implementing Partner will comply with the policies, procedures and practices of the United Nations Security Management System (UNSMS.)*
2. *UNDP as the Implementing Partner will undertake all reasonable efforts to ensure that none of the [project funds]<sup>25</sup> [UNDP funds received pursuant to the Project Document]<sup>26</sup> are used to provide support to individuals or entities associated with terrorism and that the recipients of any amounts provided by UNDP hereunder do not appear on the list maintained by the Security Council Committee established pursuant to resolution 1267 (1999). The list can be accessed via [http://www.un.org/sc/committees/1267/aq\\_sanctions\\_list.shtml](http://www.un.org/sc/committees/1267/aq_sanctions_list.shtml). This provision must be included in all sub-contracts or sub-agreements entered into under this Project Document.*
3. *Social and environmental sustainability will be enhanced through application of the UNDP Social and Environmental Standards (<http://www.undp.org/ses>) and related Accountability Mechanism (<http://www.undp.org/secu-srm>).*
4. *UNDP as the Implementing Partner will: (a) conduct project and programme-related activities in a manner consistent with the UNDP Social and Environmental Standards, (b) implement any management or mitigation plan prepared for the project or programme to comply with such standards, and (c) engage in a constructive and timely manner to address any concerns and complaints raised through the Accountability Mechanism. UNDP will seek to ensure that communities and other project stakeholders are informed of and have access to the Accountability Mechanism.*
5. *In the implementation of the activities under this Project Document, UNDP as the Implementing Partner will handle any sexual exploitation and abuse ("SEA") and sexual harassment ("SH") allegations in accordance with its regulations, rules, policies and procedures.*
6. *All signatories to the Project Document shall cooperate in good faith with any exercise to evaluate any programme or project-related commitments or compliance with the UNDP Social and Environmental Standards. This includes providing access to project sites, relevant personnel, information, and documentation.*
7. *UNDP as the Implementing Partner will ensure that the following obligations are binding on each responsible party, subcontractor and sub-recipient:*
  - a. *Consistent with the Article III of the SBAA [or the Supplemental Provisions to the Project Document], the responsibility for the safety and security of each responsible party, subcontractor and sub-recipient and its personnel and property, and of UNDP's property in such responsible party's, subcontractor's and sub-recipient's custody, rests with such responsible party, subcontractor and sub-recipient. To this end, each responsible party, subcontractor and sub-recipient shall:*
    - i. *put in place an appropriate security plan and maintain the security plan, taking into account the security situation in the country where the project is being carried;*
    - ii. *assume all risks and liabilities related to such responsible party's, subcontractor's and sub-recipient's security, and the full implementation of the security plan.*
  - b. *UNDP reserves the right to verify whether such a plan is in place, and to suggest modifications to the plan when necessary. Failure to maintain and implement an appropriate security plan as required hereunder shall be deemed a breach of the responsible party's, subcontractor's and sub-recipient's obligations under this Project Document.*

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<sup>25</sup> To be used where UNDP is the Implementing Partner.

<sup>26</sup> To be used where the UN, a UN fund/programme or a specialized agency is the Implementing Partner.

- c. *In the performance of the activities under this Project, UNDP as the Implementing Partner shall ensure, with respect to the activities of any of its responsible parties, sub-recipients and other entities engaged under the Project, either as contractors or subcontractors, their personnel and any individuals performing services for them, that those entities have in place adequate and proper procedures, processes and policies to prevent and/or address SEA and SH.*
- d. *Each responsible party, subcontractor and sub-recipient will take appropriate steps to prevent misuse of funds, fraud or corruption, by its officials, consultants, subcontractors and sub-recipients in implementing the project or programme or using the UNDP funds. It will ensure that its financial management, anti-corruption and anti-fraud policies are in place and enforced for all funding received from or through UNDP.*
- e. *The requirements of the following documents, then in force at the time of signature of the Project Document, apply to each responsible party, subcontractor and sub-recipient: (a) UNDP Policy on Fraud and other Corrupt Practices and (b) UNDP Office of Audit and Investigations Investigation Guidelines. Each responsible party, subcontractor and sub-recipient agrees to the requirements of the above documents, which are an integral part of this Project Document and are available online at [www.undp.org](http://www.undp.org).*
- f. *In the event that an investigation is required, UNDP will conduct investigations relating to any aspect of UNDP programmes and projects. Each responsible party, subcontractor and sub-recipient will provide its full cooperation, including making available personnel, relevant documentation, and granting access to its (and its consultants', subcontractors' and sub-recipients') premises, for such purposes at reasonable times and on reasonable conditions as may be required for the purpose of an investigation. Should there be a limitation in meeting this obligation, UNDP shall consult with it to find a solution.*
- g. *Each responsible party, subcontractor and sub-recipient will promptly inform UNDP as the Implementing Partner in case of any incidence of inappropriate use of funds, or credible allegation of fraud or corruption with due confidentiality.*

*Where it becomes aware that a UNDP project or activity, in whole or in part, is the focus of investigation for alleged fraud/corruption, each responsible party, subcontractor and sub-recipient will inform the UNDP Resident Representative/Head of Office, who will promptly inform UNDP's Office of Audit and Investigations (OAI). It will provide regular updates to the head of UNDP in the country and OAI of the status of, and actions relating to, such investigation.*

- h. *Choose one of the three following options:*

*Option 1: UNDP will be entitled to a refund from the responsible party, subcontractor or sub-recipient of any funds provided that have been used inappropriately, including through fraud or corruption, or otherwise paid other than in accordance with the terms and conditions of this Project Document. Such amount may be deducted by UNDP from any payment due to the responsible party, subcontractor or sub-recipient under this or any other agreement. Recovery of such amount by UNDP shall not diminish or curtail any responsible party's, subcontractor's or sub-recipient's obligations under this Project Document.*

*Where such funds have not been refunded to UNDP, the responsible party, subcontractor or sub-recipient agrees that donors to UNDP (including the Government) whose funding is the source, in whole or in part, of the funds for the activities under this Project Document, may seek recourse to such responsible party, subcontractor or sub-recipient for the recovery of any funds determined by UNDP*

*to have been used inappropriately, including through fraud or corruption, or otherwise paid other than in accordance with the terms and conditions of the Project Document.*

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

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

## ANNEXES

### Annex I: Risk assessment

General Risks	Probability	Type / Impact	Project response
No political support for anti-corruption measures at the highest level of cantonal government.	Medium	Political / High (Project implementation delayed and affects the activities)	The potential impact on project outcomes is deemed severe while mitigation measures include the rapid deployment of project activities and the inclusion of non-political actors such as the Office of Anti-Corruption and the Internal Audit Service to help preserve project impact beyond any political turbulence. Other mitigation strategies include publicising the project and creating an environment where failing to comply with earlier anti-corruption commitments would be perceived as deeply unpopular and mobilizing community non-governmental partners to oversee the process.
Inability of the two partner government institutions (Anti-Corruption and Internal Audit offices) to implement their mandates in accordance with relevant legislation and regulations.	Medium	Operational / Medium	Should their ability to operate be undermined politically or operationally, it is likely that project outcomes will be diminished, alongside their sustainability. The potential impact on the project is deemed moderate to high and mitigation opportunities include working closely with the two offices to build their capacities as well as securing their independence through lobbying with legislators and senior government members.
Resistance both within the ranks of senior civil servants manning the line ministry as well as senior and operational managers within the two targeted public enterprises.	Medium	Behavioural / Political / High	Key partners may view the project as a threat to their independence and positioning within their respective institutions. It is also likely that increased accountability and transparency will not be universally welcomed and that access to critical information may be hindered accordingly. The potential impact of this risk is deemed high and mitigation strategies include securing formal political support for the process as well as communicating any difficulties in obtaining information up the chain without delay.

## Annex II: Project budget

Budget item		[Year 1]				Total
		No	Unit	Unit cost	Cost	
<b>1</b>	<b>Personnel costs</b>				<b>55,399</b>	<b>55,399</b>
1.1	National Project Manager (30% monthly)	12	month	1,917	22,999	22,999
1.2	Project Officer	12	month	2,700	32,400	32,400
<b>2</b>	<b>Travel</b>				<b>3,910</b>	<b>3,910</b>
2.1	Travel for the implementation of activities	1	lumpsum	3,910	3,910	3,910
<b>3</b>	<b>Specific project-related costs</b>				<b>148,880</b>	<b>148,880</b>
3.1	External audit for selected companies	2	per company	9,200	18,399	18,399
3.2	Methodology development (Corruption Risk Mapping)	1	lumpsum	5,750	5,750	5,750
3.3	Corruption Risk Mapping	1	lumpsum	8,586	8,586	8,586
3.4	Capacity building experts	50	per expert day	345	17,249	17,249
3.5	Capacity building workshop	25	per event	575	14,374	14,374
3.6	Support in creation of fraud prevention protocols	45	per expert day	345	15,524	15,524
3.7	Support in creation of internal supervision and control procedures	40	per expert day	345	13,799	13,799
3.8	Support in creation of public procurement process management	40	per expert day	345	13,799	13,799
3.9	Support in overseeing implementation of commitments	120	per expert day	345	41,398	41,398
<b>4</b>	<b>Operating Costs</b>				<b>25,656</b>	<b>25,656</b>
4.1	Operations costs (rent of offices, IT equipment, office furniture etc.)	12	month	1,144	13,731	13,731
4.2	Bank charges	1	lumpsum	2,415	2,415	2,415
4.3	Visibility	1	lumpsum	3,760	3,760	3,760
4.4	Translation costs	1	lumpsum	5,750	5,750	5,750
<b>6</b>	<b>Audit</b>				<b>0</b>	<b>0</b>
	<b>Direct operating costs, total</b>				<b>233,845</b>	<b>233,845</b>
	<b>Indirect operating costs [8 % for Norway]</b>				<b>16,868</b>	<b>16,868</b>
	<b>1% levy to donor's contribution</b>				<b>2,277</b>	<b>2,277</b>
	<b>Project costs total</b>				<b>252,990</b>	<b>252,990</b>

### Annex III: Social and environmental screening

The completed template, which constitutes the Social and Environmental Screening Report, must be included as an annex to the Project Document. Please refer to the Social and environmental screening procedure and Toolkit for guidance on how to answer the 6 questions.

#### Project Information

<b>Project Information</b>	
1. Project title	Public Enterprise Integrity Project
2. Project number	00120342
3. Location (Global/Region/Country)	Bosnia and Herzegovina

#### Part A. Integrating Overarching Principles to Strengthen Social and Environmental Sustainability

##### QUESTION 1: How Does the Project Integrate the Overarching Principles in order to Strengthen Social and Environmental Sustainability?

###### **Briefly describe in the space below how the Project mainstreams the human-rights based approach**

The Project document does not explicitly elaborate on human rights it addresses nor it provides reference to the standards adhered to. However, it does provide evidence of genuine project's intention to foster progressive realization of social and economic rights of targeted groups through provision of skills that will enable them to do better job and eliminate potential for corruptive behaviour in enterprises that cater to citizens' public needs.

###### **Briefly describe in the space below how the Project is likely to improve gender equality and women's empowerment**

The project addresses the issue of gender equality by fostering capacity building for both male and female public sector employees.

###### **Briefly describe in the space below how the Project mainstreams environmental sustainability**

The project does not have obvious impact to the environment.

**Part B. Identifying and managing social and environmental risks**

<b>QUESTION 2: What are the Potential Social and Environmental Risks?</b> <i>Note: Describe briefly potential social and environmental risks identified in Attachment 1 – Risk Screening Checklist (based on any “Yes” responses). If no risks have been identified in Attachment 1 then note “No Risks Identified” and skip to Question 4 and Select “Low Risk”. Questions 5 and 6 not required for Low Risk Projects.</i>		<b>QUESTION 3: What is the level of significance of the potential social and environmental risks?</b> <i>Note: Respond to Questions 4 and 5 below before proceeding to Question 6</i>		<b>QUESTION 6: What social and environmental assessment and management measures have been conducted and/or are required to address potential risks (for Risks with Moderate and High Significance)?</b>
<b>Risk description</b>	<b>Impact and probability (1-5)</b>	<b>Significance (Low, Moderate, High)</b>	<b>Comments</b>	<b>Description of assessment and management measures as reflected in the Project design. If ESIA or SESA is required note that the assessment should consider all potential impacts and risks.</b>
Risk 1: The success of the project depends heavily on the continued political support for anti-corruption measures at the highest level of cantonal government.	I = 5 P = 2	High	The potential impact on project outcomes is deemed severe while mitigation measures include the rapid deployment of project activities and the inclusion of non-political actors such as the Office of Anti-Corruption and the Internal Audit Service to help preserve project impact beyond any political turbulence. Other mitigation strategies include publicising the project and creating an environment where failing to comply with earlier anti-corruption commitments would be perceived as deeply unpopular and mobilizing community non-governmental	

			partners to oversee the process.	
Risk 2: The sustainability of project results rests on the ability of the two partner government institutions (Anti-Corruption and Internal Audit offices) to implement their mandates in accordance with relevant legislation and regulations.	I = 5 P = 2	Moderate	The potential impact on the project is deemed moderate to high and mitigation opportunities include working closely with the two offices to build their capacities as well as securing their independence through lobbying with legislators and senior government members.	
Risk 3: Project implementation is likely to encounter resistance both within the ranks of senior civil servants manning the line ministry as well as senior and operational managers within the two targeted public enterprises	I = 5 P = 5	High	Key partners may view the project as a threat to their independence and positioning within their respective institutions. It is also likely that increased accountability and transparency will not be universally welcomed and that access to critical information may be hindered accordingly. The potential impact of this risk is deemed high and mitigation strategies include securing formal political support for the process as well as communicating any difficulties in obtaining information up the chain without delay.	
<b>QUESTION 4: What is the overall Project risk categorization?</b>				
<b>Select one (see <a href="#">SESP</a> for guidance)</b>				<b>Comments</b>
<b>Low Risk</b>			<input checked="" type="checkbox"/>	The project is assessed as a low risk category, particularly from human rights aspect viewpoint.
<b>Moderate Risk</b>			<input type="checkbox"/>	

	<b>High Risk</b>	<input type="checkbox"/>	
	<b>QUESTION 5: Based on the identified risks and risk categorization, what requirements of the SES are relevant?</b>		
	Check all that apply		<b>Comments</b>
	<b>Principle 1: Human Rights</b>	<input type="checkbox"/>	N/A
	<b>Principle 2: Gender Equality and Women's Empowerment</b>	<input checked="" type="checkbox"/>	N/A
	<b>1. Biodiversity Conservation and Natural Resource Management</b>	<input type="checkbox"/>	N/A
	<b>2. Climate Change Mitigation and Adaptation</b>	<input type="checkbox"/>	N/A
	<b>3. Community Health, Safety and Working Conditions</b>	<input type="checkbox"/>	N/A
	<b>4. Cultural Heritage</b>	<input type="checkbox"/>	N/A
	<b>5. Displacement and Resettlement</b>	<input type="checkbox"/>	N/A
	<b>6. Indigenous Peoples</b>	<input type="checkbox"/>	N/A
<b>7. Pollution Prevention and Resource Efficiency</b>	<input type="checkbox"/>	N/A	

#### Final Sign Off

Signature	Date	Description
QA Assessor		UNDP staff member responsible for the Project, typically a UNDP Programme Officer. Final signature confirms they have "checked" to ensure that the SESP is adequately conducted.
QA Approver		UNDP senior manager, typically the UNDP Deputy Country Director (DCD), Country Director (CD), Deputy Resident Representative (DRR), or Resident Representative (RR). The QA Approver cannot also be the QA Assessor. Final signature confirms they have "cleared" the SESP prior to submittal to the PAC.
PAC Chair		UNDP chair of the PAC. In some cases, PAC Chair may also be the QA Approver. Final signature confirms that the SESP was considered as part of the project appraisal and considered in recommendations of the PAC.

## SESP Attachment 1. Social and environmental risk screening checklist

Checklist Potential Social and Environmental Risks	
Principles 1: Human Rights	Answer (Yes/No)
1. Could the Project lead to adverse impacts on enjoyment of the human rights (civil, political, economic, social or cultural) of the affected population and particularly of marginalized groups?	
2. Is there a likelihood that the Project would have inequitable or discriminatory adverse impacts on affected populations, particularly people living in poverty or marginalized or excluded individuals or groups? <sup>27</sup>	
3. Could the Project potentially restrict availability, quality of and access to resources or basic services, in particular to marginalized individuals or groups?	
4. Is there a likelihood that the Project would exclude any potentially affected stakeholders, in particular marginalized groups, from fully participating in decisions that may affect them?	
5. Is there a risk that duty-bearers do not have the capacity to meet their obligations in the Project?	
6. Is there a risk that rights-holders do not have the capacity to claim their rights?	
7. Have local communities or individuals, given the opportunity, raised human rights concerns regarding the Project during the stakeholder engagement process?	
8. Is there a risk that the Project would exacerbate conflicts among and/or the risk of violence to project-affected communities and individuals?	
<b>Principle 2: Gender Equality and Women's Empowerment</b>	
1. Is there a likelihood that the proposed Project would have adverse impacts on gender equality and/or the situation of women and girls?	
2. Would the Project potentially reproduce discriminations against women based on gender, especially regarding participation in design and implementation or access to opportunities and benefits?	
3. Have women's groups/leaders raised gender equality concerns regarding the Project during the stakeholder engagement process and has this been included in the overall Project proposal and in the risk assessment?	
4. Would the Project potentially limit women's ability to use, develop and protect natural resources, taking into account different roles and positions of women and men in accessing environmental goods and services? <i>For example, activities that could lead to natural resources degradation or depletion in communities who depend on these resources for their livelihoods and well being</i>	
<b>Principle 3: Environmental Sustainability:</b> Screening questions regarding environmental risks are encompassed by the specific Standard-related questions below	
<b>Standard 1: Biodiversity Conservation and Sustainable Natural Resource Management</b>	

<sup>27</sup> Prohibited grounds of discrimination include race, ethnicity, gender, age, language, disability, sexual orientation, religion, political or other opinion, national or social or geographical origin, property, birth or other status including as an indigenous person or as a member of a minority. References to "women and men" or similar is understood to include women and men, boys and girls, and other groups discriminated against based on their gender identities, such as transgender people and transsexuals.

1.1	Would the Project potentially cause adverse impacts to habitats (e.g. modified, natural, and critical habitats) and/or ecosystems and ecosystem services? <i>For example, through habitat loss, conversion or degradation, fragmentation, hydrological changes</i>	
1.2	Are any Project activities proposed within or adjacent to critical habitats and/or environmentally sensitive areas, including legally protected areas (e.g. nature reserve, national park), areas proposed for protection, or recognized as such by authoritative sources and/or indigenous peoples or local communities?	
1.3	Does the Project involve changes to the use of lands and resources that may have adverse impacts on habitats, ecosystems, and/or livelihoods? (Note: if restrictions and/or limitations of access to lands would apply, refer to Standard 5)	
1.4	Would Project activities pose risks to endangered species?	
1.5	Would the Project pose a risk of introducing invasive alien species?	
1.6	Does the Project involve harvesting of natural forests, plantation development, or reforestation?	
1.7	Does the Project involve the production and/or harvesting of fish populations or other aquatic species?	
1.8	Does the Project involve significant extraction, diversion or containment of surface or ground water? <i>For example, construction of dams, reservoirs, river basin developments, groundwater extraction</i>	
1.9	Does the Project involve utilization of genetic resources? (e.g. collection and/or harvesting, commercial development)	
1.10	Would the Project generate potential adverse transboundary or global environmental concerns?	
1.11	Would the Project result in secondary or consequential development activities which could lead to adverse social and environmental effects, or would it generate cumulative impacts with other known existing or planned activities in the area? <i>For example, a new road through forested lands will generate direct environmental and social impacts (e.g. felling of trees, earthworks, potential relocation of inhabitants). The new road may also facilitate encroachment on lands by illegal settlers or generate unplanned commercial development along the route, potentially in sensitive areas. These are indirect, secondary, or induced impacts that need to be considered. Also, if similar developments in the same forested area are planned, then cumulative impacts of multiple activities (even if not part of the same Project) need to be considered.</i>	
<b>Standard 2: Climate Change Mitigation and Adaptation</b>		
2.1	Will the proposed Project result in significant <sup>28</sup> greenhouse gas emissions or may exacerbate climate change?	
2.2	Would the potential outcomes of the Project be sensitive or vulnerable to potential impacts of climate change?	
2.3	Is the proposed Project likely to directly or indirectly increase social and environmental vulnerability to climate change now or in the future (also known as maladaptive practices)? <i>For example, changes to land use planning may encourage further development of floodplains, potentially increasing the population's vulnerability to climate change, specifically flooding</i>	
<b>Standard 3: Community Health, Safety and Working Conditions</b>		

<sup>28</sup> In regards to CO<sub>2</sub>, 'significant emissions' corresponds generally to more than 25,000 tons per year (from both direct and indirect sources). [The Guidance Note on Climate Change Mitigation and Adaptation provides additional information on GHG emissions.]

3.1	Would elements of Project construction, operation, or decommissioning pose potential safety risks to local communities?	
3.2	Would the Project pose potential risks to community health and safety due to the transport, storage, and use and/or disposal of hazardous or dangerous materials (e.g. explosives, fuel and other chemicals during construction and operation)?	
3.3	Does the Project involve large-scale infrastructure development (e.g. dams, roads, buildings)?	
3.4	Would failure of structural elements of the Project pose risks to communities? (e.g. collapse of buildings or infrastructure)	
3.5	Would the proposed Project be susceptible to or lead to increased vulnerability to earthquakes, subsidence, landslides, erosion, flooding or extreme climatic conditions?	
3.6	Would the Project result in potential increased health risks (e.g. from water-borne or other vector-borne diseases or communicable infections such as HIV/AIDS)?	
3.7	Does the Project pose potential risks and vulnerabilities related to occupational health and safety due to physical, chemical, biological, and radiological hazards during Project construction, operation, or decommissioning?	
3.8	Does the Project involve support for employment or livelihoods that may fail to comply with national and international labour standards (i.e. principles and standards of ILO fundamental conventions)?	
3.9	Does the Project engage security personnel that may pose a potential risk to health and safety of communities and/or individuals (e.g. due to a lack of adequate training or accountability)?	
<b>Standard 4: Cultural Heritage</b>		
4.1	Will the proposed Project result in interventions that would potentially adversely impact sites, structures, or objects with historical, cultural, artistic, traditional or religious values or intangible forms of culture (e.g. knowledge, innovations, practices)? (Note: Projects intended to protect and conserve Cultural Heritage may also have inadvertent adverse impacts)	
4.2	Does the Project propose utilizing tangible and/or intangible forms of cultural heritage for commercial or other purposes?	
<b>Standard 5: Displacement and Resettlement</b>		
5.1	Would the Project potentially involve temporary or permanent and full or partial physical displacement?	
5.2	Would the Project possibly result in economic displacement (e.g. loss of assets or access to resources due to land acquisition or access restrictions – even in the absence of physical relocation)?	
5.3	Is there a risk that the Project would lead to forced evictions? <sup>29</sup>	
5.4	Would the proposed Project possibly affect land tenure arrangements and/or community-based property rights/customary rights to land, territories and/or resources?	
<b>Standard 6: Indigenous Peoples</b>		
6.1	Are indigenous peoples present in the Project area (including Project area of influence)?	

<sup>29</sup> Forced evictions include acts and/or omissions involving the coerced or involuntary displacement of individuals, groups, or communities from homes and/or lands and common property resources that were occupied or depended upon, thus eliminating the ability of an individual, group, or community to reside or work in a particular dwelling, residence, or location without the provision of, and access to, appropriate forms of legal or other protections.

6.2	Is it likely that the Project or portions of the Project will be located on lands and territories claimed by indigenous peoples?	
6.3	<p>Would the proposed Project potentially affect the human rights, lands, natural resources, territories, and traditional livelihoods of indigenous peoples (regardless of whether indigenous peoples possess the legal titles to such areas, whether the Project is located within or outside of the lands and territories inhabited by the affected peoples, or whether the indigenous peoples are recognized as indigenous peoples by the country in question)?</p> <p><i>If the answer to the screening question 6.3 is “yes” the potential risk impacts are considered potentially severe and/or critical and the Project would be categorized as either Moderate or High Risk.</i></p>	
6.4	Has there been an absence of culturally appropriate consultations carried out with the objective of achieving FPIC on matters that may affect the rights and interests, lands, resources, territories and traditional livelihoods of the indigenous peoples concerned?	
6.5	Does the proposed Project involve the utilization and/or commercial development of natural resources on lands and territories claimed by indigenous peoples?	
6.6	Is there a potential for forced eviction or the whole or partial physical or economic displacement of indigenous peoples, including through access restrictions to lands, territories, and resources?	
6.7	Would the Project adversely affect the development priorities of indigenous peoples as defined by them?	
6.8	Would the Project potentially affect the physical and cultural survival of indigenous peoples?	
6.9	Would the Project potentially affect the Cultural Heritage of indigenous peoples, including through the commercialization or use of their traditional knowledge and practices?	
<b>Standard 7: Pollution Prevention and Resource Efficiency</b>		
7.1	Would the Project potentially result in the release of pollutants to the environment due to routine or non-routine circumstances with the potential for adverse local, regional, and/or transboundary impacts?	
7.2	Would the proposed Project potentially result in the generation of waste (both hazardous and non-hazardous)?	
7.3	<p>Will the proposed Project potentially involve the manufacture, trade, release, and/or use of hazardous chemicals and/or materials? Does the Project propose use of chemicals or materials subject to international bans or phase-outs?</p> <p><i>For example, DDT, PCBs and other chemicals listed in international conventions such as the Stockholm Conventions on Persistent Organic Pollutants or the Montreal Protocol</i></p>	
7.4	Will the proposed Project involve the application of pesticides that may have a negative effect on the environment or human health?	
7.5	Does the Project include activities that require significant consumption of raw materials, energy, and/or water?	

## Annex 1

## Project document – COMPLIANCE AND QUALITY ASSURANCE CHECKLIST:

Project document CHECKLIST		Check if relevant/mark with "NA" if irrelevant	Name, function and signature of the responsible person
<b>Project title:</b>	Public Enterprise Integrity Project (PEIP)		
<b>Sector:</b>	Rural and Regional Development		
<b>Donor/s:</b>	Government of Norway, UNDP		
<b>Implementation modality:</b>	National Implementation Modality (NIM) <input type="checkbox"/> CO support to National Implementation (NIM) <input type="checkbox"/> Direct Implementation Modality (DIM) <input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<i>Adela Pozder-Čengić</i> Adela Pozder- Čengić, Sector Leader
<b>Donor submission status:</b>	Signed FA with Government of Norway	<input checked="" type="checkbox"/>	
<b>Joint programme:</b>	YES <input type="checkbox"/> Partner UN Agencies: Fund Management modality:	NO <input checked="" type="checkbox"/>	N/A
<b>The project concept/draft has been shared with the STEP UP Team and other CO/UN colleagues:</b>		<input checked="" type="checkbox"/>	<i>Adela Pozder-Čengić</i> Adela Pozder- Čengić, Sector Leader
<b>The project document complies with corporate quality programming standards:</b>	The project meets corporate quality standards for project design and is developed in the UNDP project document template	<input checked="" type="checkbox"/>	<i>Amra Zorlak</i> Amra Zorlak, M&E Analyst
	Quality assurance assessment has been performed prior to the LPAC meeting and its findings were discussed by LPAC members (quality assurance link: =)	In the process	<i>Adela Pozder-Čengić</i> Adela Pozder- Čengić, Sector Leader
	Project output and results are aligned with UNDAF/CPD outcomes and indicators	<input checked="" type="checkbox"/>	<i>Amra Zorlak</i> Amra Zorlak, M&E Analyst
	Project is aligned with the UNDP Strategic Plan, SDGs and contributes to the EU accession agenda	<input checked="" type="checkbox"/>	
	Social and Environmental Screening is attached to the project	<input checked="" type="checkbox"/>	
<b>Local Project Appraisal Committee meeting:</b>	Exchange of letters, date: 13 August 2019	<input checked="" type="checkbox"/>	<i>Adela Pozder-Čengić</i> Adela Pozder- Čengić, Sector Leader

**Annex 1****Project document – COMPLIANCE AND QUALITY ASSURANCE CHECKLIST:**

Project document CHECKLIST		Check if relevant/mark with "NA" if irrelevant	Name, function and signature of the responsible person
Implementing partner	UNDP	<input checked="" type="checkbox"/>	Larisa Kubat, PRPMA <i>Larisa Kubat</i>
Responsible party/s		N/A	Larisa Kubat, PRPMA <i>Larisa Kubat</i>
Management Arrangements	The project document envisages a clear and adequate management structure and appropriate legal instruments.	<input checked="" type="checkbox"/>	Larisa Kubat, PRPMA <i>Larisa Kubat</i>
ATLAS proposal/project setting	Proposal/Award: BIH10/00120342 Output project: 00116541	<input checked="" type="checkbox"/>	Larisa Kubat, PRPMA <i>Larisa Kubat</i>
Estimated budget and Source of Funding	The project has a clear and feasible budget, including definition of required co-financing by UNDP.	<input checked="" type="checkbox"/>	Larisa Kubat, PRPMA <i>Larisa Kubat</i>
Signing of the project document	Signature of the Project Document on behalf of UNDP	<input checked="" type="checkbox"/>	Sukhrob Khoshmukhamedov, DRR