

European PROGRES

Description of Action,

April 2014

Executive Summary

European PROGRES is a multi-donor Programme, financed with 12.6 million Euros by the European Union (EU)¹ and at least four million Euros co-funding from the Swiss Agency for Development and Cooperation (SDC)² and the Government of Serbia.³ It has been conceptualised jointly with the partners: the European Integration Office of the Government of the Republic of Serbia (SEIO), which led in the Programme preparation and consultations on the national and local level; 34 municipalities from the South West and South East Serbia⁴, which have responsibility of taking ownership of activities implemented in their territory; the Central Contract and Finance Unit (CFCU) that fulfils the role of the contracting authority for all Instrument for Pre-Accession (IPA) funding,⁵ and the United Nations Office for Project Services (UNOPS) which has the overall responsibility for the Programme implementation.

The lessons learned within similar previous projects and a thorough analysis of the challenges faced by the beneficiary municipalities, has led to a design of a multi-sector approach Programme, whose specific objective directly flows out of priorities identified in the National Plan for EU integration. The objective of the European PROGRES is, therefore, to contribute to sustainable development of underdeveloped areas and creation of more favourable environment for infrastructure and business growth by strengthening local governance, improving vertical coordination, planning and management capacities, improving business environment and development, as well as enhancing implementation of social inclusion and employment policies.

The European PROGRES will use the grant methodology to empower partners to take ownership and responsibility and develop their aptitude to manage own resources. There are four results European PROGRES will deliver:

1. Strengthened local governance, planning and management capacities through introduction of new, or improvement/elimination of existing procedures and processes in line with the principles of good governance
2. Increased competitiveness of local economy through improved business environment and management/organizational capacities of small and medium enterprises/agricultural cooperatives
3. Improved access to employment, offering equal opportunities to both men and women, and social inclusion of most vulnerable and marginalised groups through development and implementation of local policies resulting in reduced migration from South East and South West Serbia
4. Effects of Serbia's European accession communicated to general public.

¹ Through Instrument for Pre-Accession (IPA 2013)

² Through its 2014-2017 Cooperation Agreement with Serbia

³ This brings total costs of the activities described in the document to 16.6 million Euros. The amount does not include obligatory co-funding of Programme's grantees.

⁴ South West Serbia, Toplica, Jablanica, Pčinja and nine new municipalities in the Rasinska, Niški, Pirotski and Zaječarski Districts.

⁵ Apart from Component 1

Sustainability of action is primarily guaranteed by the fact that all Programme activities stream out of the existing national policies and legislation and are defined in a way to support implementation of those policies locally. Thus, the Programme is designed to extend the outreach of the Government on the local level and tasked with supporting municipal multi-sector development. Furthermore, the Programme is contributing to development of the local policies, which will address issues between the central and the local governments to make the vertical dimension of governance in Serbia more efficient and effective.

The Programme design recognized that most current difficulties faced by the underdeveloped municipalities could be overcome by introducing principles of good governance in every day work. Accountability of municipalities towards citizens is especially weak due to non-existence of mechanisms by which citizens could oversee and control the functioning of local administrations. And yet, this is the key principle to be adopted, re-introduced or reinforced: who in the system of local governance is accountable to whom, by which and whose regulations, procedures and oversight. This relates, among others, to the management of public resources, efficiency in service provision, equal opportunities for all, and participation in decision-making and effectually translates into local institutions and entities abiding to the rule of law.

The Programme will mainstream gender equality throughout all its activities, while focusing on women empowerment and providing opportunities for additional income of women and all vulnerable groups especially those in rural areas. It will establish mechanisms for alleviating problems related to integration of national minorities.

All Programme activities will be overseen by the Steering Committee, to be established during the inception period, while monitoring and evaluation will be based on periodic assessment of progress and delivery of specified European PROGRES' results towards achievement of the Programme's objectives.

There are several risks that may impact Programme's success: the forthcoming March 2014 elections, inter and intra-ethnic tensions in the Programme Area of Responsibility and low administrative capacities of direct beneficiaries. With careful planning, additional communication activities undertaken to establish relations with all parliamentary parties, by focussing on developmental issues and processes of common interest, with continuous presence in the field, and giving mentoring and coaching assistance to all grantees, the Programme will ensure effectiveness and efficiency.

However, in order to see full benefits of the policy contribution, the Programme requires constant and full engagement of all stakeholders – 34 municipalities, the SEIO, the Steering Committee, the key ministries and the donors.

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Abbreviations

AoR	Area of Responsibility
CAS	Citizens' Advisory Services
CFCU	Central Contracts and Finance Unit
CfP	Calls for Proposals
CIF	Citizens' Involvement Fund
CSO	Civil society organisation
CSS	Citizens' Satisfaction Survey
CSW	Centre for Social Work
DEU	Delegation of the European Union
DRP	Detailed regulation plan
EU	European Union
EU PROGRES	European Partnership with Municipalities Programme
FIDIC	International Federation of Consulting Engineers
GDP	Gross Domestic Product
GE	Gender equality
GEM	Gender equality mechanisms
GG	Good governance
GRB	Gender responsive budgeting
HACCP	Hazard Analysis and Critical Control Points
IPA	Instrument for Pre-Accession Assistance
LAP	Local action plan
LIP	Large infrastructure projects
LSG	Local self government
MIPD	Multi-Annual Indicative Planning Document
NALED	National Association for Local Economic Development
NES	National Employment Service
NGO	Non-governmental organisation
PCM	Project Cycle Management
PRAG	Practical Guide to Contract Procedures for EU External Actions
PSC	Programme Steering Committee
QMS	Quality management system
SAA	Stabilisation and Association Agreement
SCTM	Standing Conference of Towns and Municipalities
SDC	Swiss Agency for Development Corporation
SEIO	European Integration Office of the Government of the Republic of Serbia
SIP	Small infrastructure projects
SME	Small and Medium Enterprise
UNOPS	United Nations Office for Project Services

1 Background

The Programme Fiche⁶ was prepared by the European Integration Office of the Government of the Republic of Serbia (SEIO), in consultations with the line ministries, municipalities, the Swiss Cooperation Office and other relevant stakeholders. This follows a deep analysis of the challenges faced by the underdeveloped local self governments in the South East and South West Serbia and which will be addressed through a wide, multi-sector approach. Twenty-five municipalities from the South and South West Serbia, which are currently benefitting from the European Partnership with Municipalities Programme - EU PROGRES, and nine underdeveloped local self-governments in the neighbouring districts⁷, have confirmed the importance of this initiative for their future development by sending the letters of support to the SEIO.

This Programme will have direct effect on beneficiary municipalities in a variety of sectors: good governance as cross-cutting and with specific result activities, education, employment, infrastructure and economic development. New and improved economic infrastructure will enable creation of jobs and promote sustainable economic development. An emphasis on inter-municipal projects, in particular the common economic development exercises, will enhance mutual cooperation and trust between ethnic groups and factions.

The Programme will contribute to strengthened competitiveness of participating areas, making them more attractive to foreign and domestic investment and less prone to deterring factors. It should thereby serve to help reduce the widening disparities between regions in the country, improving cohesion and stability on the national level. The reduction of unemployment will also help enhance intra-regional social cohesion and promote stability locally.

Attention to employment that takes into account equal opportunities for men and women, and keeps environmental concerns in mind can help build awareness of the regions' unique characteristics and potential for tourism. This is not only a prospective growth industry, but can assist in forming a more positive regional identity that can inspire youths to remain and develop their regions rather than seek their careers in other regions or countries.

The Programme will have a direct effect on synchronisation of the Government of Serbia's sectorial policies through vertical dimension of good governance. This means that line ministries will be involved in each segment of the Programme implementation, from prioritisation of actions, coordination during implementation to evaluation of achieved results. This will also contribute to capacity development of ministries for taking a leading role in implementation of further activities on the local level.

⁶European PROGRES Fiche – IPA 2013 National Programmes/Component 1- Project No.7

⁷ Final beneficiaries of this project are 34 municipalities from the third and fourth group of development level in South East and South West Serbia: Novi Pazar, Tutin, Raška, Sjenica, Ivanjica, Priboj, Prijepolje, Nova Varoš, Prokuplje, Blace, Žitorađa, Kuršumlija, Leskovac, Lebane, Bojnik, Medveđa, Surdulica, Vlasotince, Bosilegrad, Vranje, Trgovište, Preševo, Bujanovac, Vladičin Han, Crna Trava, Brus, Aleksinac, Merošina, Gadžin Han, Doljevac, Babušnica, Bela Palanka, Knjaževac, and Svrlijig.

1.1 Government/Sector Policy

The complexity of the problems and needs of 34 municipalities that are included in the European PROGRES has led to a design of a multi-sector approach Programme that will address:

- Local governance reform (including development of management and planning capacities)
- Business enabling (including improvements of communal infrastructure)
- Social inclusion (including affirmative measures in integration of Roma and other minorities).

By focussing on these key sectorial reforms, the Programme will support the efforts of the Government of Serbia to contribute to decreasing of regional disparities.

All Programme activities are in line with the key national strategies:

- The National Sustainable Development Strategy
- The Public Administration Reform Strategy
- The Strategy for Industrial Policy
- The National Employment Strategy (2011 – 2020)
- The Agricultural Strategy for Serbia (2005)
- The Strategy for Improvement of the Status of Roma in the Republic of Serbia (2009)
- The National Strategy for Advancement of Women and Promotion of Gender Equality
- The Anti-corruption Strategy.

The Programme is also aligned with the national legislation regulating the work and financing of local self governments and institutions, spatial and planning laws, business development, agriculture, environment protection, human and minority rights and their protection, freedom of expression and access to information:

- The Law on Local Self Government
- The Law on Property Owned by the Republic of Serbia
- The Law on Public Procurement
- The Law on Public Revenue and Expenditures
- The Law on Territorial Organization
- The Law on Local Elections
- The Law on Labour Relations in State Bodies
- The Law on Labour
- The Law on Salaries in State Bodies and Public Services
- The Law on Common Administrative Procedures
- The Law on Administrative Dispute
- The Law on Local Government Finance
- The Law on Budget System
- The Law on Public Enterprises and Performance of Activities of General Interest
- The Law on Communal Services
- The Law on Environmental Protection
- The Law on Strategic Environmental Impact Assessment
- The Law on Environmental Impact Assessment
- The Law on Integrated Environmental Pollution Prevention and Control
- The Law on Waste Management
- The Law on Packing and Packaging Waste

- The Law on Air Protection
- The Law on Managing Chemicals
- The Law on Biocides
- The Law on Nature Protection
- The Law on Protection from Ionizing Radiation and Nuclear Safety
- The Law on Protection from Non-Ionizing Radiation
- The Law on Protection and Sustainable Use of Fish Fund
- The Law on Noise and Vibrations
- The Law on Public Services
- The Law on Foundations of Education System
- The Law on Elementary School
- The Law on Secondary School
- The Law on the Social Protection and Social Safety
- The Law on Health Protection
- The Law on Water
- The Law on Planning and Construction
- The Law on Regional Development
- The Law on Public Private Partnership and Concessions
- The Gender Equality Law
- The Law on Prohibition of Discrimination
- The Law on Protection of Rights and Freedoms of National Minorities
- The Law on Prevention of Discrimination of Persons with Disabilities
- The Law on Employment and Unemployment Insurance;
- The Law on Vocational Rehabilitation and Employment of People with Disabilities;
- The Law on Youth.

1.2 Features of the Sector

Regional disparities in the Republic of Serbia are among the highest in Europe. While Belgrade is currently enjoying the Gross Domestic Product (GDP) per capita of almost 180% of the national average and generates the largest share of GDP, the Southern and Eastern Serbia region stand on 63% of national average and contribute to GDP with less than 15%. According to the Regulation on the Single List of Development of regions and local self-governments for 2013 (*Official Gazette of the Republic of Serbia* No. 107/2012), adopted by the Government of the Republic of Serbia in November 2012, 46 of 150 municipalities are extremely underdeveloped (development level less than 60% of the national average), with 23 classified as devastated (development levels lower than 50% of the national average⁸).

The largest concentration of the extremely underdeveloped municipalities is in the South East and South West Serbia⁹, where 29 municipalities belong to the group of 46 extremely underdeveloped. Other five municipalities participating in the Programme are closely connected geographically and

⁸ Please see Annex I Categorisation of underdeveloped municipalities according to the developmental level

⁹ Please see Annex II for the Map of underdeveloped municipalities in Serbia

are from the third group development level (less than 80% of the national average), sharing similar economic and social problems as well as communication and utility infrastructure needs.¹⁰

Opportunities for any wide and sustainable economic growth in these underdeveloped municipalities are severely hampered by **stagnant and opaque local regulations, depleted and inadequate capacities of local administrations and their officials, obsolete and/or run-down infrastructure, lowered levels of education and other investments in human capital, which all result in unfavourable business environment.** In turn this influences the ability to attract new direct foreign and domestic investments. These obstacles are underpinned by other elements of poor governance practices resulting in general inability to implement national reforms at the local level.

A common feature of all local self governments (LSGs) is that they are not well prepared to implement complex activities related to **municipal planning** and economic development. The infrastructure projects are chosen on ad hoc basis, without proper planning or impact assessment. The key preconditions for strategic planning: planning documentation, planning of investments, and resolved land ownership - are missing. The budgets are still prepared annually despite the fact that the legislation envisages process that takes into account three-year investment needs. The failure to update the land registers over decades led to huge discrepancies between the land registers and the land cadastre, resulting in additional obstacles in infrastructure development.

The speed of **economic development** is closely connected with the amount of direct domestic and foreign investments. The investment decisions of companies/investors are mainly influenced by the existing business opportunities and ease of doing business. The obsolete and inadequate infrastructure, lack of project documentation and low potentials for promotion and attracting of investors, therefore hamper further development. The lack of project documentation is a consequence of poor design capacities and financial constraints preventing municipalities to entrust these tasks to the third parties. This has a discouraging effect on the financiers and very often prompts them to abandon investments. Introduction of capital investment plans, whereby selection of investment projects would be based on a long-term perspective, taking into account achievement of financial, social, environment benefits, would solve the issue.

The 2014 World Bank's report "Doing Business" puts Serbia on the 93rd place (out of 189 economies) seven ranks lower than in the previous year.¹¹ Some sub-national indicators exist for five Serbian municipalities (Belgrade, Zrenjanin, Kruševac, Užice and Vranje) as pilot municipalities within Easy Doing Business in South East Europe 2011. Serbia has also dropped on the World Economic Forum **competitiveness** list and now holds 101 place (out of 148 countries), compared to last year's 99th.¹²

During the last couple of years the National Association for Local Economic Development (NALED) has supported municipalities in certification of their level of competitiveness, through a process

¹⁰ Municipalities bordering AoR are within the first and second developmental group and for this reason they are not included in the programme.

¹¹ Doing business (2014) *Doing Business 2014 Understanding Regulations for Small and Medium Sized Enterprises* [Online] Available at: <http://www.doingbusiness.org/~media/GIAWB/Doing%20Business/Documents/Annual-Reports/English/DB14-Full-Report.pdf> (Accessed on 30 January 2014)

¹² World Economic Forum (2013) *The Global Competitiveness Ranking* [Online] Available at: http://www3.weforum.org/docs/GCR2013-14/GCR_Rankings_2013-14.pdf (Accessed on 20 September 2013)

called “Business Friendly Municipality”. Even though this activity gave some very good results the number of certified municipalities is low (in the EU PROGRES areas of intervention, only three are certified - Leskovac, Vranje and Bujanovac). Based on the findings of the baseline study on the level of municipal competitiveness including their business environment, developed through EU PROGRES, a comprehensive set of technical assistance will be developed and delivered to the municipalities in order to improve their competitiveness level, which would contribute to their economic growth and level of investments. NALED pointed in September 2013 that the most needed Government reforms should include changes to the Labour Law (with reduction of taxation to the minimal wages), improvement of the system for issuing building permits, fight against grey economy, reform of inspections and reform of tax administration.¹³

Insufficient modern day (infrastructure) **project cycle management** skills and low capacities of municipal teams in the field of investment development/planning pose a serious challenge. Coupled with the lack of financial resources this leads to infrastructure bottlenecks and arbitrary selection of “priority” infrastructure projects. This has been confirmed in the analysis done by the EU PROGRES “Obstacles to Infrastructure Development”.¹⁴ Specifically, there is low practice of evaluating projects and their impacts on the citizens’ quality of life, apart from technical compliance, while implementation monitoring has not been established either. Although the EU PROGRES supported municipalities to apply the International Federation of Consulting Engineers (FIDIC) contracts, which are increasingly embraced across the world, when on their own, the municipalities hardly ever use them.

Public procurement procedures do not pay enough attention to specific features of the projects while most public procurement services are independent structures. This results in poor quality of technical sections of tender packages of infrastructure related procurements. The 2013 data from the Directorate for Public Procurement show that Serbia loses 600 million Euros annually, due to corruption in public procurements.¹⁵ Again, the situation in EU PROGRES’ municipalities has started to improve, but this is limited to the procurements supported by the Programme.

Enterprises in the South East and South West Serbia have little potential for increasing competitiveness on their own. Participation of **small and medium enterprises** (SMEs) from these areas in the total annual profit of SMEs in Serbia is ranging from 0.4% in Toplički District to 1% in Pčinjski District.¹⁶ SMEs from the, South East and South West Serbia participate in the total export of Serbian SMEs just with an average 2.5% (Pčinjski 1.1%, Jablanički 1.2%, Toplički 0.4%, Raški 3.7%, Zlatiborski 4.4%).¹⁷ As for agricultural producers and processors, they don’t have sufficient

¹³ Blic (2013) *NALED ponudio 30 preporuka za bolji poslovni ambijent* [Online] Available at <http://www.blic.rs/Vesti/Ekonomija/404421/NALED-ponudio-30-preporuka-za-bolji-poslovni-ambijent> (Accessed on 20 September 2013)

¹⁴ EU PROGRES (2011) *Obstacles to Infrastructure Development* [Online] Available at: http://www.euprogres.org/dokumenti/sr/3_46_Obstacles_To_Infrastructure_16_July_Final.pdf (Accessed on 20 September 2013)

¹⁵ Blic (2013) *Predrag Jovanović: Korupcija u javnim nabavkama košta budžet 600 miliona* [Online] Available at: <http://www.blic.rs/Vesti/Politika/385030/Predrag-Jovanovic-Korupcija-u-javnim-nabavkama-kosta-budzet-600-miliona> (Accessed on 20 September 2013)

¹⁶ Out of 14,925 enterprises in the South Serbia, 99% are micro (up to ten employees) and small enterprises (up to 50 employees). In addition there are 12,017 sole traders, the Ministry of Finance according to the data from Republic Statistics Office (RSO), 2011

¹⁷ The Ministry of Finance according to the data from the RSO, 2011

knowledge of new technologies and market requirements and benefits of cooperation and agglomeration of production. EU PROGRES is finalising two studies (Competitiveness of Local Self-governments in, South East and South West Serbia and Analysis of Small and Medium Size Enterprises) that will provide more detailed data on performance and macroeconomic indicators in 34 municipalities. During the inception period, the Programme will thoroughly analyse the results of these studies to set the benchmarks for measuring the impact of the planned activities.

Women's entrepreneurship represents a valuable asset for Serbia's economic development. Recent study on women's entrepreneurship within a project supported by UN Women¹⁸ showed that women account for only 26% of entrepreneurs in Serbia. Statistics also indicate that less than half of women of working age are economically active (compared to the two thirds for men). Also, the data shows that 47% of shops and companies started and run by women have closed compared to 38% of companies run by men.

The National Employment Strategy 2011-2020 recognises that women constitute the "largest category at risk in the Serbian labour market" and at the same time "the most heterogeneous vulnerable group". The situation is especially difficult for women with lower levels of education, women younger than 24 and older than 50¹⁹, while Roma women are among the groups with the lowest employment rate in the society.

There is a high **unemployment** rate in the South East and South West Serbia, especially among young people, Roma and vulnerable groups. The most difficult situation is in Crna Trava, Trgovište and Lebane, where the number of employees dropped by 47% in comparison to 2002. The average employment in the South is 18%, which is by 6.3% less than the Republic's average, while average unemployment in the region is 44.8%.²⁰

On average more than 40% unemployed are without any qualifications (Raška District 44%, Jablanički District 32%, Pčinjski District 47.5%, Toplički District 40.5%²¹), only 6.5% of population are with college or university education and 32.7% with high school education.²² This is also one of serious obstacles to economic development especially having in mind the capacity of local self-governments to lead coordinated responses to social inclusion of vulnerable and marginalised groups and to promote new approaches to social service delivery in the community. The educational profile of the labour force does not correspond to the needs of the economy, which should also be in the focus of a development programme such as the European PROGRES. The results of the skill gap analysis that is conducted for 34 municipalities that will participate in this Programme²³ will assist appropriate education institutions/providers to design and implement capacity building activities aimed at development of adequate skills and knowledge, required by potential employers.

¹⁸Baseline study on women entrepreneurship in Serbia, the Ministry of Economy and Finance, 2011

¹⁹Statistical Office of the Republic of Serbia (2011) *Women and Men in the Republic of Serbia* [Online] Available at: http://www.gendernet.rs/files/RR_u_broj_kama/ZeneIMuskarci.pdf

²⁰ Pravda(2013) *Kalanović: pokrenimo jug Srbije, situacija je katastrofalna* [Online] Available at: <http://www.pravda.rs/2013/03/14/kalanovic-pokrenimo-jug-srbije-situacija-je-katastrofalna/> (Accessed on 7 July 2013)

²¹ Statistical Office of the Republic of Serbia (2011) *Annual Report: Municipalities and Regions in Republic of Serbia*, [Online] available on <http://marketing-pr.fon.rs/webroot/uploads/Gradovi%20i%20opstine%202011%20G20112005.pdf> (accessed on 7 July 2013)

²² Please see Annex III: Number of unemployed per municipality

²³The study is conducted by the EU PROGRES Programme and will be finalized in early 2014

The South Serbia is being depopulated swifter than any other region in the country, with 37 inhabitants leaving each day.²⁴ Since the abolition of the visa regime in December 2009, more than 50,000 asylum requests have been filed in the EU countries.²⁵ Asylum seekers from Serbia were most numerous in Germany, Sweden and Belgium, while in the EU overall, they ranked third.²⁶ In January 2014, the European Union (EU) adopted a mechanism, which allows suspension of the visa free regime for countries that are seen as producing high numbers of false asylum seekers.²⁷ In order to contribute to efforts of the Serbian Government regarding reduction of asylum seekers from these parts of Serbia the Programme will develop and implement specific activities dealing with migration issues, both on the level of support to individual migrants and on the institutional level.

Finally, all current difficulties faced by the underdeveloped municipalities could be overcome by introducing principles of good governance in every day work. Accountability of municipalities towards citizens is especially weak due to non-existence of mechanisms by which citizens could oversee and control the functioning of local self governments. And yet, this is the key principle to be adopted, re-introduced or reinforced: who in the system of local governance is accountable to whom, by which and whose regulations, procedures and oversight. This relates, among others, to the management of public resources, efficiency in service provision, equal opportunities for all, and participation in decision-making and effectually translates into local institutions and entities abiding to the rule of law.

In practice, this will result in the local self-governments being more accountable, transparent, and inclusive in delivering the expected service to the citizens. Also, co-ordination and collaboration with the line government ministries, the so called “vertical dimension” of good governance, in implementation of projects, will be more efficient and effective, continually addressing any unresolved issues. In turn, such practices will lead to the sustainable socio-economic development.

1.3 Beneficiaries and parties involved

Final **beneficiaries**, but also the key stakeholders and financial contributors of this Programme are 34 municipalities from the third and fourth group of development level²⁸, which have responsibility of taking ownership of activities implemented in their territory:

- Novi Pazar, Ivanjica, Nova Varoš, Priboj, Prijepolje, Raška, Sjenica and Tutin, in the South West Serbia
- Prokuplje, Blace, Žitorađa, Kuršumlija in the Toplica District
- Leskovac, Bojnik, Vlasotince, Lebane, Medveđa and Crna Trava in the Jablanica District

²⁴ Pravda(2013) *Kalanović: pokrenimo jug Srbije, situacija je katastrofalna* [Online] Available at:

<http://www.pravda.rs/2013/03/14/kalanovic-pokrenimo-jug-srbije-situacija-je-katastrofalna/> (Accessed on 7 July 2013)

²⁵ European Policy Centre (2013) *Pending Visa Reintroduction Possibility and Serbia's EU integration* [Online] Available at: <http://www.europeanpolicy.org/en/documentation-centre/articles-and-commentaries/320-pending-visa-reintroduction-possibility-and-serbia-s-eu-integration.html> (Accessed on 20 September 2013)

²⁶ B92 (2013) *Ekonomska situacija motiv za azil* [Online] Available at:

http://www.b92.net/info/vesti/index.php?yyyy=2013&mm=04&dd=30&nav_category=12&nav_id=709880 (Accessed on 24 January 2014)

²⁷ Blic (2014) *Danas stupa na snagu mehanizam za privremeno uvođenje viza* [Online] Available at:

<http://www.blic.rs/Vesti/Drustvo/433192/Danas-stupa-na-snagu-mehanizam-za-privremeno-uvodjenje-viza> (Accessed on 24 January 2014)

²⁸ Regulation on establishing of a single list on levels of development of regions and local self-governments for 2012, Official Gazette RS no. 68/2011, Belgrade

- Vranje, Bosilegrad, Bujanovac, Vladičin Han, Preševo, Surdulica and Trgovište in the Pčinja District
- Brus in Rasinska District
- Aleksinac, Gadžin Han, Doljevac, Merošina and Svrlijig in Niški District
- Babušnica, Bela Palanka in Pirotski District
- Knjaževac in Zaječarski District.

The following **parties** are **involved** in the implementation of the Programme:

The European Integration Office of the Government of the Republic of Serbia (SEIO) has led in the Programme preparation and consulted the line ministries, and relevant institutions that will participate in the Programme Steering Committee (PSC). On the local level, the SEIO in cooperation with the EU PROGRES held intensive brainstorming meetings with municipalities and regional institutions, which are potential beneficiaries of the new Programme.

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

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

The Swiss Agency for Development and Cooperation (SDC) is the other contracting authority and takes shared responsibility in steering of the Programme.

The line Ministries of the Government of Serbia are major stakeholders in the Programme, and financial contributors. They have responsibility for monitoring the Programme implementation, and providing assistance and facilitation as necessary.

1.4 Problems to be addressed

Any sustainable socio-economic development is pre-conditioned by good governance. This relates to the oversight of the work of institutional bodies (municipal councils), management of public resources, efficiency in service provision, equal opportunities for all, participation in budget planning and decision making, and accountability of those in power towards citizens. This also means active involvement of civil society.

On the whole, local self-governments require greater refinement, awareness and stronger management. Good governance and the rule of law are therefore thoroughly embedded in all activities within this Programme in order to make the right steps towards achieving the overall objective of sustainable development.

The Programme will work on three axes of good governance:

- **Horizontal dimension** – by providing specific support to the local self-governments endeavouring to improve their organisational structures which would internally enhance concrete application of the five good governance principles, thus making the public sector in

a municipality, including local administration, more accountable, transparent and efficient in providing services to the citizens. This will start with the Programme providing support to municipalities in assessing and identifying governance issues that need to be addressed at the local level, and subsequently in development and/or improvement of new/existing local policies or regulations that will be in the line with the overall objective.

- **Vertical dimension** – through participatory approach in defining local priorities in accordance with the national policies, the Programme will support strengthening of vertical integration of local self governments, contributing to their better communication and coordination with line ministries, and in collaboration with other key stakeholders from the national level, it will facilitate a process of identifying and addressing key pertaining obstacles, with the overall objective of improving local self-governments performance in providing services to the citizens.
- **Cross cutting/transversal dimension** – continuing with the approach and practices proven during the EU PROGRES of elaborating and then applying the good governance principles in a custom-made processes for activities throughout the Programme, wherever pertinent and relevant, the European PROGRES will continue with the practices of integrating and embedding the five principles (accountability, transparency, participation, non-discrimination and efficiency) in all of its activities, where appropriate, thus contributing to enhancement of the efficiency and sustainability of each planned and executed sectoral support within the Programme. This will also contribute to further strengthening of LSGs and their organisations/institutions that have been targeted with a specific intervention.

This simplified matrix illustrates in brief the scope of the Programme's good governance (GG) intervention, providing also condensed information on links among the three governance axis and the results (in detailed elaborated in Chapters 2.3 and 2.4):

Governance Results	Result 1 (Local governance)	Result 2 (Business/competitiveness)	Result 3 (Social inclusion and employability)	Result 4 (Communication)
<p>Horizontal (Sustainability of GG expertise in municipalities, hands on support to municipalities)</p>	<p>Basic governance reforms: capital investment planning, programme budgeting, property tax collection, urban planning, contract management 1.1-1.3</p> <p>GG know-how institutionalized in LSGs (sustainability) 1.4</p> <p>Action Plans for Gender Equality Councils 1.5</p>	<p>Technical documentation and financing of infrastructure projects (including inter-municipal cooperation) undergo broad citizen consultation and fulfil good governance criteria 2.2-2.4</p> <p>Outsourcing (“make or buy”) and PPP decision capacities developed 2.5 and 2.7</p> <p>Women entrepreneurship 2.10</p>	<p>Citizen Advisory Services (access to rights and services for disadvantaged citizens) 3.2</p> <p>Gender balanced employability (facilitate women access to vocational education trainings) 3.3</p> <p>Action plans for employment and social inclusion (emphasis on Roma and minorities) 3.4</p> <p>Improved women health services 3.6</p> <p>Cultural tolerance in multi-ethnic municipalities (civil society, cultural and language institutions) 3.7-3.9</p>	
<p>Cross-cutting (Mainstreaming transparency, accountability, efficiency, participation and non-discrimination)</p>	<p>Gender sensitive budgeting; capacity building of women MPs (non-discrimination) 1.6-1.7</p>	<p>Improved business enabling environment (one-stop shops, permits) 2.1</p> <p>Ownership, management, risks, benefits, maintenance and monitoring of infrastructure projects translated in council approved regulations 2.5</p> <p>Local regulatory and organizational reforms based on documented shortcomings in EU PROGRES LSGs (also applies to results 1 and 3) 2.6</p>	<p>Citizens’ Satisfaction Surveys (quality of and access to services, transparency and accountability of LSGs) 3.1</p> <p>Custom made and beneficiary oriented single entry social service provision (effective and efficient service provision) 3.5</p>	<p>Awareness raising for five good governance principles through illustrated good practices</p>
<p>Vertical (Integrating consultations between central and local level and enabling environment for local development)</p>	<p>Cooperation for municipal finances, urban planning (together with SCTM) and contract management with the Ministry of Finance (including CFCU), Republic Geodetic Institute and Serbian Chamber of Engineers 1.1-1.3</p>	<p>Cooperation for local business environment with national public utility companies (Telecom, Electricity etc.) and Tax Office 2.1</p> <p>Through structured coordination (municipalities, ministries and the SCTM) remove development impediments (e.g. property issues) at central level for European PROGRES LSGs 2.6</p> <p>Cooperation for women empowerment with Gender Directorate, National Employment Service 2.10</p>	<p>Contribution to the implementation of national employment plan and social inclusion plan at local level 3.4</p> <p>Cooperation for language capacities and multi-ethnic dialogue with Coordination Body (Preševo, Bujanovac and Medveđa) 3.7-3.9</p>	

Recent studies conducted by EU PROGRES in the South and South West Serbia²⁹ show that wide-ranging economic development is constrained by obsolete and inadequate infrastructure. The total investments in new or reconstruction of the existing infrastructure capacities during 2010 were just 0.5% of total investments in Serbia or 1% of the investments in Belgrade.³⁰ These poorest regions had very limited benefits from the National Investment Plan as well, which had a goal to reduce regional disparities. They gained much less financial support than for example Vojvodina or Šumadija. Only 8.23% of total investments were realized in the industrial zones in the South and South East Serbia while Jablanički and Pčinjski did not receive any support.³¹

The experience gained during EU PROGRES demonstrated that supporting construction of new locations for industrial development (such as the Green Zone in Leskovac) and revitalisation of the existing (such as Termovent factory in Medveđa), opens perspectives for realisation of new business ideas and investments that will result in 3,000 employments approximately. There are other similar projects in the South and South West Serbia, which have similar potentials. During implementation of European PROGRES, at least two big inter municipal economic sites and at least ten smaller local economic infrastructure projects will be developed. The Programme will support municipalities and other relevant stakeholders during identification and formulation process of these projects in order to secure proper prioritisation and respect of all aspects of project management within formulation of the projects.

It was clearly demonstrated within the EU PROGRES that insisting on good governance principles in the implementation of infrastructure projects has an impact on perceptions and on performance of the municipality.

Proper prioritisation of projects was one of the challenges identified on the local level, which, along with the lack of financial resources and lame mid and long term planning of investments create infrastructure bottlenecks. The insufficient modern-day (infrastructure) project cycle management skills also remain a key problem.³² All this, coupled with the slow and often improper public procurement processes caused by low capacities of local administrations, seriously impact implementation of projects. These delays, as shown during implementation of the EU PROGRES can range from two to six months.³³

It is expected that at least 50% of municipalities will start developing capital investment plans, at least 50% develop annual budgets in accordance with the long term investment plans, and at least 40% improve status of their urban planning and technical documentation. This will result in better use of available budget resources and increase of budget lines dedicated to preparation of planning and technical documentation for infrastructure investments from current 0.1%³⁴ to at least 2%. In

²⁹ EU PROGRES (2011) *Obstacles to Infrastructure Development*. [Online] Available at: http://www.euprogres.org/dokumenti/sr/3_46_Obstacles_To_Infrastructure_16_July_Final.pdf (Accessed on 20 September 2013)

³⁰ Annual Report Municipalities in Serbia, Statistical Office of Republic of Serbia, May 2011

³¹ Analysis of business infrastructure in Serbia, National Agency for Regional Development, Zaječar, 2011

³² EU PROGRES (2011) *Obstacles to Infrastructure Development*. [Online] Available at: http://www.euprogres.org/dokumenti/sr/3_46_Obstacles_To_Infrastructure_16_July_Final.pdf (Accessed on 20 September 2013)

³³ EU PROGRES Quarterly Reports, available at: <http://euprogres.org/biblioteka.php?id=103>

³⁴ EU PROGRES (2011) *Obstacles to Infrastructure Development*. [Online] Available at:

addition, time needed for preparation and conduct of public procurement will be reduced by 30% and the number of cancelled/repeated public procurement processes decreased on average by 50%. Municipalities will be capacitated to implement infrastructure projects in accordance with the International Federation of Consulting Engineers (FIDIC) standards that will result in more efficient and effective implementation and use of available funds.

This shows application of horizontal dimension of good governance, as within the activities dedicated for improvement of efficiency of municipal administration the Programme will pay specific attention to support municipalities in improvement of their organisational structures which would internally enhance the principles of participation, efficiency, transparency, accountability and non-discrimination. The Programme will provide support to municipalities in assessing and identifying governance issues at local level, in development and/or improvement of new/existing local policies/regulations aiming at more effective and efficient service delivery to the citizens by increasing the accountability, transparency and responsiveness of LSGs.

Participation of small and medium enterprises (SMEs) from the South East and South West Serbia in the total annual profit of SMEs in Serbia is 2.5% on average: 0.4% in Toplica, 1.1% in Pčinja³⁵, Jablanica 1.2%, Raški 3.7%, Zlatibor 4.4%.³⁶ These figures confirm that unfavourable business environment hampers business development and productivity and affects export performance of these enterprises. Competitiveness of enterprises will not occur unless they connect with big companies in industrial centres and, through clustering, create value chain for such companies.³⁷

The traditional food products in the South East and South West Serbia, such as Sjenica cheese and lamb, Novi Pazar kebab, Leskovac *ajvar*, Zlatar cheese have potential competitive advantage on the markets, and with the right support in branding and product placement could contribute to local development. Analysis conducted in March and April 2012, pointed to possibility of clustering tourist offers in the regions that are currently fragmented but have high potential for development.³⁸ This Programme will help local economies to raise competitiveness of their SMEs through creation of new clusters in food production sector and extend support to already existing clusters in increasing their market potentials through common market approach and internationalization. In addition, SMEs within clusters will be supported in introduction of standards that are obligatory for export or give comparative advantage.

Some of the constraints in development of rural areas are small and fragmented farms, low scale of production and poor communal, economic and social infrastructure. On average, a farm in the South Serbia has 1.8 to 3.2 hectares of land. In the South West Serbia this fragmentation is best illustrated by the fact that only 0.74% of the total number of dairy farms has more than 11 milking cows.³⁹ In

http://www.euprogres.org/dokumenti/sr/3_46_Obstacles_To_Infrastructure_16_July_Final.pdf (Accessed on 20 September 2013)

³⁵ In the South of Serbia out of 14,925 enterprises 99% are micro (up to ten employees) and small enterprises (up to 50 employees). In addition there are 12,017 sole traders, Ministry of Finance according to the data from RSO, 2011

³⁶ *Ministry of Finance according to the data from RSO, 2011*

³⁷ Report on SMEs in Serbia (page 50), Ministry of Economy and Regional Development, Belgrade, 2011

³⁸ Assessment of the potentials for cluster development and FDI planning, EU PROGRES, Prokuplje, April 2012

³⁹ Annual Report "Municipalities in Serbia", Statistical Office of Serbia, Belgrade, May 2011

order to reach objectives defined in the Strategy for Rural Development in Serbia⁴⁰ it is necessary to intensify agriculture production through agglomeration of production capacities and introduction of new technologies, techniques and know how. The Programme will support farmers to intensify production through trainings on new techniques and technologies in agro-production and in exchange of experiences with farmers from the surrounding EU countries. In order to achieve economies of scale, farmers will be supported to create cooperatives in the most prominent agricultural sectors in the regions, such as fruit and vegetable production and animal husbandry, and to get certified for export to the EU.

Despite the newly established Government measures aimed at activation of both unemployed and employers, the employment rate continues to decline in Serbia, unemployment rises, while the expected reversal of negative trends in the labour market is not occurring. The South East and South West Serbia have the highest unemployment rate - 25.69% on average (Bujanovac 38.2%, Lebane 35.3%, Tutin 35.2%, Bojnik 34.5%, Novi Pazar 32.1%, Gadžin Han 31.4%, Trgovište 31.3%⁴¹). Unemployment is particularly registered within vulnerable groups, including young people (15-24 years) and seniors (over 55), Roma, refugees and internally displaced persons, persons with disabilities, single parents, beneficiaries of social benefits, women, which all contributes to the picture of social exclusion.⁴²

Furthermore, the educational profile of the labour force does not correspond to the needs of the economy. Thus, following the analyses previously conducted by the EU PROGRES, the Programme will assist appropriate education institutions/providers to design and implement capacity building activities aimed at development of adequate skills and knowledge, required by potential employers. This activity will significantly contribute to efficient and effective matching of work force supply and demand in the selected business sectors/areas, in the South East and South West Serbia. Links will be made with the Preparation of Labour Market Institutions for European Employment Policy (IPA 2011) project, other EU and Donor funded initiatives with the objectives of above in mind.

In recent years, a lot of efforts have been invested in improving delivery of social policies at the local level. In accordance with the Law on Social Welfare, the capacities of local self-governments have been strengthened to effectively lead social policy. The Centres for Social Work (CSWs) have been modernised by the introduction of case management, which radically changed their way of operation. Since clients are primarily referred to social services supporting life in the community, case management is also a strong driver for planning and developing the network of community-based social services.

However, social protection should be directly linked to inclusion policies in order to prevent people from vulnerable groups to be trapped in welfare dependency. In line with the National Employment Strategy, municipalities will be given a more active role in the processes of designing and implementation of local social inclusion policies (including employment) and implement local action plans, which will reflect needs and specificities of the local environment. At least ten municipalities

⁴⁰ Strategy on Rural Development in Serbia 2009 – 2013, Ministry of Trade, Agriculture, Forestry and Water Management, Belgrade, 2009

⁴¹ Monthly report for September 2012, National Service for Employment, Belgrade, October 2012

⁴² Labour Force Survey, Statistical Office, November 2011

will be fully supported to develop and implement key aspects of their employment and social inclusion policies, in full cooperation and coordination with the support projects directed at these sectors funded from the IPA 2012 and IPA 2013.

The Programme will strive to *engender* all steps and processes for each project in the Programme, i.e. it will embed pertaining planning processes for integration of gender in key phases of the project cycle management (PCM), such as programming, identification, formulation, implementation and monitoring & evaluation. At the same time, the Programme will continue *engendering the organisation* itself, by following and implementing Gender Mainstreaming recommendations for this kind of organization. A specific set of gender-specific activities has been devised, contributing substantially to the capacities of the society in 34 municipalities to adequately address gender equality agenda.

Addressing women economic empowerment is an important measure of any government, including the local ones, on the path of achieving gender equality. Furthermore, today there is little doubt that sustainable development could be achieved only through inclusive development. This implies gender-sensitive development as well. Gender-responsive budgeting (GRB) is about government planning, programming and budgeting that contributes to the advancement of gender equality and the fulfilment of women's rights. It entails identifying and reflecting needed interventions to address gender gaps in sector and local government policies, plans and budgets. Hence, this is one of the priority areas for Programme when trying to empower women.

The Beijing Platform for Action⁴³ spoke of the need to promote women's economic independence, including employment, and ensuring equal access for all women to productive resources, opportunities and public services. The Millennium Development Goals⁴⁴ on gender equality and women's empowerment adopted an increase in women's share of non-agricultural employment as one of its indicators of women's empowerment. These are reflected in pertaining Serbia's national documents, such as National Strategy for Improvement of the Position of Women and Gender Equality (with accompanying Action Plan), and the Law on Equality of Sexes. At least 80 new jobs for women, resulting from provision of at least 40 start up business grants for businesses owned by a woman will be created through Programme activities.

Technical capacities of medical centres in today Serbia are often obsolete and inadequate. The situation in this regard is more pronounced in under-developed, impoverished municipalities, where there were very few investments in modern medical technology during the last few decades. In this situation, addressing women sexual, reproductive and maternal health issues represents for most of the communities in the AoR a huge challenge.

Migration is another serious problem, especially in the South Serbia. Analysts point that people who go to the Western Europe and then apply for asylum, do so for solely economic reasons, and thus even temporarily, provide better living conditions for their families. When applying for asylum these people usually indicate the economic reasons, the living conditions and inability to provide

⁴³Fourth World Conference on Women: Action for Equality, Development and Peace on 4–15 September 1995, Beijing, China

⁴⁴Millennium Summit, September 2000, New York, NY, USA-Millennium Declaration, MDGs No 3 and 5

livelihoods for their families. Even when they get employment in the place of origin during the year, in winter months it is almost impossible. As social assistance is insufficient or unavailable, aid packages rare, they decide to migrate to the EU countries. The need for improvement of coordination between institutions responsible for support to migrants, returnees and asylum seekers is an additional problem.⁴⁵

Cultural diversities are characteristic for the entire Serbia and especially for the South East and South West. According to the 2011 Census⁴⁶, ethnic structure of population in these regions is very diversified, and national minorities represent high percentage of total population in quite a few municipalities⁴⁷ or even majority of population (Bosilegrad 70% Bulgarians, Bujanovac 55% Albanians, Preševo 89% Albanians, Novi Pazar 77% Bosniaks, Prijepolje 34,5% Bosniaks, Priboj 14% Bosniaks, Sjenica 74% Bosniaks, Tutin 90% Bosniaks, Medveđa 26% Albanians⁴⁸).

Collaboration between communities and among people of different ethnic backgrounds needs to be further supported. Even meeting places are divided by ethnic preferences. There are examples of segregation in education and culture – often, cultural events organized in multi-ethnic municipalities are created for particular ethnic groups.

This Programme will establish mechanisms for alleviating problems related to integration of national minorities, supporting learning of the official language of the state, and at the same time upgrading the skills of local communities for their own cultural production and its promotion. Those cultural mechanisms will be based on principles of intercultural dialogue, in order to contribute to transformation of these closed societies to open ones, characterized by greater understanding of others, lesser degree of stereotypes, promotion of cultural diversities, but also preservation of specific ethnic identity, its respect and unfettered growth, which is an essential prerequisite for a comprehensive development of multi-ethnic municipalities.

Although multi-ethnic municipalities are equipped with substantial infrastructural facilities, they remain in poor quality, which is often retrograde, does not support the multicultural events that are promoting cultural diversity and is often closed for youth initiatives. The local staff, responsible for creating the content of local cultural centres, is lacking knowledge in cultural policies needed for developing and supporting multicultural perspective of programme designs and their capacities ought to be improved. Capacities of local artists, which are foreseen as a link between youth from multi-ethnic municipalities and their promoters, should be improved as well.

The experts in cultural policies and those with the experience in working in post conflict and culturally sensitive regions, will closely work with the representatives of LSGs, directors of cultural centres, local workers in the field of culture, local artists and representatives of local Youth Offices, as well as the state institutions that are dealing with issues that have to be solved (such as the

⁴⁵Parliament (2012) *The Law on Migration Management: draft* [Online] Available at:

http://www.parlament.gov.rs/upload/archive/files/lat/pdf/predlozi_zakona/3118-12Lat.pdf (Accessed on 12 November 2013)

⁴⁶Statistical Office of the Republic of Serbia (2013) *Serbia: Census 2011* [Online] Available at:

<http://popis2011.stat.rs/?lang=en> (Accessed on 12 November 2013)

⁴⁷Please see Annex IV: Ethnic structure of population

⁴⁸Regions and Municipalities in Serbia, Statistical Office of Republic of Serbia, Belgrade, May 2011

Ministry of Culture, the Office for Human and Minority Rights, the Coordination Body etc.) throughout the entire process of developing the strategic documents.

Insufficient knowledge of Serbian language was identified as one of major obstacles for further integration of Albanians into the wider social structures. Having in mind that South Serbia is politically fragile and the integration of Albanians is additionally challenged with growth of population who do not speak the official language of the state in which they live, as pupils and high school students from Bujanovac and Preševo get the official education in their native language. By delivering Serbian language classes more of the ethnic-Albanian population, which constitutes significant majority in these two municipalities, will be proficient in speaking the official language, which will enable easier and fairer integration.

The Programme will also consider activities to support the measures agreed between the Government of Serbia and the political representatives of the Albanians from the South Serbia to improve the living conditions of this ethnic minority.

Throughout its activities, European PROGRES will fight discrimination and promote human and minority rights, assist in creation of conditions for inter-ethnic tolerance and multicultural coexistence, growth and sustainable development of all communities, increasing general, society-wide culture of tolerance as a basis for coherent and meaningful inclusion policies.

The majority of population in the South East and South West supports the accession of Serbia to the EU. However, there is a limited understanding of benefits that the EU membership will bring to citizens, especially on the local level, as well as of understanding of European values. This Programme will therefore be an opportunity to continuously promote European values through the EU and Serbia partnership. This will be done through a series of tailor made campaigns with governmental institutions and NGO sector, promoting European values, EU – Serbia partnership and positive results of EU support to these areas achieved within the project.

Finally, involvement of line ministries in each segment of the Programme implementation, from prioritisation of actions, coordination during implementation, to evaluation of achieved results, as well as in working together with local self-governments in resolving mutually identified bottlenecks, obstacles, or any other issues arisen in their collaboration, is an example how the Programme will tackle the “vertical dimension” of good governance.

1.5 Justification

The **Multi-Annual Indicative Planning Document (MIPD) 2011-2013** highlights that *“deepening disparities between the regions is a matter of concern, since regional economic disparities in Serbia are among the highest in Europe”* (page 7). According to the Single List of Development of Municipalities and Regions (“Official Gazette of the Republic of Serbia” No. 69/2011), the least developed, devastated municipalities (22 out of 27) are concentrated in the South, South East and South West Serbia. Having in mind the complexity of the issue of local development, a multi-sector, cross-cutting approach is demanded. Therefore, the proposed Programme by its structure and content covers the following priorities identified by the MIPD 2011-2013:

- **“Strengthening the rule of law and public administration”**, recognized as essential areas for the political criteria” (page 4). Activities of the Programme under this priority should contribute to *“the stability and enhancement of democratic institutions, local government as well as improving of business environment”*. By strengthening organizational and management structures in local self governments (LSGs), as well as rising capacities in planning and management of developmental processes the Programme will contribute to enhancement of local institutions. Respect of good governance principles will be a leading theme in the activities concerning LSGs, but also cross-cutting throughout Programme activities with all partners and beneficiaries.
- **“Overcoming the economic crisis and improving competitiveness”** is emphasized as a main challenge of Serbia by the Enlargement Strategy 2010-2011. The MIPD 2011-2013 stresses that *“Serbia needs to improve business environment in order to stimulate domestic growth and attract foreign investments.”* The Programme activities that cover this component are conceptualized as a comprehensive response to the issue, and they consist of support to respective legal and administrative framework, business related infrastructure, as well as improvement of SME and agricultural production of targeted regions through its modernization. The special value of the Programme is the introduction of innovative concept such as creation of chains of value connected with the industrial centres that should contribute to increasing of local SMEs competitiveness.
- **“Social inclusion and reconciliation.”** The MIPD (page 4) recognizes that *“high levels of unemployment (especially youth unemployment), low labour force participation rates, poverty, low inclusion and high drop-out rates of school children from vulnerable groups from the education system, are widespread throughout the region (and) remain the key challenge in Serbia”*. The Programme envisages activities that support development of local human capital based on the needs of business sector and development of social inclusion policies and implementation of local action plans in line with the local needs.

European Partnership

The Programme will address several medium term priorities of the European Partnership related to strengthening of policy-making and coordination capacity of the public administration, including human resources at local levels (p. L 80/57). It also seeks *“to improve business environment leading to increase Greenfield foreign direct investments”* (p. L 80/57) as well as to improve working skills which foster employment opportunities (p. L 80/58) and development of social inclusion and protection policies (p. L 80/58).

Stabilisation and Association Agreement (SAA)

This Programme aims to strengthen economic and social development of South East and South West Serbia and to directly contribute to reducing regional imbalances in line with the article 113 of the SAA. It seeks to improve public administration planning and management capacities at the local level and develop working skills and resources in line with the articles 114 and 102 of the SAA. In addition, this Programme should strengthen private sector SMEs and the establishment of new undertakings

in areas offering potential for growth through development of the favourable business and investment environment in line with the articles 95 and 93 of the SAA.

EC Progress Report (2013)

The Programme will intensively work on strengthening local administration capacities and increasing efficiency and effectiveness in service providing and implementation of existing legal framework, especially regarding public procurement. This is in line with the findings of the Progress Report (pages 10 and 23). In order to increase potentials of municipalities in strengthening industrial activities this Programme will support development of infrastructure preconditions for economic development, as well as satisfy basic infrastructure needs of benefiting municipalities, which is fully in line with the Progress Report (pages 20 and 26). Furthermore, the Programme will provide support to SMEs and agricultural producers in increasing their competitiveness through introduction of cooperation, new technologies and standardisation, which is underlined in the Progress Report as one of main issues concerning economic criteria (pages 27, 28, and 37).

The 2012 EC Progress Report (10 October 2012) underlines some of the main weaknesses in the reforms during the pre-accession process:

“Public administration reform remains hampered by the lack of clear steer and coordination structures. The system remains fragmented, with unclear lines of accountability and low policy development and coordination capacity. Recruitment and promotion need to be further reformed and developed to achieve a transparent, merit-based civil service system. Much recruitment is still conducted through non-transparent procedures. Follow-up of the recommendations of independent bodies needs to be built into the system.”

As regards **women's rights and gender equality**, although right legislation has been adopted, the implementation remains slow.

The legislative framework for protection of **socially vulnerable persons and/or persons with disabilities** is broadly in place. However, overall, social integration of persons with disabilities remains limited, and as that of other vulnerable persons it needs further improvement. Persons with disabilities often face unemployment. Although access to public buildings for persons with disabilities has advanced in urban areas, there are still important shortcomings in rural areas. Availability of community-based services across the country is still limited.

As regards the municipalities of *Preševo, Bujanovac and Medveđa*, the situation is mostly satisfactory, but there are a number of outstanding issues which have not been dealt with for a long period that still have to be resolved. The Government needs to demonstrate greater commitment to economic development of the area, which is one of the poorest in Serbia.

Regarding the South West Serbia, the situation has been tense and occasionally unstable. While inter-ethnic incidents are rare, the divisions among the Bosniak community have led to recurring incidents. The number of educational institutions needs to be further increased. The area suffers from the lack of basic infrastructure, which seriously hampers its economical development. The unemployment rate is high and foreign investment is scarce.

Roma people still do not fully feel the implementation of the legislation and policies adopted and their widespread discrimination and marginalisation continue. The funds for implementing the Roma National Strategy are lacking. The rate of Roma employment is very low, including in the public administration. A large number of Roma live in illegal settlements under unacceptable conditions. There is still no systematic approach to the relocation of illegal Roma settlements, which is often

conducted inappropriately, resulting in serious violations and breaches of basic human rights. The Roma population, and especially Roma women, are the most discriminated in the labour market. The Roma minority continues to face discrimination, social exclusion and high unemployment. Roma women and children are still frequently subject to family violence, which often goes unreported.

Economic Criteria

In order to enhance the economy's resilience through sustainable export-led growth, Serbia needs to step up its structural reforms. Labour market weaknesses, such as high structural unemployment, very low employment rate and widespread informal employment, are exacerbated by persistent structural rigidities. Progress was made in facilitating market entry, but the business environment continues to be marred by complex legislation and red tape, as the implementation of the regulatory reform has been delayed. In spite of the effort to establish legal predictability, the so far existing lack of legal clarity in relation to property rights has had a negative impact on business activities. Energy infrastructure will need to be modernised and extended in order to strengthen industrial activity. Transport infrastructure has suffered from insufficient investment. Although SMEs have increased their share of economy, they face constraints in both their current activities and in obtaining finance for investment.

Lack of competition in certain sectors and significant infrastructure bottlenecks are a further drag on the economic potential. Against a modest economic recovery, unemployment remains high and the social situation strife-ridden. Serbia needs to urgently address structural rigidities on the labour market, including the mismatch between demand for and supply of skilled workforce. The informal economy remains an important challenge.

Switzerland Cooperation Strategy with Serbia 2014-2017 was presented in February 2014. The key areas of Swiss support remain: governance, economic development, and energy efficiency and renewable energy. In addition to this, Switzerland has a migration partnership with the Republic of Serbia, which supports introduction of standards for migration monitoring, in line with the EU standards. Serbia is eligible to participate in the regional programmes as well, such as: science and research, police cooperation, municipal development, Roma inclusion, and public financial management. The Strategy is aligned with the national priorities, including those relevant for the European accession process. Good governance and gender remain within a special focus of each individual project supported by Switzerland.

Lessons learned from previous similar programmes have been taken into account while designing this proposal⁴⁹:

- The implementation of programmes of this type (MIR1 and MIR2, PRO1 and PRO2, EU PROGRES) proves the relevance of intervention in these parts of Serbia. The Programme fits well within the strategic framework of the Government of Serbia and the EU, particularly the IPA Component I. It responds to developmental context and challenges in its Area of Responsibility (AoR)
- Having international organization under UN umbrella as implementing partner proved to be adequate choice, as it provides neutral and impartial venue for supporting reforms and development of the municipalities in the AoR⁵⁰

⁴⁹ Midterm and final evaluations of MIR 2 and PRO programmes

⁵⁰ Findings of EU PROGRES Mid Term Evaluation, June 2012

- High effectiveness can be achieved by continuous presence of the implementation team on the ground
- When municipalities are responsible for identification, preparation and implementation of the projects, there is a strong ownership and greater partnership among the beneficiaries. On the other hand, the full scale project management responsibility may result in implementation problems due to low capacities of the implementers
- Inter-municipal projects, apart for aiding socio-economic growth, made municipalities recognise the need to jointly solve common problems, to develop, finance and manage projects together. Involvement of line ministries was crucial for successful achievement of projects' goals
- Links between strategic planning and budgeting were not sufficiently addressed. Therefore, the design of the new Programme has taken this into account
- Municipalities should make greater efforts to attract investments, in particular: by adhering more to good governance concept and its principles, by simplifying administrative procedures, modernising administration, and preparing better urban planning documents; by conducting taxation reforms and working on staff capacity development
- Rural population has not been sufficiently included in preceding projects despite the fact that it is high in numbers in the areas of previous interventions
- Involvement of civil society organisations in preparing strategic plans, but also being partners in implementation of grant schemes is a comparative advantage
- Incorporating good governance concept and its principles, where appropriate, into the Programme activities, especially linking them to implementation of the infrastructure projects, contributes not only to improvements in local regulations pertaining to and overall sustainability of projects in the matter, but also provides better understanding of the nature of a development programme, and of the reasons behind the donors' interventions, which is always – the change for the better of a society in general, including the change in the prevailing mind-set, both among local official and citizens, on how local authorities should better respond to their tasks and responsibilities.
- Embedding good governance concept and its principles in projects, as well as the positive legislation and EU principles, had significant positive impact on the profile of the Programme and changes in the mind-sets of partners
- Grant modality has been an excellent capacity development mechanism, which introduced some new approaches and ways in thinking and doing business in the municipalities. However, the adherence to the grant modality requires much more time, thus work plans should be developed to reflect the timeframe within which it is feasible to organize and implement projects with this modality
- Monitoring and auditing of all projects prior to transferring every instalment has been an excellent good (governance) practice. It ensured important monitoring of utilization of funds. At the same time, it proved to be strong capacity building tool, as each monitoring visit was an excellent opportunity for municipalities and the programme to share lessons learnt, advise each other on improvements and changes in the approach to project delivery and to strengthen the overall project implementation process. The role of implementing partner should even be more proactive in order to facilitate / projects/grant outputs

- Implementation of projects of strategic importance for the entire region, both for the municipalities covered by the programme and those located outside the Programme AoR, has resulted in wide impact on the whole area
- Municipalities that didn't have previous support through similar programmes struggle more in following the guidelines and milestones of donors. Enhanced effectiveness in these cases might be achieved if individual approach is applied by sequencing assistance to preparation of the newcomer municipalities for infrastructure and other projects
- Since a number of programmes funded by different donors are present in the region, some calls for proposals (CfPs) coincided. Also, municipalities in some instances have not been well prepared to respond to CfPs, justifying it by short notice. Announcing CfPs and deadlines should be done in advance (at the beginning of the programme) to avoid overlaps with CfPs of other programmes and to provide space for municipalities to adequately plan respective activities
- Strong support from decision makers in local government must be secured for the key issue which is institutional strengthening in addressing gender agenda
- Gender Mainstreaming activities need to be reinforced and even more visible in future. The gender equality agenda should be more observed during preparation of project criteria and other related conditions, as well as during project proposal evaluation processes, with a particular focus on addressing gender stereotyping
- The resistance within the existing political/administrative structures within local governments should not be underestimated and proper strategies for answering these challenges must be devised and adopted at early stages of any related interventions
- Decision making by the Programme Steering Committee, whose meetings were held on the benefactor's turf, and in a dialogue with the LSGs' representatives, ensured equal involvement of beneficiaries and stakeholders
- Coordination and partnership with national sectoral projects resulted in synergic effects both in programming and financial aspects of actions
- Identifying the critical success factors (at all levels) will ensure impact and sustainability of the projects.

1.6 Other interventions

Long-term investment of the EU supported programmes (MIR, PRO and EU PROGRES) in building management and financial capacities, services and mechanisms for citizens, has made noteworthy shift in improved governance and service delivery of municipal partners.⁵¹

This Programme has been designed as the continual systematic support to development of underdeveloped municipalities in the South East and South West Serbia, based on experiences, needs assessments, results and actions taken under its EU funded predecessors. Furthermore, it has also taken into account the synergy with other projects on the country level. More specifically, the projects that have been consulted during the preparatory phase are:

1. **European Partnership with Municipalities - EU PROGRES (2010 – 2014)**, which has the goal to accelerate growth and to improve overall socio-economic conditions in the South and

⁵¹ EU PROGRES Mid Term Evaluation, June 2012

South West, through introduction of good governance and hypostatisation of its concept and principles in an obvious and tangible manner, municipal management and development planning, infrastructure and public awareness/branding of areas components. The impact of the Programme, in advocating and facilitating communication between the local and national level, and the EU, has already been acknowledged as positive during May 2012 mid-term evaluation.

EU PROGRES' projects for the Industrial Zone in Vranje, the Centre for Pešter Development, Support to Fruit Production in Pčinja, the Green Zone in Leskovac, and renovation of Termovent Factory in Medveđa are expected to contribute to creation of 3,000 jobs in the next one to five years while several hundred entrepreneurs and several thousand agricultural producers should be positively affected.

EU PROGRES is using the grant methodology that 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 reinforced strict respect of relevant laws in Serbia, in the field of public procurements and constructions; it introduced some worldwide known international standards and practices, such as the International Federation of Consulting Engineers (FIDIC) contract modality; it helped municipalities to recognise the importance of 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 to Year 3; improvements in technical specification of tenders influenced that the actual offers were 370,000 Euros lower compared to initial estimates of LSGs. In essence, this approach enabled municipalities to obtain knowledge and skills needed to access and execute donors' funds.

The impact of infrastructure projects on the lives of ordinary people is expected to be large. Until the end of January 2014, the Programme: contributed to opening of 300 jobs and was a part of the national and local governments' efforts to attract commercial investments of at least 30 million Euros; enabled assistance to around 9,000 people from vulnerable categories; provided equipment for the Preševo Maternity Ward thus contributing to realisation of priority Government of Serbia projects for the South; implemented ten small infrastructure projects that improved conditions for education for about 7,500 children, while all local social infrastructure projects created 48 new jobs; supported local communal infrastructure projects that created adequate hygienic conditions for 160 sellers of agro and dairy produce and improved the quality of drinking water for 3,500 households.

Impacts will begin to be measurable in coming months and years; Programme staff will update regularly.

2. The EU CARDS implemented several big programmes in South Serbia, including **Municipal Improvement and Revival Programme (MIR) I and II**. MIR I worked on decentralisation, municipal development through inter-ethnic confidence building, poverty reduction, municipal infrastructure development, and changing behaviour of municipal officials. Activities in MIR II were organised under four main components: Inter-municipal Co-operation for Development; Municipal Strategic Planning; Improved Municipal Management and Administration; and Improved Delivery of Municipal Administrative Services. The project was successful in terms of strategic planning, project development and infrastructure

preparation. While an encouraging start was made capacity building on programme budgeting was insufficient to establish a link between strategy and the budget.

3. There were two phases of the **Municipal Development in South West Serbia Programme (PRO)**, both supported by the EU and the Swiss Government, from July 2006 to May 2010. The specific purpose of the project was to achieve two interdependent goals: to enhance local governance in all municipalities in South West Serbia, and at the same time to improve the socio-economic situation through implementation of strategic priorities on the municipal and inter-municipal (regional) level financed by municipalities and other direct (foreign and domestic) investments. The project supported modernization and improvement of municipal administrative services and the establishment of citizen-oriented practices.
4. The **Peace building & Inclusive Local Development** (2009-2013) programme was implemented by six UN agencies in partnership with all municipalities of Pčinja and Jablanica Districts, the central government as well as the official bodies of the Ombudsman's Office, the Co-ordination Body for Preševo, Bujanovac and Medveđa and the Serbian Commissioner for Refugees. The programme worked to achieve community cohesion, improve public services, increase overall prosperity of the region and reduce discrepancies in wealth and employment between ethnic groups, give support to migration management.
5. The Austrian Development Agency (ADA) supported implementation of Sustainable **Regional Development of Jablanica and Pčinja Districts project**, worth two million Euros, in the period 2008-2011. The goal of ADA intervention was to assist socio-economic development initiatives of South Serbia by supporting enhancement of operations and practices performed by the Centre for Development of Jablanica and Pčinja Districts and further development of capacities of all relevant beneficiaries as well as supporting the process of identification and preparation of relevant project proposals for all municipalities and for business and civil society sectors in the region.
6. **Preparation of Labour Market Institutions for European Employment Policy** (IPA 2011) is 3.5 million Euros project to strengthen capacities at the national (MoLESP and NES) and local level (Local Employment Councils) for designing and implementation of the national employment policy aligned with the European Employment Strategy. Among others, the project will support preparation of Local Employment Action Plans in line with the National Employment Action Plan and specific characteristics of the local labour markets in 65 municipalities out of which only 11 (Novi Pazar, Vranje, Surdulica, Vladičin Han, Raška, Blace, Prokuplje, Leskovac, Ivanjica, Sjenica and Aleksinac) are located on the territory covered by EU PROGRES.
7. The **Swiss Agency for Development Corporation** (SDC), through Regional Agency for Economic Growth and Entrepreneurship of Pčinja District (VEEDA) is financing the project on **Private Sector Development in South Serbia**. The project started in 2011 and will last until the end of 2014. The overall goal of the project is to increase income opportunities and quality jobs, particularly for young people and women. The outcomes should include improved cooperation and better performance in wood industry, strengthened relationships among market players

which will bring about better performance and competitive regional offer, and stimulation of tourism industry.

8. **Private Sector Development (PSD) in the South West Serbia** is a project also financed by the SDC and implemented by the Regional Development Agency Zlatibor. The third phase of the project started in 2013 and will last until 2017. The project aims at improving employment and income opportunities by stimulating and facilitating systematic change in key sectors that lead economic growth and improved access to markets and services. The project uses a market development approach (Making Markets Work for Poor – M4P) as its rationale, focussing on sustainable change in supporting functions and rules that constitute wider system around markets. The PSD's overall strategy is to facilitate pro-poor development of the tourism sector and to use this growth and leverage to extend the growth further into the traditional products sector.
9. **MEGLIP - Municipal Environmental Grant-Loan Investment Programme** (IPA 2011) is a programme worth almost 150 million Euros implemented by KfW through indirect centralised management. The specific objective of the MEGLIP is to support the preparation and implementation of the mature municipal environmental infrastructure projects such as construction of the waste water collection and treatment facilities in medium sized municipalities in Serbia as well as implementation of the environmental flagship small scale projects up to 2.5 million Euros via commercial banks such as waste water treatment, waste management, energy supply and distribution, public transport systems etc.
10. **MISP - Municipal Infrastructure Support Programme** (IPA 2008 and IPA 2010), is the EU and the Government of Serbia funded programme with almost 100 million Euros committed to preparation and implementation of mature environmental and economic infrastructure projects, including development of local capacities for sound management of established facilities and efficient delivery of services to the citizens. MISP 2008/2010 (and its predecessors funded through CARDS) has so far developed six feasibility studies⁵² in South and South West Serbia and is currently supporting the construction of the Waste Water Treatment Facility in Leskovac.
11. **MSP - Municipal Support Programme** (IPA 2007) is a 22 million Euros programme funded by the EU, committed to development of local planning and financial management as well as good governance capacities contributing to efficient delivery of local services to citizens including a number of local initiatives in South and South West Serbia such as municipal planning in Prijepolje, Novi Pazar, Nova Varoš, Vlasotince, Bojnik, Trgovište and local financial management in Vranje, Sjenica and Leskovac etc.
12. **Improvement of business environment on local level through regulatory reform (2011 – 2014)**, funded by the Swiss Organisation for Economic Cooperation (SECO), is a partnership

⁵² Feasibility Study on WWT in Novi Pazar, Feasibility Study on WWT in Raška, Feasibility Study on Industrial Zone in Vladičin Han, Feasibility Study on Regional Solid Waste Management System Toplica District, Feasibility Study on Inter-municipal Water Supply Project – Pčinja District, Feasibility Study on Integrated Tourism Development on the Vlasina Lake

project between the Standing Conference of Towns and Municipalities (SCTM) and OPTIMUS Centre for Good Governance. The objective of the project is to create a basis for better business environment in a number of LSGs in Serbia, with a particular focus on one of the largest obstacles – outdated and unnecessary complicated local administrative procedures and processes which negatively impact local economic development and new employments. The project has two components: 1. Development, implementation and dissemination of the model for chosen groups of simplified administrative procedures for smaller municipalities, and 2. Systematic regulatory reform of administrative procedures related to business and introduction of regulation impact analysis in chosen cities and larger municipalities. The SCTM will promote regulatory simplification to wide stakeholder audience in Serbia and disseminate lessons learned in order to incite the process of regulatory reform on the national level.

13. **Regional Socio-Economic Development Programme (RSEDP2)**, an EU funded project which ended in November 2012, was designed to provide support to Regional Development Agencies to take a prominent role and improve competencies in the regional development process and to become credible partners in the implementation of regional development plans and programmes both to the community level stakeholders and the Government. The main outputs of RSEDP2 project, relevant for the proposed Programme, are Regional Development Strategies for South East and Šumadija West Regions. Once adopted, the strategies will provide framework for defining priorities and criteria for support that this Programme will provide to these areas.

RSEDP2, as a part of the EU IPA funding, was also coordinating and monitoring 32 grant projects worth 12 million Euros. Four of those are implemented in the areas that will be covered by this Programme with a budget of 1.9 million Euros: New Textile Coalition in Leskovac, Establishment of Technological & Food processing Park in Leskovac, Industrial Zone Kolovrat in Prijepolje and Old Crafts for New Age in Nova Varoš and Prijepolje. The proposed Programme will take lessons learned from implementation of these projects and continue adding value to these interventions wherever possible.

14. The main beneficiary of the **RegPol** project (October 2010-September 2013) was the Ministry of Regional Development and Local Self Government (MRDLSG). The **overall objective of the project** was to contribute to a balanced territorial socio-economic development in Serbia. Its purposes were to increase the capacity at the national level to plan and implement integrated regional development, and to achieve a more effective and transparent planning and spending of funds for development. There were four main components in the project: policy formulation (support in establishing the National Plan for Regional Development and related documents); development management (support in setting up all relevant structures and systems for effective management and implementation); coordination and integration (support the Ministry regarding the coordination with other line ministries, and other stakeholders at national and regional level); horizontal activities (support the Ministry in organising conferences and other events; organising workshops and promotion activities; organizing study tours and briefing trips for staff of the Ministry and other relevant stakeholders).

The main outcome of the RegPol project relevant for the proposed Programme is the National Plan for Regional Development. Once adopted by the Government and the National Assembly of the Republic of Serbia it will be taken into account in selecting of projects to be supported under the proposed Programme.

15. The **USAID's Sustainable Local Development Project (SLDP)** is a five-year (2010–2014), 22 million USD project supporting the long-term economic and social development of Serbian cities and municipalities by assisting them to move to cooperative, inter-municipal approaches to improve public services and invigorate their economies. SLDP core activities focus on establishing and strengthening inter-municipal cooperation (IMC) partnerships. Activities are owned and driven by IMC partners and funded through SLDP technical assistance, grants and subcontracts that enable partners to leverage available public, private and donor resources. So far, SLED has established eight IMC partnerships including 12 of 25 local self-government units from South and South West Serbia.
16. **Exchange 4**—this project that supports public administration reform (IPA 2012) will be implemented through a direct grant to SCTM (1.3 million Euros) and Exchange 4 grant scheme to LSGs selected through an open call (4.65 million Euros). It will tackle the local economic development, environmental protection (waste management) and social welfare of elderly people. The cross border impact area will be directly targeting Pčinja and Jablanica Districts by grant scheme worth 580,000 Euros. This Programme will closely coordinate with Exchange 4 especially in the process of selection of the municipalities that will be supported in order to avoid potential overlaps and create possibility for synergy effects.
17. **The OSCE Mission in Serbia** advises on the implementation of laws and monitors the proper functioning and development of democratic institutions and processes in Serbia. It assists law enforcement bodies and the judiciary in training and restructuring. The Mission has an office in Bujanovac in southern Serbia and a training centre in Novi Pazar in the South West Serbia.
18. The **Social Development Sector fiche – IPA National programmes 2012/ Component I** has the overall objective to promote further socio-economic development in Serbia based on higher levels of employment, a more educated and employable labour force and enhanced social inclusion of people from disadvantaged groups, with a particular emphasis on the Roma. This will be achieved through:
 - Increasing the effectiveness of Serbian employment policy in line with the labour market needs
 - Enabling social dialogue to be utilised as an instrument for reaching consensus on labour market issues and a forum for discussion on the programming, formulation and implementation of social and economic reforms
 - Improving the quality and relevance of education competences through modernisation of vocational education and training
 - Supporting social inclusion policies and development of the range and quality of community-based social services for vulnerable and disadvantaged groups, including Roma through cross-sectorial approaches and local partnership-based initiatives

- Supporting the implementation of the Strategy for Improvement of the Status of Roma in the Republic of Serbia in the areas of access to basic rights and civic participation, labour market, education, health, social welfare, adequate housing and job creation, following the recommendations of the EU Framework for National Roma Integration Strategies up to 2020.

Through implementation of activities regarding development of employment and social inclusion policies on the local level European PROGRES will secure complementarily actions with the above mentioned measures.

19. The **Social Development Sector Fiche – IPA National Programmes 2013/ Component 1** envisages actions towards contribution to smart, sustainable and inclusive growth for the Republic of Serbia by building a more knowledgeable and skilled labour force, improving social protection policies and promoting the social inclusion of vulnerable populations, enabling greater opportunities for a better standard of living in alignment with the targets set forth by the Europe 2020 Strategy. This should be achieved through three specific objectives:

- Developing a system that significantly contributes to the efficient and effective matching of supply and demand and overall functioning of the labour market, with special emphasis on the inclusion of the persons with disabilities
- Advancing social inclusion and reintegration of marginalized and vulnerable populations through enhancing education and social welfare measures and effective community services, with particular focus on drop-out reduction, family care and access to justice for children
- Support to the implementation of the Strategy for Improvement of the Status of Roma in the Republic of Serbia through further development and realisation of sustainable and inclusive models for resolving housing and improvement of physical infrastructure in selected Roma settlements.⁵³

Activities within the Result 3 of European PROGRES are complementary to actions envisaged within the Social Development SIF/ IPA 2013. This is especially so regarding social inclusion of the most vulnerable groups, support to local self governments in development of employment and social inclusion policies, as well as development of occupational skills in accordance with the labour market needs. Additional complementarities will be seen through development of necessary communal infrastructure in the settlements populated by Roma, which will give synergy effects between these two actions.

20. **Project Preparation Facility 5**, whose objective is to support the Serbian Administration in development of infrastructure projects that are in accordance with the EC procedures in terms of programming and contracting. The project activities will include:

- Strengthening of related ministries and agencies to more effectively programme and manage EU financial assistance;
- Providing assistance with project preparation and appraisal techniques;
- Assisting with the preparation and checking of tender dossiers;

⁵³ Model for sustainable and inclusive Roma housing conceived under the IPA 2012 Sector fiche for Social Development (measure 5)

- Advice and On-the-Job Training on Procurement under FIDIC conditions;
- Providing advice on communications and awareness raising activities;
- Extensive Training in EU programme management, project appraisal, preparation and procurement, financial analysis and management, financing options, strategic environmental assessment, environmental impact assessment, project implementation monitoring, evaluation and control.

The Methodology for identification of the priority projects developed under PPF 5 will be used as universal methodology for identification of the projects supported under European PROGRES programme.

21. The **LEADER initiative** Serbia (LIS) was building on what has been achieved by providing additional support to various actors to achieve further sustainable rural development that responds to the needs of local communities to improve their quality of life. The LIS provided support to two main types of actors in local rural development in Serbia: 1) Local partnership groups representing community and voluntary organisations, the private sector and local public authorities and agencies; and 2) Higher-level policy makers and administrators responsible for rural development.

Starting from achievements of LEADER Initiative in Serbia the European PROGRES will continue with provision of support to local, regional and national level stakeholders regarding rural development in the context of overall regional development.

22. **Trade Cooperation Programme Phase III, Export Promotion Project for Innovative Products (2011 – 2013)**

The overall objective of the export promotion project for innovative products is to contribute to the development of a framework for increasing exports of Serbian high tech products and services. To reach this objective the value chain from research and development to the overall capacity building and the use of financial tools shall be developed in collaboration with the Research & Development (R&D), the SMEs in Serbia and the Serbian diaspora. The Business Technology Incubator of Technical Faculties (BITF) in Belgrade is the executing agency of the project, while intense collaboration with the Serbia Investment and Export Promotion Agency shall help organize the overall coordination of all actors involved.

23. **Municipal Economic Development in Eastern Serbia (2013 – 2016)**

This SDC funded project will support accountability of nine local governments in East Serbia towards their citizens through improving property management, property tax collection, and thus increase municipal own revenue used for modernizing public services to citizens and the private sector. It will encourage regional initiatives in rural and economic development and tourism while strengthening inter-municipal cooperation and networking. In close cooperation with the line ministries and the Ministry of Finance, the Project will further steer debates on policies sensitive to needs and priorities of different regions, particularly East Serbia. Good governance will be applied transversally to all activities in order to increase awareness of decision-takers and facilitate practical government measures containing good governance principles.

24. Joint Programme for Roma and Marginalised Groups Inclusion through Education (2009 – 2013) - this SDC programme was aimed to put in place, in at least 60 municipalities, models at the preschool and primary school level, which effectively and sustainably include marginalised children into the mainstream education. The Joint Programme worked in three main directions:

- Delivering quality services which support marginalised children to participate fully in pre-school and primary education (Early Childhood Development support, mentor classes, Roma teachers assistants, homework support classes, programme for parents, language classes);
- Institutionalisation of these services at the municipal level, strengthening capacities in local organisations, in order to assure sustainability of funds and support to the integration of marginalised children;
- Supporting reforms at the national level ensuring the legal framework and institutional support to inclusive education.

25. The Civil Society Facility (CSF) 2011-2013, with a total budget of 7.5 million Euros, focused on three outcomes: a) greater benefit of civil society from the national legal and financial frameworks and improved dialogue with the state institutions; b) greater commitment and capacity of civil society organisation (CSO) networks to give citizens a voice and influence public sector reform processes through analysis, monitoring and advocacy etc.; and c) increased access of grass-root organisations and civic initiatives to financial resources, in-kind contributions or expertise from established CSOs and CSO networks.

There were two calls for proposals within the CSF. Seventeen grants were signed within the CSF 2011: eight that dealt with fight against corruption, strengthening the rule of law and judicial reform; six that built the capacities of organisations on the local level, including networking, regional cooperation, sustainable development and public participation in decision-making process; and, three contributed to improvement of the social services and active participation of organisations in policy making within the social welfare sector. The total budget was 1.8 million Euros.

Through the second call for proposals, in 2012, 23 projects were funded, in total value of two million Euros. Each grant ranges between 50,000 and 100,000 Euros for the implementation period of 12 – 24 months. Six projects will contribute to public administration reform in Serbia, eight will promote cultural diversity, while nine will build capacities of the civil society organisations at the local level. In addition, three projects supporting initiatives working on the public administration reform at the local level, improving capacities for provision of social services and empowering women initiatives at the local level.

Synergy effects with the above mentioned development programmes are seen through work on development of the Industrial Zone in Leskovac, Waste Water Treatment System in the South Morava basin, Regional Sanitary Landfill Meteris in Vranje, Regional Sanitary Landfill Banjica in Nova Varoš, the Centre for Pešter Agriculture Development in Sjenica and the Water Supply and Waste Water Treatment System on the mountain Kopaonik.

In line with these achievements it is envisaged that the new Programme will continue the practice of complementary activities with other programmes present in the field. Having in mind the timeframes of all existing projects in the field and projects currently planned for after 2013, this project might be the only covering these areas after mid 2014.

2 Intervention

2.1 Overall objective

To contribute to a sustainable development of the South East and South West Serbia through improved coordination between national and local authorities, more favourable environment for employability, business and infrastructure growth, and enhanced good governance and social inclusion.

Through a multi-sector approach this Programme will contribute to sustainable development of underdeveloped areas and creation of more favourable environment for infrastructure and business growth by strengthening local governance, improving vertical coordination, planning and management capacities, improving business environment and development, as well as enhancing implementation of social inclusion and employment policies.

The impact of the Programme will also be followed, on annual basis, through the indicators defined within the “National Priorities for International Assistance in the Period 2014-2017 with Projections until 2020”.

2.2 Purpose

Enhanced local governance, improved conditions for infrastructure development better planning and management capacities, advanced business enabling environment, as well as supporting the development of social inclusion and employment policies.

2.3 Results

The Programme will work towards achieving four main results following good governance principles as a cross cutting aspect:

Result 1: Strengthened local governance, planning and management capacities through introduction of new, or improvement/elimination of existing procedures and processes in line with the principles of good governance

Performance indicators:

- Activity 1.1.1 At least 50% municipalities participating in the Programme introduce Capital Investment Planning, by the end of the Programme implementation (baseline 2014: 23%)⁵⁴
- Activity 1.1.2 In at least 15 municipalities multi – annual programme budgeting introduced by the end of the Programme (baseline 2014: five municipalities with partial programme budgeting)⁵⁵
- Activity 1.1.3 At least 15 municipalities increase their revenue from tax collection by at least 15% by the end of the Programme (strengthening the accountability relation through widening the tax base and raising citizens’ tax compliance awareness). Baseline: the number

⁵⁴ Baseline Study on Competitiveness, EU PROGRES, 2014

⁵⁵ Baseline Study on Competitiveness, EU PROGRES, 2014

of tax payers and annual income from revenue will be set for each municipality once local self-governments are selected⁵⁶

- Activity 1.2 The average coverage of geo – spatial data in each municipality increased to over 60% (baseline 2014: 33% per municipality)⁵⁷ by the end of the Programme
- Activity 1.3 By the end of Programme in all European PROGRES' municipalities monitoring and evaluation mechanisms established for infrastructure projects, FIDIC contract modality is preferred model, and training programmes on FIDIC established within the Serbian Chamber of Engineers
- Activity 1.4 By the end of the Programme, institutional governance reforms initiated, developed and implemented in at least five LSGs, with emphasis on increasing accountability, transparency and efficiency in public services delivery to citizens, with development or revision of at least ten local policies or local regulations, in line with the Serbian legal framework
- Activity 1.5 Local gender equality mechanisms (GEM) established and local action plans for the work of the gender equality mechanisms (GEMs) adopted in all European PROGRES municipalities by the end of 2015. At least 30 GEMs successfully implemented grants provided through European PROGRES and contributing to advancement of gender equality issues by the end of 2016. At least two thirds of municipalities provide funding for the activities of local GEMs by the end of the Programme. Baseline: 31 GEMs established and two municipalities appointed gender equality officers, 23 European PROGRES' municipalities developed Local Gender Action Plans⁵⁸
- Activity 1.6 At least 50% of women councillors in ten local assemblies enhance knowledge of gender equality issues and techniques for advocacy by the end of 2015. In each of ten assemblies, women councillors successfully advocated for at least one gender issue by the end of the Programme.
- Activity 1.7 At least five municipalities introduced gender sensitive budgeting procedures and practices by the end of 2016. Sustainability of the action ensured through adoption of relevant municipal decisions by the end of the Programme. Baseline: three municipalities have performed budget and local policy analyses from gender perspective⁵⁹

Result 2: Increased competitiveness of local economy through improved business environment and management/organizational capacities of SMEs/agricultural cooperatives

Performance indicators:

- Activity 2.1 Total competitiveness index increased by at least 10% in all Programme municipalities by the end of the Programme, or at least 25% in one of the sub-indexes regarding: the Capacity of Local Community to Manage the Community's Resources and Potentials, Economic Policies, Strategies and Measures, Financial Capacities of the Public and Private Sectors⁶⁰
- Activity 2.2 Pipeline of at least two inter municipal and 35 local priority economic and social infrastructure projects, in line with the national sector priorities, with full scale technical

⁵⁶ LTA Office Annual Reports

⁵⁷ Obstacles to Infrastructure Development, EU PROGRES, 2013

⁵⁸ Baseline Study on Competitiveness, EU PROGRES, 2014

⁵⁹ Baseline Study on Competitiveness, EU PROGRES, 2014

⁶⁰ As identified in the World Bank's Doing Business in Serbia 2014 ranking

documentation, developed in accordance with the criteria within PPF 5 after the assessment of the existing pipeline has been done

- Activity 2.2 At least twenty projects developed and submitted by municipalities for financial support to programmes from other sources than European PROGRES by the end of the Programme
- Activity 2.3 At least one priority inter-municipal project implemented by the Programme completion
- Activities 2.3 and 2.4 Works supervision services provided to the CFCU as contracting authority for the priority infrastructure project implemented by it
- Activities 2.3 and 2.4 Technical assistance provided to the SEIO and the CFCU in preparing, launching the Grant Scheme and in monitoring its implementation
- Activity 2.4 Support provided for development of up to 34 local and at least one inter – municipal infrastructure projects that are submitted for funding to the CFCU Call for Proposals
- Activity 2.5 Comprehensive assessment study completed with recommendations for all municipalities, through relevant departments, to develop and adopt criteria and procedures to assess advantages and disadvantages of providing a service with own capacities or outsourcing it to the private sector/other entity, by the end of Programme and implementation supported
- Activity 2.5 All projects are organised with clear responsibilities in the procurement, contract management, monitoring and evaluation; at least 20 new local policies and/or administrative regulations linked to infrastructure projects are elaborated in a participatory manner, approved by councils, implemented and monitored, clearly indicating who invests, owns, decides upon, maintains, benefits from and monitors the new infrastructure, by the end of Programme
- Activity 2.6 At least three impediments in vertical coordination between the Government of Serbia and the local self governments addressed or resolved by the end of the Programme, through regular, structured and thematic consultations with the relevant ministries and institutions, and in cooperation with the SCTM, thus positively impacting accountability, transparency, effectiveness, and efficiency of LSGs
- Activity 2.7 At least two PPP models developed and implemented by the end of the Programme
- Activity 2.8 At least 30 SMEs introduced international quality or food safety standards (ISO 9000, HACCP, Global GAP, etc.) and organised in at least two new clusters and/or cooperatives
- Activity 2.8 Criteria and transparent process for selection of 30 SMEs for QMS certification prepared and put in place. Process for establishment of clusters/cooperatives prepared and put in place, resulting in clearly and adequately regulated newly established legal entities –
- Activities 2.9 and 3.10 At least 30 agricultural producers, members of the cooperatives, use new techniques and technologies in the production until the end of the Programme
- Activity 2.9 The number of registered agricultural products with the Protected Designation of Origin mark and Protected Geographical Indication in the Programme AoR increased by at

least 50% until the end of the Programme (baseline 2014: six products with Protected Designation of Origin)⁶¹

- Activities 2.10 and 3.10 At least 80 new jobs for women, resulting from provision of at least 40 start up business grants, by the end of the Programme.

Result 3: Improved access to employment, offering equal opportunities to both men and women, and social inclusion of most vulnerable and marginalised groups through development and implementation of local policies resulting in reduced migration from South, South East and South west Serbia

Performance indicators:

- Activities 3.4 and 3.10 Employment and social inclusion action plans, targeting equally both genders, developed and integrated in the medium term municipal budget planning in all European PROGRES municipalities by the end of the Programme (baseline 2014: four municipalities with Social Inclusion Strategies)⁶²
- Activity 3.5 At least 50% of unemployed Roma are included in active labour market measures by the end of the Programme (baseline 2013: 38%)⁶³
- Activities 3.8 and 3.10 At least 40 projects resulting from partnerships of local self governments and civil society organisations supported by the end of the Programme. At least half of the municipalities who have benefitted from those projects develop and adopt criteria for transparent and non-discriminatory allocation of funds in the local budget for civil society organisation by the end of the Programme.
- Activity 3.1 Citizens' satisfaction with municipal services, performance of the local government and municipal assemblies increased by 10% by the end of the Programme⁶⁴
- Activities 3.2 and 3.10 Citizens' Advisory Services provided in eight municipalities, to at least 1,000 people during the Programme implementation; sustainability ensured by at least four municipalities providing budget for running costs after the Programme ends, documented by a relevant municipal decision
- Activities 3.3, 3.5, and 3.10 At least 100 unemployed successfully completed vocational trainings organised by the end of Programme and sustainable follow up courses in place beyond the duration of the Programme to increase the employment chances of participants in trainings
- Activity 3.6 Efficiency and effectiveness of at least three medical centres improved through procurement of new medical equipment supporting women's health, by the end of the Programme⁶⁵
- Activity 3.7 At least four municipal intercultural centres (e.g. for intercultural music, theatre and art productions) upgraded

⁶¹ Serbian Intellectual Property Office (2014) *The List of Indications of Geographical Origin Registered in the Intellectual Property Office* [Online] Available at: <http://www.zis.gov.rs/intellectual-property-rights/inidications-of-geographical-origin/list-of-igo.91.html> (Accessed on 1 February 2014)

⁶² Baseline Study on Competitiveness, EU PROGRES, 2014

⁶³ Report on Employment of Roma, Ministry of Labor, Employment and Social Welfare, Belgrade, 2013

⁶⁴ The baseline for the Citizens' Satisfaction is the survey conducted in 2013, while the new Survey will be conducted in 2017, at the end of the Programme

⁶⁵ The assessment of needs of the medical centres will enable the Programme to establish the baseline indicators for the evaluation of the increase in efficiency that will be organised at the end of the Programme.

- Activity 3.9 Up to 400 young and unemployed citizens of Serbia of Albanian ethnic origin in areas covered by the Programme improve Serbian language skills during the Programme implementation.⁶⁶

Result 4: Effects of Serbia's European accession communicated to general public

Performance indicators:

- Activity 4.2 Two advocacy/awareness campaigns promoting European values and informing about Serbia's EU accession process conducted within the Programme implementation
- Activity 4.2 Percentage of citizens that associate European integration with lower unemployment and better living conditions, as well as with ordered state and impartial administration increased by 10% by the end of the Programme.⁶⁷
- Strengthened link between European PROGRES municipalities and new EU Info Centre to be set up in Niš, through signing of cooperation agreements

2.4 Activities

Result 1: Strengthening local governance, planning and management capacities through introduction of new or improvement of existing procedures and processes respecting principles of good governance

1.1 Support municipalities in development of their capacities for planning and execution of capital investments

1.1.1 Support municipalities in development of Capital Investment Plans

The Programme will start from the simplified cycle of capital investment (planning and prioritisation of capital investments, reflection of these plans within the budget cycle, and securing the budget inflows) and will provide consultancy support to at least ten municipalities in preparation of Capital Investment Plans so that they can have a tool for the long term prioritization of projects. The criteria for the selection of municipalities will be the current level of capacities for planning of budgetary cycle, implementation of capital infrastructure projects, as well as participation of municipalities in the activities related to good governance issues. The precondition for participation in this activity will be that a municipality has established a capital planning function within its organisational structure.⁶⁸ The municipalities will have to demonstrate that they are offering equal opportunities to both men and women, respecting participation approach during the planning process through proper consultation, and that they are considering the needs of vulnerable and marginalised groups in this process.

As Capital Investment Plans are providing inputs for the Programme Budgeting Process, preparation of these plans in ten municipalities will be timed appropriately in order to be ready for budgetary process for the following fiscal year. Support to municipalities will include:

⁶⁶This indicator may change during the Inception Period when final decision will be made on the approach taken for the activity 3.10, which will depend on the Coordination Body Feasibility Study, whose results will be known in April 2014.

⁶⁷As indicated in the findings of the Citizens' Satisfaction Survey 2017 and compared to 2013 Citizens' Satisfaction Survey results

⁶⁸This was one of the main gaps identified in the Baseline Study on Competitiveness done under EU PROGRES.

1. Introductory workshops for relevant political and administrative representatives of LSGs regarding importance of Capital Investment Plans and process for their development
2. Support in preparation of Capital Investment Plans through coaching and mentoring process.

Two good governance aspects are identified as the most important within this process. Firstly, it is necessary to ensure participation of all relevant political actors in LSG in order to achieve a broad consensus on priorities and projects within the plan. Second, it is important to define executive bodies within municipal administration accountable for implementation and monitoring/reporting of the Capital Investment Plan once adopted.

Municipalities that have already adopted the Capital Investment Plans with EU PROGRES' support (Raška, Nova Varoš, Vlasotince, Vladičin Han and Medveđa) will be supported in implementation of those plans by connecting them with the programme budgetary process. This support will be provided through coaching and mentoring activities.

In addition, methodologies and tools for capital investment planning and its linking with the budgetary process that were developed by MSP IPA 2007 programme and are in ownership of the SCTM will be used as a starting point for development of this activity. Any new tool or methodology developed will be handed over to the SCTM. The SCTM will make available these methodologies and tools to all municipalities in Serbia. Furthermore, the Programme will, in partnership with the SCTM, organise a presentation of the best Capital Investment Plan as exchange of experience and rollover of best practices. Sustainability of this activity will be secured through institutional set up of the SCTM and close cooperation with Exchange 4 programme that works on capacitating of the SCTM.

1.1.2 Strengthen municipal capacities in preparation of multi – annual budgetary cycle

The Programme will support at least 15 municipalities in introducing multi-annual budget predictions, to strengthen participatory process in budget preparation, through consultation process with citizens, and to introduce programme budgeting for infrastructure development by connecting it with available financial resources and Capital Investment Plans. Municipalities will be selected based on available financial resources in local budgets for developmental projects. This will involve municipalities as leaders of the process, financial experts as consultants and civil society organisations (CSOs) as facilitators of participatory process.

Ten municipalities that will start with capital investment planning process in 2014 will be supported in programme budgeting during 2015 for fiscal 2016. Annual financial reports that municipalities are obliged to submit every March for previous fiscal year will serve as sources for verification of successful implementation of Capital Investment Plans, and execution of predicted budgets. Since the process of budget preparation is clearly defined by the Law on Budgetary System, good governance aspect of this activity will include securing respect of the process and procedures envisaged by the Law. As there are nine municipalities new to the Programme, without previous experience, they will be supported in pursuing budgetary process especially in participatory budget planning.

The booklet on integration of strategic planning into the programme budgeting developed under the MSP IPA 2007 programme will be used as a starting tool for structuring of this activity. The methodology on programme budgeting is in the process of approval by the Ministry of Finance. Once approved, it will be the main drive for the implementation of this activity. Close cooperation is planned with the SCTM and coordination with the Ministry of Finance - Sector for Budget - Department for system of financing of LSGs.

1.1.3 Support to municipalities in increasing the income from revenue on property through improving registry of tax payers

The Programme will support revenue collection in the selected municipalities through appropriate technical assistance, as revenues are one of the main sources of inflow into the local budget. In this way the income side of the local budgets will be strengthened.

A set of technical assistance packages will be finalised during the Inception and early Programme implementation period and will include the support to create and/or update the registry of tax payers in at least 15 municipalities. Municipalities will be selected in accordance with the need, appropriateness and their interest, while taking into account their realistic potential to increase income from the collection of property taxes. In order to be eligible for support, municipalities will have to submit their Reports on Annual Income from Revenue, assessment of the number of tax payers (currently within the system and educated estimation on the number of those outside system). In addition any municipality willing to participate in this activity will have to improve one of the gaps regarding the Local Tax Administration identified in the Baseline Study on Competitiveness done under EU PROGRES Programme. All municipalities will be eligible for this action due to the fact that registry of property tax payers needs to cover both urban and rural areas and rural areas are currently neglected.

Support will be provided through grants to Local Tax Administration in the maximum amount of 10,000 Euros. The purpose of the grants is to improve, widen and validate registries of tax payers. The final aim of the activity is to contribute to one of the main principles in creation of fiscal policy - to increase the range of income sources. This also is stimulating for fiscal discipline. Grants will be executed in accordance with the best practises from EU PROGRES' grant modality, with necessary improvements identified during implementation of EU PROGRES.

This activity will start immediately after the inception period during which the selection of municipalities will be conducted.

There will be close coordination with the Ministry of Finance - Fiscal Sector, Support to Public Administration Reform (Exchange 4) programme, when selecting municipalities and specific activities to be undertaken, including coordination on methodologies and manuals for Capital Investment Planning, programme budgeting and improvement of local tax administration. Furthermore, since these methodologies and manuals are available within the SCTM (developed under the MSP IPA 2007) those will be used as a starting point for implementation of the activities. There will be a kick-off meeting with all relevant stakeholders (line ministry, SCTM, other donor funded projects addressing these issues) at the start of each activity. Work through SCTM will provide institutional and organisational sustainability.

This activity will be closely linked with the ongoing reform of tax inspection and development of taxation system supported by other EU funded projects. These links will enable quality control of revenue collection as well as increase of fiscal discipline in payment of property taxes. Finally, this will give the opportunity for additional increase of municipal income from revenue collection.

1.2 Assist municipalities in setting up urban planning conditions for infrastructure development

Assistance will be given to all municipalities to digitalise and/or update their geo-spatial data, which will result in much faster and more effective provision of services. This is also a prerequisite in the infrastructure development planning process. Besides improving efficiency in urban planning, digitalisation of geospatial data will provide basis for potential introduction of GIS by setting up the first three layers of data (therein in his complexity, usage of land, and topographic cottas). Municipalities that have, within their organizational structure, surveyor of land will be technically equipped and capacitated to be able to perform land surveillance on their own. Those without a survey of land will be supported to establish this function or to outsource it to more advanced municipalities within the region. In order to secure sustainability of the actions close cooperation with local offices of the Republic Geodetic Institute will be established, especially with the Sector for Geodetic works, Sector for Cadastre and Sector for IT as most relevant for implementation and sustainability of this activity.

Implementation of this activity can be divided into the following sub – activities:

1. Assessment of current status of geo-spatial data within 34 municipalities
2. Establishing cooperation with the Republic Geodetic Institute
3. Definition of criteria for the Call for Proposals for the selection of municipalities.

During the first and the second quarter after the inception period:

4. Informative workshops with municipalities on rules and criteria of the CfP
5. Call for proposals and selection of municipalities.

From the third quarter of Programme implementation:

6. Implementation of grants by municipalities
7. Evaluation of implemented grants.

Estimated time necessary for implementation of these projects is up to 18 months. Value of the projects can range between 30,000 and 90,000 Euros.

The Programme will support all municipalities in development of higher level planning documents if those documents are missing, including Municipal Spatial Plans, Spatial Plans for Protected Areas, General Regulation Plans. This support will be in line with the upcoming Law on Planning and Construction and in that regards close coordination with Ministry of Construction and Urbanism – Sector for Urbanism and Housing – Department for Development of Urban Plans will be established.

Furthermore, as the new investments directly depend on the existence of detailed regulation plans (DRPs), all municipalities will be supported in development of these plans for free construction land within their urban areas. One of the conditions for the applicants will have to be prioritisation in the Capital investment Plans and alignment with the regional and national priorities. The full criteria for support within this activity will be developed during the Programme inception. Beside alignment with the strategic planning documents, the level of capacities for development of urban planning documents will be taken into account for definition of criteria for support.

Municipalities will be divided into three groups for potential support:

1. Municipalities new to the Programme (nine of them) without previous support in urban planning. These municipalities will have priority in the selection if the proposed regulation plans have economic impact.

2. Municipalities that already received support during EU PROGRES but have additional requirements regarding economic development.
3. Cities and municipalities that received EU PROGRES support in capacitating their Urban Departments for development of regulation plans and support to them will be limited to further enhancement of capacities.

Based on the criteria defined during the inception period and approved by the Programme Steering Committee a set of informative workshops will be held for municipalities. Basic precondition for participation in this activity will be for municipalities to have publicly available Spatial Plans (within the Republic Agency for Spatial Planning) and a list of investors (those who have been issued construction permits).⁶⁹ Municipalities will be divided geographically, so in total three workshops will be held. These workshops will be organised during the first quarter after the inception period. A Call for Proposals will follow workshops during the second quarter after the inception period and will last for one month. The selection of projects will be by the end of the third quarter after the inception period and their implementation will follow over nine months.

1.3 Technical assistance to municipalities to improve procedures and processes for contracting, contract management, monitoring and evaluation of infrastructure projects

In order to increase municipal capacities in handling contracting, the Programme will provide technical assistance to relevant municipal bodies and institutions in public procurement issues, contract management through introduction of FIDIC contract models, and monitoring and evaluation of infrastructure projects.

This activity will include: training needs assessment, development of training curricula, training delivery, and on job trainings. Particular attention will be paid to methodology and capacity building of all municipalities for monitoring and evaluation of projects.

FIDIC contracts will be promoted to all municipal administrations as preferred models for infrastructure projects. This activity will be implemented in close cooperation with the Central Finance and Contracts Unit (CFCU) and the Serbian Chamber of Engineers. The activity will start with the initial assessment of capacities to manage projects and organisational structure in 34 municipalities. This will be done during the inception period. Based on the needs identified within the assessment, detailed terms of reference for training will be developed and training provider selected during the third quarter of the Programme. Training curricula will cover the following modules: PRAG and Public Procurement in Serbia, FIDIC contract modalities; developing of technical documentation, designs based on planned or ongoing municipal projects, steps in FIDIC design and build, and in White Book; developing of tender documentation, standardising procedures; and building and management of FIDIC contracts.

In order to create sustainable mechanism for capacity building regarding FIDIC contract modalities the Programme will support the Serbian Chamber of Engineers in development of standardised training package for municipal administration in management of FIDIC contract modalities. All training materials, curricula, and training methods will be handed over to the SCTM Training Centre so it can further continue with training of trainers after the Programme ends.

1.4 Support municipalities to enhance their good governance capacities and to introduce structural governance reforms

⁶⁹ Identified in the Baseline Study on Competitiveness as shortage in municipal performance

During the inception phase, the Programme will in consultations with the LSGs identify department (most probably the Local Economic Development Offices, or as appropriate and agreed with a municipality) that will act as European PROGRES' counterpart for good governance related activities. At least three capacity building/development workshops on good governance concept, principles and approach, for designated staff from all LSGs will be organised. One learning and capacity development-oriented multi-day study-tour, with a goal of getting acquainted first-hand with foreign experiences on applying good governance approach in public affairs will be organised. The Programme will provide all LSGs with other necessary support needed for capacitating designated department and staff to ensure good governance know how is transferred.

European PROGRES will introduce governance reforms into at least five municipalities that have expressed willingness and commitment to the initiative, with the ultimate objective of increasing their accountability, transparency, efficiency and inclusiveness. The Programme municipalities will be assessed by using local governance assessment tool,⁷⁰ selected in coordination with the national stakeholders (such as the SCTM and the Ministry of Regional Development and Local Self Government). The assessment will also include analysis of the Competitiveness Baseline Study that was developed within the EU PROGRES. All activities will be tailor made to specificities of individual municipalities. As a result, at least ten local policies will be developed or revised, in line with the Serbian legal framework. The Programme will also share lessons learned deriving from this process with all municipalities through production of handbook and organisation of workshops.

1.5 Institutional development of local gender equality mechanisms

Through this activity the capacities of local Gender Equality Mechanisms (GEMs) in 34 municipalities for actively addressing, advocating and promoting the gender equality agenda in their respective communities will be further developed and strengthened.⁷¹

The Programme will perform a short assessment of the status of GEMs and availability of local action plans (LAPs) for the work of the gender equality mechanisms (GEMs) in all 34 municipalities in order to reconfirm the findings of the Competitiveness Study baseline and to define further actions.⁷²

Support will be given for:

- Establishment and capacity building of the GEMs, through a custom made project
- Updating or developing local action plans for the work of GEMs
- Improvement of lobbying skills, with a focus on adoption of the European Charter on Equality of Men and Women in Local Life (European Charter) and for permanently securing funding of GEM activities through local budgets
- Small grants to address/advance gender equality agenda locally –besides increasing GEM operational capacities to actively address gender issues in their community, this will also support increase of visibility of GEMs at the local level and especially with local decision

⁷⁰Such as: UN HABITAT's Urban Government Index, SDC Guidelines and Toolkit for Local Governance Assessments, Citizens Report Card, Local Governance Self-Assessment or Good Governance for Local Development

⁷¹ This activity is continuation of the support that EU PROGRES had provided to 12 municipalities within its AoR (the responsibilities for tackling the gender equality agenda were divided with a sister programme, according to the requests from donors) during which all 12 municipalities established GEMs, nine municipalities have adopted their Gender Local Action Plans, European Charter for Equality of Women and Men in Local Life (European Charter) and budget lines for funding gender-related activities.

⁷² Experience of EU PROGRES showed that elections may bring changes to the status of GEMs. The national elections in March 2014 may bring further changes on the local level and re-composition of power and hence the need to do a short assessment before commencing activities

makers. All established and functional GEMs will be able to submit their project proposals, which have been identified as priority in their action plans. After the evaluation process, at least 30 projects will be awarded with grants.

At the end of the process, all 34 municipalities will have established GEMs and adopted action plans for GEMs work, 25 will adopt the European Charter, at least 17 municipalities will have a permanent line in their budgets for funding GEMs and their activities and 30 projects will be funded.⁷³ Institutional sustainability of GEMs will be guaranteed by adoption of relevant municipal decisions, while provision of funding for GEM activities will contribute to effectiveness of their operation. All these activities will contribute to the implementation of the National Action Plan for Gender Equality and will be coordinated with Serbia's Directorate for Gender Equality.

1.6 Strengthening capacities and developing advocacy skills of LSGs' staff on Gender Equality

Most local decision makers are men, presently lacking adequate understanding and appreciation of the importance of the gender equality agenda. In addition, women both in executive and legislative branches of local authorities were not empowered enough to properly participate in local decision and policy-making activities.

Having that in mind, the Programme will support at least 50% women councillors in ten local assemblies and will provide means for their empowerment by increasing their knowledge both in regard to gender equality in general, as well as in the Serbian context (current legal framework, challenges, obstacles, next steps etc.), and skills necessary for advocating for and promoting gender equality at local level and within the structures of local authorities.⁷⁴ All activities will be conducted in cooperation with the local GEMs.

Such approach will contribute to a greater visibility of women in the assemblies, the legitimacy of GEMs and gender equality agenda in general, as well as enable opening of some gender equality-related question in local communities. These actions will also help reducing some of the pressures and obstacles that women in politics are still facing.

This activity is to ensure that institutional knowledge on gender equality in local self-governments is permanently reinvigorated and further developed, thus contributing to the positive dynamics of maintaining and increasing its necessary levels to properly observe and address gender equality-related agenda and issues.

1.7 Gender responsive budgeting

The Programme will select a competent consultancy in an open and transparent way to introduce gender responsive budgeting (GRB) policies and practices in at least five municipalities. This will also include on job mentoring of employees in the selected municipalities. At the start of the activity, all municipalities will be assessed based on criteria developed during the inception phase, including their readiness to participate and fully support the process. One of the preconditions will be willingness to incorporate GRB policies and regulations in their relevant documents, thus making them mandatory for future budgetary cycles. This will enable sustainability of gender mainstreamed activities after the Programme ends. This activity is in line with the National Action Plan on Gender

⁷³ This activity is in line with the National Action Plan on Gender Equality Specific Objective 1.3 *Institutionalizing mechanisms for gender equality and active involvement in decision making processes.*

⁷⁴ This activity is linked to the National Action Plan on Gender Equality Specific Objective 1.5: *Building institutional capacities by raising awareness and knowledge about gender equality in political and public life* and Specific Objective 1.1. *Increased Women's Participation in representation bodies at all levels.*

Equality Specific Objective 2.1 *Creating systemic preconditions for equal opportunity policy in economy.*

Result 2: Competitiveness of local economy increased through improved business environment and management/organizational capacities of SMEs/agricultural producers

2.1. Technical assistance for municipalities to improve business-enabling environment

The Competitiveness Baseline Study developed within the EU PROGRES will be a starting point for development of a set of technical assistance (TA) activities for each set of indicators that will be offered to municipalities in order to improve conditions in some of the areas analysed. These activities will include:

- Technical improvement, and bettering of procedures in order to speed up relevant process
- Systematization of these procedures within One Stop Shops (OSS).

Sub- activities under previous two activities can be sequentially lined up in the following order:

1. Analyse the results of the Baseline Study on Competitiveness done under EU PROGRES, with a special focus on capacities of local governments to manage resources and potentials
2. Division of municipalities according to their current status. This division can be presented as:
 - a) Municipalities that need improvement of efficiency of processes and systematisation of processes within OSS
 - b) Municipalities that need improvement of some of procedures, efficiency and systematisation within OSS
 - c) Municipalities that need change of procedures without potential for systematisation within OSS
 - d) Municipalities that need change of policies and procedures without potential for systematisation within OSS
3. Development of tailor made technical assistance for each of the groups of municipalities
4. Establishment of cooperation with the Republic institutions and line ministries involved in the procedures
5. Delivery of technical assistance to municipalities
6. Systematisation of processes within OSS for the first two groups of municipalities.

All preparatory activities (from sub-activity 1 to sub activity 4) will start during Programme's inception period, while delivery of TA is envisaged in the second half of the first year of Programme implementation. Systematisation of processes within OSS is envisaged in the first half of the second year of Programme's implementation.

Assistance will be provided to municipalities in a competitive way, based on their performance regarding measures that local authorities should take to qualify and be prioritised for support. These measures will include improvements in administrative, organisational or social issues identified by Baseline Study and not covered by the Programme activities. These criteria will serve as an incentive for LSG to deal with other relevant issues not covered by the Programme. Detailed set of criteria will be developed and presented to the PSC for adoption during the inception period.

In order to boost the impact of activity, achieved improvements will be presented to a wider audience, at investment conference that will be organised during the last year of Programme implementation. For the conference, participation of respective international, national, and regional institutions dealing with business development, and promotion of investments, as well as businesses

is envisaged. The conference will also be a platform for municipalities to share good practices and businesses for establishing new contacts and potential cooperation.

An assessment of status of the indicators previously set within the Baseline Study will be carried out to measure the impact of provided technical assistance as the final sub-activity.

Since systematisation of all mentioned procedures involves different stakeholders from local and national level a formalisation of cooperation between these institutions and municipalities is envisaged. This involves establishing of cooperation with local branches of Telekom Serbia, RGI, EPS, NES, Republic Tax Office, and local PUCs. Direct involvement of relevant national stakeholders in the system will secure institutional and financial sustainability of the action.

2.2. Support preparation of technical documentation and tender packages for two selected inter-municipal and at least 35 local economic/social infrastructure projects

This activity will include the following actions:

- Full mapping of the existing pipeline of projects in the municipalities and state of play of their funding and implementation and based on analysis of lessons learnt to select priority actions for further development
- Development of full scale technical documentation (given through grants)
- Elaboration of organization and management model of a facility.

Identification and selection of inter – municipal projects to be supported will be done through participatory decision making process by all relevant stakeholders (such as benefiting municipalities, Ministry of Regional Development and Local Self Government), based on the priorities defined in strategic documents for these regions and criteria for infrastructure projects developed by NIPAC TS supported by PPF5.

Selection of local projects will be done through competitive process. Beside basic technical criteria (regulation plans adopted, clear ownership, location permit issued) projects will need to have clear economic impact and to be in line with relevant local (CIP) regional and/or national sector strategies and have actual funding potential either for the CFCU grant scheme or other schemes to be identified.

Good governance aspects of the project need to be defined during identification phase, and developed by relevant institutions, with technical assistance provided by the Programme, during implementation phase.

Selection of inter-municipal projects will start during the Programme inception period, while the selection of local projects will start during the third quarter of Programme implementation. Projects will be selected on the basis of methodology that will be developed through the SEIO/PPF5 project. Full implementation will start from the fourth quarter of Programme implementation. Estimated time for implementation of the projects is one year.

. Additional support will be provided to municipalities in identification, definition and development of project proposals for other financial sources (CBC programmes, national calls for proposals, bilateral donor support). The Programme will provide technical assistance in development of project proposals through coaching and mentoring process. It is expected that at least nine of these projects will be developed and submitted for financing by the end of the Programme.

Having in mind that similar support programmes from the Ministry of Regional Development Local Self Government and the Office for Sustainable Development of Underdeveloped Areas were available to municipalities in 2013, close cooperation with these two governmental institutions will be re-established in order to produce synergy effects and avoid potential overlaps.

2.3 Financially and technically support implementation of at least two projects contributing to the socio-economic development (at least one to be implemented by the Programme and one by CFCU each)

Based on the National Sector Strategies including NPRD/RDS (once adopted) and the Local (Sustainable) Development Strategies⁷⁵ as well as criteria for the selection of infrastructure projects developed by NIPAC TS with the support of PPF5 project, the Programme will implement one fully mature project in line with the good governance principles.

Identification and selection of project to be supported will be done in cooperation with all relevant stakeholders and with the approval of the Programme Steering Committee.

As the continuation of the efforts of the Serbian Government, different donors, and EU PROGRES to support higher education in South Serbia a review of the possibility to support the construction of the building for the University of Novi Sad, Subotica Faculty of Economy, Department in Bujanovac, will be conducted during the Programme inception phase. This review will show whether legal, organisational and financial aspects for the construction of the facility and later functioning of the faculty have been resolved. Resolution of all these aspects is the key-precondition for release of donor funding for the project. Envisaged budget for this inter-municipal project is one million Euros.

Regarding the grant scheme for inter – municipal projects implemented by the CFCU the Programme will provide technical assistance to relevant institutions in defining good governance aspects during project identification, inclusion into the proposal during development and monitoring during implementation. The Programme will also provide supervision services to the CFCU for the priority infrastructure project.

The Programme will also provide technical assistance to the SEIO, the CFCU and benefitting municipalities for implementation of at least one inter-municipal infrastructure project. With municipalities, the Programme will work on identification and development of full technical documentation of project(s), ensuring quality check throughout the process. The Programme will support the CFCU through conduct of procurement and contract management related to the selected project(s).

Monitoring of project implementation will be the responsibility of the SEIO and CFCU with technical assistance provided by the Programme. For all these activities additional assistance (if needed) will be provided to relevant institutions in order to increase their capacities for managing the projects. The Programme team will supervise project implementation.

Since European PROGRES and Exchange 4 (started in March 2013) have complementary activities, close cooperation and coordination between two programmes is envisaged in order to make synergy effects wherever it's feasible and to avoid potential overlaps.

2.4 Technical assistance for implementation of grants for local infrastructure projects

The Programme will provide technical assistance to the SEIO, the CFCU, and relevant ministries in conduct of the Call for Proposals for economic and social local infrastructure projects in order to increase their capacities as well as to assist in the project implementation and monitoring of projects to maximise results.

⁷⁵Developed with the support of donor interventions such as MSP IPA 2007

The Grant scheme will be managed by the CFCU. The role of the SEIO will be to prepare Guidelines for Applicants while the CFCU will perform the administrative check of the prepared Guidelines and launch the CfP. The Programme team will support preparation of the Guidelines, including informative workshops for municipalities.

The following is envisaged for the implementation of the grant scheme:

1. Development and approval of Guidelines for Applicants (SEIO)
2. Informative workshops with municipalities (Programme team)
3. Launch of Call for Proposals (CFCU)
4. Evaluation of proposals and contracting (organised by the CFCU)
5. Implementation of projects (beneficiaries with Programme supervision).

Additional technical assistance will be provided to awarded municipalities during implementation of grants, especially for secondary procurement envisaged by the projects according to the PRAG rules and procedures. For the infrastructure projects the role of all stakeholders should be to help facilitate potential investments in the AoR.

2.5 Support municipalities in development of local policies and/or administrative regulations

The Programme will provide expert support to all municipalities awarded with grants for infrastructure projects by the CFCU (including inter-municipal projects) in identifying missing, inadequate or obsolete local policies and/or regulations pertaining to the functioning of the local government itself, which are preventing the administration to become more accountable, more transparent and more efficient and responsive to the citizens' needs. All new or amended local policies or regulations will be authorised with decisions made by an appropriate LSG body, and transferred into a legally binding document. For each of these projects, the Programme will setup a process which will provide inputs for the mentioned legal and other project-accompanying documents, on aspects such as the ownership and managing rights and arrangements, benefits and risks, responsibilities and divisions, monitoring operations and maintenance costs, and any other aspect identified during the process deemed as vital for securing the sustainability of the infrastructure project in question.

The Programme will work with all municipalities to assist them to develop and adopt criteria and procedures to assess advantages and disadvantages of providing a service with own capacities or outsourcing it to the private sector/other entity. In preparing the new regulations or criteria/procedures, the municipalities will be guided by the state umbrella legislation.

2.6 Develop policies and/or administrative regulations addressing vertical coordination between the Government and local self-governments in cooperation with line ministries and stakeholders

Throughout the Programme implementation, information regarding current circumstances in relation between the Government of Serbia (GoS), its Ministries, organizations and institutions (such as the Coordination Body for Preševo, Bujanovac and Medveđa as well as the Office for Sustainable Development of Underdeveloped Municipalities) and local self-governments (LSGs), will be collected. Such information will also be obtained during at least three annual workshops, with participation of municipalities, relevant ministries and the SCTM, as well as through in depth interviews and focus groups with the local self governments' representatives.

At least three documented hurdles, obstacles, operational bottlenecks, regulation collusions, contradictions and immaterial obfuscations coming from discretionary rights and practices, and any other illogicality that lowers down the LSGs efficiency and effectiveness, and thus hampers better

service provision to the citizenry, will be addressed or resolved in regular and structured coordination with the line ministries and the SCTM, by the end of the Programme. The communication will be thematically organised to ensure efficiency and involvement of relevant stakeholders.

The Programme will provide expert support, where appropriate, for development of solutions for the identified bottlenecks. Furthermore, findings regarding vertical coordination will be regularly shared and analysed with the SCTM, having in mind it has the key role in advocating for adoption of changes with the Government.

The Programme will also closely liaise with the project "Reforming policy coordination and the Centre of Government", which includes a component of coordination between the central and local level. This activity encompasses also a transfer of know-how for identification and addressing obstacles in functioning of the two levels of government, thus providing a solid basis for permanent work on enhancing the levels of efficiency and effectiveness in service delivery.

2.7 Provide support for establishment of at least two PPP for exploitation of the municipally owned land or facilities

Through this activity the Programme will support municipalities in establishing at least two public private partnerships (PPP) for development of economic activities. Where mutual interest of both municipality and private investor exists, the Programme will support development of the most appropriate PPP model and provide technical assistance in setting up these partnerships.

Actions under this activity will include:

- Analysis of legislative, ownership rights and conditions for exploiting the property
- Development of possible financial and operative models for PPP for the selected property
- Development of the full scale Feasibility Study.

Projects should be embedded in the strategic and urban planning documents with resolved property issues. Projects have to be in the area of economic, social and/or environmental development.

In addition, projects will have to address governance issues (accountability of partners, management issues, transparency in operation). Also, from the good governance aspect, municipal decision on enrolling assets in PPP should be made on the adopted policy on PPP within respective sector. Having this in mind the Programme will support municipalities that show the interest in development of strategies and policies regarding enrolling municipal assets in PPP.

Since information on potential PPP will be available in the Baseline Competitiveness Study developed under EU PROGRES, the selection of PPPs for support will commence during the Programme inception period.

Developing of models and necessary documentation for establishment of PPP will be conducted in partnership with the Ministry of Regional Development and Local Self Government, the Ministry of Finance and the PPP Commission. This way institutional memory will be created within the Ministry so it will be able to continue with support to municipalities in development of PPP after the Programme ends.

2.8 Facilitate establishment of the new SME clusters, and support existing SME clusters in common market approach and internationalization through introduction of international quality management

Based on the 2011 EU PROGRES' analysis of needs for development of clusters, there are potentials for development of at least two more clusters within food and wood processing industries. The Programme will provide support in development of these new potential organisations, as well as

further support to the existing clusters in South, South East and South West Serbia in their market extension and internationalisation. Following completion of seminars and training cycles, the Programme will provide technical assistance in preparation of manuals for introduction of mentioned standards in SMEs. The manuals will be distributed to SMEs through clusters.

Within this activity, the following actions will be eligible:

- Identification of market potential for the cluster
- Elaboration of value chain for common product
- Definition of organization and management model for cluster
- Elaboration of business plan
- Covering operational cost for the first year for new clusters
- Support existing clusters in elaboration of common marketing strategy, establishing connections with distributors and access to foreign markets.

Support to existing clusters will start immediately after Programme's inception period in order to keep the momentum in development of these clusters. Evaluation and selection of new potential clusters will be done during the second and the third quarter of Programme implementation, while forming of new clusters is envisaged for the fourth quarter. Activities regarding introduction of international quality and safety standards will start from the fifth quarter of Programme implementation in order to provide equal opportunities to enterprises within old and new clusters to participate in these activities. Estimated time for introduction of these standards, with certification, is 15 months.

Criteria for selection of existing clusters will be their current level of operation and market potentials.

With the aim to enhance potentials of SMEs for internationalisation, the Programme will provide support to clusters in introducing Quality Management System (QMS) to SMEs, in all clusters participating in the Programme. In order to support Serbian food producers in their market approach the Programme will provide trainings and coaching to food producers in introduction and implementation of Hazard Analysis and Critical Control Points (HACCP). This support will be provided through cooperatives.

This activity will be implemented in partnership with the Ministry of Economy, Department for Development of SMEs. This way positive results and best practises from the Programme can be reviewed by the Ministry and eventually adopted as a part of further support to SMEs.

2.9 Support agricultural producers in reaching common markets through establishment of cooperatives, introduction of new production techniques, and international standards on food safety

The Programme will support agriculture producers from the most prominent sectors in South, South East and South West Serbia in establishment of cooperatives as organisations for agglomeration of production capacities. Support will be provided in: identification of market potential for new cooperative; elaboration of value chain for identified agriculture sub sector; definition of organization and management model for cooperative and elaboration of business plan; support to existing cooperatives in defining common product production, elaboration of common marketing strategy, establishing connections with distributors and wholesalers, preparation of annual supply calendar. Equal opportunities will be given to male and female agricultural producers.

Training needs assessment will be done through Participatory Rural Appraisal: a) key informant interview/semi-structured, b) household interviews, c) small group discussions and workshop, and d)

questionnaires. The assessment will cover three agriculture sub sectors characteristic for the target area: animal husbandry, fruit and vegetable production.

Based on findings of the training needs assessment, training curricula will be developed for each of the analysed sub sectors. The trainings will be delivered through cooperatives for members. For the purpose of development of training curricula and provision of trainings, experts in the field of agronomy and animal husbandry will be involved. The trainings will pay particular attention to the equal participation of men and women. This activity will be based on positive experience and examples from the LEADER programme. Additionally, where relevant, the Programme will support forming of Local Action Groups according to the LEADER approach.

In order to support Serbian food producers in their market approach the Programme will provide trainings and coaching to food producers in introduction and implementation of Global Gap standard. Furthermore, the Programme will provide support to agriculture producers in applying for grants within the national programmes supporting introduction of Global Gap standard.

The Programme will also provide support to cooperatives in protection of geographic origin for at least three additional traditional agriculture products from these regions. Currently, six products from the Programme area have certification of origin: bujanovačka mineralna voda Heba, leskovački ajvar, leskovačko roštilj meso, zlatarski sir, sjenički ovči sir and sjenička jagnjetina. For this purpose close coordination will be established with the Serbian Intellectual Property Office.

With the aim of providing agriculture producers with an insight into the advances made in different types of farming and to show the successful projects in the EU countries the Programme will organise a study tour to one of EU countries for the selected members of the cooperatives. The study tour will help establish more exchange programmes and a network with farmers of different state/region/municipalities. Thematic aspect will cover the same sub sectors: animal husbandry, fruit and vegetable production.

Activities regarding support to development of cooperatives will start after assessment on potentials for cooperatives is done while the introduction of Global Gap standards will start together with the introduction of quality and safety standards for SMEs. Identification and support to protection of geographic origin will start immediately after Programme's inception period due to long lasting process of certification, which can take up to two years. A Study tour will be a follow up activity after all envisaged trainings are conducted.

2.10 Support to women entrepreneurship

This activity⁷⁶ aims at encouraging women entrepreneurship and raising employability among women in the Programme municipalities. Grants will be provided, in an open and transparent Call for Proposals, to at least 40 business start-ups resulting in creating at least 80 new jobs. The sustainability of the start-ups will be reinforced by development and provision of free-of-charge set of services, adapted to the specific needs of each client, which will include book keeping, relevant legal services, business coaching and mentoring and other as per need. The eligibility criteria for the applicants, as well as the methodology of the Call for Proposals, selection of the most appropriate business sectors to be supported through the scheme, and other relevant aspects of the Call, will be developed in consultations with the National Employment Service departments, Gender Equality

⁷⁶The activity is in line with the National Action Plan on Gender Equality Specific Objective 2.2. *Supporting Employment, Women's Entrepreneurship and Self-employment* and Specific Objective 2.4. *Strengthening the capacities of all stakeholders in the economy and society for eliminating Gender Based Discrimination and better use of women's resources.*

Directorate, local associations of women entrepreneurs and other relevant women associations and organisations. The Programme will also explore opportunities to scale up these activities by facilitating funding contribution from other donors.

Result 3: Access to employment, offering equal opportunities to both men and women, and social inclusion of most vulnerable and marginalised groups improved through development and implementation of local policies resulting in reduced migration from South , South East and South west Serbia

3.1 Citizens' Satisfaction Surveys conducted in the last year of programme implementation

Citizens' Satisfaction Surveys (CSS) have, in the previous similar projects⁷⁷ offered good feedback on citizens' perceptions about a number of themes relevant to LSGs as well as quality of life. The Survey will be conducted in the last year of the Programme implementation. By using a base of questions, data will be comparable with other similar surveys. Survey data will be gender and national minority disaggregated. Just like the CSS conducted in 2013, topics on EU integration of Serbia will be followed to support monitoring of the Result 4.

A consultancy will be selected and contracted for this activity through an open and competitive process for the survey that will be carried out in the third year of the Programme implementation.

3.2 Citizens' Advisory Services enable citizens to access their rights and entitlements

The Citizens' Advisory Service (CAS) has already been piloted in previous EU-funded programmes⁷⁸, as support to vulnerable groups, mainly Roma and migrants, targeting equally both genders, giving them practical assistance and information on how to access their rights and entitlements, such as identity documentation, education, healthcare and social welfare benefits, but also to exercise their civil rights, such as the right to vote. Furthermore, the provision of this service, and the collection of data about the needs of citizens, provides valuable information when advocating for changes in local government service delivery.

CAS is an example of good governance in practice. Municipalities join forces with the non-government sector and create conditions for citizens to successfully exercise their rights while on the other hand they give good service to their residents.

This Programme will support four municipalities to set up Citizens' Advisory Services, with emphasis on their sustainability. These Services will assist at least 1,000 people during the Programme implementation.

Each project in the selected four municipalities will last 15 months and they will start in the first year of Programme implementation. The implementing partner (local NGO with relevant experience) will be chosen through an open and competitive process. The selected NGO will be required to forge a partnership with the targeted municipality.

At least two municipalities will maintain advisory services within their portfolio of public services, documented by a relevant municipal decision. The activity will be implemented in close cooperation with the Ministry for Regional Development and Local Self Government.

3.3 Develop and deliver vocational training programmes according to identified local economy needs

⁷⁷PRO, MIR, EU PROGRES

⁷⁸Four established during EU PROGRES, in Novi Pazar, Prokuplje, Žitorađa and Preševo

The objective of this activity is to reduce the mismatch between demand and supply on the labour market, through local labour market research and development of training programmes tailored to specific requirements of potential employers, and having as goal increased gender balanced employability. Particular attention will be paid to equal inclusion of men and women in the vocational training programmes.

The data from EU PROGRES' skills gap survey will be used for this activity. A professional educational facility, specialised for adult education, will be selected and contracted in an open process (request for proposals), in the first year of Programme implementation. The activities will be carried out throughout the second year of Programme implementation. At least three peer review seminars will be organised in the second and early in the third year of Programme implementation.

This activity will be fully coordinated with the national institutions and interventions covering entire employment, vocational education and training sub-sectors, financed from IPA 2012 and IPA 2013 funding, such as the Ministry of Labour, Employment and Social Affairs as well as with the National Employment Service. Through this involvement of national institutions sustainability of the activities will be ensured.

3.4 Support preparation and implementation of local strategies/action plans for employment and social inclusion

The capacities of LSGs need to be considerably strengthened to effectively implement social inclusion policies and accordingly develop and promote a wide range of community-based social services to address the needs of local disadvantaged and vulnerable groups. The following actions will be performed:

- Capacity building for local authorities in identification of needs, development/revision of action plans, monitoring and evaluating of implemented policies
- Establishment of the grant scheme to support underdeveloped municipalities to set up and implement community care services or further develop the existing ones for most vulnerable and marginalised groups, especially in rural areas
- Establishment of models for employment of unemployed under public works/ public services, linked to the provision of social services and benefits with specific focus on Roma and other minorities
- Sharing of good practices of municipalities (peer review seminars).

All planned actions (trainings, seminars, workshops etc.) will be prepared and performed based on the methodology developed and used in the on-going twinning project from IPA 2011.

This activity will be coordinated fully with the responsible national institutions and national-wide activities being implemented in this sub-sector through IPA 2012 and 2013 funding.

Eleven municipalities within European PROGRES AoR coincide with municipalities where IPA 2011 Employment Twinning provided trainings for drafting LEAPs for 2014, and there will be close coordination with this project. Support preparation and implementation of local strategies/action plans for employment and social inclusion, will take into account where LEAPs may already exist.

3.5 Promote active inclusion and improved integration of social and employment services in underdeveloped municipalities

The objective of this activity is to decrease the number of unemployed Roma, by providing them with access to active labour market measures. This will support implementation of active inclusion system, which will link income support, inclusive labour market policies and quality services in the National Employment Service (NES) and Centres for Social Work (CWS). This will be achieved through joint training and peer knowledge transfer. CSWs and NES branch offices will be helped to set up single entry services connecting their clients, especially Roma population, to the whole range of opportunities and support available under social inclusion services and active labour market measures. The activity will be fully coordinated with the nation-wide activities financed within this sub-sector through IPA 2012 and 2013 funding, in particular the grants provided to the NES, and TARI project. Additional quarterly consultations will be held with the SIPRU team and the Ministry of Labour, Employment and Social Affairs in order to review undertaken activities and align them with the plans and country-wide activities.

3.6 Improved Technical Capacities of Local Medical Centres in Addressing Women Health

In an effort to further improve the existing medical equipment needed for addressing some of the most pressing issues in women health, such as early diagnosis of breast and cervical cancers, the Programme will engage an expert on medical equipment to conduct a survey of the status of those resources, with appropriate engagement and in consultations with the Ministry of Health. Based on the findings from the survey, the Programme will purchase, through a public procurement process the needed medical equipment to at least three medical centres.

Thus, local women will be provided with better chances to live healthier and longer.⁷⁹

Furthermore, the Programme will design a public awareness campaign addressing women health issues, with promotion of the need to have regular medical check-ups, especially aiming at socially vulnerable and marginalised families, including Roma.

3.7 Improvement of working conditions and management of local cultural institutions in multi-ethnic municipalities

During the inception period, a survey will be done in at least four multi-ethnic municipalities to collect data on local artists and how they can contribute to establishing intercultural dialogue and cultural development, but also to get an accurate picture on the needs of the youth.

Based on the findings, the experts in cultural policies and those experienced in working in post conflict and culturally sensitive regions, will closely work with the representatives of LSGs, directors of the Cultural Centres, local workers in the field of culture, local artists and representatives of local Youth Offices, as well as the relevant state institutions to develop mid-term strategic plans for four municipalities that would meet the cultural needs of young people, in line with the modern trends of European cultural scene, framed in the existing multi-ethnic contexts.

In parallel, recommendations from the survey will be implemented, to build capacities in the field of cultural management in multi-ethnic communities. Support will be extended for development of human resources at the Cultural Centres, which lack expertise and knowledge of modern cultural trends and their use for wider social integration.

There will also be series of trainings for local artists, in order to equip them with skills in delivering programmes and activities that would promote inter-ethnic dialogue. The local artists will closely

⁷⁹This activity is linked to the National Action Plan on Gender Equality Specific Objective 4.3 *Advancing Women's Reproductive Health*.

collaborate with the national artists in working with youth, to transfer practical knowledge how art and culture can improve dialogue between communities.

Along with their colleagues from the rest of Serbia, local artists will work on development of cultural expression aiming at development of tolerance, dialogue and cultural pluralism.

Thus, cultural expressions that offer content that speaks positively about examples of coexistence in multi-ethnic communities will be promoted.

Timeframes for implementation of these activities will be agreed and closely coordinated with the Coordination Body for Preševo, Bujanovac and Medveđa, as well as with the Ministry of Culture.

3.8 Two rounds of calls for proposals under Citizens' Involvement Fund (CIF) for partnership projects of civil society organisations and local government institutions

The Citizens' Involvement Fund (CIF) is a mechanism for funding small, short-term projects that address community needs that have resulted from partnerships of the civil society organisations and local governments, as well as interethnic dialogue and intercultural cooperation. There will be two calls for proposals within CIF in all Programme municipalities – one in the first and the other in the second year of Programme implementation - each funding up to 20 partnership projects. The projects will have to reflect priorities identified in the municipal sustainable development strategies. The maximum value of the grant will be up to 20,000 Euros.

The open Calls for Proposals will have three thematic areas:

1. Social inclusion and employability of marginalised groups, with particular focus on women and Roma
2. Inter ethnic dialogue and inter cultural cooperation
3. Migration issues.

In order to enhance inter-municipal cooperation and joint addressing of common issues it is envisaged that each project will have to result from a partnership of at least two municipalities and two civil society organisations (CSOs).

3.9 Support young people from Albanian community to learn Serbian language

Insufficient knowledge of Serbian language skills was identified as one of major obstacles for further integration of Albanians into the wider social structures. Having in mind that South Serbia is politically fragile and the integration of Albanians is additionally challenged with growth of population who do not speak the official language of the state in which they live, as pupils and high school students from Bujanovac and Preševo get the official education in their native language.

By delivering Serbian language classes more Albanian population, who constitutes significant majority in these two municipalities, will be proficient in speaking the official language, which will enable easier and fairer integration.

This activity will be implemented based on the Feasibility Study prepared by the Coordination Body for Preševo, Bujanovac and Medveđa, and funded by the United Kingdom Government, as well as experience gained through implementation of similar activities over the past several years. The modalities for implementation and timeframes will be discussed and agreed with the Coordination Body after the Feasibility Study is completed during March-April 2014, i.e. the activity will be finally shaped during the European PROGRES Inception Period.

The Programme will also perform assessment of existing similar classes in elementary and high schools in Bujanovac, Preševo and Medveđa especially those being conducted by the OSCE. Based

on the findings from assessments and in agreement with the Coordination Body and the Ministry of Education, Science and Technological Development, the Programme will support development of curricula and establishment of these classes in at least one elementary and one high school in each municipality. Organisational and financial sustainability will be reached in partnership with the municipalities, the Coordination Body and the Ministry of Education, Science and Technological Development, and by development a model that is in line with the Serbian Laws. Any curriculum that the Programme supports will have to be approved by the Ministry of Education, Science and Technological Development.

As a result of this activity, up to 400 young and unemployed citizens of Serbia of Albanian ethnic origin in areas covered by the Programme will improve Serbian language skills.

3.10 Design and implement targeted measures to reduce migration from South, South East and South West Serbia

This activity will be focused on development of support packages to potential migrants and returnees in order to reduce their need for migration and to ease their integration into society, based on the Migration Action Plan, and as contribution to implementation of the third component of the Strategy for Reintegration of Returnees, adopted by the Government of Serbia in 2009. The activity will have two main lines of intervention:

1. Direct support to individual migrants or returnees

- a. Needs assessment of potential migrants and returnees
- b. Legal support in acquiring personal documents and social entitlements through Citizens' Advisory Services system
- c. Increase of employability of migrants through education or trainings envisaged within activity 3.3 of this Programme
- d. Economic empowerment of migrants through self employment within virtual incubation system, or temporary employment in public works over the winter period. Where possible self-employed migrants will be included in clustering through activities 2.6, and 2.7.

2. Capacitating existing mechanisms for support to migrants: institutional support to potential migrants and returnees is even more important than direct, short term support. In this regard the Programme will provide technical assistance to the Commissariat for Refugees and Migration in strengthening of institutional framework dealing with migration. This will include:

- Development of Communication Strategy with mechanism for coordination between all relevant stakeholders dealing with migration issues
- Information campaign aiming to reduce the number of asylum seekers
- Capacity building for migration councils.

In addition to the Commissariat for Refugees and Migration, support will be extended to the National Employment Service, Centres for Social Work and targeted municipalities.

Result 4: Effects of Serbia's European integration communicated to general public

4.1 Communicate actions, results and impact of the programme activities with the link to Serbia's overall European integration efforts

The Programme will identify and carry out activities designed to communicate actions, results and impact of the activities, primarily to the local communities. The messages will not only point to the socio-economic benefits of the Programme, but also will aim to communicate the benefits of the European integration. Furthermore, the Programme will strive to establish partnerships with the national media, including related topical magazines, in order to generate more coverage, specifically related to benefits for ordinary people. In the Inception Phase, Communication Strategy will be drafted, identifying specific and measurable goals, opportunities and tools for promotion of each result areas, target audiences and clear messages. One of the key messages will be the link between desired outcomes of the Programme and Serbia's overall European integration efforts. Drafting of the Strategy will be closely coordinated with the SEIO, the DEU and the SDC.

All activities will be identified and implemented through consultations with the donors and line ministries' communications counterparts, and other key stakeholders, thus also ensuring desired visibility for Programme partners.

4.2 Implementation of advocacy/awareness campaigns in partnership with civil society with attention to European values

The Programme will work with the national and local public institutions and civil society groups to develop and implement two information-education and/or advocacy campaigns that address concrete societal issues in the Programme area. The campaigns' objectives/awareness will be identified through a consultative process (involving municipalities, relevant ministries and civil society), based on the findings of the previous Citizens' Satisfaction Surveys and municipal development strategies, and will be linked to general Programme objectives.

The Programme will also facilitate strengthening of links between European PROGRES' municipalities and new EU Info Centre to be set up in Niš, through signing of cooperation agreements.

Subject to individual campaign's theme, the Programme will identify an appropriate baseline indicator. Terms of Reference for independent evaluation of the campaign will be prepared and advertised at the same time as the procurement of services for implementation of the campaign.

Each campaign is expected to last for a year, and each one will also convey European values.

3 Assumptions and Risks

3.1 Assumptions at different levels

Item	Assumption	Assessment & Management Issues
	Overall political stability is maintained, and relations with the EU are consolidated and strengthened	The Parliamentary, elections will be held in March 2014, which should mean that the newly elected Government remains in place until the end of the Programme. The European Council granted Serbia the candidate status on 1 March 2012, and the country started negotiations on its full membership in January 2014. After steady decline of 18 months, the support for the European integrations processes has finally started to increase in July 2013, and by January over 50% of citizens said they would

		vote for the accession.
2	Key stakeholders, especially cities, towns and municipalities, willingly participate in activities under the Programme	All 34 municipalities scheduled to participate in European PROGRES have sent official letters to the SEIO confirming their support and willingness to participate in the development and implementation of the Programme, which should increase the ownership. The Programme has stimulating approach towards municipal ownership over the activities and the flexibility to ensure that beneficiary LSGs commit to active participation: the competitiveness of the grants' schemes, nature of infrastructure projects and co-funding requirements
3	Financial viability of municipalities maintained	Serbia faces high economic and financial constrains which affect it's macroeconomic and budget stability including stability of LSG budget revenues. The level of transfers from the state budget to LSGs has been decreasing but the new Law on Financing of Local Government adopted in 2011 should contribute to financial stability of cities/municipalities. To prevent any damage to the Programme from potential low financial viability of municipalities and their accounts being frozen, the grant modality stipulates separate accounts for implementation of projects, and double signatories (one from respective representative of beneficiary and one from Programme's contract manager). Further, 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 the line Ministry and given for approval to the PSC.
4	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 Programme plans. To overcome these delays the Programme, where and when possible, takes up additional activities to support the line ministries.
5	Inter-ethnic tensions	The South Serbia is a post conflict setting, with latent tensions. However, in June 2013 the Government adopted a seven point Platform, proposed by the political representatives of Albanian minority in the South, which should address some of the key grievances of the population: the employment of the Albanian minority in state institutions; economic recovery of the three municipalities; the official use of the language, script and national symbols; decentralization in the justice system; culture and media; health care, social protection; security and measures for restoring trust in that area. The implementation of the Platform is in progress, albeit slowly, but in longer term it should improve the inter-ethnic relations. In the South West, the conflict has been of intra-ethnic nature. Experience has shown that without a broader context, special attention to such municipalities can even aggravate problems, as

		they see their chance in separation rather than inclusion. This tendency can be reversed with strong inter-municipal activities and insisting on larger inter-municipal and regional projects. Another advantage of this Programme, which can significantly decrease the risk of ethnic tensions, is the implementation by unbiased, apolitical, international organisation that has a development mandate, and can increase buy-in of all stakeholders.
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3.2 Risks and flexibility

	RISK	Probability	Likely Impact	Assessment & Management Issues
1	Elections on National and local level	High	Medium	The parliamentary elections will be held on 16 March 2014 and there is a risk this will influence implementation of the Programme, as the new Government will not be in place at the start of the Programme. This time will be used for planning and assessment activities. Additional communication efforts will be undertaken to quickly establish relations with the newly elected leadership. The Programme will work with all parliamentary political parties in every municipality.
2	Potential bankruptcy	Medium	High	Transfers from the central Government to municipalities were drastically cut, putting a number of poorer municipalities at a 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. The Programme team will prepare contingency plans for support to bankrupt municipalities, in consultation with donors and the Ministry of Regional Development and Local Self Government. Should a bankruptcy occur in the Programme area, contingency plans to complete activities will be put into effect with the approval from the PSC.
3	Lack of cooperation with other donor interventions in the field	Medium	Medium	Increased donor activity in the region lead to confusion within the municipal management structures and overlaps should be avoided. The Programme team will establish appropriate cooperation mechanisms with

				other projects in the field, and hold regular coordination meetings.
4	Inter and intra ethnic tensions in South East and South West Serbia	Medium	High	<p>This Programme will be implemented in two politically sensitive, complex and ethnically divided territorial areas where inter and intra ethnic tensions have been evident in the past.</p> <p>EU-funded and other donor actions to date in South East and South West Serbia have been successful in the context of reducing tensions, by focus on developmental issues and processes with common interest to all stakeholders. UN impartiality. Presence of donors in the field.</p>
5	Possible changes in municipal managements after elections	High	High	<p>Experience from EU PROGRES has shown that changes in ruling coalition on local level, and changes in management structures within municipal administration can seriously jeopardise implementation of envisaged activities. There will be a clear message from the Programme team and donors that particular LSG involvement will be discontinued without support and cooperation of all political parties and relevant stakeholders. The Programme interventions will be focussed on activities that have been identified as priorities by all stakeholders (regardless of their political affiliation).</p> <p>The communication efforts will be directed to widely publicize Programme to the public in order to build pressure of the citizens for its implementation.</p> <p>Activities will be planned in partnership with a wide range of local authorities (Assembly Mayor, Municipal Council) in order to avoid damage by potential changes in municipal management.</p>
6	Severe weather and other natural disasters	Medium	High	<p>Much of the territory covered by the Programme is subject to severe weather conditions: snowfall, droughts and floods. Additionally, there is a small risk of earthquakes, particularly in Kopaonik mountain area, and the Preševo Valley. This could delay implementation of construction projects, and change Programme priorities. There will be proper planning of activities to secure implementation regardless of weather conditions.</p>

7	Adequate Programme staff	High	High	<p>Experience has shown that it can be difficult to recruit adequately qualified people to work in the undeveloped and rural areas. Bringing people from outside risks the Programme being seen as not investing into the local communities, while recruiting under-qualified people risks slowing or harming implementation.</p> <p>Although the Programme will try to recruit staff locally, recruitment will be on a competitive basis. Salary levels will be commensurate with the position expertise required and difficulty of recruiting/or relocating to these less developed areas. Furthermore, allowances will be made for staff training, learning and development.</p>
8	Presence of other donor initiatives in the field	High	Medium	<p>Increased donor activity in the region leads to overlaps and confusion within the municipal management structures. The Programme team will hold extensive consultations prior to the start and during implementation with relevant donors/donor project representatives to prevent anticipated difficulties.</p>
9	Low capacities of CFCU and benefiting municipalities regarding project management	High	High	<p>Decentralised implementation System for IPA will start as of 1 April 2014 and this will be the first year of the CFCU managing the contracts. Due to complex procedures envisaged by PRAG and no previous experience of the CFCU and benefiting municipalities there is a serious risk of delaying the process and implementation of inter - municipal projects. In order to prevent these delays the Programme will provide necessary technical assistance and coaching to the CFCU to properly plan and execute steps in managing the inter – municipal projects.</p>
10	Low capacities and efficiency of local administration in project management	High	High	<p>Local administrations' capacities and efficiency in management of grants has proven, during EU PROGRES Programme, to slow down implementation of the projects and the Programme itself (on average three – six month delay). The Programme will provide mentoring and coaching assistance to granted municipalities in order to increase their efficiency in project implementation, especially in terms of public procurement and contract management.</p>

4 Implementation

This Programme is considered a multi-donor partnership funded by EU (through IPA 2013) and SDC (through its 2014-2017 Cooperation Agreement with Serbia) in cooperation with and co-funding from the Government of Serbia. This partnership has been operating since July 2006 through jointly funded programmes - PRO 1 and 2, EU PROGRES - and is considered by all parties as successful.

It complies with definitions under the FAFA (Financial and Administrative Framework Agreement) between the Commission of European Communities and the United Nations to which UNOPS is a signatory. It is also underpinned by the EC general Contract conditions, SDC administrative arrangements and is consistent with the IPA 2013 PF European PROGRES.

Implementation mechanism

The European PROGRES will continue using the methodology developed under the lead-in programme EU PROGRES, which will end on 31 March 2014. This approach is using grants methodology to empower partners to take ownership and responsibility, develops implementers' capacity to manage their own resources and leads to satisfying citizens' expectations for service delivery.

Separately to the CFCU grant support, European PROGRES will:

1. Conduct two Calls for Proposals using previously developed grant methodology, to continue the Citizen Involvement Fund projects designed to facilitate partnerships between civil society organisations and local self governments.
2. Issue grants to partners as envisaged under Programme activities, to develop and implement a wide variety of sub-projects, which will support the implementation of local development plans. Apart from technical assistance to municipalities to introduce the needed systems, structural, administrative and financial reforms, grants will be issued to support planning and execution of capital investments, urban planning, support preparation of technical documentation and/or tender packages, SME clusters, agricultural organizations, migration and gender related activities etc.

UNOPS' Financial Regulations and Rules allow for grant support defined as a project activity, which is outside the framework of procurement activities, and is undertaken by way of grants, credits or loans carried out through an implementing partner. Grantees may be selected by the funding source and specified by name in the project agreement or an amendment thereto. UNOPS may award grantees to such specified grants without going through its own competitive selection process. This can also be done for grantees not selected/specified in the project agreement or amendment thereto if such project agreement/amendment specifies the methodology for selection of grantees. Please see Annex VI for a list of partners that will be eligible to receive grants according to UNOPS' Financial Rules and Regulations.

Grant Scheme

Under the Project Fiche, two grant schemes, one of 3.5 million and the other of 4.5 million Euros, totalling eight million Euros (with co-funding of one million Euros included) are predicted, made up

of grant and works contracts respectively. UNOPS' role is to provide technical assistance to the SEIO and the CFCU to develop, manage and monitor the schemes.

More specifically:

1. The Grant scheme envisaged under activity 2.4, to be managed by the CFCU: the role of the SEIO will be to prepare Guidelines for Applicants while the CFCU will perform administrative check of the prepared Guidelines and launch the Call for Proposals (CfP). The Programme Steering Committee will approve the selected projects, based on the previous assessments of applications done by independent assessors.
2. In addition, at least one infrastructure project envisaged under activity 2.3 will be implemented through works contract by the CFCU. Preparation of full-scale technical documentation for the project will be responsibility of partnering municipalities and/or line ministry. The Programme will provide technical assistance for preparation of technical documentation and quality check. Once technical documentation is prepared tendering process and contract management will be performed by the CFCU. The SEIO will be responsible for monitoring of project implementation with technical assistance from the Programme.

The technical assistance provided to participating local governments in other aspects of the Programme is designed to improve LSG's capacity to tender for these Calls.

The principles of good governance as developed and defined under EU PROGRES with gender and environmental programming as cross cutting will further underpin all Programme activities. The vertical dimensions of the relationship of local and central government will increasingly become the focus both in good governance aspects but also all technical assistance aspects and in supporting individual sub-project implementation.

The Programme design will be adjusted periodically in order to incorporate findings from the field, recommendations from the relevant studies, to reflect the changes in the legal framework. The initial adjustments will be made during the inception period, and especially to incorporate findings of the Citizens' Satisfaction Survey and the Competitiveness Baseline Study, that were available from EU PROGRES in early 2014. The European PROGRES will also analyse the results and impacts of EU PROGRES, which are coming through, and adopt them into the new Programme design as appropriate.

Inception period

The inception phase will last from 1 April until 30 June 2014 and will be used for a wide range of preparatory activities that should subsequently facilitate efficient implementation of the Programme. Efforts will be put to finalise recruitment of the core staff and to ensure that the Programme offices are operational. The European PROGRES team will maintain communication with relevant ministries, national institutions, and the donors, and involve them, as appropriate, in development of approaches for particular activities. The Programme will also visit every participating municipality to present the intervention and to announce the planned activities for the early implementation phases. Coordination will be established with other relevant development stakeholders and projects.

The key function during this period will be the Inception Workshop that will gather the main stakeholders and beneficiaries in order to verify relevance of the Programme. This will also be an opportunity for the participants to review the Logical Framework Matrix and consider implementation modalities, criteria and preconditions for provision of support.

Therefore, the Workshop will provide valuable inputs to the Programme to define detailed work plan for each activity as well as to finalise schemes for the provision of support through the Programme, while also using the findings of the Baseline Competitiveness Study.

During this period, the Communications Strategy will be developed and the public event to launch the Programme will be organised.

4.1 Physical and non-physical means

Financial resources will cover all Programme costs, including:

- Staff and other necessary human resources
- Travel and transport
- Office and IT
- Visibility
- Programme Activities.

The financial and administrative records will be kept according to the UNOPS rules and procedures, using double-entry bookkeeping system. Specifically, the Programme will keep:

- 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;
- Staff and payroll records such as contracts, salary statements, time sheets. 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.

Transition from the EU PROGRES to European PROGRES

In order to maintain the momentum of the impact of the EU PROGRES, a number of core staff and assets will be directly transferred to the European PROGRES.

Office locations

The EU PROGRES proved that the presence on the ground has been a comparative advantage of the Programme, when trying to reach full efficiency, achieve planned results and enable effective cooperation with partners. In that light, the offices in Novi Pazar, Vranje and Belgrade will remain in place.

In order to mitigate logistics and better support capacity development of the nine new municipalities from Nišavski and Pirotski Districts entering the Programme, the office in Prokuplje will be closed and a smaller office opened in Niš. Those nine new municipalities traditionally gravitate and are logistically connected to Niš. As those municipalities will need additional attention from the Programme staff (they didn't have this kind of support until now), while travelling costs and logistics will be more cost efficient with office in Niš than in Prokuplje.

4.2 Organisation and implementation procedures

The European Integration Office of the Government of Serbia (SEIO) is leading in Programme preparation by consulting the line ministries, and other institutions that will take part in the Programme Steering Committee (PSC). On the local level, the SEIO in cooperation with the EU PROGRES held intensive brainstorming meetings with municipalities and regional institutions, which are potential beneficiaries of the new Programme.

Central Contracts and Finance Unit (CFCU) is a Department of the Ministry of Finance and fulfils the role of Contracting Authority for all IPA Components under decentralised management, apart from the Component V. In regards this Programme, it is primarily responsible for procurement and award of the grants, signature of contracts, payments to contractors and grant beneficiaries and verification of expenditure. European PROGRES will support the CFCU to fulfil its role in the Programme.

The line Ministries of the Government of Serbia are major stakeholders in the Programme, and financial contributors. They have responsibility for monitoring the Programme implementation, and providing assistance and facilitation as necessary.

Participating Municipalities - 34 municipalities in the South East and South West Serbia are the key stakeholders, beneficiaries and financial contributors to the Programme. They have responsibility of taking ownership of activities implemented in their territory.

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

The Swiss Agency for Development and Cooperation (SDC) is the other contracting authority and takes shared responsibility in steering of the Programme.

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

4.3 Timetable

The implementation of the Programme will last for 42 months. The indicative start date is 1 April 2014.

The Work Plan accompanying the contract documentation will be updated during the inception period and included within the Inception Report. An annual Work plan will then be developed and attached to each Annual Report for approval by the PSC.

4.4 Programme Steering Committee

The aim of the steering mechanism, to be established in the inception period, is to ensure that the Programme provides relevant and effective support to the social and economic development of the South East and South West Serbia. The European PROGRES steering mechanism will be composed of the Steering Committee and the General Committee.

The Steering Committee mechanism will be comprised of the representatives of the SEIO, the line ministries and relevant national institutions, the DEU, and the SDC. It will meet on quarterly and ad-hoc basis, as required and will have the following functions:

- Providing a forum for discussion of issues arising
- Approving requests for funding of projects
- Making decisions regarding the overall design and the content of the Programme
- Reviewing and approving planning
- Endorsing Programme implementation reports.

The General Committee will gather the Steering Committee, and all mayors from the Programme area. Other local and regional development programmes, NGOs and international organisations operating in the area covered by the Programme, will also be invited to attend. This meeting will be held quarterly and will be used to inform all stakeholders of the Programme's activities, progress and results and will also provide an opportunity for stakeholders to raise issues for discussion.

In this way all relevant stakeholders (local, national, international) will be regularly informed about the Programme activities while the General Committee can be used as a forum for donor coordination in the South East and South West Serbia.

The Programme will provide budget and administrative support for organising all steering meetings, with the Programme Manager acting as Secretary to the PSC.

4.5 Costs and financing plan

The EU will provide 12.6 million Euros (equivalent to 72.2 % of the estimated total eligible cost of the Action) and 4.86 million Euros from the Swiss Agency for Development and Cooperation (SDC) (equivalent to 27.8 % of the estimated total eligible cost of the Action).

The total value of the Programme, however, may increase due to contributions of grant beneficiaries: line ministries, municipalities and civil society organisations.

For more information see Annex B (Detailed Indicative Budget).

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 2013 Financing Agreement signed between the Government and the European Union.

5 Factors ensuring sustainability

The European PROGRES is compatible with the UNOPS' mandate to act as a service provider to its partners to expand national and local capacities through its core services of project management, infrastructure development and implementation, as well as procurement, administration and financial management services (among others).⁸⁰ UNOPS 2014-2017 Strategic Plan articulates its focus on national capacity and sustainability through (in the Serbian pre-accession context) offering advice, best practice processes, training, exchange of experience and expertise as well as support for enhancing management oversight to improve transparency and accountability).

The mutually reinforcing dimensions of sustainability i.e. equitable economic growth, social justice and inclusion as well as environmental impact are supported by the UNOPS three contribution goals of sustainable project management, infrastructure and procurement.

5.1 Policy Support

Sustainability is primarily guaranteed through the fact that all Programme activities stream out of the existing national level policies and legislation and they are defined in a way to support implementation of those policies on the local level. In this way, the Programme is ensuring sustainability of its actions on mid-term and long-term perspective. For example, the budget preparation is clearly defined by the Law on Budgetary System; the Law on Planning and Construction instructs about the spatial plans; the Law on Property Taxes regulates invoicing of properties, while the Law on Associations defines the establishment of clusters. Thus, the Programme is an extended arm of the Government on the local level, tasked with supporting municipal multi-sector development.

Equally important, the Programme is contributing to development of the new local policies, which will address identified issues between the central and the local governments and concrete recommendations on how the vertical dimension of governance in Serbia today could be made more efficient and effective.

Along with introducing the good governance concept through the infrastructure projects, the Programme will work closely with the municipal administrations to prepare local policies and rules that will regulate benefits from the new equipment/ facilities by applying non-discriminatory practices.

⁸⁰For more information on UNOPS, please visit the website: www.unops.org

However, in order to see full benefits of the policy contribution, the Programme requires constant and full engagement of all stakeholders – 34 municipalities, the SEIO, the PSC, the key ministries and the donor.

5.2 Appropriate Technology

Worldwide, UNOPS is the UN's central resource for project management (and grant schemes), infrastructure, human resource management, procurement, project and financial management and in common UN Services all using a result-based framework. UNOPS has the ability to pass on these attributes from national and international staff to its local and national partners. Specifically, UNOPS:

- Received ISO 9001 certification in 2011
- Introduced IPSAS (international accounting standards) in 2011
- Obtained CIPS (Chartered Institute of Purchasing and Supply) certification for sound procurement
- Employs project managers and key staff who are all required, by internal regulations, to be certified in PRINCE 2 (Projects in a Controlled Environment)⁸¹
- Conducts in-house project management certification courses (numerous national EU PROGRES staff have been certified to date)
- Is an active member in the IATI (International Aid Transparency Initiative) which makes information about aid spending easier to find, compare and to use
- Has flexible but world class financial, administrative, procurement and management structures which have allowed EU PROGRES to develop and manage over 200 low transactional cost high impact grant contracts in Serbia so far.

The technology that will be used by the Programme will be compatible with the existing municipal systems and will also take into account the local abilities to operate the newly procured equipment. European PROGRES' predecessor, EU PROGRES has proven that the right choice of the technology brings substantial savings to the local budgets (heating systems in Novi Pazar and Prijepolje, water pumps in Sjenica and Vlasotince, and similar), which can be diverted for other pressing needs (linked with the policy support and drafting of local regulations).

The sustainability of the technology will be ensured by engaging with the local communities, construction of environmentally friendly buildings and promoting capacity development of local industries, paying attention to gender equality. The activities will cover the training for the use of software, when and where appropriate.

Finally, the Programme will use only licensed software and equipment attested by the local institutions.

5.3 Environmental Protection Measures

The Programme has been laid out following strategies that regulate, among other issues, environment protection: the National Programme for EU Integration and Sustainable Development of Serbia, and

⁸¹The next round of PRINCE 2 exams for EU PROGRES staff is scheduled for December 2013.

other key legislation such as that on environment protection, waste management, nature protection, and similar.

The activities are conceptualised on the premises of sustainable development, and bearing in mind the overall compliance with the EU standards in implementing all sub projects and activities, this is a further assurance that negative impact on environment will be minimised.

The sub projects that will be supported under each component of the Programme (including e.g. Citizens' Involvement Fund) may have the focus on environment protection, while infrastructure projects, both municipal and inter-municipal, will certainly include actions that deal with remediation of human negligence on environment.

The Programme experts will provide impact assessment and then work to reduce the impact of the infrastructure projects on the environment. In addition, the construction uses the most environment friendly processes and materials, sourced locally.

5.4 Social Aspects

Along with the specific activities that will be implemented in direct partnership with the civil society organisations (CSOs), such as the Citizens' Involvement Fund (CIF), Citizens' Advisory Service (CAS), participatory budgeting, to name a few, the Programme will encourage respect of good governance principles in all municipalities: accountability, participation, non-discrimination, efficiency and transparency.

The Programme will mainstream gender equality throughout all its activities, with more intensive support through Citizens' Involvement Fund grant scheme, Citizens' Advisory Services, while focusing on women empowerment and providing opportunities for additional income of women, especially those in rural areas. The Programme will actively advocate for gender mainstreaming with relevant stakeholders, including the local community leaders, encouraging them to move beyond policy rhetoric and to adopt pro-active commitment to gender mainstreaming, thus preventing fading away of what was achieved in this field so far.

This Programme will be implemented in multi-ethnic areas and will focus on eradicating any kind of negative practices. Since the whole intervention is conceived to encourage accountable and non-discriminatory municipal administrations and participation of citizens, through open communication and exchanges of experiences between different ethnic groups living on the same territory, it will promote tolerance, dialogue and good cooperation, not only on the local level, but on the regional and national as well.

5.5 Institutional and Management Capacity

The focus of the Programme is on developing institutional capacity on the local level to take advantage of the new funding available, and build on the existing and piloted reforms. This means that previous institutional advances will be consolidated; there will be enhanced skills and capacities to deliver public services, and capacities to take account of local needs. In short, all resources that will be developed during implementation will be further integrated into the municipal growth. In addition strong vertical dimension of Programme activities sets ground for capacitating national

institutions, line ministries and bodies in further management of similar activities. Line ministries as members of the Programme Steering Committee will be fully involved in planning and approving Programme activities thus giving the guidelines for assuring compatibility with country's strategies and action plans. Programme's technical support to the Contracting authority and beneficiary in implementation will give vital information on necessary capacities for management of this type of activities to these institutions. This way institutional sustainability will be achieved on all levels.

5.6 Financial Capacity

The Programme will ensure that municipalities and line ministries provide co-financing of development projects, so that the implementers have ownership of the initiatives. In addition, within the grant schemes applicants will co-finance their projects with at least 10%. Since support to LSGs in budgetary process in one of the activities of the Programme, all actions undertaken within LSG will be reflected in the budget preparation process so financial sustainability of actions is ensured after the Programme ends. Special attention should be paid to the long-term ability of the LSG to maintain the completed projects and to the cost benefit of supported projects.

6 Communications and visibility

One of the Programme's results (Result 4) focuses entirely on the communication of activities, achievements, development objectives as well as ensuring adequate visibility for the donor(s). The Communications Strategy will fully respect the EU visibility guidelines outlined in the Communications and Visibility Manual for European Union External Actions.

More details available in Result 4.

7 Monitoring and Evaluation

7.1 Reporting requirements

Inception report

The Programme will prepare an inception report within **four months** of its official start date. The report will confirm and/or redefine the objectives and relevancy of the Programme, its results (including verifying the quantified indicators of achievement and methodology). It will also set out a detailed work plan for each activity, including a list of deliverables per activity; identify the experts required; outline the management structure and any possible commitments required from stakeholders and beneficiaries.

The Inception Report will include an updated logical framework matrix following the EU project cycle management guidelines. The report will detail how the cross-cutting issues of governance primarily, environmental protection, minorities and gender mainstreaming will be incorporated in the implementation of the project. Activities conducted during the inception period and activities planned for the subsequent reporting period will be detailed.

Quarterly Reports

The Programme will provide regular quarterly reports to all members of the Steering Committee. The progress reports are to be submitted within ten working days after the end of the reporting period.

The Quarterly Reports, commencing three months after submission of the Inception Report, will present an updated key indicators as defined in the Log Frame, detail Programme progress, describe difficulties encountered in the course of implementation, present results accomplished during the reporting period, resources utilized as well as detailed planning of project activities for the forthcoming reporting period.

A separate financial report will be sent to the DEU quarterly, while a monthly management meeting will be held at the DEU to discuss progress of the Programme.

If needed the Programme will provide ad – hoc reports to the donors on overall progress of the Programme, or specific activities /issues within Programmes' area of responsibility.

Annual Reports

Annual Report will be prepared at the end of each year of implementation. The Annual Report will substitute for the quarterly report for the last quarter of the implementation year. Annual Report will be submitted to the PSC and all relevant stakeholders, in English and Serbian, 15 days after the end of the reporting period. The Annual Report will present update of key indicators as defined in the Log Frame, accentuating impact. It will describe Programme's progress, difficulties encountered in implementation, present results accomplished, resources utilised, as well as planning of activities for the forthcoming period.

Final report

The final report will include in-depth analysis on each results presenting a synthesis of key issues / key problems/ results/ lessons learned/ issues to be addressed/ views and recommendations, and a short overview of all activities implemented. 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 Planning Matrix.

The Final Report will be submitted as stipulated by the Grant Contract and will include a description of all aspects relevant to implementation as per general EU requirements.

7.2 Monitoring

Apart from internal monitoring by the Programme team, formal Programme independent monitoring will be performed by the EU according to its standard procedures. In addition, the UNOPS has a strong financial and programmatic audit framework, which will provide another layer of monitoring to the Programme.

Both monitoring and evaluation will be based on periodic assessment of progress and delivery of specified European PROGRES results towards achievement of Programme objectives. Suitable objectively quantifiable indicators will be agreed between the donors and the Programme and reflected in the reports mentioned under Section 7.1. The Programme team will hold periodic learning workshops, in which they assess themselves and the Programme's progress, with a view to strengthening their work and the impact that they are having in line with the overall objectives.

Further monitoring and evaluations' inspections could be undertaken by specialist consultants contracted separately, as the DEU decides. The EU Court of Auditors may inspect any EU programme as and when deemed necessary subject to the conditions of the Framework Agreement on Financial Assistance (FAFA).

There are two phases to consider in the monitoring: continuous monitoring framework and developing an Exit Strategy.

In the continuous monitoring framework, there are three critical aspects of the Programme to monitor: inputs, outputs and impact. Each aspect will have its own monitoring procedures and reporting.

Input monitoring covers financial monitoring and activity reporting from the side of the Programme team. Weekly, monthly and quarterly reports will be produced detailing expenditures, resource input, financial transfers, activities ongoing or completed, and support provided by consultants and other contractors.

Output monitoring will primarily focus on achievement of milestones and planned outputs against the Programme plan. Outputs will be detailed in the monthly and quarterly reports as for inputs. There will be an additional element to ensure that client organisations are delivering outputs to the expected quality and quantity. This will be an internal audit process of implementing partners conducted on a contract by contract basis by the Programme team. All project agreements will stipulate the possibility of an internal audit, and spell out the potential consequences of poor audit results.

Impact monitoring will be made subject of mid-term evaluation and final report. This will require 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. The data will be drawn from available official statistics.

An Exit Strategy will be finalised in the course of the third year of the Programme although it will be a prime consideration from commencement, with baseline data gathered. In the preparation of the Exit Strategy, indicators will be established, to point out the impact that the Programme had on institutional change in the Programme Area.

7.3 Evaluation

The Government/donors will evaluate the Programme separately and independently, with no budget line included for that activity in the Programme. UNOPS will, albeit, provide full logistical support for evaluations.