

MINISTRY OF INTERNATIONAL ECONOMIC RELATIONS

Development and Aid Coordination Unit

**Harmonisation
Enhancing Efficiency and Effectiveness of
International Assistance in the Republic of Serbia**

Progress Report

Discussion Paper

Government of Serbia

9th November, 2004

1. Introduction

1. The purpose of this Progress Report is to review current efforts of the Government of Serbia in its harmonisation activities. It presents country specific considerations linked to the harmonisation agenda and outlines some of the opportunities and plans for the future. Since it is a dynamic working document, it disseminates information and ideas with the aim of triggering responds/ questions/ suggestions by different stakeholders. Therefore, over time, the content of this Report will be further upgraded and revised in the light of experience.

2. The Government of Serbia (GoS) recognises that the harmonisation of policies, procedures and practices of donors and development institutions, aligned with the development priorities and systems of the Government of Serbia, as well as the principles of the Rome Declaration, are necessary to improve the effectiveness of development assistance.

3. By the Government of Serbia Decision, adopted on 27th of May 2004, Development and Aid Coordination Unit (DACU) within the Ministry of International Economic Relations (MIER) is co-ordinating and facilitating harmonisation process in Serbia.

4. MIER/DACU started with harmonisation efforts in Serbia through strengthening of responsible institutions and development of mechanisms within the GoS necessary to implement the harmonisation agenda. At the same time, MIER initiated a series of informal consultations and negotiations with donor representatives in Belgrade in order to identify the areas for harmonisation and consequently implement concrete harmonisation activities in those areas.

5. MIER/DACU is currently preparing a set of documents for participation in the *Second High-Level Forum on Harmonization and Alignment for Aid Effectiveness* which will be held in Paris in early 2005. This will be the opportunity for the Government of Serbia to present harmonisation initiative in Serbia to the world-wide public.

2. Existing Institutional Infrastructure

6. From the very beginning of the transition process, the Government of Serbia showed political commitment to use provided international assistance effectively and to speed up the reforms. As a result, the focal point for the coordination of international support to Serbia, the Development and Aid Co-ordination Unit, was established within MIER in November 2000 and tasked with promotion of national priorities through close co-operation with donors and development partners. In order to ensure capacity building for the aid coordination function within the GoS, the United Kingdom Department of International Development (DfID) has been supporting a part of the DACU since its establishment.

7. MIER/DACU initiated the establishment of the Steering Committee for Development and Aid Co-ordination (SC) and Inter Sectoral Development and Aid Coordination Network (ISDACON):

- Members of SC are Prime Minister, Minister of Finance, Minister of Labour and Employment, Minister of International Economic Relations and Minister of Trade and

Tourism. SC has an official mandate to point out policy gaps, define cross-sectoral priorities, as well as to identify the gaps for international financing;

- ISDACON consists of representatives from all line ministries (operational level) with the scope and capacity to proactively programme, co-ordinate, manage and monitor international assistance. ISDACON was formally established through the Government Decision from September 2003. The purpose of the network is to facilitate communication and the flow of information on development and international assistance within GoS and to plan proactively in order to ensure that aid complements reform efforts towards EU integration and PRSP implementation.

3. ISDACON Information System

8. In order to support ISDACON activities, DACU developed an integrated ISDACON information system. This information system has the capacity to support process of foreign aid management in all phases. It has an adaptable module for prioritisation and evaluation of project proposals, possibility to manage financial and descriptive data about individual projects and donations and at the same time it acts as a common data storage and information source for all stakeholders in ISDACON.

9. With four years of historical data already in the system, ISDACON information system has a unique set of reports which describe effects of implemented international support, as well as information on activities undertaken by the GoS in regards to successful implementation of international assistance. During the development of this system, procedures of communication between institutions in ISDACON were researched, as well as the procedures of communication between the GoS and donor community. The Process Model of foreign aid management in the Republic of Serbia represents the result of this research.

DACU invites line ministries and donor agencies to work in partnership in order to further upgrade and promote the ISDACON IS. This partnership will ensure shared responsibility for validity of data with all relevant stakeholders. Special attention will be devoted to improvement of the accuracy as well as consistency of the data. Furthermore, the system is “user friendly”, which means that specific needs of stakeholders will be taken into consideration.

10. Apart from the data related to the programmes and projects financed through international assistance, the information system contains various information and references which represent the result of DACU four-year experience in the field of international cooperation in the Republic of Serbia. The ISDACON information system covers most of the aspects of international cooperation, providing latest news, sets of different documents, reports, project proposals and much more.

11. DACU is currently finalising a unique set of Donor & Sector ID cards (featuring donor/sector profile, strategies, procedures, overview of programmes and projects by donor/sector, as well as the summary of experiences with individual donors/sectors so far).

12. ISDACON IS is open to broad public, ensuring transparency of the reform processes in the Republic of Serbia, supported by international partners. This IS

represents a pioneer effort in the establishment of an efficient horizontal communication between all relevant Governmental institutions. Consequently, as a joint knowledge base and flexible information management tool with possibilities for customisation and expansion, ISDACON IS is able to meet needs of different stakeholders in a dynamic environment of public administration in the Republic of Serbia.

Consequently, ISDACON information system, and the process model behind it will serve as a backbone of the harmonisation process, as well as the knowledge base and information management centre related to harmonisation in the Republic of Serbia. Therefore, the Government of Serbia wants to ensure that all donors and line ministries start using ISDACON Information System by April 2005. This will ensure further administration reform and the development of cross-sectorial functions within the Government.

13. Following the feasibility study performed in June 2001, the establishment of the ISDACON information system was initiated. The support for this process has been provided by Swedish International Development Agency (SIDA) ever since.

4. Harmonisation Activities in Serbia

4.1 Background

14. Due to the shift from emergency and humanitarian to medium and longer-term development assistance, the process of planning and implementation of international assistance has become more complex and challenging. Currently, there is a growing awareness in the donor community in Serbia that the totality and wide variety of donor requirements and processes for preparing, delivering, and monitoring development assistance are generating unproductive transaction costs, drawing down the limited capacity of the GoS. Harmonisation process will enable the GoS to use the provided international assistance more effectively which will ensure speeding up of the reform process.

15. By the Government of Serbia Decision, adopted on 27th of May 2004, Development and Aid Coordination Unit, within the MIER is co-ordinating and facilitating donor harmonisation process in Serbia. Harmonisation in Serbia has been initiated by MIER/DACU, on the basis of Rome Declaration and the World Bank (WB) initiative in December 2003.

16. At the Donor Coordination Meeting, held on 28th of May 2004, MIER/DACU presented a draft document *Donor Harmonisation Framework for Serbia (DHF)*. DHF was prepared by DACU, as a starting point, presenting general harmonisation principles the GoS and donor community should agree upon.

4.2 The partnership

17. MIER/DACU decided to build the harmonisation process in partnership with line ministries, other government institutions and donor representatives. Therefore, MIER/DACU started formal and informal consultations with all stakeholders in the

process. Although the consultation process is time consuming, it will ensure smoother implementation at a later stage.

4.2.1 DACU in partnership with donors

18. The first round of consultations with donor representatives, conducted by MIER/DACU during the period of June-September 2004, identified a critical mass of donors / IFIs working in Serbia that are committed to furthering the harmonisation agenda¹.

19. The general response to MIER/DACU harmonisation initiative is positive. There is a willingness among donors to participate in a dialogue aimed at identifying concrete steps for harmonisation. Representatives in Belgrade highlighted that harmonisation initiative has to be fully supported (and initiated) by their headquarters. MIER/DACU also observed that, some of the donors did not show a great understanding of the harmonisation process. Very often they were confusing it with coordination and exchange of information. Therefore, MIER approach so far has been to discuss the existing problems, trying to jointly identify possible solutions. It has been concluded that some of these problems can be addressed by harmonising "way of working together". As a result, a need for improvement in cooperation has been expressed in some of the following areas²:

- **Programming**

- To further strengthen, harmonise and standardise the process of programming of international assistance: aligning planning cycle of donors with planning and budgeting cycle of ministries; to strengthen the link between programming of international assistance and the GoS planning and budgeting process; to streamline planning and implementation of development assistance in accordance with the following documents: European Integration process (EIp), Poverty Reduction Strategy and Serbia on the Move, as well as with sectoral strategy papers
- To further decentralise/delegate decision making process from the headquarters to the offices in Belgrade
- To develop the sequence of activities to be undertaken by donors and the Government of Serbia

- **Reporting, monitoring & evaluation**

- Minimum criteria and reporting requirements to be defined and standardised according to the needs of the GoS
- Government representatives to participate in project/programme evaluation, jointly with the respective donor
- Analytical work for a donor country strategy documents to be carried out jointly, consulting in advance the other donors performing the same process
- Defining criteria and guidelines for successful replication of pilot projects

- **Pilot initiatives-Sector Wide Approach**

- To identify sectors for pilot initiatives-Sector Wide Approach (SWAP)

¹ MIER/DACU met the following donor representatives in Belgrade: DfID and the Netherlands (7th June), SDC (25th June 2004); DfID (28th June); EAR (2nd July); WB (6th July); CIDA (7th July); SIDA (8th July); DfID (14th July); UNDP (15th July); KPMG (23rd July); WB (3rd September); Germany (7th September); CIDA (24th September); DfID (5th October), USAID (22nd October)

² Please note that not all donors supported all listed areas/proposals

- To identify a lead donor per sector
- To initiate sector wide reviews
- **Knowledge management:**
 - To harmonise and implement procedures in the Process model of foreign aid management. ISDACON information system will represent a joint knowledge base, planning and analytical tool of ISDACON, donor community and other stakeholders
 - Development of a document centre to enhance the process of sharing the best practices and lessons learnt
 - To organise donor and sector harmonisation meetings on a more regular basis
- **Procurement activities**
 - To establish a joint donor and ISDACON working group that will identify harmonisation initiatives aimed at easing the burden of different audit, procurement and financial reporting requirements
 - To look at the possibility of developing sustainable solutions for integrating externally funded Project implementation units / project co-ordination units into the ISDACON network.

20. MIER/DACU started with the **second round of consultations** with donor representatives as of October 2004. The aim is to further promote the harmonisation initiative in Serbia (especially with donors that have not been included in the process from the very beginning). At the same time, DACU is spreading the awareness of ISDACON IS discussing more technical details as well as specific needs of different donors³.

21. As of October 2004, DACU started organising **harmonisation meetings** with donor representatives on a more regular and more proactive basis⁴: In general, the objective of these meetings will be to improve the effectiveness and impact of assistance provided to Serbia by:

- ensuring a more regular flow of information;
- reviewing the development partners draft strategies' link to the EI process and the implementation of the PRSP;
- enhancing the focus of the draft strategies/programs to avoid potential overlap and utilise possible synergies; and
- identifying lessons learnt and best practices.

During the meetings, participants are able to discuss cross-cutting problems and challenges that influence both the programming and implementation of international assistance, as well as the opportunities for harmonisation of procedures. Ensuring the participation of representatives of the Ministry of Finance, the harmonisation meetings are aimed at strengthening the link between programming of international assistance and the GoS Budgeting process which both should be aligned with the EI and PRS.

³ In the second round, so far, MIER/DACU met: USAID (22nd October), CIDA (25th October); Denmark (28th October), DfID (29th October); EBRD (29th October); SIDA (29th October);

⁴ In the previous period, with its coordination activities, DACU was organising donor coordination meetings twice a year presenting the current status of international assistance (Reports on International Assistance to the Republic of Serbia) and highlighting main recommendations, lessons, best practices and suggestions for the future.

22. Currently, European Commission (EC), the World Bank (WB) and USAID are preparing multi annual strategies in the form of Multi-Annual Indicative Programme (MIP) 2005-2006, Country Assistant Strategy (CAS) 2005-2007 and Country Strategy for their assistance to Serbia, respectively. Additionally, the UN Development Assistance Framework for 2005-2009 was signed by UN and Government officials at the end of March 2004. Thus, DACU has recognised a unique opportunity to launch a dialogue with its key international development partners, with the aim of promoting some of the key elements highlighted in the international harmonisation agenda. Therefore, DACU organised an informal working meeting on **13th October 2004**, between the key development partners (EC, UN, USAID and WB) and key Government officials (Deputy Prime Minister, Minister of Finance and MIER representatives).

23. The Meeting on Harmonisation scheduled for **9th November 2004** will promote harmonisation efforts in the Republic of Serbia with the aim of initiating questions and suggestions by different stakeholders. Therefore, MIER will present the concept and current status of the harmonisation process and outline opportunities and plans for the future.

24. MIER/DACU ensured its participation in ***Second High-Level Forum on Harmonisation and Alignment for Aid Effectiveness***, which will be held in Paris in early 2005. This will be the opportunity for the Government of Serbia to present harmonisation initiative as well as the ISDACON IS, as a tool for harmonisation in Serbia, to the world-wide public. Moreover, MIER/DACU will exchange its experiences, lessons learnt and best practice in this field with other developing countries.

4.2.2. DACU in partnership with line ministries

25. In the course of the consultation process donor representatives also identified a bottleneck within the administration of the GoS. Therefore, DACU started with the intensive **training of ISDACON members**, as of August 2004, in order to strengthen the capacities of the GoS related to programming, implementation and monitoring of international assistance as well as to the donor harmonisation function. For the success of harmonisation activities it is essential to ensure that ISDACON network is fully operational. The planned strengthening of the ISDACON network, together with the development of a more comprehensive/ holistic and long term policy framework represent the basis for the GoS efforts to promote harmonisation of international assistance and Government's own priorities, strategies and delivery mechanisms. Within these activities, DACU will actively promote the use of ISDACON information system both by the GoS and the donor community representatives. DACU will train 70% of Line Ministries by the end of November 2004 and the other 30% by February 2005.

26. In parallel, MIER initiated **discussions** with different line ministries⁵: During the consultation process line ministries have identified a number of areas where they would like to see significant improvements. In most cases, the identified problems were the same ones identified by donor representatives. Some of the requirements/problems follow:

- To standardise the process of programming of international assistance

⁵ Ministry of Health, Ministry of Justice, Ministry of Internal Affairs, Ministry of Public Administration and Local Self Government, Ministry of Capital Investments, Ministry of Economy

- To organise donor and sector harmonisation meetings on a more regular basis
- To be consulted in advance, basically when donors are preparing their strategies /programmes/ projects. Very often, donors just “appear” with prepared project proposals and in advanced defined ToRs, names of consultants etc.
- To systemise all available information about donor activities in a sector, best practices and lessons learnt, etc.
- To improve reporting system which is used by donors (implementing agencies) Reports are long and donor driven (designed for the donor specific needs)
- Duplications and overlapping of feasibility studies performed in the same area
- Slow decision making process (priorities may change very fast when it comes to the specific projects)
- In some cases consultants seconded to the ministries do not have understanding of the in-country details needed to adequately fit their policy recommendation to the country specific circumstances. Furthermore, consultants are seconded for a short period of time –“fly in fly out” consultants
- Proliferation of preparatory work on specific donor operations - missions, concept notes, design and appraisal of different projects, a variety of accounting and auditing requirements, consultation meetings, etc. all add to the administrative burden on the line ministries. In a number of cases this leads to the duplication of work performed by civil servants and puts an unnecessary strain on the government’s resources.

Sector Wide Approach & Pilots

27. DACU is currently developing a Concept of Sector-Wide Approach (SWAP) in intensive consultations with line ministries. SWAP will strengthen the overall planning and strategic capacities of the GoS, in particular the capacities of ISDACON. Moreover, this will enable a shift from the performance of individual projects towards the performance of the sector as a whole, particularly improving specific sector outcomes.

28. **Weak institutional capacity** within the Government of Serbia is one of the main constraints affecting the implementation of SWAP⁶. At the same time, SWAP is seen as one of the tools for capacity building for line ministries.

29. In a long-term, under SWAP initiative, the aim is to streamline and rationalise financial and administrative procedures, as well as to facilitate channeling of all financial donor support to sectors in a simple and efficient way. When financial, administrative, and management system forms, procedures and guidelines are all in place, the GoS envisages that line ministries and various donors can move closer toward “**basketing**” - provision of untied financial support to the line ministry budget. This implies that donors will support line ministries by financing a single budget agreed upon, and administered by the permanent secretary of the line ministry.

30. As one of the first steps under SWAP initiative, line ministries jointly with the lead donor should perform a **sector wide review /mapping** of international assistance and analysis of how the provided international assistance fits in the overall reform framework defined by EIp, PRS and sectorial strategy/priorities. Sector wide review (SWR) will form the basis for policy dialogue and policy design. It should be carried out in the context of a

⁶ The shortage of experienced and qualified staff in national institutions remains one of the key challenges for public administration reform

government-led strategy. Relying on capacities in the line ministry, analytic work should strengthen the in-country sector dialogue, EI and PRS processes, by fully involving all actors in the sector. Simultaneously, good co-ordination between donors and the GoS regarding planned analytical work will additionally enhance aid effectiveness. Annual Sector Wide Review should be fed into the annual review of the SAP and regular PRS review. The process of the analysis should include all stakeholders in the sector, such as civil society, NGOs, etc. A joint review guarantees the coherence of interpretation of results achieved in the sector at all levels.

31. Under the SWAP, DACU will launch **3-4 pilot sector initiatives**. The consultation process with donors resulted in the following suggestions for pilot sectors: Public Administration, Education, Local-Self Government, Justice, Interior and Health, National coordination policy. Following the consultation among all active donors within the identified sector, one of the donors will assume the **role of the lead donor**. The role of the lead donor, which will vary from sector to sector, could include the following activities: co-chairing regular sector meetings, facilitating the flow of information among the donors active in the sector, providing support to line ministry or respective institution in harmonisation activities.

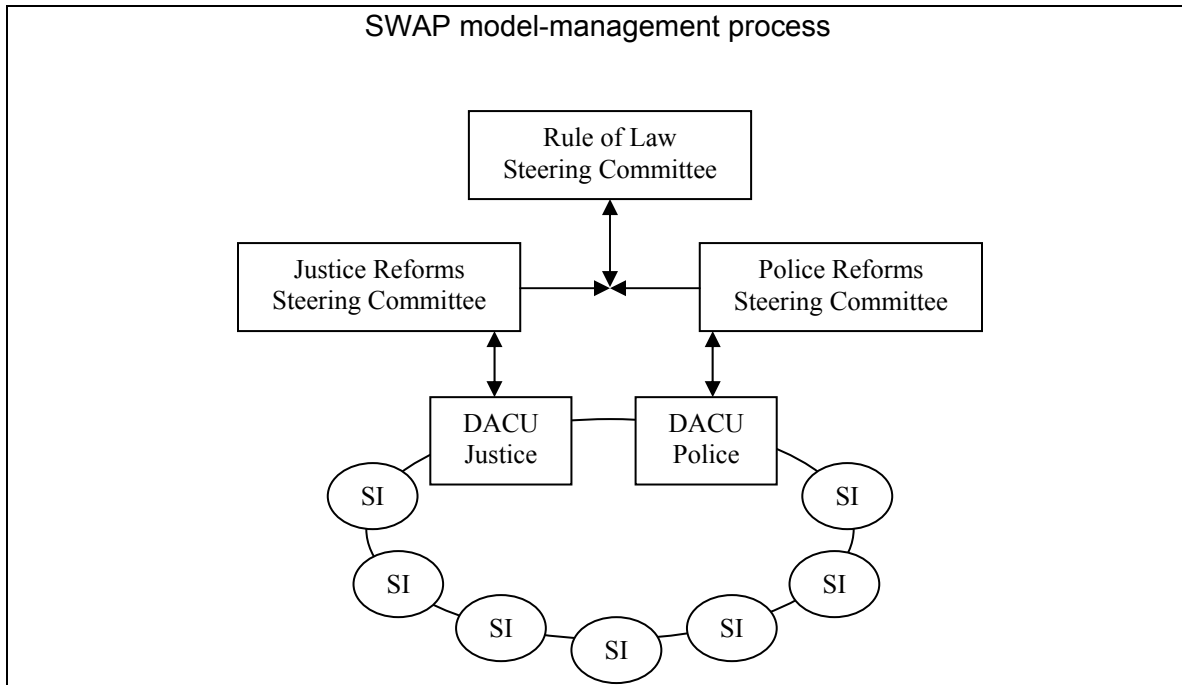
32. The rule of law and public administration are already identified as gaps in the view of the reform process. Therefore, DACU recognised a unique opportunity to push for the further reforms within these sectors under the harmonisation initiative. MIER already initiated discussions with several line ministries and is developing sector wide approach concept jointly.

a) Rule of Law

33. Initial meetings with the representatives of Ministry of Interior and Ministry of Justice were held. The objective was to define the most suitable model/mechanism for coordination of international assistance. During the consultation process several models were suggested, but only one of them was acceptable for both sides. According to this model it is possible to perceive the rule of law as an integrated policy area comprising Ministry of Interior and Ministry of Justice.

34. The model assumes existence of two levels: strategic-decision making and operational level. The strategic level envisages the existence of two Steering Committees: one for justice reforms and another for the police reforms, both responsible to the joint Rule of Law Steering Committee⁷. On the operational level it is necessary to establish international cooperation units (Justice DACU and Police DACU). They will be jointly responsible for coordination of international assistance within the rule of law area, as well as for coordination of different specific sectoral activities, such as planning, securing and implementation of international assistance.

⁷ Members of the Rule of Law Steering Committee will be: Minister of Justice, Minister of Police, Minister for International Economic Relations, Minister for Public Administration and Local Self Government, judges, lawyers and advocates, as well as donor representatives most active in the Rule of Law area



b) Public Administration

35. This concept is still under construction. The similar approach as for a rule of law will be applied.

36. Government of Serbia seeks additional international assistance in order to support development and implementation of sector wide approach and additional pilot sectors.

4.2.3. DACU in partnership with other government institutions - Overall Framework for Reforms

National coordination policy is currently discussed within the Government of Serbia. Initial meetings/consultations have been organised already. The existence of clear development priorities is a precondition for successful harmonisation leading to improved effectiveness of development assistance. Serbia's overall development framework is based on the strategic objective of integration into the EU and the implementation of the Poverty Reduction Strategy paper. Consequently, the development of the society and economy, including the fight against poverty in Serbia, is pursued with European values, EU norms and standards, as well as with EU policies in mind. To make the implementation of the overall development framework effective, hence transparent, accountable, prioritised and sequenced, there is a need to develop a joint operational framework for these two pillars of the Serbian reform. Medium term objective is a preparation of the National Development Policy as a precondition for efficient use of pre accession funds.

37. Therefore, the **Development and Aid Coordination Unit (DACU)**, **Serbian European Integration Office (SEIO)**, **Office for PRS (OPRS)** and **Ministry of Finance**

(MoF) are about to launch a joint initiative for 5-6 key sectors aimed at developing a comprehensive common Plan of Action. The process will be designed and implemented based on a decentralised / bottom up approach aimed at developing strong ownership within responsible line ministries. A web based tool - ISDACON IS will support dissemination, regular updating and reporting. This will ensure that the Plan of Action(s) becomes a dynamic and effective instrument that can be used as a base for allocation of national resources and international assistance as well as monitoring and evaluation.

38. A common harmonised framework used by both SEIO and OPRS, DACU and MoF on a daily basis would increase the leverage and the impact of overall reforms. Such a consolidated approach would increase the value added of the upcoming planning exercise and motivate the respective line ministries to use this framework to improve both their planning processes and day-to-day management of the reforms, budget resources and international assistance. The harmonisation initiative will ensure policy coherency in Serbia, reduce the burden on the line ministries and the number of requests from co-ordinating central government bodies regarding reporting.

5. Harmonisation - Planned Activities for 2005

39. DACU will launch a series of **sectoral meetings** in cooperation with line ministries, on a more regular basis and focused on specific sectorial programmes. DACU will assist line ministries (operationally, via ISDACON) to organise meetings on regular basis with donor representatives on harmonisation issues in specific sectors. The aim is to move towards a more consolidated policy and programme discussions at sector or thematic level (Starting in January 2004).

40. DACU will **upgrade the existing logistic support** to the harmonisation process (ongoing activity)

- On the inter-sectoral level, the process of donor harmonisation will be directly supported through ISDACON Information System (ongoing activity);
- Internally (within MIER), logistic support to donor harmonisation process will be provided through services of ISDACON information system, including shared data storage, mail and Internet, as well as document and process management - MS Project and MS Sharepoint Portal (ongoing activity);
- Externally (within the central level of the GoS) ISDACON Information System will be connected to the information system of the Treasury Department and other information sources in the Government of Serbia related to EU SAP and PRSP implementation. Therefore, donor harmonisation will be synchronised with related processes (ongoing activity);
- Externally (towards local Self Government Authorities), ISDACON Information System will become available to local self government authorities, with the aim of supporting the process of decentralisation and delegation of programming, implementation and monitoring of international assistance. This will be a joint activity of DACU and the Standing Conference of Cities and Municipalities. (Launching planned for beginning of 2005).
- Regionally, ISDACON IS will be promoted (See more under paragraph 43)
- World-widely, ISDACON IS will be presented at the *Second High-Level Forum on Harmonization and Alignment for Aid Effectiveness*, in Paris in February 2005.

41. DACU identified a wide range of general activities in order to create the **legal framework**. The initiatives/activities will include:

- Development of **Harmonisation Strategy** with specified areas and activities for harmonisation efforts, based on the country specific context, Progress report, as well as on areas for harmonisation identified through the consultation process with donor representatives (described under paragraph 19). The strategy will specify a clear set of principles and actions for taking the agenda forward in the short and medium term (preparation as of January 2005)
- Preparation, signing and starting with implementation of **Memorandum of Understanding** (beginning 2005). MoU will be a “dynamic document” in two respects:
 - the contents may change in the light of experience, and
 - additional signatory partners may choose to sign the Memorandum of Understanding (MoU) at a later stage
- Establishment of the **Harmonisation Group**. The donors, signatories of the MoU will become the members of the Harmonisation Group. Harmonisation Group will periodically review the implementation of the HF. Along with MIER/DACU representatives, two donors will be responsible for ensuring the MoU implementation, on a rotating basis. The specific Terms of Reference will be developed by DACU and the lead donor for harmonisation process.
- Establishment of the **Sector - Donor Group** (SDG) for SWAP pilot sectors. SDG is necessary to ensure that the group functions effectively. It will be chaired by the line ministry and supported by the lead donor (more information will be available in the document: The Concept of SWAP in the Republic of Serbia). The specific Terms of Reference will be jointly developed by line ministries and donors interested to take part in the process.
- Liaising between the EU, PRSP and other overall and inter-sectorial agendas and permanent improvement of ISDACON capacities, in order for it to become a strong focal point within the GoS for the harmonisation process (ongoing activity).

42. **Regionally**, DACU will improve the cooperation with neighbouring countries in order to start sharing experience, best practices and lessons learnt in the field of international assistance and harmonisation across the region. As a starting point, MIER/DACU invited the representatives of the neighbouring countries to take part in the meeting on harmonisation with the “country observer” status. This cooperation will be further discussed bilaterally. DACU is planning to organise informal bilateral consultations, round tables, as well as visits to the respective governments and units/ministries which deal with international assistance (mid 2005).

43. DACU seeks international assistance to support the preparation of Harmonisation Strategy, Plan of Action (medium-long term) as well as its regional initiatives.

6. Procurement, Financial Reporting and Audit

44. The WB has expressed a great interest in harmonisation of donor activities regarding Procurement, Financial Reporting and Audit. MIER advises that on behalf of the Government, Public Procurement Office (PPO) should take the lead in harmonisation efforts within the field of procurement. In addition to the positive effects of harmonisation, this will strengthen the capacities of the already established institution. External

assistance is needed for the successful preparation and implementation of the harmonisation process within procurement. MIER will facilitate this process and will include the PPO representative in ISDACON network. In addition to this, PPO requirements will be included in ISDACON information system.

45. The Public Procurement Office (PPO) is set up as an independent governmental agency with the mission to help the establishment of sound procurement procedures and practices ensuring that the public funds are spent in an efficient and transparent way, thus complementing government's overall drive in combating corruption. The aim of the PPO is to promote knowledge and understanding of Public Procurement Law. The foundations of a modern system of public procurement in Serbia were laid on 13th July 2002, when the Public Procurement Law (PPL) was passed.

46. Since 2001 a number of Project Implementation Units / Project Co-ordination Units have been established in connection with the implementation of projects funded by WB, EIB and EBRD. As these units are operating and/or are organised in different manners there is a need to investigate possible harmonisation gains of unification of these units into the ISDACON. In this context a specific focus should be placed to Financial Reporting and Audit in addition to already mentioned procurement.

47. MIER will strongly encourage the WB to take the leading role within the area of procurement and provide support to PPO.

48. An initiative looking into the aforementioned area is already ongoing in the Agency for Deposit Insurance, Rehabilitation, Bankruptcy and Liquidation of Banks (BRA). This initiative is exploring possible harmonisation activities within the reform of Financial Sector with a specific focus on privatisation of banks and regulatory reforms. MIER strongly encourages DfID or EBRD to expand their activities and to take the leading role in the financial sector as a whole.

7. Time Schedule

49. Under construction