



**United Nations Development Programme
Country: Serbia
Project Document**

Project Title Enhancing the Planning and Monitoring of Investment Projects

UNDAF Outcome(s): Sustainable Development and Social Inclusion Enhanced

Expected CP Outcome(s): Sustainable Development and Social Inclusion Enhanced
(Those linked to the project and extracted from the CPAP)

Expected Output(s): Human capital is increased and equipped to function in a knowledge-based, competitive, equitable, and free-market economy
(Those that will result from the project and extracted from the CPAP)

Implementing Partner: City of Belgrade

Responsible Parties: City of Belgrade, UNDP

Brief Description

The project will contribute to sustainable economic development and improved service delivery at local level.

The project seeks to support capacity building of the Project Development Office by engaging high skilled professionals of different technical qualifications that would lead development of an investment portfolio of the City of Belgrade.

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|-----------------------------------|------------------|
| Programme Period: | 2015 - 2016 |
| Key Result Area (Strategic Plan): | _____ |
| Atlas Award ID: | _____ |
| Start date: | 5 March 2015 |
| End Date | 31 December 2015 |
| PAC Meeting Date | _____ |
| Management Arrangements | _____ |

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|----------------------------|----------------|
| 2015 AWP budget: | 100.000,00 USD |
| Total resources required | 500.000,00 USD |
| Total allocated resources: | 100.000,00 USD |
| • Regular | _____ |
| • Other: | _____ |
| o Donor | _____ |
| o Government | _____ |
| Unfunded budget: | 400.000 USD |
| In-kind Contributions | _____ |

Agreed by UNDP: _____

Agreed by City of Belgrade: _____



I. INTRODUCTION

Due to the long transition process, Serbia's opportunities for economic recovery and sustainable economic growth are hampered by underdeveloped infrastructure, inadequate human capital, lack of credit facilities and adequate development plans. These challenges did not surpass local level, affecting economic and social development and quality of life.

As a result, there is lack of financial resources at local level and substantial lack of quality strategic local planning, lack of programmes and projects that would attract domestic and foreign investments and lack of people with appropriate expertise and qualifications, which leads to either non existence of investment projects or an ad hoc selection of "priority" infrastructure projects.

Many municipalities still continue to face challenges related to access to basic services, inadequate and obsolete infrastructure (especially road, water, and sewage networks) and low potentials for promotion and attracting of investors. Opportunities for sustainable economic growth are hindered by low level of capacities, knowledge and skills of local administration, resulting in inability to translate national level priorities into local level strategic documents and efficiently implement local development strategies. Majority of these local self governments still lack sufficient competences to become genuine service providers and respond to citizen's needs¹, even though in the last decade this situation has improved significantly thanks to domestic and international support

City of Belgrade is no exception in this regard. The city has been facing many challenges in recent years it has not always managed to keep up with them, both from economic and human development perspective. As a consequence municipal infrastructure is lacking.

Belgrade is a home to more than 25% of the population of Serbia. According to the 2011 census, the city has a population of 1,166,763, while the urban area of Belgrade has 1,233,796 inhabitants. Over the last two decades it has been the principal city to which hundreds of thousands of refugees and internally displaced persons have come from Croatia, Bosnia-Herzegovina and Kosovo, as a result of the Yugoslav wars of the 1990s. As a result of this influx of people the demographic and social situation of Belgrade and surrounding areas have changed very rapidly, requiring more focus development response.

Belgrade is also a home to many ethnicities from all over the former Yugoslavia. Many people came to the city as economic migrants from smaller towns and the countryside and it is estimated that between 10,000 and 20,000 Chinese live in Belgrade.

Belgrade is the financial centre of Serbia and Southeast Europe with total 17.000.000 m² office space. Currently, over 600,000 people are employed in 120,286 companies, 22,600 enterprises and 50,000 shops. Belgrade contributes approximately 40% of country GDP and as such is an engine of Serbia development.

II. UNDP WORK IN THIS AREA

Recognizing the needs and challenges that local self-government face, UNDP Serbia has designed the programme that supports and boost municipalities' potential for development impact. The programme aims to support local governments to plan and take strategic action as well as to further leverage resources in order to achieve sustainable economic and social development.

Since 2012 UNDP has been supporting selected municipalities to implement priority projects in the following areas: good governance, local economic development, tourism, agriculture and rural development, nature preservation and energy efficiency. UNDP support was provided in selection of priority projects, in development of annual work plans and realistic implementation timeframes and careful resource planning. Throughout the implementation of projects, capacity of local governments and other stakeholders at the local level was strengthened.

UNDP support contributes to a more efficient implementation of local development strategies and priority projects, enabling municipalities to address citizens' needs and enhance service provision, helping them at the same time to overcome lack of capacity or potential administrative obstacles.

III. PROJECT DESCRIPTION

The municipal government of Belgrade has announced its intention to seek to identify private partners or financing institutions in its efforts to develop certain sectors of municipal and environmental infrastructure that are in need of capital investment. The City of Belgrade plans to undertake such investments in infrastructure and innovation via project financing initiatives, such as Private Finance Initiatives (PFI), Public Private Partnership (PPP) and ESCO arrangements², or other forms of project financings that do not increase the City of Belgrade debt position.

The Project Development Office (PDO) of the City of Belgrade is established with an objective to enable these transactions to be analysed fully, and structured in a manner that ensures social affordability and fiscal sustainability. PDO will be the principal point of contact for international financial institutions, private investment banks, and potential investors seeking to learn more about investment opportunities in the municipally -owned and environmental infrastructure, and in other public sector companies, as well as in other public entities that are owned/controlled by or situated in the City of Belgrade and its 17 municipalities.

The Project Development Office is attached to the Office of Mayor and is mandated to develop and monitor City of Belgrade investment project. According to the systematisation the Office is envisaged to have 14 to 18 posts. The PDO will identify, analyse, develop and implement, in collaboration with Project Implementation Units that are established in Public Utility Companies or Secretariats, investment projects that are important for further development of Belgrade, as a capital city. These project finance vehicles will allow for the public sector to privatize some of its holdings, without incurring debt, yet retaining an ownership stake as the sponsor of the municipal entity undergoing privatization.

² Directive 2006/32/EC on energy end-use efficiency and energy services in Article 3, defines energy service company' (ESCO) as: a natural or legal person that delivers energy services and/or other energy efficiency improvement measures in a user's facility or premises, and accepts some degree of financial risk in so doing. The payment for the services delivered is based (either wholly or in part) on the achievement of energy efficiency improvements and on the meeting of the other agreed performance criteria.

Recognising the need of the City of Belgrade to further develop its investment portfolio, UNDP will through this initiative, support capacity building of the Project Development Office.

IV. PROJECT STRATEGY

The funding for the initial stage of the project in the amount of USD 100.000 will be provided by the City of Belgrade while opportunities for obtaining remaining funding in the amount of USD 400.000 will be explored in parallel.

The initial funds will be used to support the work of the Office by engaging high skilled professionals of different technical qualifications that would support development of an investment portfolio of the City of Belgrade, while additional funds, if acquired, will be used to engage additional technical expertise in accordance with needs of the PDO and to build the capacity of permanently engaged staff in accordance with most up-to-date strategic project management knowledge and skills. Training needs will be identified through training needs assessment that will be done in cooperation with the City of Belgrade, with a view to ensuring the best value for money.

During duration of the project, technical experts will be contracted on UNDP contracts, in accordance with standard UNDP procedures and their Terms of References will be developed in close consultations with the City of Belgrade (Mayor's Office).

The project activities will be implemented in accordance with UNDP procedures, in accordance with the Law on Ratification of the Agreement between the Socialist Federative Republic of Yugoslavia and United Nations Development Programme (Official Gazette – International Agreements – No 11/1988).