Overall objective:
To contribute to enhanced stability and socio-economic development in the South and South West Serbia

Purpose:
To enhance governance, municipal and inter-municipal management capacity and social, economic and physical infrastructure in a holistic, area-focused fashion

Total budget:
18.5 million Euros

Start date:
1 July 2010

End date:
Originally scheduled to end on 30 June 2013 and extended until 31 March 2014

Programme coverage:
Ivanjica, Nova Varoš, Novi Pazar, Prijepolje, Raška, Sjenica, and Tutin in the South West Serbia
Blace, Žitorađa, Kuršumlija, Prokuplje in Toplica
Bojnik, Vlasotince, Lebane, Leskovac, Medveđa, Crna Trava, Bosilegrad, Bujanovac, Vlađičin Han, Vranje, Preševo, Surdulica, Trgovište in the South Serbia

Donors:
The Delegation of the European Union (DEU)
The Swiss Agency for Development and Cooperation (SDC)
The Government of the Republic of Serbia

Implementing partner:
United Nations Office for Project Services (UNOPS)

Report date:
July 2013

Period covered:
1 July 2012 – 30 June 2013

Prepared by:
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Serbia
Executive Summary

Following the recommendations of the mid-term evaluation, the European Partnership with Municipalities Programme EU PROGRES was extended for nine months, until March 2014, to deliver targeted outputs, continue to use grant methodology, strengthen intervention effects and follow up the achievements.

At the end of its third year, out of 236 contracted projects, 146 have been completed (62%), which is by 33% more in comparison to the previous reporting period; 46 projects are on track (19%), 34 are delayed with low risks (15%), while ten have been discontinued (4%). The total disbursement in the reporting period was 5,889,514 Euros, while the overall Programme delivery, at the end of June 2013, was at 11,801,238 Euros or 71.97% of the Programme budget. More than three million Euros were contracted as co-funding, while over half of the amount was realised until June 2013.

Nevertheless, there is significant work ahead in an environment that is complex, changing and repeatedly affects the Programme.

Knowing that the 2012 Elections would be a challenge, EU PROGRES took into account possible delays in the Work Plan. However, the massive changes in the post election period, which continued even a year later, negatively affected the Programme and slowed down some activities. In 15 municipalities the ruling coalitions changed, somewhere even several times, while the newly struck local governments, composed of former political opponents, proved to be shaky and burdened with distrust, scepticism and unresolved issues from the past. This put additional strain on the staff as much more time needed to be invested into (re)-establishing relations and ensuring projects’ implementation continue, and ensuring there was understanding of the overall purpose of the Programme. Still, there were interruptions of several weeks, and months in some cases.

Furthermore, the Programme continued to use the grant methodology in 88% projects, which is important for ownership and capacity building. While there are indicators showing effectiveness of the methodology, for example reduced time for preparation of tender packages and improved audits, the methodology is a challenge at the same time. Activities are very often delayed due to prolonged public procurement processes, limited project management capacities and the meeting of co-funding obligations by the local governments. As a result, 65% projects had to be extended while in total there were 197 amendments to grant contracts.

Risks such as flooding, extreme winter conditions, or the weak relations between the local and the central government could endanger completion of several infrastructure projects. Still, despite serious challenges, EU PROGRES is making solid advancements and plans to complete all activities within the Programme’s current time framework.

And yet, many completed activities show good effects and have already made a positive impact on the lives of the population in the South and South West Serbia. One such example are 41 small infrastructure projects, out of which 29 have been completed. They enhanced business infrastructure, waste management, water supply, energy efficiency, and conditions for education, health, youth and sports.

There is a special quality of work on infrastructure projects. The introduction of the good governance principles and operationalization of the accountability, efficiency, effectiveness, non-discrimination and participation into clear and practical content made unique contribution to the
rule of law and anti-corruption efforts. Thirty-five local regulations were prepared, and 20 others are being finalised, and they define sharing of benefits that derive from the new equipment, use of new sports’ facilities, ensuring there was no discrimination during enrolment of children in the kindergartens etc. EU PROGRES facilitated establishment of project organisation for all inter-municipal/regional projects, i.e. the Banjica Landfill, Pčinja Fruit Production Improvement, Leskovac Green Zone, Regional Centre for Development of Agriculture for Pešter and Pčinja District “Meteris” Regional Landfill. Without such organisation, prospect for regional project success would be more limited. All these positive trends and practices were praised in the April 2013 report of the Swiss Back stoppers.

Certainly, the major breakthroughs in EU PROGRES’ endeavours to contribute to inflow of investments and opening of jobs are of crucial significance for all. Primarily, Programme’s support to Vranje to develop planning and technical documentation for the Industrial Zone, opening of One Stop Shop that will reduce time needed for obtaining construction permits, as well as a branding project, complemented efforts of the Government of Serbia and the City to attract investments by the Italian shoe manufacturer Geox and furniture producer Ditre Italia. Those two businesses are expected to invest up to 29 million Euros and employ more than 2,200 people.

The nine branding projects vary thematically, from those that support the development of tourism (Vlasina, Zlatar and Golija), organisation of festivals (Blace Plum Days and Leskovac Cherry Festival), to projects that aim at improving image of a city (Novi Pazar and Vranje). At least two projects (Branding of Pešter Products and Vranje as Investment Friendly City) will contribute to increased economic activity.

EU PROGRES has successfully completed several activities designed to develop local government capacities, of which many are instrumental for enhanced municipal competitiveness. One Stop Shops have been established in four municipalities and they should reduce total time needed for issuing of construction permit from average 96 to 77 days. Significant progress has been made in the field of urban and planning documentation. One elaborate, seven general regulation plans and 19 detailed regulation plans were adopted or are in the final stage of adoption. On the basis of technical and planning documentation, so far, municipalities accessed funding worth 1.6 million Euros.

Efforts to improve management of public finances have been fruitful. Introduction of programme budgeting and capital investment planning is completed in five municipalities. The support to update the Local Tax Administration databases in 11 municipalities, did not only create an increase of invoices issued to taxpayers of 645,119 Euros in total or on average 37.3%, but it also resulted in the increase in collected (paid) property tax of 326,341 Euros. There is also a great cost-benefit ratio of this action as the total investment was approximately 129,000 Euros, while the return in collected property tax is almost triple the sum during the implementation period only.

Progress has been recorded concerning establishment of governance related institutional framework, in particular for gender, anti-corruption, citizens’ participation and minority rights. In addition to setting up of gender equality mechanisms in 12 municipalities, nine municipalities developed Integrity Plans, which are important anti-corruption tools, participatory budgeting has been conducted in 12 municipalities of which three decided to institutionalise the process (while 11 signed Memorandum of Understanding for establishment of participatory budgeting teams). Institutionalisation of free legal aid in Novi Pazar and Prokuplje is in the final stages.

From the start of intervention in July 2010 EU PROGRES’ activities directly positively affected estimated 9,106 people from vulnerable and disadvantaged groups, including Roma, people with disabilities, elderly citizens and women. Support has been multi-dimensional, from facilitating access
to public services, such as education and social welfare, to provision of clean water and jobs. Four Citizens’ Advisory Service (CAS) Offices, provided free legal aid to 2,374 users of which about 500 were Roma citizens who obtained personal documents, accessed social welfare rights, education etc. Activities that addressed difficult situation of Roma have been versatile: e.g. 100 Roma beneficiaries in Vranje were connected to the water system, while 750 beneficiaries in Surdulica should be connected in August; a Roma entrepreneurship project should enable employment of 29 people.

With 11 high level functions (including three Ambassadorial visits), triple the number of press releases than envisaged in the Annual Work Plan and more than 1,160 affirmative reports (compared to 200 planned), it is clear that the visibility of the EU and Swiss supported initiatives was great and that the messages about the planning, socio-economic growth, as well as necessity of stability and strong development vision reached a much wider audience. Contribution to the positive image of donors and Programme rationale was further generated through the Programme website and newsletter. There were 42,071 visits to the website, by 23,697 people from July 2012 – June 2013, an increase of 30% compared to previous year and in contrast to 10,000 visits planned. Three quarterly e-Newsletters and one annual were distributed, each to over 1,100 e-mail addresses, in both English and Serbian. However, it is the two public awareness campaigns that have contributed mostly to good quality information about the good governance, the underlining theme for the entire Programme and the EU accession process, benefits of the membership and obligations.

No Programme successes would have been possible without strong partnerships. Two cities and seven municipalities (Leskovac, Vranje, Ivanjica, Bosilegrad, Raška, Trgovište, Vlasotince, Lebane, and Žitorađa) acknowledged this partnership and awarded EU PROGRES with the (highest) municipal awards for contribution to local development. The Serbian European Integration Office chairmanship of the Programme Steering Committee provides continuously strategic support and leadership. There have been strong synergies with the Ministry of Regional Development and Local Self Government, the Ministry of Finance and Economy, the Water Directorate of the Ministry of Agriculture, Forestry and Water Management, the Office for Sustainable Development of Underdeveloped Areas, the Coordination Body for Preševo, Bujanovac and Medveđa, the Office for Minority and Human Rights and the National Minority Councils. Others include the Ministry of Environmental Protection, Anti-Corruption Agency, the Ombudsman and many more Government bodies.

With nine months till the end of the Programme activities are going full steam ahead to continue implementation of the recommendations made by the European Union Monitoring Mission and the Swiss Good Governance Experts, to enhance the monitoring and evaluation system, in order to be able to demonstrate the difference that a development initiative like this one can make. The joint efforts, shared objectives and genuine commitment of all partners are contributing to shifting the South and South West from the map of the least developed and conflict prone municipalities into the area that is attractive to investors, with skilled people and potentials for socio-economic growth that could benefit the entire country.
## Acronyms

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Description</th>
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<tbody>
<tr>
<td>ANMC</td>
<td>Albanian National Minority Council</td>
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<td>BDZ</td>
<td>Bosniak Democratic Community</td>
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<td>BIC</td>
<td>Business Incubator Centre</td>
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<td>BIRN</td>
<td>Balkan Investigative Reporting Network</td>
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<td>CAC</td>
<td>Citizens’ Assistance Centre</td>
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<tr>
<td>CAS</td>
<td>Citizens’ Advisory Service</td>
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<td>CB</td>
<td>Coordination Body for Bujanovac, Preševo and Medveđa</td>
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<td>CIF</td>
<td>Citizens’ Involvement Fund</td>
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<td>CIP</td>
<td>Capital Investment Planning</td>
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<td>CSO</td>
<td>Civil Society Organization</td>
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<td>CzDA</td>
<td>Czech Development Agency</td>
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<td>DEU</td>
<td>Delegation of the European Union</td>
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<tr>
<td>DRP</td>
<td>Detailed Regulation Plan</td>
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<td>DS</td>
<td>Democratic Party</td>
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<td>EU</td>
<td>European Union</td>
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<td>EU PROGRES</td>
<td>European Partnership with Municipalities Programme</td>
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<td>GEM</td>
<td>Gender Equality Mechanism</td>
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<td>GG</td>
<td>Good Governance</td>
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<td>GRP</td>
<td>General Regulation Plan</td>
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<td>LED</td>
<td>Local Economic Development</td>
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<td>LSG</td>
<td>Local Self Government</td>
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<td>LTA</td>
<td>Local Tax Administration</td>
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<td>NES</td>
<td>National Employment Service</td>
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<td>NIP</td>
<td>National Investment Plan</td>
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<td>NMC</td>
<td>National Minority Council</td>
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<td>OHMR</td>
<td>Office for Human and Minority Rights</td>
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<td>OSDUA</td>
<td>Office for Sustainable Development of Underdeveloped Areas</td>
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<td>OSS</td>
<td>One Stop Shop</td>
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<td>PB</td>
<td>Participatory Budgeting</td>
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<td>PSC</td>
<td>Programme Steering Committee</td>
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<td>PUC</td>
<td>Public Utility Company</td>
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<td>QMS</td>
<td>Quality and Management System</td>
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<td>RfP</td>
<td>Request for Proposals</td>
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<td>RNMC</td>
<td>Roma National Minority Council</td>
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<td>SDA</td>
<td>Party of Democratic Action</td>
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<tr>
<td>SDC</td>
<td>Swiss Agency for Development and Cooperation</td>
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<td>SDP</td>
<td>Sandžak Democratic Party</td>
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<td>SEDA</td>
<td>Regional Development Agency of Sandžak</td>
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<td>SEIO</td>
<td>Serbian European Integration Office</td>
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<td>SME</td>
<td>Small and Medium Enterprises</td>
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<td>SNS</td>
<td>Serbian Progressive Party</td>
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<td>SPS</td>
<td>Socialist Party of Serbia</td>
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<td>SS</td>
<td>South Serbia</td>
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<td>SWS</td>
<td>South West Serbia</td>
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<tr>
<td>ToR</td>
<td>Terms of Reference</td>
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<td>UNOPS</td>
<td>United Nations Office for Project Services</td>
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<tr>
<td>WWTP</td>
<td>Waste Water Treatment Plant</td>
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Review of Progress and Performance

1 Progress towards achieving objectives

1.1 Overall objective

EU PROGRES has made strong progress towards meeting its overall objective: to contribute to enhanced stability and socio-economic development in the South and South West Serbia. There are clear indicators demonstrating Programme’s initial impacts while prospects for positive long-term effects are realistic. Overview of progress towards achievement is available in the update of the Logical Framework in Annex 0.

Economic development

Investments and jobs

There were major breakthroughs in EU PROGRES’ endeavours to contribute to inflow of investments and opening of jobs.

The Programme’s support to Vranje to develop planning and technical documentation for the Industrial Zone, opening of the One Stop Shop that will reduce the time needed for obtaining construction permits, as well as a branding project, complemented efforts of the Government of Serbia and the City to attract investments by the Italian shoe manufacturer Geox and the furniture producer Ditre Italia.

Geox investment is estimated at 15.8 million Euros and should facilitate opening of 1,250 jobs in the next one to three years. Development of detailed regulation plan for the Bunuševac Industrial Zone created conditions for issuing of the location and building permits in the Zone, intended for the construction of Geox factory, planned for September 2013. Vranje Mayor expected this investment would trigger arrival of several Geox sub-contractors that should open 500 jobs. The furniture producer, Ditre Italia has also signed the contract with the Government of Serbia about investment into the Industrial Zone estimated at 13.4 million Euros that should create additional 400 jobs.

Although the Green Zone in Leskovac, which is a major EU PROGRES’ project contributing to development of modern (agricultural) business infrastructure, did not reach its full impact in the reporting period primarily due to elections and post-election period, the internal infrastructure works on 42 hectares have been completed and commissioned. Most importantly, investors’ interest for the Zone has been significant in spite of deterioration of economy. In addition to two local financiers who remain keen to enter the Zone as soon as possible, Leskovac has been negotiating options to attract Greek and Israeli companies. Investment potential of the Zone is exceptional and can be measured in tens of millions of Euros, and EU PROGRES and Leskovac work to facilitate agreement for the first investor by the end of 2013.

EU PROGRES’ work on other economic projects advanced. The construction of the Regional Centre for Development of Agriculture for Pešter is 60% completed, delivery of tractors and agricultural machinery has started in June, while the Czech Development Agency provided the first set of equipment for the laboratory that will operate within the Centre. This regional project covers Novi Pazar, Tutin and Sjenica, it should create 15 jobs in the first year of work and should support over 200 agricultural households to increase production and profit. There was progress in implementation of the Pčinja District Regional Fruit Production Centre project as well. About 190
agricultural workers benefited from the trainings on modernisation of production and will get the opportunity to apply for fruit seedlings. The project is also a good example of inter-municipal cooperation as it involves all seven Pčinja municipalities. The reconstruction of Medveđa wood processing factory "Termovent" is finalised. However, delivery of machines for the factory, donated by the Slovenian Centre for International Development and Cooperation, has been delayed for six months. It has finally started in early June and will be completed by mid July, thus creating conditions for opening of the Factory and employment of 30 people during 2013.

EU PROGRES’ projects during this period contributed to creation of 60 jobs, while additional 150 to 200 jobs should be created by the end of the Programme. For example, the first project supporting entrepreneurship among vulnerable communities, implemented with Vranje Business Incubator Centre, generated eight employments.

There has been another significant contribution to the local economy: it is estimated that implementation of EU PROGRES’ projects and the provision of technical assistance i.e. hiring of companies to deliver goods or services enabled creation of about 700 temporary employments in the area. Through projects, the Programme has also poured into the local economy about 7.5 million Euros of the total value of contracts.¹

**Municipal competitiveness**

EU PROGRES has successfully completed several activities designed to develop local government capacities, of which many are instrumental for enhanced municipal competitiveness.

One Stop Shops have been established in four municipalities and they should decrease total time needed for issuing of construction permit from average 96 to 77 days and thus reduce one of the major obstacles for setting up of new businesses.²

Significant progress has been made in the field of urban and planning documentation. At the end of 2011, only one EU PROGRES’ municipality had adopted general regulation plan, while seven had no detailed regulation plans.³ At the end of June 2013 all 25 municipalities have spatial plans; ten LSGs adopted GRPs while 13 are working on them. Programme’s contribution to this positive change has been major: during this reporting period, one elaborate⁴, seven GRPs and 19 DRPs have been adopted or are in the final stage of adoption.⁵ This reporting period has also started to demonstrate how technical and planning documentation can help municipalities to facilitate investments or access donor funds. So far, municipalities accessed 1.6 million Euros from the Government of Serbia and other donors. This is an encouraging starting cost benefit indicator knowing that the Programme invested about the same amount into this development of documentation.

Efforts to improve management of public finances have been fruitful. Introduction of programme budgeting and capital investment planning is completed in five municipalities. While the programme

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¹ The amount of 7.5 million Euros refers only to the (current) value of contracted good or services that should be delivered through projects. The amount does not capture the entire budgets of approved projects/grants and goods/services that still need to be procured.

² Please see Annex II, attachments 2.2 and 2.3 for reports on OSS establishment


⁴ Full name: Spatial Plan Elaborate for Identification of Water Source Sanitary Protection Zones for Water Supply System in Bujanovac

⁵ Detailed overview of status of key planning documentation in EU PROGRES’ municipalities is provided in the Annex II, Attachment 2.7.

⁶ Table overview of facilitated investments through planning and technical documentation is provided in the Annex III, attachment 3.1
budgeting will especially enhance the control of spending, and facilitate planning of finances for capital, multi-year projects, capital investment planning provides insight, especially to investors, into most important development projects in particular municipality.

Although support to the small and medium enterprises (SMEs) is not the focus of the intervention, EU PROGRES’ work on clusters is relevant in this regard and has advanced. **Three clusters, gathering 36 entities, of which 27 are enterprises, were established in the second half of 2012: South Serbia Fruit, Radan Mountain Tourism and Agro-Pešter.** The clusters will in the coming years offer platform and support for the involved entities to increase productivity, introduce innovations, diversify and develop products and expand in the market.

EU PROGRES’ work on good governance is also relevant for competitiveness: improved services through construction and equipping of Citizens’ Assistance Centres (CAC), enhanced citizens’ participation in municipal budget hearings, increased number of partnership projects between local governments and civil society in delivering public services etc., strengthen accountability, transparency, efficiency and effectiveness in the performance of the local self governments. All these enhance predictability for investors and contribute to creation of more conducive business environment.

**Social development**

**Support to Roma and other vulnerable groups**

From the start of the intervention in July 2010 EU PROGRES’ activities directly positively affected estimated 9,100 people from vulnerable and disadvantaged groups, including Roma, people with disabilities, elderly citizens and women. Support has been multi-dimensional, from facilitating access to public services, such as education and social welfare, to provision of clean water and jobs.

The Programme, in particular, addressed difficult position of Roma community. Assistance has been versatile: inter-municipal project designed to provide clean water to 1300 Roma in three municipalities advanced: the first **100 Roma beneficiaries in Vranje were connected to the water system**, while 750 beneficiaries in Surdulica should be connected in August; five partnership projects between civil society organisations and LSGs during this period, in total 13 from the beginning of the Programme, facilitated access of some **1,200 Roma to education, employment and health protection**, reducing social distance towards Roma and preserving cultural heritage of this community; four Citizens’ Advisory Service (CAS) Offices provided **free legal aid to about 500 Roma citizens** to obtain personal documents, access social welfare rights, education etc. EU PROGRES also supported a Roma entrepreneurship project that should **enable employment of 29 people**; these Programme endeavours to economically empower vulnerable groups are additionally relevant, knowing that the majority of asylum seekers from Serbia are from the Roma community; finally, the Programme has been monitoring situation of Roma who were relocated from Belgrade’s settlement Bellville and provided assistance to **ten such Roma families.**

Support to people with disabilities and elderly people was primarily provided through partnership projects of civil society and LSGs: **1,850 people** benefitted from 23 such projects. Activities have encompassed measures to include persons with disabilities in the labour market. For example, EU PROGRES provided machinery to the Association for People with Special Needs of Raška for conduct of carpentry works and this project until now generated employment for 19 members of the Association.

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7 EU PROGRES makes regular assessments of the number of (direct) beneficiaries of projects. This enables the Programme to make relatively accurate estimate of the total number of beneficiaries per specific area, sector or sub-sector.
**Minorities**

In addition to the work with the Roma community, the Programme has included activities that directly targeted other minorities.

The new premises of the Albanian National Minority Council (ANMC) have been furnished and equipped. Roma, Albanian and Bulgarian National Minority Councils’ (NMCs) project has been completed, benefitting about 33 people from minority groups who developed knowledge on multiculturalism. This project promoted tolerance, human rights, and cooperation between majority and minority groups. EU PROGRES’ associate supported the Office for Human and Minority Rights (OHMR) in preparation of the Draft Strategy for the Fight against Discrimination (2013-2018) as well as in monitoring the work of NMCs.

**Five CIF projects also contributed to inter-ethnic dialogue and tolerance,** while benefiting 1,800 people. Positive influence on inter-ethnic relations will also be extended through another EU PROGRES’ activity in 12 municipalities⁶ which will receive support to establish or advance the work of municipal inter-ethnic relations councils (IERC), as required by the Law on Local Self-Governments.

EU PROGRES’ presence and work in the area is constantly welcomed by beneficiaries, including minorities. In addition to development dimension, the Programme sends a strong message of commitment of the European Union (EU), the Government of Switzerland, the Government of Serbia and the United Nations (UN) to the area. Numerous activities have been organised to that effect. For example, the Programme facilitated 11 ambassadorial and senior officials’ visits to the area, many of which were used to promote reforms but also European values, cooperation, tolerance, and human rights.

**Gender**

Although May 2012 elections brought increase in the number of female councillors in the local assemblies, which was on average at legally prescribed 30%, there were unfavourable gender developments in the post election period. For example, not a single female Mayor was elected in 25 EU PROGRES’ municipalities (compared to one, in Kuršumlija, in the past mandate), while there is only one Chair Person of Assembly who is female. Many of gender equality mechanisms ceased to exist or became dysfunctional.

Considering the above the Programme intensified its support to gender equality issues and work with the equality mechanisms in 12 municipalities⁷ and indeed made significant progress (please see Table 1). EU PROGRES successfully finalised the work on institutionalisation of mechanisms for gender equality at the local level and on development of the local legal gender framework through adoption of the local action plans and the European Charter on Equality of Men and Women on the Local Level. Programme’s advocacy efforts ensured that seven municipalities (compared to three at the end of the last reporting period) allocated **funding** for the **activities of gender councils** and this is another positive trend. EU PROGRES **contracted seven gender projects** that are designed mainly to empower women, enhance women’s participation in decision making, tackle the problem of gender based violence etc.

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⁶Žitorađa, Prokuplje, Lebane, Leskovac, Bojnik, Medveđa, Vladičin Han, Surdulica, Preševo, Bujanovac, Bosilegrad and Vranje

⁷As agreed at the beginning of the EU PROGRES’ implementation, the Programme was focussing only on the municipalities in the South West Serbia and Toplica District, while another donor programme, PBILD, supported gender activities in the South Serbia. There was close coordination between the two programmes about actions.
Finally, the Swiss Agency for Development and Cooperation approached EU PROGRES to develop project proposal that would further support gender issues in the South and South West Serbia, which should have a budget of 0.4 million Euros. This will enable even stronger Programme engagement.

**Education and culture**

EU PROGRES completed **ten infrastructure projects** improving conditions in kindergartens, schools, a museum and a library. Only the kindergarten and the school projects, benefitted directly **6,600 pupils and staff**.

The Programme has worked closely with the Coordination Body for Preševo, Bujanovac and Medveđa and Bujanovac Municipality on the construction of the building for the Department of the Economy Faculty in Bujanovac. Although EU PROGRES will not be involved in the works on the building this year due to the events outside Programme’s control, it assisted development of project proposal and package for public procurement, while efforts to develop this project continue.

**Communal projects**

Programme’s communal infrastructure projects contributed to improved living conditions. **Three water supply projects** have been completed and made a direct positive change for **14,550 people**. The end of construction works on dairy markets in Bojnik and Žitorađa means that adequate sanitary conditions will be provided for dairy products’ sale. This is particularly important, knowing the problem with toxic sample of milk that was on top of the public agenda for several months in early 2013.
Youth and sports

Three projects targeting youth and enhancing conditions for sports were finalised, while two more are ongoing. It is estimated that these projects will benefit about 3,000 sportswomen and sportsmen. A good showcase is Surdulica, where EU PROGRES supported construction of the first sports' hall that will directly be used by about 930 members of clubs and associations.

Environment

EU PROGRES supported implementation of 19 projects that contribute to cleaner environment in the total value of about 2.2 million Euros.

The main designs for two regional landfills, Banjica, which covers Nova Varoš, Priboj, Prijepolje and Sjenica, and Meteris, which includes all Pčinja municipalities, are in the final stage and should be completed in August.

In parallel with the work on the Banjica designs, with EU PROGRES' facilitation, four participating municipalities agreed to establish a joint enterprise for the landfill management and allocated funding in 2013 for its functioning. The Ministry of Energy, Development and Environmental Protection plans to apply for funds through Instrument for Pre Accession (IPA) for the construction of the Landfill. This investment could be worth up to six million Euros.

1.2 Purpose

The EU PROGRES' purpose is to enhance governance, municipal and inter-municipal management capacity and social, economic and physical infrastructure in a holistic, area-focused fashion.

Governance

Good Governance

Programme's work on good governance (GG) as a cross cutting theme that distinguishes EU PROGRES from other similar interventions in Serbia, has developed in a very positive sense as acknowledged by the Swiss funded backstoppers in their April 2013 Mission Report.\(^{10}\)

The hitherto rather theoretical GG principles, such as accountability, efficiency, or non-discrimination were transformed into clear, practical content and, to a good extent, implemented. The Programme has organised its GG activities around large and small infrastructure projects, it introduced GG reform in one selected municipality and identified bottlenecks in relations between the central state and municipalities (GG as a vertical dimension).

Along with introducing the GG concept through the infrastructure projects into local communities, EU PROGRES worked closely with the LSGs to support them to identify which aspects of a particular project needs to be addressed in order to enhance governance – how to use/share benefits deriving from new equipment, how to use new sports facilities, how to ensure there was no discrimination during enrolment of children in the kindergarten etc. These were the questions that LSGs have been answering in parallel with construction works. Their answers were turned into as many as 35 new or revised local policies and regulations\(^{11}\), each and every enhancing one of GG principles. This is a unique Swiss supported EU PROGRES' contribution to good governance.

\(^{10}\) The Mission Report is available in the Annex I, attachment 1.5
\(^{11}\) The list of adopted regulations/overview of achievements is available in the Annex I, attachment 1.10
Civil society

There are indicators showing some advancement in the civil society sector. For example, the projects funded through Citizens’ Involvement Fund (CIF-2) continue to be managed in a better way and implemented more efficiently than those in the CIF-1. In most cases, activities are delivered in a timely manner, in accordance with projects’ plans and in line with the milestones defined within the contracts and adhering to the EU PROGRES’ procedures. Compared to CIF-1, when half of the projects were delayed, which led to contracts’ extension, less than 25% of the CIF-2 projects were in a need of an extension. This is even more significant knowing that almost all projects had one month delay at the start due to issues with dedicated bank account opening. Furthermore, most audits are conducted smoothly, with no significant problems.

However, many challenges remain. Primarily, civil society recognises the need for enhanced transparency in distribution of funding by LSGs. Many municipalities do not distribute funds through public calls and often benefit only “politically friendly” organisations. Interestingly, CSOs also consider that they themselves must be more effective in presenting their results to LSGs and public.

Governance institutional capacity

Advances have been made concerning establishment of governance related institutional framework, in particular for gender, anti-corruption, citizens’ participation and minority rights. In addition to establishment of gender equality mechanisms in 12 municipalities:

1. Eight municipalities developed Integrity Plans, which are important anti-corruption tools.
2. Participatory budgeting has been conducted in 12 municipalities of which three decided to institutionalise the process (while 11 LSGs signed Memorandum of Understanding for establishment of participatory budgeting teams).
3. Progress has been made regarding institutionalisation of free legal aid in Novi Pazar and Prokuplje.
4. Three NMCs that operate in the area have received support through the Programme.
5. Finally, EU PROGRES has started the work on the establishment of inter-ethnic councils.

Municipal and Inter-Municipal Capacity

Municipal capacities

Progress, variable at times and with significant delays has been achieved in efforts to enhance municipal management capacities. First, the Programme completed the construction and equipping of CACs in Bosilegrad and Crna Trava. This marked fulfilment of a major milestone in LSGs’ efforts to enhance quality of services: all 25 municipalities in the South and South Serbia CACs are established. With the establishment of One Stop Shops in three cities and one municipality the focus has started to shift towards enhancing quality of services for investors.

EU PROGRES’ grant methodology, which gives the grantees ownership over implementation of projects while the Programme maintains a monitoring and advisory role, has remained underpinning factor for enhancing management. Out of 236 EU PROGRES projects, 209 (88%) have been implemented through grants. This approach, although it negatively affected efficiency, has continued to produce benefits. For example, average generated delay per project in 2011 was five months, in 2012 three and a half, while realisation of projects initiated in 2013 indicate delays will be

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13 EU PROGRES conducted a simple survey with CIF 2 beneficiaries in June 2013 to identify their views on cooperation with LSGs, donor community and EU PROGRES. Findings identify scope for development in relationship between LSGs and CSOs.
14 Official opening of both scheduled for July 2013.
15 Overview of submitted vs. successful grant applications for each municipality is provided in the Annex VI, attachment 6.8
additionally reduced. Although this positive trend regarding reduction of delays is conditioned to some extent by the fact that the Programme is in the final year and takes firm approach in case of challenges in the implementation of projects, analysis show progress. Furthermore, in 2011 LSGs needed from two to three months to prepare tender documentation, while the compilation of tender packages for the last batch of local infrastructure projects has been completed in two to three weeks in 2013, albeit under strict supervision.

Many challenges, however, remain. LSGs should further build up their work on public procurements: there are often last minute changes of tender documentation and these should be avoided; municipal decisions on procurements are often made late; further efforts to enhance transparency of the process are needed in order to reduce possible bidders’ complaints. Project management also remains an area for improvement, in particular monitoring and evaluation. LSGs generally need to better respect projects’ activity schedules, financial, reporting and other obligations. Relationships between LSGs and national institutions, so called vertical governance dimension, has been a challenge for implementation of some projects. EU PROGRES assesses that often there are no clear time frameworks or procedures in which the national institutions need to respond to LSGs’ requests. As described above, EU PROGRES is therefore working to identify and systemise these bottlenecks. Challenges are described also in the Section 2 (assumptions and risks), while the analysis is available in the Annex VI, attachment 6.3.

**Inter-municipal capacities**

The Programme’s actions during this period possibly manufactured good practice template for the work on inter-municipal projects, which remain rare occurrence in Serbia. There are two key elements that EU PROGRES used in implementation of five inter-municipal projects, which are in principle linked to good governance work. First, whenever several municipalities perform together, it is imperative that they first agree a common objective and a common approach. Second, it is necessary to properly consider a range of project issues: legal, technical, institutional, financial and other in order to enable project partners to make informed decisions as well as to enhance prospects for success and/or sustainability of the initiative.

In accordance with the above two elements, EU PROGRES made solid advancements. The Programme, although in some cases with long delays, facilitated establishment of project organisation for five inter-municipal/regional projects, i.e. the Banjica Landfill, Pčinja Fruit Production Improvement, Leskovac Green Zone, Regional Centre for Development of Agriculture for Pešter and Pčinja District “Meteris” Regional Landfill.

For the Pčinja Fruit project, for example, EU PROGRES facilitated signing of the MoUs among seven participating municipalities, establishment of a Steering Committee that includes senior municipal officials with a decision making authority, and Advisory Board that is composed of fruit experts who have a role to provide guidelines for the project development. Without this organisation, prospect for regional project success would be more limited.

The progress, however, has not been without hindrances. LSGs often remain focussed on their own interests only and do not consider sufficiently broader impacts of particular interventions. In addition, decisions are frequently influenced by politics – while this is reasonable to some extent, municipal leadership should delink politics from development, as much as possible. Although full success and impacts of EU PROGRES’ inter-municipal interventions depend on many factors and will need to be confirmed in the period ahead, the results to date produced a good model for work on inter-municipal projects.
Infrastructure

EU PROGRES has continued to contribute to enhancement of infrastructure in the area. Of five inter-municipal and 41 infrastructure projects supported through the Programme, 29 have been completed. All enhanced (agricultural) business infrastructure, waste management, water supply, energy efficiency, education, health, youth and sports.

A solid indicator of EU PROGRES’ work on infrastructure is the status of developed designs in the SLAP Information System\(^{15}\) that is administered at the Standing Conference for Towns and Municipalities (SCTM). There are 100 projects from 23 EU PROGRES’ municipalities in the SLAP.\(^{16}\) Fourteen of those are developed through EU PROGRES: designs for Banjica and Meteris Landfills, recycling centres, Erozija infrastructure in Novi Pazar, waste water system in Raška, water supply in Sjenica, WWTPs in Crna Trava and Trgovište, Water Plant in Lebane, reconstruction of the water supply in Vladičin Han. EU PROGRES funded the last four\(^{17}\), in the total value of 690,000 Euros, while the estimated value of works for others is slightly over 23 million Euros.

1.3 Results

Result 1: 
Participative, responsible and transparent management with respect of human rights

One of the purposes of EU PROGRES is to increase governance in 25 municipalities of the South and South West Serbia. This is achieved through working both with the institutions and civil society organisations on the local level. The Programme supports the elected and appointed officials with tools to perform their functions, to be accountable and to ensure appropriate information of all stakeholders.

Impact of some of these activities is already apparent.

The participatory budgeting, conducted in 12 municipalities, resulted in priorities specified by some 5,000 citizens being accepted while defining of 2013 budgets (please see Table 2). For example, in Vranje, the highest priority for the citizens was youth employment and the City allocated 38 million Dinars for this purpose for the first time. The priority for Leskovac citizens was opening of jobs and the City assigned funds to employ 54 young professionals with the average grades above 9,00 while 70,000 Euros were put aside for employment subsidies. In Kuršumlija, funds intended for social protection were doubled compared to the 2012 Budget and are now ten million Dinars. Looking at the cumulative comparison to 2012, LSGs in 2013 allocated about 1.85 million Euros\(^{18}\) more for issues identified as priorities by the citizens.

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\(^{15}\) In November 2012, SLAP IS went through changes to become a database of large infrastructure projects, aiming to be a filter for donors towards ready for funding mature projects. The SLAP project categories changed to: water supply, wastewater, municipal solid waste, industrial zones and parks, tourism. This change eliminated small municipal infrastructure projects from the system and made comparisons to the previous year impossible. Due to these changes presentation of the status of EU PROGRES projects between this previous reporting periods cannot be done.

\(^{16}\) Please see Annex III, attachment 3.4 for the list of projects of EU PROGRES’ municipalities in SLAP IS

\(^{17}\) Water supply in Sjenica, WWTPs in Crna Trava and Trgovište, reconstruction of the water supply in Vladičin Han and water plant in Lebane

\(^{18}\) EU PROGRES made simple assessment of participatory budgeting effects on the basis of available data, without consideration of inflation, changes in the sizes of municipal budgets, while using some basic approximations. Nevertheless, the assessment provides solid insight into trends/effects.
Table 2: Participatory budgeting results, municipal budgets in 2013

<table>
<thead>
<tr>
<th>Citizens suggest local priorities</th>
<th>Municipality accepts citizens’ suggestions</th>
<th>Increase in budget allocation</th>
<th>Participatory budgeting results</th>
</tr>
</thead>
<tbody>
<tr>
<td>5,800 citizens</td>
<td>12 municipalities</td>
<td>1,852,184 EUR</td>
<td></td>
</tr>
</tbody>
</table>

Efforts were put to ensure sustainability: Municipal Councils in Nova Varoš, Vranje and Leskovac adopted decisions to institutionalise participatory budgeting while 11 municipalities signed the Memorandum of Understanding (MoU) for establishment of participatory budgeting teams. Opportunities for media and civil society organisations (CSOs) to perform their watchdog role are expanded, using the Citizens’ Budget Guides and information gained during implementation of the action.

Another good example of close cooperation between the local officials and citizens is witnessed through the Citizens’ Involvement Fund (CIF) projects. Through two rounds of Calls for Proposals, 66 projects were supported. All 40 CIF-1 and 22 CIF-2 projects are finished.

**Half a year after the end of the CIF-1, 29 initiatives still provide benefits.**

One such good example is found in Raška, where all four CIF-1 projects continue to live. Two more members of Association for People with Special Needs of Raška were employed on carpentry related works at the Tourist Centre Kopaonik. Previously 17 members of the Association had temporary employment through the project. The municipal Folklore Association enrolled 50 new members and won the Radio Television of Serbia Award “Heritage Guardians”. Elementary school which established primary waste separation through CIF-1, a year after the project, collected 11 tons of paper for recycling and reduced waste disposal to the river by 45%. The project that supported Manifestation "Fortress Boat Race" continues to contribute to effective promotion of cultural heritage: the manifestation is attracting new municipalities and included arrangement of picnic places, while the number of tourists visits during the event increased by 5%. In Blace, support was extended to renovate a run-down building and turn it into a Youth Centre. Now, the Centre is providing space for further activities of up to 70 young people and was a venue for two important events in the past year, one of which was organised by the Ministry for Youth and Sports. A CIF-1 project in Ivanjica (Support to Disabled Children and their Parents) helped establishing the Daily Centre. Today the Centre is still fully operational and currently has 52 beneficiaries.

**CIF-2 is also contributing to improvement of lives on the local level.**

Six housekeepers and one nurse were engaged temporarily to provide daily assistance to 12 people with multiple sclerosis in the Pčinja District, out of which two are immobile and two live alone. Vranje Assembly voted to give location to the Paraplegic Association to install a copy machine kiosk. In Leskovac, equipping and opening of the Mini Rehabilitation Centre for people with physical disabilities, and engagement of two physiotherapists enabled medical treatments for over 100 members of Muscular Dystrophy Association of Jablanica District. The Municipality of Surdulica transferred additional 110,000 Dinars to the Society for Roma Education for issuing ID cards to Roma people. Having an ID card will enable the Roma to apply for child benefits, health insurance or other social allowance. So far, 288 Roma obtained ID cards. In Novi Pazar, local civil society organisations...
and the City Administration are making an effort to raise awareness of Roma population hardship and commenced developing an Action Plan to assist this community. In Bosilegrad, ten poor families received mini green houses, tools and strawberry seeds and started production.

**CIF projects contributed to inter-ethnic dialogue and tolerance.** For example, two-day multimedia Festival of Cultural Diversity “We and Others”, held in Prijepolje, premiered a film that resulted from three-month investigations conducted by young Bosniaks and Serbs, about uniqueness of two cultures and connections between them. Positive influence on inter-ethnic relations will also be extended through another EU PROGRES’ activity, whereby 12 municipalities receive support to establish or advance the work of municipal inter-ethnic relations councils (IERC), as required by the Law on Local Self-Governments.

**Support to vulnerable groups** was facilitated through the Citizens’ Advisory Service (CAS) in Preševo, Žitorađa, Prokuplje and Novi Pazar, where 2,374 users were given free legal assistance (please see Table 3 below for more information on beneficiaries and types of services). Out of the total number of beneficiaries who approached the CAS, 37% requests have been settled positively. Records show that over the past year citizens faced mainly problems in the field of social protection (16% of the total number of users) and issuance of personal identification (15%). In Prokuplje, the CAS has been incorporated into the Mayor’s People Office, which is the first step towards sustainability of this free legal aid mechanism. In Žitorađa there is a temporary coordinator working in the municipality, based on the CAS’ practices, while Novi Pazar Assembly adopted the decision on integration of CAS’ methodology into the City Administration.

**Table 3: Citizens’ Advisory Services, beneficiaries and type of services**

<table>
<thead>
<tr>
<th>CAS Office</th>
<th>Social welfare</th>
<th>Education</th>
<th>Pensions</th>
<th>Personal documentation</th>
<th>Unemployment and labour</th>
<th>Health services</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>Žitorađa</td>
<td>77</td>
<td>18</td>
<td>6</td>
<td>31</td>
<td>3</td>
<td>1</td>
<td>17</td>
</tr>
<tr>
<td>Prokuplje</td>
<td>145</td>
<td>80</td>
<td>37</td>
<td>62</td>
<td>17</td>
<td>25</td>
<td>301</td>
</tr>
<tr>
<td>Novi Pazar</td>
<td>4</td>
<td>4</td>
<td>4</td>
<td>82</td>
<td>19</td>
<td>2</td>
<td>131</td>
</tr>
<tr>
<td>Preševo</td>
<td>159</td>
<td>435</td>
<td>87</td>
<td>177</td>
<td>50</td>
<td>23</td>
<td>377</td>
</tr>
<tr>
<td>Total number of beneficiaries</td>
<td>385</td>
<td>537</td>
<td>134</td>
<td>352</td>
<td>89</td>
<td>51</td>
<td>826</td>
</tr>
<tr>
<td>Total percentage</td>
<td>16%</td>
<td>23%</td>
<td>6%</td>
<td>15%</td>
<td>4%</td>
<td>2%</td>
<td>35%</td>
</tr>
</tbody>
</table>

The Programme’s attention to social inclusion also related to the issues concerning gender equality. During the reporting period, local gender equality mechanisms (GEMs) were (re)established in all 12 municipalities (Toplica District and South West Serbia), local gender action plans (LAPs) were adopted in nine, EU Charter on Gender Equality on the Local Level has also been adopted in nine, 

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19 Žitorađa, Prokuplje, Lebane, Leskovac, Bojnik, Medveđa, Vladičin Han, Surdulica, Preševo, Bujanovac, Bosilegrad and Vranje
while seven municipalities have set aside over two million Dinars for gender activities. This is a significant move forward compared to 2011, when there were five GEMs, one LAP and EU Charter adopted in one LSG.

As of autumn 2012 EU PROGRES is providing rule of law-related assistance to the municipalities by focussing on development and adoption of Integrity Plans and development and production of Information Bulletins. While the second activity is still on-going, the Programme provided support to 19 eligible municipalities, to finalise their legal obligation for the first. Eight of them finished the Plans in the deadline prescribed by the Agency for Anti-Corruption: Vranje, Prokuplje, Surdulica, Vladičin Han, Vlasotince, Bosilegrad, Ivanjica and Medveđa. The Plans will enable beneficiary to identify areas in their work that need to be improved in order to enhance accountability and transparency, and reduce room for corruptive behaviours and actions.

In eight20 out of 14 municipalities, which the Programme is assisting to link the small infrastructure projects (SIPs) with the good governance (GG) practices21, 35 regulations have either been adopted or revised, while implementation of agreed activities is currently in progress in Trgovište, Preševo and Vladičin Han. Over 20 new or revised regulations are expected in these municipalities as well. The regulations define, amongst other things: compensations of expenditures and subsidizing costs of socially endangered population for municipal services; use of saved financial means from the infrastructural projects; both competencies and jurisdictions of the PUCs with regard to the provision of services and exemptions for socially endangered persons (e.g. Sjenica - replacement of water pumps); prohibition of child discrimination in kindergartens; transparent inclusion of users in the assessment of services provided by kindergartens through drafting of parental questionnaires (e.g. Raška, Ivanjica, Tutin); transfer of rights to manage and use the sports’ air dome, rulebook on the use, provision of financial sustainability, forming of the pricelist (Surdulica).22

In Ivanjica, the good governance activities differ from other local self governments, as they are not linked to a particular infrastructure project, but rather test municipal readiness to enter more structured governance reforms, such as addressing policy level issues. So far, the process produced the templates and harmonization/adjustments documents on the annual work-plan elements and structure as well as templates for reporting, strategic part of the local public utility companies’ plans (according to the national and local strategic framework and with all relevant additional elements: expected results, indicators, sources of verification, responsible person, needed financial resources, potential risks for implementation); and defined programmes to be implemented locally.

The good governance expertise was also provided to establish project organisation processes as well as legal expertise within several major inter-municipal/regional projects such as Banjica and Meteris landfills, Pčinja Fruit Production, Leskovac Green Zone and the Regional Centre for Development of Agriculture for Pešter.23

In order to capture the perception of mutual interaction, the Programme consulted with approximately 100 representatives of local and central government institutions and organisations. The vast amount of information collected, ranging from LSGs’ internal structure issues, via the money transfers and numerous urbanism/construction matters, to tasking the LSGs with new duties without proper funding, will be summarised in a booklet dedicated to the issue that will be published later in the year.24

20 Tutin, Ivanjica, Raška, Surdulica, Bosilegrad, Leskovac and Bojnik
21 Please see Annex I, attachment 1.7 for overview of good governance in small infrastructure projects
22 Please see Annex I, attachment 1.10 for a list of measures adopted by the municipalities
23 Overview of good governance activities on large infrastructure projects is available as the Annex I, attachment 1.8.
24 For initial findings, please see Annex I, attachment 1.9
Result 2:
Municipal organizational effectiveness and efficiency improved and capacities to deliver services to citizens and business increased

Considering the results achieved over the reporting year, especially in terms of One Stop Shop permitting services, establishment and modernization of Citizens’ Assistance Centres (CACs), support to Local Tax Administrations (LTAs) or business enabling environment, but also in the field of in-depth reform processes such as implementation and certification process for Quality/Environment Management Systems (QMS/EMS) or the programme budgeting and capital investment planning, it can be noted that the level of effectiveness and quality of service delivery has improved (or is at least sustained) in the 25 municipalities as a result of EU PROGRES’ interventions.

Improved efficiency (decreasing the time for obtaining documents by 800 times in some cases²⁵), reduction of corruption practices (with the ‘open door concept’) and opening channels of communication that lead to transparency (as the citizens will be able to submit complaints regarding the work of local authorities) are the most obvious results.

For example, in Trgovište, over 5,000 administrative requests were serviced over the last year. The electronic notary software module started tracking all administrative requests in the entire municipal administration, so far 1,440 different cases. The input of all registry books (approximately 43,000 entries in total) begun in January 2013 and over 8,000 are already in electronic form. The most noticeable difference thus far, according to the 90% citizens who provided feedback in the impression book, is the user-friendly and open environment of the CAC. As the CAC is connected to the Central Registry Database, it can provide distant service to citizens throughout Serbia.

Raška is a good illustration of benefits of the EU PROGRES’ support for modernisation of nine CACs. In this municipality CAC services were expanded into four local community offices. As a result, 8,000 citizens obtained service in the local community offices instead of having to travel between eight and 30 kilometres. For them, this intervention approximately saved 18,240 Euros of travel costs. This is also an example of project’s cost benefits — EU PROGRES invested 8,000 Euros into modernisation of Raška CAC and savings for the population only after the first year is more than double.

Just as the CACs present the services for citizens in one place, the establishment of One Stop Shops (OSS) creates a single point of contact in the local government, where investors can obtain necessary information about possibilities and rules of construction as well as get documents needed to establish new businesses. OSSs were established in Vranje, Leskovac, Ivanjica and Novi Pazar. As a complementary activity to facilitate more efficient work and service delivery to potential investors, those four local governments will also receive plans for attraction of foreign direct investments to further enhance the OSS’ concept. Finally, as a result of its work on planning documentation and establishment of OSS, EU PROGRES was one of the three projects in Serbia that was invited to participate in the analysis of the permitting legislation, conducted by the USAID, on behalf of the Government of Serbia. The recommendations of the process should impact preparation of a draft package of new legislation that should result in a much simpler and efficient permitting procedure in Serbia.²⁶

The efforts directed to enhancement of business enabling environment have created sustainable initiatives and best practice models, with the Business Incubator Centre (BIC) in Vranje and the

²⁵ Obtaining birth certificates used to take up to five days, now it’s only several minutes
²⁶ Final report on establishment of One Stop Shops is available in Annex II, attachment 2.2 while the Overview of baseline indicators are available in Annex II, attachment 2.3.
Pešter Agro, South Serbia Fruit and Radan Tourism clusters being the most obvious examples. These, primarily, business support actions have all succeeded in involving the local self-government and mobilizing the wider community or provided employment to marginalized groups or rural producers. The effects of the clusters will be visible towards the end of the year, while the effects of the BIC project in Vranje are already tangible. The businesses incubated last year have a turnover exceeding 30,000 Euros, salaries of around 220 Euros for eight permanent workers are paid regularly and export of products to the EU market has started. In June 2013, the two BIC tenants supported by EU PROGRES received additional grants in the amount of 145,000 Dinars (approximately 1,300 EUR) per grantee for purchase of supplementary equipment. The registration of Roma start-up businesses, which are supported through distant incubation, is finished. The total value of start-up grants will be around 55,000 Euros, creating initially 29 sustainable jobs.

In order to increase revenues of local government, EU PROGRES supported creating of more efficient property tax collection databases. As a result, 17,000 new people were added to the Local Tax Administration (LTA) databases, which created an increase of invoices issued to taxpayers of 645,119 Euros in total or on average 37.3% (please see below Table 4 for an overview). At the same time, the increase in collected (paid) property tax is 326,341 Euros in total or on average 24.6%. These figures are all pertinent to the primary (own) sources of municipal budget revenues, but considering the decrease of the national level transfers, this has a definite positive effect, or at the very least eases down the negative effects of the national budget deficit crisis. The effects are particularly visible in municipalities like Priboj, Prokuplje or Žitorađa where the increase in collection rate is 65, 83 and 99% respectively. There is a great cost-benefit ratio of this action as well. The total investment was approximately 129,000 Euros, and the return in collected property tax is almost triple the sum during the implementation period only while the benefits will increase and accrue yearly.

Table 4: Outcomes of updating local taxpayers’ database

<table>
<thead>
<tr>
<th>Year</th>
<th>Taxpayers</th>
<th>Property Tax invoiced</th>
<th>Property Tax collected</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>63,567</td>
<td>1,714,530 EUR</td>
<td>1,327,440 EUR</td>
</tr>
<tr>
<td>2012</td>
<td>80,640</td>
<td>2,353,649 EUR</td>
<td>1,653,781 EUR</td>
</tr>
</tbody>
</table>

27 Please see Annex II, attachment 2.1 for the final narrative report for implementation of BIC project in Vranje
28 Calculation made on the basis of official exchange rates of the National Bank of Serbia as of 27 June 2013
29 The table overview of LTA baseline indicators and outcomes per municipality is available in the Annex II, attachment 2.4.
While the LTA support projects intended to increase budget revenues, the implementation of the programme budget for the fiscal year 2014 and creation of accompanying capital investment plans aims at the disbursement side of the budget in the attempt to introduce a more controlled and result oriented spending of budget funds, based on real capital needs of the municipality. Having in mind that the programme budgets will be mandatory as of 2015 and are one of the crucial steps on the EU integration path, the municipalities of Nova Varoš, Raška, Vlasotince, Vladičin Han and Medveđa, who were supported through EU PROGRES to introduce programme budgeting and capital investment planning, will have a practical head-start in comparison with the most municipalities in Serbia that are not completely ready for this transition in budget planning and project funding prioritization.

The implementation of the Quality Management System (QMS) comes as the final complementary touch and provides a transparent and effective set of rules, processes and procedures for service quality control. By completing this activity, the municipalities of Bujanovac, Prokuplje, Ivanjica, Novi Pazar and Surdulica will join still rather a small number of LSGs in Serbia, but a very large community of municipalities in the EU that are ISO 9001 and ISO 14001 certified, vouching good quality service delivery to their citizens.

Result 3: Capacities for planning municipal and regional sustainable development strengthened and relevant development documents created

The number of grants for general regulation plans (seven) and detailed regulation plans (23) has already surpassed the initially planned by more than double, and it seems that the long-term effects on development potentials will be higher than anticipated. Over 3,300 hectares of construction land have been covered with new, valid planning documents regulating industrial zones (seven DRPs), tourism development areas (four GRPs and four DRPs), communal infrastructure (one Spatial Plan elaborate and two DRPs), legalization of informal settlements and housing (three GRPs and six DRPs), cross-border cooperation (two DRPs) and one DRP for the existing local economic activities enhancement. Seven GRPs and 19 DRPs have been either adopted or have reached the final adoption stage during the reporting period. The municipalities will be able to issue building licences in accordance with the Law on Spatial Planning, while the investors will benefit by having access to defined zones for future development.

In terms of direct measurable outcomes, the most palpable example is Vranje where the completion of the DRPs for the Bunuševac and Neradovac Industrial Zone created conditions for the Italian shoe manufacturer GEOX to start construction of a factory in September 2013. In addition, negotiations with the Italian furniture producer Ditre Italia have been progressing well. In Preševo, after the completion of the DRP for the Industrial Zone, the municipality has immediately contracted the preparation of technical design for the infrastructure development, i.e. access roads, water, sewage, electricity, ICT and gas connections. The estimation of overall value of the works is almost 1.9 million Euros. This Industrial Zone should be particularly attractive for export-import companies from Serbia, Macedonia and Greece due to the vicinity to the international border crossing. Upon completion of the technical documentation, the Ministry of Regional Development and Local Self-Government has allocated 30 million Dinars (approximately 270,000 Euros) for the first stage of infrastructure development works. Bujanovac has developed the main design for one more water

30 Annex II, attachment 2.5 contains the final report prepared by the Urban Institute in June 2013 on participatory budgeting and capital investment plans
31 Progress report on QMS/EMS activities, prepared in June 2013, is available in Annex II, attachment 2.6
32 The full list of planning documents developed is available in Annex II, attachment 2.7
supply well within the newly established water protection belt zone, identified on the basis of the Special Elaborate for Water Source Protection Zones funded by EU PROGRES.

Kuršumlijska Banja GRP created preconditions for the Government to give the town the status of the national spa. In Crna Trava, with the DRP for the Sokolica weekend settlement in the vicinity of Vlasina Lake the legalization of the existing houses (approximately 20) can start as well as issuance of building permits for the new houses on this attractive location.

All in all, once ready, the planning documents will serve as a basis for preparation of technical documentation, requiring an approximate two million Euros investment, which in turn could attract a further 50 million Euros of implementation investments.

The equipping of the Urban Planning Directorates in Novi Pazar and Leskovac with GPS geodetic surveying sets has resulted in savings of approximately 10,000 – 12,000 Euros for the two cities, considering that almost 60 hectares of dense urban area were surveyed using internal capacities instead of outsourcing these services as before.

On a less positive note, the process of creation of planning documents remains slow due to weak communication with the Republic institutions, especially the Cadastre Department, which remains rigid in transferring geodetic surveys for planning purposes. Also, the Republic Planning Commission has stepped out of its jurisdiction and assesses and comments individual planning proposals and urbanism solutions.

The announced changes in the Law on Planning and Construction will hopefully ease the process and introduce proper reform steps, such as mandatory free access to geodetic layers for all municipalities at any time and for all purposes, or introduce the “silent approval” institution for a number of conditions and/or approvals.

**Result 4:**

*Projects and project documentation prepared for key economic, environmental and social projects*

Preparation of documentation for three out of four inter-municipal infrastructure projects is in the final stage (main design for the Banjica Landfill; Feasibility Study with Preliminary Design for Waste Water System for the National Park and Tourism Centre Kopaonik and the Technical Study of Underground Drinking Water Reserves for Raška Municipality; and the Main design for Meteris Landfill) while one main design, for the bypass road to the Industrial Zone in Vranje is completed. In addition, 11 main designs for small (municipal) infrastructure are finished.

There was a good progress in creating conditions for the construction of the Banjica Landfill. The Geological, Geotechnical and Hydro-geological study was completed and the re-design will be ready by August 2013. However, the major development was the finalisation of founding documents and a decision of four municipalities to form a joint Limited Liability Company (LLC) that will manage the Landfill. Furthermore, financial sustainability has been ensured as each of the four municipalities set aside three million Dinars for functioning of the public utility company (PUC) and additional five million Dinars for the infrastructure works on the Landfill in 2013. This is a strong indicator of municipal ownership over the project and a sign of their commitment.

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33 Reconstruction ofDositej Obradović School in Vranje, Blace kindergarten extension, Sanitation of the municipal landfill in Bosilegrad, Moravica river regulation in Ivanjica, Outdoor school in Vlasotince, Extension of children’s clinic in Leskovac, water supply in Donji Stajevac – Trgovište sewage system in Jošanička Banja – Raška, recycling centres in Raška, Vranje and Nova Varoš

34 Prištopolje, Priboj, Nova Varoš and Sjenica
The Banjica Landfill project is a part of EU PROGRES’ contribution towards the implementation of the Regional Waste Management Plan for Nova Varoš, Prijepolje, Priboj and Sjenica. Within these efforts, the Programme supported development of the main design for the adaptation of the recycling centre in Nova Varoš, as well as for most of the works. The Centre was equipped with a sorting line and 22 different containers that solved the problem of sorting of solid waste in the municipality. Prijepolje and Priboj PUCs received additional solid waste collection containers, which mean that their current needs, as defined by the municipal Waste Management Strategies, are fully met.

The work on the Meteris Landfill, also contributes to the objectives of the Regional Waste Management Plan for the Pčinja District. Vranje Assembly adopted the concept Detailed Regulation Plan for the Landfill in May 2013. The draft of the EU PROGRES’ supported main design was presented to the key stakeholders. The completion is expected in August. The main design will fulfil legal prerequisites for provision of the construction permit to build the regional landfill and thus create safe and environmentally sound disposal of solid waste for 243,500 inhabitants of Pčinja.

Both waste management projects show good example of partnerships. Nova Varoš received 24 million Dinars co-funding from the then Ministry of Environment, Mining and Spatial Planning’s Eco Fund in March 2012, to purchase the property for the recycling centre. The recycling centre will become fully operational once the horizontal presses, provided by the EU funded Cross Border Cooperation project, arrive. In addition, the Embassy of Japan announced it would purchase a garbage truck for the municipality. In Vranje, the OSDUA is co-financing cadastral and topographic plan and DRP for the Meteris Landfill with 70,000 Euros. In addition to the main design, the EU PROGRES is funding the development of the Strategic Environment Impact Assessment necessary for the adoption of the Pčinja Regional Waste Management Plan that was prepared by the USAID.

Another environmental project has resulted in preparation of the Feasibility Study with Preliminary Design for the Waste Water System for the National Park and Tourism Centre Kopaonik. The municipality of Raška and key stakeholders, primarily the Ministry of Agriculture, Forestry and Water Management, recommended construction of the Waste Water Treatment Plan in Rudnica. Once approved, conditions will be met for applying for IPA funding. The project will directly impact almost half a million people – 43,000 inhabitants of the two municipalities and approximately 440,000 tourists annually.

EU PROGRES has supported the preparation of the main design for the Vranje Bypass Road that will allow easy and fast access to the Industrial Zone from the Corridor X, i.e. creation of the necessary infrastructure for investment attraction. In addition, by dislocating the heavy transport from the City the project will contribute to the safer traffic, reduction of the emission of gases by 5%, noise and pollution in the wider centre. Based on the main design, the Ministry of Regional Development and Local Self Government already approved 270,000 Euros for the construction of the first part of the road. The total value of works is 2,005,000 Euros.

The Programme has also supported development of 25 technical designs, covering communal, social and environmental investments. Eleven designs have already been completed and funds have been raised for the construction of four.35 The City of Vranje, for instance, signed MoU with Caritas Luxemburg, which will provide 85,560 Euros for the reconstruction works on “Dositej Obradović” school. In Tutin, the Ministry of Agriculture, Forestry and Waste Management provided 140,000 Euros for the construction of the primary collector.

35 Two in Vranje, one in Tutin and one in Nova Varoš
The Programme continues to monitor the impact of the technical documentation previously developed through EU and Swiss’ funded Municipal Development Project (PRO). In May 2012, total investments attracted were 2.49 million Euros. In May 2013 this amount rose to 3.8 million. The overview is available in Annex III, attachment 3.2.

**Result 5:**
*Project financing facilitated through enabling contacts with ministries, donors and other projects*

EU PROGRES’ consultants gave significant support to developing legal and management documents for municipalities. The most important one was for the development of founding documents for the Regional Centre for Development of Agriculture (Pešter Development Centre) and for the Banjica Landfill managing company. The consultants worked to develop the business plan for the Regional Centre for Development of Agriculture and helped Medveda municipality to choose the most suitable management modality for the Termovent Factory.

Another important activity was the development of the project proposal for the construction of the Department of the Faculty of Economy building in Bujanovac, which EU PROGRES’ consultants worked on together with the Municipality of Bujanovac and the Coordination Body. EU PROGRES contributed to preparation of public procurement documents as well.

Consultants’ support to municipalities in public procurement procedures shows further positive effects. The period to prepare tender documents dropped from almost two months to three or four weeks in municipalities that had to repeat tenders or procure additional works. The last approved 11 infrastructure grants were prepared by the municipal teams and with the strong support from the legal consultant in three weeks.

**Result 6:**
*Selected projects financed and implemented through EU PROGRES*

Through this Result, originally, it was planned to implement five inter-municipal and 25 small (municipal) infrastructure projects. By the end of the Programme’s third year, ten inter-municipal and 41 small projects have been contracted.

Twenty-seven small infrastructure projects have already been completed (21 during the reporting period) and their positive effects are felt across the Programme area, directly benefiting 60,000 people. Furthermore, they influenced the quality of life for citizens. E.g. working conditions in educational facilities (schools, kindergartens, and library) was improved for 7,700 children and staff. Works were completed on replacement of external joinery in Preševo, the largest primary school in Serbia, improving education conditions for 2,500 pupils, while the school made savings of 8,000 Euros during heating season due to increased energy efficiency. School that was built in Kumarevo (Leskovac) was accredited in the summer 2012, 15 pupils were enrolled in preschool education and 45 in primary for 2012-2013 school year. In Blace, 687 pupils of the Primary School got access to adequate sanitary facilities, while the overall conditions in Vlasotince Library and Priboj Museum were enhanced. In Prijepolje the installed heating systems using biomass fuel records a trend of savings: 10% or 4,000 Euros in Technical and Economy Schools and 45%, or 7,000 Euros saved compared to the previous heating period in Prijepolje municipality building and the Museum. In Novi Pazar Gymnasium, there were no shortening of classes thanks to the new boilers installed in the High School. The expenses in the City budget were reduced from around six million Dinars before the works to 968,000 Dinars per

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36 Information on beneficiaries of implemented infrastructure projects, per sector, are available in Annex III, attachment 3.3
heating season. In Ivanjica, Tutin and Raška, works on kindergartens finished, which increased capacities (by 180 children in Ivanjica, by 130 new children in Tutin and 120 in Raška). Over 50 new jobs are expected to be open in the three kindergartens by the spring 2014.

As a result of EU PROGRES’ support, the basis for better health services were set in Kuršumlija, Prokuplje, Blace, Nova Varoš and Novi Pazar. A total of 25,400 citizens (patients and staff) have access to modern laboratories in Kuršumlija, primary health care screenings (Nova Varoš), and faster access to services (Blace, Prokuplje, Novi Pazar). The construction of the Plateau outside the Health Centre in Prokuplje created 69 new parking spaces, which meant reducing traffic congestions in front of the building and contribution to the safer transport of patients particularly in emergency interventions and patients on dialysis. Similarly, in Blace, the construction of an emergency entrance annex to the Medical Centre reduced the time needed for the transportation of patients from the ambulance car to the medical office from four minutes to one. This resulted in increase of citizens’ satisfaction by 50%, according to the survey conducted by the Health Centre. The central laboratory in Kuršumlija should perform around 115,000 analyses every year, but the construction of the new building also enabled easier access for persons with disability and created much better working conditions for medical staff.

Several effective water supply projects were implemented. Following provision of new pumps through EU PROGRES, water supply has improved for 12,500 people in Sjenica while the municipality made savings in electricity bills up to 8,000 Euros monthly. Furthermore, Sjenica continued the work on the replacement of water pipelines that started with EU PROGRES’ support, and while using technical and planning documentation developed thorough EU PROGRES and its predecessor PRO, obtained about 19,5 million Dinars for new projects from the Government of Serbia. In Trgovište, by upgrading the water supply system in Novo Selo the quantity of water available to households is increased up to three times, and the quality of water is improved. The construction of the water reticulation in Džepnica village (Blace) will give access to water to 73 households with 219 inhabitants. In Sjenica, Lebane and Trgovište there are 14,770 direct users who are benefitting from the water supply projects.

Together, these projects have strongly contributed to enhanced energy efficiency. During this period, five municipalities that benefitted from projects for installation of new heating systems or new water pumps and pipelines, or from the replacement of joinery, made cumulative savings of 142,000 Euros.

**Table 5: Savings in the municipal budgets after implementation of EU PROGRES’ projects**
Conditions for sports events were improved in Žitorađa, Kuršumlija and Surdulica for 2,580 club members. Žitorađa expects increase in number of events from 72 in 2012 to 110 in 2013, and the projected rise in income for the club from 30,000 Euros to 38,000 Euros. In Kuršumlija, the rise of number of events is projected from 1,960 in 2012 to 2,500 in 2013. In Surdulica, with 930 members, the Sports Hall is fully booked for trainings and events (on a daily bases there are three slots for the recreational groups, four slots for the sport clubs and two slots for the workers’ unions).

There have been improved sanitary conditions in the dairy markets (Bojnik, Žitorađa), better access to waste collection (waste truck and containers in Bosilegrad) and improved access to the City (Lukovska River bridge, Vranje).

Finally, the economic infrastructure projects will create new jobs. In Medveđa, delivery of the machines for the production of pellet in the Termovent factory that was reconstructed through EU PROGRES, started in early June, thus creating conditions for employment of 30 people during 2013. During all infrastructure projects’ construction activities some 380 temporary jobs were generated.

However, it is the inter-municipal projects that are going to significantly contribute to the socio-economic development of the South and South West Serbia. Although the Green Zone in Leskovac didn’t reach its full impact in the reporting period, due to elections and post-election period, the primary infrastructure works on 42 hectares have been completed and commissioned. The road map for future activities, which will focus on attracting investors, is being finalised and EU PROGRES is continuing its support to the City to define management roles for the Zone.

There has been progress in the Regional Centre for Development of Agriculture for Pčester project and 60% of the construction works are completed. With EU PROGRES’ support, the Regional Development Agency of Sandžak (SEDA) prepared founding documents, which were endorsed by all founder municipalities: Novi Pazar, Šjenica and Tutin and the re-registration with the Serbian Business Registers Agency was finished in June 2013. This project is also a good example of multiple donor support to enhance results: the Government of the Czech Republic delivered the first set of equipment for the Centre’s Laboratory, worth 200,000 Euros, while USAID’s SLDP supported SEDA in development of market analysis and the value chain studies. OSDUA is another valuable partner, which has already contributed 18,000 Euros to the project. Finally, the consultations with the Ministry of Agriculture, Trade, Forestry and Water Management were crucial in aligning the project with the national legal regulations.

Another good example of inter-municipal cooperation is the Pčinja District Regional Fruit Production Centre. The Project Steering Committee, established with EU PROGRES’ support, makes decisions on the policy level. Distribution of seedlings has been agreed, while the machines will be delivered during July 2013.

Four projects are focussing on environment protection (Waste Water Treatment Plants in Trgovište and Crna Trava, Regulation of Raška River watershed, and effluent metres for the Pčinja District). The Regulation of Raška river watershed will reduce the effects of frequent damaging of buildings, roads and agricultural land caused by floods. The damage in 2011 alone was almost two million Euros. The contract for the construction of the first six priority structures, after EU PROGRES supported preparation of the main design, was signed in June.

Crna Trava and Vlasotince emphasized the importance of the Vlasina Region and Vlasina River in their Spatial Plans and Development Strategies and gave high priority for their protection. The realization of the project Environmental Protection of Vlasina River directly contributes to this and directly improves the municipal capacities in implementation of planning documents. The pump in
the main booster station in Vlasotince is functional from May 2013. Crna Trava also received a grant to procure for works on the primary collector and the Waste Water Treatment Plant (WWTP). The construction of the collector has started. EU PROGRES gave a grant to Trgovište to procure and install the WWTP, as a part of the Cross Border initiative with the FYR Macedonia. The project will contribute to the improvement of the communal infrastructure in the municipality and preservation of the environment for the purpose of exploiting the same for economic development.

All waste water in Crna Trava and Trgovište will be treated to preserve the Vlasina and Pčinja Rivers.

In connection with Serbia’s accession to the European Union, settlement wastewater treatment plants are being planned on a mass scale in the country. So far, the quantity and regime of wastewater, generated by the settlements, has not been subjected to direct measurement and registration. A methodology for continuous quantitative monitoring of urban wastewater has been developed on the state level and is legal obligation of each municipality. The effluent metres for the Pčinja District project meant technical support to the PUCs in Vranjska Banja, Vladičin Han, Preševo and Bujanovac to collect data on waste water effluent, pollution of the South Morava River and connected water flows, planning on protection of those resources, as well as further waste water treatment infrastructure/plant development.

The inter-municipal projects made a difference to the most vulnerable population. EU PROGRES implements a project that will provide water supply to 1,300 Roma in three settlements in Novi Pazar, Vranje37, Surdulica. The completion of the water supply project in Vranje has brought fresh drinking water to 30 Roma households so far, with another 42 to be ready for connection by the end of 201338. Works in Jelašnica, Surdulica were launched and progressing well and will provide water supply to some 379 families. Of 1,500 people who are benefitting from this project, 45% are Roma.

In Novi Pazar, the Regional Centre for Mentally Challenged Individuals received support for heating and sanitary works. The regional character of the Centre is a pioneering venture, and combined contribution of the whole community, especially parents, private entrepreneurs, non-government organizations, ministries, Balkan Community Initiatives Fund (BCIF) and the European Union. The Centre provides welfare service, support and care for 60 direct beneficiaries.

Result 7:
Awareness of the need for, the logic of, and the effects of changes communicated to a broad public

With 11 high level functions (compared to three planned), triple the number of press releases than envisaged in the Annual Work Plan and more than 1,160 affirmative reports (compared to 200 planned)39, it is clear that the visibility of the EU and Swiss supported initiatives was great.

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37 Supported through Component 2 project. Please refer to activity 3.3 for details.
38 Part of the project for water supply of three Roma settlements is partially funded through EU PROGRES Component 2. For the purpose of simplicity in reporting, current results of this project are only presented within Result 6.
39 Detailed media coverage table is provided within Result 7
The EU Ambassador visited Vranje, Bujanovac and Preševo in October in 2012, Leskovac and Surdulica in May 2013 and Priboj, Nova Varoš, Sjenica, Novi Pazar and Raška in June 2013. In addition, the visit of the Deputy Ambassador of Switzerland to Vranje and Bujanovac in October 2012 and in June 2013 to both Programme areas generated large publicity. One annual, three regular and one extraordinary Programme Steering Committee meetings, each gathered around 70 participants, providing a forum for exchange of information between the central, regional and local levels, and all development stakeholders in the EU PROGRES’ area, thus impacting on both the awareness of the Programme intervention and on the awareness of the steps needed to take to ensure sustainable socio-economic development and furthermore providing an opportunity for improving inter-municipal cooperation.

Contribution to positive image of donors was further generated through the Programme website and newsletter. There were 42,071 visits to the website, by 23,697 people from July 2012 – June 2013, an increase of 30% compared to previous year and in contrast to 10,000 visits planned (please see Table 7 below). Three quarterly e-Newsletters and one annual were distributed, each to over 1,100 email addresses, in both English and Serbian. However, it is estimated that a much larger number of recipients was exposed to the Newsletter since it is being electronically forwarded and distributed within different organisations internally. As for wider visibility efforts, besides signboards for individual projects, EU PROGRES is putting up municipal signboards. So far, they were installed in Vranje, Novi Pazar, Raška, Tutin and Sjenica.

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Table 6: Generated media coverage

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<tr>
<td><strong>1,160</strong> Media reports</td>
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<td><strong>35</strong> Press releases</td>
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<td><strong>11</strong> High profile and ambassadorial visits</td>
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- **Planned annually**: 200
- **Year 1**: 500
- **Year 2**: 610
- **Year 3**: x 5.8

1,160

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40 Website statistics table is available in the Annex IV, attachment 4.1
Still, it is the two public awareness campaigns that have contributed most to the good quality information about the good governance, the underlining theme for the entire Programme and the EU accession process, benefits of the membership and obligations.

During the Good Governance campaign from January to November 2012, there was an upgrade of 15 municipal websites in order to increase transparency and access to information. For its efforts, the Commissioner for Information of Public Importance and Personal Data Protection awarded Nova Varoš for transparency and contribution to affirmation of the rights to access to information of public importance. In Blace, the Mayor Radoje Krstović met with 151 citizens since the introduction of the Open Door mechanism in November 2012 and all but six requests (which are in the procedure) were positively met. Blace businessmen and entrepreneurs are the ones mostly satisfied with the Open Door mechanism. “Time is money. Now we are confident that if we scheduled an appointment, there will be no unnecessary time wasting and pointless sitting in front of someone’s door. This is one of the ways how municipality could become more efficient and in the service of all of us, the citizens”, Petar Đurić, an entrepreneur from Blace, stated. For the Mayor, Open Door brought improvements in his daily work, as he said it was easier to distinguish the time between meetings with the citizens and many other duties. In Ivanjica, the LSG is in the process of hiring one person to work on the Open Door mechanism, which will be operational as of July 2013.

The documentary film on good governance was aired on 23 media across the country, over 50 times, while the street events on budget planning were organised in Novi Pazar and Vranje and were strategically connected with the EU PROGRES’ project that introduced participatory budgeting practices on the local level. Furthermore, the participative budgeting practice, which implies the immediate access to the budgeting process, using mechanisms that enable citizens to directly participate in decision-making, contributed to improvement of efficiency, accountability, transparency and equality – which are the basic underlying principles of good governance.

The second campaign, “Europe, that is You” is fully in line with the Communications Strategy for the Accession of the Republic of Serbia to the European Union. A total of 17 events gathering separately the Mayors and their Deputies, local economic development officers, journalists, agriculture
producers, businessmen and students, but also involving general population, were an opportunity to step away from the negative perceptions and equip the citizens with the knowledge that will allow them to make informed decision on country’s EU accession. “You have helped us to obtain resources for improving the quality of lives of our residents and in that manner you have made our job easier”, Jovan Čorbić, the Mayor of Raška, said in a meeting held between the representatives of the DEU, SEIO, EU PROGRES and 22 Mayors and deputies. In an interview for the national daily Danas, Prijepolje Mayor Emir Hašimbegović said that the projects financed by the European Union and the Government of Switzerland through EU PROGRES led to concrete results, which gave new energy and a stimulus to the citizens to work harder on the development and improvement of living conditions.

The 35 journalists who attended two media seminars increased their capacities for reporting on themes related to European integrations, with special emphasis on situation in the local communities they come from. RTV Vranje journalist, Milica Aleksić, produced a video report using the free European Commission website footage, as it was suggested during the training. This was the first time that any RTV Vranje journalist used footage other than own. “I am very happy as I finally get the space to do what interests me the most. For my report, I received praises even from the representatives of the local self government”, Aleksić said.

Leskovac Economy School won the quiz competition that attracted 81 pupils and 26 teachers from 19 high schools. DEU Ambassador handed the awards to the two best schools. The students who participated in the quiz were very motivated and showed a high level of knowledge about Europe.

Overall, the entire “Europe that is You” awareness campaign presented a ground for strengthening partnerships with the Government institutions on all levels and provided support to the SEIO to explain EU integration process to the citizens in the South and South West and gain more support from this part of the country.

In addition to public awareness campaign, the Calendar art competition also featured Europe related theme and the secondary school students were motivated to make art pieces depicting how they saw Europe in their own homeland and how they showed their homeland as a part of Europe. The positive trend in schools’ response was seen through great interest for the competition: 131 pieces of artwork from 30 high schools were submitted, which is an increase of 50% compared to the first competition, and 10% compared to the previous year. Twelve best art works were printed on EU PROGRES’ calendar for 2013. The quality of artworks has also increased and showed deep understanding of the theme rather than just superficial presentation of visions. For example, the winning artwork shows light coming from the European stars onto the people in Novi Pazar. This clearly presents not only the connection between Serbia and Europe, but also the awarded student’s feelings about the Serbian EU integration. The second best artwork depicted European helping hand surrounded by architectural symbols specific for the European and Serbian cities, while the third best artwork depicted a message in a bottle filled similarly with symbols characteristic for both Serbia and Europe showing the strong connection between the two.

The Programme continued to support community initiatives and this year those were the celebration of the World Roma Day in Surdulica and Vladičin Han and organization of the Children Creativity Festival FEDES in the Toplica District. The EU PROGRES role in organisation of latter was fundamental, as the Festival could not have happened otherwise due to the cuts in municipal budget.
There was a plan to support four projects deriving from the branding plans, and that at least one would contribute to economic activity.

Out of nine branding projects that have been supported, three have completed, four are in progress and two are in the initiation phase. They vary thematically, from those that support development of tourism (Vlasina, Zlatar and Golija), organisation of festivals (Blace Plum Days and Cherry Festival in Leskovac), to projects that aim at improving an image of a city (Novi Pazar and Vranje projects). At least two projects (Branding of Pešter Products and Vranje as investment friendly City) will contribute to increased economic activity.

**The Blace Plum Festival project** brought the Festival to a higher level through improved marketing and visual identity. During its tenth anniversary, in 2012, the Festival attracted a record number of 100,000 visitors, which is an increase of 40 per cent comparing to 60,000 in previous year. The Programme’s influence on the local government to avoid the drinking contest, and promote safe driving, mitigated possible risks and resulted in no negative media reports about the event. The project also equipped the Tourist Information Centre in Blace, which will enable easier organisation of the event in the following years. A database of all participants of the lectures on maintaining an orchard, a new website and a refreshed visual identity guarantee more successful organisation of the event in the future.

One person was employed through the “**Golija Lakes Myths and Legends**” project in the elite Mountain Rescue Services on Javor Mountain.

The final route of the hiking trail for the project “**Preservation of Natural and Cultural Values on the Mountain Zlatar**” has been mapped in the length of 56 kilometres, instead of the initially planned 25. The trail connects two destinations in municipalities of Nova Varoš and Prijepolje, and goes over the Zlatar Mountain. In July, the Tourism Organizations of Nova Varoš and Prijepolje will organise trainings for households on rural development and provision of tourism services, which will improve the overall quality of services for potential tourists.

**“Vlasina Health Factory” project** contributed to improvement of tourism offer by improving the tourism infrastructure and providing better promotion of the Vlasina Lake. The unique sunbathing platform produced through this project, creates a recognisable picture of the Vlasina Lake, essential for branding of any tourism destination. Surdulica municipality said they intended to further invest into production of at least two or three more such platforms, a potential additional investment of 2,600 or 3,900 Euros.

After a delay of almost six months the “**Novi Pazar Way of Living**” project had a great start of activities with promotional caravans in seven cities throughout Serbia. A group of youth promoters, Novi Pazar officials, and a theatre group visited Subotica, Leskovac, Vranje, Kragujevac, Novi Sad, Niš and Kraljevo with a goal to present their rich cultural heritage under a slogan “Fall in love with Novi Pazar”. Dejana Bibić from the Youth Office in Subotica said this was “an opportunity to get to know new friends from Novi Pazar, their strategic documents, their activities and their youth policy at the local level”. Božidar Vučković, Leskovac City Council Member said he was “one of those who is about to fall in love with Novi Pazar. The citizens of Leskovac and Novi Pazar have been cooperating for years, but the intention is to establish an institutional way of connecting the two cities”. The Mayor of Vranje, Zoran Antić, spoke about good cooperation between the two cities, in his statement to
the national newspaper Danas and said that the meeting with Novi Pazar officials was “another good occasion to meet and talk about cooperation and possible joint projects in the area of economy and culture. Sometimes people from abroad, in this case the EU and Switzerland know better our needs for inter-municipal cooperation than we know them ourselves.” Bačka Palanka invited Novi Pazar to organise an additional event in their municipality in July and said they would bear the costs.

Two projects, “Branding of the Pešter Products” and “Promotion of Vranje as an Investment Friendly City” directly contribute to promotion of products and investment capacities in three areas with the greatest capacity for the regional economic development, thus contributing to increased economic activities in the South and South West.

Promotion of Oblačina Cherry through organisation of the Cherry Festival near Leskovac in July 2013 will contribute to raised awareness about this fruit and products made of it. In addition, series of educational workshops will result in increased awareness about diversity of possibilities for utilization of sour cherry, including the use of cherry stone as a renewable source of energy. Signing of the Memorandum of Cooperation between the City of Leskovac and municipalities Merošina, Lebane, Medveda, Vlasotince and Bojnik, on production and promotion of the cherry, has been announced.

EU PROGRES, in cooperation with the Ministry of Finance and Economy, Sector for Tourism, is supporting the preparation of the “Tourism Strategic Marketing Plan for the part of the South West Serbia Tourism Cluster”, which will contribute to the balanced socio-economic development of South West Serbia. Producing a regional strategic marketing plan and its implementation will lead to strengthening regional competitiveness in the national and international tourism market. Furthermore, the project is going to set the basis for linking stakeholders and directing them to sustainable tourism development. The project will produce basic papers required for successful development and management in tourism. The Strategic Marketing Plan will be produced by November 2013.

2 Assumptions and risks

Identified Programme assumptions proved to be true during this reporting period. Although Elections 2012 negatively affected the Programme, overall political stability in the country has been maintained. The relations between the Government of Serbia and the European Union have been sensitive at times due to the issue of Kosovo i.e. normalisation of relationship between Belgrade and Priština but remained stable. The decision of the Council of the European Union from 28 June to open accession negotiations with Serbia, in January 2014 at the very latest, marked a new chapter in these relations and created basis for deepened cooperation.

Post Election 2012

Post Election 2012 period was a major challenge. Although local governments were established within two months after the elections, the formation of the central Government that included the Serbian Progressive Party (SNS), the Socialist Party of Serbia, and the United Regions of Serbia triggered changes in ruling coalitions at the local level that mirrored the national coalition. The gravity of the impact could be seen through statistics: the composition of ruling coalitions changed in 15 of 25 municipalities in the South and South West Serbia; in eleven municipalities coalitions formed initially after the elections have been replaced with the new ones.

41 Detailed information about political context in the Programme area is available in Annex VI, attachment 1.6.7
EU PROGRES has been aware of these risks and, primarily due to the presence in the field and regular communication, has been able to quickly (re)establish relationships and ensure projects’ implementation continue. However, the Programme could not accommodate all negative effects, having in mind the massive scope of changes. Formation of new coalitions has been causing hiatus of several weeks, or longer, in cases when new people were appointed to cooperate with the Programme. The fact that some of the existing coalitions are fragile does not help either. There are examples where due to mistrust among political factors everyone wants to be involved in cooperation with EU PROGRES (and other similar interventions) in order to “control” each other. This means that even finding a convenient time for a meeting for all political stakeholders takes more effort.

This period has also shown how leadership can hinder or advance development. There were cases in which the newly elected local leaders did not want to be associated with the work of their predecessors and “hesitated” to ensure continuity of the ongoing projects. On the other hand, some changes brought more pro-activity and commitment. For the later, a good example is the Banjica Landfill where after elections four municipalities were far more efficient in taking forward this project. The above, however, reaffirmed how important it is to establish more consistent development frameworks, on the national, regional and local level that will not be easily disregarded.

Finally, the former mayors of Bojnik, Leskovac, Vlasotince and Prokuplje were arrested. And, although these detentions should be related to the rule of law and fight against corruption they are also perceived as retaliation of political opponents and caused additional instabilities.

**Municipal Capacities and Grant Methodology**

Different setup at political level triggered also changes in the municipal management as well as in the composition of the grant implementation teams (GITs), which have hindered advancement of activities. EU PROGRES has tried to mitigate the negative effects by increasing the number of meetings with the newly elected municipal leaderships and the new GITs. This proved effective although some delays have been accrued.

The Programme has been applying the grant methodology in 88% projects, thus primarily relying on LSGs to implement activities. This made the Programme more exposed to the risks related to, in some areas still limited municipal capacities. For example, despite some improvements regarding time needed for preparation of tender documentation, 15 projects were delayed due to prolonged public procurements (e.g. bidders’ complaints, delayed municipal decisions, last minute changes in documentation).

Average delay caused by prolonged procurements was eight months.

The project management also remains an area for improvement, in particular monitoring and evaluation. LSGs generally need to better respect activity schedules, financial, reporting and other (contractual) obligations. Weaker project management and/or administrative performance by some municipalities generated average delays of five months to 27 projects.

Economic crises negatively affected municipal finances and LSGs occasionally struggled to provide co-funding. This also caused extensions of at least 27 projects and contributed to average delays of five months to actions that could not proceed because co-funding was not provided.42

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42 EU PROGRES, within preparations of the Annual Report, produced a simple analysis of pointed out reasoning for grants’ extensions and delays. The Analysis is available in the Annex VI, attachment 6.3.
Vertical Communication

Relationships between LSGs and national institutions, the so-called vertical governance dimension, have also been a challenge. For example, resolution of the land ownership depended from inputs from Srbija Šume, Republic Geodetic Authority or line Ministries. LSGs often complained they did not know how to approach the responsible national institution, what the procedures were, while there were no clear time frameworks in which the national institutions needed to respond. Poor vertical communication prolonged at least ten projects, while average delay was seven months. EU PROGRES, as described above, has been working to identify and systemise these bottlenecks.

Winter 2013

The winter conditions in 2013 have been milder than the last year’s and enabled the Programme to continue activities with limited or no delays. The state of emergency that was declared in Trgovište after heavy rainfall and flooding in Novi Pazar and Bujanovac postponed some activities (e.g. QMS in Bujanovac). Since critical situation did not prolong, the Programme has continued with work normally after a fortnight of slow down.

Law Changes

Finally, the Programme has been directly affected by the changes of two Laws. First, the new Law on Public Companies from December 2012 delayed establishment of a joint enterprise that was supposed to manage the regional landfill Banjica. Second, the Law on Value Added Tax (VAT) from September 2012 introduced changes in the VAT payment procedures for the construction works, which slowed down several Programme payments. After consultations with EU PROGRES and SEIO, the Tax Service applied the procedure, which is the same as the one prior to the Law changes and payments continued without hindrances.

Risks ahead

EU PROGRES is making solid advancements and plans to complete all activities within the Programme’s current time framework. There are however several emerging risks.

The grant methodology, in addition to above described challenges, makes financial planning more difficult. While the Programme approves one amount, the exact value of the grant contract is known only upon completion of a particular project. The exact value depends, for example, on the cost of works/services contracted through public procurements. The methodology prevents the Programme to bear higher costs than initially approved. However, when the actual project costs are lower than initially approved, EU PROGRES gets returns of the unspent funding. This risk is easily manageable when the Programme is in early or mid stage, but in the final implementation phase, EU PROGRES will need approval from the PSC to conduct some quick impact and strategic procurements, in order to utilise the funds. Also, risk mitigation measures may, in very limited number of cases, include shifts from grants to direct implementation.

EU PROGRES’ projects are moving towards successful closure, within the given time framework although with risks apparent in a number of sub-projects. A great majority of projects would be resilient to extraordinary circumstances, such as bad weather conditions or extraordinary elections. However, the time framework for the implementation of several infrastructure interventions, primarily the construction of the WWTPs in Crna Trava and Trgovište, and works on floods
protection in Novi Pazar could be endangered in case of emergencies or unpredictable circumstances and the PSC will be advised timely if extensions are needed for these.

The updated Risks and Assumptions Table is available in the Annex VI, attachment 6.6.

3 Key sustainability issues

The issue of sustainability of intervention has continued to be instrumental for the EU PROGRES.

3.1 Ownership

The grant methodology, giving beneficiaries ownership over projects, from identification and formulation to implementation, has continued to be the cornerstone of the Programme efforts to build capacities and ensure sustainability. Despite the fact that this methodology reduced Programme’s efficiency, EU PROGRES continued to use it: from 236 projects that were supported from the start of the Programme in July 2010, 209 or 88% have been implemented through grants.

However, the composition of the national and local governments significantly altered following the May 2012 elections. This affected the Programme as the new leaderships were elected in 15 out of 25 municipalities in EU PROGRES AoR. The Programme, with support from the Serbian European Integration Office (SEIO), engaged with the newly elected or appointed officials and mostly managed to facilitate continuity of ownership over the activities. In some cases local leaders did not want to be associated with the projects started by their predecessors or had different priorities. In the others, this was opportunity to ensure stakeholders became even more engaged in the Programme, despite the fact EU PROGRES was approaching the final phase of implementation. A positive example is the Ministry of Regional Development and Local Self Government (MRDLSG) as it now more closely monitors implementation, and uses the Programme as a tool that aids meeting the Government’s broader development objectives.

3.2 Policy support

The elections also brought increasing recognition of the Government of Serbia of the need to support impoverished areas. Many high ranking officials have visited South and South West, including the Serbian Prime Minister, who, during his stay, called on the local self government leaders to articulate their development priorities and confirmed Government’s commitment to support their realisation.

EU PROGRES’ activities continue to be embedded in relevant national policies and legislation. For example, the Programme supports establishment and capacitating of Inter-ethnic Relations Councils in 12 municipalities in response to the requirements of the Law on Local Self-Governments. The establishment of three clusters is in line with the National Economic Development Strategy, Strategy for Development of Competitive and Innovative Small and Medium Size Enterprises as well as with the Law on Associations. Adoption of general and detailed regulation plans has remained fully compatible with the Law on Planning and Construction, despite the fact that the Law was changed in December 2012. The second public awareness campaign “Europe, that is You”, designed to bring closer European integrations to the citizens in the EU PROGRES’ area directly supports implementation of the Communications Strategy for the Accession of the Republic of Serbia to the European Union.

There were, however, issues that had negatively affected the Programme.
The changes of political landscape inevitably meant changes in (development) priorities. For example, the former Ministry for Environment, Mining and Spatial Planning took commitment to fund the construction of recycling centres for which EU PROGRES developed technical documentation while the new line Ministry, at this stage, is not able to provide needed resources. This has been even more visible at the local level where some newly elected local leaders “hesitated” to ensure continuity of the ongoing actions. While after political, changes in development priorities are expected to some extent, these occurrences reaffirmed importance of the ongoing MRDLSG efforts to establish more consistent and strategic development frameworks, on the national, regional and local level.

Furthermore amendments of the two laws slowed down some Programme activities. The Law on Public Enterprises from December 2012 did not clearly define establishment of regional or inter-municipal public enterprises. This legal vagueness delayed establishment of joint enterprise for management of the Regional Landfill Banjica for at least six months. The Law on Value Added Tax (VAT) from September 2012 introduced changes in the VAT procedures for the construction works. The Tax Office, while interpreting new provisions, delayed some EU PROGRES’ VAT exemptions and slowed down several projects. The Programme had several consultations with the Tax Office but VAT exemptions continued without hindrances only after SEIO engaged and clarified position of EU PROGRES.

### 3.3 Institutional Capacity

The EU PROGRES’ grant methodology remains key tool contributing to institutional and management capacities. Local (existing) institutions implement the projects, in line with the national legislation, donors’ and Programme’s requirements, while EU PROGRES provides advisory support. There are indicators, as described in the Section Purpose, showing that this approach positively affected institutions’ capacities.

The main purpose of the EU PROGRES is to enhance institutional and management capacities. For example, establishment of Citizens’ Assistance Centres and One Stop Shops, meant reorganisation of the municipal administrations in order to enhance quality of services they provide to citizens and businesses. The scope of EU PROGRES’ support, in these specific cases, included adaptation works and furnishing of the premises, but also provision of equipment, training for the staff and advisory support throughout the course of action. In addition, local governments were involved in the whole process from the outset, while reforms were aligned with the national and local legal frameworks. For example, in the process of establishment of OSSs in four municipalities, LSGs customised their systematization acts, created protocols for internal organization of work, signed MoUs with the relevant PUCs, developed job descriptions and thus, de facto, established comprehensive institutional mechanism that was validated through legal decisions. In order to ensure sustainability of participatory budgeting EU PROGRES facilitated adoption of decisions by Municipal Councils in Nova Varoš, Vranje and Leskovac to institutionalise the process, while 11 municipalities signed MoU for establishment of participatory budgeting teams.

Several activities have encompassed founding of new institutions within local self governments, such as gender equality mechanisms (GEMs). The Programme provided comprehensive expert support: from establishment of these entities, to development of local action plans (LAPs) and priority projects and, finally, by providing funding for their implementation – this approach builds institutions’ capacity and enhances chances for their survival. Establishment of GEMs has been supported by municipal assembly decisions, which is instrumental for their sustainability.

Special contribution of EU PROGRES to institutional capacity building is work on good governance (GG) as a cross cutting theme. In parallel with the implementation of infrastructure projects in eight
municipalities, 35 new or revised local regulations have been developed and adopted, enhancing principles of accountability, transparency, efficiency, non-discrimination and citizens’ participation in the work of LSGs. These regulations are compatible with the existing local and national legal framework. For example, they define the use of saved funds from an infrastructural project, transfer of rights to manage and use the sports’ air dome that was constructed etc. Clearly, these regulations additionally strengthen institutional framework and contribute to sustainability.

The work on inter-municipal actions included definition of project organisation schemes for the “Banjica” Landfill, Regional Centre for Development of Agriculture for Pešter, Leskovac Green Zone, Pčinja District Fruit Production Improvement and the “Meteris” Regional Landfill. The Programme also provides different forms of support - financial, technical and managerial – in order to enhance prospects for newly established institutional structures to survive beyond the project. For example, as a part of the Banjica Landfill project, EU PROGRES, in parallel with the development of technical documentation, provided advisory support for establishment of a joint enterprise for the management of the Landfill as well as for development of business and management models. All these “measures” contribute to sustainability.

While prospects for beneficiary institutions to continue flow of EU PROGRES’ project benefits are positive, some broader institutional capacity issues remain. Although the picture is not uniform in all municipalities, EU PROGRES regular monitoring and simple analysis\(^{43}\) indicate there is a need to further enhance LSGs capacities for project management and public procurement, in particular.

### 3.4 Financial sustainability

Prospects of financial sustainability are positive. The Programme has continued to support reforms to enhance efficiency and effectiveness of local governments, many of which are to produce positive financial implications on municipal finances. For example, support to local tax administrations resulted in average increase of 24.6% in the collected tax in the first year upon completed activities – clearly, benefits are affordable and will be maintained in the coming years. Similar logic is applicable to other activities: functioning of One Stop Shops should reduce municipal costs for issuing of building permits rather than increase them, and will improve efficiency of the local self governments, making them attractive locations for potential new investors.

There are excellent examples of municipal infrastructure projects, which are economically sustainable. Those are particularly true in actions tackling water supply and energy efficiency as they resulted in savings to local self governments. For example, in Sjenica, after replacement of water pumps, the municipality saves 8,000 Euros per month due to reduced electricity bills. This among other enables Sjenica to maintain the new pumps, while the part of the saved funding is used for covering of water consumption costs for socially vulnerable families.

EU PROGRES’ inter-municipal projects also have good prospects for financial sustainability.

Each of four municipalities\(^{44}\) involved in Banjica Landfill set aside eight million Dinars for 2013 and this is positive indicator for financial sustainability while the management and business plans provide strategic base for economically viable functioning. In particular, the Green Zone project should attract significant investments and open new jobs and thus provide broader positive impact on the municipal finances. EU PROGRES, in addition, is working with Leskovac administration, to define fees for the future users of the Green Zone that will enable the City to return its investment into this project and to cover the Zone management costs. For the Pešter Centre project, EU PROGRES developed business plan predicting initial annual net profit of 15,000 USD. It will be,
however, instrumental for partner municipalities, Sjenica and Tutin, and the City of Novi Pazar to work closely with SEDA who is responsible for the project implementation, to enhance prospects for financial sustainability, at least in the initial phase of the work of the Pešter Centre.

Benefits of the planning and technical documentation have started to show. Developed documentation already enabled municipalities to attract about 300,000 Euros into development of technical documentation, while more broadly these contribute to major foreign direct investments (FDIs) in the area, as described in the Section Overall Objective. Availability of technical documentation has also facilitated investment of 1.26 million Euros from the Government and other donors into the construction works.

It is also positive that the Government and donors are interested to further support several major EU PROGRES’ projects. The Ministry of Energy, Development and Environmental Protection is considering options to access funds for the construction of the Banjica Landfill through IPA funds. The construction of the Waste Water Treatment Plant (WWTP) for Raška, estimated at eight million Euros, is among candidates to be supported through IPA 2013 – the preliminary design for this project has been developed by EU PROGRES’ predecessor, PRO. The DEU, SDC and the Government of Serbia remain committed to support the area and work on the development of EU PROGRES’ successor.

Financial sustainability remains fragile within some “soft” interventions. For example, despite the fact that all four municipalities formally obliged to establish Citizens’ Advisory Services within municipal administration, (institutional and) financial sustainability has not been fully ensured yet. Clearly, inclusion of these services within municipal administration and possible employment of several staff members would increase public expenditure. EU PROGRES has therefore worked with municipalities to ensure the methodology is incorporated while limiting incurrence of additional costs to municipalities. As a result, the CAS Office in Prokuplje continued work at the National Office of the Mayor after the project completion in January 2013. In Novi Pazar, after months’ long delays the Assembly adopted decision to integrate CAS into the administration, systematisation of work places has been revised and thus steps were made towards institutional and financial sustainability.

Over 70% CIF 2 projects have a very strong perspective of being sustainable. The newly established centres, such as the Mini Rehabilitation Centre for the people with disabilities in Leskovac and Prijepolje Centre for Youth, will continue to work supported by other donations, municipal financing or planned self-financing. Some of projects ensured continuation of activities through new international donors such as the Rockefeller Foundation and the Swedish NGO “Kvinna till kvinna”.

However, not all projects achieved sustainability, and one such example is the home care of people with multiple sclerosis from Vranje. The project had very good results and satisfied beneficiaries, but the City of Vranje didn’t, so far, accept the Association’s request for employment of home carers due to the bad financial situation. Indeed, the poor financial situation, on the national and local levels, for sure has been a challenge for the financial sustainability. Due to reduced municipal financial capacities there were delays in fulfilment of co-funding commitments. This has impacted the overall cash flow of the Programme and negatively affected efficiency. Despite delays, LSGs managed to fulfil their co-funding commitments towards the Programme.

### 3.5 Environmental protection measures

The issue of environmental protection remained among high priorities for the Programme. EU PROGRES has worked on 19 projects in the amount over 2.2 million Euros that directly tackle environmental issues. Nine projects have already been completed. The most significant individual

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45 Preševo, Žitorađa, Prokuplje and Novi Pazar
advancement may be the construction of the Recycling Centre in Nova Varoš. EU PROGRES’ also supported implementation of the Regional Waste Management Plans by funding design of technical documentation for the two landfills and one transfer station, design of documentation for re-cultivation of an old landfill, provision of containers, design of Strategic Environment Impact Analysis (SEIA) etc.

The work on waste water management has been an important part of the Programme efforts: technical documentation will be developed for WWTP for Kopaonik, while in addition to preparation of documentation for Crna Trava and Trgovište, WWTPs will be constructed. Effluent metres were provided to four municipalities, enabling measurement of waste-water quantities and providing inputs for further infrastructure development in this field. EU PROGRES supported major flood protection project for Novi Pazar that will prevent frequent damaging of buildings, roads and agricultural land, which only in 2011 was almost two million Euros.

The Programme also supports introduction of Environmental Management System ISO 14001:2000, in parallel with the Quality Management System ISO 9001:2001, in five municipalities, verifying that the LSGs are aware of the environmental management importance. EU PROGRES work on the development of GRPs and DRPs in 80% of projects include development of SEIAs. These documents set limitations for future construction in order to ensure the environment is not endangered.

Several municipal projects with impact on environment launched during previous reporting period have been successfully completed: installation of bio-fuel boilers in Prijepolje and of heating system in Novi Pazar Gymnasium, replacement of joinery in Preševo School and Vladičin Han kindergarten enhanced energy efficiency of these objects. Projects contributed to savings of about 62,000 Euros in electricity bills and fuel per heating season.

Furthermore the EU PROGRES continued to promote awareness of environmental issues. The third and the last of the three Programme public awareness campaigns is designed to promote the environmental accountability of municipalities and each citizen, recycling and energy efficiency.

Finally, on a small scale, two environmental projects have been supported through CIF-2, as a result of partnerships between the local self governments and the civil society organisations. In Leskovac, NGO “Resource Centre” and the City, in addition to the round tables on environment, will replace the so called “turbolators” on heating plant and directly reduce CO₂ emissions. The Centre for children and Youth “Duga” from Novi Pazar will arrange a picnic area in Golija Mountain and organise a series of environmental lectures.

### 3.6 Appropriate technology

The Programme continued to use the technology that takes into consideration the existing systems in municipalities, but also LSG abilities to operate newly procured equipment in the longer run. Only a few examples are presented to represent the approach taken.

The equipping of the Urban Planning Directorates in Novi Pazar and Leskovac with GPS geodetic surveying sets has resulted in savings of approximately 10,000 – 12,000 Euros, enabling these entities to conduct services that used to be outsourced before. Designs for water pumps in Sjenica and Vlasotince, heating boilers in Novi Pazar and Prijepolje schools have been developed by beneficiaries, with EU PROGRES’ advisory support, and meet the national standards. All are already producing savings.
Establishment of four One Stop Shops and Citizens’ Assistance Centres included procurement of IT equipment. Specifications were developed in consultations with beneficiary LSGs, while the project activities included training for the use of software.

In regards infrastructure, all used materials respect the quality standards and tests at the end of projects confirm the quality of works.

### 3.7 Socio-cultural factors

Programme’s approach takes into consideration a range of socio-cultural factors. First, grant methodology and strong local ownership ensure local communities are fully included in implementation. EU PROGRES puts emphasis, in particular through good governance work, on supporting marginalised and vulnerable groups.

EU PROGRES has offices in Novi Pazar and Prokuplje and a sub-office in Vranje. Programme’s presence in the field and direct cooperation with municipalities, civil society and local community proved to be effective - every day communication with partners and citizens helps to establish strong relationship with local communities as well as to understand beneficiaries’ needs.

In addition, having in mind that the Programme covers multi ethnic area, efforts were put to ensure fair ethnic balance among staff members, as much as possible. About 25% of EU PROGRES’ staff are from the minority groups – this indeed is beneficial for relationship with local communities. Furthermore, EU PROGRES is a team of about 30 people, originating mainly from the South and South West Serbia. Only one member of EU PROGRES is international staff. This may also be considered as “isolated case” since many interventions supported by international organisations included more international staff. However, having national staff gave the Programme in depth understanding of areas’ socio-cultural features. This is also important indirect “output” of the Programme – a group of highly qualified domestic experts in the project management.

While funding and other support is in principle provided on a competitive base, the Programme has been introducing measures to ensure even distribution, as much as possible. For example, individual municipalities were able to win funding for implementation of only one local infrastructure project during the one public call for proposals. Meetings of the Programme Steering Committee continue to be held across the EU PROGRES’ area of responsibility and this is another way to ensure local respect.
4 Activities undertaken

Component 1: Good governance

Result 1: Participatory, accountable and transparent governance, respecting human rights

1.1 Citizens’ Involvement Fund supports projects that have resulted from partnerships of civil society organisations and local government institutions

CIF 1: All 40 projects were closed having passed the final audit.

CIF-2: 29 projects were approved by the Programme Steering Committee (PSC) in July 2012. However, two applicants immediately requested withdrawal of projects, after they failed to reply to the requested explanations, while signing of one contract was cancelled in June 2013, as the applicant had long-standing issues with obtaining necessary location permits. The total budget value of 26 funded projects is 260,000 Euros, EU PROGRES part 217,000 and co-financing 43,000 Euros. Nineteen projects were finished by the end of June 2013. There were 16,500 direct beneficiaries of actions, while the number of indirect beneficiaries, in both CIF-1 and CIF-2 exceeded 600,000. More than half projects were focussed on providing support to marginalised and vulnerable groups and addressed the needs of Roma, people with disabilities, youth and women. Other themes included good governance, environment protection, rural development and promotion of inter-ethnic tolerance.

Table 8: Overview of Citizens’ Involvement Fund

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Medveđa’s “Libertas” and Vranje Society “Bakija Bakić”
1.2 Citizens’ Satisfaction Surveys

Seven bids were received in the tender for the conduct of the second Citizens’ Satisfaction Survey (CSS), the evaluation has been finalised and the implementation will start in early October, while presentations will be delivered by December. In order to contribute to preparations for a possible EU PROGRES’ successor programme, the second survey will be extended to: Brus, Aleksinac, Gadžin Han, Doljevac, Svrljig, Knjaževac, Bela Palanka, Babušnica and Merošina.

1.3 Citizens’ Advisory Services provide practical assistance and information to citizens, enabling them to access their rights and entitlements

Over the year, the four CAS offices offered free legal assistance to 2,374 users. According to the information excerpted from the records kept by the CAS offices, legal assistance has been provided to 53% Albanians, 21% Roma, 20% Serbs and 4% Bosniaks. According to the gender structure 78% of users were male, whilst 22% were female. There were 42% unemployed users, whilst 24% of them were social protection beneficiaries. Out of the total number of citizens, i.e. users who addressed the CAS, 37% of requests have been settled positively, and these are predominantly requests pertaining to documentation (birth certificates, marriage certificates, citizenship certificates etc.), which these users need in order to exercise their rights to the issuance of personal identification documents, passports, social rights, rights to healthcare etc. Cases which were not resolved during the reporting period are currently in process (39%) and they refer to appeals procedures submitted to state authorities or local self-governments, which are undergoing procedures carried out by competent institutions and whose resolving requires a certain period of time due to the evidentiary proceedings.

The Citizens’ Advisory Service (CAS) project in Novi Pazar ended in March 2013, and the Programme continued to work on the integration of the office into the City administration. Following a number of meetings with the City officials, establishment of a working group for the integration of the CAS, the City Assembly adopted a Decision on the Legal Assistance Service (LAS) in mid June. Furthermore, a new rulebook on employees with the City administration has been prepared and it encompasses the personnel structures in regards the Legal Assistance Service. The EU PROGRES’ CAS implementer, the Sandžak Committee for Human Rights and Freedoms, will conduct training for the LAS’ staff in the coming months, as the City will structure its work based on CAS methodology.

While continuing with its regular activities, CAS Prokuplje took an active part in receiving the Roma families resettled from Belville in Belgrade and supported the municipality in preparing a brief report to the National Ombudsman to that effect. In addition, the Office supported enrolment of Roma pupils and preparation of scholarship applications for 36 children and students (28 were successful). The project ended on 31 January and the Citizens’ Advisory Service (CAS) has been integrated into the Mayor’s People Office. Until May, when employment contracts with the employees in the CAS were terminated, the office serviced 400 users. The municipality is carrying out a new classification of positions, due to problems with overstaffing, whereas the Unit for the provision of free legal assistance would also be included.

Grant agreement for CAS in Žitorađa ended on 31 January, after a four-month extension due to substantial savings in the budget. The integration of the CAS methodology into the municipal administration commenced and a short-term contract was issued to a coordinator for free legal assistance in April. So far, 150 requests have been processed. Yet, a permanent solution and sustainability have not been achieved yet.

47 Copy of the Decision is available with EU PROGRES
Following a public tender, the Community Resource Centre (CRC) was contracted in Q3 2012 to run the CAS in Preševo. Three people from the Prokuplje CAS visited Preševo and shared their experience and knowledge with the new office, while Preševo staff also went on a five-day training with the CSO Praxis in Kraljevo. Although originally envisaged to end in April, the project was extended up to 31 May, which enabled the CAS to continue to provide services and to prepare bases for negotiations with the municipality related to integration of CAS methodology into the municipal administration.

A detailed overview of the structure of users and types of services by municipalities is given in the Table 3 and Annex I, attachment 1.1.

1.4 Support local self-governments to conduct appropriate consultation on annual budgets, involving representatives of civil society and media

The first phase of this activity included the assessment of municipal budgets and the existing budgetary practices, after which recommendations were made how to improve the processes. Tailor-made methodology for implementation in municipalities was prepared. The second phase focused on planning and conducting participatory budgeting (PB) activities with 12 municipalities\(^{48}\) that passed the capacity assessment and were willing to participate in the process. As a result, the budgets for 2013 reflect the priorities specified by their citizens. In Nova Varoš, Raška, Vranje, Surdulica and Leskovac PB procedure is defined and secured by the official Decision of Municipal Councils. In Kuršumlija, Prijeprpje and Bojnik such decision is in the process of adoption while in others the sustainability of the PB process is enabled through provision of institutional knowledge gained on PB planning and execution.\(^{49}\)

Previously conducted consultations with the OSCE didn’t result in an agreement on a joint anti-corruption event. Hence, in consultations with the key stakeholders\(^{50}\), agreement was reached to recruit an anti-corruption expert who would support municipalities in developing, adopting and publishing Integrity Plans\(^{51}\) (IPs) and Information Bulletins\(^{52}\). The municipalities started the process of development of IPs in January 2012, but very few public institutions did any work. Following an assessment, EU PROGRES supported 19 municipalities to finalise their obligation and held two workshops on the content of IPs, stages of drafting, forming of working groups and competencies thereof. However, due to technical problems with the server in the Anti-Corruption Agency in the last week of March, the deadline for finalization of the IPs, for those institutions that already started filling in the web application, was postponed to 12 April. Despite the fact that the expert collected and concentrated the relevant information, called all municipalities and explained comprehensively how to proceed, the postponement caused a lot of confusion. Eight municipalities managed to meet the deadline: Vranje, Prokuplje, Surdulica, Vladičin Han, Vlasotince, Bosilegrad, Ivanjica, and Medveđa. The plan was partially developed in Crna Trava. The Programme will continue providing support both to those municipalities that had adopted the plans in implementation, and to those that had not adopted the plans yet, to develop their own documents to comply with the Agency requirements.

The assessment of what support municipalities need to develop and publish Municipal Information Bulletins will begin in the summer.

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\(^{48}\) Vranje, Leskovac, Kuršumlija, Bojnik, Surdulica, Žitorađa, Medveđa, Novi Pazar, Raška, Sjenica, Prijeprpje, Nova Varoš

\(^{49}\) The final report for participatory budgeting activities is available in Annex I, attachment 1.2

\(^{50}\) Anti-Corruption Agency, Transparency International, the Ombudsman, and the OSCE

\(^{51}\) By the Government’s deadline of 31 March, in line with the Anti-Corruption Agency Law, Guidelines and Rulebook

\(^{52}\) In accordance with the Law on Free Access to Information of Public Interest and Guidelines on the topic published by the Office of Trustee for the Information of Public Interest
1.5 Reconceptualised. Conducting a baseline study on competitiveness level in the twenty five municipalities

Following a request from donors, the baseline survey was expanded quantitatively to include 34 municipalities instead of 25 initially planned and thus be used for development of technical assistance (TA) that will be provided to municipalities by EU PROGRES’ successor project planned within EU IPA 2013.

The Study will analyse: the elements of legal and administrative framework, quality of and access to infrastructure, economic and business environment, market efficiency, health and education, labour force, technology readiness and business sophistication. It should also stimulate discussion among stakeholders on strategies, policies and actions that should help municipalities, area and Serbia on a whole to improve competitiveness. Finally, the municipalities will be benchmarked according to the findings and while the indicators defined in the Study will enable regular assessment of local competitiveness levels.

The orientation workshops for the representatives of the 34 municipalities were carried out in the first half of June, while the field visits will take place in July and August. The Study will be completed by mid-November.

EU PROGRES has also been asked to conduct a survey on public private partnerships as well as skills’ gap analysis – preparations ongoing and the ToR will be considered at the July 2013 Programme Steering Committee meeting.

1.6 Support municipalities to develop and adopt Local Gender Strategies and Action Plans, with the aim of strengthening women participation in policy making processes

Following expert’s assessment of local gender equality mechanisms’ (GEM) needs in 12 municipalities of Toplica District and South West Serbia, a work-plan was drawn for EU PROGRES’ support in establishing the GEMs where they didn’t exist, lobbying for the adoption of the European Charter for Equality of Men and Women in Local Life and preparation of the Local Action Plans (LAPs). Nova Varoš made the biggest step towards improvement of the position of women after the Municipality established the Gender Equality Council for the first time, the Assembly voted to adopt the gender LAP and the European Charter. Sjenica and Priboj assemblies also adopted the LAP, while in Ivanjica, Prijepolje and Tutin LAPs were approved by the municipal councils. The European Charter was adopted in Žitorađa and Priboj.

Eleven out of 12 GEMs submitted projects for the Call for Proposals that closed in mid April (Blace was the only one who didn’t). The consultant intensively worked with six GEMs, while advisory support was given to Priboj and Ivanjica. Areas that GEMs propose to work in range from improvement of health of women and youth, prevention of violence to economic empowerment and improvement of political representation. Seven projects were contracted: Nova Varoš, Ivanjica, Sjenica, Prijepolje, Priboj, Žitorađa and Raška and the municipalities are in the process of opening the bank sub-accounts.

1.7 Improve the ethnic representation of local-decision making in the Programme Area

The three National Minority Councils’ project “Together towards inter-culturalism”, ended in April 2013. There were series of challenges in implementation of the project, firstly due to financial insolvency of the Roma National Minority Council (the grantee), change of staff in the Albanian National Council and general low capacity to carry out such a complex initiative, which meant that the contract had to be extended twice in order to achieve project’s results. During the five

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53 The Municipal Competitiveness Study Inception Report, May 2013 is available in Annex I, attachment 1.3
54 Prijepolje, Nova Varoš, Sjenica, Tutin, Raška and Žitorađa
55 Evaluation table of gender projects is available in Annex I, attachment 1.4
workshops, for 23 participants, on preparation for intercultural youth exchange, conflict resolution and motivation of young people for studying, problems faced by the young people were identified: unemployment and poverty, unsolved housing issues, family violence, marginalisation, absence of personal documentation and exercising rights to social protection. Several cultural events were an opportunity to present the project achievements and cultures of different minorities. The final event in Leskovac included: a conference attended by 240 participants, exhibition of paintings with intercultural motives, presentation of project results, press conference and artistic-cultural associations of Roma and Bulgarians. The final event was not attended by the representatives of Albanians. The website in four languages - Roma, Albanian, Bulgarian and Serbian - is being finalised and will be available publicly once all information is uploaded.

The new offices of the Albanian National Minority Council (ANMC) were opened on 14 September 2012 in Bujanovac. EU PROGRES’ 10,000 Euros contribution went towards furnishing the offices, provision of computers and other equipment.

The contract of the EU PROGRES’ Project Assistant (PA), who was seconded to the Office for Human and Minority Rights (OHMR), ended in April 2013 after few extensions of initially planned timeframe. Over the reporting period, the Assistant took part in a number of key activities organised by the OHMR: he was the focal point for coordination of the Experts’ Monitoring Mission of the EU Commission on National Minorities in Serbia (9-13 July 2012), he supported implementation of affirmative measures for enrolment of Roma children to high schools and universities, and took an active part in preparation and presentation of the Draft Strategy for Fight Against Discrimination (2013-2018). In addition, the Assistant provided the Programme with valuable information on the OHMR’s priorities in addressing the minority agenda.

Support for Establishment of Municipal Inter-Ethnic Councils (IEC): the assessment performed by EU PROGRES’ expert in 12 municipalities in Pčinja, Jablanica and Toplica Districts showed that only four didn’t establish the IEC as required by the Law on Local Self Governments (Leskovac, Lebane, Vladičin Han and Prokuplje). Albeit, the remaining IECs were not active and do not have proper accompanying regulation/documents to guide their work and describe duties/responsibilities. The consultant will proceed to revise all decisions on the Councils, in close cooperation with the LSGs, to support creation and provision of a wider local regulation and guidelines for their work and to develop knowledge and skills of the Councils’ members.

1.8 Good Governance as a cross-cutting aspect of the Programme

Small infrastructure projects (SIPs): eight out of 14 municipalities where the Programme was providing support in linking SIPs with the good governance (GG) practices have entirely implemented the agreed measures. As a result, there are 35 revised or new local policies or regulations adopted by local assemblies in Tutin, Ivanjica, Raška, Surdulica, Bosilegrad, Leskovac and Bojnik. In Prijepolje and Trgovište new regulations are in the process of adoption by the Municipal Assembly or the Municipal Council, whilst in Lebane the drafting of the regulation is still under way. Advance has been slow in Vladičin Han, Preševo and Medveđa despite the fact that EU PROGRES held a series of meetings and offered assistance with the preparation of new regulations. In Medveđa, it has been agreed that EU PROGRES will provide a lawyer to draft the acts on incorporation and to set the requirements for advertising and selection of a partnership company. Preševo has drafted a decision on allocation of resources saved during the project realisation, but it has not yet been shared with the Programme. Prijepolje has also prepared a draft decision on the allocation of resources saved

56 Žitorađa, Prokuplje, Lebane, Leskovac, Bojnik, Medveđa, Vladičin Han, Surdulica, Preševo, Bujanovac, Bosilegrad and Vranje
57 The list of measures adopted by municipalities is available in Annex I, attachment 1.10
during project, as well as the rulebook. As the June Council session was interrupted, the item remains on the agenda for the next meeting.

Detailed overview of the GG implementation within SIP in all 14 municipalities is given in Annex I, attachment 1.7.

**Large infrastructure projects (LIPs):** support was provided to municipalities to establish the Project Steering Committee for the improvement of fruit production in Pčinja District project, to elect the Project Manager, to draft the rulebooks and criteria for distribution of the goods to the end users, and to establish the project Advisory Board (made up of representatives of Vranje Agricultural Institute and the Cluster Manager). For **Banjica Landfill**, four municipalities\(^{59}\) drafted founding documents – decision on forming the joint LLC, which will be approved by all four Assemblies.\(^{59}\) The procedure has been initiated for defining the ownership/voting rights, duties and responsibilities of the founders towards the enterprise and vice versa; conditions and means of distribution of profit and losses; risk assessment and risk division; conditions for borrowing and the amount of founding capital, including description, type and value of non-financial contribution of the individual founder.

**Leskovac Green Zone** has been receiving continuous support from EU PROGRES in the last couple of years in preparing: founding contract for the legal entity that will manage the Zone; the criteria for public call for potential investors; the steps for establishing the managing body; the draft for internal structure organisation of the entity; the draft for strategy of Zone development, and similar. The City Assembly adopted the Criteria for the assessment of applications of bidders for management of the "Green Zone", Development plan of the agro-industrial park Green Zone and the Green Zone Action Plan for the period 2013-2023. Following the withdrawal of the ALED from the management of the Zone, it has been agreed that the EU PROGRES would support the City to prepare a roadmap, in order to identify key actions, actors and timeframes with a final goal of attracting the investors into the Zone.

In regards establishing the **Regional Centre for Development of Agriculture (RCDA) for Pešter**, a joint project of Sjenica, Tutin and Novi Pazar, EU PROGRES is also providing support in applying GG principles, insisting on transparency of all processes especially on the employment, participation of all involved stakeholders, accountability and the rule of law through drafting documents which regulate management rights of the RCDA partners. So far, the following documents were adopted: the Conclusion on joining of new members and increasing of the initial capital for the RCDA Ltd company (Sjenica Assembly), decision(s) on joining the RCDA Ltd. (Novi Pazar and Tutin assemblies), decision on appointed members of RCDA assembly, while the accession treaty was signed by all three Mayors. The management contract of RCDA Ltd was drafted and the project coordination body was formed, made up of EU PROGRES’ representative, the project manager, SEDA project coordinator, RCDA director, appointed persons from the three LSGs, and EU PROGRES’ GG assistant for the South West Serbia. Registration of the Regional Centre for Development of Agriculture for Pešter finished at the end of June.

An overview of good governance support to large infrastructure projects is available in Annex I, attachment 1.8.

**Pure Governance reforms in Ivanjica** is a pilot endeavour, as it wasn’t linked to any infrastructure project, but rather seeks to test municipal readiness to enter a more structured governance reform, such as addressing policy level issues in its community. The consultant is working with the officials of the municipal bodies and public utility companies to that effect. Templates and harmonization/adjustments documents on the annual work-plan elements and structure, strategic

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\(^{58}\) Nova Varoš, Priboj, Prijepolje and Sjenica

\(^{59}\) Priboj approved the decision in June 2013.
part of the local PUCs plans (according to the national and local strategic framework) were produced; analyses of the strategic framework has been conducted: medium and long term goals defined. In order to ensure sustainability of these processes, changes of the local legislation will be proposed, as well as changes on the internal enterprises’ level by providing proposals for improvement.

Vertical dimension of GG: two workshops in early 2013 gathered around 70 representatives of LSGs from the Programme area and created a forum for discussion on obstacles for achievement more efficient and more effective functioning of administrations. In June, a similar meeting was organised for the representatives of line ministries, state institutions, public companies and municipalities that have participated in the previous workshops to review the findings submitted by the representatives of LSGs. Most of the identified obstacles are the consequence of inadequate legal provisions, vaguely defined processes, lack of or insufficiently defined procedures, poor communication and coordination, inadequately designed public policies, the inapplicability of specific legal provisions at the local level, specifically in the areas of urban planning, finance and politicization. EU PROGRES is drafting a document to present an overview of all statements and constructive proposals to institutions, which can contribute to better work of local self-governments, such as the Standing Conference of Towns and Municipalities, competent ministries and representatives of the Delegation of the EU in Serbia.

April 2013 Swiss Backstoppers’ mission was an opportunity for the Programme to present decisions, rulebooks and all municipal acts regulating the matter of good governance as well as analyses and recommendations of results from the workshops related to Vertical Dimension. Great progress has been recognised and praised while steps ahead were agreed.

Those refer to:

1. Small infrastructure projects (SIPs): organisation of another round of meetings with certain municipalities and discussion about the improvements to achieve higher degree of harmonization between legal acts and ensure more transparent setting of decisions/articles contained in decisions, rulebooks, and statutes.
2. Large infrastructure projects (LIPs): preparation of contracts between municipalities, but also between municipalities and centres (companies).
3. Vertical Dimension: find a model to forward the recommendations to relevant ministries in order to ensure the effect of all collected findings.
4. Proposal to hold a good governance workshop in September which in parallel will follow up the preparation of two booklets: one about SIP/LIP and PG, and the other on the VD results.
5. Booklet: presentation of results of vertical dimension related issues, with SCTM involvement.
6. Recommendation for further programme: to raise the establishment of good governance process to higher level, and three levels were proposed: introduction, policy and reform levels. The introductory one included recognition of municipalities and introduction of good governance concept into infrastructural projects. Policy level will refer to the core changes in terms of strategies, municipal plans, and introduction of order to specific issues. Reforms are already outside of the programme framework and make part of wider picture of reforms themselves in the state and local administration, and part of political decisions.

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60 Initial findings are available in Annex I, attachment 1.9
61 The full report is available in Annex I, attachment 1.5
Component 2: Municipal Management and Development Planning

Result 2:
Municipal organizational effectiveness and efficiency improved and capacities to deliver services to citizens and business increased

2.1 Establishment of Citizens’ Assistance Centres in municipalities where they do not exist, and further improvement of services in existing CACs

CAC Trgovište was operational from September 2012. As of October all applications are recorded in the electronic registry, and the records show that over 5,000 administrative requests were serviced so far. The electronic notary software module has also started tracking all administrative requests in the entire municipal administration, so far 1,440 different cases. The input of all registry books (approximately 43,000 entries in total) started in January 2013 and 8,000 are already in electronic form. The CAC is connected to the Central Registry Database and is able to provide distant service to citizens throughout Serbia.

After 14-month delay in Crna Trava, caused by difficulties with tender\(^\text{62}\), followed by the winter season, the project was extended until the end of June 2013. The works started in March 2013 and were finished in May 2013. The software specification for the CAC has been somewhat altered due to the fact that an electronic database for documents tracking and archiving has been purchased separately by the municipality, and the municipal website will be enhanced to become an info-portal. The CAC is operational as of the end of June.

In Bosilegrad, total delays in implementation amounted to 11 months, first due to long preparation of tender documents and unavailability of municipal co-funding and then the late contracting. It is expected that CAC will be opened in early July.

Both Crna Trava and Bosilegrad have prepared the “Guide through municipal administration” that will be available in the CAC.

Contract for the expansion of CAC in Novi Pazar was signed at the end of April and following establishment of the grant implementation team and adoption of the decision to start the public procurements for works, furniture and IT equipment, tender was advertised in June 2013. The project should end by November.

2.2 Strengthening of LED offices in their abilities to provide coherent and strategic support to business growth in their municipalities through promoting innovativeness and competitiveness of SMEs, and Industrial Park and Business Incubator Cluster Developments

Eight people were employed in two enterprises set up in the Business Incubator Centre (BIC) in Vranje\(^\text{63}\), while 20 all together were trained for business planning and administration. One tenant invested own 5,000 Euros, on top of the same amount provided by the Programme, and a

\(^{62}\) There were two problems. First, the municipality failed to reach an agreement with the Tax Department and Cadastre to temporary re-settle. Subsequently, an unsuccessful bidder complained about the procurement, which prolonged the process for two months, until mid-October (more details in EU PROGRES’ quarterly reports July-September and October-December 2012).

\(^{63}\) The final narrative report of the project which supported BIC Vranje, dated December 2012 is available in Annex II, attachment 2.1
commercial credit in the same amount and procured the complete equipment needed for his new business. In efforts to achieve sustainable functioning of the BIC on a long run the BIC begun creation of 1) Sustainable business plan for the next three-five years; 2) Mapping of services and processes and 3) Conceptualizing and starting distant incubation services. The two tenants supported by EU PROGRES in 2012 received additional grants in the amount of approximately 1,300 Euros each, from USAID, for the purchase of additional equipment and went on a study tour to Italy where they visited furniture and pellet production companies.

Thirty-two selected candidates, out of 150 who applied for the training, were taught about legal framework and regulations for business establishment, management for entrepreneurs and marketing, in another BIC Vranje project “Distant Incubation for Roma Entrepreneurs”, which should also set foundations for a long-term sustainable distant incubation system in the Pčinja District. Subsequently, 24 business plans were evaluated by an expert committee against predefined criteria such as sustainability of business idea, competitiveness of the product/service, number of newly created jobs, return of investment period, co-funding from own sources, status of applicant (returnee, IDP, refugee); 17 businesses were registered from the EU PROGRES’ grant and one entrepreneur from the funds provided by the “Fund for an Open Society”. The procurement and delivery of the equipment advertised and should finish by mid summer. The total value of start-up grants will be around 55,000 Euros, creating initially 29 sustainable jobs. Businesses will include printing, production of PVC joinery, souvenirs, hairdressing, butchery, fitness shop, recycling, car mechanics, fast food, video production, game arena and Internet café.

Three clusters were established in the second half of 2012: South Serbia Fruit, Radan Mountain Tourism and Agro-Pešter. Each cluster received EU PROGRES’ operational grant, worth 17,000 Euros that enabled adaptation of premises, provision of basic office furniture and IT equipment, training and salary for the cluster facilitators, as well as increasing visibility, planning for market research and expansion, diversification of products and branding. With technical assistance from EU PROGRES’ expert the clusters started creating baseline database that will enable them to identify employees’ skills gap, company services’ need and cluster members’ interdependence. In parallel, two of three capacity building trainings were organised and covered topics such as the project management, preparation for the Ministry of Economy cluster grant scheme, attraction of new members and promotion of products in the market. Managers of all three clusters attended different events where they established contacts with similar initiatives from the region that offered business opportunities: e.g. an investment conference in Vienna organized by the Austrian Chamber of Commerce/Austrian Development Agency, the Agricultural Fair in Novi Sad and the Agro-investment Fair Bujanovac, Belgrade and Novi Sad Tourism Fairs.

The start of foreign direct investment (FDI) attraction planning in five municipalities had to be postponed due to prolonged illness of the LED Expert. The planning activity started in late June 2013 through an introductory workshop for Vranje, Leskovac, Prijepolje, Ivanjica and Novi Pazar, on development of FDI plans. Once activities are completed, the five LSGs will receive a detailed plan for promotion of their investment potentials and tools for attracting investors.

2.3 Technical Assistance to municipalities in establishing ‘One Stop Shops’ and simplifying administrative procedures for small and medium sized businesses

Vranje OSS was officially opened on 20 April during the PSC meeting, while Leskovac inauguration took part on 14 May during the visit of the DEU Ambassador. Prior to the openings, protocols of cooperation between local self governments and public utility companies, that regulate communication procedures and deadlines for completion of steps within the permitting process through specialized web based software, were signed. Both cities presented the OSS concepts during
the LSG Fair in early December 2012 in Belgrade with a very strong visibility for EU PROGRES. The trial period for the web application will last till the end of November 2013 and, through practical every day use, possible bottlenecks or shortcomings of the application will be identified and improved.

In October 2012, the PSC approved establishment of One Stop Shop (OSS) in Novi Pazar and Ivanjica. By May, works in both were finalised, the premises were equipped, while a protocol of cooperation between the municipality and local PUCs was signed. In early June, DEU Ambassador opened the OSS in Novi Pazar. Ivanjica inauguration is scheduled for July. Both local self governments participated in the BelRe Fair of real estates and investments in Serbia, held in Belgrade in April where they presented the OSS concept for investors and the town as an attractive investment location.

In its final report64, the consultancy company that worked on the establishment of OSS recommended the way forward in terms of further enhancement of services. It also gave baseline indicators on the effectiveness of building permit issuance in the four LSGs, which at the moment, on average takes 97 days in these four LSGs65. There is prediction that the OSS should further reduce this time for up to 20 days, which will be measured towards the end of the year. Such a potential increase would bring them into the European average of between 66 and 85 days for building permit issuance. However, this reform will only slightly reduce the cost of acquiring the permit and Serbia is still the most expensive in the world when considering the cost in percentage of income per capita. This is an issue for the national level reform process in the permitting and land management area, where EU PROGRES has also been invited to participate in one of the work groups established by the USAID Business Enabling Project (BEP), which is designated by the Government of Serbia (through the Ministry for Urbanism and Construction) to perform a complete analysis of the permitting legislation in Serbia and prepare a draft package of new legislation that should result in a much simpler and efficient permitting procedures.

The entire activity used the legal approach and methodology developed a few years ago by the IFC implemented “LSG administration reform project”, funded by the SECO. E.g. the Protocol on OSS functioning developed through that project was slightly amended and used within EU PROGRES activity, while the OSS web application is also based on the IFC model. De facto, this created synergic effects and maximised the impact of the both interventions.

2.4 Support to LSG to improve the rates of collection of property taxes

Activity completed.

The planned outputs were exceeded, with 1166 instead of planned ten LTAs receiving support to update taxpayers’ database.67 The cumulative number of new registered taxpayers exceeds 17,000, which represents an average 20% increase over the total number. This is twice more than initially anticipated by the respective municipal LTAs. The cost-benefit ratio of the action is exemplary. The total investment was 129,000 Euros (EU PROGRES 104,000 Euros with 25,000 Euros municipal contribution) causing an almost triple return in collected property tax by the end of the 2012 fiscal year . These figures will be further improved for 2013, as some of the new taxpayers’ database entries have not been invoiced in 2012, while all municipalities, in accordance with the Law on Property Tax, will be invoicing the newly constructed properties for the first time in 2013.

64 The report is available in Annex II, attachment 2.2
65 OSS baseline indicators per municipality report, dated May 2013, is available in Annex II, attachment 2.3
66 Priboj, Lebane, Sjenica, Bujanovac, Žitorađa, Prokuplje, Vranje, Blace, Bojnik, Preševo and Surdulica.
67 The analysis of LTA baseline compared to outcome indicators is available in Annex II, attachment 2.4
2.5 Re-conceptualized. Support LSG to implement Programme budgeting

**Activity completed.**

Five out of 13 municipalities\(^{68}\) were selected to participate in the programme budgeting and capital investment planning (PB & CIP) process\(^{69}\): Medveđa, Vladičin Han, Raška, Nova Varoš and Vlasotince. All five completed the CIPs and submitted them to the municipal Assemblies for adoption. Previously, all municipalities attended a training that equipped them with knowledge about approaches to accomplishing the goals of the programme, concepts and methodology, planning life-cycle costs, financial and cost benefit analysis, credit worthiness assessment. There was also evaluation of the capacities of the local finances which included current and capital revenues, own and shared revenues, current and capital expenditures, budget expenditures by functional classification, level of indebtedness and borrowing capacity, calculating operating surpluses. As the CIP focussed on citizens’ participation, public hearing sessions were organised to propose project ideas, select projects, analyse the municipal local budgets for the past three years and draft the CIP documents. In accordance with the Citizen Participation and Communication Dynamics Plan, and in order to assure transparency and wide participation, those were attended by the working group, the Mayor and the Deputy Mayor, representatives of budget beneficiaries, local community offices, NGOs and media. Subsequent on-the-job trainings resulted in preparation of capital project proposals for budget beneficiaries.\(^{70}\)

As for the PB, after the job coaching, draft model of the Budget Decision with a Budget Explanation and finalisation of the draft model of Instructions for the Programme Budget Preparation for 2014 were prepared and are ready for the budgeting process at the end of the summer.\(^{71}\)

2.6 Introduce Quality Management System in Municipal Administration

All five municipalities\(^{72}\), that are planning to introduce the QMS, have, by mid June 2013, finalised all activities needed for the certification process for the Quality Management System ISO 9001 and Environmental Management System ISO 14001.\(^{73}\) Testing is in progress. The first municipal services and processes catalogues were produced, registries of administrative procedures were prepared, flow-charts identified bottlenecks and remedial action plans. Based on this, the Quality Statements and Quality Management systems with exact point of internal control have been designed and implemented. The new procedures were subsequently distributed to all municipal employees and implementation period commenced.

There have been series of challenges, in this activity as well. For example, in Prokuplje, the Head of Administration changed three times in a year. In Bujanovac, originally, a delay was announced due to the fact that municipality decided to have all documents bi-lingual (Serbian-Albanian), but everything was finalised as per the plan. Procurement of certification services had to be prolonged

\(^{68}\)Novi Pazar, Medveđa, Kuršumlija, Leskovac, Vlasotince, Nova Varoš, Bujanovac, Prokuplje, Preševo, Priboj, Raška, Sjenica and Trgovište.

\(^{69}\)Based on: participation in previous similar activities (participatory budgeting), participation in the introductory study tours organised in May 2012, dispersion of EU PROGRES’ activities, sequenced approach and territorial coverage

\(^{70}\)Raška (Agency for Development, Cultural Centre, Centre for Social Policy); Nova Varoš (Budget and Finance Department, Agency for Development, Tourism Organization); Vlasotince (Agency for Development, Cultural Centre, Health Care Centre); Medveđa (Tourism Organization, Agency for Development, Centre for Social Policy); Vladičin Han (Agency for Development, Sports Centre)

\(^{71}\)Final Report on Programme Budgeting and Capital Investment Planning dated June 2013 is available in Annex II, attachment 2.5

\(^{72}\)Novi Pazar, Prokuplje, Ivanjica, Surdulica and Bujanovac

\(^{73}\)QMS-EMS Progress Report dated June 2013 is available in Annex II, attachment 2.6
twice during May as there was initially only one offer received. The contractor was selected in June, followed by the immediate start of certification process in all five municipalities that should finish in September 2013. Novi Pazar and Surdulica will be the first ones to enter the certification.

Result 3:
Capacities for planning municipal and regional sustainable development strengthened and relevant development documents created

3.1 Support to municipalities in preparation of spatial, urban and waste management plans

General Regulation Plans (GRP)

The Republican Commission approved conditionally GRP for Nova Varoš in the last quarter of 2012, giving instructions where and how to finalize it. For Raška and Priboj, the Commission advised the final approval of their plans could be expected during the summer 2013.

Prijepolje GRP preparation was delayed for nine months due to late municipal payments and tender advertising, low quality of cadastre layers and extremely bad weather conditions preventing the contractor to perform necessary field visits. The concept was finally submitted for the Ministry approval in the second half of May 2013.

The general regulation plan for Kuršumlijska Banja was completed and submitted to the municipal commission for endorsement at the end of May 2013.

For Sijarinska Banja, the requested additional geodetic surveys were prepared and handed over to EU PROGRES and the municipality. However, as they are yet to be verified by the Republican Cadastre, an extension of the contract is needed. In the meantime, the GRP developers continue finalization of the draft plan in close cooperation with the municipality and the geodetic company.

GRPs for Prolom banja in Kuršumlija and Jošanička Banja in Raška were contracted in early June 2013 and should be finished by December 2013.

Bujanovac Elaborate for the Sanitary Protection of Water Protection Zones was finished and the grant was operationally closed at the end of December 2012. Subsequently the Elaborate became an integral part of the Bujanovac Spatial Plan.

Detailed Regulation Plans (DRP)

Seven plans were adopted by the municipal assemblies: Ribariće settlement in Tutin, Neradovac and Bunuševac Industrial and Trade zones in Vranje, Kukavica and Jovac Lake in Vladičin Han, Sokolica weekend settlement in Crna Trava and for Devići settlement in Ivanjica.

Another six DRPs were technically completed, by passing the endorsement of the municipal planning commission and are ready for adoption in the municipal assemblies: the Industrial Zones in Vladičin Han, Brestovac Lake in Bojnik, Ribarci border-crossing in Bosilegrad, Centar I in Blace, Mala Guba Roma settlement in Prokuplje and Gajtan mining complex in Medveda. DRP for Suvo Rudište on Kopaonik Mountain Resort (Raška) has also been technically completed, but is still pending the final endorsement of the Republican Planning Commission.

DRPs for the Industrial Zone and the Sport Centre in Trgovište were developed and were submitted to the municipal planning commission. After the commission endorsed the town’s GRP, they appraised the DRPs and sent them for public review.
The industrial development area in Surdulica and Blace Distribution Centre Spatial Feasibility Study are ready for endorsement by municipal planning commissions, while the implementation of DRPs for the Old Town Centre (Stara čaršija) in Novi Pazar, Kalovo border-crossing in Trgovište and Kušići settlement in Ivanjica started in early June 2013.

The delivery of geodetic instruments for Novi Pazar and Leskovac was completed in September 2012. This support caused savings between 10,000-12,000 Euros (approximately) and strengthened Directorates’ internal capacities, as they are able to perform geodetic surveying whenever they need it for planning purposes or cadastre related property issues.

The full list of urban plans that have been developed with EU PROGRES’ support is available in Annex II, attachment 2.7.

3.2 Re-conceptualized. Assistance to municipalities to establish effective and sustainable mechanisms for capital investment planning

The Capital Investment Planning process was implemented along the Programme Budgeting. Please refer to 2.5 for more info.

3.3 Support to LSGs in planning to improve citizen access to key public services and social welfare entitlements regardless of citizenship status or ethnicity

The water supply project for Ćoška Roma settlement in Vranje, finished in the last quarter of 2012, almost three months earlier than originally planned. The project brought fresh water to 30 households out of which eight are Belville re-settlers, effectively increasing the quality of housing and life in the settlement. However, the project has a wider impact as the water supply PUC “Vodovod” from Vranje installed pumps of greater capacity than initially planned and constructed another street pipeline creating pre-conditions for another 25 households to be connected in the near future, with sufficient water capacity available for all users.

Problems with start of works on the water supply provision in Novi Pazar Roma settlement Blaževo included delays in conducting the hydro-geology survey for finding a suitable water source for an independent water supply system, ownership of the lot where the source is situated, obtaining exploration rights from the Ministry of Mining and Spatial Planning. The City was late in gathering the necessary documentation and it was only in May 2013 that the Programme was informed about the positive opinions from the relevant state bodies, creating conditions for the start of the public procurement process for designing and works. EU PROGRES’ engineers finalized the technical design ToR in coordination with the City and PUC “Vodovod” officials and the tender was advertised in June. The Republic Commissariat for Refugees and Migration confirmed funding for the housing objects in the settlement, which reiterated the importance of the water supply project.
Component 3: Physical, economic and social infrastructure

Result 4:
Projects and project documentation prepared for key economic, environmental and social projects

4.1 Support to prepare documentation for inter-municipal economic, environmental and social infrastructure projects

Banjica Landfill – following adoption of the new Law on Public Enterprises, effective from December 2012, and consultations with the Standing Conference of Towns and Municipalities (SCTM) on forming the regional Public Utility Company (PUC), the founding documents for the Banjica management company were adjusted and it was agreed to form a limited liability company (LLC). The Agency for Business Registers (APR) didn’t have objections on the decision to form the joint LLC and the document was submitted to four assemblies14 for adoption. Priboj Assembly already adopted the decision, while other three municipalities will do so in the last session before the summer holidays. Each of the four municipalities has set aside three million Dinars for functioning of the PUC and additional five million Dinars for infrastructure works on the Landfill in 2013. This is a strong indicator of municipal ownership over the project and a sign of their commitment. Due to staffing problems, the consultancy in charge of redesign lagged in implementation and it was decided to terminate its contract. EU PROGRES advertised ToR for finishing the redesign according to the technical control report’s recommendations, the new consultancy was selected and the redesign should be completed by the end of August.

Prijepolje received 100 solid waste containers of 1.1m$^3$ and four containers of 5m$^3$ while Priboj got 50 containers of 1.1m$^3$ and 18 of 5m$^3$, which fully met the current needs as defined by the Local Waste Management Strategies. The original 31 March 2013 deadline for Sjenica to issue the location permit for the Transfer Station was extended to the end of May. As the municipality failed to provide documentation the project was cancelled.

The draft main design for the Meteris Landfill was presented to the selected stakeholders in Vranje in April 2013 and the design company works to complete all books, with technical control going in parallel. Presentation of the final draft to all municipalities is scheduled for July. The City Assembly adopted the concept DRP for the Landfill, funded by the Office for Sustainable Development of Underdeveloped Areas (OSDUA). The development of the Strategic Environmental Impact Analysis for the Regional Waste Management Implementation Plan (previously prepared by the USAID) was contracted.

The main design for the bypass road to the Industrial Zone in Vranje is finished.

Three preliminary technical solutions for the Waste Water System for the National Park and Tourism Centre Kopaonik, as requested by the Water Directorate were presented to the stakeholders: 1) WWTP in Rudnica – preferred option and approved for further designing by the Directorate; 2) WWTP in Lisina weekend settlement, collects all waters from the tourist centre as well; 3) WWTP in Repuške Bačije, with another WWTP in Lisina. Since no agreement was reached with the owners of the parcels for Rudnica location, which was preferred option, the Municipality of Raška proposed another site, 1,000 metres downstream from the original one. The Programme sought information from the municipality what was the road map for obtaining the location permits for both locations, and how were the inhabitants informed about the future WWTP. Technically, the design company can adjust the design within the contractual deadline.

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14Prijepolje, Priboj, Nova Varoš and Sjenica.
The contract for the **Technical Study of Underground Drinking Water Reserves for Raška Municipality** was signed in March 2013 and by April, the contractor completed the first elaborate. The elaborate, was sent to the Institute for the Natural Protection for the conditions. In May, the field investigation works were carried out and measurements were collected. The next actions include finalisation of the geological researches, their approval by the line institutions/Ministry (Mining) and start of drilling.

Designs for all 13 structures for the **regulation of Raška river watershed** are completed and were sent for the consent of the Water Directorate.

A comprehensive EU PROGRES’ pipeline of projects for technical documentation is available in Annex III, attachment 3.1.

### 4.2 Support selected municipalities to prepare documentation for municipal economic, environmental and social infrastructure projects – SLAP database

#### Recyling Centres

**Raška** and **Vranje** completed technological and main designs and the grants were closed in the Q3 2012. The Ministry of Energy, Development and Environment replied to both municipalities that the contracts for construction of recycling centres were no longer valid.

**Nova Varoš** financed the construction works necessary for the installation of the equipment with three million Dinars and obtained additional two million for the construction of the transformer station. EU PROGRES provided funding for a sorting line and 22 different types of containers that solved the problem of sorting the solid waste in Nova Varoš. The equipment was delivered in April. In June, the DEU Ambassador opened the Recycling Centre, which currently operates the press for cardboards and PVC. Tender for purchasing additional horizontal presses through (EU) Cross Border - Serbia - Montenegro funded project Citizens’ Learning Environmental Action Needed (CLEAN) and full equipping is expected by the end of June. The facilitated investment is 47,600 Euros. The raising awareness campaign will be completed by mid June. Fifteen members of a local Youth Cooperative were trained and temporary employed through engagement in distribution of 5,000 flyers and 1,000 posters during the campaign, as well as through working in the field; more than 600 pupils took part in two school competitions and collected recyclable paper; the overall cleaning campaign of urban and rural part of Nova Varoš conducted with active involvement of citizens, through which 400 kilos of PVC, 350 kilos of paper and 250 kilos of other recyclables collected. There were 30 reports in local, regional and national media about activities.

Out of 25 projects for **development of technical documentation**, 11 were completed, nine were ongoing and one evaluation (in Tutin for the regulation of Vidrenjak River) was in progress. Five projects were cancelled, as the municipalities could not solve the land ownership issues, necessary for issuing the location permit.

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75 Design for the reconstruction of Dositej Obradović school in Vranje, main designs for the Blace kindergarten extension, sanitation of the municipal landfill in Bosilegrad, Moravica River regulation in Ivanjica, outdoor school in Vlasotince, Extension of children’ clinic in Leskovac, water supply in Donji Stajevac – Trgovište, sewage system in Jošanička Banja (Raška), and recycling centres in Raška, Vranje and Nova Varoš.

76 Five technical designs for Novi Pazar, two in Tutin, main design for the reconstruction of Vranje Theatre and transfer station in Bujanovac.

77 Two detailed technical designs for the sewage system in Nova Varoš, detailed technical design for Prokuplje green market, detailed technical design for the arrangement of Pečaonica riverbed in Tutin and development of detailed technical design for the construction of transfer station in Preševo.
**Result 5:**
Project financing facilitated through enabling contacts with ministries, donors and other projects

5.1 Support inter-municipal partnerships to develop project finance plans

Support was extended for preparation of the organizational model and founding documents as well as the business plan for the Regional Centre for Development of Agriculture for Pešter, but also to the Coordination Body for Bujanovac, Preševo and Medveđa in preparing the project proposal and establishing the implementation modality for the construction of the building of the Department of Economic Faculty in Bujanovac. In addition, legal experts worked with the Heads of Administration in Prijepolje, Priboj, Nova Varoš and Sjenica to draft the foundation papers for the PUC Banjica. In June 2013, the legal expert supported 11 municipalities that received new grants, to prepare tender documents for the public procurement. All 11 were approved.

**Result 6:**
Selected projects financed and implemented through EU PROGRES

6.1 Implementation of small municipal infrastructure projects in Blace, Kuršumlija, Prokuplje and Žitorađa municipalities

After several meetings with the Toplica municipalities which didn’t yield any progress in implementation of the small infrastructure projects, the Programme had to send letters to all four, in Q4 2012, informing them about the final deadlines to complete requested activities or face the cancellation of projects. This resulted in progress in implementation, and seven out of 12 projects are completed.78

**Blace:** Six companies applied for the tender for the water system in Džepnica village and the contract was signed with the most successful bidder, for works that will start in July.

**Prokuplje:** following a short delay in implementation of Straževačka River project, due to a complaint by an unsuccessful bidder in the public procurement, the works started at the beginning of April and by May were half completed. The procurement of works commenced on the reconstruction of a part of water distribution system in Prokuplje and by the end of November, 1,500 citizens who live in the centre of Prokuplje should have continuous water supply, with no restrictions.

**Žitorađa:** Works on the reconstruction of the Dairy Market completed in June.

6.2 Call for proposals for small scale municipal or inter-municipal projects

The first and the second calls for proposals: 19 out of 21 projects successfully ended, 15 during the reporting period, from July 2012-June 2013.79 The project for the installation of the heating in the Sports Hall in Novi Pazar was delayed for five months, due to poor quality of tender documentation, but once started, the works were on track and should be finished by July 2013. A seven-month delay was recorded in Kuršumlija, for the construction of the Green Market, again due to the low quality of documentation and problems with the ownership of property. The contract was signed in June with works starting immediately.

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78 Primary School Toilets and the Entrance to the Health Clinic in Blace, the Medical Laboratory and the Heating for the Sports Hall in Kuršumlija, Parking Plateau for the Emergency Health Clinic in Prokuplje, Stadium Stands in Žitorađa
79 Prijepolje, Priboj, Lebane, Bosilegrad, Surdulica, Bojnik, Vranje, Sjenica, Trgovište, Preševo, Medveđa, Vlasotince, Ivanjica, Raška and Tutin
In Sjenica, the PUC “Vrelo” is installing the pipes, while in Medveđa the Cadastre has registered the rent of the factory and the delivery of machines started in June.

The PSC, in April 2013, approved 11 projects for funding, worth 750,000 Euros, which had complete technical documentation and building permits, and that could be finished within six months. By the end of May all grants were signed and implementation started.\textsuperscript{80}

6.3 Financially and technically support the implementation of the projects of inter-municipal or national importance

The construction works on utility infrastructure\textsuperscript{81} on 42 hectares inside the Leskovac Green Zone were completed and commissioned in Q4 2012. However, the works on the roundabout to the Green Zone, through the contract with the Roads of Serbia, stopped because the design was not in accordance with the location permit. In early 2013, the Agency for Local Economic Development (ALED) was officially appointed by the Assembly to manage the Green Zone. Soon afterwards the ALED was relieved of its responsibility as they claimed they didn’t have capacities to manage the Zone. Nevertheless, the Agency remained active toward attracting investments and initiated contacts with potential investors. It was agreed that two implementation teams would take over responsibility for the Zone development and the first investment attraction. One team will be in charge for decision-making and revision of the GZ Development Plan while the technical support group will be in charge of implementing the activities defined in the road map. EU PROGRES supported the City to produce a road map, which contains actions to be done, decisions that should be made, actors and timeframes. It also became increasingly obvious that the local stakeholders didn’t exchange information sufficiently and that individual organisations/institutions have different views how the development of the Green Zone should advance.

Works on the Regional Centre for Development of Agriculture for Pešter are 60% completed. The construction was preceded by preparation of a feasibility study that formed the basis of the Business Plan, preliminary design and selection of the contractor for earth works/foundation slab for prefabricated building. Sjenica and OSDUA provided additional funding for the construction of the building as the offer received was much higher than estimated. Another problem occurred when the Tax Office could not exempt the second invoice for the prefabricated building from the VAT, due to the changes in the law. The City Council of Novi Pazar adopted the decision to join the Regional Centre for Development of Agriculture as the co-founder, only after the EU PROGRES PSC sent a letter enquiring about the delay. The Centre was registered with the Serbian Business Registers Agency (APR) at the end of June. Sjenica and Tutin Assemblies nominated the members of the Centre’s Assembly. The Business plan was agreed with the founders. The roadmap to sustainable entity was prepared and submitted for authorisation to EU PROGRES. Tutin Municipal Council adopted decision to develop detailed regulation plan (DRP) for Melaje parking lot, and works are in progress. SEDA requested additional funding for the parking lot. The request is on hold until it is proved that the Centre is on the road to sustainability – sufficiently staffed and funded, including basic laboratory services. Delivery of the agricultural machines for the Centre started in June and should finish in July. The

\textsuperscript{80}Bojnik - Creating sanitary and hygienic conditions for sale of dairy products in Green Market; Bujanovac - Enhancing quality and stability of water supply for the town population; Tutin - Enhancing education services for 130 preschool children in kindergarten; Srdulica - Improvement of health services in specialized hospital for lung diseases; Raška - Create adequate conditions for pre-school education for over 120 children in kindergarten; Trgovište - Improving solid waste collection and disposal; Leskovac - Improvement of Health Services by procurement of the X-Ray equipment for the health clinic; Novi Pazar - Enhancing communal waste services for Novi Pazar (and Tutin) citizens; Vladčin Han - Improving water supply services for population and reducing health hazards deriving from the use of the old asbestos pipeline; Prokuplje - Improving water supply for part of population through replacement of asbestos pipeline in four town streets; Priboj - Prevention of youth migration through creation of the Centre for Youth Education and Empowerment.

\textsuperscript{81}1,240 metres of main roads with lighting, sewage network and 3,279 metres of water supply system
machines are placed at the same temporary location that accommodates the laboratory equipment. This initiative is complementary to previously contracted project between the Czech Development Agency (CzDA) and SEDA to provide 16 lacto freezers and equipment to the Centre’s laboratory.

Works on the water supply to Roma settlement in Jelašnica village in Surdulica reached 50%, and are following the work plan.

Effluent meters were delivered to PUCs in Vranjska Banja, Vladičin Han, Preševo and Bujanovac. The metres will enable easier collection of data on waste water effluent, pollution of South Morava River and connected water flows, planning on protection of those resources, as well as further waste water treatment infrastructure/plant development. The installation has already been finished in Vranjska Banja and Bujanovac.

Vlasotince pumps were delivered in May 2013, and their installation contributes to normalisation of water supplies in summer and during large rainfalls.

Two main issues with the project to construct the building of the Department of Economic Faculty in Bujanovac were the property ownership and a gap in funding. The CB funded preparation of the urban and main designs. EU PROGRES’ PSC approved in principle the construction works for up to 200,000 Euros. Later, decision was made that EU PROGRES would advertise for works worth 250,000 Euros to spend the CB’s and municipal funds budgeted for this year. In June, the Republic Public Attorney opposed the conversion of ownership over the location that the municipality wanted to swap with the Nektar company. Since ownership issues haven’t been resolved in the agreed timeframe, EU PROGRES has reallocated the provisional commitment to other activities. Such a change negatively affected Programme’s delivery.

Development of the main design for all 13 structures for the regulation of the Raška River watershed completed and the designs were sent for the consent to the Water Directorate. Once implemented, the Raška flood protection project will prevent frequent damaging of buildings, roads and agricultural land, caused by floods, which in 2011 only was almost two million Euros. Contract for the construction of the first six priority structures was signed and the works start in July.

Crna Trava signed the contract for the collectors and the construction started, but no bids were received for the WWTP when tender advertised. However, no bids were received. The municipality returned the funds for the WWTP to EU PROGRES, and Invitation to Bid (ITB) was advertised on 15 June, with a closing date on 15 July, which put the project back on track. Still, in case of the extreme weather conditions, or any other unpredictable circumstances, its completion may exceed lifetime of the Programme.

EU PROGRES also supported finalisation of the construction of the Regional Centre for Day Care and Vocational Training for People with Disabilities in Novi Pazar by funding the works on toilets and central heating for the building. The Centre provides day care services in line with the Law on Social Services and is expected to have 60 direct beneficiaries, from Novi Pazar and neighbouring municipalities and 41 staff.

6.4 Implementation of municipal infrastructure projects in Pčinja District municipalities

Vladičin Han, the lead municipality in the project Establishment of Pčinja District Regional Fruit Production Centre allocated land for the experimental orchard in the village Vrbovo. The clearing of the orchard was done through public tender and was paid from the budget line for procurement and distribution of tree seedlings to registered households. In early April, the contract was signed for
design and establishment of the training orchard. However, when the contractor delivered the conceptual solution for the orchard, the technical part was missing so it was instructed to complete the documentation. Coordinates were taken to put the demo orchard on “Google Earth” once ready. EU PROGRES completed procurement for agriculture machinery, which should be delivered in July. Based on the analysis, trainings started in Vladičin Han, Trgovište, Bosilegrad, Bujanovac and Preševo and 190 fruit producers increased their knowledge about farm management, financial planning and fruit growing techniques. Thirty-two participants from all Pčinja municipalities took part in a study tour to the Agro-Fair in Novi Sad in May. The grant agreement for the provision of fruit seedlings was signed with Vladičin Han and the seedlings will be distributed, based on the criteria approved by the project steering committee, by October, in time for planting season.

The contract for construction of the Waste Water Treatment Plant (WWTP) Trgovište was signed in late September 2012 and a consultant was assigned to support preparation of tender documents. The Public Procurement procedure lasted from mid February to mid June, as some of the bidders appealed to the Committee for Protection of Rights, which in the end ruled in favour of municipal decision and the contract was signed with the contractor at the end June. Like in Crna Trava, this project is put back on the target, however, in case of severe weather, or unpredictable circumstances, its implementation may exceed the Programmes life cycle.

Component 4: Public Awareness and Branding of Areas

Result 7: Awareness of the need for, the logic of, and the effects of changes communicated to a broad public

7.1 Communicate Achievements of Governance, Municipal Management, Development Planning, and Infrastructure Components

Three regular Steering Committee meetings were organised, in Medveđa, Ivanjica and Vranje, while the second annual meeting was staged in Raška. There was high interest of participants, representatives of the Government, municipalities, civil society organisations, and media, in every meeting, providing opportunity for quality discussions about topics related to implementation of projects.

Three regular and one annual Newsletter were distributed to over 1,100 email addresses each, in English and Serbian. It is estimated that a much larger number of recipients was exposed to the Newsletter as it is electronically forwarded and distributed within different organisations internally.

Eleven high level functions, compared to three in the work plan, included three visits by the DEU Ambassador Vincent Degert to Vranje, Bujanovac and Preševo in October 2012, to Leskovac and Surdulica in May 2013, and Priboj, Nova Varoš, Sjenica, Novi Pazar and Raška in June. Large media attention was recorded in all visits. In addition, the Deputy Ambassador of Switzerland visited Vranje and Bujanovac in October 2012, and a Swiss delegation, made up of the Embassy and SDC representatives discussed EU PROGRES achievements, in the South and South West Serbia, with key local stakeholders in June 2013.

The response to the Calendar Competition 2013, on “Welcome to my Europe” theme, increased by 50% compared to the first competition in 2010, and 131 artworks from 30 schools were submitted. The theme intended to motivate secondary school students to illustrate how they see Europe in their own homeland and how they see their homeland as a part of Europe. The calendar was produced in 1,000 copies and distributed to donors, SEIO, relevant ministries, partners, schools and
other stakeholders. The award ceremony and the exhibition of selected artworks were organised in Novi Pazar, hosting more than 70 participants, including 25 students and teachers from distant municipalities, representatives of the DEU, the City of Novi Pazar and media.

“Obstacles to Infrastructure Development” was produced and printed in 500 copies, in Serbian and English. The publication pinpoints legal and institutional barriers, which delay development of infrastructure. It contains International Standard Book Number and Cataloguing in Publication inscription, to enable filing in the National Book Registry. It is distributed to donors, ministries, local self-governments and other interested parties, and is available on the Programme website.

The Programme website www.euprogres.org was hacked in July 2012 by the so-called “Albanian Hacker’s Terrorist”. EU PROGRES’ Communications Team reacted quickly and restored the website within two days. All Programme news, photos, videos, tenders, job adverts and blogs on developmental topics have regularly been posted to the website. Over the reporting period, the website was visited 42,071 times by 23,697 people, comparing to 10,000 planned. This is also an increase of 30% in comparison to the previous year. The new Facebook page was launched at http://www.facebook.com/EUPROGRES. The page contains all relevant information about EU PROGRES, and donors’ logos are clearly shown in the profile picture.

Two media projects in the South West Serbia were supported: Sandžak Danas published 13 articles on gender equality (one more than planned), while in June 2013, a grant was signed with the Radio Sto Plus from Novi Pazar to prepare six monthly radio shows, and online features promoting the European assistance.

Several events enabled the Programme to improve relations with the local stakeholders and make a positive change in the local communities. The Children Creativity Festival FEDES in Toplica in November 2012 gathered elementary school pupils who showed their talents in drawing, painting, writing, singing, instrument playing and folklore. The Programme awarded the best child singer with a digital photo camera. The celebration of the World Roma Day in Surdulica and Vladičin Han was supported through organisation of catering for over 250 persons. In November 2012, the Programme supported the Office for Sustainable Development of Underdeveloped Areas conference, by designing/printing of 250 folders, hardcover notebooks, pens, bags, 1,000 fast facts and funding translation equipment.

As a result of its commitment, the Programme received Vranje’s special award for outstanding contribution to the development of the local community in January 2013 and Ivanjica’s June 2013 award for the same purpose.

The donor visibility has been further highlighted through installation of the signboards by the main and regional roads in 25 municipalities. In multi-ethnic municipalities, the inscriptions are bilingual. The first signboards were already installed in Vranje, Raška, Novi Pazar, Sjenica and Tutin.

The Programme supported the EU Info Centre to prepare a proposal about EU funded projects that could be reported about on national televisions. TV Prva said they were interested in filming three EU PROGRES’ projects: Bosilegrad CIF project “Gradinari”, Pešter Agro Cluster and technical documentation for the Vranje National Theatre.

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82 Please see Annex IV, attachment 4.2 for 2013 Calendar
The number of press releases produced and distributed has more than doubled: 35 compared to 16 in the previous year, which is more than three times higher than ten press releases envisaged annually. The media described the quality of information received from EU PROGRES as highly professional and useful. There were 1,160 affirmative media reports about EU and Switzerland supported initiatives, compared to planned 200, which positively contributed to the visibility of the donors.

7.2 Information-education and/or advocacy campaigns are implemented in partnership with civil society

Good Governance campaign ended in November 2012, but monitoring of activities of the Open Door initiative and other results continues. Five success stories about good governance were filmed, each representing one good governance principle, and were broadcast over 50 times on more than 20 local and cable television stations throughout Serbia. The films were also uploaded on YouTube and the Programme website and promoted through social networks. The Open Door activity provided municipalities with mechanism for increasing transparency and citizens’ participation. In Blace, the Mayor met with 151 citizens since the introduction of the Open Door in November 2012 and all but six requests (which are in procedure) were positively met. In Ivanjica, the local self government is in the process of recruiting one person who will be tasked with work on the Open Door that should be operational from July 2013. The analysis of municipal websites resulted in recommendations how to align them with the good governance principles. Fifteen municipalities improved their websites and quality of online communication: Ivanjica included sound to enable access to persons with impaired sight; Bojnik, Nova Varoš, Sjenica and Leskovac introduced an option to directly contact the Mayors from their homepages; Žitorađa, Tutin, Surdulica and Novi Pazar uploaded their budgets for this year; Nova Varoš uploaded municipal newsletter and introduced a question on priorities for investment. The final report for the campaign is available in Annex IV, attachment 4.3.

The campaign Europe that is You started in early 2013. A working lunch with the high representatives of 22 municipalities as well as three informative sessions for 83 representatives of the local self governments on EU pre-accession instruments (IPA), two trainings for 35 journalists on reporting on themes related to European integrations, with special emphasis to situation in local communities they come from, 81 students supported by 26 teachers competed in a quiz for the high schools, photo competition, five street events to mark the Europe week attracted more than 3,000 people, guest lectures for more than 130 students in Novi Pazar and Leskovac, and sessions for 65 agriculture/business were successfully organised. The campaign portal www.evropatositi.rs was regularly updated with news, photos and videos from the events. In addition, more than 650,000 people were reached through the campaign Facebook group. However, the comments on the Facebook page were not always positive, as some people were unsatisfied with the fact that EU is being promoted in Serbia and comments were mostly related to the NATO bombing in 1999. More than 12,000 informative leaflets, 500 fridge magnets, 500 balloons, 400 posters and 1,600 stickers were distributed during the events, which contributed to the visibility of the donors and the ideas promoted through the campaign.

The ToR for the third campaign, that focuses on environmental protection and recycling was prepared following consultations with the Ministry of Energy, Development and Environmental Protection, NGOs, donors, and other stakeholders. Five proposals were received in the public procurement and the contract, with the Executive Group, was signed in June. Activities start in July.

84 Please see http://www.youtube.com/watch?v=1AT3T91zZyo; http://www.youtube.com/watch?v=FC-C2vw5btU; http://www.youtube.com/watch?v=NCb-LWXt8GQ; http://www.youtube.com/watch?v=zvrUWuxKUAE and http://www.youtube.com/watch?v=i_CqgiLmLQY
85 Please see Annex IV, attachment 4.4 for the campaign summary and visual identity
86 In Vranje, Leskovac, Prokuplje, Novi Pazar and Prijepolje
Result 8:
A plan to develop the areas’ images and self-images as unique regions of Europe is established and implementation begun

8.1 Designs of plans and implementation of projects for image building in partnership with relevant organisations

Nine branding projects have been supported, out of which three are successfully completed, four are in progress and two are in initiation phase. Branding projects vary thematically as they support development of tourism (Vlasina and Golija), organisation of festivals (Blace Plum Days and Leskovac Cherry Festival), to projects that aim to create or improve image of a city (Novi Pazar and Vranje). At least two projects (Branding of Pešter products and Vranje as investment friendly City) will contribute to increase economic activity.

After series of successes, Blace Plum Festival project was closed in February. The main objective of the project was to support branding/promotion of Blace and Toplica fruit potentials as well as to attract visitors to the area. One of the final activities was the organisation of the Festival itself, which was held from 23 till 26 August 2012, for the tenth time and attracted a record visit of 100,000 (last year it was 60,000). There were six lectures on robotisation in agriculture, ecological safety of agricultural products, new technologies in plum processing, new standards in plum growth, health protection of fruit and writing of a business plan, which gathered more than 200 participants. The competition for the best young entrepreneur in agriculture had nine contestants, for the first time there were two women. EU PROGRES put efforts to mitigate possible risks – for example to influence local government to avoid drinking contest as well as to use the Festival to promote safe driving. No negative media reports were registered. The Tourist Information Centre in Blace that was equipped through the project was officially opened in February 2013. The project was promoted during the Tourism Fair in Belgrade where 8,000 people visited the municipal stand.

Two persons were trained for the elite Mountain Rescue Services within Golija Lakes Myths and Legends project, and one passed the final exam and has been employed from January 2013 at the ski centre on the Javor Mountain, by the Serbian Ski Services. Thanks to the mapping of the hiking trails, the Mountaineering Society “Golija” improved organisation of the hiking tours. It also started producing a radio show on Ivanjica Radio and promoted the project on the Facebook. The brochure promoting Golija was finalised and the catalogue number ISBN purchased with additional funds from the municipality. Printing will be finished in July 2013.

Tourism infrastructure on the Vlasina Lake has been improved with procurement of additional outdoor furniture within Vlasina Health Factory. One info centre, 15 benches, three viewpoints, three bus stops, arrangement of 20 picnic areas and one unique sunbathing platform were produced through this project. The sunbathing platform creates a recognisable picture of the Vlasina Lake, essential for branding of any tourism destination. Surdulica LSG decided to provide funds for production of up to three additional sunbathing platforms. As the last activity the Tourism Organisation of Surdulica organised closing press conference during June, when the official tourism season starts.

The slow start of the Novi Pazar Way of Living project and issues during preparation of the visual identity and promotional material, lack of proactivity and change of the project manager were compensated by the amazing results during the caravan organised in seven cities across Serbia.87 There were also issues with the main signboards for the regional roads, which presented only three Islamic monuments, rather than the key historical monuments. The main activities commenced in

87 Subotica, Leskovac, Vranje, Kragujevac, Novi Sad, Niš and Kraljevo
February 2013, with a promotional press conference symbolically organised on the Valentines’ Day to correspond to the project slogan “Fall In Love with Novi Pazar”. The promotional caravans, consisted of young promoters, Novi Pazar officials, and a theatre group, visited Subotica, Leskovac, Vranje, Kragujevac, Novi Sad, Niš and Kraljevo with a goal to present their rich cultural heritage. The volunteers of the Novi Pazar Youth Office distributed 5,000 flyers, 1,000 postcards, 2,000 brochures, 2,000 fridge magnets and 2,000 balloons in the cities’ squares. Simultaneously, representatives of the City Administration had warm welcome by the hosts and discussed the possibility of cooperation, projects of economic importance, tourism, overcoming prejudice, sports and exchange of cultural programmes. Novi Pazar Mayor joined the group in Novi Sad and met with the high officials of the host city. During each visit, in the evening, the Regional Theatre from Novi Pazar performed a theatre play for free.

Leskovac Green Zone project has been halted, almost immediately after the start, due to uncertainties of the City’s approach to development of the Zone as originally planned and subsequent problems with the management of the Zone.

The “Cherry Festival” is scheduled for early July. Logo has been designed, along with promotional materials – flyers, posters, fridge magnets and bags.

Nova Varoš and Prijepolje project for “Preservation of Natural and Cultural Values on the Mountain Zlatar” intends to strengthen tourism potentials, educate tourism employees and promote the area as a unique place inhabited by the griffon vulture. The route of the hiking trail was mapped in the length of 56 kilometres, instead of initially planned 25. The trail connects two destinations in municipalities of Nova Varoš and Prijepolje, and goes over the Zlatar Mountain. The trail has been cleaned and widened where necessary, the positions of tourism signs and locations for two bird watching points determined. The contract was extended for two months, due to bad weather conditions in early spring. Tourism Organizations of Nova Varoš and Prijepolje prepared a final list of households for the training on rural development and tourist services. The training is scheduled for July 2013.

The goal of the Promotion of Vranje as an Investment Friendly City project is to strengthen the image of the City as an investment friendly place with short administrative procedures, easy access to documentation and good work force. The fourth draft text for the brochure was prepared as per inputs and comments from EU PROGRES, and the design should start in July. Beta versions of Android iOS application connected to the official website of the City of Vranje has been prepared. The application allows user to read all news from the website related to the City administration and relevant to the promotion of the City as business friendly environment and pose questions to the City public relations office.

A contract was signed with the SEDA for implementation of the project Branding of the Pešter Products. ToR for the marketing services is being finalised in July 2013.

Another contract, for Preparation of the Tourism Strategic Marketing Plan for (part of the) South West Serbia was also signed and the first round of meetings with the stakeholders was held in June. This will be followed by a joint workshop in July, after which the consultancy will draft the first strategic marketing plan for Zlatibor/Zlatar.
5 Resources and budget used

The Programme implementation started in May 2010, when the financial resources were secured through a bridging agreement with the Swiss Agency for Development and Cooperation (SDC).\(^{88}\) The IPA 2010 Financial Agreement was signed on 25 May 2010, and the Delegation of the European Union (DEU) has contracted the United Nations Office for Project Services (UNOPS) as the implementing partner, from 1 July 2010 for a 36-month implementation period.

The European Union (EU) is supporting the Programme with 14.1 million Euros, the Government of Switzerland is contributing to the Action with 2.5 million Euros, while the Government of Serbia, according to the IPA terms, is also contributing a minimum of 1.5 million Euros co-funding.\(^{89}\) The contract for the implementation of the EU PROGRES was effective from 1 July 2010 and envisaged Programme duration of 36 months, conclusive with 30 June 2013.

Following the recommendations of the mid-term evaluation, EU PROGRES submitted a nine-month no-cost extension (NCE) request to both donors, in order to deliver targeted outputs, continue to use grant methodology, strengthen intervention effects, follow up achievements, and close down the Programme. The request did not alter the intent of the Action; there were no new budget lines, and no overall extra costs. Both donors approved the NCE, operationally and financially, extending the Programme implementation to 31 March 2014.

At the end of June 2013, out of 236 contracted projects, 146 have been completed (62%), 46 are on track (19%), 34 are delayed with low risks (15%), and ten have been called off (4%).

There was increase in the Programme delivery in the second year and the third year, from 1,556,328 Euros in June 2011, 5,911,723 Euros in June 2012 to 11,801,238 Euros or 71.97% of the Programme budget, in June 2013. The total disbursement in the reporting period was 5,889,514 Euros. This trend is constantly on the rise. More details of EU PROGRES delivery can be seen in Annex V, attachment 5.5, Graph of Expenditures as of 30 June 2013.

The third tranche from the DEU (4,461,926 Euros) and the fifth from the SDC (580,000 Euros) were received.

A system for tracking and monitoring of co-funding discussed and agreed among the Programme staff and it provides a clear picture on resource mobilization. As of June 2013, 3,113,818.30 Euros co-funding was contracted, while 1,887,730.83 Euros was realised.

Exchange rate fluctuations continue to be monitored carefully. The Programme is in the phase of contracting budget balances on component lines. To mitigate the risk of potential exchange rate gain / loss, agreements are executed in USD; UNOPS internal procedures for advancement payment will be set in motion in June / July 2013 and the SDC final payment to be planned for July 2013.

Attached to this report are: 2012 Certified Financial Statement and June 2013 Interim Financial Statement (for information purposes only).

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\(^{88}\) This was also agreed by the Government and the Delegation of European Union

\(^{89}\) Overview of co-funding is available in Annex V, attachment 5.2
Statistics on finance:

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<th>Estimated number of financial transactions</th>
<th>More than 15,000</th>
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<td></td>
<td>These include but are not limited to: opening Atlas Bank account with appropriate signatory panel, setting up Atlas Annual Work Plans and cash flow estimates, monitoring and management of exchange rate fluctuations, preparations of requisitions / payment requests, vendor management, preparation of payments, review that accurate and correct project accounts and accounting entries are used, processing of payment through Atlas bank account, reconciliation of payments, correction of wrong entries, internal report and monitoring on daily, weekly, monthly, quarterly and yearly basis, reporting to donors as per project agreement.</td>
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Examples of the above

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<tr>
<td>2</td>
<td>Number of Travel Authorizations</td>
<td>1,195</td>
</tr>
</tbody>
</table>

For information on distribution and allocation of funding per components as of June 2013, please see Annex V, attachment 5.4. For details of distributions per municipalities and regions, as of June 2013, please see Annex V, attachment 5.3.

**Human resources**

In order to achieve full staffing and support by competent experts for the Programme implementation, further recruitments were conducted during the reporting period:

- Good Governance coordinator and the Programme Coordinator for Sjenica and Tutin resigned. Replacements were contracted
- Assistant for the National Minority Council contract was extended until 31 March 2013
- Five experts were contracted, for: regional development, gender equality, project management, anti-corruption, local self government and public administration
- All full time national LICA extended for year 2013; further extensions will depend on the Programme exit strategy
- LICA extensions finalized for all on call drivers;
- Recruitment for the Prokuplje Office Assistant post finalized - contract started from 1 April 2013

**HR statistics:**

<table>
<thead>
<tr>
<th></th>
<th>Number of staff contracts administrated</th>
<th>102</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td></td>
<td>(101 Individual Contractors Agreements plus one Fixed Term Appointment)</td>
</tr>
<tr>
<td>2</td>
<td>Number of Amendments issued</td>
<td>50</td>
</tr>
<tr>
<td>3</td>
<td>Percentage of female candidates that applied for a post in the Programme</td>
<td>37%</td>
</tr>
<tr>
<td>4</td>
<td>Percentage of female employees</td>
<td>39.53%</td>
</tr>
</tbody>
</table>

Full details on staff contracts are available in the Contracts table, Annex V attachment 5.1.
National staff capacity development has been a key priority for EU PROGRES. Five EU PROGRES’ staff underwent the project management training including PRINCE 2 certification with UNOPS’ HQ in Copenhagen. In addition, the Deputy Programme Manager and the Good Governance Component Manager attended training on good governance in The Hague. This capacity building also contributes to sustainability of the EU PROGRES’ action, as it will produce a number of national project managers capable to lead and implement future projects in their local communities.

**Administration/procurement**

- Complete inventory account of the Programme assets checked – all accounted for
- A number of cases were approved for direct implementation by the PSC. Details are available in the Contracts table, Annex V, attachment 5.1.

Statistics on procurement:

<table>
<thead>
<tr>
<th></th>
<th>Number of procurement cases administrated</th>
<th>358</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(Year 2010 – 69; Year 2011 – 111; Year 2012 - 119; Year 2013 - 59)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Cases by value of procurement:</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Total value above 37,500 Euros(^{90})</td>
<td>30</td>
</tr>
<tr>
<td>3</td>
<td>Total value between 1,875 Euros and 37,500 Euros(^{91})</td>
<td>176</td>
</tr>
<tr>
<td>4</td>
<td>Total value below 1,875 Euros(^{92})</td>
<td>139</td>
</tr>
</tbody>
</table>

Statistics on grants, which are the Programme’s implementation modality:

<table>
<thead>
<tr>
<th></th>
<th>Number of grants administrated</th>
<th>209</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(Year 2011 – 108; Year 2012 – 67; Year 2013 - 34)</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Number of Amendments to grant agreements</td>
<td>197</td>
</tr>
<tr>
<td></td>
<td>(Year 2011 – 48; Year 2012 – 106; Year 2013 - 43)</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Number of instalments / payments to grantees to be made according to the above grants</td>
<td>576</td>
</tr>
<tr>
<td>4</td>
<td>Number of grants with total value above 37,500 Euros</td>
<td>59</td>
</tr>
<tr>
<td>5</td>
<td>Number of grants with total value below 37,500 Euros</td>
<td>142</td>
</tr>
<tr>
<td>6</td>
<td>Number of finance verification visits</td>
<td>183</td>
</tr>
</tbody>
</table>

\(^{90}\) UNOPS authorisation levels are set in USD and this is equivalent to USD 50,000

\(^{91}\) As above. Between USD 2,500 and 50,000

\(^{92}\) As above. Under USD 2,500
Security

- No major security incident reported that would influence the Programme implementation
- During the weekend of 14-15 July 2012, the Programme’s website www.euprogres.org was hacked by the so-called “Albanian Hacker’s Terrorist”. The hacker’s page contained nationalist messages, Albanian flag and machine gun sound effects. The website was restored on 16 July 2012
- In response to different UN project office closures in 2013, the EU PROGRES Programme Manager was appointed the UN Designated Official for Security and the EU PROGRES Deputy Programme Manager was appointed the Area Security Coordinator for South Serbia.

Logistics/Travel

- All logistics and travel arrangements are in place
- On 13 August 2012, while travelling in the SWS area on official business, one staff member was involved in a traffic accident. He lost control of the vehicle and skidded off the road. No injuries occurred, only damage to project assets. The project team provided assistance and the police noted the accident. Insurance company covered the damage incurred

Information Communications Technology

Programme ICT infrastructure functional, continually maintained. Backup and system updates are constantly performed. There is a regular maintenance of the offices’ hardware equipment; network server administration is performed per pre-arranged schedule while backup is done daily and antivirus definitions weekly.

6 Management and coordination arrangements

Programme Steering Committee meetings

There was one annual, three regular and one extraordinary Programme Steering Committee (PSC) meetings. On average, each meeting gathers around 70 participants, providing a forum for exchange of information between the central, regional and local levels, and all development stakeholders in the EU PROGRES’ area, thus impacting on both the awareness of the Programme intervention and on the awareness of the steps needed to take to ensure sustainable socio-economic development and furthermore providing an opportunity for improving inter-municipal cooperation. The discussion about challenges and critical projects often resulted in a faster reaction by the beneficiaries. The SEIO leadership meant that the national institutions were more engaged.

Mid-term evaluation (MTE)

There is a plan to evaluate the EU PROGRES at least twice, depending on donors’ needs. The mid-term evaluation (MTE), based on assessment of output-to-impact, was conducted during May-June 2012 and its results were presented at the annual PSC meeting in July 2012. The MTE reaffirmed Programme’s relevance, its contribution to enhanced governance, municipal management capacity and infrastructure as well as to stronger social inclusion and potential high impact. Subsequently, EU PROGRES implemented recommendations of the MTE: first by updating the work plan and secondly by drafting, submitting and getting approval for a no-cost extension. Furthermore, the Programme
revised the entire monitoring and evaluation system, identified recommendations for the existing tools and developed versions of new tools (such as Impact Matrix). The strengthened monitoring approach includes far clearer definition of staff responsibilities and monitoring areas. In addition, the Log Frame was adjusted accordingly.

**Monthly Reports**

During the third year of implementation, the EU PROGRES submitted eight monthly reports\(^{93}\) as stipulated by the Programme Document.\(^{94}\) Due to the abundance of events, the main challenge was to keep the monthly reports brief\(^{95}\) and they varied from seven to ten pages, summarising Programme/components’ progress, issues or constraints encountered and gave proposals to changes and solutions. The reports also provided brief updates of key political, economic and social events in the South and South West Serbia.

**Quarterly Reports**

In line with the MTE recommendations, EU PROGRES adjusted format of the quarterly report, aiming to further shift towards “reporting against achievements”. This reporting format also tried to respond better to the PSC needs for specific information.

In the reporting period the Programme prepared three quarterly reports (QR): the Sixth for July-September 2012, the Seventh for October-December 2012 and the Eighth for January-March 2013. All were adopted by the Programme Steering Committee and are available on the Programme website: [http://www.euprogres.org/biblioteka.php?id=103](http://www.euprogres.org/biblioteka.php?id=103).

**Annual Reports**

This is the third annual report and it covers the period from 1 July 2012 – 30 June 2013. The next report should be the Programme’s final report.

**Monitoring**

EU PROGRES has strengthened the existing (internal) monitoring and evaluation system, primarily in line with recommendations of the Mid Term Evaluation. As of January 2013 the Programme is implementing an upgraded monitoring system that includes revised logical framework matrix (LFM), Work Plan\(^{96}\) and Implementation Matrix\(^{97}\), and the newly developed Impact Matrix.\(^{98}\) In addition, the Programme defined several simple documents, which outline the procedures for use of particular monitoring tools and identifying staff responsibilities, thus tackling one of its monitoring weaknesses.

The Programme also introduced changes to the reporting format in order to further shift focus towards “reporting against achievements”. Some of the key changes mean that more attention is paid to contribution towards overall objective, purpose and results; reports now include, as integral part, a table showing progress against the LFM indicators; overview of key area developments is provided while details are available in Annex. Initial feedback regarding the new format from the

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\(^{93}\) July, August, October, November 2011; January, February, April, May 2012
\(^{94}\) According to the Programme Document, monthly reports were to be produced starting from the end of the inception period, at the end of the first week of the next calendar month
\(^{95}\) According to the Programme Document, monthly reports should be up to five pages
\(^{96}\) Updated Work Plan for the period 1 July 2013 – 31 March 2014 is available in Annex VI, attachment 6.4.
\(^{97}\) Implementation matrix is available in Annex VI, attachment 6.1
\(^{98}\) Impact matrix is available in Annex VI, attachment 6.2
PSC members has been positive and the Programme will continue to strive to provide good quality information to the PSC, partners and public.

While there is a whole system for financial monitoring, in line with UNOPS’ standards and practices, the Programme put efforts to capture information on main financial trends, co-funding, facilitated investments etc. Monitoring of finances is daily, but the Programme is producing monthly tables showing overall financial status of activities, delivery trends per each of the four components, overview of commitments etc. This enhances financial monitoring and will provide useful information for the reports.

**UNOPS Serbia Project Centre**

One of the outcomes of 2012 visit to Serbia by the UNOPS Europe and the Middle East Regional Director and EMO Deputy Regional Director was a go-ahead to establish the UNOPS’ Serbia Project Centre (SRPC), and approval of the initial administrative budget of 25,000 USD for 2012, and 55,000 USD to support UNOPS’ activities in Serbia.

The SRPC is still being consolidated. An office was established in early 2013. EU PROGRES’ support staff was relocated to join SRPC with intent to streamline UNOPS’ operations in Serbia, making implementation of donor funded projects more efficient, effective and less costly. The focus remains on promoting national staff, maintaining close cooperation with the EU and the Office for EU Integration, making further contacts with bilateral donors; as well as Ministries and local government which with decentralised funding arriving will be a key partner.

**Partnerships**

Partnerships continue to be EU PROGRES’ strength. There are three key elements that enabled the Programme to establish and maintain strong relationships with local communities, primarily municipalities: the **grant methodology**, continuous **presence in the field** through offices in Novi Pazar, Prokuplje and Vranje; and an EU PROGRES’ team of experienced **local experts**, mainly originating from the South and South West Serbia. While using these three “advantages”, the Programme, in partnership with the LSGs, civil society and regional development agencies (RDAs) from the area, made sound advancements against set objectives, some of which are described across this paper. Two cities and seven municipalities - Leskovac, Vranje, Ivanjica, Bosilegrad, Raška, Trgovište, Vlasotince, Lebane, and Žitorađa - acknowledged Programme’s partnership and awarded EU PROGRES with **the highest municipal awards** for contribution to local development.

There are many examples of Programme’s cooperation with the Government: the **SEIO** chairmanship of the Programme Steering Committee provides continuous strategic support and leadership to both EU PROGRES and municipalities in facilitating coordination with the key central level stakeholders. Furthermore, the SEIO actively engaged in the implementation of the Campaign “Europe that is You” There have been strong synergies with the **MRDLSG**: EU PROGRES’ work on development of the main design for access road to Vranje Industrial Zone facilitated allocation of 270,000 Euros for construction, while Programme’s support to development of DRP for Preševo Industrial Zone contributed to Ministry’s funding support of another 270,000 Euros for the development of the site. In addition, the **MRDLSG** closely monitors the Programme and provides valid contribution in shaping of some activities, such as the Competitiveness Study; EU PRORES, in cooperation with the **Sector for Tourism of the Ministry of Finance and Economy**, is supporting the preparation of the “Tourism Strategic Marketing Plan for the part of the South West Serbia tourism cluster”. The Programme collaborates with the **Water Directorate of the Ministry of Agriculture, Forestry and Water**
Management on development of technical documentation for waste water projects for Kopaonik, Sjenica and Tutin.

With the OSDUA, EU PROGRES cooperated on the establishment of the Regional Centre for Development of Agriculture (Pešter project) and on the development of planning and technical documentation for the Regional Landfill “Meteris” for Pčinja municipalities; the Programme and the CB worked together to create conditions for the construction of the building of the Department of Faculty of Economy in Bujanovac. An expert support has been seconded to the OHMR. Coordination activities included the Ministry of Energy, Development and Environmental Protection, Anti-Corruption Agency, Ombudsman and many more Government bodies.

On the regional level, the Programme has awarded several grants to three RDAs in the area for implementation of several important projects: SEDA is the partner on Pešter development and branding efforts, RDA Zlatibor is the lead agency for the development of Marketing Plan for Zlatibor and Zlatar Mountains while the Centre for Development of Jablanica and Pčinja Districts implements part of activities related to project for development of fruit production in the Pčinja District.

Coordination with the international organisations and other development projects has been regular. For example, one of the key partners has been the Czech Development Agency that funds provision of the equipment for the Pešter Centre that is being constructed with EU PROGRES’ support. EU funded CLEAN project and EU PROGRES co-funded equipping and establishment of the Recycling Centre in Nova Varoš. CARITAX Luxembourg will, on the basis of technical documentation developed through EU PROGRES, invest 86,000 Euros and renovate part of the largest elementary school in Vranje. The Programme coordinated the following activities: programme budgeting and support to local tax administrations with GIZ MSP IPA 2007; integrative planning approach with the SCTM Exchange 3 and GIZ Land Management Project; development of the One Stop Shop used the legal approach and methodology developed a few years ago by an IFC project funded by the SECO while synergies were now created with OPTIMUS and the USAID BEP; cluster establishment with LEDIB Cluster House, to name a few. Cooperation with the USAID SLDP included development of the Regional Waste Management Plan for the Pčinja as well as provision of effluent meters to four municipalities in the District.

The Programme has also maintained regular communication with the OSCE regarding human rights issues in the area, while two parties joined efforts to make advancement regarding construction of the Department of the Faculty of Economy in Bujanovac. Last but not the least EU PROGRES has been coordinating work in the field of gender and free legal aid with One UN implemented project PBILD and regularly consults UN WOMEN on gender related issues.

Finally, EU PROGRES wouldn’t have been possible without the great partnership established between the project donors, the EU, the Government of Switzerland, the Government of Serbia and the implementing partner the United Nations Office for Project Services. With the joint efforts, shared objectives and genuine commitment, those partners, through EU PROGRES, are contributing to shifting the South and South West from the map of the least developed and conflict prone municipalities into the area that is attractive to investors, with skilled people and potentials for socio-economic growth that could benefit the entire country.
The List of Annexes

- Annex 0 Progress against indicators in LFM
- Annex I Component 1
- Annex II Component 2
- Annex III Component 3
- Annex IV Component 4
- Annex V Operations
- Annex VI Programme developments
## ANNEX 0

### Progress against Logical Framework Matrix Indicators

**Legend**

- **Problem, unlikely that the Programme will meet the targets**
- **Early stage of action**
- **Strong progress towards set targets**
- **The Programme met targets**

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Overall Status</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>LEVEL OF IMPACT (OVERALL OBJECTIVE)</strong></td>
<td></td>
</tr>
<tr>
<td>Contribute to creation of 1,500 jobs in the EU PROGRES AoR by 2017.</td>
<td>EU PROGRES’ projects for the Industrial Zone in Vranje, the Centre for Pešter Development, Support to Fruit Production in Pčinja, the Green Zone in Leskovac, and renovation of Termovent Factory in Medveđa are expected to contribute to creation of <strong>3,000 jobs</strong> in the next one to five years while several hundred entrepreneurs and several thousand agricultural producers should be positively affected. EU PROGRES’ projects during this period contributed to creation of <strong>60 jobs</strong>, while additional <strong>150 to 200 jobs</strong> should be created by the end of the Programme.</td>
</tr>
<tr>
<td>Contribute to investments of 20 million Euros into economic, social and environmental projects in the EU PROGRES AoR by 2017.</td>
<td>EU PROGRES work on technical and planning documentation for the Vranje Industrial Zone is a part of the “package” that should facilitate investments of Geox and Ditre worth over <strong>29 million Euros</strong>. The Green Zone in Leskovac, whose internal infrastructure has been constructed with EU PROGRES’ support, is one of the key investment locations in the South Serbia. Technical and planning documentation, developed with EU PROGRES support, enabled municipalities to access 1.6 million Euros from the Government of Serbia and other donors. The Ministry of Energy, Development and Environmental Protection plans to apply for funds through Instrument for Pre Accession (IPA) for the construction of the Landfill. This investment could be worth up to <strong>six million Euros</strong>.</td>
</tr>
<tr>
<td>Reduced level of air and water pollution by 5% in the EU PROGRES AoR by 2020.</td>
<td>EU PROGRES’ work on development of technical documentation for three recycling centres and the regional landfills Banjica and Merteris, work on studies for Kopaonik WWTP, than construction of WWTPs in Crna Trava and Trgovište, and implementation of several local infrastructure projects which introduce bio fuel and reduce CO2 omissions, will contribute to cleaner air and water in the area.</td>
</tr>
<tr>
<td>The number of women at decision making positions in EU PROGRES participating municipalities increased by at least 5% during the Programme lifetime.</td>
<td>The support to establishment of gender equality mechanisms in 12 municipalities contributed to development of gender policies at the local level. Through CIF, several gender equality projects implemented. Women representation in municipal assemblies in the South West and Toplica, where EU PROGRES worked on gender, is 11% higher after 2012 elections. The number of female local councillors has in some cases doubled after 2012 elections. There are 58.33% women who are heads of administration.</td>
</tr>
<tr>
<td>Contribute to improvement of living conditions of the marginalised and vulnerable groups by providing access to employment, housing and social</td>
<td>About 9,100 vulnerable received assistance: 2,374 people received free legal aid through Citizens’ Advisory Services in four municipalities and exercised their rights in obtaining personal documents, access to health protection, pension, education etc.</td>
</tr>
<tr>
<td>Indicator</td>
<td>Overall Status</td>
</tr>
<tr>
<td>-----------</td>
<td>---------------</td>
</tr>
<tr>
<td>Support to at least 3,000 people in the AoR</td>
<td>Forty three partnership projects of civil society and LSGs benefited 4,850 people. Projects providing access to clean water for 1300 Roma in Novi Pazar, Surdulica and Vranje will improve harsh living conditions of this vulnerable group. Vranje project completed and provided water to 100 Roma beneficiaries. EU PROGRES also launched a project with BIC Vranje to facilitate employment of 29 Roma. Part of planning documentation will facilitate legalisation of informal Roma settlements, while some infrastructure projects improve physical access to public institutions. Gender projects will improve position of women. Work on good governance ensures local policies are developed or redesigned in a manner that will ensure rights of vulnerable communities are addressed.</td>
</tr>
</tbody>
</table>

**LEVEL OF OUTCOMES (PROGRAMME PURPOSE)**

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Overall Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increased satisfaction of citizens with public services over three years of EU PROGRES' implementation</td>
<td>EU PROGRES conducted Citizens’ Satisfaction Survey (CSS) that provided baseline indicators and contributed to increased awareness of the public what needed to be improved in municipalities. The consultancy for the second survey that is scheduled for October 2013 is selected.</td>
</tr>
<tr>
<td>Gross LSGs allocations for the CSOs in the EU PROGRES AoR increased by at least 10% by the end of the Programme. At least five partnership projects between LSGs and CSOs established and continue independently of the Programme.</td>
<td>Through CIF and CAS, the Programme facilitated 71 partnership projects between civil society organisations (CSOs) and local self governments (LSGs). EU PROGRES assessed possible effects of CIF and reviewed the grantees’ reports: for CSOs this opened up room for more regular communication and better cooperation with LSGs. Sixteen partnerships between LSGs and CSOs continued after CIF 1. Half a year after the end of the CIF-1, 29 initiatives are still providing benefits.</td>
</tr>
<tr>
<td>At least five municipalities adopt mechanisms for sustainable and continuous participatory budgeting processes.</td>
<td>The participatory budgeting, conducted in 12 municipalities, resulted in priorities specified by some 5,800 citizens being accepted while defining of 2013 budgets. For example, in Vranje, the highest priority for the citizens was youth employment and the City allocated 38 million Dinars for this purpose for the first time. The priority for Leskovac citizens was opening of jobs and the City assigned funds to employ 54 young professionals with the average grades above 9,00 while 70,000 Euros were put aside for employment subsidies. In comparison to 2012, cumulative LSGs’ allocation in 2013 was about 1.85 million Euros more for priority issues identified by the citizens. Three municipal/city councils adopted decisions institutionalizing the Participatory Budgeting process, while 11 municipalities have passed decisions on establishing local PB teams for future activities.</td>
</tr>
<tr>
<td>Citizens’ Advisory Services continue in at least two municipalities after the Programme finishes</td>
<td>The Programme supported establishment and work of four CAS offices. 2,347 citizens, primarily from vulnerable groups, received assistance to obtain personal documents and access basic services such as health protection, education and pension. EU PROGRES works to ensure CAS methodology is sustainable in at least two municipalities. In Prokuplje, CAS has been incorporated into the Mayor’s People Office, which is the first step towards sustainability. In Žitorađa there is a temporary coordinator working in the municipality, based on the CAS’ practices, while Novi Pazar City Assembly adopted decision to integrate CAS into the City administration.</td>
</tr>
</tbody>
</table>
| Local mechanisms for gender equality | EXCEEDED. Local gender equality mechanisms (GEMs) were
<table>
<thead>
<tr>
<th>Indicator</th>
<th>Overall Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>in place in at least twelve municipalities; at least five municipalities allocate funding for gender equality activities.</td>
<td>(re)established in all 12 municipalities (Toplica District and South West Serbia), while seven municipalities have set aside budgets for gender issues.</td>
</tr>
<tr>
<td>Period for responding to requests regarding building permits and conditions reduced by 20% in at least four EU PROGRES participating municipalities.</td>
<td>EU PROGRES established One Stop Shops (OSS) in Vranje, Leskovac, Novi Pazar and Ivanjica. OSSs should reduce total time needed for issuing of construction permit from average 96 to 77 days. Indirectly, development of over 30 planning documents and design of technical documentation for more than 20 projects will enhance LSG’s efficiency regarding issuing of building permits.</td>
</tr>
<tr>
<td>Increased level of tax collection in at least ten municipalities by at least 10% by the end of the Programme.</td>
<td>EXCEEDED. Cumulative total number of registered taxpayers, in 11 municipalities participating in the tax administration project, increased by over 17,000. On average, this represents 26.8% increase over the total number of taxpayers. EU PROGRES’ analysis in the first year of implementation, showed average increase of 37% in the invoiced local tax and increase of 24.6% in collected local taxes.</td>
</tr>
<tr>
<td>Increased level of services for businesses in at least two municipalities. At least 20 enterprises from the Programme AoR involved in clustering by end of the Programme.</td>
<td>Support to businesses is provided on several levels: three clusters involving 27 entities established, two businesses established through BIC Vranje, four One Stop Shops being established and will enhance quality of services to investors, preparation of Capital Investments Plans in five municipalities will provide valuable inputs for development of business related infrastructure.</td>
</tr>
<tr>
<td>Spatial and General Regulation Plans, and priority Detailed Regulation Plans in place in all municipalities by the end of the Programme</td>
<td>EU PROGRES supports development of one Elaborate for Spatial Plan, seven GRPs and 28 DRPs. In addition, the Programme provided equipment for geodetic surveys and IT hardware and specialised software for Urban Planning Directorates in Vranje, Leskovac and Novi Pazar.</td>
</tr>
<tr>
<td>Up to 40 projects from SS and SWS on the SLAP data base – the third level until the end of the Programme</td>
<td>There are 100 projects from 23 EU PROGRES municipalities in the SLAP. 99 Fourteen of those are developed through EU PROGRES: designs for Banjica and Meteris Landfills, recycling centres, Erozija infrastructure in Novi Pazar, waste water system in Raška, water supply in Sjenica, WWTPs in Crna Trava and Trgovište, Water Plant in Lebane, reconstruction of the water supply in Vladičin Han. EU PROGRES funded the last four, 100, in total value of 690,000 Euros, while the estimated value of works for others is slightly over 23 million Euros.</td>
</tr>
<tr>
<td>Municipal capacity for absorption of funds for implementation of infrastructure projects enhanced by 40 million Euros by the end of the Programme.</td>
<td>EU PROGRES supports development of five technical designs for regional projects and 20 designs for local infrastructure to the stage of building permits. Eleven technical designs were developed. EU PROGRES would, after completion of designs, have a pipeline of “ready to build” projects of estimated value of 41 million Euros. Developed planning documentation also creates conditions for investments into technical documentation which in turn could attract tens of millions of investments.</td>
</tr>
<tr>
<td>Access to clean water improved for at least 20,000 citizens from the EU PROGRES AoR (2.5% of the total area population) by the end of the Programme.</td>
<td>Implementation of five local projects and one inter-municipal project will directly improve water supply for tens of thousands of citizens. The Programme also supports development of documentation for Kopaonik Mountain that will provide overview of water sources for Raška and the area – this is key for future sustainability and environmental protection.</td>
</tr>
</tbody>
</table>

99 Please see Annex III, attachment 3.4 for the list of projects of EU PROGRES’ municipalities in SLAP IS

100 Water supply in Sjenica, WWTPs in CrnaTrava and Trgovište, reconstruction of the water supply in Vladičin Han and water plant in Lebane
<table>
<thead>
<tr>
<th>Indicator</th>
<th>Overall Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Education conditions improved for at least 4,000 pupils and/or students in the Programme AoR by the end of 2013.</td>
<td><strong>EXCEEDED.</strong> Implementation of ten local infrastructure projects that will improve conditions for education for about 6,600 children. EU PROGRES is involved in development of the project for construction of premises for the Department of the Faculty of Economy in Bujanovac. This is instrumental effort for the area, both in terms of socio-economic development and stability.</td>
</tr>
</tbody>
</table>

**LEVEL OF RESULTS**

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Overall Status</th>
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<tbody>
<tr>
<td>Two calls for proposals within CIF implemented with 80 projects supported during the Programme implementation, expected to bring along increased participation of different communities in the work of local government. First CIF in year 1 with 40 projects and CIF 2 with additional 40 projects in year 2.</td>
<td>CIF 1: All 40 projects were closed having passed the final audit. CIF-2: 26 projects contracted and being implemented. There were 16,500 direct beneficiaries of actions, while the number of indirect beneficiaries, in both CIF-1 and CIF-2 exceeded 600,000. More than half projects were focussed on providing support to marginalised and vulnerable groups and addressed the needs of Roma, people with disabilities, youth and women. Other themes included good governance, environment protection, rural development and promotion of inter-ethnic tolerance.</td>
</tr>
<tr>
<td>Citizens' Satisfaction Surveys conducted in year 1 and year 3 of the Programme serve municipalities to improve their efficiency and accountability.</td>
<td>The second CSS tendering and evaluation process has been finalised in June 2013 and the implementation is to start early in fall of 2013.</td>
</tr>
<tr>
<td>Improved access of vulnerable and marginalized groups to municipal services in up to four targeted municipalities during Programme implementation.</td>
<td>The four CAS offices offered free legal assistance to 2,374 users. Legal assistance has been provided to 53% Albanians, 21% Roma, 20% Serbs and 4% Bosniaks. According to the gender structure 78% of users were male, and 22% female. There were 42% unemployed users, whilst 24% of them were social protection beneficiaries. Out of the total number of citizens, i.e. users who addressed the CAS, 37% requests have been settled positively. There are still 39% cases in the procedure.</td>
</tr>
<tr>
<td>Transparent and efficient preparation and monitoring of budget, with elements enabling public participation, realization in three pilot municipalities during the first year of Programme implementation. The same process conducted in 25 municipalities in two phases: the first phase assessment and analysis of local budgetary practices and capacities for PB; the second phase actual PB process in at least 12 municipalities.</td>
<td>The first phase of this activity included the assessment of municipal budgets and existing budgetary practices, after which recommendations were made how to improve the processes. Tailor-made methodology for implementation in municipalities was prepared. The second phase focussed on planning and conducting participatory budgeting (PB) activities with 12 municipalities that passed the capacity assessment and were willing to participate in the process. As a result, the budgets for 2013 reflect the priorities specified by their citizens.</td>
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| One anti-corruption seminar for local government CSOs and media representatives held, expected to result in increased awareness of corruption issues on the local level. Providing support for development of local government's Integrity Plans, with at least ten municipalities adopting the plans. Providing support for development and publishing of Municipal Information Bulletins in all 19 EU PROGRES supported municipalities to finalise their obligation and held two workshops on the content of IPs, stages of drafting, forming of working groups and competencies thereof. However, due to technical problems with the server in the Anti-Corruption Agency in the last week of March, the deadline for finalization of the IPs, for those institutions that already started filling in the web application, was postponed to 12 April. Despite the fact that the expert collected and concentrated the relevant information, called all municipalities and explained comprehensively how to proceed, the postponement caused a lot of confusion. Eight municipalities managed to meet the deadline: Vranje, Prokuplje, Surdulica,
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<td>municipalities, with at least 20 municipalities actually publishing the</td>
<td>Vladičin Han, Vlasotince, Bosilegrad, Ivanjica, and Medveđa. The plan was partially developed in Crna Trava.</td>
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<td>bulletins.</td>
<td>EXCEEDED. Local GEMs were (re)established in all 12 municipalities (Toplica District and South West Serbia), GE LAPs were adopted in nine, the EU Charter on Gender Equality on the Local Level has also been adopted in nine, while seven municipalities have set aside budgets for gender issues. Following an assessment of local GEMs in 12 municipalities of Toplica District and South West Serbia, an open Call for Proposals has been announced for the GEMs to apply with the Programme for small grants that will increase their capacities to implement GE projects and their visibility in the municipalities. Eleven out of 12 GEMs submitted projects for the Call for Proposals that closed in mid-April and after the evaluation process, projects from seven GEMs were approved for further funding. The topics range from improvement of health of women and youth, prevention of violence to economic empowerment and improvement of political representation. The new premises of the Albanian National Minority Council (ANMC) have been furnished and equipped. Roma, Albanian and Bulgarian National Minority Councils (NMCs) project has been completed, benefitting about 33 people from minority groups who developed knowledge on multiculturalism. This project promoted tolerance, human rights, and cooperation between majority and minority groups. EU PROGRES’ associate supported the Office for Human and Minority Rights (OHMR) in preparation of the Draft Strategy for the Fight against Discrimination (2013-2018) as well as in monitoring the work of NMCs.</td>
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<td>Local Gender Equality Mechanisms established and operational in 12</td>
<td>In eight out of 14 municipalities, where the Programme is providing assistance to link small infrastructure projects (SIPs) with the good governance (GG) practices, 35 regulations have either been adopted or revised, while implementation of the agreed activities is currently in progress in Trgovište, Preševo and Vladičin Han. Over 20 new or revised regulations are expected in these municipalities as well. Four large inter-municipal projects function according to the good governance organisation, with process structure established using Programme’s expertise and assistance. In one municipality (Ivanjica) pure Good Governance reform process is carried out. The process has resulted so far in the templates and harmonization/adjustments documents on the annual work-plan elements and structure as well as templates for reporting, strategic part of the local public utility companies’ plans, with the aim of increasing overseeing role and capacity of local assembly over the municipal PUCs.</td>
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<td>municipalities until the end of the Programme, thus increasing the levels</td>
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<td>of non-discrimination and inclusion.</td>
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<td>At least ten Action Plans produced with the aim of increasing non-</td>
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<td>discrimination and encouraging participation and inclusion by the end</td>
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<td>of the Programme.</td>
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<td>European Charter on Gender Equality adopted or National Gender Equality</td>
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<td>Strategy localised in at least six municipalities by the end of the</td>
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<td>Programme.</td>
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<td>At least five local Gender Equality Mechanisms capacitated for preparing</td>
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<td>gender equality related projects. Provide expert support to the</td>
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<td>Department for Human and Minority Rights in the form of Project</td>
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<td>Coordinator for at least nine months, thus increasing their capacities</td>
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<td>to deal with projects targeting National Minority Councils. Provide</td>
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<td>specific support to NMCs operating in the AoR by funding at least two</td>
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<td>projects by the end of the Programme.</td>
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<td>At least 15 new municipal regulations, rule books or decisions</td>
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<td>contributing to enhanced Good Governance adopted by the end of the</td>
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<td>Programme. At least one inter-municipal project functioning according</td>
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<td>to Good Governance organisation scheme by the end of the Programme.</td>
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<td>At least one booklet on collected obstacles local governments are</td>
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<td>facing in their everyday functioning pertaining to the discrepancies</td>
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<td>in interpretations of positive legislature or lack of regulative or</td>
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<td>confronting regulations coming from different government levels and</td>
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<td>institutions or other reasons published by the end of 2013. Pure good</td>
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<td>governance activities carried out in at least one municipality, result</td>
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<td>in at least one new regulation/decision/new procedure.</td>
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<td>Three Citizens’ Assistance Centres formed and functional in</td>
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<td>municipalities where they didn’t exist. Eight</td>
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<td>Citizens’ Assistance Centres formed in Trgovište, Bosilegrad and</td>
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<td>Crna Trava. Eight municipalities supported in technical upgrade of</td>
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<td>CACs by the end of 2012. Another CAC expansion project started in</td>
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<td>municipalities supported in technical renewal of CACs by the end of 2012.</td>
<td>Novi Pazar in May 2013.</td>
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<td>At least five FDI attraction plans developed by the end of the Programme.</td>
<td>BICs in Prokuplje and Vranje completed projects in 2012. Another project, for distant incubation of Roma entrepreneurs in Vranje BIC will be finished by the end November 2013. Three clusters formed – “Radan Mountain Tourism”, “Pešter Agro” and “South Serbia Fruit”, trainings regarding competitiveness will be completed by the end of August 2013. FDI attraction planning process started in five municipalities in June 2013.</td>
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<td>At least two BIC received financial and technical support by the end of the Programme.</td>
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<td>Three clusters formed and functional; three promotional campaigns regarding innovativeness and competitiveness conducted by the end of the Programme.</td>
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<td>Two One Stop Shops formed and functional by the end of the Programme.</td>
<td>EXCEEDED. Four One Stop Shops formed and were functional as of June 2013.</td>
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<td>At least ten municipalities have updated taxpayers’ database by the end of 2012.</td>
<td>EXCEEDED. Eleven municipalities have updated tax payers’ database.</td>
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<td>Programme budgeting implemented in at least five municipalities by the end of the Programme.</td>
<td>Programme budgeting process completed in five municipalities.</td>
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<td>Five municipalities are QMS certified by the end of the Programme.</td>
<td>Five municipalities have completed QMS implementation process and are ready for certification to start as of July 2013.</td>
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<td>At least four general and at least eight detailed regulatory plans developed and adopted by the end of the Programme.</td>
<td>EXCEEDED. One special purpose Elaborate for Spatial Plan, seven General Regulation Plans (GRPs) and 28 Detailed Regulation Plans (DRPs) being developed. Out of this, the Elaborate for Spatial plan and all seven GRPs and 19 DRPs have been adopted or are in the final stage of adoption.</td>
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<td>Capital Investment Planning (CIP) adopted in at least five municipalities by the end of the Programme.</td>
<td>Capital Investment Plans (CIP) developed in five municipalities.</td>
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<td>At least two social housing pilot projects implemented.</td>
<td>Improvement of living conditions through water supply system construction project completed in Vranje Roma settlement “Ćoška” at the end of 2012. Another water supply system for Roma settlement “Blaževo-postenje” in Novi Pazar in technical design stage.</td>
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<td>At least three inter municipal and six local infrastructure projects developed up to the built-ready stage by the end of the Programme implementation.</td>
<td>Preparation of documentation for three out of four inter-municipal infrastructure projects is in the final stage (main design for the Banjica Landfill; Feasibility Study with Preliminary Design for Waste Water System for the National Park and Tourism Centre Kopaonik and Technical Study of Underground Drinking Water Reserves for Raška Municipality; and the Main design for Meteris Landfill) while one main design, for the bypass road to the Industrial Zone in Vranje is completed. In addition, 11 main designs for small (municipal) infrastructure are finished, and nine ongoing.</td>
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<td>Financial sources for up to three inter municipal and up to six local infrastructure projects identified during Programme implementation.</td>
<td>Sources identified for three inter-municipal projects. The Ministry of Energy, Development and Environment Plans to apply to IPA 2014 for Banjica Landfill. The Ministry of Regional Development and Local Self Government to fund bypass road to Industrial Zone in Vranje. Serbia Waters expressed interest in funding the flood protection structures in the Raška River basin. Sources identified for three local infrastructure projects. The</td>
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<td>Ministry of Agriculture, Forestry and Water Management funds primary collector construction in Tutin, CARITAS funds renovation of Elementary School “Dositej Obradović”, various donors fund reconstruction of the Vranje Theatre.</td>
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<td>Three inter-municipal project proposals identified and timely implemented by the end of Programme.</td>
<td>Seven inter municipal projects identified (Leskovac Green Zone, Pešter Agro Business Development Centre, water supply to Roma settlement in Jelašnica village, Regulation of the Raška River watershed, Effluent metres for four municipalities in the South Morava basin, Vlasina river protection, Regional Centre for Day Care and Vocational Training for People with Disabilities in Novi Pazar). <em>Three were completed</em> (Green Zone, effluent metres, Day Care Centre).</td>
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<td>At least two projects in Jablanički and Pčinjski Districts funded from the new funding source by the end of the Programme.</td>
<td>EU PROGRES supports two projects in the Pčinja District: establishment of the Pčinja District Regional Fruit Production Centre and design and construction of the Waste Water Treatment Plant (WWTP) Trgovište.</td>
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<td>At least 25 small scale municipal infrastructure projects developed and implemented by the end of Programme.</td>
<td>EXCEEDED. 41 small scale municipal infrastructure projects developed. Twenty-seven small infrastructure projects have already been completed (21 during the reporting period) and their positive effects are felt across the Programme area, directly benefiting 60,000 people. The projects enhanced business infrastructure, waste management, water supply, energy efficiency, and conditions for education, health, youth and sports.</td>
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<td>Communication Strategy developed and implemented, contributing to increased awareness of target audiences about logic and effects of the Programme. Per each of three Programme years: organized at least three high profile visits/events promoting EU PROGRES intervention; at least ten press releases, ten interviews and two press conferences resulting in minimum 200 media reports annually about the Programme; at least six blogs prepared by key stakeholders promoting good governance, municipal reform and sustainable development. Website created by the end of 2010 and attracts minimum 10,000 visitors in 2011 and 2012 and 5,000 in 2013. Produced ten issues of newsletter in three years and circulated quarterly to a minimum of 1,000 recipients. At least three media projects and five community initiatives promoting good governance developed and implemented. At least five different media reported on good governance, public administration reform and sustainable development in at least 20 different articles in each of the</td>
<td>EXCEEDED. Communication Strategy developed and is being implemented successfully: <strong>24 high profile visits</strong> successfully organised promoting donors’ support and EU PROGRES’ intervention in the area. Eleven visits organised in the third year of implementation. <strong>67 press releases</strong> prepared and timely distributed to the media, 35 in the third year. <strong>18 interviews</strong> organised, seven in the third year of implementation. <strong>2,270 positive reports</strong> generated in media, while 1,160 media reports generated in the third year alone. <strong>13 blogs</strong> prepared for the website, six blogs in the third year of implementation. Regularly updated website attracted 81,273 visits by 47,517 unique visitors. In the third year of implementation, the website registered 42,071 visits by 23,697 unique visitors. <strong>Nine newsletters</strong> produced and each distributed to over 1,100 email addresses. Four newsletters in the third year of Programme implementation. <strong>Two media projects</strong> completed and one in initiation phase. Over 100 media reports generated promoting good governance, public administration reform and sustainable development.</td>
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<td>Programme year.</td>
<td>Two campaigns successfully completed – promoting good governance and European values. One campaign promoting environmental protection, energy efficiency and recycling in initiation phase.</td>
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<td>Three campaigns addressing different social challenges in the Programme area developed and implemented: the first in 2012, the second by mid 2013 and the third by the end of 2013. At least one national and two local stakeholders involved in each of three campaigns.</td>
<td>Six national stakeholders involved, including the SEIO, Ministry of Agriculture, Forestry and Water Management, Ministry of Regional Development and Local Self-Government, Ministry of Energy, Development and Environmental Protection, Cabinet of the Deputy Prime Minister for European Integrations and SCTM. Two international stakeholders involved including MISP and EU Info Centre.</td>
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<td>Image building plans for at least three selected areas within the Programme territory developed by mid 2013. At least four projects deriving from the plans implemented by mid 2013, of which at least one contributed to increased economic activity (products sale, employment, manufacturing capacity utilisation, entry into new markets). At least five positive media reports generated by each supported project.</td>
<td>Five branding plans developed and nine branding projects have been supported. Three have already been completed, four are in progress and two are in initiation phase. At least two projects (Branding of Pešter Products and of Vranje as investment friendly City) contribute to increased economic activity. So far, over 140 media reports resulted from the branding activities. Only in the third year, there were 102 media reports through three completed and one ongoing project.</td>
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