

## Project Fiche – IPA National programmes / Component I

### 1 IDENTIFICATION

<b>Project Title</b>	7 - European PROGRES
<b>CRIS Decision number</b>	2013/023-621
<b>Project no.</b>	7
<b>MIPD Sector Code</b>	1. Public Administration Reform 3. Private Sector Development 7. Social Development 8. Agriculture and Rural Development
<b>ELARG Statistical code</b>	19 – Social policy and employment
<b>DAC Sector code</b>	25010
<b>Total cost</b> (VAT excluded) <sup>1</sup>	EUR 24,600,000 <sup>2</sup>
<b>EU contribution</b>	EUR 19,600,000
<b>Management mode</b>	Activities under result 1, 2, 3 and 4 (except activity 2.4 and one infrastructure project within activity 2.3) are implemented under centralised management (joint management with the UNOPS) Activity 2.4 and one infrastructure project within activity 2.3 are implemented under decentralised management
<i>Centralised mngmt:</i> <b>EU Delegation in charge</b> <i>Decentralised mngmt:</i> <b>Responsible Unit or National Authority/Implementing Agency</b>	Central Finance and Contracting Unit (CFCU) - Ministry of Finance and Economy, Department for Contracting and Financing of EU Funded Projects Programme Authorising Officer (PAO) – Assistant Minister at the Ministry of Finance and Economy, Head of Department for Contracting and Financing of EU Funded Projects Mrs. Natasa Simsic 20 Kneza Milosa St. Belgrade, 11000, Serbia +381 11 3612-787 <a href="mailto:natasa.simsic@mfp.gov.rs">natasa.simsic@mfp.gov.rs</a>
<b>Implementation management</b>	The Serbian European Integration Office Ognjen Mirić, Deputy Director Nemanjina 34 +381 11 3061 110 <a href="mailto:omiric@seio.gov.rs">omiric@seio.gov.rs</a>
<b>Implementing modality</b>	<i>Stand alone project</i>
<b>Project implementation type</b>	Project-type interventions
<b>Zone benefiting from the action(s)</b>	Final beneficiaries of this project are 34 municipalities from the third and fourth group of development level <sup>3</sup> in South 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

<sup>1</sup> The total project cost should be net of VAT and/or of other taxes. Should this not be the case, clearly indicate the amount of VAT and the reasons why it is considered eligible.

<sup>2</sup> Total cost includes the EU contribution and contribution provided by other donors, line ministries, municipalities and grant beneficiaries.

<sup>3</sup> 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, November

## 2 RATIONALE

### 2.1 PROJECT CONTEXT: ISSUES TO BE TACKLED AND NEEDS ADDRESSED

Regional disparities in the Republic of Serbia are among the highest in Europe. While Belgrade is currently enjoying 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 stands on 63% of national average and contributes to GDP with less than 15%. According to the Regulation on the Single List of Development of regions and local self-governments for 2012 (*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 average<sup>4</sup>).

The largest concentration of the extremely underdeveloped municipalities is in the South and South West Serbia<sup>5</sup>. For example, out of 34 municipalities included in this project, 29 are from the group of extremely underdeveloped. Other five municipalities are from the third group (development level less than 80% of the national average), and are closely connected geographically and share similar economic and social problems as well as communication and utility infrastructure needs.<sup>6</sup>

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 results 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 planned annually despite the fact that the legislation envisages preparation 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

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<sup>4</sup> Please see Annex 5 Categorisation of underdeveloped municipalities according to the developmental level

<sup>5</sup> Please see Annex 6 for the Map of underdeveloped municipalities in Serbia

<sup>6</sup> Municipalities bordering AoR are within the first and second developmental group and for this reason they are not included in the programme.

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.

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 European Partnership with Municipalities Programme - EU PROGRES: “Obstacles to Infrastructure Development”<sup>7</sup>. Specifically, there is no 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. The International Federation of Consulting Engineers (FIDIC) contracts, which are increasingly embraced across the world, are hardly ever applied with respect to local infrastructure projects. 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.

Enterprises in South 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<sup>8</sup>. SMEs from the South 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%)<sup>9</sup>. As for agricultural producers and processors, they don’t have sufficient knowledge of new technologies and market requirements and benefits of cooperation and agglomeration of production.

Women’s entrepreneurship represents a valuable asset for Serbia’s economic development. Recent UN Women support study on women’s entrepreneurship showed that women account for only 26%<sup>10</sup> of entrepreneurs in Serbia. Statistics also show that under a half of women of working age are economically active (compared to two thirds for men). Also, the data shows that 47% of shops and companies started and run by women have closed down, compared to 38% of companies run by men.

Two currently ongoing studies within EU PROGRES (Competitiveness of local self-governments in South and South West Serbia baseline study, and Analysis of Medium Size Enterprises in East – South and Sumadija – West Regions) will provide more detailed data on performance and macroeconomic indicators in 34 municipalities. Results of these studies will be used as benchmark for implementation of planed activities within the Project.

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<sup>7</sup> 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](http://www.euprogres.org/dokumenti/sr/3_46_Obstacles_To_Infrastructure_16_July_Final.pdf)

<sup>8</sup> 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

<sup>9</sup> The Ministry of Finance according to the data from the RSO, 2011

<sup>10</sup> Baseline study on women entrepreneurship in Serbia, the Ministry of Economy and Finance, 2011

High unemployment rate in the South and South West Serbia, running at almost 27%, especially among young people, Roma and vulnerable groups, and difficulties of investors to employ workers with specific skills and knowledge, leads to conclusion that more attention should be given to formal and informal ways of education based on needs of businesses. This is especially true for women with lower levels of education and women younger than 24 and older than 50<sup>11</sup>. Roma women are among the groups with the lowest employment rate in Serbian society. The National Employment Strategy 2011-2020 recognises that women constitute the “largest category at risk in the Serbian labour market” and in the same time “the most heterogeneous vulnerable group”. On average more than 40% unemployed in these regions are without any qualifications (Raška District 44%, Jablanički District 32%, Pčinjski District 47.5%, Toplički District 40.5%<sup>12</sup>), while only 6.5% of population has college or university education and 32.7% high school education<sup>13</sup>. 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. Thus, the skill gap analysis, that is in the moment under implementation of the EU PROGRES 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, and that expected reversal of negative trends in the labour market is not occurring. The development objective of the analysis is to improve the occupational skills of the work force in all 34 municipalities in order to match the needs of the local economy and investors interested in setting up their businesses in these regions.

Finally, any sustainable socio-economic development is pre-conditioned by good governance within the local administration. Accountability here 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. Accountability of local Self Governments towards citizens is especially weak due to nonexistence of mechanisms by which citizens could oversight and control the functioning of LSG. This relates, among others, to the management of public resources, efficiency in service provision, equal opportunities for all, and participation in decision making. This effectually translates into local institutions and entities abiding to the rule of law.

As a result, the local self-governments will be more accountable, transparent, and inclusive in delivering the expected service to the citizens. Also, co-ordination and collaboration with the line government ministries, in implementation of projects, will be more efficient and effective, continually addressing any unresolved issues in the understood relations (so called “vertical dimension” of good governance).

Being aware of all challenges in local development faced by the underdeveloped municipalities, the Serbian European Integration Office (SEIO) has initiated preparation of a new programme, which should address all these problems through a wide multi-sectoral approach. Twenty-five underdeveloped municipalities from the South and South West Serbia, which are currently benefitting from the EU PROGRES, and are envisaged for the continuation of support through the new Programme, have confirmed the importance of this initiative for their future development by sending the letters of support to the SEIO.

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<sup>11</sup> Women and Men in the Republic of Serbia, NSO, 2011

<sup>12</sup> Annual Report Municipalities in Serbia, Statistical Office of Republic of Serbia, May 2011

<sup>13</sup> Please see Annex 8: Number of unemployed per municipality

## 2.2 LINK WITH MIPD AND NATIONAL SECTOR STRATEGIES

*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 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”**, are 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.

### ***National strategic framework***

Having in mind the complexity of problems/needs of these municipalities their further development requires multi-sector approach. Development of management and planning capacities of these municipalities is in line with the *Needs of the Republic of Serbia for International Assistance 2011-2013, the National Sustainable Development Strategy and the Public Administration Reform Strategy*. Further development of business enabling environment, as well as improving of communal infrastructure, education and communication in underdeveloped areas of Serbia is required by the *Needs of the Republic of Serbia for International Assistance 2011-2013, the Strategy for Industrial Policy* and the First National Report on Social Inclusion and Poverty Reduction in the Republic of Serbia (2011).

Implementation of active measures of regional and local employment policy is one of key priorities defined by the *Needs of the Republic of Serbia for International Assistance 2011-2013, the National Employment Strategy (2011 – 2020)* with the aim to decrease regional disparities and high discrepancies among LM indicators. *The Agricultural Strategy for Serbia (2005)* highlights that agricultural potential of the Republic of Serbia is unused, and defines as its priority to support “introducing of new technologies in agricultural production, that would result in increased productivity” (page 51), “support the economic activities of existing cooperatives” (page 67), as well as “encouraging of production improvement oriented research programmes in partnership with foreign scientific institutions” (page 46).

The *Strategy for Improvement of the Status of Roma* in the Republic of Serbia (2009) creates a basis for identifying and applying affirmative action measures, primarily in the areas of education, health, employment and housing. The Government adopted Action Plan for the advancement of the status of Roma 2012-2014, which covers 13 areas: education, housing, employment, health, culture, media and information, social welfare, access to personal documents, political participation, fighting discrimination, gender equality, status of internally displaced persons and returnees upon readmission agreement.

Furthermore, the following strategic documents, currently under development, are relevant for this programme: *the National Plan for Regional Development 2014-2020 (NPRD) and related regional development strategies - the Regional Development Strategy for South East Region and the Regional Development Strategy for Šumadija and West Region*. Once adopted, the NPRD and respective regional development strategies will be taken into account in selecting individual projects to be supported by this programme. The implementation of NPRD/RDSs may be supported through European Integration and Project Preparation Facility (IPA 2013) upon adoption of the NPRD by the Government of Serbia and National Assembly.

The programme is also aligned with the key national legislation regulating the work and financing of local self-governments and institutions, spatial and planning laws, business development, agriculture, environment protection, human and protection of minorities, freedom of expression and access to information.

The programme is fully in line with the *National Action Plan (NAP) for Implementation of the National Strategy for the Improvement of the Position of Women and Promotion of Gender Equality* that was adopted in August 2010, following adoption of the Strategy in February 2009. The NAP covers the period 2010-2015, and has 6 priority areas: Increasing participation of women in decision-making processes and achieving gender equality; Improving the economic status of women and achieving gender equality; Achieving gender equality in education; Improving women’s health and advancing gender equality in healthcare policy; Preventing and combating all forms of violence against women and providing a comprehensive system of protection of women survivors of violence; Removing stereotypes of women and men in the media

### **2.3 LINK WITH ACCESSION PARTNERSHIP (AP) / EUROPEAN PARTNERSHIP (EP) / STABILISATION AND ASSOCIATION AGREEMENT (SAA) / ANNUAL PROGRESS REPORT**

#### ***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 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 recourses 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.

### ***Progress Report (2012)***

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 9 and 32). 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 26 and 28). 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 37, 38, 39 and 47).

### ***EC Analytical Report (2011)***

The 2011 EC Analytical Report (12 October 2011) underlines some of the main weaknesses in the reforms during the pre-accession process. The Report stresses:

Central authorities have delegated competences to units of local self-government in areas such as building permits, utilities, culture, education, health, social and child welfare, protection of the environment and agricultural land. There is a need for further alignment of legislation and more effective implementation of the existing legal framework and strategy. Progress remains slow and is affected by the lack of coordination among stakeholders and insufficient managerial capacities. Public administration is weak at the local level.

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. Availability of community-based services across the country is still limited. 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.

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.

#### 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. 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.

The programme's specific objective directly flows out of priorities identified in the *National Plan for EU Integration*. It will work on improving conditions for infrastructure development and business growth by strengthening of local planning and management capacities, as well as enhancing social inclusion of vulnerable groups.

## 2.4 PROBLEM ANALYSIS

Recent studies conducted in the South and South West Serbia, under the European Partnership with Municipalities Programme EU PROGRES<sup>14</sup> show that wide-ranging economic development is constrained by obsolete and inadequate infrastructure. Total investments in new or reconstruction of the existing infrastructure capacities in the South and South West Serbia during 2010 were just 0.5% of total investments in Serbia or 1% of the investments in Belgrade<sup>15</sup>. These poorest regions didn't benefit from the National Investment Plan either, which had a goal to reduce regional disparities. They gained much less financial support than

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<sup>14</sup>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](http://www.euprogres.org/dokumenti/sr/3_46_Obstacles_To_Infrastructure_16_July_Final.pdf)

<sup>15</sup> Annual Report Municipalities in Serbia, Statistical Office of Republic of Serbia, May 2011



for example Vojvodina or Šumadija. Only 8.23% of total investments were realized in the industrial zones in the South and South East Serbia with two districts (Jablanički and Pčinjski) not receiving any support<sup>16</sup>.

Lack of financial resources and mid and long term planning of investments on local level leads to infrastructure bottlenecks and ad hoc selection of “priority” infrastructure projects. The identified problems in targeted municipalities are insufficient capacities of the local self-governments in the field of investment development/planning and insufficient modern-day (infrastructure) project cycle management skills<sup>17</sup>. In addition, slow and often improper public procurement processes, caused by low capacities of local administrations, seriously impact implementation of the projects. These delays, as shown during implementation of the EU PROGRES (IPA 2010), can be from two to six months<sup>18</sup>.

In order to improve this situation 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 and subsequently, in specific activities, such as development of urban planning documents, updating cadastres, planning of annual and multi annual budgets, project technical documentation in accordance with the Serbian Laws and international standards. Additional support will be provided in capacitating local administrations to conduct public procurement process for infrastructure projects as well as in project management for capital investment projects.

It is expected that at least 40% of municipalities will increase their capacities to develop capital investment plans, at least 40% to develop annual budgets in accordance with long term investment plans, and at least 40% to 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%<sup>19</sup> to at least 2%. In 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%. Twenty 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.

The 2013 World Bank’s report “Doing Business” puts Serbia on the 86<sup>th</sup> place (out of 183 economies), four ranks lower than in the previous year. Some Sub-national indicators exist for five Serbian municipalities (Belgrade, Zrenjanin, Krusevac, Uzice and Vranje) as pilot municipalities within Easy Doing Business in South East Europe 2011. During 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 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 ongoing EU PROGRES, a comprehensive set of technical assistance will

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<sup>16</sup> Analysis of business infrastructure in Serbia, National Agency for Regional Development, Zaječar, 2011

<sup>17</sup> <sup>17</sup>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](http://www.euprogres.org/dokumenti/sr/3_46_Obstacles_To_Infrastructure_16_July_Final.pdf)

<sup>18</sup> EU PROGRES Quarterly Reports, available at : <http://euprogres.org/biblioteka.php?id=103>

<sup>19</sup>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](http://www.euprogres.org/dokumenti/sr/3_46_Obstacles_To_Infrastructure_16_July_Final.pdf)

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.

The experience gained during EU PROGRES implementation 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 new employments. There are other similar projects in the South and South West Serbia, which have similar potentials. During programme implementation, at least two big inter municipal industrial sites and at least ten smaller local economic infrastructure projects will be developed. Project 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.

Participation of small and medium enterprises (SMEs) from the South 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 Pčinja<sup>20</sup>, Jablanica 1,2%, Raški 3.7%, Zlatibor 4.4%<sup>21</sup>. 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 big companies<sup>22</sup>.

There are traditional food products in the South and South West Serbia, such as Sjenica cheese and lamb, Novi Pazar kebab, Leskovac *ajvar*, which have potential competitive advantage on the markets, and with the right support in branding and product placement could contribute to local development. Furthermore, analyses conducted within EU PROGRES, in March and April 2012, pointed to possibility for clustering of tourist offers in the regions that are currently fragmented but have high potential for development<sup>23</sup>. This project will help local economies to raise competitiveness of their SMEs through creation of new clusters in food production sector and 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.

Small and fragmented farms, low scale of production, poor communal, economic and social infrastructure, impose constraint on development in rural areas. On average, a farm in the South Serbia has 1.8 to 3.2 hectares of land. In the South West Serbia high fragmentation of agricultural property can be best illustrated by the fact that only 0.74% of the total number of milk producing farms has more than 11 milking cows<sup>24</sup>. Those are characteristics of extensive agriculture production. In order to reach objectives defined in the Strategy for Rural Development in Serbia<sup>25</sup> 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 from the South and South West Serbia in intensifying their production through trainings on new techniques and technologies in agro-

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<sup>20</sup> 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

<sup>21</sup> *Ministry of Finance according to the data from RSO, 2011*

<sup>22</sup> Report on SMEs in Serbia (page 50), Ministry of Economy and Regional Development, Belgrade, 2011

<sup>23</sup> Assessment of the potentials for cluster development and FDI planning, EU PROGRES, Prokuplje, April 2012

<sup>24</sup> Annual Report "Municipalities in Serbia", Statistical Office of Serbia, Belgrade, May 2011

<sup>25</sup> Strategy on Rural Development in Serbia 2009 – 2013, Ministry of Trade, Agriculture, Forestry and Water Management, Belgrade, 2009

production and in exchanging of experiences and good practices with farmers from the surrounding EU countries. In order to achieve economies of scale, farmers will be supported in creation of cooperatives in the most prominent agricultural sectors in these regions, such as fruit, vegetable production and animal husbandry and certification for export to the EU.

Despite newly established Government measures aimed at activation of both unemployed and employers, the employment rate continues to decline in Serbia, and unemployment rises, and the expected reversal of negative trends in the labour market is not occurring. The economic crisis had extremely negative impact on the labour market while the South 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%<sup>26</sup>). 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<sup>27</sup>.

The educational profile of the labour force does not correspond to the needs of the economy. Thus, following the skill gap analysis developed within EU PROGRES' Baseline study on Competitiveness, 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 and South West Serbia. Additional focus will be on activities increasing employability of Albanian national minority in public institution through strengthening their skills and competences necessary for work in public institutions.

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 at the local level. 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, local self-governments (LSG) 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 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.

After the abolition of the visa regime 19 decembra 2009. year in the EU, primarily to Germany, Sweden, Belgium and Luxembourg, a number of citizens of Republic of Serbia, primarily Roma, Albanians and Bosniaks from the South and south West Serbia, submitted applications for the grant of asylum in such countries. This is seriously jeopardize a visa liberalization with the EU or with its Schengen area. Thus, during the 2010th as much as

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<sup>26</sup> Monthly report for September 2012, National Service for Employment, Belgrade, October 2012

<sup>27</sup> Labour Force Survey, Statistical Office, November 2011

17,715 citizens of the Republic of Serbia applied for alleged asylum in EU countries, while the number in the 2011th was reduced to 10,551.

In order to contribute to efforts of 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 institutional level.

Cultural diversities are characteristic for the entire Serbia and especially for the South and South West. According to the 2011 Census<sup>28</sup>, ethnic structure of population in these regions is very diversified, and national minorities represent high percentage of total population in quite a few municipalities<sup>29</sup> 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% Albanians<sup>30</sup>).

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, opening of societies for other parts of the country, region and the EU, 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 Ministry of Culture, the Office for Human and Minority Rights, the Coordination Body etc.) throughout the entire process of developing the strategic documents.

After consultation process between Serbian Government and political representatives of Albanians from South Serbia a Government Conclusion was made regarding further steps in

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<sup>28</sup> Official results of the census from 2011 are expected in late 2012

<sup>29</sup> Please see Annex 9: Ethnic structure of population

<sup>30</sup> Regions and Municipalities in Serbia, Statistical Office of Republic of Serbia, Belgrade, May 2011

and topics for discussion regarding defined issues to be addressed. These discussions will continue during autumn 2013 which should lead to specific measures and activities that will be implemented by Serbian Government. Having this in mind the Programme will closely follow these discussions and once measures and activities are agreed it might adjust its activities accordingly.

The majority of population in the South 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 NGOs sector, promoting European values, EU – Serbia partnership and positive results of EU support to these areas achieved within the project.

Finally, 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. There are few examples of municipalities that genuinely value dialogue and consultation, or see civil society organisations (CSOs) as potential partners for action and improved public service provision. On the other hand, CSOs in most municipalities covered by the programme are weak. And yet, CSOs and media should be the main watchdogs and hold authorities accountable for their actions.

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. Involvement of line ministries in each segment of 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.

The Programme will therefore work on three axes of good governance:

Horizontal dimension - Within 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, effectiveness, transparency and accountability.

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, better communication and coordination with line ministries.

Cross cutting dimension – It is clearly demonstrated within the ongoing EU PROGRES that insisting on good governance principles in the implementation of infrastructure projects has an impact on perceptions and now on performance of the municipality. The continued adoption and incorporation of these principles as an integrative part of all sub-project

planning and implementation will further change perceptions of the public and strengthen LSG institutions.

## **2.5 LINKED ACTIVITIES AND DONOR COORDINATION**

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<sup>31</sup>.

This programme has been designed as the continual systematic support to development of underdeveloped municipalities in the South 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:

**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 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.

Through the economic projects, some 250 new jobs were created while another 1,000 will be open in the next three to five years. The implementation of environmental and communal infrastructure projects contributes with additional 100 employments, and the small civil society projects created 40 jobs, mostly for women and people with disabilities. The realisation of EU PROGRES grants and the provision of technical assistance enabled creation of some 500 temporary employments in the South and South West Serbia.

The EU PROGRES is using 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 the estimates. In essence, this approach enabled municipalities to obtain knowledge and skills needed to access and execute donors' funds.

The impact of infrastructure projects on lives of ordinary people is expected to be large: local economic infrastructure projects are estimated to create 50 new jobs and facilitate investment of two million Euros (Medveđa wood processing factory); local social infrastructure projects (schools, kindergartens, health institutions, sport halls) should create 48 new jobs and accommodate 680 children from the waiting lists (kindergartens) as well as to improve working conditions and energy efficiency for 4,500 pupils and staff in schools; local communal infrastructure projects (green markets, dairy markets, water supply projects) will

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<sup>31</sup> EU PROGRES Mid Term Evaluation, June 2012

create adequate hygienic conditions for 160 sellers of agro and dairy produce and improve the quality of drinking water for 3,500 households; local environmental infrastructure projects are expected to improve sanitary conditions and reduce health hazards for 5,000 citizens living in the vicinity of unregulated rivers and save on energy bills of up to 15% (Novi Pazar and Prijepolje).

The Leskovac Green Zone should facilitate investments of EUR 5.500.000 and create about 970 jobs within the next three years, while at least 200 entrepreneurs will be engaged for logistic support to large investors and at least 4,000 agriculture manufacturers/registered farms will be able to increase their economic activity by cooperating with major manufacturers in the Zone.

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.

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.

**The Peace building & Inclusive Local Development** (2009-2013) programme is a joint UN initiative in South Serbia implemented by six UN agencies. PBILD is implemented in partnership with all municipalities of Pčinjski and Jablanički Districts, central government (the Ministries of Youth and Sports, Labour and Social Policy, Human and Minority Rights Public Administration and Local Self Government, Economy and Regional Development, Education, and Health) 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 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.

**Preparation of Labour Market Institutions for European Employment Policy** (IPA 2011) is EUR 3.500.000 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 eleven (Novi Pazar, Vranje, Surdulica, Vladičin Han, Raška, Blace, Prokuplje, Leskovac, Ivanjica, Sjenica and Aleksinac) are located on the territory covered by EU PROGRES.

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.

**Private Sector Development in the South West Serbia** is project financed by the SDC and implemented by the Regional Development Agency Zlatibor. The project started in 2011 and will last until the end of 2014. 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. Three sectors are being targeted: tourism, fruit production and dairy/meat production.

**MEGLIP - Municipal Environmental Grant-Loan Investment Programme** (IPA 2011) is a programme worth almost EUR 150.000.000 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.

**MISP - Municipal Infrastructure Support Programme** (IPA 2008 and IPA 2010), is the EU and the Government of Serbia funded programme with almost EUR 100.000.000 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 studies<sup>32</sup> in South and South West Serbia and is currently supporting the construction of the Waste Water Treatment Facility in Leskovac.

**MSP - Municipal Support Programme** (IPA 2007) is a EUR 22.000.000 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

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<sup>32</sup> 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



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.

**Improvement of business environment on local level through regulatory reform (2011 – 2014)**, funded by the Swiss Organisation for Economic Cooperation (SECO), is a partnership 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.

**Regional Socio-Economic Development Programme (RSEDP2)**, EU funded project, ended in November 2012. It was designed to provide strategic and operational support to Regional Development Agencies encouraging them to take a prominent role and improve their 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 this component within RSEDP2 project, relevant for the proposed programme, are Regional Development Strategies for South East and Šumadija West Regions as they will include municipalities covered by this programme. Once adopted, the strategies will provide framework for defining priorities and criteria for support that this programme will provide to the areas.

RSEDP2, as a part of the EU IPA funding, is also coordinating and monitoring 32 grant projects worth EUR 12.000.000. Four of those are implemented in the areas that will be covered by this programme with a budget of EUR 1.900.000: 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.

The **RegPol** project started its activities in late October 2010 and will run until June 2013. The main beneficiary is the Ministry of Regional Development and Local Self Government (MRDLSG). The **overall objective of the project** is to contribute towards a balanced territorial socio-economic development in Serbia. Its purposes are 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.

In order to achieve this, **four main project components** will be implemented:

1. Policy formulation (support in establishing the National Plan for Regional Development and related documents);
2. Development management (support in setting up all relevant structures and systems for effective management and implementation);

3. Coordination and Integration (support the Ministry regarding the coordination with other line ministries, and other stakeholders at national and regional level);
4. 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 RegPol project relevant for proposed programme is the National Plan for Regional Development. This document is currently under development but once adopted by the Government of the Republic of Serbia and the National Assembly it will be taken into account in selecting of projects to be supported under proposed programme.

The **USAID's Sustainable Local Development Project (SLDP)** is a five-year (2010–2014), USD 22.000.000 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.

Finally, 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.

**Exchange 4** - The measure 3.2 within the SF Support to Public Administration Reform (IPA 2012) will be implemented through two Operations: A Direct Grant to SCTM (EUR 1.300.000) and Exchange 4 Grant Scheme to LSGs selected through an open call (EUR 4.650.000; already launched on 17<sup>th</sup> of May 2013). This measure will tackle following specific issues: local economic development (LED), environmental protection (waste management) and social welfare of elderly people. The 1<sup>st</sup> and the 2<sup>nd</sup> priority area, providing the cross border impact will be directly targeting Pcinjski and Jablanicki district by the Exchange 4 grant scheme since EUR 580,000 have been allocated to these purposes. Close coordination with Exchange 4 is envisaged especially in the process of selection of municipalities that will be supported in order to avoid potential overlaps and create possibility for synergy effects.

In line with these achievements it is envisaged that the new programme, will continue this 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.

The **Social Development Sector fiche – IPA National programmes 2012** has as its 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. Achieving of this objective is envisaged through five measures:

1. To increase the effectiveness of Serbian employment policy in line with labour market needs;

2. To enable 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
3. To improve the quality and relevance of education competences through VET modernisation
4. To support social inclusion policies and development of the range and quality of community-based social services for vulnerable and disadvantaged groups, including Roma through cross-sectoral approaches and local partnership-based initiatives.
5. To support 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.

This programme is in line specifically with measures one, four and five. Through implementation of activities regarding development of employment and social inclusion policies on the local level this programme will secure complementarily actions with above mentioned measures.

The **Social Development Sector Fiche – IPA National Programmes 2013** 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 defined in the SF:

1. To develop 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 PWDs.
2. To advance 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.
3. To support the implementation of the Strategy for Improvement of the Status of Roma in the Republic of Serbia through the further development and realisation of sustainable and inclusive models for resolving housing and improvement of physical infrastructure in selected Roma settlements<sup>33</sup>.

Activities within Result 3 of this programme are complementary activities to actions envisaged within Social Development SF/IPA 2013. This relates especially to activities regarding social inclusion of 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 labour market needs. Additional complementarities will be in development of necessary communal infrastructure in settlements populated by Roma which will give synergy effects between these two actions.

Due to high possibility for synergy and complementing between these two actions close coordination and cooperation is envisaged.

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<sup>33</sup> Model for sustainable and inclusive Roma housing conceived under the IPA 2012 Sector fiche for Social Development (measure 5)

## 2.6 Lessons learned

Lessons learned from previous similar programmes have been taken into account while designing this proposal<sup>34</sup>:

- The implementation of programmes of this type (MIR1 and MIR2, PRO1 and PRO2, EU PROGRES) proves the relevance of such type 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 AoR. However the specific objectives and thematic areas should be more focused with a clear link to national priorities.
- 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 AoR<sup>35</sup>
- High effectiveness can be achieved by continuous presence of the programme 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
- Integration of good governance principles and mechanisms has been a painful process for municipalities. However, promotion of good governance as a crosscutting pillar adds significant values to the intervention. Further investment in integration of good governance in projects will be of utmost importance for improved outcomes and impacts of the intervention
- 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

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<sup>34</sup> Midterm and final evaluations of MIR 2 and PRO programmes

<sup>35</sup> Findings of EU PROGRES Mid Term Evaluation, June 2012

- 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
- The definition of specific objectives should be improved and system of indicators to be introduced in order to be able to measure outcome and expected impact of the intervention
- 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 were still 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
- Gender Mainstreaming activities need to be reinforced and even more visible in future. The GE agenda should be more observed during preparation of project criteria and other related conditions, as well as during project proposal evaluation processes;
- 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;
- Addressing Gender Stereotyping should be specifically included in Gender Equality-related activities;
- Strong support from decision makers in local government must be secured for the key issue which is institutional strengthening in addressing gender agenda;
- Continual provision of adequate resources for addressing gender issues, coupled with implementation of relevant related projects, with strong monitoring and evaluation, is the key for successful introduction of GE-related policies.
- 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 level) which will ensure impact and sustainability of the projects.

### 3 DESCRIPTION

#### 3.1 OVERALL OBJECTIVE OF THE PROJECT

**To contribute to sustainable development of underdeveloped areas of Serbia by creating more favourable environment for business and infrastructure growth, thus increasing employability and social inclusion.**

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

#### 3.2 SPECIFIC OBJECTIVE(S) OF THE PROJECT

To improve local governance, and the conditions for business and infrastructure development by increasing and/or strengthening planning and management capacities, and advancing business enabling environment, as well as enhancing implementation of social inclusion and employment policies.

By focussing on three key areas: (1) strengthening local governance capacities, including planning and public resources management (2) business enabling environment and business development and (3) access to employment and social inclusion, the project will systematically work on development of the impoverished areas of Serbia.

#### 3.3 RESULTS

The project will work towards achieving three main results following good governance principles as a cross cutting aspect of the project:

**Result 1: Strengthening local governance, planning and management capacities through introduction of new, or improvement/elimination of existing procedures and processes**

Performance indicators:

- Capital Investment Plans adopted and implemented
- Fully digitalised geo – spatial data with Detailed Regulation Plans produced
- Number of municipalities with increase of revenue from tax collection for at least 15%
- New local policies and/or administrative regulations, linked to infrastructure projects adopted and implemented in at least 20 municipalities

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

Performance indicators:

- Number of municipalities make all necessary steps regarding dealing with construction permits (269 days), get electric connection (131 days) and registering the

property (90 days) require less time than Serbian average identified in WB Doing Business in Serbia 2013

- At least 35 new local priority and 2 inter - municipal infrastructure projects implemented
- Pipeline of at least 2 inter - municipal and 30 new local priority infrastructure projects with full scale technical documentation developed
- At least 30 SMEs introduced international quality or food safety standards and organised in clusters or cooperatives
- Number of registered agricultural products with Protected Designation of Origin mark and Protected Geographical Indication increased by at least three products until the end of the programme

### **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**

Performance indicators:

- Employment and Social Inclusion action plans adopted and implemented
- Citizens' satisfaction with municipal services increased by 5% according to the survey done by Programme
- Citizens' Advisory Services provided in four municipalities, to at least 1,000 people during the programme implementation
- Number of institutions included in intercultural activities increased by 50%
- At least 400 participants completed Serbian language courses

### **Result 4: Effects of Serbia's EU accession communicated to general public**

Performance indicators:

- Awareness and understanding of citizens on benefits of EU accession and support to EU accession increased by 5% until the end of the programme in the AoR

## **3.3 MAIN ACTIVITIES**

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

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

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 selection of municipalities will be 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 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.

Furthermore, 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.

Finally, the programme will support revenue collection in 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 Period and will include the following:

- Support to create and/or update registry of tax payers, in at least 15 municipalities
- Support in development of procedures for collection of property taxes, construction permit fees and communal taxes, in at least ten 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 collection of property taxes.

There will be close coordination with the Ministry of Finance and Economy, Support to Public Administration Reform (Exchange 4) programme, when selecting municipalities and specific activities to be undertaken.

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

Assistance will be given to at least 15 municipalities to fully digitalise and update their geospatial data, which will result in much faster and more effective provision of services, prerequisite in the infrastructure development planning process. Besides improving efficiency in urban planning, digitalisation of geospatial data will provide bases 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 and offer these services to less developed municipalities under favourable prices. Those not having surveyor of land will be supported to establish this function or to outsource to more advanced municipalities within the region. In order to secure sustainability of the actions close cooperation with local offices of Republic Geodetic Institute will be established.

Furthermore, as the new investments directly depend on existence of detailed regulation plans (DRPs), at least 15 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 regional and national priorities.

### 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 sublimation of training results in a manual for procurement for infrastructure projects. Particular attention will be paid to methodology and capacity building of all municipalities for monitoring and evaluation of projects.

FIDIC contracts will be introduced to all municipal administrations as standard contractual models for infrastructure projects. In order to promote this contractual modality and have it as standard on all levels, this activity will be implemented in close cooperation with the CFCU.

#### 1.4. Support municipalities in development of new local policies and/or administrative regulations and introduce structural governance reforms

This activity entails providing adequate expertise to local governments in identifying the most suitable local governance assessment tool such as UNHABITAT's Urban Government Index, Citizens Report Card, Local Governance Self-Assessment or Good Governance for Local Development; application of that tool in at least 20 municipalities; analysis of the findings and data collected both on the supply side (local government) and the demand side (citizens); and production of concrete recommendations and proposals to local legislative for adoption. In this way, contribution will be made to local governments becoming more accountable, participatory and responsive to their citizens.

The Programme will provide expert support to at least 20 municipalities and/or local PUCs in identifying existing policy and/or regulatory gaps in specific areas of local service provisions to the citizens, closely linked to the subject of the infrastructure projects, with the ultimate aim of defining and adopting new local policies and/or regulations, pertaining to the specific service provision issue. These interventions will contribute to making local governments more accountable and transparent to their citizens.

Expert support will be provided to the process owners in identifying missing, inadequate or obsolete local policies and/or regulations pertaining to the functioning of the local government itself, which are preventing the LSGs to become more accountable to the citizens, more transparent in their work and more efficient and responsive to their needs. The findings will be utilised in defining new or updating existing policies or administrative regulations, which will be adopted by local assemblies, thus contributing to the elevation of the overall level of governance in the municipalities.

#### 1.5 Develop new policies and/or administrative regulations addressing vertical coordination between the Government and local self governments

The Programme will develop an adequate tool to collect, extract, analyse and publish information regarding current circumstances in the relation between the Government of Serbia (GoS), its Ministries, organizations and institutions and local self governments (LSGs), i.e. to list out and document hurdles, obstacles, operational bottlenecks, regulation collusions, contradictions and immaterial obfuscations coming from discretionary rights and practices, and any other illogicality that lower down the LSGs efficiency and effectiveness, and thus hamper better service provision to the citizenry, and ultimately affecting their quality of life.

The Programme will provide expert support both to the LSGs and GoS/line ministries in drafting new policies and/or regulations, which will address identified issues and propose them to the appropriate legislative bodies for adoption and implementation.

This support will be related to governance issues in all activities of the Programme having in mind that good governance is the cross cutting theme of the Programme.

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

### 2.1. Technical assistance for at least 15 municipalities to improve business-enabling environment

Previous baseline study on competitiveness 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 at least 15 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.

To ensure that assistance is provided to municipalities with the highest dedication levels, the selection of municipalities will be done in a competitive way based on their interest.

In order to boost the impact of activity, achieved improvements will be presented to a wider audience, at a 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.

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

This activity will include the following actions:

- Gap analysis
- Preparation of detailed regulation plans for predefined sites
- Development of full scale technical documentation (given through grants)
- Elaboration of organization and management model of the facility.

Based on the National Sector Strategies including NPRD/RDS (once adopted) and the Local (Sustainable) Development Strategies (developed under support of donor interventions such as MSP IPA 2007) as well as criteria for selection of infrastructure projects developed by PPF5 project the Programme will support preparation of fully mature (inter) municipal projects in line with the good governance principles.

All projects will have to be embedded in strategic planning documents, with planning basis in place (General and Detailed Regulation Plan), resolved property issues. Projects have to be in the area of economic, social and/or environmental development. Additional advantage will be given to the projects solving problems of vulnerable groups especially Roma. Projects will have to be incorporated in SLAP database.

### 2.3 Financially and technically support implementation of at least two projects contributing to the socio-economic development

Based on the National Sector Strategies including NPRD/RDS (once adopted) and the Local (Sustainable) Development Strategies (developed under support of donor interventions such as MSP IPA 2007) as well as criteria for selection of infrastructure projects developed by PPF5 project the Programme will support implementation of fully mature projects in line with good governance principles.

Actions eligible under this activity will be:

- Construction, reconstruction, refurbishment, regeneration, environmental cleaning (where appropriate) of industrial locations
- Construction, reconstruction/rehabilitation of local access roads to business facilities
- Construction, reconstruction of facilities important for inter municipal social development (education, health, social services on inter municipal level.
- Construction, reconstruction of existing or development of new technical infrastructure networks (water supply, sewerage, communication links, electricity system, public lighting system, gas system)

At least one infrastructure project will be implemented through works contract by CFCU. SEIO and line ministry (depending on the sector project is coming from) will be responsible for the preparation of tender documentation. For all these activities additional assistance (if needed) will be provided to relevant institutions in order to increase their capacities for managing of the projects. Supervision of works will be done by Programme team.

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

### 2.4 Call(s) for proposals for local priority infrastructure projects

There will be one call for proposals for economic and social small scale infrastructure projects. Environmental aspects will have to be incorporated in the projects as cross cutting issues. Within social infrastructure projects special attention will be dedicated to projects solving infrastructure problems in Roma settlements and addressing needs of returnees. Regarding economic infrastructure projects eligible actions will be: reconstruction of potential Brownfield sites, communal equipping of Greenfield sites and improvement of infrastructure conditions in the existing industrial zones. All projects have to demonstrate good governance principles with a particular attention paid to equal benefits to men and women, or improvement of the position of women in the local environments.

Minimal grant support for all infrastructure projects will be EUR 100.000. Maximal grant support for projects dedicated to economic development will be up to EUR 300.000 and for infrastructure improving other living conditions EUR 200.000.

Priority areas for selection of projects will be defined in accordance with the National Sector Strategies, as well as Local (Sustainable) Development Strategies / Sector strategies and Action plan developed under support of donor interventions (such as MSP IPA 2007, etc.). Prioritisation process will take in consideration also NPRD/RDSs for respective regions once adopted. On the other hand the criteria will be developed in accordance with selection criteria developed by PPF5. Regarding technical eligibility criteria, all projects should be embedded in local strategic plans, identified in SLAP database, and fully mature with issued building

permit. Additional criteria will be that proposed project is addressing the good governance principles.

The Grant scheme will be managed by the CFCU. The role of SEIO will be to prepare Guidelines for Applicants while CFCU will launch the CfP. Guidelines will include measurable indicators for results to be achieved in order to maximise impact by the grants.

Programme team (if needed) will provide TA to SEIO, CFCU and relevant ministries in order to increase their capacities for performing of previously mentioned activities as well as to assist in the project implementation and monitoring of projects in order to maximise results. For the infrastructure projects the role of all stakeholders should be to help facilitate potential investments in the AoR.

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

Through this activity the programme will support municipalities in establishing 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 the legislative, ownership rights and conditions for exploiting the property
- Development of possible financial and operative models for PPP for selected property
- Development of full scale Feasibility Study.

Projects should be embedded in 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, project will have to address governance issues regarding PPP (accountability of partners, management issues, transparency in operation).

#### 2.6 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 2011 EU PROGRES' analysis of needs for development of clusters, there are potentials for development of at least two 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 existing clusters in South and South West Serbia in their market extension and internationalisation.

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.

Criteria for selection of clusters will be their current level of operation and market potentials. The programme will encourage forming of clusters that will give equal access to employment for both men and women.

With the aim to enhance potentials of SMEs for internationalisation programme will provide support to clusters in introducing Quality Management System (QMS) to SMEs, in all clusters participating in the programme.

Following the completion of seminars and training cycles, the programme will provide technical assistance in preparation of manuals for introduction of all mentioned standards in SMEs. The manuals will be distributed to SMEs through clusters.

### 2.7 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 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 South and South West Serbia: 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 man and women.

In order to support Serbian food producers in their market approach the programme will provide trainings and coaching to food producers in area of introduction and implementation of Hazard Analysis and Critical Control Points (HACCP). This support will be provided through cooperatives.

Furthermore, the programme will provide support to cooperatives in protection of geographic origin for at least three additional traditional agriculture products from these regions. Currently, only leskovački ajvar has certification of origin and three more certifications are in process (sjenički sir, sjenicki pršut and sjenički sudžuk).

In order to provide agriculture producers from Serbia 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 tours would help establish more exchange programmes and a network with farmers of different state/region/municipalities. Thematic aspect will cover three most prominent sub sectors in this part of Serbia: animal husbandry, fruit and vegetable production.

**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 and South west Serbia**

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

Citizens' Satisfaction Surveys have, in the previous similar projects<sup>36</sup> offered good feedback on citizens' perceptions about a number of themes relevant to LSGs as well as quality of life. The Surveys will be conducted in the first and the last year of the programme implementation. By using a base of questions, data will be comparable with both current surveys and the previous ones. Survey data will be gender and national minority disaggregated.

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

This programme will support four municipalities to set up citizens' advisory services, **with emphasis on their sustainability.**

The Citizens' Advisory Service has already been piloted in previous EU-funded programmes<sup>37</sup>, 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.

This Service 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, give good service to their residents.

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

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, being equally open to both genders and having as a goal increasing gender balanced employability. In addition, good practices will be shared among municipalities (peer review seminars).

This activity will be carried out in close coordination with the Ministry of Labour, Employment and Social Affairs as well as with the National Employment Service, which is implementing similar activities on the national level. Particular attention will be paid to equal inclusion of men and women in the vocational training programmes. This activity will be in full coordination with national institutions and interventions covering the entire employment, vocational education and training sub-sectors, financed from IPA 2012 and IPA 2013 funding.

### 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:

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<sup>36</sup> PRO, MIR, EU PROGRES

<sup>37</sup> Four established during EU PROGRES, in Novi Pazar, Prokuplje, Žitorađa and Preševo

- 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, especially in rural areas
- 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.

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.

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

The objective of this activity is to support implementation of active inclusion system linking income support, inclusive labour market policies and quality services in NES and CSWs through joint training and peer knowledge transfer. It will help CSWs and NES branch offices to set up single entry services connecting their clients to the whole range of opportunities and support available under social assistance benefits, social inclusion services and active labour market measures. The activity will be fully coordinated with nation-wide activities financed within this sub-sector through IPA 2012 and 2013 funding, in particular the grants provided to the NES.

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

In order to meet the cultural needs of young people that are in line with the modern trends of European cultural scene, framed in the existing multi-ethnic contexts, development of local cultural integration study/analysis will be supported in multi-ethnic municipalities. Prior to drafting study, a survey, during the inception phase, will collect data on local artists and how they can contribute to establishing intercultural dialogue and cultural development. A quantitative research will give an accurate picture on the needs of youth of this area.

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 cultural centres, local workers in the field of culture, local artists and representatives of local Youth Offices, as well as the relevant state institutions throughout the process of developing the strategic documents.

Cultural centres have underdeveloped human resources, which lack expertise and knowledge of modern cultural trends and their use for wider social integration. Trainings to increase knowledge and capacity in the field of cultural management in multi-ethnic communities will be organized.

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 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.

Integral and the most important part of the programme is work with young people in their informal education on number of issues relevant to creating a climate of cooperation and mutual understanding, including cooperation between artists from three municipalities and the region.

The preferred formats include lectures, trainings, panel discussions and workshops.

### 3.7 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 in South Serbia and intercultural cooperation in multi-ethnic municipalities.

There will be two calls for proposals within CIF in all programme municipalities, each funding up to 10 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 EUR 20.000.

The 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 be result from a partnership of at least two municipalities and two CSOs.

### 3.8 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.

### 3.9 Design and implement targeted measures to reduce migration from South 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 easy their integration in society. Activity will have two main line of intervention:

- Direct support to individual migrant or returnee
- Development of mechanisms for support through insitutional system



By these two approaches the Programme intends to directly influence reduction of migration from these areas and more importantly through development of institutional mechanisms on the local level to establish sustainability of this kind of activities.

#### **Result 4: Effects of Serbia's EU accession communicated to general public**

##### 4.1 Communicate actions, results and impact of the programme activities with the link to Serbia's overall EU accession efforts

The programme will identify and carry out activities designed to communicate actions, results and impact of the activities. 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 EU accession efforts.

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

##### 4.2 Implementation of advocacy campaigns in partnership with civil society with attention to European values and the benefits of EU membership

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

Each campaign is expected to last for a year, and each one will also convey European values and the benefits of EU membership.

#### **3.4 ASSESSMENT OF PROJECT IMPACT, CATALYTIC EFFECT AND CROSS BORDER IMPACT (WHERE APPLICABLE)**

##### **Project Impact**

This programme will have direct effect on beneficiary municipalities in a variety of sectors: good governance, education, employment, infrastructure and economic development. New and improved economic infrastructure will enable creation of jobs and promoting 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 in account equal opportunities for both genders, and keeps environmental concerns in mind can help build awareness of the regions' unique characteristics and potential for tourism. This is not only a potential 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 sectoral policies through vertical dimension of good governance. This means that line ministries will be involved in each segment of project 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.

### **Catalytic effect**

A successful programme in Serbia's two poorest regions can demonstrate useful lessons for the country as a whole. Effective inter-municipal cooperation between communities characterised by lack of trust can set an example for cross-border activities in the regions. Considering that both areas are border zones containing cross-border ethnic groups, this programme can have significant cross-border influence in terms of attitudes, investment capacity and infrastructure development, but also in terms of improvement of institutional cooperation and management of CBC programmes.

## **3.5 SUSTAINABILITY**

The focus of the programme is on developing institutional capacity on the local level to take advantage of new funding available, and build on 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 in 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 of programme activities with their strategies and action plans. Programme's technical support to the Contracting authority and beneficiary on processes in implementation will give this institution vital information on necessary capacities for management of this type of activities. This way institutional sustainability will be achieved on all levels.

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 programme ends.

Sustainability is primarily guaranteed through the fact that all programme activities stream out of 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.

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, but also 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.

Finally, the sub projects that will be supported under each component of the programme 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.

### **3.6 ASSUMPTIONS AND PRE-CONDITIONS**

#### **Assumptions**

1. Overall political stability is maintained, and relations with the EU are consolidated and strengthened

The Parliamentary, local and Presidential elections were held in May 2012. Majority of relevant political parties define accession to the EU as one of strategic political priorities so it is expected that new government will contribute to improving relations with the EU and its member states. It is also expected that in most beneficiary LSGs new councils will resemble composition of the state Government or will consist of political parties supporting the EU accession process.

2. Key stakeholders, especially cities, towns and municipalities, willingly participate in activities under the Programme

Twenty-five municipalities participating in EU PROGRES have sent official letters to the SEIO confirming their support and willingness to participate in the new programme. 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. On the other hand, the cut in transfers from the state budget increases demand for support from the programme in preparation of planning documents and projects as LSGs seek alternative forms of financing for priority activities and plan for increased independence from the central government transfers.

3. Financial viability of municipalities

Serbia faces high economic and financial constraints which affect its 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. Potential early elections do not jeopardize programme implementation

National and local elections were held in May 2012 and new governments have been established. Nevertheless, political and socio-economic developments in Serbia can trigger early elections during the programme implementation. On the other hand, with new Government staying in position full mandate of four years next elections will be held in 2016, which is within the timeframe of this programme. Establishing communication with the new government, presentation of programme activities and implementation of ongoing projects while maintaining the message about necessity for continuation of action will be main actions of the programme in order to smoothly continue with its activities. Continuation of cooperation with the local assemblies in order to form a wide consensus on activity implementation is also envisaged as programme activity.

6. Inter-ethnic tensions

The South Serbia is a post conflict setting, with latent tensions. 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 project, 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.

## **Risks**

1. Elections on National and local level

Parliamentary and local elections were held in May 2012. This programme is expected to start in 2014, and the next round of elections in Serbia is foreseen for 2016, which will correlate with programme implementation. This means that there is a risk of elections influencing implementation of the programme activities due to focus of elected officials on the election process. In order to minimise this influence the programme work plan will be regularly updated to reduce decision making activities during this time.

2. Financial viability of municipalities

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 Justice and Public Administration's Sector for Local Self Government.

Should a bankruptcy occur in the project area, contingency plans to complete programme activities will be put into effect, with approval from the PSC.

3. Lack of cooperation with other donor interventions in the field

Increased donor activity in the region leads to overlaps and confusion within the municipal management structures and avoid overlaps.

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 and South West Serbia*

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.

EU-funded and other donor actions to date in South 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.

#### *5. Possible changes in municipal managements before elections*

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).

The communication efforts will be directed to widely publicize programme to the public in order to build pressure of the citizens for its implementation.

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.

#### *6. Severe weather and other natural disasters*

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 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.

#### *7. Adequate programme staff*

Experience has shown that it can be difficult to recruit adequately qualified people to work in the more 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 programme implementation.

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.

## **4 IMPLEMENTATION ISSUES**

### **4.1 INDICATIVE BUDGET**

Overall cost (VAT excluded): EUR 24.600.000, including EU contribution (EUR 19.600.000). The overall cost also includes contribution provided by other donors, line ministries, municipalities and CSOs as the grant beneficiaries. For more information see Annex 11 (Detailed Indicative Budget) which will be finalised during the preparation of Description of Action.

**Indicative Project budget (amounts in EUR) (for decentralised management)**

PROJECT TITLE			TOTAL EXPENDITURE		TOTAL PUBLIC EXPENDITURE		SOURCES OF FUNDING						
							IPA CONTRIBUTION		NATIONAL PUBLIC CONTRIBUTION				
	IB (1)	INV (1)	EUR (a)=(b)+(e)	EUR (b)=(c)+(d)	EUR (c)	% (2)	Total EUR (d)=(x)+(y)+(z)	% (2)	Central EUR (x)	Regional/Local EUR (y)	IFIs EUR (z)	EUR (e)	% (3)
Contract 1.1	X		16,600,000	16,600,000	12,600,000	76	4,000,000	24	2,850,000	1,150,000			
Contribution agreement	X		16,600,000	16,600,000	12,600,000	76	4,000,000	24	2,850,000	1,150,000			-
Contracts 2.1 and 2.2		X	8,000,000	8,000,000	7,000,000	87.5	1,000,000	12.5	500,000	500,000			
Grant Scheme		X	3,500,000	3,500,000	3,150,000	90	350,000	10		350,000			-
Works contract		X	4,500,000	4,500,000	3,850,000	85	650,000	15	500,000	150,000			-
TOTAL IB			16,600,000	16,600,000	12,600,000		4,000,000		2,850,000	1,150,000			
TOTAL INV			8,000,000	8,000,000	7,000,000		1,000,000		500,000	500,000			
<b>TOTAL PROJECT</b>			<b>24,600,000</b>	<b>24,600,000</b>	<b>19,600,000</b>	<b>80</b>	<b>5,000,000</b>	<b>20</b>	<b>3,350,000</b>	<b>1,650,000</b>			

## 4.2 INDICATIVE IMPLEMENTATION SCHEDULE (PERIODS BROKEN DOWN BY QUARTER)

Contracts	Start of Tendering/ Call for proposals	Signature of contract	Project Completion
Contract 1.1 Contribution Agreement with UNOPS		N+1Q	N+15Q
Contract 2.1 Grant Scheme	N+2Q	N+4Q	N+13Q
Contract 2.2 Infrastructure project (works contract)	N+1Q	N+4Q	N+13Q

Most of the activities identified within this project will be implemented through a Contribution Agreement in accordance with article 53(d) of the Financial Regulation. For more information please read Annex 1.

Grant scheme envisaged under activity 2.4 will be managed by the CFCU. The role of SEIO will be to prepare Guidelines for Applicants while CFCU will perform administrative check of the prepared Guidelines and launch the CfP. Selection of the projects will be done by the evaluation Committee composed by representatives of SEIO, relevant ministries as voting members, and CFCU with chairing and secretary role based on the previous assessments of applications done by independent assessors.

In addition, at least one infrastructure project envisaged under activity 2.3 will be implemented through works contract by CFCU. SEIO and line ministry (depending on the sector project is coming from) will be responsible for the preparation of tender documentation. For all these activities additional assistance (if needed) will be provided by the Programme team. Works supervision will be done by the Programme team.

## 4.3 CROSS CUTTING ISSUES

### 4.3.1 *Equal Opportunities and non discrimination*

The programme will mainstream gender equality throughout all its activities, with more focused support through Citizens' Involvement grant scheme, Citizens' Advisory Services and 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, and especially with 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.

### 4.3.2 *Environment and climate change*

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 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 minimalised.

Finally, the Citizens' Involvement Fund will also support projects that focus on environment protection, while infrastructure projects, both municipal and inter-municipal, will include actions that deal with remediation of human negligence on the environment.

#### ***4.3.3 Minorities and vulnerable groups***

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.

#### ***4.3.4 Civil Society/Stakeholders involvement***

The programme is conceived on the bases of previous similar initiatives in the South and South West Serbia, and is taking on board the lessons learned through those projects. It has also taken into consideration tremendous empirical data gathered through meetings with the local civil society organisations over the years.

Along with 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, non-discrimination, effectiveness, efficiency and transparency.

In addition, the programme will hold regular meetings with all stakeholders, seek to involve them in the Steering Committee meetings and thus secure their continued feedback and involvement in all activities.

The Serbian European Integration Office (SEIO) is leading in project preparation by consulting the line ministries, and other institutions that are envisaged to 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 project. In addition, the SEIO has received letters of support signed by representatives of 25 cities/municipalities, from the South and South West Serbia, which participate in the implementation of EU PROGRES, confirming importance of this initiative for future development of these underdeveloped cities/municipalities.

During the programme identification phase, five consultation workshops were held with participation of 110 local stakeholders. The first two workshops were dedicated to LSG and public institutions where 17 municipalities, three development agencies (RDAs) and two regional chambers of commerce took active role in discussion about their developmental priorities. Additional three workshops were dedicated to consultation with civil society organizations (CSOs) and minority councils' representatives. In total 40 organizations took part in those consultation meetings and gave their inputs for programme development.



