Executive Summary

At the end of the second year of implementation of the European Partnership with Municipalities – EU PROGRES, the Programme can claim it is steadily advancing towards its objective: enhanced stability and socio-economic development in Serbia’s poorest and most conflict-prone regions: the South and South West Serbia.

Several economic projects, supported through the EU PROGRES will facilitate investments worth over 7.5 million Euros, and open some 1,250 jobs in the next three to five years. The implementation of environmental and communal infrastructure projects should result in additional 100 employments, while support to small civil society projects generated 40 temporary and permanent jobs for women and for people with disabilities.

The EU PROGRES work on gender has already made a major positive social change. In the South West and Toplica District, all municipalities established local gender equality mechanisms (GEM) and for the first time six of them allocated funds for gender specific activities in the total amount of at least 90,000 Euros; after May elections, women representation in local assemblies in municipalities targeted by the intervention is 29% - on average this is 11% more than after 2008 elections. The assistance to vulnerable groups has been multi-dimensional: free legal aid through Citizens Assistance Centres in three municipalities was provided for about 600 citizens; 18 Citizens’ Involvement Fund projects supported employability and social integration of additional 600 people. Finally, the Programme paid particular attention to harsh living conditions of Roma population and developed a project that should provide access to clean water for about 800 families in the settlements in Novi Pazar, Surdulica and Vranje.

Presence of a major international development programme, bringing together the European Union, the Government of Switzerland, the Government of Serbia, and the United Nations, strongly contributes to enhanced stability of most sensitive areas of the country. The Programme facilitated more than ten high profile functions, including four ambassadorial visits. All visits were used to encourage social reforms, engagement and cooperation of local leaders.

However, the main generator of a positive change in the economy, that should directly enhance competitiveness of the area, is the Programme’s support to improvement of municipal operations: design of planning documents will serve as a basis for preparation of technical documentation which could attract further 50 million Euros of investments; establishment of One Stop Shops will significantly reduce time which investors need to launch their projects; programme budgeting, capital investment plans and technical documentation will facilitate implementation of local development plans and infrastructure projects; efforts to enhance accountability, efficiency and transparency in municipal finances is an important element in fight against corruption; clustering of economic units will provide opportunities for innovations, improved business processes, and winning of (new) markets.

Almost every research of investment obstacles shows that the main problem to accelerated development and more effective and efficient project realization is the lack of planning and technical design documents. The EU PROGRES monitoring and advisory role in development of technical documentation has been acknowledged as crucial at the local level. In addition to 26 million Euros for inter-municipal projects, the absorption capacity of technical design for projects for local infrastructure is 14 million Euros, making a total of 40 million Euros. Furthermore, the savings made partially due to quality of tender specification, prepared with the Programme’s support, are estimated at 370,000 Euros.
The **impact of infrastructure projects** on lives of ordinary people is expected to be large: in addition to creating new jobs and facilitating further investments, through local social infrastructure projects 680 children from the kindergartens’ waiting lists should be accommodated and energy efficiency for 4,500 pupils and staff in schools will be improved. Through local communal infrastructure projects adequate hygienic conditions for 160 sellers of agro and dairy produce will be created, while the quality of drinking water will improve for 3,500 households. Finally, the local environmental infrastructure projects are expected to improve sanitary conditions and reduce health hazards for 5,000 citizens living in the vicinity of unregulated rivers and save on energy bills of up to 15%.

The special quality of the EU PROGRES, has however been work on “good governance as a cross cutting theme”. This concept has been transferred into real life situations and both small and inter-municipal infrastructure projects are reflecting good governance principles. On the one hand, there are concrete reforms at the local levels, by development of new or revision of existing policies and regulations and on the other this approach brings about enhanced sustainability of the results.

The issue of sustainability of intervention has always been central for the EU PROGRES. Good governance approach means that the Programme had been designed so that it provided support in capacity building of all direct beneficiaries to take ownership and thus be empowered to carry out their mandate as prescribed by different legislation/statutes, while the EU PROGRES maintained a monitoring and advisory role. This has been recognised by the initial findings of mid-term evaluation and highlighted as positive in the EU Results Oriented Monitoring mission report. The excellence in implementation was acknowledged within the UNOPS as well and in 2012 the EU PROGRES was selected among four best projects globally.

Facilitation of strong partnerships with the Government Ministries (MoEMSP, MoERD, Ministry of Agriculture, Trade, Forestry and Water Management) and institutions (e.g. Office for Sustainable Development of Underdeveloped Areas - OSDUA), and on the other hand international donor programmes (such as MISP, MSP IPA 2007, USAID, or SAFEGE e.g.), meant that the local self governments received necessary assistance and advice to carry out complex projects and could, in future, bring about additional co-funding for prepared projects. The Serbian European Integration Office, which presides over the EU PROGRES Steering Committee, has had a key role by providing strong leadership to all stakeholders.

All in all, this has been a challenging year: the limited local capacities, combined with severe weather conditions that almost brought all activities to a standstill for a couple of months, and the elections which caused further delays due to intensive campaigning of local politicians. However, despite all these shortcomings, the positive trend for spending continued and from May 2011 to May 2012, the Programme delivery has more than quadrupled. By the end of the reporting period, in June 2012, there were 137 contracted projects, i.e. 30% of funds disbursed, further 19% contracted and 40% were in the pipeline.

This report is structured in seven sections and accompanying annexes. The Section 1 gives background information. Key information about progress towards objective, purpose and outcomes is presented in the Section 2. The updated risks and assumptions are outlined in Section 3. All data related to implementations is contained within Section 4. Description of sustainability efforts is available in Section 5, while monitoring and evaluation plans are explained in Section 6. The section 7 describes what lessons were learnt in the second year of the Programme’s implementation.
Table of Contents

ACRONYMS ........................................................................................................................................... 6

1 BACKGROUND ......................................................................................................................................... 8
  1.1 GOVERNMENT/SECTOR POLICY ........................................................................................................ 8
  1.2 FEATURES OF THE SECTOR .................................................................................................................. 8
  1.3 BENEFICIARIES AND PARTIES INVOLVED ....................................................................................... 8
  1.4 PROBLEMS TO BE ADDRESSED ......................................................................................................... 10
  1.5 POLITICAL AND SOCIO-ECONOMIC DEVELOPMENTS .................................................................. 10
  1.6 OTHER INTERVENTIONS ....................................................................................................................... 16

2 INTERVENTION .......................................................................................................................................... 17
  2.1 OVERALL OBJECTIVES .......................................................................................................................... 17
  2.2 PURPOSE .................................................................................................................................................. 19
  2.3 RESULTS .................................................................................................................................................. 21
  2.4 ACTIVITIES ............................................................................................................................................... 30
    Component 1: Good governance ............................................................................................................. 30
    Component 2: Municipal Management and Development Planning ................................................... 39
    Component 3: Physical, economic and social infrastructure ................................................................. 45
    Component 4: Public Awareness and Branding of Areas ....................................................................... 53

3 ASSUMPTIONS AND RISKS ..................................................................................................................... 57
  3.1 ASSUMPTIONS AT DIFFERENT LEVELS ................................................................................................. 57
  3.2 RISKS AND FLEXIBILITY ...................................................................................................................... 62

4 IMPLEMENTATION ...................................................................................................................................... 65
  4.1 PHYSICAL AND NON-PHYSICAL MEANS ............................................................................................ 66
  4.2 ORGANISATION AND IMPLEMENTATION PROCEDURES ................................................................ 71
  4.3 TIMETABLE .............................................................................................................................................. 72
  4.4 PROGRAMME STEERING COMMITTEE (PSC) ...................................................................................... 72
  4.5 COSTS AND FINANCING PLAN ............................................................................................................. 72
  4.6 SPECIAL CONDITIONS/ACOMPANYING MEASURES TAKEN BY THE GOVERNMENT .................... 73

5 FACTORS ENSURING SUSTAINABILITY ................................................................................................. 73
  5.1 POLICY SUPPORT ................................................................................................................................ 73
  5.2 APPROPRIATE TECHNOLOGY ............................................................................................................... 75
  5.3 ENVIRONMENTAL PROTECTION MEASURES .................................................................................... 76
  5.4 SOCIAL ASPECTS .................................................................................................................................... 76
  5.5 INSTITUTIONAL AND MANAGEMENT CAPACITY ............................................................................... 77
  5.6 FINANCIAL CAPACITY .......................................................................................................................... 78

6 MONITORING AND EVALUATION .......................................................................................................... 79
  6.1 Reporting requirements ......................................................................................................................... 79
  6.2 Monitoring .............................................................................................................................................. 80
  6.3 Evaluation ............................................................................................................................................... 82

7 LESSONS LEARNED .................................................................................................................................. 82

ANNEX I COMPONENT 1 ............................................................................................................................. 86

ANNEX II COMPONENT 2 ............................................................................................................................ 86
## Acronyms

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Full Form</th>
</tr>
</thead>
<tbody>
<tr>
<td>ANMC</td>
<td>Albanian National Minority Council</td>
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<td>AoR</td>
<td>Area of Responsibility</td>
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<td>BoQ</td>
<td>Bill of Quantities</td>
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<td>BS</td>
<td>Back stoppers</td>
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<td>CAC</td>
<td>Citizens Assistance Centres</td>
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<td>CAS</td>
<td>Citizens Advisory Service</td>
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<tr>
<td>CB</td>
<td>Coordination Body for Preševo, Bujanovac and Medveda</td>
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<tr>
<td>CC</td>
<td>Cross-cutting</td>
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<tr>
<td>CfP</td>
<td>Call for Proposals</td>
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<td>CIF</td>
<td>Citizens Involvement Fund</td>
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<tr>
<td>CSO</td>
<td>Civil Society Organisation</td>
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<td>CzDA</td>
<td>Czech Development Agency</td>
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<td>DEU</td>
<td>The Delegation of the European Union to Serbia</td>
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<td>DRP</td>
<td>Detailed Regulation Plan</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>FIDIC</td>
<td>International Federation of Consulting Engineers</td>
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<td>GE</td>
<td>Gender Equality</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>IP</td>
<td>Industrial Park</td>
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<td>IT</td>
<td>Information Technology</td>
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<td>IZ</td>
<td>Industrial Zone</td>
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<td>LED</td>
<td>Local Economic Development</td>
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<tr>
<td>LSG</td>
<td>Local Self-Government</td>
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<tr>
<td>MoEMSP</td>
<td>Ministry of Environment, Mining and Spatial Planning</td>
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<td>MoERD</td>
<td>Ministry of Economy and Regional Development</td>
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<td>MoU</td>
<td>Memorandum of Understanding</td>
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<tr>
<td>MHMRPALSG</td>
<td>Ministry of Human &amp; Minority Rights, Public Administration and LSG</td>
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<tr>
<td>NALED</td>
<td>National Alliance for Local Economic Development</td>
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<tr>
<td>NGO</td>
<td>Non-governmental organisation</td>
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<tr>
<td>NMC</td>
<td>National Minority Council</td>
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<tr>
<td>OSCE</td>
<td>Organisation for Security and Cooperation in Europe</td>
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<tr>
<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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<tr>
<td>PB</td>
<td>Participatory budgeting</td>
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<td>PBILD</td>
<td>Peace-building and Inclusive Local Development Programme</td>
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<tr>
<td>PSC</td>
<td>Programme Steering Committee</td>
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<td>PRO</td>
<td>Municipal Development in South West Serbia Programme</td>
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<tr>
<td>PUC</td>
<td>Public Utility Company</td>
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<tr>
<td>QMS</td>
<td>Quality Management System</td>
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<td>RDA</td>
<td>Regional Development Agency</td>
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<td>RNMC</td>
<td>Roma National Minority Council</td>
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<tr>
<td>RSD</td>
<td>Republic of Serbia Dinar</td>
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<tr>
<td>SCTM</td>
<td>Standing Conference of Towns and Municipalities</td>
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<tr>
<td>SDC</td>
<td>Swiss Agency for Development and Cooperation</td>
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<tr>
<td>SEDA</td>
<td>Regional Development Agency Sandžak</td>
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<tr>
<td>SP</td>
<td>Spatial Plan</td>
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ToR  Terms of Reference
UNOPS  United Nations Office for Projects Services
USAID SLDP  USAID Sustainable Local Development Project
WWTP  Waste Water Treatment Plant
1 Background

1.1 Government/Sector Policy

The Government of Serbia’s policy for local government, and less developed areas, covers a wide scope of issues from social welfare, to environment and infrastructure. The number of functions being decentralised is growing, but the implementation is very slow.

The changes in the functioning of local self-government were influenced by the 2004 Strategy for Public Administration Reform which sets five key principles to underlie the reform: decentralization, de-politicization, professionalization, rationalization and modernization. Other laws have been adopted, and are harmonised with the European Charter on Local Government, ratified by the National Assembly in July 2007.

Full details of the Government/sector policy are available in Chapter 1.1 and Annex I of the Programme Document.

1.2 Features of the Sector

Municipalities are primary institutions for achieving social and economic development in Serbia, and have some scope for taking action locally to attract investments and promote the living environment. On the other hand, they are constrained by the national circumstances – legislation but also its implementation, property ownership, central government transfers, privatisation failures, national roads and railway links, and often weak human resources.

Many reforms are in the pipeline, though there are severe challenges before they come into effect on the local level. In addition, the pace of reforms is very slow. This should alter when the local self governments strengthen their policy making and management capabilities.

Further details about the feature of the sector are available in the Chapter 1.2 of the Programme Document.

1.3 Beneficiaries and parties involved

Beneficiaries

Direct beneficiaries of the European Partnership with Municipalities Programme - EU PROGRES are the assemblies, executive councils and the municipal administrations, but also municipality founded institutions, public utility companies (PUC), civil society organisations (CSO) and media on the territories of the following local self governments (LSG):

- Ivanjica, Nova Varoš, Novi Pazar, Priboj, Prijeponje, Raška, Sjenica, and Tutin in the South West Serbia
- Blace, Žitorađa, Kuršumlija, Prokuplje in the Toplički District
- Bojnik, Vlasotince, Lebane, Leskovac, Medveda, Crna Trava, Bosilegrad, Bujanovac, Vladičin Han, Vranje, Preševo, Surdulica, Trgovište in the South Serbia.

The ultimate beneficiaries are the residents of the municipalities in the South and South West Serbia participating in the EU PROGRES.

Please see Annex VI: Attachment 6.1 for a comprehensive Implementation Matrix Overview;
Attachment 6.2 for an overview of EU PROGRES activities by municipality; Attachment 6.3 for the updated work plan; Attachment 6.8 for an overview of approved projects that are in the process of preparation/contracting.

Parties involved
The Programme is implemented through partners identified in the Programme Document. As Programme evolves, new alliances are made for specific Programme activities, in accordance with the United Nations Office of Project Services’ (UNOPS) procedures, and with the approval of the Programme Steering Committee (PSC).

The key parties involved in the implementation during the second year have been: the Serbian European Integration Office (SEIO), the Ministries of Environment, Mining and Spatial Planning (MoEMSP); Economy and Regional Development (MoERD); Human and Minority Rights, Public Administration and Local Self-Government (HMRPALS); Agriculture, Trade, Forestry and Water Management (especially the Water and Veterinary Directorates; the Office for Sustainable Development of Underdeveloped Areas (OSDUA); the Coordination Body for Preševo, Bujanovac and Medveđa (CB); the National Agency for Spatial Planning; the Standing Conference of Towns and Municipalities (SCTM); and the regional development agencies.

The SEIO has chaired the Programme Steering Committee and has provided strong leadership and continuing strategic support.

The MoEMSP, MoERD and HMRPALS are members of the PSC. The EU PROGRES regularly coordinates its activities with the Ministries, which enables the Programme to “localise” national priorities and shape its approaches. On the other hand, the Programme is a good source of information to the Government about the local development challenges.

With the OSDUA, which also actively participates in the PSC work, the EU PROGRES has developed close cooperation and partnerships, in particular in the field of technical and planning documentation design and Pešter plateau development.

The CB has been a very active member of the PSC and maintained regular communication with the Programme on socio-economic issues in Preševo, Bujanovac and Medveđa. The EU PROGRES facilitated development of CB plan to support SMEs and agricultural producers in three municipalities.

The Role of RDAs
The EU PROGRES has cultivated relationships with Regional Development Agencies (RDAs) operating in the Programme AoR, in particular with the Regional Development Agency Sandžak (SEDA), Regional Development Association “South” and the Centre for Development of Jablanica and Pčinja Districts. The Programme has consulted RDAs during preparation of particular activities and implements several initiatives in cooperation with them.

For example, EU PROGRES provided a small grant to SEDA for implementation of the project supporting development of agro-business in Pešter plateau. The Centre for Development of Jablanica and Pčinja Districts assisted in coordination with local governments in the South Serbia during preparation of projects for the Vranje Regional Landfill “Meteris” and for the development of fruit production in Pčinja District. In addition, EU PROGRES has contracted the Centre for provision of trainings planned within Fruit Production project. The Programme, Regional Development Association “South” and the Centre for Development of Jablanica and Pčinja Districts have closely worked together on the establishment of Fruit Cluster for the South Serbia.
Finally, in implementation of Pešter project, EU PROGRES closely monitors and provides advisory support to SEDA, with objectives to ensure project quality but also to enhance agencies’ project management capacity.

For partnerships and cooperation with the international programmes working in the area of municipal and regional development, please see section 1.6.

### 1.4 Problems to be addressed

The key problems identified in the South and South West Serbia were: improvement of local governance, strengthening strategic planning capacities to increase active participation in attracting funding for regional and inter-municipal projects, better service delivery to citizens and full respect of human and minority rights. Overall, such an approach will lead to municipal socio-economic development.

Details about the problems that the EU PROGRES is addressing are outlined in the Section 1.4 of the Programme Document.

### 1.5 Political and Socio-Economic Developments

#### Census

The census in Serbia was held over three weeks in October 2011, and the results pointed there were 377,000 less citizens (i.e. 5%), than in 2002. However, although this could be a consequence of a low birth rate, or migrations, one should also have in mind the boycott by the ethnic Albanians in the South Serbia.

In Bujanovac, some 40% of estimated population were registered\(^1\), and those were mainly Serbs. In Preševo, less than 2,500 were recorded. Riza Halimi, the only Albanian deputy in the Parliament of Serbia commented that the failure of census reflected the situation in Kosovo, pointing that the Albanians in South Serbia were in a more difficult situation than Serbs in Kosovo. Despite the state warnings that the boycott is punishable by the Law, there have been no penalties yet for those who failed to register in the census\(^2\).

Bosniaks in the South West Serbia participated in the census despite continuous calls for boycott by Mufti Muamer Zukorlić and his associates. Unofficially, Novi Pazar has close to 110,000 inhabitants and 51% are younger than 18, making this city possibly the youngest in Europe. Such results finally brought positive attributes to the City in reports by some national media, which referred to it as a “bright example”. Slight increase in population was also shown in Sjenica and Tutin\(^3\), while in Raška the population has dropped by 1,500 and in Ivanjica by about 3,270.

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In other EU PROGRES municipalities, the most startling results were in Bosilegrad and Trgovište in the Pčinja District where the population dropped by 20%. In Jablanica District, Leskovac has recorded a population drop of 8,000 citizens, while if the decline trend continued Crna Trava could be left without inhabitants by 2050.

Elections
The parliamentary, presidential and local elections were held on 6 May 2012 bringing some changes in the EU PROGRES Area of Responsibility. For example, in the South West Serbia, Sulejman Ugljanin’s Democratic Action Party (SDA) made a strong comeback and in coalition with the Sandžak Democratic Party (SDP) formed governments in Novi Pazar and Sjenica, while Mufti Zukorlić’s Bosniak Democratic Community (BDZ) entered local assemblies in Novi Pazar, Sjenica, Tutin and Prijeponje. In the South Serbia, ethnic Albanians participated in the poll for Parliamentary and local elections, while mainly boycotting the Presidential vote. Riza Halimi was re-elected a Member of Serbia’s Parliament.

EU integrations
At the beginning of March 2012, Serbia was granted EU candidate country status. The new President of Serbia, Tomislav Nikolić, a former opponent of EU membership, said in Brussels, during his first foreign visit after inauguration, that integrating with Europe was “a top priority” for the country. The EU has repeatedly said that the next steps, which will allow the start of talks was improvement of relations with Kosovo.

Legislation
Several laws were adopted in the reporting period, which are relevant for the implementation of the EU PROGRES: Law on Public Property allows the republic, autonomous province and local self governments to own assets; the long awaited Law on Restitution which is expected to solve some 150,000 claims for return of property confiscated after the World War II; the Law on Public-Private Partnership and Concessions, which could be applicable in areas such as infrastructure development, communal services, environmental protection, alternative energy sources and energy efficiency as well as social services provision; the Law on Communal Services which has opened room for provision of inter-municipal communal services (with the Law on Public and Private Partnerships and Concessions this Law completes the framework for LSGs to outsource communal services and reduce costing); the Law on 2012 Budget, which decreased the budget in comparison to 2011 by approximately 160 billion RSD (1.6 billion Euros). The biggest cuts were planned in the domains of subsidies, project funding transfers and mandatory reserves. In effect, the LSGs, although expecting an increased income due to the recent changes in the Law on Financing of Local Self Governments will probably experience decreased finances for

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5 The overall results of District are not genuine due to the boycott of the ethnic Albanians.


8 Full details are available in the overview in the Annex VI, attachment 6.4 Election Results in the South and South West Serbia


11 All available at the website of the National Assembly of Serbia: www.parlament.gov.rs
projects co-funded by the central Government in 2012.

**State of emergency - snowfall**
The Government of Serbia declared a state of emergency in the whole country from 5–26 February 2012. There were serious problems in the EU PROGRES Area of Responsibility (AoR), and the most critical situation was for those living in remote or mountain territories: Sjenica temperatures went below -30 Celsius, many rural areas were facing electricity cuts; in Kuršumlija one person was frozen to death; a large proportion of Crna Trava and Bosilegrad settlements were cut off.

**Corruption**
Transparency International reported Serbia has dropped on the corruption index from 78th to 86th place. A previous research conducted within a United Nations Development Programme’s (UNDP) project has shown that the largest corruption was present in the public administration and police.12

**South Serbia**
The economic crisis was one of the reasons for the September 2011 protest of several thousand Albanians from Preševo, Bujanovac and Medveđa13 who also asked the Government to stop discrimination of Albanian minority and improve education.14 Riza Halimi highlighted the continuous neglect of the State and pointed to bad economic situation that was worse than in 2001 when the Government adopted a plan for development of the area. The unemployment rate, according to Halimi, is over 80%.

The Ombudsman Office was opened in Bujanovac at the beginning of December, while Vranje appointed a Commissioner for Information of Public Importance in November.15

The MHMRPALSG approved the decision of Bujanovac Assembly to celebrate 9 May (the EU Day) as an official municipal holiday.

**South West Serbia**
In early September 2011, Bosniak Council of Sandžak, led by the Mufti Muamer Zukorlić, advocated for civil unrest and protests. Through a Declaration on Discrimination, the Council sought protection from international institutions, should the Government fail to change its policies. The Council renamed itself into the National Council of Sandžak, and said it would prepare necessary documents to open offices in Brussels, Washington, Istanbul and Sarajevo.16

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14 The protesters also asked for: full demilitarization of the “Preševo Valley”; reestablishment of the ground safety zone, as envisaged by the Kumanovo agreement; freedom of movement for population and goods; use of textbooks/curricula that would enable preservation of national and cultural values; recognition of diplomas of the University of Priština; improvement of health care; employment in state institutions, in accordance with the ethnic structure of population; approval for using of (Albanian) national symbols in the “Preševo Valley”; return of local courts in Bujanovac, Preševo and Medveđa.
In February 2012, Mufti announced he received assassination threats. Rasim Ljajić, the President of the Social Democratic Party of Serbia, dismissed Mufti’s statements and attributed them to pre-election campaign.

The Ombudsman of Serbia sent recommendations to Novi Pazar, Prijevo, Sjenica and Tutin to allow for names of the communities, squares and streets to be written in Bosniak, as regulated by the Constitution.

SOCIO-ECONOMIC

Education

There was another protest in the South Serbia in September 2011, gathering around 3,000 young ethnic Albanians from Bujanovac, Medveda and Presevo, against the state policy on education and asking for cessation of discrimination. The Coordination Body for Presevo, Bujanovac and Medveda called on the Ministry of Education to address the issues more efficiently and in accordance with the Laws. However, the Minister of Education and Science, Žarko Obradović, said education should not be misused for political purposes.

Only a day after the protest, there was an official presentation of the ABC book for Albanian pupils, imported from Albania and approved by the Ministry of Education, in Bujanovac. The ANMC President was pleased with the new books, but said it was a drop in the ocean of pupils’ needs.

At the end of October 2011, the Faculty of Economy from Subotica opened its department in Bujanovac at the reconstructed premises of the Cultural Centre. This was the result of multi-year work and effort of the Coordination Body, and as one of top priorities of the Government of Serbia for the South was achieved in cooperation with the Ministry of Education and Science, Government of the Autonomous Province of Vojvodina, University of Novi Sad, Albanian National Council and Bujanovac Municipality, and with support from the OSCE and other partners. The Faculty registered 69 students who attend lectures in both Albanian and Serbian.

Another move welcomed by the ethnic Albanians living in the South of Serbia was the announcement that the Government of Serbia was set to adopt a regulation on recognition of diplomas issued by the University of Priština.

In Crna Trava, ten students enrolled in the newly opened Department of the Faculty of Construction, while in Novi Pazar, Mufti’s International University failed to get

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accreditation on the grounds that it did not provide studies on three levels. Mufti claimed that this was a political decision and announced he would lodge a complaint.

**Media**

The Government of Serbia adopted the Media Strategy which covered: withdrawal of state from the media ownership, forming of six regional public television services, as well as allowing NMCs to set up media in minority languages. The European Commission was concerned about establishment of the NMC’s media and their funding from the budget, as the Councils are politicized and can exert influence on reporting.

Several assaults on media were recorded in the reporting year: four people attacked a two-member Tutin TV crew, which was filming construction of a local cultural centre. The South East Europe Media Organisation (SEEMO) condemned the attack and urged Serbia’s authorities to protect journalists, especially in local communities. In Vranje, journalist Vojkan Ristić received threats from a Democratic Party of Serbia (DSS) member of the City Council, for his reports about Kolubara mine scandals. In Novi Pazar, Regional TV journalist Amel Grbović received death threats from an official from the Electric Power Company, for failing to report about humanitarian activity organised by this public enterprise.

In Leskovac, after a year’s break, weekly “Naša nova reč” is published again, with initial circulation of 1,000 copies.

**Health**

The Director of the Novi Pazar Medical Centre refused to accept the City Council donation of nightgowns and headscarves for women that wear hijab, claiming this was against hospital rules.

**Roma**

Around 100 Roma families from Belville were re-settled to their own houses in Bojnik, Lebano, Bujanovac, Vranje, Leskovac and Prokuplje in April 2012. All were met by the municipal authorities and the representatives of the Centres for Social Work. Most families received immediate support in food and water, while financial aid will be provided both by

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the City of Belgrade and the host towns. In Prokuplje, seven people obtained identity cards, at the EU PROGRES funded Citizens Advisory Service.

**Sport**
A recent decision of Serbia’s football team coach to exclude Adem Ljajić as a sanction for not singing the national anthem opened a vivid public debate across the country and abroad\(^\text{31}\). 

**Economy**
The Independent Trade Union in Leskovac announced that 35 of 51 privatised enterprises in Jablanica District declared bankruptcy and six were in the process of liquidation\(^\text{32}\). This made the District the leader in the number of unsuccessful privatizations.

Data from the National Employment Service point there are 39,200 unemployed workers in six Jablanica municipalities. Solely in Leskovac, more than 23,000 people are looking for a job\(^\text{33}\). There are 28,600 unemployed in the Pčinja District, while more than third are from Vranje\(^\text{34}\). In Toplica, some 17,000 people are registered with the local National Employment Service. This is an increase of 1,000 compared to last year\(^\text{35}\). In the South West, the unemployment is also high. In Novi Pazar, 21,500 people are looking for a job, in Tutin 7,050\(^\text{36}\).

Vranje has been ranked the seventh city in Europe in terms of cost effectiveness, according to a research conducted by a special division of the Financial Times - the fDi Intelligence. The research was conducted among 253 cities, looking at economic potential, cost effectiveness, human resources, quality of life, infrastructure, business friendliness and foreign direct investments' strategies\(^\text{37}\).

The Governments of Serbia and Denmark will invest nine million Euros to improve fruit production and processing in Pčinja, Jablanica and Toplica Districts\(^\text{38}\), in the next two years. Grants will be awarded for plantation of berries, purchasing of equipment and construction of cold storage facilities. The programme will also include trainings.

Novi Pazar hosted the first annual Textiles Fair, organized in cooperation with the Government of Turkey with direct participation of over 30 textile companies from Turkey and 14 domestic companies. Starting from 2010, cotton coming from Turkey to Serbia is considered domestic product in regards the EU market regulators, making all Novi Pazar


\[^{38}\] and Nišava and Pirot, outside EU PROGRES AoR
textile products eligible for tax/duties deductions when exported to the EU. It represents a good opportunity for exports especially having in mind that Serbia uses a fraction of EU textile export quotas.

1.6 Other interventions

Close coordination with other development programmes working in Serbia has been one of the strong sides of the EU PROGRES and resulted in carefully planned and strategically implemented interventions. In particular with:

- The Municipal Infrastructure Support Programme (MISP) – coordination about the study for waste water treatment in Novi Pazar and collaboration on the feasibility study for the Waste Water Treatment Plant (WWTP) for Kopaonik Tourist Centre which includes Raška, as well as feasibility study for development of Vladičin Han Industrial Zone.

- Water Directorate, Ministry of Agriculture, Trade, Forestry and Water Management – collaboration with EU contractor SAFEGE on the West Morava Master Plan for Waste Waters on tender documentation for Raška WWTP. Water Directorate used the technical documentation for WWTP, prepared during EU PROGRES predecessor PRO, and plans to apply for funding from IPA 2013.

- Veterinary Directorate, Ministry of Agriculture, Trade, Forestry and Water Management – cooperation on the Pešter Agro-Business Development. Giving guidelines for the requirements of the Centre’s laboratory and strategic development of the region.

- Czech Development Agency (CzDA) - cooperation on the Pešter Agro-Business Development.


- The SCTM and Exchange III – coordination about establishing the Citizens Assistance Centre in Žitorađa.

- A joint UN Programme Peace Building and Inclusive Local Development Programme - PBILD, which operates in the South Serbia – activities related to provision of Citizens Advisory Services, capacity building of local gender equality mechanisms, revision of the LSDS/implementation and monitoring – in all cases PBILD covers the municipalities of Pčinja and Jablanica Districts, while the EU PROGRES focuses on Toplica District and South West Serbia.

- United States Agency for International Aid (USAID) Sustainable Local Development Project (SLDP), cooperation on the Pešter Agro-Business Development, Green Zone in Leskovac and Meteris Landfill.

- Organisation for Security and Cooperation in Europe (OSCE), Democratisation and Media Departments – work on capacity building of media (to report about corruption), national minority councils, gender, as well as response to Belville resettlements of Roma both in and outside Belgrade.

- Swiss funded Municipal Support Programme (MSP) – exchange visits and peer-to-peer knowledge sharing of the local tax office/IT centres, civil participation in decision making process and enhanced service delivery systems.

- National Alliance for Local Economic Development (NALED) – about additional EU PROGRES support to certification for business friendly environment in three EU PROGRES municipalities, that have started the process and got stalled.

39Less than 20%, according to some data.
- Local Economic Development In Balkans (LEDIB) and the Cluster House in Niš— on clustering and cluster development support
- The Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) – on local tax administration support.

Full details of cooperation with other interventions are given in the Annex VI, Attachment 6.7.

2 Intervention

2.1 Overall objectives

The Programme has successfully completed the second of three years of implementation. Although it is too early to provide strong indicators of the Programme impact, it is possible to outline key examples of contribution to the overall objective: enhanced stability and socio-economic development in Serbia’s poorest and most conflict-potential regions: the South and South West Serbia.

Economic Development

Creation of a more conducive business environment, that will open new jobs, has been the core of the EU PROGRES intervention. The Programme has supported several economic projects which are expected to facilitate investments worth over 7.5 million Euros and create about 250 new jobs in the first year, with another 1,000 in the next three to five years.

Through implementation of environmental and communal infrastructure projects, the Programme should contribute to additional 100 employments, while support to small civil society projects already generated 40 temporary and permanent jobs for women and for people with disabilities. The implementation of EU PROGRES grants and the provision of technical assistance enabled creation of about 500 temporary employments in the area.

However, the main generator of a positive change in economy, that should directly enhance competitiveness of the area, is the Programme’s work on improvements of municipal operations: design of planning documents will serve as a basis for preparation of technical documentation, worth approximately two million Euros, which in turn could attract further 50 million Euros of investments; establishment of One Stop Shops will significantly reduce time which investors need to launch their projects; programme budgeting, capital investment plans and technical documentation will facilitate implementation of local development plans and infrastructure projects that primarily attract economic activity; efforts to enhance accountability, efficiency and transparency in municipal finances is an important element in the fight against corruption; clustering of economic units will provide opportunities for innovations, improved business processes, and winning of (new) markets.

These actions target some of key weaknesses identified, for example, by the Serbian Foreign Investors Council and the Global Competitiveness Report.

40 Please see Annex VI, attachment 6.5 for an overview of progress towards achievement of OVIs in the Logical Framework
Despite these efforts and isolated signals of positive economic developments in the area, such as announcements of several new investments for 2012, including the one from LEONI in Prokuplje that should generate 700 new jobs, economic crisis is felt in every corner. Estimated unemployment is higher than the grim Serbian average of 25%, while the poverty levels are at least by 1/3 higher than country average of 9%\(^{43}\). This is a signal of need for continuing support to the area.

**Social Development**

The EU PROGRES work on gender has already made a major positive change. In the South West and Toplica District, all municipalities established local gender equality mechanisms (GEM) and made progress in creating local gender policies; for the first time six municipalities allocated funds for gender specific activities in the total amount of at least 90,000 Euros; after May elections, **women representation in local assemblies in municipalities targeted by the intervention is 29%** - this is 11% more than after 2008 elections.

There are indicators demonstrating better civil society capacity: 70% of CIF-2 project applicants were recommended for funding, while in CIF-1 that number was 30%; eight CIF-1 partnership projects have continued, independently of EU PROGRES. In addition, 24 of 40 CSO grantees increased the number of new projects to 46, with the total value of 430,500 Euros - which is an indicator of strengthened capacities.

Provision of assistance to the vulnerable through EU PROGRES has been multi-dimensional. Through Citizens Assistance Centres (CASs), in three municipalities, the Programme enabled free legal aid for about 600 citizens, primarily vulnerable, which meant obtaining personal documents and access to basic services such as health protection and pension. Furthermore, 18 CIF projects supported employability and social integration of Roma and people with disabilities, affecting positively additional 600 people. Finally, the Programme paid particular attention to harsh living conditions of Roma population and developed a project that should provide access to clean water for about 800 families in the settlements in Novi Pazar, Surdulica and Vranje.

Funding support was given to 30 municipal infrastructure projects that should improve education and health protection, contribute to cleaner environment, enhance energy efficiency, expand capacities for sports activities, enrich cultural life etc.

The above is only a small part of the EU PROGRES work and should provide examples of positive progress towards the overall objective. Situation in the South and South West Serbia, however, remains challenging. For example, established GEMs hardly ever meet, political leaders and senior positions are predominantly held by men, local governments engage with civil society too often on a basis of interest and not because they share values and objectives, economic crisis hit the most vulnerable, negative demographic trends continue etc.

**Stability**

Presence of a major international development programme, bringing together the European Union, the Government of Switzerland, the Government of Serbia, and United Nations, strongly contributes to enhanced stability of most sensitive areas of the country. It reaffirms interest for and commitment of the international community and national government to the area. In addition, EU PROGRES, as it has been proved on many occasions, has been an effective channel for two-way communication of cooperation, tolerance, human rights and rule of law. In this context, it is enough to note that the Programme facilitated during this

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reporting period a dozen high profile functions, including four targeted ambassadorial visits to the area. These visits were also used to encourage social reforms, engagement and cooperation of, in the first place, local political leaders.

The EU PROGRES has been also facilitating interaction between national and local level with objective to promote joint projects and to encourage provision of appropriate support from the central level. The Programme has developed and implemented projects in partnership with relevant ministries, which ensured financial support of the Government and enhanced sustainability. Bringing of different stakeholders together and giving incentives to engage and cooperate, provides additional input to stability.

Finally, the Programme communications activities have an important role: they significantly enhanced European Union and Switzerland’s visibility among development stakeholders and the general public. Equally if not more importantly, EU PROGRES strongly promoted tolerance, diversity and inter-culturalism, which are all important ingredients of stable political environments.

There are concrete indicators showing that these areas are politically more stable than they were in the previous years. For example, the national and local elections of May 2012, in the South West Serbia, in comparison to 2008, were not infused with violent conflict between two main but opposed Bosniak political options in the South West Serbia: Sandžak Democratic Party (SDP) and Party of Democratic Action (SDA). On the contrary, these parties are partners in ruling coalitions in at least two South West municipalities. Another positive development was that the cooperation between “Bosniak” and “Serbian” parties is present across the South West. In the South, although some Albanian parties partially boycotted the May elections, their overall conduct was successful. Other major positive changes in the South, contributing to the stability included opening of the Faculty in Bujanovac, with possibility for students to attend some classes in Albanian language.

These areas, unfortunately, remain highly sensitive. Kosovo developments continue to negatively impact situation in the three South municipalities with Albanian population. In the South West, there has been a lot of tension surrounding the unsuccessful establishment of the Bosniak National Minority Council. In addition, economic crises and high unemployment enhance citizens’ discontent, which also means potential radicalisation of their political stances. Having in mind this, it will be important for the Programme to continue to use development projects to bring partners to the table; Programme donors should maximise opportunities to visit the area and encourage further stabilisation.

2.2 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.

The EU PROGRES efforts to enhance governance have been significant and started to produce first results during second year of implementation. Programme’s support to joint projects of CSOs and LSGs expanded interaction between these two sectors and facilitated new partnership initiatives. Work on gender equality resulted in establishment of institutional framework for gender equality at the local level while municipalities have for

the first time provided funding for this purpose. Programme activities have positively affected about 1,200 vulnerable people while new projects are in the pipeline.

The special quality of the EU PROGRES has however been work on “good governance as a cross cutting theme”. This conceptual phrase has been transferred into real life situations and, for example, facilitated linking of small infrastructure projects to good governance. The quality, sustainability and impact of particular project would thus be strengthened but, essentially, local government will through possible adoption of new local regulations, reform itself and enhance governance.

Significant work has been invested to strengthen municipal management. Establishment and upgrade of Citizens Assistance Centres (CACs) will improve quality of municipal services that are provided to citizens; the first newly established CAC in Trgovište should enable citizens to obtain documents in several minutes instead of five days. Establishment of One Stop Shops should result in good quality access to information for businesses in one spot. Work with local tax administration should increase municipal incomes. Developed technical documentation will increase absorption capacity of municipalities to estimated 40 million Euros. Therefore, there is a range of actions that bettered municipal capacities to provide services to citizens and the business community attract investors and access donors’ funds.

There is one critical underpinning factor for enhancing governance and management: EU PROGRES grant methodology, which gives the grantees ownership over implementation of projects while the Programme maintains a monitoring and advisory role. This approach already gave some results: e.g. it “encouraged” strict respect of relevant Serbian laws, in the field of public procurements and constructions; it improved understanding of relatively complex donors’ demands with regard to financial assistance; it introduced some worldwide known international standards and practices, such as the International Federation of Consulting Engineers (FIDIC45) contract modality; it helped municipalities to recognise importance of the planning and technical documentation; it improved grantees’ project management skills. Indicators of these positive changes are numerous: for example, duration of public procurement processes has dropped by half from EU PROGRES Year-1; improvements in technical specification of tenders influenced that the actual offers were 370,000 Euros lower compared to the estimates. In essence, this approach enabled municipalities to obtain knowledge and skills needed to access and execute donors’ funds.

The EU PROGRES contributes to enhanced social, economic and physical infrastructure. The Programme took an integrated approach in many instances: from establishing partnerships with line ministries and localising national and regional strategies, through development of planning and technical documentation, implementation of small and inter-municipal infrastructure, linking good governance, expanding local knowledge and skills, introducing reforms that will facilitate implementation of infrastructure, such as programme budgeting and capital investment, using communications to ensure transparency and enhance project effects. The majority of the local infrastructure projects will contribute to social development; economic projects, although there are only several, will facilitate investments and employments, both in short and long term; most importantly comprehensive set of measures and available technical and planning documentation should enable conduct of some of the major projects in the area, in the field of environment and economic activity zones.

45 The acronym is made of the French name of the Federation: Fédération internationale des ingénieurs-conseils
Despite positive starting results the issue of limited capacities remains a challenge both for the Programme and the whole area. Although the situation differs from one to another municipality, EU PROGRES experiences in projects implementation as well as the study “Obstacles to Infrastructure Development 46” prepared by the Programme, confirm existence of several joint bottlenecks.

Low financial capacities of municipalities have not been a surprise, especially in a situation when transfers from the central to local governments suffered cuts in the last three years. This resulted in late transfer of municipal co-funding and caused delays to numerous projects but the Programme managed to tackle this challenge. Municipal grantees paid 1.4 million Euros as funding contribution to projects exceeded agreed targets for about 12%. EU PROGRES grant methodology was effective in this regard because it stipulated advanced municipal contributions, separate project accounts and double signatories. Problem of municipal finances beyond the Programme remains.

The Programme identified that public procurements are often conducted without paying sufficient attention to technical specification of the tender packages regarding infrastructure projects. Furthermore, once the procurement is finalised, the contracts prepared with the implementers are meagre and do not define the rights and obligations of the contracting parties precisely, leading to frequent disputes. It has also been noted that municipalities neither have adequate monitoring and evaluation tools nor invest adequate resources in these phases of project management.

The fact that only seven of 25 municipalities in the EU PROGRES AoR have adopted not even one detailed regulation plan and that only two municipalities have covered 80% of their territories by such plans confirm that lack of planning and technical documentation is another weak point. The reasons for such a situation regarding planning and project technical documentation at the local level lie, on the one hand, in the absence of municipal capacities to design documentation and, on the other, in the financial constraints preventing them from entrusting these duties to third parties.

The problem is additionally aggravated with disaccord between annual-based budget system and multi-year nature of major infrastructure projects. In the absence of mechanism for long-term investment plans, municipalities are discouraged to make early investment into planning and technical documentation and or to start work on ambitious projects, primarily because they have no “guarantee” that the funding will be available for completion of the intervention. This also meant that the Programme received a very few economic infrastructure projects.

As described in other sections of this Report, the Programme is addressing the above noted capacity limitations through specific activities, such as introduction of programme budgeting and capital investment plans and development of planning and technical documentation, as well as through continuing provision of advisory support. Some of the identified bottlenecks could and should be tackled by other development interventions.

2.3 Results

Component 1: Good Governance

46 Available at: [http://euprogres.org/dokumenti/sr/3_46_Obstacles_To_Infrastructure_16_July_Final.pdf](http://euprogres.org/dokumenti/sr/3_46_Obstacles_To_Infrastructure_16_July_Final.pdf)
**Result 1: Participatory, accountable and transparent governance, respecting human rights**

With the good governance principles embedded in the entire Programme, the EU PROGRES is actively supporting municipalities to transfer the conceptual level into living practices, in a useful and tangible way for lives of everyone. This is particularly the case with infrastructure projects, both small and inter-municipal, and such approach enhances sustainability of the results and increases ownership of the municipalities. As for the Good Governance Component, it was envisaged to provide support to both local self governments (LSGs) to better manage resources and institutions under their control, and as encouragement to citizens to demand better governance.

One source of funding for fostering and then supporting creation of service-for-citizens oriented activities at the local level came through Citizens Involvement Fund (CIF). All CIF projects are implemented in partnerships between civil society organisations (CSOs) and municipalities. In eight cases these partnerships remained in place even after the CIF funding stopped. The Fund’s key contributions were in the fields of employment (opening nine permanent and 31 temporary jobs), provision of services to local vulnerable and marginalised groups (direct beneficiaries around 600, while some projects covered large areas populated by Roma), and in increasing civic participation in public affairs. The Fund was also a sound capacity building exercise and, for example, out of 15 CIF-1 grantees, 13 were recommended for granting in CIF-2. Furthermore, 24 out of 40 CSOs that participated in CIF-1 increased the number of new projects\(^{47}\) to 46, with the total value of 430,500 Euros (175,000 in the Toplica and the South Serbia and 255,000 in the South West), which can be taken as an indicator of effectiveness of the intervention.

Along with the CIF, perhaps the most remarkable results were accomplished in the activities to improve gender equality. The South West and Toplica District were mainly lacking the local gender equality mechanisms (GEMs) as one of the pre-conditions for related high-level policies implementable at local levels and in local conditions. The EU PROGRES facilitated establishment of GEMs in 12 municipalities, which in turn improved environment for increase of women participation in public life. For example, after the recent elections, the number of women in municipalities targeted by the intervention in some cases doubled and in most cases reached 30% representation recommended by the Law. These activities are another example of how the EU PROGRES contributed to the overall efforts the State, and especially implementation of the **National Strategy for improvement of women position in the society and advancements of gender equality agenda**. In addition, six municipalities have, for the first time, allocated a budget, of a total value of 90,000 Euros for gender equality related activities. This will contribute to the gender mechanisms’ capacity to organise concrete actions to improve the equality on the local levels.

More than 600 people from the most vulnerable and marginalised population were provided with some kind of free legal assistance in the three Citizens Advisory Services (CAS) offices. Some 35% of all clients sought support for obtaining identity documents. Since this is the basic precondition for exercising any other civic rights, one of the results can be said to be enhancement of target populations’ lives and better accessibility to municipal services. There is an ongoing assessment of budgets and existing practices in all 25 municipalities that should lead to a decision which municipalities to include in participatory budgeting activities. Management of public funds is a good indicator of how public affairs in general are handled in one community and can point to a number of governance aspects such as: accountability in budget implementation, participation in its formulation or transparency in its spending. Influence on wider communities, to facilitate inter-ethnic dialogue and support equality of minorities has been made through a tri-partite project of the Albanian, Bulgarian and Roma

\(^{47}\) Either during implementing the CIF grants or immediately afterwards
National Minority Councils (NMCs), the first of its kind in Serbia. The baseline assessment of the Albanian NMC, which outlined the existing activities and described the support already provided by the international community, recommends support in building human resources and a plan for infrastructure improvements on the ANMC building. Finally, the assignment of a project coordinator to the Directorate for Human and Minority Rights (DHMR) is an effort to enhance this Directorate’s capacity to coordinate support to NMCs.

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

With CAC establishment in three municipalities and modernization in nine other, along with the start of the second phase of the QMS/EMS activity and commencement of One-Stop-Shop establishment, it can already be said that the effectiveness of municipal services will be enhanced. For example, in Trgovište, the newly opened CAC is expected to result in improved efficiency (decreasing the time for obtaining documents by 800 times in some cases\(^48\)), 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).

Just as the CACs present the services for citizens in one place, the establishment of One Stop Shops (OSS) will create a single point of contact between local government and investors. Once established, the OSS will be a place where all investors will be able to obtain necessary information about possibilities and rules of construction in a LSG and get necessary documents for establishment of new businesses. Two cities were identified for establishment of OSS: Leskovac and Vranje. As savings have been made, the EU PROGRES will suggest to the PSC, in July 2012, to approve opening a smaller scale service in Novi Pazar and Ivanjica.

Vranje is also a good example of a comprehensive support given to a city, for enhancement of business friendly environment, which could potentially affect the entire Pčinja District: along with the establishment of the OSS, the EU PROGRES will finance preparation of the FDI plan, detailed regulation plan for the Commercial Zone Banuševac\(^49\) and Neradovac and the main design for the bypass road to the Industrial Zone in Vranje\(^50\). In addition, 14 people should be employed as direct result of the support to the Business Incubator Centre (BIC). Furthermore, the EU PROGRES local economic development (LED) Experts are working on FDI attraction plans and SME clustering. The FDI plans offer a set of tools that will promote the municipality as a desirable and attractive location for investment. Preparation of plans should create municipal/city images that will be tailored to the needs and demands of investors; they also promote comparative advantages of a municipality in terms of investment and promote services that create business friendly environment.

In order to increase revenues of local government, the Programme has provided support in creating more efficient property tax collection database. Out of 11 grants contracted, Žitorađa completed activities by the end of May 2012, while ten other will do so by the end of 2012. Žitorađa database was updated with 980 new taxpayers in five villages and it is expected that municipal income will be increased by 1.5 million RSD. The EU PROGRES has set up a baseline for the rate of collected tax, which will be used to measure the increase and immediate effects of this action towards the end of the project when the municipalities will have the statistics for 2012.

The final selection of five municipalities for full implementation of the programme budget for the fiscal year 2013 and creation of accompanying capital investment plans has been

\(^{48}\) Obtaining birth certificates used to take up to five days, now it’s only several minutes

\(^{49}\) EU PROGRES Result 3

\(^{50}\) Combined efforts Component 2 and 3
postponed for June/July 2012 due to the elections. This approach in budgeting will enable the municipalities to introduce multi-annual planning for infrastructure projects that are in connection with development strategies.

The introduction of the Quality Management System (QMS), in five municipalities, will provide a set of rules, processes and procedures necessary for planning and implementation of activities. In turn, this should enable municipalities to improve efficiency in service delivery and better use of resources since the certification process should point to the bottlenecks in the administrative proceedings that can be simplified or eliminated. It will also improve transparency, by granting access to information about work of the municipal administration. And it will draw clear accountability lines.

However, as the Programme entered the intense implementation phase, it is becoming more obvious that the scarce municipal resources and abilities to manage projects are a huge limitation factor for any further service delivery advancement. This relates especially to the lack of adequate human resources and skills and financial means, while there is a positive trend in increasing the awareness of importance of planning documents and proper technical designs for investment projects.

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

The grants for planning documentation projects are significantly delayed due to a number of reasons, among which most common were: low financial capacity of the municipalities (resulting in late transfer of municipal co-funding), problems in preparation of tender documentation (especially technical project descriptions and tasks), week capacities and low experience in contract management and adherence to dynamic implementation plans, problems with the Cadastre Department related to obtaining cadastre layers and finally, low expertise of employees in urban planning departments resulting in poor inputs to the plans or inability to challenge inappropriate planning solutions or shortcomings of the contractors.

On a positive note, 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\(^{51}\). Furthermore, the market of service providers (urban planners) has become more competitive and as a result of the increased offer, but also the economic crisis, the prices obtained through public procurement tenders are on average 40% lower than originally anticipated and budgeted. While the original intention to have all levels of planning documents in place by the end of 2011 will not be achieved (also acknowledged by the line Ministry of Environment, Mining and Spatial Planning), the market fluctuations and price reductions have made it possible to produce more plans than originally envisaged and second and third invitations for proposals were conducted.

As the number of grants for general (four) and detailed regulation plans (19\(^{52}\)) has increased above the initially planned LFM indicators by almost double, it seems that the long-term effects on development potentials (especially in tourism and construction) will be higher than anticipated. 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. For example, planning documents are prepared for five municipal industrial zones: Preševo, Vranje (two), Surdulica and Trgovište. All have been identified in municipal development strategies, spatial plans and General Regulation Plans (GRPs) and LSGs have confirmed they’ve planned funding for further infrastructure

\(^{51}\) Estimated by EU PROGRES engineer based upon the present value of implementation

\(^{52}\) 19 have been contracted. Additional 12 grants were approved by the PSC in April and they are in finalization of contracting and have not been recorded here.
development of the zones. The reflection of value-for-money effect is visible in the difficulties that the municipalities were facing with Construction Permits issuance under the Component 3 CfPs. The equipping of the Urban Planning Directorates in Novi Pazar, Vranje and Leskovac means that the cities will be fully prepared for all technical aspects of planning and plan development. In other words, they will be able to produce general and detailed regulation plans and provide basis for construction and development in a faster and more effective way.

Component 3: Physical, Economic and Social infrastructure

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

The support given to four big inter-municipal initiatives: Banjica and Meteris Landfills, Waste Water Management on Kopaonik and bypass road to the Industrial Zone in Vranje, has two-fold value: not only have the established partnerships meant that the local self governments received necessary assistance and advice to carry out complex projects but the technical documentation which will be prepared should enable municipalities to apply for funding of estimated 26 million Euros\(^53\). Banjica and Meteris are both in line with the respective regional and national Waste Management Plans. Banjica will significantly increase the number of people covered by the waste collection: from current 48%, by the end of the Landfill construction, planned for 2016, the coverage will be 80%\(^54\) of inhabitants of the four municipalities\(^55\). In addition, the Landfill should open 12 new jobs.

Once the technical design for Meteris Landfill is ready, the Pčinja municipalities will be able to apply for funding for construction, while this effort will have a positive effect on environment and on lives of some 170,000 people. The work on environment infrastructure is complemented with the establishment on the recycling centres in Vranje, Nova Varoš and Raška, which will benefit a total of 110,000 inhabitants, employ 37 people, with expected profit of almost 600,000 Euros by 2033\(^56\).

As for the Kopaonik project, along with creating preconditions to build communal infrastructure of approximate value of ten million Euros\(^57\), which will enable sustainable tourism development of the National Park and the Tourism Centre and in turn contribute to socio-economic development of Raška\(^58\), this project will also increase the municipal capacity for integrated infrastructure development as it will heighten awareness of the need for complex coordination with all stakeholders while dealing with multiple legal requirements. The Kopaonik project will positively impact almost half a million people.

The EU PROGRES monitoring and advisory role in development of technical documentation has been acknowledged as crucial at the local level. In addition to 26 million Euros for inter-

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\(^53\) Estimated by EU PROGRES engineer based upon the present value of implementation and the information from the existing strategic documents – general design with prefeasibility study for waste water system Raška - Kopaonik, MISP feasibility study for WWTP Kopaonik, existing technical documentation for tourist centre Kopaonik (information from MoERD, Water Directorate…); regional waste management plan for Banjica

\(^54\) Source: Regional Waste Management Plan

\(^55\) Nova Varoš, Priboj, Prijeponje and Sjenica

\(^56\) Cumulative figure for all three centres

\(^57\) Estimated by EU PROGRES engineer based upon the present value of implementation and the information from the existing strategic documents – general design with prefeasibility study for waste water system Raška - Kopaonik, MISP feasibility study for WWTP Kopaonik, existing technical documentation for tourist centre Kopaonik (information from MoERD, Water Directorate…); regional waste management plan for Banjica

\(^58\) And Brus, which is outside the Programme AoR
municipal projects\(^{59}\), the absorption capacity of technical design for projects for local infrastructure is 14 million Euros, making a total of 40 million Euros\(^{60}\). Furthermore, the savings made\(^{61}\) partially due to quality of tender specification, prepared with the Programme’s support, are estimated at 370,000 Euros\(^{62}\).

The number of projects on the Standing Conference of Towns and Municipalities (SCTM) SLAP\(^{63}\) list from municipalities in the EU PROGRES area, more than doubled: from 147 in May 2010 to 342 in May 2012; 61 projects included after May 2010 are linked to the EU PROGRES.

Finally, facilitation of strong partnerships with the Government Ministries (MoEMSP, MoERD, Ministry of Agriculture, Trade, Forestry and Water Management) and institutions (Office for Sustainable Development of Underdeveloped Areas - OSDUA), and on the other hand international donor programmes (such as USAID SLDP or SAFEGE e.g.), meant that the local self governments received necessary assistance and advice to carry out complex projects and could, in future, bring about additional co-funding for prepared projects. For example, for the Kopaonik project, the EU PROGRES directly encouraged Raška and the National Park to become active partners in defining the scope for water and wastewater systems project. Furthermore, engagement of different stakeholders working in the same project area will result in production of documents and studies that could be compared and used to create integrative solution for the problem of water supply and waste water treatment. In Meteris, partnership with the OSDUA and USAID will enable that technical documentation for the construction of the landfill and transfer stations in Bujanovac and Trgovište goes in line with the Regional Waste Management Plan. And, for the Banjica Landfill, partnership with the MoEMSP was formalised so that one member of the Board is from the Ministry, while the Ministry also agreed to co-fund the development of technical documentation for the landfill. While in Pešter, the EU PROGRES is complementing the ongoing work of the OSDUA on development of agriculture.

**PRO Pipeline**

The importance of technical documentation can also be illustrated by showing the impact of the EU PROGRES predecessor programme, Municipal Development in the South West Serbia – PRO. During two years after completion of PRO, donors invested **3,6 million** Euros into further development of planning and technical documentation.

The total value of investment for the completion of projects in the PRO pipeline is estimated at **240 million Euros**. Although this is a significant amount in Serbia’s context, there are good prospects for many projects to move forward. First, projects are identified as national, regional or local strategic priorities and this gives assurances that both national and local governments will invest funding into their implementation. Within development of documentation, feasibility or pre-feasibility study has been developed for each project. These important studies, among other, identified potential funding sources for projects implementation and confirm projects financial feasibility.

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\(^{59}\) As named in the first paragraph  
\(^{60}\) Please see Annex III, attachment 3.1 for details  
\(^{61}\) Please see Annex III, attachment 3.2 Savings to project budgets after public procurements  
\(^{62}\) Combined outcome for the Results 4 and 6. The originally envisaged project budgets were, after public procurements, smaller by 370,000 Euros.  
\(^{63}\) SLAP 2.0 Information system is a database managed by the SCTM and its main objective is to provide as adequate and efficient help to municipalities in Serbia to be able to identify infrastructural projects and apply for financial support by international (EU/IPA, EBRD, KfW, etc.) and domestic funds (NIP, Eco-Fund, etc.) necessary for preparation of the Feasibility studies and implementation. Source: [http://www.misp-serbia.rs/?p=1761](http://www.misp-serbia.rs/?p=1761)
On the basis of available funding sources, as generally confirmed by feasibility studies findings, PRO pipeline projects should be funded through donors, national and local government funds and commercial loans. Solid waste and waste water management projects as well as top tourism projects will be in line with EU funding criteria. It is also realistic to expect that some smaller projects will be linked into regional applications and thus also become eligible for EU funding support. Finally, the implementation of projects should be observed through multi-year prism and especially if general economic trends become more positive, prospects for funding of project will enhance. One of positive examples confirming accuracy of these assertions is the intention of the Serbia Water Directorate to apply for funding with IPA 2013 for the project Waste Water Solution in Raška Municipality in the amount exceeding 10 million Euros, only owing to high level of documentation quality and preparedness.

EU PROGRES will for the Final Report provide a short report on the progress of projects pipeline as well as more detailed analysis of funding sources.

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

The consultancies provided by the Programme positively affected municipal capacities to attract investments, as the experts worked on developing business plans and organisational models for regional and inter-municipal projects: Green Zone Leskovac, Pešter Development Centre, Improvement of Fruit Production in the Pčinja District and Banjica Landfill. It is estimated that the absorption capacity, achieved by developing 29 designs for infrastructure projects to the stage of building permits, will increase to approximately 40 million Euros. In addition, thanks to the support to fulfil legal obligations in public procurement, the time necessary to prepare tender documents was shortened from two months to three-four weeks.

In late 2011, the EU PROGRES supported the Coordination Body of the Government of the Republic of Serbia for the Municipalities of Preševò, Bujanovac and Medveđa strategic planning meeting, at which economic projects for the three municipalities were designed. The Government of Serbia has subsequently approved funding of approximately 600,000 Euros for the projects identified at the meeting.

It should be mentioned that the support given by the EU PROGRES, in response to the earthquake in Kraljevo in November 2010, proved to be effective. The reports about damage on 19 public buildings prepared by the Programme engineers facilitated renovation works in the estimated amount of 100,000 Euros. EU PROGRES damage assessment was also a starting point for the reconstruction of Kraljevo City Administration Building, which is 80% completed.

Finally, the activities within this Result, combined with good quality communication, influenced increased awareness among the municipalities of the importance of systematic approach to infrastructure development. For example, in Leskovac, there was a clear vision in development of a large inter-municipal project that could, by using local potentials, make a big economic impact on lives of ordinary people. However, the City lacked a systematic approach and the action plan to that effect. With the EU PROGRES insistence on the rule of law and transparency, Leskovac assembly is about to approve founding documents for the

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64 Estimates on the costs of reconstruction works obtained through consultation with the Kraljevo City Administration.
Zone as well as the criteria for leasing the land to investors. Thus, what could have been a pure utility infrastructure project, with the EU PROGRES support, is turning into project that is bound to have sustainable effects entrenched in good governance principles.

Result 6: Selected projects financed and implemented through the EU PROGRES
All infrastructure projects are executed through grant methodology, which gives the grantee ownership over project implementation, while the EU PROGRES maintains a monitoring and advisory role only. This methodology proved to be a strong tool for on job training in project management, introduction of FIDIC contract modality and strengthening public procurement operations. In Novi Pazar, the grant manager said they would consider using FIDIC general conditions of contract for all infrastructure projects in the future, while in Nova Varoš the director of the Health Centre stated the project taught them how to insist with the suppliers on warranty conditions in tender procedures.

Although the grant methodology seemingly negatively impacted overall Programme’s efficiency, having in mind the ultimate goal to enhance management at the local level this impact is negligible. Such methodology sets clear roles and responsibilities of all involved parties in implementation of a project, and divides labour accordingly.

In addition, the EU PROGRES has been providing continuous support for improving technical documentation and tender specifications. This has resulted in actual value of contracts after public procurements being 370,000 Euros less than originally envisaged (combined with the Result 4).

The impact of infrastructure projects on lives of ordinary people is expected to be large: local economic infrastructure projects are estimated to create 50 new jobs and facilitate investment of two million Euros (Medveđa wood processing factory); local social infrastructure projects (schools, kindergartens, health institutions, sport halls) should create 48 new jobs and accommodate 680 children from the waiting lists (kindergartens) as well as to improve working conditions and energy efficiency for 4,500 pupils and staff in schools; local communal infrastructure projects (green markets, dairy markets, water supply projects) will: create adequate hygienic conditions for 160 sellers of agro and dairy produce and improve the quality of drinking water for 3,500 households; local environmental infrastructure projects are expected to improve sanitary conditions and reduce health hazards for 5,000 citizens living in the vicinity of unregulated rivers and save on energy bills of up to 15% (Novi Pazar and Prijepolje).

The Leskovac Green Zone should facilitate investments of 5.5 million Euros and create about 970 jobs within the next three years, while at least 200 entrepreneurs will be engaged for logistic support to large investors and at least 4,000 agriculture manufacturers/registered farms will be able to increase their economic activity by cooperating with major manufacturers in the Zone.

Finally, during the construction activities for all infrastructure projects, some 380 temporary jobs were created.

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
The expeditious implementation of the EU PROGRES Communications Strategy, an umbrella plan for the Programme’s dissemination of information about the logic and effects of changes, has already resulted in increased understanding of municipalities, CSOs and citizens of good governance, municipal reforms, sustainable development and European values. This has been proven during the revision of the Communications Strategy when the direct beneficiaries confirmed they were starting to see the need for change of certain behaviours.
For example, all interviewed local self-government officials were aware of the importance of good governance, technical and planning documentation, which has been a continuous Programme message. Additional evidence was recorded in other instances: Novi Pazar’s assistant mayor, Faruk Suljević, praised cooperation and support from the Programme: “procedures and practices, used on Gimnazija boiler room reconstruction are now a norm in how we do things”. Zibija Šarenkapić, director of NGO ĐamaD, said: “the EU PROGRES initiated exactly what we had hoped international organisations and programmes would - to hear and respond to community needs”. While the European Union Ambassador, Vincent Degert, during his April 2012 visit to the South Serbia, commented that the “diversity of projects supported through the EU PROGRES show the depth of EU’s involvement in supporting Serbian reforms”.

During a random research of media articles, it was clear that journalists understood the Programme, which resulted in accurate reporting about project activities, impact, donors and partners. This also contributes to awareness of wider audience about donor commitment to development of the South and South West Serbia. With the new visibility signage the cognizance of all target audiences is bound to increase.

The meetings of the Steering Committee are a great channel for advocacy for needs in the Programme AoR, as they gather most relevant stakeholders. The EU PROGRES has constantly been described as a “partnership” initiative.

One of the Programme’s successes relates to increased number of citizens’ initiatives to tackle good governance and reform issues. This is an outcome of clear and concise communication, of all Programme components and which was key in municipal understanding of the needs to redefine some practices. For example, currently, 17 municipalities are in the process of redefining the existing local rules, or drafting the new ones, to be in accordance with good governance principles. The media reports promoting gender equality in the South West have contributed to putting gender issues high on the public agenda. The EU PROGRES Calendar ceremony gathered youth of different ethnic backgrounds and thus contributed to changing negative perceptions and promoting diversity as a national treasure. While the good governance campaign, which is in process, is also bound to result in increased knowledge about the need for transparency, accountability, effectiveness, efficiency and participation.

Last but not the least, the EU PROGRES communications are helping development synergies. The Programme is recognised by many national, regional and local development stakeholders (e.g. through the Newsletter) whereas briefings on area enhanced understanding of development challenges (for the Friends of South Serbia and Friends of Sandžak).

**Result 8: A plan to develop the areas’ images and self-images as unique areas of Europe are established and implementation begun**

The branding preparatory workshops were the first step in the systematic approach in support to municipalities to develop projects, which would promote areas’ images. The imminent outcomes were the increased capacity and understanding of branding basics, but also improved inter-municipal cooperation. The understanding of branding has been confirmed by evaluation questionnaires where 73% participants in Vranje and 54% in Sjenica stated they ‘learned a lot’ and could implement it in practice. More importantly, the quality

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65 Findings during the Revision of the Communications Strategy. The Strategy is available at EU PROGRES.
66 Interview to the Regional TV, on 25 April 2012
67 At the Programme Steering Committee meeting in Sjenica, in October 2011
68 Source: Revision of the Communications Strategy. Media are an important channel of passing messages to the ultimate target group – citizens in the South and South West.
69 Source: Revision of the Communication Strategy document
70 This relates to good governance applied on infrastructure projects.
of 16 received applications, which included outline of branding plans and relevant projects, according to the EU PROGRES international consultants, was very high.

The claim about improved inter municipal cooperation is justified by the fact that six out of seven project applications will benefit wider areas, rather than a single municipality. Participants said that workshops were a format which reinforced discussion and interaction between different municipalities, much needed for networking. “We all had a feeling that we were on the same mission, working for the good of our country. We succeeded in proving that the differences among the municipalities can be overcome by good mutual communication”, Vesna Đorđević from the Leskovac Regional Chamber of Commerce said.

The work on branding initiatives has been carefully coordinated with support given through Components 2 and 3: the Green Zone project (benefiting population of 144,000), Pešter interventions (directly influencing some 55,000 people living in Sjenica and Tutin) and the Pčinja Fruit cluster benefiting population of quarter of a million). Introduction of branding as advanced business strategy to infrastructure and local government reform efforts should lead to establishment of more sophisticated practices. In such a holistic manner, the assistance should result in increased economic activity: products sale, employment, utilisation of manufacturing capacity and entry into new markets.

2.4 Activities

Component 1: Good governance

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

Key Outputs:
- Thirty eight out of 40 CIF-1 projects completed
- Thirty projects recommended for funding in CIF-2
- Three CAS offices established
- Budgets of 25 municipalities appraised and analysed, and specific recommendations prepared
- Twelve municipalities of the South West and Toplica District established local gender equality mechanisms
- Local Action Plan for gender equality developed in all municipalities except Prokuplje. Two adopted the plan (Novi Pazar and Raška), two other in the process of adoption (Sjenica and Ivanjica)
- Six municipalities adopted the EU Charter on Equal Participation of Men and Women
- Six municipalities assigned a local budget line for the gender equality related activities
- A joint project of the Three National Minority Councils (Roma, Albanian and Bulgarian) supported
- Continuous support to the Directorate for Human and Minority Rights (DHMR) provided
- Imminent needs of the Albanian NMC established and concrete support provided
- Situation analysis for NMCs operating in the AoR conducted and results disseminated
- Eighteen municipalities assisted with specific Good Governance (GG) guidance and advices in linking their infrastructure projects with GG principles
- Seven inter-municipal infrastructure projects provided with GG guidance to structure the process of establishing respective managerial and ownership structures
- A list of examples of bad governance at local level prepared
1.1 Citizens’ Involvement Fund supports projects that have resulted from partnerships of civil society organisations and local government institutions

**CIF-1**

By the end of June 2012, 38 of 40 projects were officially closed. Although the full impact of the intervention is not yet visible, all supported projects were in line with the immediate objective of the Citizens’ Involvement Fund (CIF) to improve the quality of life of citizens and enhance the citizens’ participation in the work of municipal governments. One of the first preconditions for support to any CIF project was the partnership between local civil society organisations (CSOs) and local self-governments (LSGs). This was also a challenge as the projects were not to create any parallel structures to the existing institutions, but rather to strengthen services through innovative approaches in resolving some of the most pressing local problems. However, the assessment has shown that an important effect was elevated understanding among local actors of the importance of creation of the partnerships in addressing local issues in an integral way, thus securing support from all relevant sectors in the public life. Evidence of this is found in data from CIF-2, where initial review of the applications submitted revealed eight partnerships remained in place, while five applications were proposing projects that will be continuation of respective CIF-1 projects.

The CIF-1 key contributions were towards:

- **Employment** – six projects enabled temporary jobs for 31 persons and permanent for nine: 11 people with disabilities were employed in Vranje to provide photocopying services within the Citizens’ Assistance Centre; in Raška seven were engaged in wood carving of signboards for Golija Natural Resort (and additional ten were engaged on similar wood carving jobs thanks to the equipment provided within CIF project); in Novi Pazar people worked on repair of orthopaedic devices; in Bosilegrad 25 Roma families, with 117 members produced vegetables on what used to be wasteland while the same project initiated adoption of an action plan for improvement of socio-economic conditions for Roma in the municipality.

- **Provision of services to local vulnerable and marginalised** previously not available due to budgetary constraints, which brought additional resources, both intellectual, time and networking: in Priboj 25 additional households with elderly people are now included in the system of regular care; in Novi Pazar, the first Club for Elderly in a community was established, contributing to the quality of life for 80 senior citizens and 300 inhabitants of the local community; four projects in Leskovac, Vladičin Han, Medveđa and Novi Pazar have provided support to 180 Roma children to overcome language, learning and cultural problems and thus accomplish better results in school; in Sjenica, prophylaxis of diseases linked to women reproductive organs, where around 800 women received expert information and advices on the topic.

- **Better policy making** - in Leskovac, non-functional Local Employment Council was empowered and actively involved in writing of Local Employment Action Plan for 2012 that was adopted by the City Assembly in December 2011.

- **Making governments accountable and responsive to the needs of citizens**- in Sjenica, e-government services were established in the municipality, enabling citizens to get documentation and information by sending email or text messages; 20 representatives of Blace and Surdulica local governments and institutions have been trained in project proposal writing and fundraising.

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71 For full details please see Annex I, attachment 1.1 Analysis of CIF-1 projects.
The CIF team continuously worked with the civil society organisations (CSOs) on their capacity building: a) after signing of grants, trainings were held in financial and administrative managing and reporting; b) during regular audit visits grantees received direct instructions on how to improve project management. Progress was noticeable in subsequent audit visits; for example, after the first audit, 70% grantees had smaller or higher challenges in implementation of projects. By the second audit, half of all grantees had some problems, while by the time of the third audit, only 5% made small errors; CSOs confirmed that feedback given to them during monitoring process was significant for improvement of their work in terms of efficiency and accountability and especially for their subsequent work with other donors who “saw them as more reliable partners”; c) several projects had envisaged direct capacity building of implementing organizations through educational seminars for their members, establishing new contacts, strengthening ties with other organizations and equipping of premises.

Out of 15 CIF-1 grantees that applied for funding in CIF-2, 13 were recommended for granting. In addition, CIF-1 grantees were better evaluated during internal audit of CIF-2 proposals as they had fewer mistakes in project proposals and budgets. It was obvious, as claimed by the auditors, that the instructions provided during a number of trainings and in work with the EU PROGRES staff, have been taken aboard. The post CIF-1 situation analysis showed that 28 grantees thought the implementation of CIF projects contributed to increase of their capacities, stating that the experience helped them get the new funding from donors or Ministries. In fact, 24 out of 40 CSOs increased the number of new projects to 46, with the total value of 430,500 Euros (175,000 in the Toplica and the South Serbia and 255,000 in the South West).

Throughout implementation there were small delays caused by late payment of co-funding, inappropriate project management practices, or weak capacities of implementing partners. Most of those did not seriously threaten projects’ objectives and under constant monitoring of the CIF team, they were put back on track. One project was cancelled before the start due to bankruptcy of the implementing organization and it was replaced with the first one on the reserve list of the projects recommended for funding. In Priboj, the Youth Office grant ended without all activities being finalised, as the project coordinator left his job without appropriate handover. However, the Municipality has agreed to reimburse unspent and non-eligible spent funds. On a positive note, the equipment purchased for the Mechanical School, which was a partner in the project, was being used for intended purposes.

VISIBILITY

CIF projects greatly contributed to visibility of the donors and the Programme. There was at least one media report for each of 40 projects and half of them produced printed material: 1,700 posters, 14,150 leaflets, 1,750 brochures, 850 T-shirts, 2,500 postcards, 7,000 flyers, 350 bags and 280 folders all clearly displaying EU PROGRES logo. Leading and partner organizations and institutions with the active web sites and Facebook pages displayed donors’ logo and mentioned donors’ contribution on their sites.

CIF-2

CIF-2 Call for Proposals (CFP) was open from March-April 2012. Forty-four proposals were received by the closing date and 30 recommended for funding. Although, the number of received applications within CIF-2 was much lower than within CIF-1 (125 less applications), percentage of project proposals recommended for financing by evaluation commission is

72 All documents for CIF-2 Call for Proposals are available in the archive on the EU PROGRES website: http://euprogres.org/konkursi.php?num=13&oblast=arhiva

73 Please see Annex I, attachment 1.2 for an overview of received projects in CIF-2 by: municipality, leading organisation, thematic area, evaluation score, recommendation
much higher - almost 70%, while within the CIF-1 only around 30% got the green light. The implementation is scheduled to start in July 2012 following the PSC endorsement.

This Call was envisaged as a natural upgrade to the previous, particularly in terms of the focus and criteria. While the first call had a strong capacity building/development aspect, especially in regard to establishment of partnerships between local CSOs and LSGs, the second call’s approach and criteria provided opportunities for local partners with LSG to develop and pilot projects and approaches in delivering new and/or improving existing services to/for the citizens. The emphasis was on integrated approach of public, civic and private sectors in dealing with community problems and issues; creation of permanent employment within vulnerable and marginalised groups both in urban and rural areas; enhancing citizens’ participation and interaction with local governments, especially for marginalised groups; enhancing citizens’ access to relevant information of local importance; support to establishment of a permanent watchdog function at local level aiming at increasing transparency and integrity of public policy delivery; promotion of intra-community dialogue (inter-ethnic, or inter-cultural, or among different social strata or similar) aiming at increasing community cohesion; creation of sustainable mechanisms for resolving known local environmental issues which have impact on human health; women empowerment; promotion of gender equality and fight against discrimination in general and enhancing the quality of and access to the services local self-governments are providing to citizens.

Focus on improvement of existing or piloting new local services emphasized principled good governance (GG) approach of not creating parallel, but strengthening existing local government structures. Also, the topics in the second Call were set up in a manner to further advance GG principles in practice, particularly participation, accountability and non-discrimination.

1.2 Citizens’ Satisfaction Surveys
The second Citizens’ Satisfaction Survey (CSS) is scheduled for Year-3 of the Programme implementation (early 2013) and the preliminary considerations for the ToR are underway. In addition to previously reported exploitation of CSS-1 results, it is worth mentioning that they served as a base for questionnaires and fact sheets in the Good Governance Public Awareness campaign and related public debates74. Those discussions were focussed on the issues of biggest concert to citizens and possible steps which the local self governments could take to improve situation.

1.3 Citizens’ Advisory Services provide practical assistance and information to citizens, enabling them to access their rights and entitlements
Envisaged and designed with needs of vulnerable and marginalised on mind, Citizens Advisory Services (CAS) were created to provide free legal assistance to all citizens in resolving various legal issues, such as: lost or expired identity documentation or validation of past education documentation – both essential if any rights or benefits are to be secured at all, social security or pension benefits (which were lacking due to unresolved legal requirements), sometimes trivial issues such as filling out a legal form, support to elderly (who live in remote rural areas, often neglected by local governments and public services, in attaining their rights) et cetera.

The main problem with establishing CAS offices proved to be the lack of capacities of local implementers (usually NGOs), which was vital in the methodology applied in this process: an outsourced implementer talks to LSG about establishing CAS office (adhering to the EU PROGRES criteria and guidelines); the two sides enter into a written agreement, with clearly

74 Implemented within Component 4, Result 7, Activity 7.2
stated obligations and rights in piloting the approach; once the project proves in practice, assimilation and adoption of the established praxis into local administration framework begins, with the aim of having this process completed just before or just after the EU PROGRES support ceases.

Insufficient number of valid applications combined with some inertness in the LSGs led to repeated calls for proposals in the Toplica District. Other obstacles were encountered, such formal complaints by an NGO due to which the establishing of CAS offices in Toplica was prolonged for months, until the matter was resolved.

Prokuplje CAS was finally opened in January 2012, Žitorađa in February 2012, and together with the office Novi Pazar, over 600 clients were provided with some kind of free legal assistance. Most beneficiaries were from socially vulnerable groups, while employed sought assistance in securing their rights or entitlements. The CAS records prove that social vulnerability does not recognize boundaries, as the beneficiaries were Serbs, Bosniaks, Roma, Albanians, Gorani and others, aged between 14 and 60. Local population leads in overall numbers, but many are returnees, IDPs or refugees. Around 40% of the beneficiaries are women.

Major assistance (35%) was provided for obtaining identity documentation. Support for securing social welfare rights was requested by 27% of all CAS beneficiaries, while free legal help in resolving pension and unemployment issues took up 12% out of total number. Health related cases comprised 10% of all applications and assisting disabled people in securing their rights were related to 2% of total number of beneficiaries. The remaining 14% was comprised out of miscellaneous types of assistance, such as preparing divorce papers, or child support documentation, or resolution of property issues or similar.

All CAS offices established cooperation with their respective Centres for Social Work, the State Retirement Fund branches, local judiciary outposts and other relevant local or state government organisations and institutions in order to provide best possible services and assistance. This is in line with the overall plan that the CAS offices are incorporated into the local governments by the end of individual projects. Both Prokuplje and Žitorađa have written pledges of the municipal authorities to that effect, while in Novi Pazar there are still problems in reaching an agreement with the local self government.

Although the EU PROGRES did not originally plan to work in Jablanica and Pčinja Districts, in consultations with the PBILD programme (modelled on the PRO/PROGRES Migration project) that was primarily supporting municipalities in that area, this changed in the Q1 2012. The EU PROGRES has advertised a request for proposals to establish the fourth CAS office, in Preševo.

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

After three pilot projects in three municipalities in autumn of 2010, the plan was to replicate the process of annual budget discussions in the remaining municipalities. The first call for proposals, in the summer 2011, returned no valid applications (some were technically inadequate, some were financially unacceptable), even after it had been extended. This in a way demonstrated how new the topic was to the Serbian context.

During the Q4 2011, an agreement was reached with the Balkan Investigative Reporting Network (BIRN), which carried out a pilot project in Year 1, for implementation of the participatory budgeting (PB) in all 25 municipalities. The project started in March 2012, and two phases are envisaged. During the first phase, BIRN was to conduct a thorough

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75 Details of free legal assistance are presented in the Annex I, Attachment 1.3
76 Available in Annex I, Attachment 1.4
77 ToR available on the EU PROGRES website: http://euprogres.org/konkursi.php?num=13&oblast=arhiva
78 BIRN did not apply in the public tender advertised in July 2011
assessment of 25 municipalities’ budgets and existing practices. The report was expected in late May, with specific recommendation which municipalities are to proceed to the phase two, to implement participatory budgeting activities. The report was several weeks delayed, due to elections. It covered analysis of budgetary incomes and expenditures per budget lines, budget analysis of each individual municipality, financial analysis of local economies and recommendations for improvement of budget consolidation and points of intervention. Fifteen municipalities were recommended to enter the second phase, which should start as soon as the local governments are formed.

Management of public funds is a good indicator of how public affairs in general are handled in one community and can point to a number of governance aspects such as: accountability in budget implementation, participation in its formulation or transparency in its spending. Although there is a legal requirement for annual public discussions on local budget before adoption by assemblies, few municipalities are actually engaging their citizens. Furthermore, the existing process is based on soft participation: consultations are not envisaged to produce any obligatory conclusions, so the turn out of the citizens and their interest are usually low. This brings lower, if any, accountability in the way the budget is being enacted and implemented, and its rather opaque spending. These are exactly the points the PB process is exhorting its focus on, aiming at introducing sustainable changes into the existing practices.

In an effort to increase the impact of participatory budgeting activities, the EU PROGRES is discussing with the OSCE an idea to organise a wider conference on fight against corruption either on a regional level – for 25 municipalities, or at the national level. The conference should result in recommendations for local governments on how to spot and fight corruption. The next round of consultation should happen in the summer, while the conference should be held in October 2012.

1.5 Assembly members and City Councils, from municipalities participating in the Programme are provided with information and resources which enable them to better monitor the performance of local institutions, including PUCs

The initial plan for this activity, to organise round tables on monitoring of performances of municipal organisations and parallel media trainings, looked less and less relevant and feasible as the unofficial election campaign gained pace from the Q4 2011. Furthermore, part of this activity that envisaged involvement of a “willing municipality” to oversee local public utility companies (PUC) was in the meantime re-assigned to a newly forged 1.8, defined with the donors in early autumn of 2011, dealing exclusively with good governance as a cross-cutting issue.

The EU PROGRES reacted promptly, reconceptualising its approach, and the redesigned activity was approved in the PSC meeting in February 2012. The new proposal will enable the Programme to support performance measurement of public expenditures and financial accountability of municipalities. To start with, there will be an assessment of current performances of 25 municipalities in order to identify priorities for further reform of management of public funds. This will provide a common baseline for dialogue between local governments and potential donors, such as governmental funds, international organisations or private investors. The findings, conclusions and recommendations will be used for planning purposes as well. The entire approach should lead to rise of competitiveness of the economy.

The implementation is expected to start in Q4 2012.

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79 The report is available at EU PROGRES
80 Nova Varoš, Prijeponje, Ivanjica, Raška, Novi Pazar, Tutin, Blace, Kuršumlija, Prokuplje, Medveda, Bojnik, Leskovac, Vlađin Han, Surdulica and Bosilegrad
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

DamaD contract had to be extended until the end of April 2012, with no additional costs, due to extenuating circumstances that followed its implementation during summer months. However, programmatically, this project was a success. As its direct consequence all 12 municipalities in the South West and Toplica District have a local mechanism for gender equality (GEM)\(^{81}\), the EU Charter on Equal Participation of Men and Women was adopted by six municipalities (Novi Pazar, Prokuplje, Sjenica, Tutin, Ivanjica, Kuršumlija)\(^{82}\); all GEMs were trained to create local action plans (LAP), 11 have developed the LAP (all but Prokuplje), Novi Pazar and Raška adopted the LAP\(^{83}\), while the plan is in the process of adoption in Ivanjica and Sjenica. Last, but not the least, budget lines for the work of gender equality related activities were allocated for the first time in Novi Pazar, Sjenica, Tutin, Raška, Ivanjica and Priboj, in total amount of 90,000 Euros.

However, the real changes have been observed in the number of women elected in the local assemblies, which has, in some cases, almost doubled in the areas targeted by the project. Although this cannot be solely attributed to the EU PROGRES, the combined efforts have generated good results. For example, in Žitorađa seven out of 31 councillors are women, compared to four in the previous elections. In Sjenica, 12 out of 39, compared to five in the previous Assembly, meant more than a double increase. In Tutin, triple increase was recorded and there are 12 compared to previous four female councillors. In Raška and Novi Pazar there is only one more. Although most LSGs have not yet reached the legally recommended 30% representation, the total percentage, for the four South West municipalities increased from 18.35% to 29.35. In Toplica District, from 17.76% representation of women has increased to 29.61%\(^{84}\).

All project activities were in line with the overall efforts the State is making in the field, mainly through the Directorate for Gender Equality, but also through other mechanisms, and especially efforts related to the National Strategy for improvement of women position in the society and advancements of gender equality agenda.

One of the sub activities within 1.6 was to organise a gender equality public awareness campaign. Five offers were received during public procurement, but due to extremely high financial offers, and failure of subsequent negotiations, the contract with the preferred implementer was not agreed. Consequently, the EU PROGRES is endeavouring to conceptualise the next phase for supporting the existing local GEMs, as a follow up activity to the previous. This is planned for Q4 2012.

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

The first joint project of three national minority councils (NMCs) – Albanian, Bulgarian and Roma - “Together Towards Inter-Culturalism“ kicked off at the start of 2012. The project resulted in 30 trainers specialising in inter-ethnic or inter-cultural issues and influenced wider communities by facilitating inter-ethnic dialogue through round-tables, visit of beneficiaries to the National Assembly, and similar. This in turn contributed to the sense of belonging to one nation among the minority groups and contributed to inter-ethnic and inter-cultural co-operation among not only minority groups, but more importantly among the ethnic minority groups and the majority population.

However, the project success was marred when the Belgrade Court of Commerce seized some of the project funds from the account of the Roma NMC, the lead organisation,

\(^{81}\) Please see Annex I, attachment 1.5 for Assembly decisions to form GEMs in Blace, Kuršumlija, Nova Varoš, Novi Pazar, Sjenica , Tutin , Žitorađa
\(^{82}\) Available in Annex I, attachment 1.6
\(^{83}\) Please see Annex I, attachment 1.6 for municipal decisions
\(^{84}\) Please see Annex I, attachment 1.8 for the Women Representation in the Toplica and South West Serbia local parliaments
through a court order. This had a profound impact on the realisation: all activities, including passing payments to already preformed tasks of the sub-contractors, needed to be halted immediately by the Programme, until the issues were resolved. In late June, there was an agreement to extend the grant until the end of October 2012 and to continue supporting the project as soon as the RNMC returns the funds seized by the Court to the new special sub-account.

Within this activity, the EU PROGRES also conducted a baseline assessment of the Albanian NMC (ANMC)\(^{85}\). The purpose of the survey was to outline the existing activities, to briefly describe the support already provided by the international community and to point the way to coordinate any further assistance. The survey contains conclusions and recommendations for support in building human resources and a plan for infrastructure improvements on the ANMC building. The draft survey was presented to the President of ANMC and the Mayor of Bujanovac, the Friends of South, and at the International Agencies’ Meeting for Bujanovac (to ascertain whether any support could be provided by other donors). ANMC welcomed this effort by the EU PROGRES and it was agreed to continue consultations in order to help the Council to conceptualise project ideas. The EU PROGRES is currently procuring IT equipment and furniture for the ANMC.

Finally, the EU PROGRES is providing support to the Directorate for Human and Minority Rights (DHMR) in an effort to enhance their capacity to coordinate support to NMCs by assigning a Project Coordinator for that purpose at the DHMR’s HQ in Belgrade.

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

The EU PROGRES is one of few development programmes in Serbia that has good governance (GG) principles embedded in all its activities. In real life, this means transferring GG from a conceptual level into living practices, which could show useful and tangible results for the LSGs and the citizens.

The Swiss continued providing strong support to Good Governance (GG) as a cross-cutting (CC) activity through the Backstopping (BS) expertise. During the summer of 2011, the EU PROGRES started organising the meetings for linking GG-principles with small infrastructure projects (SIPs) and for that received adequate expert support from the BS along the way.

One other important mission of the BS was prepared with the acme aim of redefining the way the Swiss will be providing support for these activities in the future. It became obvious in the Year-1, both to the Swiss and to the EU PROGRES, that human and financial resources of the Programme for planning and implementation of these activities were either non-existing (there was no budget for GG-cross-cutting activities), or inadequate (number of staff working on GG-cross-cutting was insufficient). Therefore, the Swiss decided to assign 235,000 Euros solely for the GG CC approach. A work plan and the appropriate budget enabled the Programme in the months to come to recruit additional staff and a consultant for this topic.

A large portion of the EU PROGRES budget is allocated for the construction of new or improvement of existing physical, economic, environmental or social infrastructure. All 25 municipalities participating in the Programme are in dire need of this kind of support and along the way their capacities to deal with many aspects of implementation of such projects are also being developed and improved.

But there is one more value the EU PROGRES adds to specific infrastructure projects – it uses them as a foot-in-the-door for introduction of GG practices and links GG and its principles to their implementation. The Programme is supporting two types of infrastructure projects - small (SIPs), originating from and targeting single municipalities, and large (LIPs), which could involve two or more municipalities or Ministries and other partners.

\(^{85}\) Available at the EU PROGRES.
There are currently 18 SIPs, and GG-questions arisen are specific to each municipality and to each project, while essentially the approach and the rationale is the same for all\(^\text{86}\). For example, in Bojnik, the Programme is supporting construction of a green market and soon after the infrastructure grant was signed, discussions started about GG aspects of the project; it appeared that the municipality did not have a rulebook for operating the PUC, defined pricing policy, written rules for assigning and renting the market stalls, or a municipal overseeing board. Many issues from here had arisen, a real life situations actually linked to GG principles, such as accountability and transparency. Bojnik is currently, with the Programme’s assistance developing drafts of the missing documents and/or regulations, which will be, at the end of the process, presented to the new local assembly for adoption. Similar processes are currently underway in all other municipalities with infrastructure grants from Activity 6.2, resulting in drafted new regulations and documents, with the aim of having them adopted at the end of the process by assemblies. These new regulations and documents will add the Programme-specific value to the implemented infrastructure projects, contributing to the process of ordering local communities and their administrations.

There are currently six LIPs ad the Programme is closely looking at GG in two of them: the Leskovac Green Zone and the Meteris regional landfill, while providing essential GG-assistance to the other four. The GG challenge here is different. The EU PROGRES strives to support partners: to organise projects properly, e.g. to clearly define the lines of accountability within the processes (policy making decisions vs. technical level decisions, for example in cases of regional landfills); to outline operational capacities and structures for new legal entities and their correlations with the founding bodies (e.g. in the Green Zone); or, to state the ownership structures and internal relations (as is the case of the Pčinja Fruit Production). Simply said, the assistance is given to order the process, making it more accountable, transparent and thus sustainable.

All efforts within the infrastructure projects also demonstrate that the GG issues are not some academic, abstract concepts, but real, yet unanswered questions, which are affecting people’s lives and their overall quality of life.

Another GG-related activity the Programme is carrying out is what is internally known as pure governance reform, where “pure” denotes that these activities are not linked to any specific infrastructure project. This activity is in preparatory phase and will start by the Q4 2012, after local governments are constituted. The nature of the reform will be established in direct dialogue with the interested municipality, but could encompass anything from establishing local ombudsman office, to improving the way local PUCs are being overseen by a legislative or making the relationship between local executive branch and local administration more accountable, transparent and efficient.

The Programme’s effort to create and document a database and subsequently produce a relevant paper on the obstacles the municipalities are having in everyday dealings with the Government, Ministries or institutions is an important contribution the EU PROGRES is making. So far, the EU PROGRES has prepared a study “Obstacles to Infrastructure Development”\(^\text{87}\) which looks at relevant legislation and provides its comparative analysis in order to present all essential differences in the process of planning and construction in the past two decades. Furthermore, the study analysed the very process of infrastructure project development step by step in order to identify all potential bottlenecks, both the institutional and the procedural ones. It also examined the professional capacities among local self-governments to manage projects in accordance with the legislative framework and

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\(^{86}\) Please see Annex I, attachment 1.9 for Overview: Linking Small Infrastructure Projects with Good Governance

\(^{87}\) Available at the EU PROGRES website: [http://euprogres.org/biblioteka.php?id=46](http://euprogres.org/biblioteka.php?id=46)
good governance principles. The Programme is planning to expand these findings with other related aspects in the months to come.

Finally, early in June 2012, the Swiss BS met with the Programme team to assess the progress in embedding GG and its principles in the EU PROGRES components and activities. It was concluded that the EU PROGRES made a significant progress in this regard, both internally (e.g. new budget and human resources, amending ToRs for Component Managers, setting in place a functional diagram to structure internal competencies for GG), and externally, in linking specific projects to GG. EU PROGRES reaffirmed its full commitment to deal with governance issues, including its CC aspects. Full mission report is available as Annex I, attachment 1.10.

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

Outputs:
- CAC in Trgovište opened. Bosilegrad CAC under construction, Crna Trava tender advertised. Nine CACs supported for modernisation of services
- Five municipalities identified for FDI planning
- BIC grant in Prokuplje completed. Vranje BIC should employ 14 people by the completion of grant at the end of 2012
- Three clusters identified for establishment; formal registration expected until the end of August 2012
- Vranje and Leskovac will start establishing cities One Stop Shops as soon as the local governments are formed. There is a plan to establish two smaller OSS in Novi Pazar and Ivanjica, pending approval of the PSC
- Žitorađa database was updated with 980 new taxpayers in five villages and it is expected that municipal income will be increased by 1.5 million RSD. Other ten municipalities expected to finalise tax assessment by the end of 2012
- Identification of five municipalities for programme budgeting introduction ongoing and will be finalized upon establishment of municipal governments
- Five municipalities identified for QMS certification, which will start immediately after establishment of municipal governments

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

Trgovište CAC was officially opened in mid April 2012 and though full operational level will be achieved after instalment of software for electronic document tracking and the e-registry in late June, municipal officials say that already nearly 1,000 requests are being processed. The software will enable every employee to forward citizens’ requests to relevant department, as well as segregated data collection. The co-funding for the project, in the amount of 3,000 Euros, was provided by the OSDUA.

Bosilegrad and Crna Trava experienced prolonged problems with preparation of technical designs and advertisement of the public procurement. Furthermore, although both municipalities wanted to use the CAC establishment to engage in wider reconstruction of municipal hall buildings, only Bosilegrad succeeded in securing funds from own budget sources. Crna Trava successfully mobilized funds from the OSDUA for the technical

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88 This does not include the expansion of Novi Pazar CAC, approved in April 2012 PSC meeting, as the contracting is still in process.
89 Pešter Plateau Agro Cluster, Radan Mountain Tourism Cluster and South Serbia Fruit Cluster
90 Vranje, Bujanovac, Surdulica, Novi Pazar and Ivanjica
documentation, but waited for almost three months for the responsible central government institution to finally learn that they cannot obtain co-funding for works on the deteriorated building. Finally, Bosilegrad and Crna Trava were among the first municipalities to announce the state of emergency and the last to end it during three winter months, which further postponed start of activities.

Once finished and fully operational, all three CACs will shorten the service delivery time (increase efficiency) and provide an open customer oriented environment (enhance transparency). For example, in other municipalities that introduced CAC, the time for issuing birth certificates has decreased from five days to several minutes, for child welfare or veterans’ disability protection from 30 to 15 days and for employment booklet from 20 to five days. In addition, when the data are entered into the new software, the three CACs will be able to connect to the Central Registry of Citizens Records and issue documents for citizens of other municipalities as well.\(^{91}\)

In regards to modernisation of existing CACs, new IT hardware equipment (servers, computers, routers, printers) was delivered to nine municipalities thus contributing to sustainable and enhanced service delivery.\(^{92}\) This is specially the case in municipalities which have opened CAC branches in remote rural settlements, making it easier for the inhabitants of these places to obtain services without travelling (sometimes even 40 km) to the central CAC office in the municipal hall buildings. This modernization will also create conditions for the CACs to connect to the Central Registry of Citizens Records. Finally, due to savings within this activity, the EU PROGRES was able to include another initiative for CAC expansion from Novi Pazar and will be implementing this action over the H2 2012.

In terms of output indicators, this activity is well underway to exceed the planned outputs (three new CACs and eight existing modernized).

**Activity 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**

There are three sub-activities within the Activity 2.2: establishment of Business Incubation Centres (BIC), clustering and creation of Foreign Direct Investment (FDI) plans.

The support to two BICs, in Vranje and Prokuplje started in October 2011. In Vranje, the EU PROGRES supported project dealing with employment of emigrant returnees (with a focus on Roma, youth and other vulnerable groups), while in Prokuplje the grant was awarded for initiation and promotion of clustering of agricultural producers in the Toplički District.

By the end of April 2012, the Prokuplje BIC finished activities and, following a series of meetings, declined further technical support from the EU PROGRES in the process of restructuring and business planning, while at the same time asking for funds for support to the Toplica Fruit Cluster. As the EU PROGRESS plans to directly support the clusters (once established), the BIC was informed that there would be no further funding available for this.

The BIC in Vranje has, by the end of May 2012, completed two stages of their project for support and promotion of entrepreneurship among returnees by equipping the Incubator (with the National Investment Plan support) and completing the trainings for potential BIC tenants regarding business planning, administrative procedures and financial management. The last stage will begin in late June 2012 with the selection of two best business plans to become BIC tenants and provision of machinery and equipment grants to them. The

\(^{91}\) This is important for people who are currently not residing in their place of birth, as they can get their documents in any municipality linked to the Central Registry.

\(^{92}\) Please see Annex II, attachment 2.1 for the overview of equipment provided to CACs (and Urban Directorates, activity 3.1)
establishment of these two new businesses should lead to the employment of minimum 14 people, as one of the criteria for incubation will be opening of at least seven jobs.

Regarding the second sub-activity, i.e. clustering, the Local Economic Development (LED) experts finished their assessment and recommended support to Pešter Plateau Agro Cluster, Radan Mountain Tourism Cluster and South Serbia Fruit Cluster. The suggestion was based on geographical concentration, percentage of turnover in the area, willingness of potential founders and maturity of public institutions to support them. In May, leadership and logistic support with the regional development agencies: SEDA in Novi Pazar, ORA “South” in Niš and the Centre for Development of Jablanica and Pčinja Districts in Leskovac was agreed. The LED Expert started the work on development of business plans for these new clusters and at the same time initiated cluster registration. The formation of clusters should lead to stabilization and enhancement of SMEs working in these sectors, increased productivity, higher market share, export development, job creation and new product development. In Radan Mountain cluster, 20 SMEs and three associations with 60 members will benefit in the first stage. In the South Serbia Fruit Cluster, 25 SMEs and three associations with 90 members will be covered in the embryo stage, while Pešter Plateau Agro Cluster involves 12 SMEs and three associations, with more than 1,500 people.

Finally, the LED Experts Assessment and Recommendation Report regarding LED office support suggested hands-on-job coaching/training for the creation of Foreign Direct Investment (FDI) Plans in Novi Pazar, Prokuplje, Leskovac, Vranje and Ivanjica where the activity will start immediately upon the formation of newly elected local government and appointments of local officials. These LSGs should be able to promote themselves as attractive investment locations more effectively and efficiently and potentially draw new investments and open jobs. In addition, the LED officers will gain new skills and receive a focused tool in the process of supporting economic development in their municipalities. There is a solid progress towards achieving all outputs: five municipalities were identified for FDI planning, two BIC received support and three clusters have been identified and should be registered by the end of the third quarter 2012. Development and management of Industrial Parks/Zones is the integrative part of activities regarding development of Green Zone in Leskovac. This is currently the only industrial zone being developed.

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

The Regional Economic Development Agency for Šumadija and Pomoravlje (REDASP), which was contracted after public procurement to support establishment of OSS, successfully finished the first phase of the project by presenting the OSS concept to all 25 EU PROGRES municipalities in workshops held in Leskovac and Novi Pazar, in March 2012. This was followed by a detailed assessment of municipal capacities and resulted in a milestone report, with recommendation to set up OSS in Leskovac and Vranje. Three groups of criteria were used during assessment: economic (population and employment trends, existence of industrial zones, adequate infrastructure), feasibility criteria (spatial and general regulation plan, LED office, business incentives, municipal resources for OSS establishment) and sustainability (CACs, e-government, LED strategy, marketing plans).

The recommendation was accepted by the PSC, in April 2012 meeting. There was an indication that a smaller scale OSS could be set up in Ivanjica and Novi Pazar, having in mind considerable savings in the tender. After further consideration within the EU PROGRES, this proposal will be formally submitted to the PSC meeting in July 2012.

93 LED Experts’ Report is available at EU PROGRES, upon request.
94 The report is available at the EU PROGRES, upon request.
However, the activities in Leskovač and Vranje were put on hold due to pre- and post-election activities, as the establishment of the OSS requires full commitment of the municipal government and allocation of municipal resources. This activity is greatly aligned with the implementation of big inter-municipal projects within Component 3 and 4; furthermore, Vranje and Leskovač are the two cities that will be included in the creation of FDI plans, which would set the scene for full service delivery to any potential investors. As such, the activity should contribute to the increase in the investments in the long term.

2.4 Support to LSG to improve the rates of collection of property taxes
The establishment of the joint IT centres for inter-municipal local tax administrations has been abandoned due to the fact that the sole provider of database software, the institute “Mihajlo Pupin”, has increased the purchase prices and, at the same time, decreased the maintenance discount from 35% to 5%. Consequently, the municipalities lost interest to establish the centres and the EU PROGRES shifted all available funds to support the update of taxpayers’ databases. This approach was greeted by the municipal authorities as, they said, it would tackle the most urgent issues regarding LTA: there would be an assessment of the situation in the field, widening of the tax collection base which in turn would lead to increase in the nominal amount of property tax invoices value and collection.

Following the evaluation of questionnaires received from all municipalities, 11 projects were put forward and got approval for funding by the PSC in October 2011. However, the municipalities were slow in submitting full proposals and most of them had unrealistic budgets. By February 2012 all necessary paperwork was finalised and grant agreements were signed. The new delays occurred due to late transfer of co-funding, slow forming of implementation teams and start of selection of workers and/or procurement for equipment. Due to different starting dates of activities, two month grant agreements extensions have been issued for all projects except Žitorađa, which successfully completed its activities on 31 May: municipal database was updated with 980 new tax payers in five villages and it is expected that municipal income will be increased by 1.5 million RSD. In the meantime, the EU PROGRES has set up a baseline measurement overview that will serve to assess the value for money effect of this activity during 2013 when the official data on 2012 tax collection rates will be available.

The LFM output will be fully achieved and exceeded, as it envisaged contracting and implementation of ten grants for tax payers’ database update.

2.5 Re-conceptualized. Support LSG to implement Programme budgeting
In light of legislative developments with regard to municipal finances, the EU PROGRES requested and got approval from its PSC in February 2012 for the reconceptualization of this activity, with a new approach that envisages support to five LSGs to implement programme budgeting.

All EU PROGRES municipalities were invited for a study tour to either Ivanjica or Pirot, two local self-governments that are already applying programme budgeting approach with the support of MSP IPA 2007, and 15 decided to participate. The tours were an opportunity to learn about differences between linear/functional budget systems (currently in place) and the programme budgeting approach, as well as theoretical basis of programme budgeting, possibilities of application within the valid legislative framework in Serbia and requirements for the fiscal period after 2015. The municipal staff from Ivanjica and Pirot presented why

95 Please see Annex II, attachment 2.2
96 All changes approved by the PSC will be formally submitted to donors in Q4 2012 to be included in addended contract documentation.
and how they embedded the programme budget for the fiscal 2012 and which process they had to go through.

All municipalities, including those that missed the study tours, will receive during Q3 2012 (after formation of newly elected governments) calls for expression of interest. Their returns will be used by the EU PROGRES LED Experts to complete assessments and recommendations for five that will be included into the process for the fiscal year 2013. It is planned that each of five municipalities will work with the EU PROGRES to model the costs of budget beneficiaries functioning primarily as activities and/or programmes (programme classification), not by the type of costs (exclusive use of the economic classification). The programme budgeting process will be accompanied by narrative description of programmes (activities), different employment indicators and statistic data that highlight the attributes needed in selecting the proposed alternative. Organizational units (budget beneficiaries) will introduce the component of responsibility for implementing the programmes and, consequently, improve management of the programmes. In effect, the programme budget should cause more transparent mechanism for monitoring budget expenditures and costs, more effective targeting of resources to solving concrete problems and enable decision makers to easily understand the connection between the requested funds, strategies, programmes and results. This all should lead to increased level of implementation of Local Sustainable Development Strategies, which was envisaged as one of the Programme outputs.

In terms of the timeframe, the entire budget cycle process for the fiscal 2013 starts with the issuance of the Budget Memorandum, which, again due to the elections, will most probably be two months late and can be, based on previous experience, expected in mid August.

Activity 2.6 – Introduce Quality Management System in Municipal Administration

Following the assessment of capacities\(^97\), recommendation was made that Vranje, Bujanovac, Surdulica, Novi Pazar and Ivanjica are selected for the Quality Management System (QMS)/Environment Management System (EMS) introduction\(^98\).

All five municipalities confirmed their interest and commitment to the process in early 2012\(^99\), after which the Request for Proposals (RfP) was advertised. The implementation was outsourced to a consultancy consortium between the Faculty of Organizational Sciences (FON) and TD Consulting from Belgrade. The tentative work plan has been drafted, and the activities will start as soon as the new local government bodies are formed.

The QMS/EMS provides a set of rules, processes and procedures necessary for planning and implementation of activities within an organisation. It should enable municipalities to improve efficiency in service delivery and better use of resources as the certification process should point to the bottlenecks in the administrative proceedings that can be simplified or eliminated. It will enhance transparency, by granting access to information about work of the municipal administration. And it will draw clear accountability lines. In turn, the administration should be motivated to apply the newly introduced practices, not only so that they obtain QMS ISO certificate, but also in order to truly improve performance of the local government.

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

Outputs:

\(^{97}\) Assessment criteria included: 1. Number and structure of employees in the municipal / city government; 2. Infrastructure; 3. Document management of existing municipal administration; 4. Organisation structure; 5. Communication

\(^{98}\) Full report is available at the EU PROGRES, upon request

\(^{99}\) Please see Annex II, attachment 2.3 for QMS expression of interest letters
- One detailed regulation plan (DRP) adopted in Sjenica. Four general regulation plans, 17 DRPs and one elaborate for special purposes under implementation. One additional GRP, nine DRPs, one elaborate for special purposes, one cadastre-topografic survey and two complete sets for geodetic surveys approved at the PSC meeting in April 2012.

- Specialised equipment delivered to the Urban Planning Directorates in Leskovac, Vranje and Novi Pazar.

- Identification of five municipalities for capital investment planning introduction is ongoing and will be finalised upon establishment of new local government institutions.

- Pilot project for water provision identified for Vranje, Novi Pazar and Surdulica.

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

The support for development of municipal spatial and urban planning documents has become one of the most time consuming activities due to the fact that budget savings achieved through public procurement have made another two rounds of support to planning documents possible. As a result, the number of prepared documents has almost doubled in comparison to the original plan: one detailed regulation plan (DRP) was already adopted in Sjenica; four general regulation plans, 17 DRPs and one elaborate for special purposes under implementation; one additional GRP, nine DRPs, one elaborate for special purposes, one cadastre-topografic survey and two complete sets for geodetic surveys were approved at the PSC meeting in April 2012.

However, following the PSC advice that due to long and frequent delays it may be prudent that EU PROGRES directly implements the projects, procurement modalities for each of the projects approved in April were identified. Direct procurement is expected during Q3 2012 for all newly approved projects except for DRPs in Vranje, geodetic surveys in Prokuplje and purchase of geodetic instruments for Novi Pazar and Leskovac. The purchase of geodetic instruments was justified by financial analysis of expenses occurred over the past two years in Leskovac and Novi Pazar according to which approximately two-three million RSD were paid for geodetic survey services annually. By using the geodetic sets, the cities will be able to prepare cadastre layers by themselves.

Almost every research of investment obstacles shows that the main problem to accelerated development and more effective and efficient project realization is the lack of planning and technical design documents. Therefore, all planning documents prepared with support of the EU PROGRES will lead to the resolution of ownership right issues, creation of technical designs and appropriate bills of quantities and realistic dynamic implementation plans. In addition, having in mind that a certain number of planning documents is related to industrial/commercial/tourist zones, looking in the long term, these plans should lead to increased business investments and creation of jobs, i.e. decreasing of unemployment rates, and positive impact on e.g. sustainable development side and preservation or remediation of environment.

Procurement of equipment for Urban Planning Directorates

The Urban Planning Directorates in Novi Pazar, Vranje and Leskovac received, during May 2012, software, hardware and furniture. This will result in their readiness for all technical
aspects of planning and plan development, e.g. production of GRPs and DRPs, that in turn will provide basis for faster and more effective construction and development.

**Infrastructure Master Planning**

As one of the results of the re-conceptualization, the infrastructure master planning, originally envisaged within this activity will become a part of a more complex and overarching capital investment planning process within Activity 3.2.

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

Following a high financial offer during the public procurement process for establishing monitoring and reporting mechanisms for implementation of Local Sustainable Development Strategies (LSDS) in late summer 2011, which could not be decreased in subsequent negotiations, the Programme decided to reconsider the approach to this activity. This was also deemed necessary as a proper multi-annual programme budgeting is not in place yet, which would make the EU PROGRES efforts feeble. Therefore, it was decided to support municipalities in producing plans for capital investments and thus complement the activities within 2.5 (programme budgeting). The capital investment plan should help municipalities to develop a long-term financial vision and to better utilise existing financial capacity and access external funding. The motion was approved by the PSC in February 2012 meeting, granting support to five municipalities for this effort.

As reported under Activity 2.5, two study tours were organised in May and five beneficiary municipalities should be chosen during third quarter 2012.

Integrative planning encompassing LSDS process, capital investment planning, spatial and urban planning and programme budgeting is referred to as the “future” of planning, especially considering the fact that many of these processes often run in parallel without real cohesion or synergy effects.

### 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

As envisaged by the work plan, the consultations about the approach for this activity started at the end of H2 2011 when several solutions were considered, in line with the assessment of the situation in the field. The Housing Strategies were deemed as potentially unachievable as they were not accompanied by appropriate financing mechanisms or valid normative acts. Furthermore, social housing settlements formerly owned by the state (social flats) have been mainly privatized and the remaining ones are scattered preventing a focused intervention.

Finally, it has been decided to put focus on the Roma settlements and attempt to improve their living conditions. The EU PROGRES PSC, in April 2012, approved inter-municipal project “Improvement of Roma Community Living Conditions” in Vranje settlement Koška, Novi Pazar settlement Blažević and Jelašnica in Surdulica, which mainly deals with the clean water provision. The project includes 150 Roma families in Vranje, 140 in Novi Pazar and 500 in Surdulica. Full project proposal was prepared in May and the next step is to issue three grant agreements with the local self governments. For all sub-projects within this larger “Improvement of Roma Community living conditions” project, the Roma National Minority Council has been and will continue to be consulted.

### Component 3: Physical, economic and social infrastructure

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

103 Funding from the project is coming from the budget lines of Activities 3.3 and 6.3
Key outputs

- Preparation of documentation for four inter-municipal infrastructure projects in progress
- Banjica Landfill – geological study completed; consulting company for redesign contracted
- Meteris Landfill – tender for development of technical documentation advertised
- Kopaonik Waste Water System – tender advertised for development of preliminary design with feasibility study for waste water system and for the study on water reserves
- Tender advertised for development of technical documentation for bypass road to industrial zone in Vranje
- Recycling centres – technical documentation completed for Vranje; Raška and Nova Varoš contracted consulting company for main and technological designs
- Eleven municipalities are getting support for development of technical documentation

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

Banjica Landfill redesign – there were long delays in obtaining the consent from the MoEMSP for the ToR for redesign (from July – December 2011). However, the consultations with the Ministry helped the Programme decide to conduct separate procurement for the geological study (originally planned to be part of a complex ToR), which made technical preconditions for the redesign clear. The geodetic study was completed in May 2012, and delivered to Nova Varoš, the lead municipality for the project. The hydrological and geomechanical studies were completed in June 2012 and they will serve as a base for redesign.

All activities within the Banjica Landfill project correlate to the Regional Waste Management Plan\(^{104}\), prepared by the MSP IPA 2007. A new inter-municipal project was approved by the PSC in April 2012, which covers the implementation of Regional Plan for Nova Varoš, Priboj, Prijepolje and Sjenica and complements the activities on the Landfill redesign\(^{105}\).

The project officer responsible for coordination of all Banjica Landfill activities\(^{106}\) and the implementation of the Regional Waste Management Plan started on 1 June. This will enable the EU PROGRES to take a holistic approach in dealing with waste management issues in the Banjica Landfill area. One of her first tasks is finalisation, with EU PROGRES consultants, a set of legal founding documents drafted in the summer 2011, and the business plan for the future company. This will be the first case in Serbia that managing authority will be established before the landfill becomes operational. This is also a precondition for attracting financial support from IPA funds and is a part of the process for establishing regional sanitary landfills envisaged by the Strategy on Solid Waste Management.

The Banjica Landfill project will improve the waste management in the region and significantly increase the number of people covered by the waste collection: from current 48%, by the end of the Landfill construction, planned for 2016, the coverage will be 80%\(^{107}\) of inhabitants of the four municipalities\(^{108}\). The Landfill should open 12 new jobs. With the careful application of good governance principles, the company that runs it should become sustainable, with clear mechanisms of accountability and transparency. Apart from this direct positive impact on environment the project is also successful in terms of collaboration.

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\(^{104}\) Which was adopted in all four municipalities by respective Assemblies

\(^{105}\) This project is described under activity 6.3.

\(^{106}\) This entails: development of technical designs for the landfill, transfer station in Sjenica and recycling centre in Nova Varoš, as well as coordination of good governance activities.

\(^{107}\) Source: Regional Waste Management Plan

\(^{108}\) Nova Varoš, Priboj, Prijepolje and Sjenica
with all relevant players in the field: the Ministry, the municipalities and the international development programmes. These partnerships should facilitate investment for the construction of the Landfill.

**Waste Water System for the National Park and Tourism Centre Kopaonik and Technical Study of Underground Drinking Water Reserves for Raška Municipality** – after months of discussions, the scope of works for this project was finally agreed in April 2012 and Raška prepared a project proposal for development of preliminary design with feasibility study for collection and treatment of wastewater for Kopaonik. The study will analyse two alternative solutions for the Waste Water Treatment Plants (WWTP) for Kopaonik: one in Lisina, the other in Rudnica. The preliminary design will be developed for the recommended option. The study of underground drinking water reserves for Raška municipality is also a part of the project. The Serbia Waters remains an associate and will be involved in issuing design conditions. All studies and designs will be handed over to the MoERD, once completed and revised by the MoEMSP. The EU PROGRES advertised, at the end of May, the ToR for technical study of water reserves and preliminary design with feasibility study for wastewater system.

This project is based on the MISP Feasibility Study for the wastewater treatment options for the Kopaonik. The pre-feasibility study and general design, done under EU funded PRO2 Programme, are the only documents which passed the revision in the MoEMSP, required by law for all infrastructure projects within the national park areas. MISP consideration of options from the general design was a direct result of the EU PROGRES efforts to coordinate activities with this programme and other stakeholders: the Water Directorate, the MoERD, the National Park Kopaonik and Raška municipality.

Along with creating preconditions to build communal infrastructure of approximate value of ten million Euros, which will enable sustainable tourism development of the National Park and Tourism Centre Kopaonik and in turn contribute to socio-economic development of Raška (and Brus), this project will also increase the capacity of municipalities for integrated infrastructure development as they will improve awareness of the need for complex coordination with all stakeholders while meeting multiple legal requirements. Furthermore, it will also contribute to municipal understanding of the need to comprehensively approach development of national projects on local territory. The project will directly impact almost half a million people – 43,000 inhabitants of two municipalities and approximately 440,000 tourists annually.

**Meteris Landfill** - the full project proposal to support preparation of the main technical design for the regional Meteris Landfill was approved by the PSC in April 2012; the tender was prepared and advertised immediately afterwards, with a closing date at the end of July 2012. This inter-municipal project is another good example of partnerships established: the Office for Sustainable Development of Underdeveloped Areas (OSDUA) will co-finance with 70,000 Euros preliminary activities for this project: cadastral and topographic plan, Detailed Regulation Plan (DRP) and Strategic Environmental Impact Analysis (SEIA). The USAID is preparing the Regional Waste Management Plan for seven municipalities in the Pčinja District, which should be ready by the end of August 2012. This Plan will provide a framework for the waste collection system and treatment, as well as operational and investment requirements. Meteris Landfill is already identified as regional in the National Waste Management Strategy. With the main technical design ready, the Pčinja municipalities will be able to apply for funding for construction of the Landfill (approximate value ten million Euros) and this effort will have a positive effect on environment and on lives of some 170,000 people.

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109 Protocol on cooperation of Pčinja municipalities on Meteris project is available as Annex III, attachment 3.3
Bypass Road to the Industrial Zone in Vranje – development of the main design was approved at the PSC meeting in April 2012. The tender was advertised immediately afterwards, with a closing date of end of July 2012. This project is important because it will enable the fast access to the Industrial Zone from the corridor X. By dislocating the heavy transport from the City the project will contribute to safer streets, reduction of the emission of gases, noise and pollution in the wider City centre.

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

Initial delays in implementing recycling centres’ projects\(^{110}\) amounted to seven months. There were different reasons for this: in Raška, the administration was waiting for consent from the MoEMSP for the location; in Nova Varoš there was postponement of co-funding contribution from the Eco Fund; in Vranje, the City could not finish the ownership and location issues.

Raška - the technological and main designs should finish by the end of August 2012, while the MoEMSP will equip the Centre by November 2012.

Nova Varoš received 24 million RSD co-funding from the MoEMSP’s Eco Fund in March 2012, to purchase the property for the recycling centre. The municipality completed the cadastre-topographic plan of underground and overhead installations and started work on the parcelling plan. The location permit was issued in May, and Nova Varoš signed a contract with consultancy for technological design, which will specify the equipment requirements for the recycling centre. The design should be ready by the end of July 2012. One of the approved activities within the Implementation of the Regional Waste Management Plan for Nova Varoš, Priboj, Prijepolje and Sjenica is equipping of the recycling centre, planned for September 2012.

Vranje – technological design was completed by the Belgrade Faculty of Technology and Metallurgy, while Vranje “GRAD” Architects finalised the main design. The City of Vranje now has all documents necessary to start construction and equipping of the centre, the subject of contract the City signed with the Eco Fund.

All activities regarding the recycling centres are in line with the National Waste Management Strategy. Recycling centres are an important element of integrated waste management. By recycling, the quantities of waste that end in the landfill are reduced, and thus the exploitation period for landfill is extended. Recycling conserves resources and protects the environment because it reduces the need for new raw materials. Recycling centres in Nova Varoš and transfer station in Sjenica should employ 23 people. It is expected that the profit of the Recycling Centres in Nova Varoš and Raška will be 18,000 Euros in 2015 and grow to 200,000 Euros by 2033 while in Vranje it should grow from 35,000 to 380,000 Euros in the same period.

A total of 110,000 inhabitants of Nova Varoš, Raška and Vranje are benefitting from recycling centres activities. Thirty-seven employments are expected in the centres.

As for technical assistance for preparation of the technical designs, the PSC in July 2011 approved funding for 20 projects. However, only 11 municipalities submitted location permits by the deadline set by the EU PROGRES and hence work has continued on their proposals. Seven tenders were advertised and four proposals from the reserve list are prepared by mid June.

The support given by the EU PROGRES has influenced doubling of the projects in the SCTM SLAP database, from 147 in May 2010 to 342 in May 2012. Direct links to the EU PROGRES support can be made for 61 projects included in the SLAP after May 2010. The potential,

\(^{110}\) Location permits for Raška, Nova Varoš and Vranje are available as Annex III, attachment 3.4
overall, investment value absorption of projects supported for development of technical documentation is estimated at 40 million Euros.

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
As agreed with the donors, this budget line has mainly been used to provide consultants who work on inter-municipal projects from the Activities 4.1 and 6.3. So far, support has been given for preparation of legal and business plan documents, as well as organisational structures, that will potentially lead to secured funding for further implementation: the Green Zone in Leskovac, the Pčinja District Regional Fruit Production Centre, the Pešter Development Centre and Banjica Landfill, to name a few.

The support from the consultants resulted in increased municipal capacities for public procurement. E.g. 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: in Blace, following faulty offers in the first round of procurement, the consultant supported negotiations in accordance with legal regulations; in Raška, assistance was given for the second round of tender after the first round yielded in financially unacceptable offers; in Bosilegrad the municipality was advised how to terminate a contract with the supplier. Overall, this meant that the municipalities, learning from previous procurements prepared accurate documents and consequently shortened time between adopting the decision for tender and contracting in the second call.

Finally, in late 2011, the EU PROGRES supported the Coordination Body of the Government of the Republic of Serbia for the Municipalities of Preševo, Bujanovac and Medveđa strategic planning meeting, at which economic projects for the three municipalities were designed. The Government of Serbia has subsequently approved funding of approximately 600,000 Euros for the projects identified at the meeting.

Result 6: Selected projects financed and implemented through PROGRES

Key outputs

- Ten inter-municipal and 30 small infrastructure projects are implemented
- Works on six small infrastructure projects completed: Blace, Prokuplje, Nova Varoš, Novi Pazar, Leskovac and Vladičin Han. Works on 24 local infrastructure projects ongoing
- Implementation of Leskovac Green Zone project in progress. Guidelines for Management and Operation of Agro-Industrial Park Green Zone Leskovac prepared
- Contract signed for Feasibility Study for Pešter Development Centre, final laboratory equipment list for CzDA prepared, conceptual design for the premises in Sjenica produced
- Six additional projects approved in April 2012 for: water supply to Roma settlements, flood protection in Raška river watershed, environmental protection of the Vlasina River, Regional Centre for day care and vocational training for people with disabilities, effluent metres for Pčinja municipalities, implementation of regional waste management plan
- Full project proposal developed for Improvement of fruit production in the Pčinja District

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

111 Please see statistical details about economic impact in respective projects, under Activities 6.3 and 6.4
In Prokuplje, the construction of the Plateau outside the Health Centre was finished and following small improvements requested by the commission, the project was successfully closed.

After long delays in solving the ownership issues, the main design for the project for regulation of Straževačka River project was finished in March 2012. The PSC in April 2012 approved the grant for the second lot for the regulation of the river but the municipality was slow in preparing the tender package due to the election campaign.

Two faulty valves needed to be replaced in the reconstructed school toilets in Blace and as soon as this was done, the project received positive commissioning report. Public procurement for the construction of the entrance to the Medical Centre is under way.

The works on stadium in Žitorađa should finish by the end of June 2012. The grant contract for the construction of dairy market has been signed and the municipality paid its contribution timely.

The longest delays were reported in Kuršumlija, which only in April 2012 managed to advertise for works on the central medical laboratory. In addition, the offers for the construction were much higher than budget approved and the municipality vowed to fund the difference. Delays also occurred in obtaining the approval of the fire department for the sports hall, which is holding off the public procurement. This has finally been obtained in June 2012.

Although the Programme envisaged specific infrastructure funds solely for Toplica municipalities, it soon became obvious that the capacity building in this District, which was not exposed to similar development initiatives previously, was much needed. Specific efforts were invested to elaborate on the technical and legal requirements for any building works and all four municipalities benefitted from the support provided by the EU PROGRES staff and consultants. As a result, and this was also confirmed during the revision of the Communications Strategy, the municipalities are aware of the need to abide by legal regulations in preparing infrastructure projects, and acknowledge the importance of technical designs and good specifications for tender packages.

In addition to improving condition of municipal infrastructure for the benefits of all citizens in the Toplica District (e.g. Blace school educates 1,000 children; laboratory in Kuršumlija should perform 240,000 analysis per year), this is an equally important outcome, as the capacity building through cooperation with the EU PROGRES should serve the municipal administrations in the long term.

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

Works are finished on a project which improves preventive health care for women and children and extends coverage for primary health services in Nova Varoš; in Novi Pazar on renovation of the heating plant in the Gimnazija which will bring about improved energy efficiency of boilers; in Leskovac on Kumarevo school, and Vladičin Han kindergarten that will both create enhanced working conditions for children and teachers, higher energy efficiency by using improved building materials. Works on remaining 14 local infrastructure projects is ongoing, while grants were signed for additional two projects in Novi Pazar and Vlasotince in June 2012.

The small infrastructure projects were a good on job training on project management for the municipalities, as they accepted grant methodology and saw the EU PROGRES monitoring role as a control mechanism as well as capacity building for project/contract management. The Grant Manager from Novi Pazar said they would consider FIDIC general conditions of contract for their infrastructure projects in the future. The director of Nova Varoš Health Clinic said the grant implementation team learned how to use contract and tender requirements to insist with the suppliers on warranty conditions.
All selected projects will improve living conditions in the entire EU PROGRES AoR, e.g.: working conditions in schools and kindergartens by increasing energy efficiency in buildings (Preševco school with close to 2,500 pupils, kindergartens in Raška, Tinj, Ivanjica and Vladičin Han); upgrading sanitary conditions (school in Kumarevo); improved water supply systems (Lebane, Trgovište), improved sanitary conditions at green markets (Bojnik). Finally, during the construction activities some 380 temporary jobs were created.

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

The Leskovac Green Zone is one of the projects showing how the EU funded monitoring and technical assistance supported a local self government to fulfil technical, financial and legal obligations: the City immediately transferred co-funding for the project as soon as the grant was signed in August 2011; works on a road that had ownership problems, that was immediately ceased by the EU PROGRES, were replaced with the works on another street within the zone, of the same quantity and contract amount with the City proceeding to adjust the design and permits to suit the new situation; finally, there has been cooperation in preparation of the "Guidelines for Management and Operation of Agro-Industrial Park Green Zone Leskovac", whose adoption awaits the Assembly session after recent forming of the local government. This project is also a good example of partnerships that the EU PROGRES facilitates. In November 2011, there was a study tour to the Netherlands and Italy, organised by the USAID Agribusiness project, with the aim to present different ownership and management models.

The 70-day delay in implementation occurred due to bad weather in the region. By mid-June 2012, 70% of works has been completed and the commissioning is expected for July. The Leskovac Green Zone should facilitate investments of 5.5 million Euros and create about 970 jobs within the next three years. Five investors have already expressed interest in opening facilities within the Zone: German LEMEX (1.5 million Euros and 120 new jobs), USA’s PEDIMENT Holdings (estimated 700 jobs), Healthy Fruit from Serbia (two million Euros and 50 new jobs), Italian Matielo (one million Euro and 50 new jobs) and Strela Klajić (one million Euro and 50 new jobs).

Along with this direct impact, the Green Zone is going to result in the improvement of agriculture production through establishment of cooperatives, associations and clusters and implementation of new technologies and standards. At least 200 local entrepreneurs (SME) will be engaged for logistic support to large investors (e.g. manufacturing of packaging) and at least 4,000 agriculture manufacturers/registered farms will be able to increase their economic activity through business connections with major manufacturers in the Zone.

Pešter Development

The PSC approved funds in the amount of 221,000 Euros, in July 2011, to build and equip the Pešter Agro Business Development Centre and to facilitate legal, administrative and sustainability requirements. The EU PROGRES initially signed a grant with SEDA for this, in August 2011, which had to be cancelled in January 2012, due to inability of the Agency to secure promised co-funding from member municipalities. Hence, a much smaller value, new, contract with SEDA was signed in March 2012, for HACCP training and registration of food cluster of agro-food producers.

This initiative is complementary to previously contracted project between the Czech Development Agency (CzDA) and SEDA to provide lacto freezers and equipment to the Centre’s laboratory.

During consultation process, it was ascertained that the feasibility study to define the scope of functions of the Centre, with a focus on the needs of laboratory, should be done. Hence, a contract was signed in January 2012, between the EU PROGRES and the Czech Embassy, for
58,883 Euros, for monitoring and supervision of establishment of food cluster, further training of food producers, development of the feasibility study and establishment of the Centre. The feasibility study should be ready by the end of July 2012.

In the meantime, lacto freezers were already purchased, the conceptual design for the Centre’s building in Sjenica was finalised in June, while the property issues with the parking lot in Tutin are expected to be solved by September 2012. This project is also a good example of multiple donor support to enhance results: USAID’s SLDP agreed to support SEDA in development of market analysis, value chain studies and focus group on clustering (the results of which will help EU PROGRES in creation of the cluster). The initiative is aligned with the establishment of the Regional Centre for Development of Agriculture by the OSDUA. Finally, the consultations with the Ministry of Agriculture, Trade, Forestry and Water Management were crucial in aligning the project with the national legal regulations.

It is expected that 45 households/farms will directly benefit from the activities of the project, while the economic benefits will be known once the marketing and business plans are developed.

In April 2012, the PSC approved six inter-municipal construction projects: finishing works on the Centre for people with disabilities in Novi Pazar; procurement of effluent metres for Pčinja District municipalities; environmental protection of Vlasina River; flood protection in the Raška river basin; Implementation of Regional Waste Management Plan for Nova Varoš, Priboj, Prijepolje and Sjenica; water supply to Roma settlements in Novi Pazar, Vranje and Surdulica.

Preparation of project documentation is underway and implementation expected to start in July 2012. The EU PROGRES considers direct procurement of works, goods and services for all projects except for water supply to Roma settlements which will remain grant modality. This will speed up the procedure and avoid delays with the public procurement, especially in light of the election activities.

All newly approved projects will increase the level of management, environment/flood protection, and contribute to fulfilment of the needs of vulnerable groups. E.g. the Roma settlements water supply will benefit 790 inhabitants (150 in Vranje, 140 in Novi Pazar and 500 in Surdulica), while the Raška flood protection project will prevent frequent damaging of buildings, roads and agricultural land, which in 2006 only was almost two million Euros.

6.4 Implementation of municipal infrastructure projects in Pčinjski District municipalities

As envisaged by the work plan, during H2 2011, there was an assessment of possible projects that could be supported within this activity, which should benefit Jablanica and Pčinja District municipalities. The Fruit Production project for Pčinja was recommended for funding for a number of reasons, as it: 1) could be linked to the Green Zone in Leskovac that will become a distribution centre and could potentially place all produce; 2) had cross-border effects with Macedonia, which was one of the conditions under which the money for Activity 6.4 was assigned to the EU PROGRES; 3) there was a large need for improved and increased production of fruit in the South, especially after recent acquisition of the juice factory in Vladičin Han by one of the largest producers “Nektar” which currently imports 90% of fruit, which would mean guaranteed placement of produced goods.

A consultant was engaged to help the inter-municipal working group produce a concept paper, which was approved in principle by the PSC in February 2012. In May 2012, the EU PROGRES consultant finalised the proposal for submission to the PSC. It has been agreed

112 According to Vladičin Han records.
that the lead municipality would be Vladičin Han\(^{113}\) while the Centre for Development of Jablanica and Pčinja Districts would be contracted for trainings of fruit producers. The EU PROGRES will directly procure for study tours, establishing of the experimental orchard and needed equipment as requested by LSG to ensure economies of scale and reduced prices. This project should result in establishment of a legal entity that will set up an efficient system of education and training of fruit producers. Some 200 participants, fruit producers, with at least 30% of women, will be included in the trainings. The project will contribute to completion of modernization of knowledge and skills of target groups in order to establish sustainable agricultural production and improve their economic situation. Finally, this project is complementary to cluster establishing activities within Component 2 and should multiply the effects.

**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**

**Outputs:**

- Communications Strategy and Communications Manual revised
- Four Programme Steering Committee meetings, including the first annual meeting, organised effectively gathering key local, regional, national and international stakeholders
- Art competition for high school students resulted in EU PROGRES 2012 Calendar
- EU PROGRES new visual identity and a new slogan created
- Signboards prepared for all projects, acknowledging Programme donors
- Three quarterly e-Newsletters prepared, including the annual edition for 2011, and distributed to about 1,000 email addresses
- Six high quality media reports promoting gender equality in the South West Serbia published by Sandžak Danas
- Organised ten high level functions including four on ambassadorial level
- EU PROGRES website regularly updated and visited 28,528 times, by 17,324 people from July 2011-June 2012
- Seven blogs published, from different contributors, on a gamut of themes
- Website section with reports in minority languages - Roma, Bulgarian and Albanian established
- Bosilegrad International Folklore Festival supported
- Celebration of World Roma Day supported
- Campaign promoting good governance in progress

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

The implementation of the Communications Strategy continues to contribute to increased awareness of target audiences about logic and effects of the Programme and brings appropriate visibility to its donors. During the reporting year, the following were accomplished:

1. Ten high level functions (compared to three in the work plan), including: visits by the EU Ambassador to Vranje and Leskovac, the Ambassador of Switzerland to Toplica as well as the Ambassador of Japan and the UN Resident Coordinator and to Novi Pazar. In addition large publicity was generated during the MoU signing ceremony between the Minister without Portfolio and the UNOPS/EU PROGRES, marking of

\(^{113}\) Municipal decisions to name Vladičin Han as the lead municipality are available as Annex III, attachment 3.5
the Roma Day in Leskovac and Belgrade (with participation of senior government officials).

2. There was a 50% increase in the number of press releases produced and distributed (16, compared to 10 planned) and media described their quality as highly professional. It is not rare that the press releases are published verbatim. Together with the interviews and press conferences organised during the year, 610 affirmative media reports about EU and Switzerland supported initiatives were generated, compared to planned 200, which positively contributed to visibility of the donors.

3. Seven blogs were published expressing personal views of EU PROGRES partners from various sectors (comparing to six planned): including the PSC Chairman Ognjen Mirić, urban planner Marin Krešić, Ambassador of Switzerland H.E. Erwin H. Hofer, Ivanjica LED Office Associate Dragana Bogdanović, Adviser to the Minister for Human and Minority Rights, Public Administration and Local Self-Governments, Aleksandar Radosavljević, EU PROGRES Good Governance Component Manager Dragan Mladenović and Director of the Coordination Body for Preševo, Bujanovac and Medveđa, Danijela Nenadić. The topics promoted good governance, municipal reforms and sustainable development.

4. The EU PROGRES website was visited 28,528 times by 17,324 people from July 2011-June 2012 (comparing to 10,000 planned). The website has been improved by the section with reports in minority languages - Roma, Bulgarian and Albanian. Information on approved grants/contracts has been regularly updated thus enhancing the Programme’s transparency.

5. Three quarterly e-Newsletters were distributed, including the annual edition for 2011, to about 1,000 email addresses – over 700 addresses in Serbian language and about 300 in English. It is estimated that a much larger number of recipients was exposed to the Newsletter since it is being electronically forwarded and distributed within groups of readers and within different organisations internally. Positive feedback has been received for the Newsletter from eminent representatives of other development programmes (PBILD, USAID SLDP), and high officials from UNOPS Regional Office in Copenhagen - “Thank you very much for the excellent work undertaken by the EU PROGRES team”, “I like your innovations.”

6. Six high quality media reports promoting gender equality in the South West Serbia have been published within the media project with Sandžak Danas, which has a circulation of 3,000 copies.

7. Three community initiatives have been supported - Bosilegrad International Folklore Festival, the EU PROGRES Day in Novi Pazar and Celebration of the World Roma Day in Leskovac. All contributed to promotion of diversity and cultivating relationship with the local communities while at the same time generated positive publicity for the Programme and its donors.

8. The EU PROGRES calendar for 2012 also promoted diversity of cultures, ethnicities, tradition and religions in Serbia, and gave support to artistic talents and encouraged their learning and development. Students from 27 high schools in the South and South West Serbia submitted 119 art works on the topic “Serbia-Embracing
Civilisations” making this a significantly higher turnout in comparison with 18 schools last year.118

9. Finally, four Programme Steering Committee meetings, including the first annual meeting, were organised effectively, gathering key local, regional, national and international stakeholders providing opportunity for a quality discussions about topics related to project implementation. The meetings were organised in different municipalities and there have been efforts to attract public attention to some remote areas, e.g. Bosilegrad, Sjenica and Trgovište.

At the start of 2012, Communications Strategy and Communications Manual have been revised as per recommendations from the donors, SEIO, local stakeholders and independent consultant.119 The revision was preceded by a desktop assessment of EU PROGRES strategic communication documents, in depth face to face interviews with 23 stakeholders in Novi Pazar, Prokuplje, Leskovac, Vranje and Bujanovac, content analysis of randomly selected media articles and a focus group meeting on communications with donors and SEIO.

The process showed that the Programme was highly successful in conveying its key messages, with different stakeholder groups echoing an assortment of themes - awareness of donors support raised, good governance is becoming increasingly recognised, EU PROGRES seen as development stakeholder. In terms of communication and visibility, the interlocutors ranked the EU PROGRES as one of the leading development initiatives in the South and South West Serbia. It was commented that the Programme staff are committed and have professional attitudes. The Programme has also made a remarkable impact in communicating good governance, and the interviewees were cognizant of the key messages: the requirement to involve citizens, effectiveness and accountability.

Some recommendations from the Revised Strategy have already been addressed:

1. The refreshment of visual identity has been completed. There is a new slogan used by the Programme “One Good Turn Deserves a Better One” and promotional material has been published.120

2. Engagement of DEU and SDC continues and there has been participation of both EU and Swiss Ambassador in Programme events. In addition, senior officials continue to take part in the PSC meetings.

3. Campaign for ‘bringing closer Europe to the public’ in the EU PROGRES AoR will be advertised at the beginning of July following final consultations with the stakeholders. Within the campaign, one of the activities is a seminar for journalists to increase reporting about the EU PROGRES messages.

4. Distribution lists for e-publications are constantly updated and a bullet pointed summary of key topics is included in the body of the email.

5. Real life stories have been used to communicate outcomes – success stories for annual report publication and contributions for the newsletter/website.

The EU PROGRES continues to promote partnerships and cooperation among stakeholders on local and regional levels, which has resulted in multiplying effects of intervention.121

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118 The e-version of calendar is available on: http://www.progresprogram.org/dokumenti/sr/1_137_EU_PROGRES_Calendar_2012.pdf
119 The revised Communications Strategy is available at the EU PROGRES
120 Please see Annex IV, attachment 4.3 for a sample of refreshed visible identity
121 Please refer to activities within Components 1, 2 and 3.
7.2 Information-education and/or advocacy campaigns are implemented in partnership with civil society

The launch of the Good Governance (GG) campaign was postponed for a month due to bad weather. It started in April 2012, with public debates in Novi Pazar, Leskovac and Vranje\textsuperscript{122}, gathering over 100 representatives of the key stakeholders (LSG, CSO, media, business sector). Transparency and accountability have been identified as the biggest concerns in the implementation of good governance principles. It has been agreed that all key players are responsible for the outreach of public information and that they will stay committed to its improvement.

During three open classes for high school students in Raška, Kuršumlija and Bujanovac, for around 100 students, GG discussion was centred around the work of School Parliament and pupils identified partocracy as one of the biggest reasons for unemployment of youth in Serbia. There was a general impression that pupils were interested in GG, but they were not often in a position to exercise their rights, which resulted in low motivation for action.

Campaign visual materials (posters, leaflets and wobblers) were distributed and displayed mostly in the Citizens Assistance Centres, healthcare centres, post offices and schools, but also during public events, and were given to local CSOs, business associations and media. One of the dominant comments was that the materials precisely communicate the essence of good governance and questions that are bothering citizens and are not yet resolved. The TV spots in Serbian and Albanian were distributed to local stakeholders and media and uploaded on EU PROGRES YouTube channel.

The campaign, in the first four months has generated over 50 media reports, of which over ten in national media (Blic, Beta, FoNet, RTS, Danas, Privredni Pregled, Press) and a significant number of reports in local and regional media the Programme area. Most importantly, the campaign has contributed to putting good governance on the public agenda and initiated influential government officials to make statements about good governance principles: the Mayor of Leskovac said during the debate in the City that “fighting the corruption and improved local governance would be priorities of local government”; in Blace, the Mayor said “there was no local progress without good governance and public participation. Transparency in our work is the basic principle that we shall follow, citizens have the right to know how we are spending public resources.” Media coverage with such messages, that reaches multiple audiences, is bound to contribute to increased understanding of good governance, municipal reforms and sustainable development throughout the EU PROGRES AoR.

Furthermore, one of the campaign activities was to analyse 25 municipal websites. Recommendations were made to each local government how to improve their web portals in order to comply with the five principles of good governance and enhance overall transparency. These changes are expected in the coming months.

The GG campaign also influenced decision of Novi Pazar, Bujanovac, Raška and Kuršumlija to introduce name tags for employees in citizens’ assistance centres, while five other are planning to do the same by the end of campaign.

Finally, the public debates will produce a set of recommendations that will serve as a basis for Programme advocacy efforts, after the campaign is finalised.

The second campaign “Bringing Europe closer to Serbian Citizens” has been prepared and its implementation is expected from October 2012-May 2013\textsuperscript{123}.

\textsuperscript{122} Organised in May 2012
\textsuperscript{123} Draft ToR available at the EU PROGRES.
Result 8: A plan to develop the areas’ images and self-images as unique regions of Europe is established and implementation begun

Outputs:
- Seven branding projects within five branding plans selected for funding

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

Seven branding projects, within five branding plans, worth up to 175,000 Euros were selected for support: Plum Days Festival (Blace), Cherry Festival (Leskovac, Bojnik, Lebane), Marketing plan for the Green Region (Leskovac, Bojnik, Vlasotince and Lebane), Golija Lakes - Myths and Legends (Ivanjica), Novi Pazar Way of Living (Novi Pazar), Branding the production of cheese, prosciutto and potatoes from the Pešter plateau (Sjenica, Tutin), Vlasina Lake - Health factory (Surdulica)\(^ {124}\). Three have been submitted to the UNOPS Headquarters for the final go-ahead, while the others will be contracted in July 2012.

The projects were prepared following three workshops organised by the EU PROGRES and with mentoring support from the British Yellow Railroad Consultancy. Participants praised the workshops as a format that reinforced discussion and interaction between different municipalities, which was much needed for networking\(^ {125}\).

The focus of all projects is on economic/business development, based on a sound branding strategy, in order to maximise the market potential of the regions and municipalities, rather than to purely focus on branding per se. This introduces a greater degree of business logic and pragmatic flexibility, which still places branding at the heart of the business process, but recognises that some projects also involve marketing, product development and skills training to be successful. The projects have selected based on their cross-sector and inter-municipal co-operation on a theme, which should maximize the effect and results.

The EU PROGRES will continue to seek opportunities to discuss branding plans with the Serbia National Tourist Organisation and the National Regional Development Agency, to support the co-operation and inclusion at the national level 2013+ and in later international marketing.

3 Assumptions and Risks

3.1 Assumptions at different levels

<table>
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<tr>
<th>Item</th>
<th>Assumption</th>
<th>Assessment &amp; Management Issues</th>
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<tbody>
<tr>
<td>1</td>
<td>Overall political stability is maintained, and relations with the EU are consolidated and strengthened</td>
<td>The Parliamentary, local and Presidential elections were held in May 2012. The leader of the Serbian Progressive Party (SNS), Tomislav Nikolić was elected the President. Although many feared instability, especially in relations with the EU, the President paid the first stately visit to Brussels and said that there was no better future for Serbia than the EU. The Government is expected to be formed by the SNS, Socialist Party of Serbia and the United Regions of Serbia and many local governments may resemble this coalition. Those three parties</td>
</tr>
</tbody>
</table>

\(^ {124}\) List of branding proposals, scores and recommendations is available in Annex IV, attachment 4.4

\(^ {125}\) Branding workshop evaluation available at EU PROGRES
<table>
<thead>
<tr>
<th>2</th>
<th>The Government of Serbia remains committed to implement the Strategy for Public Administration Reform, with emphasis on accelerating and completing the decentralization process.</th>
</tr>
</thead>
<tbody>
<tr>
<td>3</td>
<td>Key stakeholders, especially cities, towns and municipalities, willingly participate in activities under the Programme.</td>
</tr>
<tr>
<td>4</td>
<td>Officials who do not recognize importance of cooperation with the civil society (and vice versa) are supportive of CIF activities. The CIF Regional Selection Committee knows situation well in SW and South Serbia and shortlists projects in accordance with criteria. Sufficient number of good quality projects receives funding.</td>
</tr>
</tbody>
</table>

On a declarative level, all municipal assemblies have voted to cooperate with the EU PROGRES. Furthermore, attendance at events organised by the Programme shows willingness to participate in the activities. A new round of presentations of the Programme and its achievements to date is planned in autumn, upon establishment of all local governments.

The Programme has a demand based approach and the flexibility to ensure that beneficiary LSGs commits to active participation: the competitiveness of the grants’ schemes, nature of infrastructure projects and the co-funding requirements.

On the other hand, the cut in transfers increases demand for EU PROGRES support in preparation of planning documents and projects, as LSGs seek alternative forms of financing for priority activities and plan for increased independence from the central government transfers.

Finally, the LSG expectations in EU PROGRES were very high at the start of the Programme and some backlash from LSG that have not won projects or funding is being experienced.

Forty-four proposals were received during CIF-2 CfP and 30 were recommended for funding. Despite a much smaller number of proposals than in the first round (167), the entire CIF-2 budget is expected to be committed immediately after the PSC meeting in July, as the quality of projects was high.

Out of 15 CIF-1 grantees that applied for funding in CIF-2, 13 were recommended for granting. It was obvious, as claimed by the internal auditors, that the instructions provided during a number of trainings and in work with the EU PROGRES staff, have been taken aboard. Finally, eight partnerships from CIF-1 projects are still in place for CIF-2.

The CIF Selection Committee had a superb knowledge of the issues in the South and South West Serbia and shortlisted projects in accordance with the criteria.
<table>
<thead>
<tr>
<th>Page</th>
<th>Text</th>
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</thead>
<tbody>
<tr>
<td>5</td>
<td>The chosen statistical sample for Citizens’ Satisfaction Survey, which could be small due to financial constraints, reflects citizens’ satisfaction with municipal services. Municipalities, which normally do not monitor their services, are willing to act upon results of the CSS.</td>
</tr>
<tr>
<td>6</td>
<td>The first CSS was done in a professional manner, with a representative sample that could give an overview of the citizens’ satisfaction with the municipal services. Generally, the results were very well received by the officials. The same model will be used for the second CSS envisaged for the end of Programme.</td>
</tr>
<tr>
<td>7</td>
<td>The Parliament of Serbia adopts Law on Free Legal Aid. Citizens are well informed about the existence of the Citizens Advisory Service. The Law on Free Legal Aid is still not in place, but there is a Strategy on Free Legal Aid and the Law on Local Self Government which stipulates that LSGs could organize provision of free legal assistance. In addition, the Constitution of the Republic of Serbia, in its Article 67, guarantees to each individual the right on legal assistance. There are currently three CASs operating – in Novi Pazar, Prokuplje and Žitorađa, while the EU PROGRES has advertised for the opening of the fourth – in Preševo. Citizens are well informed about the CAS and so far 600 clients, from most vulnerable and marginalised groups, have been able to access free legal aid.</td>
</tr>
<tr>
<td>8</td>
<td>Line Ministries have outreach and capacity to efficiently deal with planned common activities and projects. Due to extensive obligations and abundance of own actions, line ministries are not always able to actively follow and participate in all agreed activities. This sometimes results in delays in implementation of the EU PROGRES plans. To overcome these delays the Programme, where and when possible, takes up additional activities to support the line ministries.</td>
</tr>
<tr>
<td>9</td>
<td>Government and local government officials who have not been inclusive in the process of budget planning, recognize the importance of such approach. The municipal annual budgets are prepared on the basis of previous budget, taking into account inflation, potential increase of income and new expected spending. In order to have relevant developmental budget it is necessary for all stakeholders to take part in preparation of the budget proposal and respect developmental needs of the municipality. Increasingly, there is understanding with the local self government officials that the budget planning process must be inclusive.</td>
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<tr>
<td><strong>10</strong></td>
<td><strong>PUCs, whose work has not been transparent to date, and which are not answerable to local assemblies, are willing to participate in the Programme and improve their accountability</strong></td>
</tr>
<tr>
<td><strong>11</strong></td>
<td><strong>LSGs, who have been neglecting gender issues, become aware of legal obligations and willing to work towards achieving gender equality in their municipalities</strong></td>
</tr>
<tr>
<td><strong>12</strong></td>
<td><strong>Media have capacity and knowledge to satisfactory implement public campaigns</strong></td>
</tr>
<tr>
<td><strong>13</strong></td>
<td><strong>Politicians in SS overcome their self interest and through moderation start including others in the works of LSGs</strong></td>
</tr>
<tr>
<td><strong>14</strong></td>
<td><strong>Municipal officials regularly approve participation of their staff in trainings and same persons continually participate in training sessions</strong></td>
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<td>15</td>
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<td>16</td>
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<td>17</td>
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<td>18</td>
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<td>19</td>
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<tr>
<td></td>
<td>20</td>
</tr>
<tr>
<td></td>
<td>21</td>
</tr>
</tbody>
</table>
Announced financial sources from Serbian Government, World Bank, EBRD, and other donor programmes are in place. This assumption was correct. Despite economic crisis, most of envisaged financial sources are in place. In addition the current changes in the Law on Financing of LSGs will lead to rebalance of the state budget which can again make changes in priorities of financing.

Slow process of issuing building permits, due to inefficiency of cadastre and municipal administration, often prolong start of construction works. During the implementation of EU PROGRES this assumption has been proven right and the support given to municipalities in preparation of these documents was more than relevant.

Programme donors have been supportive of EU PROGRES and their messages in public appearances positively impacted implementation of the Communications Strategy. So far, sporadic attempts to misuse Programme and its results for political promotion were not harmful.

3.2 Risks and flexibility

The Programme Team is carefully monitoring potential risks and in consultation with the Programme’s stakeholders and the Programme Steering Committee, takes counter measures. Below are updated risks and management approaches:

<table>
<thead>
<tr>
<th>RISK</th>
<th>Probability</th>
<th>Likely Impact</th>
<th>Assessment &amp; Management Issues</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Elections. National and local elections were held in May 2012 and may bring about interruptions in continuity of the activities started with the previous local and national Governments</td>
<td>Moderate</td>
<td>High</td>
</tr>
<tr>
<td>2</td>
<td>Financial viability of municipalities. In last 3 years transfers from central government to municipalities were drastically cut, putting a</td>
<td>Moderate</td>
<td>High</td>
</tr>
<tr>
<td>Number</td>
<td>Problem</td>
<td>Level 1</td>
<td>Level 2</td>
</tr>
<tr>
<td>--------</td>
<td>-------------------------------------------------------------------------</td>
<td>---------</td>
<td>---------</td>
</tr>
<tr>
<td>1</td>
<td>Number of poorer municipalities at risk of bankruptcy. Bankruptcy would require central government intervention, administration and renewed elections. They would prove highly disruptive for processes of municipal development and investment plans</td>
<td>Low</td>
<td>High</td>
</tr>
<tr>
<td></td>
<td>stipulates separate accounts for implementation of projects with, established double signatories. This considerably lessens potential for damage to the Programme. Furthermore, payment schedules are based on outputs only and all payments are audited. In case of bankruptcy of any municipality a contingency plan will be developed with line Ministry and given for approval to the PSC.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Lack of cooperation between the EU PROGRES and other Programme interventions in the field</td>
<td>Low</td>
<td>High</td>
</tr>
<tr>
<td></td>
<td>The EU PROGRES team has actively participated in meetings organised within the AoR and facilitated cooperation mechanisms with other programmes in the field. For details, please see section 1.6 of this report.</td>
<td></td>
<td></td>
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<tr>
<td>4</td>
<td>LSGs have insufficient financial capacities to finance their own contribution to the grants awarded by the EU PROGRES</td>
<td>High</td>
<td>High</td>
</tr>
<tr>
<td></td>
<td>During the second year of implementation, several municipalities did not have sufficient budget to co-fund the grants awarded by the EU PROGRES, but applied for and won finances from the Government’s ministries or institutions. Furthermore, delays in establishing the Government, after 6 May elections, may impact execution of 2012 budget, but also challenge preparation of 2013 budget. This in turn could affect local self government capacities to co-fund projects. Cases must be examined individually in order to implement priority projects with or without municipal co-financing. Those cases will be presented to the PSC for final approval.</td>
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<tr>
<td>5</td>
<td>Severe weather and other natural disasters. Much of the territory covered by the PROGRES is subject to severe weather conditions: snowfall, droughts and floods. Additionally, there is a small risk of earthquakes, particularly in the Preševo Valley. This could delay implementation of construction projects, and change Programme priorities.</td>
<td>High</td>
<td>Medium</td>
</tr>
<tr>
<td>6</td>
<td>Increased donor activity in the region leads to overlaps and confusion within the municipal management structures</td>
<td>Medium</td>
<td>Medium</td>
</tr>
<tr>
<td>7</td>
<td>Interethnic tensions in South West Serbia.</td>
<td>High</td>
<td>Medium</td>
</tr>
<tr>
<td>8</td>
<td>Possible changes in municipal management before elections</td>
<td>Medium</td>
<td>High</td>
</tr>
<tr>
<td>9</td>
<td>Slow administration procedures on local level</td>
<td>High</td>
<td>High</td>
</tr>
</tbody>
</table>
4 Implementation

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)\textsuperscript{126}. This allowed the former Municipal Development in South West Serbia (PRO) team to seamlessly set the basics and commence activities for the new Programme in the South and South West Serbia.

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 Government of Serbia and the DEU recommended to the European Commission (EC) in Brussels to reallocate 600,000 Euros to EU PROGRES from the Cross Border Cooperation Serbia - Macedonia Programme, for support to the initiatives in the area which has been eligible under this funding. The DEU contract was amended in March 2011, to add the funds to the Component 3 - Physical, Economic and Social Infrastructure, enabling implementation of additional projects.

The SDC approved the execution of a contract with UNOPS, from 1 November 2010 to 31 October 2011. A request for contract extension with a budget reallocation to necessitate lessons learnt in the first year, especially in the good governance as a cross cutting issue, was sent and executed by the SDC on 1 November 2011, which allowed the multi-donor action to continue to be fully aligned and thus to ensure that all parties fully meet their stated outcomes.

The Ministry of Foreign Affairs of the Czech Republic executed a Contribution Agreement with UNOPS concerning the implementation of the Pešter Plateau Agro-Business Development Centre through the EU PROGRES, of total value of 58,883 Euros\textsuperscript{127} for the period of 1 January to 31 December 2012.

A Memorandum of Understanding (MoU) between the UNOPS and The Office for the Sustainable Development of Underdeveloped Areas (OSDUA) of the Republic of Serbia was signed on 15 July 2011. The purpose of the MoU is to provide framework of cooperation to achieve the overall EU PROGRES Programme objectives, but more specifically cooperate on producing results on Activities 4.1, 4.2 (preparation of documentation of economic, environmental and social projects) and 6.3 (support implementation of projects of Inter-municipal or of national importance).

\textsuperscript{126} This was also agreed by the Government and the Delegation of European Union
\textsuperscript{127} The contract was signed in USD, for the amount of 76,076.48
The total cost of the Programme, with the co-funding secured from municipalities, the Government of Serbia and donors, as of 31 May 2012, will be at least 18.75 million Euros. More details on co-funding are available in Annex V, attachment 5.1.

During the first year Programme became fully operational. This enabled significant increase in Programme delivery in the second year, from Euros 1,289,349.73 in May 2011, to Euros 5,435,173.48 in May 2012. This trend is constantly on the rise. More details of EU PROGRES delivery can be seen in Annex V, attachment 5.2 Graph of Expenditures as of 30 June 2012.

Serious delays in Programme implementation occurred at the start of 2012, with the state of emergency introduced due to harsh winter weather. This combined with the low partners’ capacities to implement grants and pre- and post- election activities resulted, in some cases, in several months’ postponements of actions.

Although the Parliamentary and local elections were held in Serbia in May 2012, at time of writing this report, the Government of Serbia is still not in place. Establishment of new ruling coalitions’ at local and national levels and start of their functioning will take at least another two months as many are waiting for the final outcome of the state-level coalition negotiations. However, it is likely that the new Government formed will remain committed to the road towards the European Union.

Finally, the Mid Term Evaluation Team, consisting of team leader and one team member was commissioned via SEIO and donor supervision, at the beginning of May 2012, for the evaluation of the Programme. The selection process was managed and chaired by the Government and the Programme donors. There were three main objectives of the evaluation. First, to assess the progress made towards the intended impact of the Programme to date, including the impact and achievements thus far. Second, to draw out the lessons learned by all stakeholders to provide guidance and recommendations for effective implementation of the remaining Programme period. Third, in the light of the experience so far, it was to assess the design and planning documents of the Programme and identify any modifications that could realistically improve the likelihood of greater Programme impact. The draft Mid Term Evaluation Report was sent for comments to the SEIO and the donors at the end of June and will be presented at the PSC meeting in mid July 2012.

### 4.1 Physical and non-physical means

This section details information about resources needed and deployed, including Programme costs/finances, necessary human resources, logistics/travel, office and information communication technologies, procurement, as well as security.

The EU PROGRES project offices keep financial and administrative records according to the UNOPS rules and procedures, using double-entry bookkeeping system. Specifically, the Programme keeps:

- Accounting records (computerised or manual) from the UNOPS accounting system such as general ledger, sub ledgers and payroll accounts, fixed assets registers and other relevant accounting information
- Proof of procurement procedures such as tendering documents, including bids and evaluation reports
- Proof of commitments such as contracts and order forms
• Proof of delivery of services such as approved reports, time sheets, transport tickets (including boarding passes), proof of attending seminars, conferences and training courses (including relevant documentation and material obtained, certificates), etc.
• Proof of receipt of goods such as delivery slips from suppliers
• Proof of purchase such as invoices and receipts
• Proof of payment such as bank statements, debit notices, proof of settlement by the subcontractor
• For fuel and oil expenses, a summary list of the distance covered, fuel costs and maintenance costs.

For staff, payroll records, contracts, salary statements and time sheets are regularly updated. For local staff recruited on fixed-term contracts, details of remuneration paid, duly substantiated by the person in charge locally, broken down into gross salary, social security charges, insurance and net salary are kept.

Human resources
In order to achieve full staffing and support by competent experts for Programme implementation, further recruitments were conducted during year two:

• Project coordinator for good governance, as of July 2011
• Deputy Programme Manager brought on board from 1 December 2011
• All full time and retainer staff contracts due to finish in December 2011 extended for one year
• Operations Manager appointed ICA reviewer for EU PROGRES cases. This will quicken the review and award procedure for both local and international ICAs
• ToRs of the project management have been changed to include Good Governance as a crosscutting issue in quantities terms (20% of time for Deputy Programme Manager and 10% for the Component Managers)

HR statistics:

<table>
<thead>
<tr>
<th></th>
<th>Number of staff contracts administrated</th>
<th>102 (101 Individual Contractors Agreements plus 1 Fixed Term Appointment)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>Number of Amendments issued</td>
<td>50</td>
</tr>
<tr>
<td>3</td>
<td>Number of contracts in total value above Euros 37,500\textsuperscript{128}</td>
<td>62</td>
</tr>
<tr>
<td>4</td>
<td>Number of contracts in total value below Euros 37,500\textsuperscript{129}</td>
<td>31</td>
</tr>
<tr>
<td>5</td>
<td>Percentage of female candidates that applied for a post in the Programme</td>
<td>37%</td>
</tr>
<tr>
<td>6</td>
<td>Percentage of female employees</td>
<td>39.53%</td>
</tr>
</tbody>
</table>

It is estimated that for each 50 contracts two staff members have to handle recruitments and two staff deal with administration. EU PROGRES did it with half of that. Average recruitment process for national or international staff takes up to two and half months. On average, EU PROGRES did 4.25 recruitments per month.

Full details on staff contracts are available in the Contracts table, Annex V, attachment 5.3.

\textsuperscript{128} UNOPS authorisation levels are set in USD and this is equivalent to USD 50,000

\textsuperscript{129} As above
Logistics/Travel

- All logistics and travel arrangements are in place
- New vehicle from SDC funds procured as part of the extended Contribution Agreement with SDC
- Government of Serbia declared a state of emergency in the whole of the country from 5 until 26 February 2012. This in effect did influence project implementation, as most of the municipalities were struggling with keeping the basic municipal infrastructure running. In some cases municipal state of emergency was longer than the one declared for the whole country. This virtually put the project implementation on ice for at least 45 days. During the week of 13 to 17 February 2012, working from home was granted to staff due to dangerous driving conditions
- During May 2012 a serious car accident occurred. No injuries to staff involved, only damage to Programme vehicle. Impact limited to reduced number of project vehicles until the car in question is repaired and serviced. Estimated to six weeks minimum

Information Communications Technology

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

Administration/procurement

- EU PROGRES Procurement Assistant appointed as Procurement Advisor. This gives the Programme pre-clearing rights for contracts above 50,000 USD, which will increase efficiency of the Programme support unit
- A formal complaint from Edukaciono humanitarna organizacija –EHO, Prokuplje was submitted to EU PROGRES, the donors and the UNOPS HQ. The complaint was thoroughly investigated by both the EU Direct Expenditure and External Aid (OLAF) Office and by the UNOPS Ethics and Complaints Office and was dismissed as unfounded by all
- Programme Manager granted Procurement Practice Delegation of Authority Level 2, enabling approval of procurement and HR cases up to 250,000 USD. This quickens the review and award procedure for all procurement cases
- Complete inventory account of programme assets checked – all accounted for
- A number of cases were approved for direct implementation by the PSC. Details are available in Annex V, attachment 5.3.

Statistics on procurement:

<table>
<thead>
<tr>
<th>1</th>
<th>Number of procurement cases administrated</th>
<th>210 (Year 2010 – 69; Year 2011 – 111; Year 2012 - 30)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Cases by value of procurement:</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Total value above 37,500 Euros(^{130})</td>
<td>13</td>
</tr>
<tr>
<td>3</td>
<td>Total value between 1,875 Euros and 37,500 Euros(^{131})</td>
<td>98</td>
</tr>
</tbody>
</table>

\(^{130}\) UNOPS authorisation levels are set in USD and this is equivalent to USD 50,000

\(^{131}\) As above. Between USD 2,500 and 50,000
As Grant Support methodology is the implementation modality of the Programme, below is the overview of grant process and statistics on grants:

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Number of Grants administrated</td>
</tr>
<tr>
<td>2</td>
<td>Number of Amendments to Grant Agreements</td>
</tr>
<tr>
<td>3</td>
<td>Number of instalments / payments to grantees to be made according to the above grants</td>
</tr>
<tr>
<td>4</td>
<td>Number of Grants with total value above 37,500 Euros</td>
</tr>
<tr>
<td>5</td>
<td>Number of Grants with total value below 37,500 Euros</td>
</tr>
<tr>
<td>6</td>
<td>Number of Finance verification visits</td>
</tr>
</tbody>
</table>

**Security**

- Only one major security concern related to Programme implementation emerged - the state of emergency declared by the Government of Serbia due to bad weather conditions. The influence it had on Programme was mainly in delays in project

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132 As above. Under USD 2,500
implementation and restricted travel. Other incidents, such as the arrest of Goran Hadžić and Northern Kosovo\textsuperscript{133} blockade did not affect activities in the EU PROGRES AoR

- In response to UNHCR office closures in June 2012, the EU PROGRES Programme Manager was appointed the UN Area Security Coordinator for Central and South West Serbia, with the Operations Manager appointed as Deputy Area Security Coordinator.

**Finance**

- Project delivery and expenditure ratio is gaining momentum, as explained and presented in Annex V, attachment 5.2
- Increased project delivery will require increase of bank limit in order to process payments efficiently - bank account imprest level increased from 10 to 40 million RSD. This also helps project delivery
- Due to extensive travel for project implementation, travel costs related to specific sub-projects (components of the Programme) are charged to corresponding activity and component
- The second tranche from DEU received (Euros 4,894,962.76)
- The third tranche from SDC received (Euros 314,445)
- The fourth tranche from SDC received (Euros 500,000)
- 2011 Year End Closing of Accounts completed successfully
- New project for Pešter Plateau opened in Atlas – fund (1,500,000 Czech Korunas) received
- Operations Manager appointed Finance Manager Level 2. Finance Assistants appointed Finance Authority Level 1. This will enable EU PROGRES payments to be processed in house through the Local RSD bank account thus increasing project efficiency and delivery
- Verification of expenditures for Grant Agreements in progress
- Exchange rate fluctuation can have significant effect on the buying power of the Programme. This is not unexpected when dealing with three currencies (RSD/USD/Euro). Careful planning of commitments is in place and is monitored on permanent basis
- System for tracking and monitoring of co-funding discussed and agreed among project staff. This provides clear picture on resource mobilization
- 2011 Certified Financial Statement is attached to this report
- May 2012 Interim Financial Statement is attached for Information purposes only

Statistics on finance:

\textsuperscript{133} Under UNSCR 1244/1999
1. Estimated number of financial transactions

More than 6,000
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.

Examples of the above

2. Number of accounts payable

2,081

3. Number of Travel Authorizations


For information on distribution and allocation of funding per components as of 30 June 2012, please see Annex V, attachment 5.4. For details of distributions per municipalities and regions, as of 30 June 2012, please see Annex V, attachment 5.5.

4.2 Organisation and implementation procedures

The principal parties involved in the Programme and their responsibilities are as follows:

The United Nations Office for Project Services
The UNOPS has the overall responsibility for Programme implementation, for achieving the Programme objective through the delivery of Programme results.

All Programme staff are positioned in two project offices: one in Novi Pazar and the other in Prokuplje, with a sub-office in Vranje. The staff are accountable to their line managers for performance.

In March 2012 UNOPS Executive Director and EMO Regional Director made a decision to include in the organizational structure an entity called Serbia Project Centre (SRPC). This was a direct result of EU PROGRES implementation efforts, and constant strife to excel in project implementation and service to clients. The EU PROGRES and its PM is at the same time the leader of the SRPC, which will in the long term help streamline UNOPS procedures in this part of Europe, providing value at a lower cost to donors. This would in effect mean that some of the management fee that UNOPS charges to projects will be returned as investment money to the region.

The Delegation of the European Union
The Delegation of the European Union (DEU) is one of the contracting authorities for this Programme, and takes a shared responsibility for monitoring the implementation of the Programme.

The Swiss Agency for Development and Cooperation
The Swiss Agency for Development and Cooperation (SDC) is the other contracting authority, and also takes a shared responsibility for monitoring the implementation of the Programme. In addition, the SDC is providing consultants that are working with EU PROGRES to ensure good governance is applied as a transversal theme of the Programme.

**The Government of Serbia**
The Government of Serbia is a major stakeholder in the Programme, and a financial contributor under the IPA 2010 Financial Agreement. It has a responsibility for monitoring Programme implementation, and providing assistance, funding and facilitation as necessary. The Serbian European Integration Office, responsible for chairing the Steering Committee meetings, provides leadership and key support for Programme’s implementation.

**Participating Municipalities**
25 municipalities in the South and South West Serbia are key stakeholders, beneficiaries and a financial contributor to the Programme. They have responsibility of taking ownership of activities implemented in their territory.

### 4.3 Timetable
EU PROGRES implementation started on 1 July 2010 and will last for 36 months\(^\text{134}\).

### 4.4 Programme Steering Committee (PSC)
The main role of the Programme Steering Committee (PSC) is to ensure that the EU PROGRES provides relevant and effective support to the social and economic development of the South and South West Serbia. The PSC meets each quarter and on an ad-hoc basis, as required and is chaired by the Serbian European Integration Office.

In the second year of the EU PROGRES implementation there were three PSC meetings: in Sjenica in October 2011, in Leskovac in February 2012, and in Trgovište in April 2012\(^\text{135}\).

### 4.5 Costs and financing plan
Financial resources are provided as follows:
- The EU - 14.1 million Euros
- The SDC - 2.5 million Euros
- The Government of Serbia - a minimum of 1.5 million Euros. Local governments already paid around 1.4 million Euros as co-funding to projects, primarily local infrastructure, and this is positive development. EU PROGRES also agreed at least 1.2 million Euros as contribution from the Ministries’ and had positive discussions about other projects. However, for the time being, only contribution from the MoEMSP to the Green Zone project in Leskovac and OSDUA support to technical documentation development can be considered as co-funding. Stronger funding contribution from the Ministries is expected in the coming period, primarily from the MoEMSP as support for the construction of recycling centres which and from the MoERD for the technical documentation for Water Supply System in Kopaonik.
- Beneficiary municipalities will make additional resources available as part-contributions to sub-projects. These may be in kind or as financial contributions.

The total cost of the Programme, with the Government co-funding will be a minimum of 18.1 million Euros but on present calculations will be a minimum now of 18.75 million Euros.

\(^{134}\) Please see the beginning of Section 4 for details of timetable of EU PROGRES implementation

\(^{135}\) Minutes of the meetings available on the EU PROGRES website: [http://euprogres.org/biblioteka.php?id=102](http://euprogres.org/biblioteka.php?id=102)
4.6 Special conditions/accompanying measures taken by the Government

There are no special conditions or accompanying measures necessary from the Government for the implementation of this Programme. The Programme grant to the UNOPS is envisaged in the IPA 2010 Financing Agreement signed between the Government and the European Union as well as the bilateral contract signed between the Government of Switzerland, represented by the Swiss Agency for Development and Corporation (SDC) and the United Nations Office for Project Services (UNOPS).

5 Factors ensuring sustainability

The issue of sustainability of intervention has always been central for the EU PROGRES. The Programme is designed so that it provides support in capacity building of all direct beneficiaries to take ownership and thus be empowered to carry out their mandate as prescribed by the different legislation/statutes. All infrastructure projects are executed through grant methodology, which gives the grantee ownership over project identification, approval, implementation commissioning and close-out, while the EU PROGRES maintains a monitoring and advisory role only. This methodology proved to be a strong tool for on job training in project management, introduction of FIDIC contract modality and strengthening public procurement operations.

Institutional and financial sustainability of projects is supported through development of organizational and management models and business plans. For example: founding documentation with business plan for inter-municipal company that will manage the Banjica Landfill, organizational and management model with criteria for leasing the land and proposal for distribution of incomes from the site arrangements in further development of Leskovac Green Zone, were developed. Another aspect of institutional sustainability is to avoid multiplication of institutions and their mandates. All actions of EU PROGRES are defined in the way to support strengthening and agglomeration of institutions rather than creation of new “parallel” ones. For example, the Education Centre for Agriculture and the Centre for Development of Sjenica Cheese will be within one institutional set up.

Progress was noticeable in the capacities of the CSOs who were grantees of the Citizens’ Involvement Fund: out of 15 CIF-1 grantees that applied for funding in CIF-2, 13 were recommended for granting. In addition, CIF-1 grantees were better evaluated during internal audit of CIF-2 proposals as they had fewer mistakes in project proposals and budgets. It was obvious, as claimed by the auditors, that the instructions provided during a number of trainings and in work with the EU PROGRES staff, have been taken aboard.

5.1 Policy support

The EU PROGRES is a socio-economic Programme, with a primary role to support the implementation of policy at the local level. The Laws whose implementation the EU PROGRES is facilitating have been in detail presented in the Programme Document. This Chapter gives a quick overview of some of the key examples.

Provision of free legal aid, to most vulnerable and marginalised groups is founded in the Free Legal Aid Strategy. All activities related to the Banjica and Meteris Landfills, and the recycling centres, are in line with the National Waste Management Strategy.

Proposals submitted for the Citizens Involvement Fund 2 (Component 1), as well as those for branding (Component 4) had to be linked to development plans and strategies, national, regional or local.
The Law on Gender Equality envisaged forming of local gender equality mechanisms in all municipalities in Serbia. Twelve municipalities, which took part in the EU PROGRES funded project, have established gender equality mechanisms. In line with the Law on National Minority Councils, the EU PROGRES is providing support to the Albanian, Bulgarian and Roma Councils, and has aided the Directorate for Human and Minority Rights in coordinating the work of all councils by providing a project coordinator.

Support to small and medium enterprises (SMEs) through clustering and Business Incubator Centres (BIC) is direct implementation of the National Strategy for SMEs, which identifies clusters and BICs as main priorities for development of business infrastructure.

The Law on Planning and Construction gives a framework for preparation of planning documentation – one detailed regulation plan (DRP) was adopted in Sjenica. Four general regulation plans, 17 DRPs and one elaborate for special purposes are under implementation. One additional GRP, nine DRPs, one elaborate for special purposes, one cadastre-topografic survey and two complete sets for geodetic surveys approved for funding at the PSC meeting in April 2012. This number is significantly higher than envisaged by the LFM (four GRPs and eight DRPs).

This Law also pertains to infrastructure projects, within Component 3, just like the Law on Environment Protection and the Law on Public Procurement do. For the implementation of latter, for example, the municipalities are not obliged to have the public procurement procedure, in cases where less than 50% of public resources are being used for acquisitions. However, all procurements organised within the EU PROGRES, are public thus setting good examples/practices to all municipalities. Furthermore, the period to prepare the tender documents dropped from almost two months to three or four weeks in municipalities that had to repeat tenders or procure additional works.

Support is given for programme budgeting activities, envisaged by the Serbian Government Decree passed in accordance with the Budget System Laws.

The beginning of implementation of the Directive on the Energy Performance on Buildings, e.g. in Vladičin Han, Preševo and Kumarevo schools; Tutin and Raška kindergartens; or Gimnazija boiler in Novi Pazar and four boilers in Prijepolje installed in public institutions, should result in improved energy efficiency and savings in electricity and heating bills. Furthermore, through the actions of the Component 1, activity 1.8, new regulations are defined at the local level, while the preparation of local rulebooks for management of public institutions, in line with the existing legal framework in Serbia is under way. Some CIF-1 projects also resulted in preparation of local plans: in Leskovac, Local Employment Plan was produced and adopted by the Assembly, in Ivanjica; following the national Law on Social Protection the Assembly adopted decision about basic rights of children with disabilities.

Finally, with the support of the Swiss good governance experts, the EU PROGRES is working on informing the central level institutions about the practicality and effectiveness of the national policies (through quarterly reports, but also in regular meetings with the line Ministries and the Programme Steering Committee Chairperson). The Programme is hoping to start providing recommendations for modifications if/when necessary and to highlight

136 Please see Chapter 2, activity 1.6 for details.
137 Please see Chapter 2, component 3 for details
needs for new policy level action where needed. This also applies to the ‘vertical dimension tool’ that the good governance experts are developing, which should provide information about problems in the implementation of the existing legislation at the local level, to the Standing Conference of Towns and Municipalities (SCTM), which in turn can advocate further at the Government for changes. The Programme has already prepared a study “Obstacles to Infrastructure Development” which looks at relevant legislation and provides comparative analysis in order to present all essential differences in the process of planning and construction in the past two decades. Furthermore, the study analysed the very process of infrastructure project development step by step in order to identify all potential bottlenecks, both the institutional and the procedural ones. It also examined the professional capacities among local self-governments to manage projects in accordance with the legislative framework and good governance principles.

5.2 Appropriate technology

Programme uses technology which has taken 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.

All equipment purchased for the newly established Citizens’ Assistance Centres (CAC), or modernisation of already existing CACs, was done after IT assessment of the machinery already available in municipalities. Equipment purchased for the Urban Directorates will enable them to issue all planning documentation under their Area of Responsibility and thus significantly decrease the costs. Two geodetic survey sets, for Leskovac and Novi Pazar will mean that no sub-contracting will have to be done for production of cadastre and geodetic layers.

In Sjenica, with the support provided within a CIF-1 project, comprehensive e-government service is installed. Citizens will have possibility to order some documents (e.g. birth certificate) to be delivered by post and to get some information more efficiently by sending text messages or e-mail. As Sjenica has many remote rural areas, establishment of the service will be particularly helpful to those residents.

In regards infrastructure, all used materials respect the quality standards and tests at the end of projects confirm the quality of works. Furthermore, the medical and dental equipment procured for primary health care screening for women and children, in Nova Varoš, is compatible to the existing equipment in the Health Centre and is in line with the recommendations of the Ministry of Health. The Centre’s staff underwent specially designed training by supplier for the use of new equipment.

In case of Pešter Agro Development project, the feasibility study will indicate which equipment is needed for the newly built laboratory in the Centre, and will be in line with recommendations and rules of the Ministry of Agriculture, Trade, Forestry and Water Management.

For two social projects, the Museum in Priboj and Library in Vlasotince, modern equipment will be used which will contribute to the quality of social life and improve significantly the storage of valuable artefacts and books.

138 The study is available on the EU PROGRES website: http://euprogres.org/biblioteka.php?id=46
Finally, internally, the UNOPS has the technical capacity to maintain its intranet, Atlas accounting system, its global learning network as well as the financial means to maintain its infrastructure.

5.3 Environmental protection measures

All Programme activities reflect the principles of environmental protection and local sustainable development, complying with both Serbia and where possible, EU legislation. Furthermore, the EU PROGRES also promotes awareness and understanding of the environmental issues throughout its implementation, while at the same time addresses them to higher instances on the Government level – for example, to the Ministry of Environment, Mining and Spatial Planning (MoEMSP), one of the key Programme partners.

There have been concrete projects dealing with environment. Two largest initiatives are development of the Banjica and Meteris Landfills, which will enable sustainable waste disposal. On the local level, the EU PROGRES is working on establishing recycling centres in Raška, Nova Varoš and Vranje. Local infrastructure projects deal with the energy efficiency and renewable energy, such as school in Vladičin Han and installation of bio-fuel boilers in Prijepolje.

Preparation of regulation plans will also positively impact the environment, e.g.: in Bujanovac, a plan for identification of water source sanitary protection zones and belts for water supply of Bujanovac, in Bojnik, a DRP for accumulation is designed which should result in revival of an attractive space. Similar DRPs are done in Raška, for a part of the Tourist Centre Kopaonik, Vladičin Han for Jovačka Lakes and Kukavica Mountain, Surdulica weekend resort Sokolica and Prokuplje for Hisar Complex and Rastovnica Lake.

Finally, on a small scale, environment projects have been supported through CIF-1, as a result of partnership between the local self governments and the civil society organisations: construction of iron fence to protect green area in primary school and procurement of 12 containers in Preševo; reconstruction of running trail in Novi Pazar with a firebreak road (that was used during the project lifetime as the fire broke out) and separation of primary waste in the biggest elementary school in Raška.

5.4 Social aspects

With the good governance as a transversal topic, all Programme activities promote equal participation of all citizens, in some cases with a special focus on marginalised and vulnerable but also adequate gender and minority representation. Good examples of this can be found in all CIF projects but due to space restrictions several are mentioned: in Prokuplje 15 young Roma (ten men and five women) had vocational training; four projects in four LSGs provided additional language classes to 180 Roma children; in Vranje, Raška and Novi Pazar 21 people with disabilities were temporarily or permanently employed.

Furthermore, the Citizens Advisory Services address the needs of most deprived citizens providing them with support to secure personal identity documents and access social and health services. Through Activity 1.7, a project that fosters dialogue among minorities and between minorities and majority population was implemented. Specific project coordination support was provided to the Directorate for Human and Minority Rights to improve their capacity to address the needs of all National Minority Councils.
As described in Activity 1.6 and Chapter 5.1, the work on gender equality yielded excellent results and there are almost 30% women councillors in the South West and Toplica District\textsuperscript{139}, which is the legally prescribed minimum. In previous composition of local parliaments, this number, on average was around 18%.

The added value of linking good governance to all infrastructure projects will mean that in case of, e.g., kindergartens introduction of new regulations will increase transparency in selection of children for admission; for waterworks new decisions for special regulations relating to vulnerable groups are being introduced; or in case of building sports facilities specific pricing for marginalised groups, to name a few. Other projects, such as improving living conditions for Roma, in Novi Pazar, Vranje and Surdulica, will directly benefit some 800 families.

The Programme continuously contributes to socio-cultural communication and non-discriminative and multi-ethnic exchanges of experience and cooperation between all stakeholders. Tolerance, dialogue and communication between all partners at the local and regional level, as well as with the central level Government are promoted both formally and informally.

Meetings of the Programme Steering Committee, which are held across the EU PROGRES area of responsibility, are a good platform for this exchange. Another such example was the EU PROGRES Calendar 2012 art competition and particularly the awards ceremony which, besides generating excellent visibility for the Programme, facilitated relationship between local communities. The theme for 2012 was promotion of cultures, ethnicities, traditions and religions which encouraged young participants to learn and develop. Furthermore, it connected youth from Serbian, Bosniak and Albanian ethnic background, sending a message of shared values and tolerance, which was a special bonus of the event. The fact that the calendar displayed works related to social inclusion further contributed to EU PROGRES' promotion of social aspects.

5.5 Institutional and management capacity

The purpose of the Programme is to strengthen and develop capacities of local stakeholders for management which in turn should lead to socio-economic development of the South and South West Serbia.

The grant model gives the grantee ownership over project implementation, while the EU PROGRES maintains monitoring and advisory role only.

This methodology proved to be a strong tool for on job training in project management, introduction of FIDIC contract modality and strengthening public procurement operations. In some cases, it seemingly negatively impacted the overall Programme’s efficiency, but having in mind the ultimate goal to enhance management at the local level this impact is negligible.

Grant methodology sets clear roles and responsibilities of all involved parties in implementation of a project, and divides labour accordingly (accountability). It also ensures transparency and effectiveness, e.g. in public procurements. One other important aspect in grant model is that all partners have to open sub-accounts for funds channelled through EU PROGRES which reduces opportunities for misuse of money. Audit visits are agreed in

\textsuperscript{139} Areas covered by the EU PROGRES intervention
advance, according to the milestones, which offers opportunity to grantees to seek further advice from the Programme on improving their management.

At the same time, through direct support, the Programme enhances municipal efforts to reform and modernize services, to increase responsibilities in the process of implementation of local and regional development plans, to gain experiences in implementing projects following the principles of project cycle management, and thus to become key players in the developmental process.

Specifically, the EU PROGRES is accentuating support to LSGs to create institutional, organisational and financial models, in line with the good governance principles, in order to ensure long-term sustainability of all chosen projects. The support in defining organisational models and business plan for inter-municipal enterprise for managing Banjica Landfill, the work on the projects for the Centre for Development of Pešter and the Green Industrial Zone in Leskovac, are some of the examples of the EU PROGRES support to municipalities in development of those capacities that should ensure sustainable results.

5.6 Financial capacity

The EU PROGRES directly supports development of an enabling environment for better delivery of municipal services and local development. In long turn, this will facilitate municipalities to attract more financial investments, at the same time operating in a more cost effective manner.

For example, the EU PROGRES supported establishment of offices for Citizens Advisory Services in three municipalities of the South West Serbia and Toplica District, in order to provide free legal assistance to vulnerable and marginalised citizens. In two municipalities, Žitorađa and Prokuplje, there is a formal commitment incorporate the offices into local administration once the EU PROGRES’ supported projects ends, which will address their sustainability.

The Programme has proven a cost effective manner of managing projects. By working with municipalities on increasing the quality of technical specifications alone, this contributed to savings of some 370,000 Euros after public procurements. That combined with the time saved, following EU PROGRES experts’ support, the actual savings are much higher.

One of the key roles that the EU PROGRES has played is supporting municipalities to attract more financial investments: the partnerships established through projects like Banjica, Meteris, Kopaonik mean that the local self governments received necessary assistance and advice to carry out complex projects. The technical documentation, which will be prepared during this process, should enable municipalities to apply for funding of estimated 40 million Euros. Similarly, the prepared urban planning documentation will serve as a basis for preparation of technical documentation, worth approximately two million Euros, which in turn could attract further 50 million Euros of investments.

In selection of branding projects, the EU PROGRES has pursued a highly pragmatic approach, with a focus on economic/business development, based on a sound branding strategy, in order to maximise the market potential and provide grounds for sustainable economic development. Firstly, the attention was on identifying branding clusters as the basis for Branding Plans, and securing agreement amongst potential partners to these brand clusters. Secondly, on developing valid and robust amongst potential partners to these brand clusters.

In capacity building
amongst stakeholders in the area of branding as a fundamental building block for business development. Seven project proposals, that can make a significant promotional and economic difference to each area, have been selected for funding. More importantly the work on the selected projects will inspire confidence amongst those charged with implementing them and that they will encourage other municipalities within each branding cluster to see the benefits of working together within the context of the proposed branding pan.

In order to address the concerns whether the local governments could afford to continue to provide these services and activities after the EU PROGRES has been carefully applying good governance principles in its entire implementation. The Programme has requested, in cases where new services are being established – plans/strategies from municipalities that certify those services will become sustainable. In addition, promoting sustainability of Programme outcomes is a priority – for example, improvements in tax gathering and financial and programme management, cultivation of other funding sources and the development of a Programme Exit Strategy with sustainability at its centre, many outcomes and thus impacts should be long term.

What has been noticeable in the first year of the EU PROGRES implementation is the low capacity of municipalities to carry out their co-funding commitments. This has impacted the overall cash flow of the Programme, which is lower than the forecast.

6 Monitoring and Evaluation

6.1 Reporting requirements

Inception report
The Programme inception report was prepared within three months of the official start date and approved by the Programme Steering Committee in October 2010\textsuperscript{140}. The report was drafted following the inception workshop, held in September 2010, with participation of key stakeholders – line ministries, mayors, municipal administrations’ officials, regional development agencies, development programmes and civil society organisations.

The inception report confirmed objectives and relevancy of the Programme, its results, and verified the quantified indicators of achievements as well as methodology (i.e. upgraded the logical framework matrix). A detailed work plan for each activity was produced, including a list of deliverables; the experts required were identified while the management structure and any possible commitments from stakeholders and beneficiaries were confirmed. Furthermore, the report detailed how the cross-cutting issues of governance, environmental protection and gender mainstreaming would be incorporated in the implementation of the project.

Monthly Reports
During the second year of implementation, the EU PROGRES submitted eight monthly reports\textsuperscript{141} as stipulated by the Programme Document\textsuperscript{142}. Due to the abundance of events, the main challenge was to keep the monthly reports brief\textsuperscript{143} and they varied from seven to

\textsuperscript{140} Available at the EU PROGRES website: www.euprogres.org
\textsuperscript{141} July, August, October, November 2011; January, February, April, May 2012
\textsuperscript{142} 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
\textsuperscript{143} According to the Programme Document, monthly reports should be up to five pages
nine 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.

Furthermore, management meetings were held with the donors and the Chairman of the Programme Steering Committee, as deemed feasible and necessary. The financial reports were sent to both donors, regularly.

**Quarterly Reports**

Three quarterly reports (QR) were prepared during the second year of implementation, each within ten working days of the finish of the reporting period: the Third at the end of September 2011, the Fourth at the end of December 2011 and the Fifth at the end of March 2012. All QRs presented key activities performed and outcomes achieved. All QRs were endorsed by the Programme Steering Committee (PSC), some with minor alterations. The EU PROGRES shared the reports with key stakeholders at the PSC meetings, but also with the general public through the EU PROGRES website [http://euprogress.org/biblioteka.php?id=103](http://euprogress.org/biblioteka.php?id=103).

**Annual Reports**

This is the second annual report and it covers the period from 1 July 2011 – 30 June 2012. The next report, in the Year 3 of Programme implementation, should be the Programme’s final report.

**Final report**

The Final report will be produced at the end of the EU PROGRES implementation and will include a complete overview of activities implemented during the Programme. The report will also contain an assessment of the impact of the Programme, measured against the stated objectives and the indicators of achievement included in the Log-frame matrix.

There will be a Synthesis Report for each Programme Component: an in-depth analysis presenting a fusion of key issues / key problems/ results/ lessons learned/ issues to be addressed/ views and recommendations, etc.

**6.2 Monitoring**

Monitoring has been conceptualised as periodic assessment of progress and delivery of specified results towards achievement of the Programme objectives. There are two phases in monitoring of EU PROGRES: continuous monitoring framework and developing an Exit Strategy.

In the continuous monitoring framework, there are three critical aspects of the Programme that are monitored: inputs, outputs and impact.

*Input* monitoring covers financial\(^{144}\) monitoring and activity\(^{145}\) reporting on the part of the Programme team and UNOPS headquarters.

- Weekly, monthly and quarterly reports detail expenditures, resource input, financial transfers, ongoing or completed activities, and support provided by consultants and other contractors

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\(^{144}\) Please refer to Section 4 – Implementation, for details on internal financial and administrative processes

\(^{145}\) Inception and Quarterly Reports as well as baseline studies are available on the EU PROGRES website: [http://euprogress.org/biblioteka.php](http://euprogress.org/biblioteka.php)
• The UNOPS Copenhagen financial and administrative team sample a ‘batch’ of EU PROGRES vouchers on a monthly basis, to ensure compliance with procedures; so far, there have been 24 checks and there have never been any comments. Further, the EU PROGRES is required, on quarterly basis, to provide both a Programme report and self-audit checklist to the Copenhagen management – to date the EU PROGRES has been appraised as fully compliant with the UNOPS rules and regulations. The Programme Manager prepares quarterly progress report and quality assurance reports, submitted and discussed with the EMO management.

Output monitoring primarily focuses on achievement of milestones and planned outputs against the Programme plan and is detailed in the monthly and quarterly reports.

• All Quarterly Reports pass through the Programme Steering Committee system and are modified, explained in more detail or altered according to discussion and then approved at the formal PSC meeting held each quarter

• The capacity development methodology chosen by the donor organizations and UNOPS Programme implementation team is primarily one of grant contract modality. This means working through municipal bodies, CSOs or other implementing partners who own the process of project management, while the EU PROGRES maintains advisory and monitoring role. Particular attention is paid to the quality of the initial project proposal and final contract document which contains details on activities, bills of quantities, design, financial and co-funding etc.

• During implementation, the quality, quantity of the delivery of outputs by the client organisations (grantees or Programme implementing partners) pass through internal auditing process led by EU PROGRES’ respective Component Manager. In parallel, the Programme’s financial auditing staff fully review accounts in the field before the next instalment payments are made.

Impact monitoring will be made subject to the mid-term evaluation (MTE) and the final report. Development of a set of instruments to indicate social and economic change within the Programme area, which can compare with the social and economic situation outside the area remains an ongoing process. The following baseline studies have already been prepared:

• The Citizens’ Satisfaction Survey completed in January 2011. The next Survey will be held in Year 3 of Programme implementation

• ‘Women in the Public Sector in South and South West Serbia’ was completed in March 2011. A mini survey, to compare the number of women in the local parliaments after the May 2012 elections has been already been conducted, but a detailed assessment, comparable to the original baseline, will be done once all local governments are established

• The rate of collected tax baseline, which will be used to measure the increase and immediate effects of this action towards the end of the project when the municipalities will have the statistics for 2012, has been finalised

• The inter-municipal projects, which are also related to EU PROGRES support to municipal administrative reforms (e.g. CACs, One Stop Shops), will yield business related statistics, which will be an important baseline to access the impact of the projects (e.g. the Leskovac Green Zone, Pešter Agro Business Programme)

• Other data will be drawn from available official statistics.

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146 Please see section 4.4 for details of Programme Steering Committee Meetings
147 Available on the EU PROGRES website: http://euprogres.org/biblioteka.php?id=46
149 Available in Annex I, attachment 1.8
The visits by the Swiss Backstopping (BS) experts always provide a good opportunity to reflect on the achieved results and to decide on the future focus of approach. In September 2011, draft action plan, setting clear assignments for the BS and the Programme, and budget for the next two years of Programme implementation were discussed and agreed. The finalised action plan was approved by the SDC in December 2011 and a new activity, 1.8, was introduced to cover the good governance (GG) as Programme’s cross-cutting theme.

During June 2012 mission, the Swiss BS met with the Programme team to assess the progress in embedding GG and its principles in the EU PROGRES components and activities. It was concluded that the EU PROGRES made a significant progress in this regard, both internally (e.g. new budget and human resources, amending ToRs for Component Managers, setting in place a functional diagram to structure internal competencies for GG), and externally, in linking specific projects to GG. The EU PROGRES reaffirmed its full commitment to deal with governance issues, including its cross-cutting aspects. The BS June 2012 mission report is available in Annex I, attachment 1.10.

The EU External Monitor visited the Programme in October 2011 to review the results, using the criteria of relevance of design, efficiency and effectiveness of implementation, impact and sustainability of outcomes. The report confirmed that the Programme is on the path to create conditions for better delivery of municipal services and local development.

Programme’s Exit Strategy will be finalised in the course of 2011-12 and the mid-term evaluation (MTE) of the EU PROGRES should also contain recommendations for the preferred approach. Indicators of the Exit Strategy will be established and agreed to point out the impact that the EU PROGRES had on institutional change in the Programme Area and to recommend any follow up actions that may be required.

Finally, the EU PROGRES team holds periodic learning workshops, to assess Programme’s advancement, with a view to strengthening the work and the impact in line with the overall objectives. General staff meetings are held at least bi-annually, while the next staff retreat will be planned to coincide with the preparation of the Exit Strategy, most probably during Q4 2012.

6.3 Evaluation

There is a plan to evaluate the EU PROGRES at least twice, depending on donors’ needs. The mid-term evaluation, based on assessment of output-to-impact, was conducted during May-June 2012 and its results will be presented at the annual PSC meeting in July 2012. It considered the extent to which the Programme’s achieved and planned outputs have been contributing to the intended impact. Following mid-term evaluation, the Log Frame will be adjusted accordingly.

The final evaluation will be conducted before the end of the Programme. It will assess Programme implementation on the four standard EU and SDC evaluation criteria: relevance, efficiency, effectiveness and impact.

7 Lessons Learned

EXTERNAL:

1. Municipal financial resources: inability of municipalities to provide co-funding has in some cases resulted in three or four-month delays in the start of grant activities. The Programme facilitated partnerships between the state institutions/Ministries, which
could provide LSG co-funding, but also accepted in-kind municipal contribution (e.g. LSG conduct part of infrastructure works). Another lesson learned was that the change of grant methodology that foresaw reciprocity in tranches was even a higher risk in cases when a municipality started experiencing financial flow problems during implementation.

2. **Strategic Planning of Local Economic Development**: although municipalities state that unemployment is their number one problem, most remain focussed on communal infrastructure proposals or misconceive the essence of LED projects. In addition, low awareness of the advantages of strategic financial planning, which would lead to proper linking of available funding to the development strategies and plans, hinders introduction of programme budgeting which is used as a mechanism for more effective targeting of resources to solving concrete problems and easy understanding of connection between the requested funds, strategies, programmes and results.

3. **Insufficient local administrative capacities**: this is demonstrated on at least two levels: lack of initiative to take ownership of the projects and lower legal and business expertise than estimated.

In the first instance, the **grant methodology** is considered to be a **solid capacity building tool**, which is ideal for achieving the Programme’s overall objectives: on the one hand the municipalities take the ownership and on the other the Programme plays an advisory and monitoring role. However, often the nominated grant implementation teams are **politcised** and lack basic project management skills required for a time consuming process of applying grant methodology. This in turn causes delays and inability of the Programme to adhere to the originally envisaged work plan.

In the second instance, for example, preparation of the specifications for public procurement remained problematic due to weak capacities of the municipal employees. With the EU PROGRES expert support the time needed for procurement, in some cases, has decreased by more than double (from two months to three-four weeks). The EU PROGRES specialists had to be engaged to help develop business plans, organisational structure and founding legal documents for a number of inter municipal projects (Green Zone, Banjica Landfill, Pčinja Fruit and Pešter Agro Development).

One of the main observations is that LED offices are not organisationally integrated / linked with the PUCs and building directorate so they sometimes lack essential information when writing project proposals.

Finally, the local governments still do not grasp to the fullest the importance or the potentials of partnerships with CSOs and see them as competition rather than partners.

4. **Lack of projects with technical documentation and the quality of technical designs/land ownership**: the lack of planning documents, unclear land ownership and real estate cadastre pose serious problems in implementing programmes such as the EU PROGRES. The Programme focussed on working with municipalities to bring the level of existing technical documentation to the acceptable quality. The support given in preparation of technical designs and urban planning, should lead to absorption capacity of 90 million Euros.\(^\text{150}\)

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\(^{150}\) EU PROGRES technical team estimate based on current market prices
5. **Legislation/non-enforcement of penalties**: there are legal consequences for failure to adhere to requirements and deadlines set by national legislation.

6. **Good Governance**: the LSGs are often looking for “shortcuts” in implementation of projects, which usually leads to clear examples of bad governance. A sustained effort in advancing GG concept, its principles and applicable practices in the projects is needed in a foreseeable future. The underestimated complexity of the Programme and chosen implementation modality (grants) has led to significant delays in the implementation, but has on the other side contributed to the awareness raising of GG principles importance and building the capacities of municipal staff to independently implement complex projects of various kinds - from CSO support, through change management activities and planning documents to infrastructure construction. For example, the audit visits to CIF grantees, ensured adequate reporting and resulted in improvement of procedures and following of legal regulations (e.g. tax on salaries), spending in accordance with the approved budget, etc. The CSOs confirmed that feedback given to them during audit process was significant for improvement of their work in terms of efficiency and accountability and especially for their subsequent work with other donors who “saw them as more reliable partners”.

7. **Weak inter-municipal cooperation** and even weaker coordination with the central Government ministries is symptomatic. Examples can be found in spatial plans of neighbouring municipalities that foresee separate industrial zones on remote locations rather than considering a joint IZ/IP in the border zone between two or three municipalities. In some municipalities there were cases of ministries starting projects without any consultations with the LSG, or, vice-versa, some municipalities engaging in planning or construction without proper consideration of national entity jurisdiction. Therefore, Programme has to approach any regional or inter-municipal projects with even better structured processes and improved project organisation.

8. **Slow formalisation of partnerships with the Government** – there could be stronger commitment of the Government partners for implementation of projects like EU PROGRES, which should be formalised through MoUs or other contracts. Furthermore, the role of the Ministries’ representatives in the PSC could be better defined in order to ensure the PSC is a solid working group which links the central policy and funding to local level of implementation.

9. **Involvement of stakeholders**: engaging the clients in a proactive manner and providing them with quality information beforehand, in accordance with rules and regulations, enables them to prepare for impending tasks, leading to a smoother and much more trouble-free implementation.

10. **Lack of capacity of the civil sector**: the CSOs still have need-to-be-subsidized approach in applying for projects, instead of increasing their professionalism and quality of project applications. However, lessons learned during CIF-1 were addressed in the CIF-2 CfP when much stricter rules were applied so that applicants could not provide misleading information (such as presenting the in-kind contribution as financial); details of specific examples of good and bad practices from CIF-1 were presented during introductory workshops; a list of necessary supporting documents was expanded, to include, e.g. basic technical documentation for the proposals with infrastructure elements, registration certificates not older
than three months (avoiding applicants who were deleted from the Registry), and simplified application form was prepared to minimise time required to fill out and evaluate applications. On the other hand the applications had to be in English, which presented obstacle for some CSOs. Nevertheless, the received applications during CIF-2 were of a much better quality than CIF-1 and almost 70% of applications were recommended for financing, while within the CIF-1 only around 30%.

11. Implementation of Communications Strategy: good planning and openness for adjusting is the key to successful communication. Contacting key journalists via telephone prior to events has been very useful in securing their attendance. Nourishing contacts with journalists results in securing correct reporting and emphasising donor support in their reports. Providing photographs together with every press release, in electronic format, proved to be effective way of securing good coverage. Organising events during general elections campaign considerably influences the approachability and responsiveness of the invited LSG officials.

12. UNOPS is valuable implementing partner for donor support extended to the Government of Serbia. Due to flexible internal visibility requirements, full prominence could be given to the EU and the Government of Switzerland involvement. Implementation by a UN organisation also influences perception of impartiality of the Programme, especially in multi-ethnic areas, while its expert staff, also coming from the area, add value to overall efforts.

INTERNAL:

1. Number of staff: the planned number of staff has been inadequate for the scope of work, having in mind indirect implementation modality.

2. Recruitment of adequately qualified consultancy continues to be challenging.

3. Communication: the cross-over organization model between vertical, by component (sector) and horizontal, by geographical area has also impacted the communication lines and the dispersion of workload and needed expertise for certain activities thus sacrificing the efficiency of the Programme for an continuous and rooted presence in the field.

4. Planning: the EU PROGRES has been investing continuous efforts in planning – there are regular revisions of work plans, logical framework, monthly and weekly planning. Doubtless, Programme staff has knowledge of PMC but the impression is that unrealistic activity projections are being made repeatedly and that the planning and monitoring/evaluation cycles within the Programme components should be more integrated. In addition, each manager has its own style/approach which creates (some) inconsistencies in the documents. These issues are being addressed on a continual basis internally and with the Programme entering into the third year of implementation it will be necessary to put additional resources and take a systematic approach to follow progress towards outcomes and impact.
Annex I Component 1
Annex II Component 2
Annex III Component 3
Annex IV Component 4
Annex V Operations
Annex VI Programme General