PROGRAMME ANNUAL REPORT

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European Partnership with Municipalities

Executive Summary

The European Partnership with Municipalities – PROGRES, a joint development Programme of the European Union, the Government of Switzerland, and the Government of Serbia, has made remarkable results during the first year in the South and South West Serbia: 40 Citizens' Involvement Fund projects, 21 local infrastructure projects, 12 urban plans, three recycling yards and three citizens' assistance centres were contracted, while six gender equality councils have been formed, following PROGRES advocacy efforts. Five ambassadorial visits gave a significant boost to the Programme and contributed to the excellent visibility of PROGRES: over 500 media reports and 10,670 website visits.

Despite small delays in implementation, the activities and advancement towards achieving the Programme objectives are on track: more than 5.5m EUR out of contracted to date 14.9m has been committed. This cannot be said for disbursement rate which has been on a much lower level – about one third of committed funds, the main reasons being the contract modality methodology of working through local self governments (LSGs) and other implementing partners.

Furthermore, there are systematic challenges regarding development of new infrastructure, starting with matters within cadastres, municipal planning directorates, status of planning documentation and land ownership issues. For these reasons, local self governments cannot be expected to possess fully prepared projects which systematically adhere to higher principles of good governance.

Nevertheless, PROGRES is now moving from investing into local initiatives to larger inter-municipal projects that will lead to major investments in the South and South West. The Leskovac Green Zone and the Pester Agro Business Development projects that are expected to boost employment prospects but also align a number of actors in implementation from the local, national and international levels.

The support provided by the Swiss good governance experts has resulted in improved understanding and openness of the PROGRES staff to this concept and applicability to the Programme, but also increased recognisability of the subject among the clients. There is enhanced understanding of the linkages between infrastructure and other projects and good governance, as well as the purpose and the end goal of having these. At the same time, it is obvious that addressing good governance throughout the Programme requires significantly more designated resources in terms of staff, time and finances than initially anticipated.

On political level, developments have reconfirmed assumptions and risks from the Programme Document that the instability of the local self governments remains one of the main outside obstacles to its implementation. This coupled with the pending elections will certainly present further challenges in Programme implementation.

This report is structured so that it provides key information within the Programme and that concerning its implementation. Section 1 – provides background, including update on socio-economic situation and different policies pertaining to PROGRES. Section 2 is an overview of the implemented activities, as well as achieved outputs and outcomes. Section 3 gives update on the risks and assumptions examined in the past year, while Section 4 does so for the administration/operations part of the PROGRES. Section 5 describes factors which will ensure sustainability of the Programme. Monitoring and evaluation are explained in Section 6, while the lessons learned are a part of Section 7. A number of annexes give the readers opportunity to get in depth knowledge of some specific actions taken by the Programme.

Acronyms

ANMC	Albanian National Minority Council
AoR	Area of Responsibility
BNMC	Bosniak National Minority Council
BoQ	Bill of Quantities
BS	Back stoppers
BuNMC	Bulgarian National Minority Council
CAC	Citizens Assistance Centres
CAS	Citizens Advisory Service
CB	Coordination Body
CeSID	Centre for Free Elections and Democracy
CfP	Call for Proposals
CIF	Citizens Involvement Fund
CSO	Civil Society Organisation
DEU	The Delegation of the European Union to Serbia
DRP	Detailed Regulation Plan
EU	European Union
GG	Good governance
GRP	General Regulation Plan
IP	Industrial Park
iPUC	Inter municipal PUC
IT	Information Technology
IZ	Industrial Zone
LED	Local Economic Development
LSG	Local Self-Government
MoEMSP	Ministry of Environment, Mining and Spatial Planning
MoERD	Ministry of Economy & Regional Development
MoU	Memorandum of Understanding
MHMRPALSG	Ministry of Human and Minority Rights, Public Administration and LSG
NALED	National Alliance for Local Economic Development
NGO	Non-governmental organisation
NMC	National Minority Council
OSCE	Organisation for Security and Cooperation in Europe
OSS	One Stop Shop
PB	Participatory budgeting
PBILD	Peace-building and Inclusive Local Development Programme
PSC	Programme Steering Committee
PRO	Municipal Development in South West Serbia
PUC	Public Utility Company
QMS	Quality Management System
RDA	Regional Development Agency
RNMC	Roma National Minority Council
SCTM	Standing Conference of Towns and Municipalities
SDA	Party of Democratic Action
SDC	Swiss Agency for Development and Cooperation
SEDA	Sandzak Economic Development Agency
SP	Spatial Plan
ToR	Terms of Reference
UNOPS	United Nations Office for Projects Services

1 Background

1.1 Government/Sector Policy

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

Foremost, the right of citizens to local self government is protected by the Serbian Constitution adopted in 2006.

The changes in the functioning of local self-government were influenced by the Strategy for Public Administration Reform adopted in November 2004. The Strategy set out five key principles that should underlie the reform: decentralization, de-politicization, professionalization, rationalization and modernization.

Furthermore, at the end of 2007, four laws were adopted in the sphere of local self-government: the Law on Local Self-Government Finances (amended in June 2011), the Law on Local Elections, the Law on the Capital City and the Law on Territorial Organization of the Republic of Serbia. All four are harmonized with the European Charter on Local Government, ratified by the National Assembly in July 2007.

Finally, some key legislation relevant for the PROGRES implementation are: the Law on Salaries; the Law on Public Enterprises and Common Services; the Law on Communal Services; the Law on Anti-Discrimination; the Gender Equality Law, to name a few. Other laws in the spheres of urban planning, construction (amended in April 2011), environment protection, social protection (new law adopted in March 2011), regional development and social safety, are also pertinent to the Programme.

1.2 Features of the Sector

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

The following ongoing national reforms have direct effect on municipal activities and performance:

- Decentralisation of some revenue collection responsibilities
- Increasing responsibilities of municipalities for provision of social welfare services
- Introduction of new standards in waste disposal and management, including recycling
- Introduction of new responsibilities for provision of social housing
- Improvements in the property registry system

Other reforms are in the pipeline, although they will face many challenges before coming into effect on the local level:

- Introduction of the new Law on Regional Development, which will see the creation of Nomenclature of Units for Territorial Statistics (NUTS) II level statistical regions with appropriate institutional framework envisaged by the Law and relevant by-laws

- Reforms of local public utility companies which provide the majority of municipal public utility services
- Return of municipal property to local ownership, reversing the 1990s action which transferred ownership of municipal properties to the central Government. This law can have far reaching, positive implications for municipalities, but is also one of the preconditions for the country's accession to EU. There are inherent risks associated to return of property, with municipality structures perhaps not prepared to take on responsibility both in terms of management and financial preparedness as well as corruption and politicization
- Revising the election arrangements for local government, in which a proportion of seats in the assembly will be elected on a ward basis instead of all seats being allocated from party lists. This may make a considerable change to the degree of accountability of local assemblies to their citizens.

Although the list of reforms is long, the pace of change is still regarded as rather slow. In order for decentralisation to continue, municipalities – especially those in the poorer parts of the country – need to strengthen their policy-making and management capabilities.

1.3 Beneficiaries and parties involved

Beneficiaries

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

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

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

Please see Annex I, attachment 1.1 for overview of PROGRES activities by municipality.

Parties involved

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

The key parties involved in the first year of implementation have been:

- The Ministries of Economy and Regional Development (MoERD), Environment, Mining and Spatial Planning (MoEMSP), Human and Minority Rights, Public Administration and Local Self-Government (HMRPALSG)
- The Office for Sustainable Development of Underdeveloped Areas
- The Coordination Body for Preševo, Bujanovac and Medveđa (CB)
- The National Agency for Spatial Planning
- Serbia Water Directorate
- The Standing Conference of Towns and Municipalities (SCTM)
- Regional Agency for Economic and Spatial Development of Raški and Moravički Districts, Kraljevo (RDA Kraljevo)
- Sandžak Economic Development Agency (SEDA), Novi Pazar

- Regional Development Agency Zlatibor, Užice, (RDA Užice)
- Regional Centre for Development of Jablanica and Pčinja Districts, Leskovac,
- Development Association South, Niš

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

1.4 Problems to be addressed

The need to improve local governance in underdeveloped areas, such are the South and South West Serbia, is imperative. This also relates to strengthening their strategic planning capacities so that they can actively participate in attracting funding for regional and inter-municipal projects, but also to deliver better services to their citizens and to fully respect human and minority rights. Overall, such an approach will lead to municipal socio-economic development.

One of the key problems the PROGRES will address, thus continuing the momentum of its predecessors – Municipal Development in the South-West Serbia (PRO) and Municipal Improvement and Revival (MIR)) Programmes - is the capacity building of local and regional stakeholders to prepare a project pipeline and efficiently use funding support in a transparent manner for the benefit of all citizens. This means developing internal administrative and good governance capacities to be able to absorb, European (IPA and Structural Funds) and other (Government) funds in the future, which is particularly important for small and medium-sized municipalities.

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

1.5 Political and Socio-Economic Developments

THE GOVERNMENT OF SERBIA

The Government of Serbia budget for 2011 projects a deficit of 4.1% of gross domestic product with predicted revenues of 724.5 billion dinars and expenditure of 844.9 billion[1]. The key line ministries for PROGRES, the Environment, Mining and Spatial Planning (MoEMSP) and the Economy and Regional Development (MoERD) were allocated increased funding in comparison to 2010. The MoEMSP has doubled its finances and has 21.7 billion dinars, while the MoERD has around 47 billion, which is six billion more than in 2010. The Office of the Sustainable Development of Insufficiently Developed Areas was granted four times larger funding than last year – almost 662 million dinars.

In mid March, the Parliament of Serbia voted to decrease the number of Ministries from 24 to 17, a move which also meant abolishing or merging several cabinets[2]. The new Minister for Economy and Regional Development is Nebojša Ćirić, the Minister of Public Administration and Local Self Government, Milan Marković, has also been tasked with Human and Minority Rights[3], additional portfolio of the Ministry of Environment and Spatial Planning (MoESP) is mining[4], while the Ministry of Infrastructure deals with energy as well[5]. However, critics continued to name Government failures and lack of genuine reform. Some of the criticisms include: failure of attracting investments,

[1] B92 (2010) *Budget for 2011 adopted* [Online] Available at: http://www.b92.net/biz/vesti/srbija.php?yyyy=2010&mm=12&dd=29&nav_id=482629 (Accessed on 1 July 2011)
[2] B92 (2011) *Serbian Parliament Elects New Ministers* [Online] Available at: http://www.b92.net/eng/news/politics-article.php?yyyy=2011&mm=03&dd=15&nav_id=73234 (Accessed on 1 July 2011)
[3] The full name of the Ministry is: the Ministry of Human and Minority Rights, Public Administration and Local Self Government - http://www.drzavnauprava.gov.rs/?change_lang=ls&id
[4] The full name of the Ministry is: the Ministry of Environment, Mining and Spatial Planning - http://www.ekoplan.gov.rs/en/index.php
[5] The full name of the Ministry is: the Ministry of Infrastructure and Energy - http://www.mi.gov.rs

insignificant reduction of public expenses, low investments in agriculture, no reforms of public companies, inefficient management of infrastructure projects, etc[6].

COORDINATION BODY

There have also been changes in the leadership of the Coordination Body and the former Director, Nenad Đurđević, was appointed the Director for Human and Minority Rights Affairs with the Ministry of Human and Minority Rights and Public Administration and Local Self Government, while his deputy, Danijela Nenadić, was appointed the Director of the Coordination Body.

In late March 2011, the Presidency of the Coordination Body (CB) marked the second anniversary after reconstruction. However, the Albanian leaders have been increasingly voicing concern with the CB work, threatening to leave it. Even the politicians who are considered moderate, like the only Albanian Member of Parliament (MP) Riza Halimi, said they were not satisfied with the cooperation with the CB and blamed it on failure to integrate Albanians into state institutions (alleging the job vacancies for the customs service and tax administration have been manipulated twice).

However, there have been many concrete advances in the South Serbia: the long ongoing negotiations about construction of the Maternity Ward in Preševo resulted in an agreement to include the ward into the existing Health Centre. The technical documentation for the project has been completed, the works have been tendered and the contractor chosen. Nevertheless, there are consternations with the chosen location as the construction would significantly reduce the space of other wards. The President of the Albanian National Minority Council sent a letter to the Minister of Health Zoran Stanković, expressing his indignation regarding delays. The municipality, the Ministry of Health and the CB will bear the costs of renovation which should finish by the beginning of 2012. This part of hospital was closed at the end of 1980s and ever since the women travelled to Vranje, where they did not have access to Albanian speaking gynaecologists. One concern remains, and that is the lack of human resources to sustain the new ward.

Furthermore, the CB's working Committee on Education has regular meetings in order to solve the issues with the textbooks in Albanian language. The Ministry of Education has allowed import of around 1,000 ABC books from Albania, and agreed with the Government in Tirana that it would display both Serbian and Albanian flags. Another book from Belgrade is being revised by the experts from the Albanian National Minority Council.

Finally, the Minister for Public Administration and Local Self Government Milan Marković announced that branch of the Economic Faculty will be opened in Bujanovac in October 2011.

EU INTEGRATIONS

The Serbian Government had submitted its answers to the European Commission (EC) questionnaire on 31 January 2011, and had since also addressed an additional 629 questions that should clarify information provided in political and economic criteria, justice system, human rights, foreign and security policies[7]. It is expected that the EC assessment and opinion on Serbia's readiness to join the EU is announced in October 2011.

Despite clear Government's commitment to EU integration processes, and hard work to meet deadlines and criteria posed, the public support for the EU accession has dropped to 57%, which is the lowest rate ever[8]. The Serbian European Integration Office Director, Milica Delević, stated this

[6] Blic (2011) *Ten Government Goals that Failed* [Online] Available at: http://www.blic.rs/Vesti/Ekonomija/255326/Deset-propalih-ciljeva-Vlade (Accessed on 1 July 2011)

[7] EMG.RS (2011) *European Commission sends last additional questions to Serbia* [Online] Available at: http://www.emg.rs/en/news/serbia/151215.html (Accessed on 1 July 2011)

[8] B92 (2011) *Serbians less enthusiastic about EU* [online] Available at: http://www.b92.net/eng/news/society-article.php?yyyy=2011&mm=01&dd=14&nav_id=72120 (Accessed on 1 July 2011)

was 'not surprising, since a similar trend can be seen in neighbouring countries which are even closer to the EU'. Delević reiterated that 78% of citizens are committed to the reform processes, regardless of European integration and that this was a 'reservoir of support'.
Another survey[9] showed that around the same number of polled wish for close links with Russia and for EU integration processes.

Linked to the EU integration processes are the questions of the illegal asylum seekers. Following the visa liberalisation in 2009, there have been thousands of citizens fleeing underdeveloped areas, searching for a better life in the Western Europe. While everyone agrees that the roots of the problem are the economic conditions in the areas of origin, but also integration of Albanian and Roma populations into the state institutions, the Government has finally managed to exert some control over this exodus. The representatives of the international community have been repeatedly saying that no asylums will be granted on an economic or political basis as Serbia is firmly on the track to the EU and is considered a safe state. The EU has been urging the Government to establish the Agency for Migration, i.e. convert Commissariat for Refugees and improve coordination of migration management. This is especially important as Serbia progresses towards EU as it will become a target for asylum seekers.

LEGISLATION
The changes in the rule book which regulates the content and the procedures for planning documents were published in the Official Gazette RS No.16/11 from 11 March 2011. The changes in the current Building and Planning Law (with 80 articles modified, i.e. simplifying the procedure of design and approval of planning documents) were published in the Official Gazette RS No.24/11 from 31 March 2011. The building permits are now regulated as in the previous Law – based on preliminary design. Experts believe that the main reason for difficulties in implementation of the Law lies outside the local governments, and that the key issues are property and real estate cadastre.

The Government of Serbia adopted the Strategy for development of the system of free legal aid which will serve as a basis for drafting the Law on Free Legal Aid (Activity 1.3).

Serbia's Gender Equality Action Plan for 2010-2015 has been adopted (and published in the Official Gazette 67/10 from September 2010). This can be used as a basis for drafting the local action plans (activity 1.6/whole Programme).

The Law which will reform communal services systems is still in the Parliament procedure (components 1, 2 & 3). However, the local self governments are displeased with the suggested wording, claiming it can only bring additional problems. Some critics claim that it should be withdrawn from the procedure entirely as, if adopted it would practically prohibit private ownership in services[10].

The Parliament of Serbia adopted the Law on the Spatial Plan of the Republic of Serbia in November 2010[11]. This is the first Spatial Plan after 40 years, and it gives framework and conditions for development of planning documents on the local level. However, although the Law prescribes deadlines for preparation of planning documents (March 2011 for the spatial plans and September 2011 for general regulation), as well as penalties for failing to meet those, only a small number of municipalities in Serbia managed to prepare them. There are no consequences imposed on such

[9] B92 (2011) *Half against extradition of Mladic* [Online] Available at: http://www.b92.net/info/vesti/index.php?yyyy=2011&mm=03&dd=15&nav_id=499213 (Accessed on 1 July, 2011)
[10] B92 (2010) "*Trouble with Communal Affairs*" [Online] Available at: http://www.b92.net/info/vesti/index.php?yyyy=2010&mm=11&dd=15&nav_id=472544 (Accessed on 1 July 2011)
[11] The Parliament of Serbia (2010) "*The Law on Spatial Plan*" [Online] Available at: http://www.parlament.gov.rs/akti/doneti-zakoni/doneti-zakoni.1033.html (Accessed on 4 July 2011)

nonchalant behaviour which are quite troublesome as the Plans are a key factor in enabling the conditions for new investments.

The Government also adopted the Spatial Plan for the Special Nature Reserve "Uvac"[12], which is one of the projects supported by the previous PRO Programme with about a 100,000 EUR. The Spatial Plan will enable further development of the area in a controlled manner and will serve as a base for general and detailed regulations plans.

The Ministry of Environment, Mining and Spatial Planning (MoEMSP) adopted the action plan for implementation of the National Strategy of Waste Management for 2011. It is expected that some 30 recycling yards will be constructed during 2011, while regional sanitary landfills and waste water treatment will also be in the focus.

Amendments to the Law on Financing of the Local Self Governments, introduced in June 2011[13], will have direct influence on the level of funding for the municipal budgets, as the share of income tax return to LSG is raised from 40% to 80%. This is the second largest source of profit in the local budgets, accounting for 10 – 20% of total municipal budget incomes (depending on size and economic strength). For PROGRES municipalities (with an exception to the three cities), the "solidarity transfer" for poor and underdeveloped municipalities will be of particular importance and it will come out of funds previously transferred to the City of Belgrade. The municipalities from this group will therefore share among themselves (according to a defined formula) the amount of over seven billion RSD (approximately 70 million EUR) where the poorest municipalities will get the biggest per capita allocation. For example, in Žitorađa, these changes will in effect increase the monthly municipal income up to five million RSD or increase the annual budget up to 500,000 EUR in 2012.

The new Law on Social Protection (adopted in spring 2011 and published in the Official Gazette 24/11) gives a basis for a number of projects that could be implemented within PROGRES, in particular through the Citizens Involvement Fund (CIF) which aims to improve the quality of life of all citizens, or through gender related activities.

There have been several environmental legislations adopted during the year, directly related to PROGRES: waste management law (Official Gazette RS", 36/09 and 88/10), bylaw regulating waste disposal at the landfills, and the bylaw regulating the content and the procedures for planning documents (Official Gazette RS", 16/11).

OMBUDSMAN'S REPORT FOR 2010

The Ombudsman published 2010 report in mid-March 2011[14], praising the state administration for recognising the need to cooperate with his office which enabled him to achieve concrete results but also pointing to the necessary changes in the public administration's perceptions of the nature of its work and the way it conducts it.

In relation to employment of the minority groups in public institutions, Ombudsman reported that it was not sufficient to respect only constitution and legal requirements in order to achieve multiculturalism, but that practical social integration is needed based on trust and understanding. Most of state bodies and institutions do not meet prescribed requirements.

[12] The Government of Serbia (2010) "*The Government adopted a number of draft laws and bylaws*" [Online] Available at: http://www.srbija.gov.rs/vesti/vest.php?id=141129 (Accessed on 4 July 2011)
[13] Parliament of Serbia (2011) *Adopted legislation* [Online]. Available at: http://www.parlament.gov.rs/akti/doneti-zakoni/doneti-zakoni.1033.html (Accessed on 10 July 2011)
[14] Ombudsman (2011) *Regular annual report for 2010* [Online] Available at: http://www.ombudsman.rs/index.php/lang-sr/aktivnosti/saopstenja/1304-a-2010- (Accessed on 16 March 2011)

For the South West Serbia, key breaches of procedures were observed in regards the election process for Bosniak National Minority Council (BNMC). In regards to the protection of privacy and of personal data protection; the unauthorized use of personal information from citizens as well as violations of the independence of the national councils caused by the arbitrary decisions of the Ministry for Human and Minority Rights during parts of this process had serious and delaying consequences. A new election for the BNMC may occur in October 2011.

Priboj, where Bosniaks represent 18.33% of population, is legally obliged to use their language in the official sphere[15]. Despite Ombudsman's recommendation to the municipal assembly to change its Statute Priboj failed to do so, and the Ombudsman reported the case to the Ministry for Public Administration and Local Self Government, which in turn requested, in November 2010, changes in the municipal Statute.

Ombudsman's office was established for municipalities of Preševo, Bujanovac and Medveđa in late June 2010. Three percent of total number of appeals in 2010 came from these municipalities, and most of them concerned the breach of good governance approaches.

POLITICAL/LOCAL LEVEL

The political events during the first year of PROGRES implementation have reconfirmed assumptions and risks from the Programme Document that the instability of the local self governments remains one of the main obstacles to its implementation. In the first three months of Programme implementation, from October to December 2010, there has been a change of coalition in one fifth of the Programme municipalities. The most difficult situation was in Kuršumlija, where there were parallel municipal structures ever since summer 2010, which finally stabilised in March 2011 with the appointment a Democratic Party Mayoress, Vesna Jakovljević.

The election race has started and the first signs, apart from increasingly brisk rhetoric, were establishment of new political parties.

In the South West, Bosniak Democratic Community, led by Mufti Zukorlić's brother-in-law Emir Elfić, who until recently held a position of the Assistant to the Novi Pazar Mayor was established at the end of 2010[16]. This holds potential ramifications for the current local government coalition in Novi Pazar – Sandžak Democratic Party (SDP) and Unified Serbian List since the Mufti became an obvious political factor. On the other hand, increased cooperation between Sandžak Democratic Action (SDA) and SDP would be an alternative to Mufti's option.

In the South Serbia, Democratic Revival was established by four ex-Democratic Union of the Valley councillors; Besim Abduli, from Democratic Revival is the President of Preševo Assembly. In Bujanovac, Democratic Party was established in June 2011, led by Nagip Arifi, deputy Mayor of town. The members have seceded from the Party for Democratic Action, led by Riza Halimi.

Possibly the most important political development during the first year of Programme implementation was the establishment of the multi-ethnic local government in Bujanovac granting the Serbian ethnic community six seats in the local coalition (Vice President of the Assembly, and membership on the Municipal Council), a move that should be a step forward in improving interethnic relations, political stability and economic prosperity[17].

[15] All municipalities with 15% of a national minority are obliged to introduce this minority's language into official use.
[16] Blic (2010) "*New party in Sandzak*" [Online] Available at: http://www.blic.rs/Vesti/Politika/225933/Nova-stranka-u-Sandzaku (Accessed on 4 July 2011)
[17] BalkanInsight (2010) "*South Serbia's Bujanovac Gets First Multiethnic Government*" [Online]. Available at: http://www.balkaninsight.com/en/article/bujanovac-gets-multi-ethnic-government (Accessed on 4 July 2011)

However, establishment of the Serbian National Council at the beginning of June 2011[18], by the Movement for Bujanovac municipality, Human Rights Committee and Club of Bujanovac Citizens living in Belgrade, may confuse the integration efforts. The Council has 41 members and wants to be the shadow Bujanovac Assembly. Their main objective is organising a petition for separation of Bujanovac into cadastral units of Serbs and Albanians, where each community would have its own government. The Mayor of Bujanovac said this move does not contribute to peace and stability of the Valley and presents provocation for destabilization of the situation in Bujanovac.

Furthermore, the unification of the South Serbia Albanian ethnically dominated municipalities, with Kosovo continued to be promoted by some local Albanian leaders, especially after recent mention of division of Kosovo. Preševo Mayor emphasised that merger of Preševo, Bujanovac and Medveđa with Kosovo would be the best way to become a part of the EU. Medveđa Mayor reacted saying that such statements would have negative impact for the whole region. Disagreement on the issue of unification of Kosovo was also expressed by the Albanian MP Riza Halimi and Mayor of Bujanovac who said that division of Kosovo is not the best solution and it is not accepted by the Albanians. Finally, earlier this year, the Mayor of Preševo, President of Bujanovac Assembly Jonuz Musliu and the Vice President of Presevo Assembly Orhan Rexhepi, attended the promotion of 'Natural Albanian's list" in Tirana[19] which was perceived by some as support for the formation of Greater Albania (to include Kosovo, parts of central Serbia, Montenegro, Macedonia and Greece).

There have been continuing promises by the Government and the international community to support the South West Serbia[20]. The President of Serbia, Boris Tadić visited Novi Pazar in November 2010 and said that the state would do everything to improve the economic situation in the Sandžak region insisting that the highway toward Montenegro should go through Pešter plateau.

But what placed Novi Pazar in the limelight of the Serbian public in early 2011, reigniting fears of extremism, was the clash between the Urban-In Director and Mufti's supporters, about women wearing headscarves, which resulted in several inappropriate speech outbursts from both sides. Both the central Government and international representatives reacted and sent synchronized messages about the need to show constructive efforts as opposed to political squabbles. To reinforce the statements, there has been increased number of the visits to the South West Serbia. Ambassadors of OSCE, Austria, Belgium, Switzerland, Netherlands, deputy Ambassador of the EU, along with UN RC, director of National Democratic Institute and senior political staff from the US Embassy visited Novi Pazar where they have met with representatives of Novi Pazar administration, BNMC electoral lists, civil society organizations as well as with the representatives of both universities.

Still, in mid 2011, it is becoming more and more evident that open, honest and constructive developmental and political platforms for dialogue and cooperation between Novi Pazar and Belgrade are not occurring, with populists from all sides taking full advantage of such a situation.

[18] Agencija Vranje Press (2011) *Serbian shadow administration in Bujanovac* [Online] Available at: http://www.vranjepres.info/sh/1997/10/27236 (Accessed on 4 July 2011)
[19] BalkanInsight (2010) "*Plans for Greater Albania by 2015, South Serbia Leader Says*", Available at: http://www.balkaninsight.com/en/article/greater-albania-to-be-formed-by-2013-south-serbia-leader-say (Accessed on 4 January 2011)
[20]Radio Television of Serbia (2010) "*Ambassadors in Novi Pazar*", [Online] Available at: http://www.rts.rs/page/stories/sr/story/9/Srbija/802642/Ambasadori+u+Novom+Pazaru (Accessed on 4 January 2011)

NATIONAL MINORITY COUNCILS (NMCs)

Albanian NMC

The Albanian National Minority Council (ANMC) was established on 6 June, 2010, by the Albanian Party for Democratic Action and Democratic Union of Albanians. The President of ANMC is Galip Beciri, from the Party for Democratic Action. The office of the ANMC is in Bujanovac.

With the support of the OSCE the ANMC started developing its four year's working strategy and although the commissions have drafted their action plans, the strategy hasn't been adopted yet.

The ANMC has formed working commissions on: high education and science; low education; information; language and national symbols; culture; and, youth and sports.

So far, some of the key activities the ANMC engaged in were:

- Recognition of diplomas gained at the University of Priština
- Negotiations with the CB, the Ministry of Education and the OSCE about opening a branch of the University of Niš Faculty of Economy, in Albanian language, in Bujanovac
- Agreement with the CB about the list of textbooks for lower classes of the elementary school
- Development of the monthly magazine "Nacionali" so far published four times
- Standardization of registration of personal names in the registry books and personal documentation in Albanian
- Plans to provide translation of Laws of Serbia into Albanian language as well as include Albanian language as an official language in republic institutions and agree on topographic names into Albanian
- With the facilitation of the CB, five young Albanians from Bujanovac and Preševo started a six-month training programme at the Ministry of Human and Minority Rights and in the provincial administration in Novi Sad – in direct support of the work of the ANMC.

Bosniak NMC

A year after the elections, there are still two parallel Bosniak National Minority Councils (BNMCs) – one in its technical mandate, officially recognized by the central authorities, and run by Party of Democratic Action (SDA) personnel for the past eight years, and the one formed by the Bosniak Cultural Community (Mufti), not recognized by the central authorities and dually seated both at the International University of Novi Pazar, and at the Mesihat of the Islamic Community. Additionally, this unofficial BNMC introduced a fifth component to its work – Committee for Human Rights and Freedoms in an effort to duplicate official institutions.

The Minister Milan Marković, who heads the Ministry of Human Rights and Minorities and Public Administration and Local Self-Government since the reshuffle in the cabinet in early 2011, paid one of the first official visits in the new mandate to the South West Serbia and met the Mufti Zukorlić, a move praised by all involved parties. He said that elections will be scheduled after consultations with all three electoral lists (most probably in autumn 2011). This brought a relative calm to the whole issue of the BNMC. Still, there is a growing risk that the upcoming BNMC elections will serve as a test-run for general elections. On the other hand, such a prolongation holds a risk for these elections not to be taken seriously by the citizens anymore.

While the BNMC elections rhetoric was heated and populist at its core, there are a growing number of initiatives that are aimed towards both raising awareness about the competencies of BNMC in order to stem populism and pre-election manipulations - Bosniak Cultural Community was promising a flow of foreign direct investment in case they get to administer the BNMC.

Finally, as a part of the project, 'Promoting and strengthening the role of the Albanian and Bosniak National Minority Councils (NMCs)', supported by the Royal Norwegian Ministry of Foreign Affairs, TransConflict Serbia conducted a survey in April 2011[21], entitled 'Minority Rights and National Minority Councils'. In regards the BNMC, the survey covered a total of 195 respondents, 99% which came from the Novi Pazar area. The main objective of the study was to assess the level of understanding about minority rights and the role of the BNMC in protecting and promoting them. Ninety three respondents (almost 50%) expressed their dissatisfaction, while only 3.1% believe that the rights of the Bosniak community are very well respected. The interviewed are not sure whether any measures are taken to better integrate Bosniaks into society (42.5%), and also a great number (39.5%) believe that no action has been taken to that effect. Asked about methods how to improve the integration of all communities, the respondents asserted that this can be achieved by multicultural education in schools (29.2%), local economic development (27.7%) and organizing joint cultural activities (23.1%).
Almost 60% of the sample did not know – or is not sure if – the BNMC promoted advocacy and the protection of minority rights. Although results confirm statistically the general feeling in the population, the statistical sample probably does not reflect education of population accurately and it can be argued that it represents a more affluent, educated part of the society, who have a better opportunity and bigger chances to be more familiar with what BNMC's mandates are and can be.

Bulgarian NMC
The constitutive session of the Bulgarian National Minority Council (BuNMC) was held on 3 July 2010 in Niš, electing Zoran Petrov, from the list of "The Bulgarian community for European Serbia - Zoran Petrov" for the President. The temporary headquarters of the BuNMC is Dimitrovgrad, while the Council's vice president, Gligor Gligorov, is seated in Bosilegrad.

The BuNMC has six commissions, dealing with: education, culture, information, official use of language (and bilingual documents), projects and cross-border cooperation, and cooperation with the Republic of Bulgaria.

Their current focus is on the preservation of the newspaper publishing institution Bratstvo, whose founder rights were transferred to the Council in 2007, without regulating the financials. However, in June 2011, the Ministry of Culture awarded Bratstvo with over four million dinars for its work, while they also co-funded production of children's programmes at the Radio of Bosilegrad with 290,000 dinars.

Although not directly linked to the BuNMC, there was an effort by the Bulgarian right wing party in Bosilegrad, gathered around Cultural Information Centre who claimed that around 20,000 Bulgarians in Serbia live without any rights and asking for Bosilegrad and Dimitrovgrad to join the neighbouring villages in Bulgaria.

Roma NMC
The Roma National Minority Council (RNMC) was first established in June 2003. Following 2010 elections there are 35 members in the Council, presided by Vitomir Mihajlović. The RNMC is seated in Belgrade, while it has regional offices across the country[22].

The RNMC has commissions dealing with: education; culture and publishing; information; official use of language; economic empowerment; cooperation with local and international CSOs; IDPs,

[21] TransConflict (2011) *Minority Rights and National Minority Councils* [Online] Available at: http://www.transconflict.com/institutions/nmc-serbia/ (Accessed in May 2011)
[22] In three PROGRES municipalities: Leskovac, Prokuplje and Bujanovac.

returnees and war reparations; health care and welfare; prevention of discrimination, rights and status of women and children; political representation.

The Strategy for Improvement of Roma Conditions, with national action plans, was adopted in 2009, and provides guidelines for RNMC activities. So far, some of the key results are the initiative for Roma language to be an optional course in schools, while with the MoEMSP and several municipalities (including Prokuplje and Leskovac from PROGRES area) RNMC developed a project for cleaning Roma settlement and self-employment through collecting recycling material.

This Council was particularly active in cooperating with PROGRES. In October 2010, there was a meeting in Prokuplje, with more than 60 representatives of Roma CSOs from South Serbia where PROGRES presented its objective, activities, and particularly conditions and criteria for Citizens Involvement Fund, while the President of the RNMC attends all Programme Steering Committee meetings.

SOCIO-ECONOMIC

The unemployment rate in Serbia in March 2011 was twice as high as the European average – 19.2% according to the Labour Force Survey from October 2010 - 18.3% for men and 20.4% for women[23]. A total of 9.2% population were considered poor in 2010 (living below the absolute poverty line. The most vulnerable population was rural - 13.6% were poor compared to 5.7% urban population[24].

Joblessness, low income and small rate of any economic activity continue to be the problems in the entire Programme area. For example, out of 13 municipalities of Jablanica and Pčinja Districts, nine are considered devastated[25]. There are more than 60,000 unemployed in the South of Serbia, while 70,000 are employed within the communal enterprises or few economic entities.

From 167 municipalities listed on the Serbia's Statistical Office overview of the salaries in the last quarter of 2010[26], two PROGRES municipalities, Kuršumlija and Vladičin Han are at the bottom, with average income of slightly above 17,000 RSD. Only three PROGRES municipalities are ranked in the top 50 – Preševo (45) with 31,958, Surdulica (46) with 31,908 and Medveđa (48) with 31,747.

Furthermore, the bankruptcy or privatisations are having large effects on local economies. For example, in Nova Varoš, the Rehabilitation Centre "Zlatar" went out of business in February 2011, with a debt estimated to 140 million RSD. The workers protested daily in front of the municipal building, demanding assistance of both local and republic governments. Both Prijepolje and Priboj, continue to suffer major financial problems. Prijepolje has paid 30 million RSD for return of voluntary tax from 2003 so far, and is expecting to pay additional 100 million RSD by the end of 2011. Priboj's debts are such that the municipality struggles to pay monthly salaries to local public institutions regularly.

All this affects implementation of PROGRES as the municipalities cannot transfer co-funding of individual projects.

[23] Government of the Republic of Serbia (2011) *7th Bulletin on Social Inclusion* [Online]. Available at: http://www.inkluzija.gov.rs/wp-content/uploads/2010/03/7th-Newsletter-on-Social-Inclusion2.pdf (Accessed in May 2011)
[24] Ibid
[25] Juzna Srbija (2010) "*Investments or empty South Serbia*", [Online] Available at: http://www.juznasrbija.com/?view=lat&action=news&id=investicije-ili-prazan-jug-srbije&category=vesti (Accessed on 4 January 2011
[26] Serbia's Statistic Office, http://webrzs.stat.gov.rs/WebSite

INVESTMENTS

Despite generally gloomy outlook in most municipalities, there was some good news across the Programme area.

Here are some of the key investment or development initiatives supported in the first year:

- In Vranje, a footwear factory expanded production, with the support of the MoERD. This investment, worth about 600,000 Euro meant opening of 350 jobs[27].
- In Leskovac, the construction of Falke sock factory started. Once finished, the factory is expected to employ some 600 people[28].
- German producer of relays for electrical and car industry, Gruner, which already has a 220 worker factory in Vlasotince, will open a new facility and employ another 160 workers, an investment worth 1.2 million Euro[29].
- The Steering Committee of the Municipal Infrastructure Support Programme (MISP) decided to allocate resources for a feasibility study for the project from our Municipality „Regional Industrial Zone Jug" in Vladičin Han. The municipality had already received 1.5 million RSD from the MHMRPALSG for substation and access road. With these projects, full potential of 146 hectares industrial zone could be exploited and in turn may help the local administration to attract investors. As the study proceeds PROGRES remains in discussion with authorities to ascertain potentials for its future involvement.
- In January 2011, the Prime Minister Mirko Cvetković visited the German cable factory Leoni in Prokuplje, announcing 400 new jobs in 2011[30]. The President of Serbia, Boris Tadić, subsequently opened the new plant during June 2011 visit.
- SIMPO in April 2011 opened a fibre-board plant in Kuršumlija that will employ 522 workers[31].
- In Novi Pazar, a Memorandum of Intent for the construction of a primary gas pipeline was signed. The pipeline will supply the municipalities of Brus, Raška, Novi Pazar, Tutin, Lesak, Leposavić, Zvečan, Kosovska Mitrovica and Zubin Potok. A Slovak consortium will fund this investment of estimated worth of 45 million EUR. Construction is expected to commence by the end of the year.
- Textile producers from Novi Pazar signed a contract with Polish company 'Prelic' on exclusive distribution of products from ten local companies[32]. The contract was signed with members of Association of Textile Producers from Sandžak during the International Fair of Commodities that was held in Poznan at the beginning of March 2011.
- Out of 37.5 billion RSD that the Ministry of National Investment Plan[33] will invest into projects this year across Serbia, 14.6 million RSD were awarded to Ivanjica for kindergarten in Bukovica and 2.1 million RSD to Raška kindergarten. The technical documentation for Ivanjica project was developed with the European Union and Swiss Government's funding support through PROGRES predecessor programme – Municipal Development in the South West Serbia – PRO, which is another confirmation that working on increasing the local self governments' capacities can bring increase in attracting external funding.

[27] B92 (2010 "*Jobs for 350 Vranje inhabitants*" [Online] Available at: http://www.b92.net/info/vesti/index.php?yyyy=2010&mm=10&dd=29&nav_category=9&nav_id=468763 (Accessed on 4 January 2011)

[28] B92 (2010) "*Leskovac is Serbian Manchester Again*" [Online] Available at: http://www.b92.net/biz/vesti/srbija.php?yyyy=2010&mm=11&dd=03&nav_id=469812 (Accessed on 4 January 2011)

[29] JugPress (2011) "*New Gruner Plant in Vlasotince* [Online] Available at: http://www.jugpress.com/index.php/jug-srbije/8954-novi-pogon-qgruneraq-u-vlasotincu (Accessed on 15 April 2011)

[30] PROGRES contacts in Prokuplje Municpality Public Information Office

[31] Juzne vesti (2011) "*Fibreboard plant opened in Kursumlija*" [Online] Available at: http://www.juznevesti.com/Drushtvo/Otvoren-pogon-lesonita-u-Kursumliji.sr.html (Accessed on 20 April 2011)

[32] Blic (2011) *Novi Pazar textile for Polish market* [Online] Available at: http://www.blic.rs/Vesti/Ekonomija/238586/Novopazarski-tekstilni-proizvodi-za-poljsko-trziste (accessed on 20 March 2011)

[33] Which in March merged with the MoERD

- The "Master Plan for Protection of West Morava Basin", decided to support Raška in preparation of tender documentation for waste water treatment plan. This support will include revision (by the Ministry of Agriculture and Forestry, through Directorate for Water, of some 400,000 RSD) of existing preliminary design that was done under PRO programme with any needed changes, development of main design and tender documentation (for main collectors and treatment plant in Raška).
- Raška was granted two projects for 2011 from the Ministry of Labour and Social Affairs, worth over 7.5 million RSD[34] - Day care for mentally challenged children and Home care for the elderly. The success of those two applicants can partially be attributed to capacity building achieved through the Migration component of the PRO Programme.
- Sjenica received a grant through the EU Exchange 3 programme, securing around 150 thousand EUR for this year for Municipal Economic Development programme, that entails increasing the number of locally employed staff who work on boosting investments; shares experiences and best practices with a partner municipality from Slovenia; and equips the multimedia centre in Sjenica. It outsourced the project development process to a consultancy, while the municipality provided all the necessary paperwork (permits, MoUs etc), which could have contributed to the success.

However, the investment potentials are much higher than the achieved results, as a consequence of the problems that occur on a number of levels. The implementation of the new Law on Planning and Construction brought about systematic and institutional problems that prevent swifter investments into infrastructure. The unsolved property relations and inefficiency of cadastres, the incomplete or non-existent planning documentation as well as the low level of municipal investments into development of project and technical documentation for new infrastructure projects are some of the key causes of decreased absorption capacity of municipalities.

ENVIRONMENT

A successful effort of citizens' activism campaign was seen in Vranje, when the Club of Extreme Sports produced a short film about pollution of the South Morava River and posted it on the Internet. Within a couple of days, the film was seen by 2,000 people and attracted interest of media. The Ministry of Environment, Mining and Spatial Planning (MoEMSP) reacted and organised the cleanup of the river in mid-April 2011, with participation of the Minster himself. However, there was no sustainability of the action, as immediately after the media attention decreased, the volunteers dispersed. Vranje still has some 185 illegal dumps in its territory.

The regional conference on 'Hiking And Biking – Trekking and Mountain Cycling' was held in Lebane, at the beginning of February, aiming to encourage the exchange of experiences in sustainable tourism development in the area of outdoor activities. Lebane is one of the poorest municipalities in Serbia, where every other citizen is unemployed. The average salary, except for income in state and municipal services, is 9,500 RSD[35].

The Coalition for the Oversight of Public Finances published information on the Prokuplje Landfill, saying that Environmental Protection Fund of the Republic of Serbia paid a construction company ALPINE A.S.A. in late 2007 one million EUR to perform the first phase of construction of regional landfill Utrine"in Prokuplje. Works on this site have never started nor were funds returned to the republic budget. Prokuplje Municipal Council adopted decision to terminate the contract and Mayor said to media that constructing company Alpina will reimburse funds to Republic Environmental Protection Fund. The contract signed in 2007 will be cancelled, because the citizens of Prokuplje

[34] Day care for mentally challenged children" worth 3.130.000 RSD and "Home care for the elderly" 4.490.000 RSD

[35] Juzne vesti (2011) *Living on a loan* [Online] Available at: http://www.pressonline.rs/sr/vesti/regioni/story/154397/%C5%BDive+na+veresiju.html (Accessed on 1 March, 2011)

couldn't agree on landfill location. In the meantime, Prokuplje signed a contract handing over the responsibility for waste collection, transport and disposal to Porr Werner and Weber Company[36].

In Prokuplje, during the Earth Day, in April 2011, three tons of waste was collected from the Hisar Hill. Earlier this year, media reported that some 360 tons of gasoline may have leaked into the Toplica River from a 75-year-old cistern in the military barracks[37]. Finally, the Health Centre in Prokuplje started to recycle medical waste[38] and will be the focal point for treatment of infectious medical waste in the Toplica District.

In June 2011, Serbs blocked access to the municipal waste collection centre in Bujanovac, protesting against decision to transfer waste from Veliki Trnovac (an Albanian village) to this Serbian settlement. Although a court decision was made to remove blockade, there were no developments. Conclusions from the extraordinary session of the Municipal Council were sent to all relevant ministries as well as to the international community. In order to resolve the problem, Bujanovac municipal authorities have agreed with Preševo to dispose three trucks of garbage daily to their landfill. The Albanian political representatives assessed this situation as a provocation by Serbian side that coincides with the establishment of the Serbian National Council.

NATURAL DISASTERS

The floods in Prijepolje, in late November/early December 2010, left several hundreds of hectares of the best agricultural land ruined, along with the 420 million RSD damage[39] to 210 households and demolishment of a bridge connecting the right bank of the River to the main road. The Government has promised funds for some infrastructure reconstruction in 2011.

Along with the activities that were identified in the work plan, PROGRES donors, and the Steering Committee members, quickly reacted to the news of the earthquake that hit Kraljevo in November 2010 and allowed for deployment of three Programme engineers, for 12 days each (supported by the technical specialist, component managers as well as a staff engineer), to assess damage on 19 public buildings. Their reports, which include scope of work and costs for 11 buildings were handed over to the Mayor in a small ceremony at the end of December 2010.

Novi Pazar was hit by floods in early June 2011 which affected around 3,000 people, and left more than half of them homeless. The Prime Minister announced 20 million RSD direct Government support. Although financial support is seen as the most urgent one, support that PROGRES offered related to technical documentation for prevention of floods that is the only sustainable resolution for this problem.

A year after big floods in Trgovište (in spring 2010), only one of 13 bridges had been repaired and 15 villages are still cut out, despite promises of several ministers to support the renovation. On the other hand, Trgovište, in an act of solidarity, sent RSD 30,000 to Novi Pazar to support remediation of damages caused by flooding in this city.

[36]Politika (2011) *The Landfill from the centre of Prokuplje will be moved* [Online] Available at: http://www.politika.rs/rubrike/Drustvo/Premesta-se-deponija-iz-centra-Prokuplja.lt.html (Accessed on 31 March, 2011)
[37] Kurir (2011) *Catastrophe: 360 tons of petrol leaked in Prokuplje* [Online] Available at: http://www.kurir-info.rs/vesti/drustvo/katastrofa-iscurilo-360-tona-benzina-u-prokuplju-76527.php (Accessed on 16 March 2011)
[38] Juzne vesti (2011) *Recycling of medical waste in Prokuplje* [Online] Available at: http://www.juznevesti.com/Drushtvo/Reciklaza-medicinskog-otpada-u-Prokuplju.sr.html (Accessed on 31 March, 2011)
[39] Radio Sto pluls (2010) "*Payment of fees for recovery of damages from flooding of the Lim River*" [Online] Available at: http://www.radiostoplus.com/index.php?option=com_content&view=article&id=7073:isplata-nadoknada-za-saniranje-tete-od-izlivanja-lima&catid=34:ponedeljak&Itemid=70 (Accessed on 4 January 2011)

HUMAN RIGHTS

1. The US State Department published its 2010 report on human rights practices[40] and reported the following problems in Serbia: physical mistreatment of detainees by police; inefficient and lengthy trials; harassment of journalists, human rights advocates, and others critical of the government; limitations on freedom of speech and religion; lack of durable solutions for large numbers of internally displaced persons (IDPs); corruption in legislative, executive, and judicial branches of government including police; government failure to apprehend the two remaining fugitive war crimes suspects under indictment of the International Criminal Tribunal for the former Yugoslavia (ICTY); societal violence against women and children; societal violence and discrimination against minorities, particularly Roma and the lesbian, gay, bisexual, transgender (LGBT) population; and trafficking in persons.
   One significant human rights achievement was marked at the October 2010 Pride Parade, when the government affirmed the freedom of assembly of the LGBT community. Unlike previous years, the government worked closely with planners to prepare for the event, and police successfully protected the marchers despite widespread violent protests by extremist groups.

2. The study "The path from the brotherhood and unity - the ethnic distance of the citizens of Serbia"[41] examined the ethnic distance of the citizens of Serbia to Serbs, Montenegrins, Hungarians, Bosniaks, Roma, Croats and Albanians. Over the past four years ethnic distance towards members of certain ethnic groups in Serbia has increased. About 40 percent of respondents are reluctant to accept the fact that the Albanians are the citizens of Serbia, and one third of them would not want Croats, Hungarians, Roma or Bosniaks as their neighbours.

3. In early April 2011, Amnesty International published a report: Home is more than a roof over your head: Roma denied adequate housing in Serbia[42]. The report made a number of recommendations to the Government, the City of Belgrade, European Bank for Reconstruction and Developments and the European Investment Bank, urging them to ensure that projects funded by the banks do not result in human rights violations; and European Union and its member states to assist Serbia in guaranteeing the rights of Roma to adequate housing and non-discrimination. One of the conclusions is that the Roma originating from southern Serbia have been forcibly displaced, in violation of their rights to freedom of movement and residence. Some forcibly evicted Roma have not been offered any alternative housing, while others have been provided with inadequate housing, which fails to meet international standards.

4. The president of the Human Rights Council in Preševo, Belgzim Kamberi, was detained for questioning in June 2011, on suspicion to have damaged the reputation of the Minister Marković. The Minister Marković informed in writing the public prosecutor's office in Vranje that there were no bases for criminal proceedings.

[40] US Department of State (2011) *2010 Human Rights Report: Serbia* [Online]. Available at: http://www.state.gov/g/drl/rls/hrrpt/2010/eur/154449.htm (Accessed in May 2011)
[41] B92 (2011) *Ethnic distance rising in Serbia* [Online] Available at: http://www.b92.net/info/vesti/index.php?yyyy=2011&mm=03&dd=09&nav_category=206&nav_id=497866 (Accessed on 16 March 2011)
[42] Amnesty International (2011) *Home is more than a roof over your head* [Online]. Available at: http://www.amnesty.org/en/library/asset/EUR70/001/2011/en/5e0bb76a-1030-4a5f-ba44-06a5fe216069/eur700012011en.pdf (Accessed in May 2011)

5. A recent survey by the Centre for Development of Jablanica and Pčinja Districts (October 2010) showed that the quality of work of the non-governmental organisations (NGOs) in those two regions is unsatisfactory. However, this survey also pointed to discrepancies in the Law which failed to institutionalise cooperation between NGOs and the state and set a framework under which the NGOs could apply for funding. This has left the cooperation prone to a variety of interpretations and arbitrary behaviour. The survey recommends that further capacity building of human resources within the non-governmental sector is important, as well as trainings on how to access the European funding.

Miscellaneous

- From Serbia, with love, to Japan – in two modest, but heartfelt gestures, Prokuplje and Medveđa offered support to the people of Japan who badly suffered in recent earthquakes. Prokuplje vowed to send 10,000 USD, justifying this by gratefulness of its citizens to the Japanese Government which had previously renovated two schools and donated a modern ambulance[43]. In Medveđa, pupils of an elementary school offered to host Japanese peers who were left homeless in the natural disasters[44].
- Leskovac Ajvar has received certificate from the Institute for the Protection of Intellectual Property about protection of product's name and geographic origin. This was the result of three year project worth 70,000 EUR, implemented by Regional Chamber of Commerce and Association of Ajvar Producers, and supported by Italian Chamber of Commerce from Siena.
- The Serbian Chamber of Commerce awarded Ivanjica's "Nišićijada" festival the best traditional manifestation in Serbia in a strong competition with "Open Heart Street in Belgrade" and "Guča Trumpet Festival".

1.6 Other interventions

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

- The Municipal Infrastructure Support Programme (MISP) – coordination about MISP study for waste water treatment in Novi Pazar and collaboration on the Morava Basin WWTP which includes Raška, as well as feasibility study for development of Vladičin Han Industrial Zone
- Municipal Support Programme IPA 2007 – coordination on the programme budgeting activities, preparation of sectoral strategies (solid waste management plan for Prijepolje, Priboj, Nova Varoš, Sjenica, and related to the Banjica Landfill), revision of the local sustainable development action plans (it has been agreed that those will include projects for which the LSGs applied for technical documentation to PROGRES)
- The SCTM and Exchange III – coordination about establishing the Citizens Assistance Centre in Žitorađa
- A joint UN Programme Peace Building and Inclusive Local Development Programme - PBILD, which operates in the South Serbia – activities related to provision of Citizens Advisory Services, capacity building of local gender equality mechanisms, revision of the LSDS/implementation and monitoring – in all cases PBILD will cover the municipalities of Pčinjski and Jablanički Districts, while PROGRES will focus on Toplički District and South West Serbia

[43] Blic (2011) *Prokuplje will send 10000 dollars to Japan* [Online] Available at: http://www.blic.rs/Vesti/Srbija/241355/Prokuplje-salje-10000-dolara-Japanu (Accessed on 16 March 2011)
[44] B92 (2011) *Children from Medvedja inviting Japanese* [Online] Available at: http://www.b92.net/info/vesti/index.php?yyyy=2011&mm=03&dd=16&nav_id=499600 (Accessed on 16 March 2011)

- United States Agency for International Aid (USAID) – Municipal Economic Growth Activity (MEGA) and its follow-up programme Sustainable Local Development (SLD) implemented by Chemonics, developing the skills of local governments and local business groups to foster economic growth and job creation. This programme is in early stages and the coordination is ongoing.
- Organisation for Security and Cooperation in Europe (OSCE), Democratisation and Media departments – work on capacity building of media (to report about corruption), national minority councils, gender
- Swiss funded Municipal Support Programme (MSP) – exchange visits and peer-to-peer knowledge sharing of the local tax office/IT centres, civil participation in decision making process and enhanced service delivery systems
- National Alliance for Local Economic Development (NALED) – about additional PROGRES support to certification for business friendly environment in three PROGRES municipalities, that have started the process and got stuck
- Local Economic Development In Balkans (LEDIB) and the Cluster House in Niš– on clustering and cluster development support
- The Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) – on local tax administration support.

2 Intervention

2.1 Overall objectives

The Programme's overall objective is *to contribute to enhanced stability and socio-economic development in Serbia's poorest and most conflict-potential regions: the South and South West Serbia.*

2.2 Purpose

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

2.3 Results

Component 1: Good Governance

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

Component 2: Municipal Management and Development Planning

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

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

Component 3: Physical, Economic and Social infrastructure

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

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

Result 6: Selected projects financed and implemented through the PROGRES

Component 4: Public Awareness and Branding of Areas

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

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

Revised Log Frame is available in Annex I, attachment 1.2.

2.4 Activities

Component 1: Good governance

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

Key outputs:

- Forty grant agreements signed with CSOs for implementation of CIF projects
- One Citizens Satisfaction Survey conducted and results presented and transferred to 25 municipalities
- Two CSOs selected for providing support to municipalities for establishment of Citizens Advisory Services
- Three participatory budgeting projects conducted in three municipalities – Leskovac, Novi Pazar and Blace
- One anti-corruption seminar organised and delivered in cooperation with the OSCE
- One NGO received grant to provide support to 12 municipalities of South West Serbia and Toplica District on adoption of the EU Charter and preparation of gender Local Action Plans
- Five Gender Equality Councils established (Raška, Sjenica, Kuršumlija, Blace and Žitorađa), while Nova Varoš nominated one administration employee to take care of GE related tasks
- Analysis of the number of women that participate in decision making processes at local levels produced and presented

Imminent outcomes:

- The implementation of CIF projects brings about: increased participation of civil society in the work of local governments as they establish partnerships for projects; increased quality of life of vulnerable groups; improved efficiency in service provision as the knowledge and mandates of partners get combined
- The presentations of the Citizens Satisfaction Survey results indicated a genuine commitment of the local administrations to responsibly tackle its performance, while at the same time offered opportunity to civil society organisations to constructively engage in supporting the improvement of the services that municipalities provide. The media reports about findings of the CSS put pressure on public to take action and improve the current situation
- The establishment of Citizens Advisory Services will increase accessibility of vulnerable and marginalised people to municipal services
- Public hearings improved the attitude of municipalities towards the need for transparency and accountability to their citizens, while at the same time increased participation of citizens in public processes
- Establishment of gender councils gives local authorities mechanisms which would work on increased participation of women in public and private life, thus contributing to improving the contribution of the entire society and offering equal opportunities to all

Activities

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

The criteria for the Citizens' Involvement Fund (CIF) were finalised in accordance with the feedback received during the workshop with the key civil society organisations in the South West Serbia in April 2010[45], and comments from the Swiss good governance experts. One of the key criteria was that the projects reflected priorities identified in the municipal sustainable development strategies as well as the national strategies. Both local government institutions/organisations and the civil society organisations were eligible to be lead partners for projects. This was justified by the fact that the local governments were obliged to allocate a line within municipal budgets for support to the civil society organisations. PROGRES believed that allowing for such an approach would encourage institutional anchorage, but also sustainability, as the municipality could guarantee actions upon finishing of the project. Furthermore, there was a potential for a broader division of labour between local governments and civil society in terms of service provision, which could result in improved efficiency.

Following approval of the CIF Terms of Reference (ToR) by the PROGRES Steering Committee, the first call for proposals had been launched at the beginning of November 2010. At the start of the call, the Programme team successfully organised four presentation workshops: in Novi Pazar, Zlatar, Prokuplje and Vranje. These presentations were attended by more than 160 representatives of local civil society organisations and local self governments and were very positively received by the clients, who appreciated the extra mile the Programme was taking in order to equip the potential applicants with all necessary information they would need. There was a special session for representatives of some 60 Roma civil society organisations, in Prokuplje, upon the request by the President of the Roma National Minority Council. There have been more than 150 phone/in person enquiries about criteria, during that time. This pro-active approach resulted in receiving 169 applications[46] by the end of the call. This number would have been significantly lower if the Programme did not invest modest resources into these preparatory activities.

In order to support the running of the Fund, an administrator was recruited and started working in mid-December.

In February 2011 Steering Committee meeting, 40 grants with a total investment value of 439,059 EUR were approved for funding. The PROGRES co-funding amount was 334,739 EUR[47]. No projects were funded from six municipalities - Vlasotince, Trgovište, Crna Trava, Bojnik, Žitorađa and Kuršumlija[48].

In agreement with the PROGRES Operations Team, a template for grant contract was finalised and two signing ceremonies organised in March 2011: one in Novi Pazar and the other in Leskovac. A lot of positive publicity for the EU, the Swiss and the Government of Serbia was generated conveying the message about the importance of citizens' participation in decision making at the local level.

In parallel to this, two trainings in financial administrative managing and reporting writing were conducted for the grantees covering: communication and visibility guidelines, contract responsibilities, vendor profile form, tax exemption and financial reporting. Disbursement of funds

[45] Organised within the Municipal Development in South West Serbia (PRO)

[46] For the list of applications received, please see Annex II, attachment 2.1

[47] Please see Annex II, attachment 2.2 for details of projects, and for breakdown by municipality, thematic area and leading organisation. However, this amount has been slightly altered, after budget control before signing of contracts, and the total PROGRES commitment now is 332,796.29 EUR.

[48] Kuršumlija did not apply as there were political problems at the time of call for proposals

started in early April, as soon as the grantees performed necessary steps, such as opening of a dedicated bank sub-account. Engaging the clients in a proactive manner and providing them with quality information beforehand, in accordance to rules and regulations, enabled them to better themselves for their impending tasks, leading to a smoother and much more trouble-free implementation.

Most of projects are implemented flawlessly and brought good visibility to the multi-donor partnership[49]. However, by June 2011, there were still organisations which were not paid, the main reasons being: re-registration process, obtaining mayor's signature for the bank account opening and issues with the line ministry. PROGRES provided guidance and information how to solve the issues with one grant agreement recommended for cancelation due to falsification of registry papers. This project will be substituted by another of similar nature and bearing in mind the territorial representation.

In regards to the pending second call for proposals, several lessons have been learnt and should be applied:

- There is a need to be more precise and much stricter in defining CFP rules and propositions so that applicants do not provide misleading information
- Application form should be further simplified to minimise times required to fill out, and evaluate applications
- Administrative/financial rules and regulations have to be presented to the applicants with more details and with specific examples of good and bad practices
- In order to avoid implementation delays or other problems, a list of necessary documentation (registration papers, bank statements etc) that each applicant needs to submit with its application should be prepared and used as an eliminatory instrument.

1.2 Citizens' Satisfaction Surveys

The tender for the first Citizens' Satisfaction Survey was successfully finished at the beginning of September 2010. The contract was signed with the CeSID in the first week of October 2010, with the start of the activities in November 2010.

In order to make sure CeSID's approach and methodology are in the best possible way in line with the PROGRES' objectives for this activity, the Programme organised and held a two-part workshop on 24 November 2010. During the first part, PROGRES staff provided suggestions and inputs to the CeSID drafts, which were incorporated into the final versions of the questionnaire and other documents. In the second part of the workshop, representatives of the municipalities had a chance to offer their views on presented questionnaire and proposed methodology of the survey with several suggestions taken into account for the final documentation. In addition to this, municipalities were provided with an opportunity to give comments on the questionnaire by email - an opportunity used only by Nova Varoš[50]. As requested in the call for proposal, the questionnaires were prepared in Serbian and Albanian.

The research commenced on 30 November 2010 and was finalised in the envisaged timeframe – end of December 2010. CeSID created 25 samples that provided the representativeness of the research findings at the level of each municipality. The number of interviewees was between 250 and 400, depending on the size and heterogeneity of a municipality. All data were collected in direct, face-to-face interviews.

[49] Please see Annex II, attachment 2.3 for CIF projects status overview.
[50] Partially, Nova Varoš suggestions were incorporated into the final version. Justification is available why not all comments could be used.

The results were presented in January 2011[51], in two separate events: in Novi Pazar and Leskovac gathering Mayors, municipal administrations, representatives of the civil society organisations and media. In Leskovac, there were 41 participants from 17 municipalities of South Serbia, while the event in Novi Pazar gathered 39 participants from 8 municipalities of the South West Serbia. Despite the fact that some participants questioned the authenticity and credibility of the survey findings, in general, research results were viewed as a positive step forward and important source of information for future endeavours of local authorities.

Trust into the institutions that should run the local community is pretty low – the average for all municipalities goes from 16% in the case of Municipality Council to 21% when a Mayor is concerned. Sixty one per cent of all interviewees believe that the local self-government mostly does not, or does not take care at all about the needs of their citizens. Partially, such results can be caused by a low level of awareness about what the local self government can and should do - only 10%, at a level of all municipalities believe they are well informed about the work of their local self-government.

Although majority of citizens say that the municipal services function today in the same manner as three years ago (40%), or even worse (32%), most of them admit that the procedures are not too complicated (49%), that they don't waste too much time (27%) or that the waste of time is proportional to what a procedure demands (51%), i.e. there is an understanding that things cannot be finished immediately whenever one wants.

The encouraging data in the Survey is that the majority of citizens believe that bodies of local authorities and administration are not corrupt – only three percent (3%) of polled had personal experience with the corruption of local self-government.

Dissatisfaction with infrastructure topped the list in 10 out of 25 municipalities, where it stands between 49% up to whole 93%. Second placed are transportation and condition of the roads - this segment comprises both the status of roads, road infrastructure, lack of an organised transportation system and poor regulation of traffic.

The great attention of media at both presentations, and ensuing reports again confirmed that media are traditionally interested more in negative stories; nevertheless they can also put positive pressure on the local government to take into consideration citizens' views and address them. Without media, in this case, the Survey would mainly end up on the shelves. With them, the impact of the Survey on local governments is potentially stronger.

The interview with Slaviša Purić, Nova Varoš Mayor, to daily newspaper Danas[52], best corroborates this:

> *"Municipal administration has to radically change its attitude towards the citizens who rightfully expect the administration to be faster, more efficient and accountable ... at all times we must be aware that we are there for the citizens, not ourselves", Purić said, adding that the results gave him the right to take all necessary measures to ensure that the administration is "shaken" because "it is a mirror of any government".*

PROGRES team has conducted a comparative analysis of the Survey results with the previous researches within PROGRES' predecessor projects – MIR in the South Serbia and PRO in the South West Serbia. The main trends demonstrate general depletion of trust both in local and state

[51] Full report is available on PROGRES website – www.progresprogram.org, both in English and Serbian
[52] Danas (2011) *Municipal administration has to be more responsible* [Online] Available at: http://www.danas.rs/dodaci/sandzak/opstinska_administracija_mora_da_bude_odgovornija_.42.html?news_id=210478 (Accessed on 26 February 2011)

institutions. In the domain of public services, this decrease is even more apparent, e.g. when asked: "Do the local authorities take care about citizens and provide citizens with services adequate to their needs?", in the same municipality, two years ago, the response changed from 65% saying "being responsive" in 2009 to 72% saying "not enough" or "not at all responsive" in 2010. However, in comparison to the previous survey, the 2010 shows significant drop in citizens' perception of how spread corruption was: in some municipalities, this drop is 25 index points or more.

Possibly the CSS is one of the best practice examples in the Programme implementation so far. Conducted in an efficient and effective manner by one of the most prominent polling companies in Serbia, CSS provided the municipalities, the Programme and other practitioners with important, valuable and usable information. The project demonstrated how in a short period of time, with thoroughly thought through and well-targeted activities and outputs, and with near impeccable project organization, significant outcomes could be achieved.

The municipalities have a clear snapshot on how the citizens perceive the quality of job that it's been done in their name and for them. Some of the municipalities were negatively surprised by the results, especially with those directly tangling political aspects, e.g. the level of trust into municipal institutions or such. Others, however, saw an opportunity in the presented results and decided to use the data in a more pro-active manner and began planning for improvements in their everyday work. All of them, however, appreciated the quality of information the Programme has provided through CSS.

The Programme has an important baseline available to the general public on the website, to which it can measure its impact, on many axes, after the second CSS is implemented in 2013.

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

This activity has been designed so as to fit in with the national legislature on free legal aid which would provide a sustainable funding mechanism. In November 2010, meetings were held with the Ministry of Justice and the Peace-building and Inclusive Local Development Programme - PBILD[53], to decide on the best way forward, as it was still not certain when the Law on Free Legal Aid would be adopted. The Ministry advised that the most appropriate modality for organisation of the Citizens Advisory Services (CAS) was within the free legal aid system of local governments.

Since the PBILD was looking to support municipalities in the South Serbia in establishing the service, modelled on and drawing on the lessons learnt from the PRO/PROGRES Migration project, it was agreed that PROGRES would focus on the South West Serbia and Toplica District.

The Terms of Reference (ToR) for CAS was developed and advertised in early March 2011, based on the assessment of the results of the actions within the Migration project[54], as well as in line with the existing legal framework, with a shift in focus from the issues faced by migrants to those faced by general population.

Three proposals were received for establishing CAS: two from Toplica District (Prokuplje and Žitorađa) and one from SW Serbia (Novi Pazar). The Sandžak Committee for Human Rights, for a project to be implemented in Novi Pazar, and Initiatives, for a project to be implemented in Žitorađa have been recommended for funding, subject to further administrative checks in July. One project

[53] The programme implemented in the South Serbia, which has the same activity, modelled on the Municipal Development in the South West Serbia – PRO Programme

[54] Within the Municipal Development in the South West Serbia – PRO, and later PROGRES, funded by the Swiss Agency for Development and Cooperation

has not been approved and even after additional consultations with the applicants, the project failed to assert itself as valid enough to be supported by the Programme. Having in mind that only one municipality from Toplica District will be granted with the funds for establishment of CAS, the Programme decided to repeat the CAS CFP only for three remaining municipalities from Toplica District. This CFP has been advertised and the deadline for submission of applications is 31 July 2011.

This activity is on schedule, although in the process there were some minor delays, which are not in any substantive ways influencing overall timeframe. The process of reviewing the application took longer than planned due to Easter vacation, dense schedules of the selection commission members and a clarification processes with the applicants that took place after initial evaluation. During the process, the applicants were requested to correct or improve their budget proposals. The process is finalised by the end of June and contracts to be signed during July 2011 and August in the case of a successful retender in one case, as mentioned above.

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

In the first phase of the support to local self governments to conduct appropriate consultations on annual budgets, three administrations were selected: Leskovac, Blace and Novi Pazar. While the Toplica Centre (TC) supported Blace in organising public hearings, the Balkan Investigative Reporting Network (BIRN) carried out activities in Leskovac and Novi Pazar. The LSGs were selected based on the population size (to ensure adequate coverage and impact), annual budget value (to give example of budget consultations on more complex budgets) and availability of local media (who can publicize the news about the process). As the activities/partners have been identified in the PROGRES Description of Action, direct grants were issued[55].

In cooperation with the Blace Mayor and the financial department, Toplica Centre brought in an expert who chaired the sectoral public discussions (on infrastructure, economic development and social services) held in November 2010 in the municipal assembly hall. Thirty five citizens and representatives of budget institutions[56] took part in discussions. In accordance with the plan of activities, 2000 leaflets were designed, printed and distributed at public discussions, on the main town square, and were also available at the counter of Blace Citizens' Assistance Centre. One-hour television programme was produced with the participation of the budgetary expert, Blace Mayor and PROGRES Deputy Programme Manager. This was an opportunity to deliver some of the key good governance messages, as well as to talk about Programme's implementation modalities, impartiality, capacity building et al. This was an important step into the right direction (more citizens' involvement in defining key local policies) which demonstrated clearly the need to continue and expand these kinds of actions.

As for BIRN activities in Novi Pazar, the most important achievement was direct influence on the city's 2011 budget and adoption of recommendations from the survey on budget priorities which will result in the increase of the amount allocated to social care.

In both Novi Pazar and Leskovac, 16 budget delegates were trained, setting a base for further actions and monitoring of the local budgets execution, as potential follow up of the project. BIRN signed Memoranda of Understanding with both cities, obliging them to continue strengthening the concept of citizens' involvement in defining budget priorities in future.

Finally, the most visible part of the project were two street actions "Make your own budget", where several hundred citizens, in Leskovac and Novi Pazar, got a chance to state their budget priorities, which were reported later on to the City Assembly, and thus influence planning of local budgets.

[55] In case of the OSCE, PROGRES exchanged letter of commitment for implementation of activities and covered the costs of trainers, travel and accommodation of participants.

[56] 22 men and 13 women

Final internal evaluation[57] of both projects confirmed that they succeeded in achieving their nominal objectives, as planned for such short pilot-initiatives – to engage citizens, their organizations, professional associations, local business communities and other stakeholders in dealing with the issues that matter to them, in assisting the municipalities in prioritizing these issues and providing direct inputs to local policy makers. A broader involvement of the grassroots stakeholders and a sustained build-up of their capacities remained as underlying issues for both endeavours. Two implementing organizations applied two different approaches: one was more traditional, relying on citizens' remembrance of the similar practices from twenty years ago; the other was more creative and modern in its approach, not hesitating to seek for citizens' opinions in organized street actions. Conclusions and recommendations will be used when developing ToR for next iterations of this activity.

Next iteration of the participatory budgeting (PB) activities for twelve municipalities (eight in the South West Serbia and four in Toplica District) is to start in early September 2011. The ToR has been finalized and advertised, with a deadline of end of July 2011.

The participatory budgeting (PB) activities are very much in line with the Programme aspiration to support introduction of accountability, transparency, efficiency, effectiveness and inclusiveness in local governments. The Programme envisioned and planned activities for supporting local self-governments (LSGs) in conducting consultations with citizens and their organizations on municipal annual budgeting, within a wider framework of promoting and promulgating good governance and its principles.

Another project implemented under this activity was in partnership with the Organisation for Security and Cooperation in Europe (OSCE), a two-day seminar/workshop for the representatives of three municipalities[58] and their local media, in December 2010. The seminar addressed important roles local administrations and journalists have in the fight against corruption. The representatives of the State Agency for Fight against Corruption presented and discussed the existing legal framework, their competencies and authority in regard to anti-corruption activities at local levels. Two renowned media experts enlightened the anti-corruption fight from media standpoint, providing colleagues with their experiences and expertise in investigative journalism, one of the key links in anti-corruption fight.
Corruption is one of the biggest problems Serbia is currently facing. Improving awareness of general public - but LSGs and local media in particular – of the need for revealing, reporting on and fighting corruption in an organized way is one of the country's top priorities. The seminar aimed at providing specific knowledge, skills and tools to the participants, thus increasing the overall preparedness for revealing, reporting on and prosecuting cases of corruption at local level. The group of local journalists trained on this seminar attended a regional seminar on investigative journalism, organized by South East Europe Media Organization (SEEMO) in June 2011, which was continuation of activities started by PROGRES/OSCE in December last year.
What could appear at the beginning as a small effort of limited reach, if planned and executed well, sometimes snowballs to a significant capacity of a particular group, readying them to continue grinding the problem they are tackling in a more effective way.
Preparations for the next round of OSCE/PROGRES anti-corruption seminars are underway, although, according to mutual accordance, the seminars will take place in late autumn 2011.

Preliminary approach on how to conduct an effective study tour on participation in municipal budgeting process has been conceptualised. Two cities have been recommended by MSP/SCTM for

[57] Available with PROGRES
[58] Leskovac, Novi Pazar and Blace

such a visit – Požarevac (in central Serbia) and Kikinda (in Vojvodina) and relevant contacts have been obtained. Next step will include identification of interested parties from the Programme municipalities.

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

This activity was always seen as complementary to the activities in the Component 3, which would ensure good governance principles are applied to some of the key infrastructure projects. This would enable PROGRES to set some conditionality but also to work on adequate engagement of all partners, in line with their organisational responsibilities/structure, system of powers, resulting in transparency and full accountability of the PUCs.

During internal discussions, approach to this activity has been changed from looking for "a willing municipality implementing one of the key infrastructure projects" as set by the Programme Document, to designing a holistic approach with good governance as an over-arching topic to a regional project, such as the Banjica Landfill, Leskovac Green Zone or Pester Agro Business Development[59]. Since these projects are currently in different stages of preparatory activities and their in-the-field implementation is not expected to start by the September 2011 at the earliest, the time has been used to develop and detail this approach, in coordination with the Swiss good governance experts and through in-house consultations. The Ministry representatives are of key importance in the process but discussion to ensure that the landfill can be made operational with a sustainable management structure, have stalled in recent months.

All actions should be complemented by training on media literacy for politicians and local media awareness on government responsibilities. OSCE has been identified as potential partner for this training and we have already received a concept note, which will be developed into a full project proposal at the time of the implementation of the core activity.

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

The key partner for this activity, Novi Pazar based NGO DamaD, was granted funds in April 2011[60] for a project that envisages lobbying for the adoption of the European Charter, and work on preparation of Action plans for 12 municipalities in the South West Serbia and Toplica. This is to complement activities of other donors in the area, particularly PBILD which operates in the South Serbia (Jablanica and Pčinja Districts) and has gender equality as one of its key activities, but also SCTM which has a country-wide perspective.

DamaD began the project by training four gender equality councils (GECs) from Toplica municipalities. Although the quality of training was on a high level, DamaD preparatory activities may have not been adequate which resulted in lower attendance by the councils' members. Immediate curative measures were proposed to DamaD and the second training, which took place in June 2011, fully met objectives.

One of the key successes within this activity was forming of five gender councils, following PROGRES advocacy/lobbying efforts: Raška, Sjenica[61], Kuršumlija, Blace and Žitorađa, while Nova Varoš

[59] Please see Component 3 for more details on all projects.

[60] Since DamaD has been identified as project partner in the Programme Document, there was no need to get the approval from the PSC for the activities.

[61] In Sjenica and Nova Varoš, PROGRES endeavours were made easier by the fact that a number of municipal officials have previously undergone extensive training on gender equality, funded by the UK's Department for International Development and implemented by DamaD

nominated one administration employee to perform the tasks related to gender[62]. Raška prepared its Action Plan for 2011 and adopted it at a Municipal Council session[63], while all four Toplica District municipalities had their constitutive sessions in June 2011.

PROGRES also organised a presentation of the European Charter for Equality of Women and Men in local Life in Prokuplje, in cooperation with the OSCE National Programme Officer for Equal Opportunities, Zorana Šijački, for Toplica District municipalities. This session, and the ensuing discussion reconfirmed relevance of PROGRES' approach to these questions and reiterated importance of these activities to the municipalities. Subsequently, Prokuplje became the first PROGRES municipality to vote for the adoption of the Charter in its Assembly.

Last but not the least, PROGRES team prepared an analysis[64] of the number of women that participate in the decision making processes in local institutions founded by local self governments in the South and South West Serbia. The analysis should give all relevant stakeholders a clear picture of gender equality and participation of women in political, economic and social life of these communities. The figures are indicative: median level of overall representation of women in local self governments, local public organizations and institutions and local PUCs as well, in the South and South West Serbia, is around 26%, with as much as seven municipalities showing this participation below 20%. Analysing some specific areas of women participation demonstrate the lack of systemic approach to gender equality issue, e.g. in some municipalities in the South Serbia, there is no representation of women in local institutions, while at the same time, in another municipality, in the same district, it exceeds 70%. It is therefore very important to continue with providing support to gender mainstreaming processes in the Programme AoR.

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

One of the projects planned within this activity was to be subcontracted to the Project for Ethnic Relations (PER) with an aim to break the deadlock in establishing the multi-ethnic local executive in the municipality of Bujanovac and to encourage interethnic cooperation in decision making in the municipality of Presevo. However, following extensive consultations with the Coordination Body for Preševo, Bujanovac and Medveđa (CB), the Organisation for Security and Cooperation in Europe (OSCE) office in the South Serbia, the British Embassy (which previously supported a similar project), as well the assessment of the current situation, PER was asked to revise their proposal and review methodology and approach so that genuine progress on a number of issues is made. PER was also given a detailed overview of the circumstances in the South Serbia and suggestions in which direction this revision could go: provision of the practical support to the establishment of the National Minority Council (NMC), education through organisation of local study tours to advanced areas, work on de politicizing the NMC, facilitation of establishment of the working groups (on health, education or similar) to name a few. However, on 22 October 2010, the PER President informed the Delegation of the European Union (DEU) and PROGRES that the PER Board had decided to decline the grant.

Negotiations are still on-going on how to best reallocate 50,000 Euro originally envisaged for this activity. There were several donor coordination meetings at the Ministry of Human and Minority Rights, Public Administration and Local Self Government, which showed there was a big interest in support of the Councils, especially the Albanian (established for the first time) and the Bosniak (establishment pending). In addition, PROGRES staff is in regular contact with the OSCE

[62] Please see Annex II, attachment 2.4 for Raška, 2.5 for Sjenica, 2.6 for Blace, 2.7 for Kuršumlija, 2.8 for Nova Varoš and 2.9 for Žitorađa for municipal decisions

[63] Please see Annex II, attachment 2.10 for Raška Action plan for 2011 and 2.11 for Raška Decision to adopt Action Plan

[64] The analysis is available on PROGRES website (www.progresprogram.org) posted the end of April 2011.

Democratisation Department, the CB, as well as the UK Embassy, Belgrade Fund for Political Excellence, to name a few actors. Unilateral coordination of PROGRES with other contributors continues, and ways forward will be identified during summer 2011.

Good Governance as the Programme's Crosscutting Topic

Introduction

In a broad context, Good Governance (GG) could be defined as a system of values, policies and institutions, by which the society/community directs and manages its social, political and economic affairs, through interaction of state/local authorities, citizens, civil society and private sector. It is a lasting *process* with the ultimate aim of improving quality of life and well-being of citizens.
The Swiss Agency for Development and Cooperation (SDC), which has been providing back stoppers to support PROGRES, recognises five main principles of GG: accountability, transparency, participation, non-discrimination and efficiency.

PROGRES' approach to GG is comprehensive and thorough both in its breadth and depth. This is clearly visible from the way the Programme endeavours in addressing the related issues. The Programme was envisioned to deal with it on two concurrent levels: Component 1 itself and at a crosscutting (overarching) level.

The latter secures the Programme's depth in striving to establish the GG concept and its key principles in the wide range of socio-economic projects it implements. It is the key to PROGRES approach to implementation of the development programme: providing relevant support to (re)introduction of the right kinds of institutions at the local level. This is contributed in parallel to, by fostering compliance with or the implementation of relevant legal process or by-laws, by encouraging and supporting the partners to adopt, adapt and translate into real-life such concepts as accountability/rule of law, transparency, participation or equality, to mention but a few. The approach also helps in putting LSGs in a position to enable civil society and private sector to mobilize human and other resources in a joint attempt to improve overall quality of life of the citizens.

What Has Been Done

Endeavouring to apply this approach and to secure GG in the said manner is being present throughout the Programme and in all of its projects PROGRES is dealing synchronously with the issue on two parallel planes: internally and externally.

Internally, with the assistance provided by the SDC's Back-stoppers (BS), experts in the field of good governance, the Programme worked hard on expansion of its existing related knowledge base. To that purpose, no less than five BS' missions have been organized and carried out during the first year, spanning from September 2010 to June 2011. In addition to this, the Programme had intensive internal discussions on GG during two general staff meetings, the Programme retreat (June 2011) and in a number of the Programme management meetings.

The Programme used these missions to fine tune its approach towards GG looking both inwards and towards the ways of implementing the planned sub projects. This resulted in reviewing, discussing and adapting several documents related to internal organization and procedures when it comes to adhering to good governance principles in project implementation, such as *Steering, Monitoring and Evaluation of Infrastructure Projects* or *Project Organisation and Planning for Inter-municipal Infrastructure Projects*.

The BS also provided support in drafting two more documents – *Functional Diagram on GG as Crosscutting Topic* (actors vs. activities) and an umbrella-document *Strategy for Implementing Good*

Governance. With these two the Programme got its internal framework for GG approach assembled. In future modules could be added to this if and when needed.
As the consequence of the said, both the Programme and its staff are now much more responsive and susceptible to the subject itself and to the ways of making these often abstract notions tangible and implementable in the reality through the projects the programme is carrying on.

Externally, the Programme commenced communicating the GG concept, its principles and applicable ways for making them present and tangible in the projects the clients are implementing with PROGRES support. In this process, the Programme was also assisted by the SDC's Back-stoppers.

To that purpose, the Programme organised several seminars, workshops and meetings with targeted audience and participants. First seminar on topic "The Importance of Good Governance" was organised in the beginning of February 2011. The two-day seminar was held consecutively in Novi Pazar and Vranje for mayors, municipal council members, local assembly chairpersons and heads of local administrations as well as CSO representatives from South West and South Serbia municipalities respectively. The aim of these events was introducing the municipalities' decision makers and other stakeholders with the concept and principles of Good Governance and heralding the overall related process that was before them and the Programme in the months to come.

Early in March the Programme organised a meeting with representatives of Standing Conference of Towns and Municipalities (SCTM) with aim of discussing the so-called vertical dimension of the GG approach. This refers to relation between the State and the LSGs. PROGRES envisioned a whole host of activities in that direction, with a plan of collecting related knowledge and experiences from the local level and transfer it to the state level at end of the implementation period. To that purpose, PROGRES also organised two workshops in June 2011 for targeted representatives of all twenty five municipalities. This is where the expertise and experience of the participants came to light: divided in three working groups (municipal finances, municipal structure and legal relations between the State and municipalities) and answering the questionnaire pre-designed by the BSs, the participants seized the opportunity and identified & documented through examples as much as possible, a number of unresolved issues in functional relationship between them, the State and the citizens.

A separate meeting was held in March 2011 with the Mayor of Leskovac on good governance aspects of the regional Green Industrial Park project in the City, which was under development at the time and for which the City is requesting PROGRES support and participation.

The Programme also addressed GG aspects of municipal and inter-municipal infrastructure projects. For the former, the Programme used June 2011 workshops, where the participants were also in a position to discuss their projects from a good governance stand point of view, after being properly introduced into GG specificities. The aim was to bring the subject closer to the participants and make it more tangible for them. The latter (inter-municipal projects) was addressed during a meeting organised in June with the four mayors whose municipalities are participating in the Banjica Landfill project (Nova Varoš, Sjenica, Priboj and Prokuplje). The meeting provided specific information to the decision makers on project organisation aspects of the endeavour and on organisational models for the Landfill managing entity.

Impact

- Improved understanding and susceptibility of the Programme and its staff to GG, its concepts and applicability of the both
- The recognisability of the subject increased among the clients
- Approachability of the subject, its importance and understanding of the need for its introduction increased among the clients

- Understanding of the linkages between infrastructure & other projects and GG, as well as the purpose and the end goal of having these linkages, increased among the clients

Lessons Learned

- A sustained effort in advancing GG concept, its principles and applicable practices in the projects is needed throughout the Programme lifetime, in order to ensure optimal and sustainable impact on the clients
- Addressing GG issues throughout the Programme requires significantly more designated resources in terms of staff, time and finances than initially anticipated

Next Steps

- Incorporate GG issues in implementation of Component 3 projects
- Set a plan for addressing GG as a crosscutting topic for Y-2
- Draft a budget for GG as a crosscutting topic for Y-2 and Y-3.
- Address the staff resources, translation, workshop/meetings and travel budget lines with SDC when the present contract is negotiated for renewal during September/October 2011.

Component 2: Municipal Management and Development Planning

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

Outputs

- Contracts for three citizens' assistance centres signed

Imminent outcomes:

- Citizens' Assistance Centres (CAC) will be technical/organizational tool for the municipalities to increase the level of quality and efficiency of services for their citizens, but also increasing transparency by providing an open-space and citizens-friendly working environment

Activities

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

Citizens' Assistance Centres (CAC) are technical/organizational tool for the municipalities to increase the level of quality and efficiency of services for their citizens, but also increasing transparency by providing an open-space and citizens-friendly working environment.

During the inception period, PROGRES has ascertained that CAC do not exist in Crna Trava, Bosilegrad, Trgovište and Žitorađa. As CAC establishment in Žitorađa is supported through EXCHANGE project[65], PROGRES sought and got approval in the first Programme Steering Committee (PSC) meeting in October 2010, to proceed with works on the other three. The final approval of funding allocation was given by the PSC in the April 2011 meeting.

The functional assessment[66] and the meetings with the officials have shown that the municipalities were unaware of how much the construction of the CACs would cost since they don't have any technical designs or Bills of Quantities (BoQs) (although for Bosilegrad extensive construction works are anticipated). Therefore, a two-phased grant approach has been taken, wherein the grant agreements with the municipalities, based on approximate amounts for creation of technical designs is transferred to the municipal accounts. Once the design is finalised and after all necessary permits

[65] They have already started with preparation of technical documentation. PROGRES may be asked for additional support
[66] The functional and IT assessments are available at PROGRES.

are obtained, the PROGRES Engineer will confirm technical viability which will trigger the release of the second grant tranche, for works and equipment. The exception to such approach is Crna Trava which received a grant from the Government Office for Sustainable Development of Insufficiently Developed Areas for technical design for a complete reconstruction of almost dilapidated municipal building and that design would incorporate a CAC.

During June 2011, full projects were finalized, translated, quality checked and grant contracts signed by UNOPS. The entire set of documents as per UNOPS corporate requirements will be signed by LSG parties in early July 2011.

Although the initial plan was to dedicate EUR 195,000 for three CACs, upon completion of the functional, engineering and IT assessments, the total committed amount is EUR 136,000 which opens the possibility to dedicate more funds for the modernization of already existing CACs. The municipalities have already, in their original requests[67], asked for significantly more than the EUR 40,000 foreseen for this sub-activity. The PSC in July 2011 will be asked to approve redirecting the uncommitted balance of EUR 59,000 to the modernization and upgrade of existing CACs along with detailed presentation of number of municipalities and actions that will be conducted. The next steps are to review the real needs and priorities and to enter direct discussion with municipalities to select the ones where IT upgrade will make the biggest impact. Letters were subsequently sent to Mayors to inform them that the final decisions will be made in Q4 2011.

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

The cluster sub-activity was planned for joint implementation with the Ministry of Economy and Regional Development (MoERD) which was scheduling to publish a call for proposal to support the establishment of new clusters. However, this has been changed, and the Ministry will only support diversification of the production of the existing clusters, for two months (October and November 2011). As PROGRES goal is a long term support to cluster development in South and South West Serbia this activity will continue separately of MoERD programme but looking to the possibility for connection with it during 2012.

In regards the assessment of needs for Business Incubator Centres (BIC) the baseline took longer than planned as there are serious issues with the existing Centres except in Vranje which is the only valid LSG/BIC joint project idea in the PROGRES AoR and will be the subject of an Investment proposal to the PSC in the September 2011 meeting. For example, the BIC in Prokuplje has reached an understanding with the Government to initiate a transformation process and become Free Trade Zone South. However, one of the major obstacles for PROGRES to support Prokuplje and other Centres in this process are ownership issues as most of the BIC premises are in private ownership. and A transformation of BIC from private ownership to allow PROGRES support would lead to abandoning or at least minimizing the incubator approach for start-up entrepreneurs and businesses.

Conceptualizing, enabling development of, and facilitating support to privately owned BICs is a function of the Ministry of Economy and Regional Development and PROGRES staff are actively inputting data and support to that Ministry to assist in policy development.

[67] In regards technical improvement of existing CACs, a baseline was established during October 2010: developed questionnaires were distributed to municipalities and 13 projects were received in the given timeframe. Adding up the budgets requested by the applicants, it was clear that the figure needed was much higher than PROGRES available allocation

The only other possible initiative at this stage for establishment of a new BIC came from Preševo, which firstly needs technical assistance in resolving problems related to the potential premises before support can be considered.

During the assessment process, PROGRES has consulted the National Alliance for Local Economic Development (NALED) and asked them to include more local self governments from PROGRES' area of responsibility in their "business friendly" certification of municipalities. Such a move would be fully in line with the capacity building of municipalities for economic development, envisaged in PROGRES. So far, Medveđa and Prokuplje are in the process of certification and PROGRES can provide limited technical assistance. Vlasotince will start the certification process soon, and PROGRES can assist the municipality in filling in the project documentation. It was agreed that PROGRES will support NALED in preparation of assessment of municipalities that should also result in an action plan. Once available, NALED will share it with PROGRES for consideration of further technical assistance to municipalities, baseline assessments etc. Cooperation with NALED is also possible in reducing of administration procedures, applying NALED's Grey Book of Procedures that have negative impact on business environment in municipality.

Furthermore, support to municipalities in building of their capacities for enabling business friendly environment will be provided through specific economic infrastructure projects. Namely, for projects such are development of industrial Green Zone in Leskovac, Pester Development Centre in Sjenica where PROGRES will recommend to PSC in July 2011 to provide support in defining of management, organizational and business plans for these new economic facilities, as well as support to municipalities in preparation of Foreign Direct Investment Plans and sets of services that municipalities can provide to potential investors. This will be done in parallel with the development of infrastructure side of the projects.

Despite all delays in the implementation of this activity, there are no serious ramifications to the Programme implementation or outcomes as the activity was planned to last for a year and since potential projects will take from six months to a year to be implemented, there is enough time to complete it within the overall Programme duration.

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

The support to develop One Stop Shops (OSS) is closely connected to establishment of industrial parks and zones (such as the planned zone in Leskovac). Draft criteria for selection of municipalities have been prepared and will be finalised in H2 2011 to coincide with the start of works on the economic infrastructure projects as a complementary action within the overarching holistic approach.

Once formed OSS will be a link between local economic development (LED) offices in municipal administration, industrial zone and relevant PUCs in municipality. This way a structural system for attracting of investments will be created with full scale sustainability. It will also lower the burden on citizens and investors when it comes to establishment of new businesses, thus increasing the efficiency of the LSGs.

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

This activity is conducted in cooperation with the Standing Conference of Towns and Municipalities (SCTM), which has regular discussions with the cities of Novi Pazar (with Tutin, Sjenica and Raška) and Vranje (with Bujanovac, Preševo and Vladičin Han) for establishment of common IT system. Forming of these two centres would not only have functional benefit but also political consequence as establishment of a common IT system between multiethnic municipalities can add value to inter municipal cooperation and stability of the regions. The SCTM will provide necessary support to

PROGRES in negotiation process as well as technical documentation on methodology for forming of common IT system.

Additionally, initial agreement has been reached with the GiZ project, which supports improvement of tax administration and tax collection on local level, to co-fund establishment of Vranje Joint IT Centre.

Furthermore, a visit from the PROGRES AoR to the first common IT centre for local administration in Užice, established for this city and the municipalities of Arilje and Požega, was conducted in May 2011, in partnership with the MSP programme in Kraljevo (who supported this centre), and SCTM. GiZ representatives also participated in the exchange tour to Užice.

The questionnaires and selection criteria for LTA support and update of taxpayers' database were disseminated to all municipalities, completed and received at the end of June 2011. The analysis and preliminary selection will be completed in the first half of July 2011. An action plan and co-funding proposal for Vranje IT Centre has been drafted with a presentation to the PSC expected on 27 July 2011. According to information obtained from GiZ, but also from a number of municipalities, the announced discount for software maintenance the Institute "Mihajlo Pupin" approved for Joint IT centres is being set at just 5%, which brings the economy of scale and interest of municipalities to participate in such initiatives under a question mark. Efforts are being made to further investigate this and an assertive action towards "Mihajlo Pupin" is being coordinated between MSP IPA 2007, GiZ, SCTM and PROGRES.

There have also been discussions with the National Employment Services (NES) about possible training of unemployed persons to perform the collection of data for the tax-payers database in several municipalities. The inability to come up with a good model caused some delays in implementation of this activity. The other reason for delay was the readjustment of some activities to avoid overlapping with the GiZ actions.

The existence of an improved tax administration and municipal budget system will contribute largely to accountability and transparency when it comes to tax-payers money and its effective use.

2.5 Support LSG to strengthen financial management capacity

This activity is delayed, due to plans to follow the methodology for programming budgeting that is being prepared by MSP IPA 2007 and should be adopted by the Ministry of Finance, so that it can be disseminated to the municipalities. However, it is still not clear whether the MSP IPA 2007 or the Standing Conference for Towns and Municipalities (SCTM) submitted the methodology to the Ministry.

During its annual planning exercise, in June 2011, PROGRES discussed alternatives and there are other ways to move forward:

1. Formation of a small inter-municipal working group consisting of Heads of Finance departments from at least five municipalities from the PROGRES area.
2. Organization of seminars/workshops/trainings for budget users (municipal institutions, PUCs, education facilities and similar) that would be conducted in line with the regular annual budget cycle. Concrete outputs would be first programme budgets for 2012 in at least five-eight PROGRES municipalities adopted by the end of the year. This approach would require intensive use of consultants both for the events and for on-the-job consulting.
3. Support other aspects of municipal finance management: expenditure control, internal audit mechanisms, or similar

Final decision and recommendations will be made in July 2011 of which approach to take.

2.6 Introduce Quality Management System in Municipal Administration

Following assessment of the existing quality management systems (QMS) on municipal level and consultations with the SCTM, it was decided to use their methodology to develop the ToR for the consultancy, which will hold introductory presentation to municipal decision makers and select municipalities for introduction of QMS.

The first phase of the QMS introduction began with the selected consultancy, Sertifikacija, holding workshops in Nova Varoš and Novi Pazar in June 2011. The quality and quantity of the information presented and the knowledge shared with municipal representatives was on a high level, although the interaction of sessions could have been improved. The municipalities have also filled in the assessment questionnaires and expressed interest in QMS implementation and certification. The next round of workshops is scheduled for mid-July 2011 after which the initial recommendations will be completed and submitted to PROGRES for final selection of five LSGs to enter the full process.

Upon completion of the first phase, total expenditure was USD 4,700 while initially planned funds were seven times higher. PROGRES may seek approval from the PSC to re-direct savings into the implementation phase, opening possibility to cover the costs of certificate issuance for municipalities which had not been foreseen by the original work plan and budget allocation.

In addition, a revision for the implementation phase of the project should be reconsidered, due to pre-election campaign and post-election establishment of new LSG officials (essential for the process).

Once finalised, the QMS certification would potentially increase administrative aspects of accountability, transparency, efficiency and non-discrimination in service delivery of municipalities, in line with the overall good governance efforts in PROGRES. However, pure governance is not the primary reason for the activity as it is intended to equip municipalities with a technical tool to track their internal processes and act accordingly. This, in turn, will provide another entry point for discussion with municipalities regarding municipal reform processes as QMS will provide information on the functional and organizational aspects of administration.

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

Outputs

- Implementation underway of 12 grant contracts for urban planning: four for general regulation and eight for detailed regulation

Imminent outcomes:

- Preparation of urban plans in municipalities will positively impact capacity of the local administrations to regulate urban development, through the ability to issue building permits and conditions for urban infrastructure.

Activities:

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

The deadline for the adoption of municipal spatial plans was March 2011 and for the adoption of municipal general regulation plans September 2011.

In most PROGRES municipalities, design of spatial plans had been contracted well before Programme's official start. Therefore, the PROGRES team sought and received approval from the

Programme Steering Committee[68] to focus instead on urban planning documentation: general regulation plans and detailed regulation plans.

Project application forms were prepared and distributed to municipalities and 24 applications for support were received – five for spatial plans, 11 for general regulation plans, eight for detailed regulation plans and one for IT equipment for Urban Directorate. After careful analysis of applications 19 proposals have been selected and PSC approval for further development and financing gained. In parallel, during an open recruitment process, PROGRES took on a consultant for urban planning with an aim to support monitoring and implementation of awarded grants.

Priboj, Prijepolje, Nova Varoš and Bujanovac received contracts for general regulation plans at the end of February 2011, appointed their project teams immediately and opened dedicated grant sub-accounts, as envisaged by the grant action plan[69]. So far, only Nova Varoš finished tender procedure and requested transfer of the first payment. Prijepolje has submitted an official request to change the grant implementation methodology, which has been declined. The municipality went ahead and advertised the tender without PROGRES approval, thus breaching the grant contract. They received only one valid and complete offer for 9.7 million RSD. PROGRES is currently reviewing the tender process and will decide on further steps based on opinions provided by the legal and planning experts in early July 2011. Bujanovac and Priboj are four months behind in transferring matching funds and remedial actions and follow-up meetings have occurred to investigate the reasons for delay and identify potential alternative solutions. Proposed ways ahead will be agreed in the first weeks of July 2011.

The PROGRES Steering Committee (PSC) approved in February 2011 preparation of another eight planning documents - detailed regulation plans, for six municipalities - Blace, Vladičin Han, Vlasotince, Tutin, Raška and Sjenica. Grant implementation action plans have been completed, accounts opened and meetings of grant implementation teams took place. Tender documentation is in preparation. Vladičin Han, Sjenica and Tutin have transferred their co-funding either completely or over 50%, while Raška is transferring instalments while finalizing the tender for advertisement and has so far released 40% of their co-funding. From the technical point of view, the cooperation with these municipalities in defining the grant action plans and preparation of the public procurement have been very good. The only problematic municipality is Vlasotince that failed to achieve anything except the appointment of the Grant Manager. Urgent remedial actions are planned for early July 2011.

Methodology for infrastructure master planning (IMPM), developed within PRO programme (after requests from and consultations with the MoERD), and delivered to the participating municipalities, was meant to facilitate prioritising of infrastructure projects. During the first visit to the South West Serbia municipalities, it looked as if they were not using the tool. On the other hand, Leskovac, Vranje and Bujanovac have expressed interest in using the methodology. Although the implementation of this sub-activity is foreseen by the PROGRES Programme Work Plan for Q4 2011, these initiatives are showing that the LSGs are aware of benefits from the infrastructure master planning and an earlier pre-selection of municipalities will be needed.

Finally, since all municipalities have or are in the process of development of waste management plans there is a possibility that PROGRES support in this area will be less than expected so funds from this budget line can be used to support more DRPs.

[68] According to the UNOPS' procurement rules and procedures, PROGRES cannot be involved once the public procurement procedure has been finished and contracts signed

[69] Presented at the first PSC meeting in Novi Pazar, in October 2010

At the end of June 2011, the uncommitted funds in this activity were EUR 268,000, for two reasons: 1. the limited number of applications for DRPs in the first call; 2. Lower grant budgets than initially estimated. This will allow the second invitation for municipalities to apply for funding for DRPs preparation, but will also mean a prolongation of the planned implementation by at least another six months or more. However, this will not cause negative influence but rather add value as the selection of second round DRP grants will be based on current priority infrastructure needs in the municipalities.

Overall, the preparation of plans in the selected municipalities will positively impact capacity of the municipal administration to regulate urban development, through the ability to issue building permits and conditions for urban infrastructure.

3.2 Assistance to municipalities to establish effective and sustainable mechanisms for implementing their development strategies, and reporting on progress to the municipal assemblies.
The initial coordination with the Peace building and Inclusive Local Development programme (PBILD), which is looking to establish monitoring mechanisms in almost all municipalities of the South Serbia, resulted in PROGRES seeking/getting Programme Steering Committee go-ahead in April 2011, to focus on the South West Serbia and Toplica District.

The advertised request for proposals for establishment of local sustainable development strategies (LSDS) monitoring and reporting mechanisms closes at the end of July 2011 and should result in an integrated monitoring of development strategies and action plans revisions.

3.3 Support to LSGs in planning to improve citizen access to key public services and social welfare entitlements regardless of citizenship status or ethnicity.
No formal activities have been conducted in the first year and development of actions is expected in H2 2011. However, the PROGRES team continues to closely monitor developments in regards the housing situation /social welfare entitlements of Roma who have been resettled from the Gazela Bridge and will be ready to action in case of urgent issues.

In addition, the results of the two-year Swiss-funded Migration project in the South-West Serbia[70], which focused on local institutions to facilitate Roma, IDP and other vulnerable groups access to public services including education, provision of free advisory services, support for employment, are being evaluated. This coupled with the lessons learned from the PBILD programme in the South Serbia (which modelled its migration activities on the PRO approach), and other donors' initiatives in the Programme area, will result in finishing design of this activity.

Component 3: Physical, economic and social infrastructure

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

Outputs:

- Developing of planning documents and main technical designs for three recycling yards underway

Imminent outcomes:

- Existence of technical documentation will improve capacity of the municipalities to attract investment but also to preserve environment

Activities:

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

[70] Implemented by PRO/PROGRES and finished in March 2011

A preliminary analysis of possible costs for the Activity 4.1, done by the PROGRES team during the inception period, showed that PROGRES would not be able to support more than three initiatives of this kind. In accordance with that, changes in the log frame have been made during the Inception Workshop in September 2010, and adopted by all stakeholders. In order for all mentioned projects to be developed, a higher financial contribution will be needed from the line ministries and municipalities, or securing additional funds from other sources.

The three initiatives that are being worked on are the Banjica Landfill, which provides an integrative waste management solution for Nova Varoš, Priboj, Prijepolje and Sjenica; waste water treatment in Kopaonik; and, the Meteris Landfill in Vranje, offering solutions for Preševo and Bujanovac.

Banjica Landfill:

1. After a desk analysis by geologist, hydro geologist and a civil engineer, analysis of the Banjica Landfill design and proposal for Terms of Reference (ToR) was submitted to the Ministry of Environment, and Spatial Planning (MoESP)[71], which gave a go-ahead for this project to be presented to the PROGRES Programme Steering Committee (PSC). The estimate of the cost of redesign was around 240,000 EUR, over three-six months and the PSC, in February 2011, approved PROGRES contribution of up to 200,000 EUR for the redesign.
2. As a part of integrative solution for solid waste management in municipalities Nova Varoš, Priboj, Prijepolje and Sjenica a transfer station for Sjenica municipality is envisaged. This is due to unfavourable weather conditions over the winter in Sjenica during which waste transport to the landfill is questionable. Sjenica has submitted its application to Eco Fund for funding a transfer station, which will be taken in consideration together with continuation of Banjica landfill construction.
3. The advert for three Banjica experts (technical, legal and economist) who will work to support further development of Banjica Landfill and inter municipal PUC (iPUC) had to be extended due to a small number of applications. This caused a one month delay and the consultants were selected in May 2011.
4. Furthermore, Prijepolje, Priboj, Nova Varoš and Sjenica are taking part in MSP IPA 2007 project which is supporting them in preparation of Regional Waste Management Plan. PROGRES is closely cooperating with this programme, as this Plan is directly connected with development of the regional Landfill Banjica. The three PROGRES consultants attended the regular MSP IPA 2007 workshop in June 2011 in Sjenica, and were introduced to the activities related to regional waste management plan.
5. A MoU between PROGRES, MoEMSP and municipalities, that will define relations and obligations of stakeholders for the Banjica Landfill and the recycling yards, is being reviewed by the Ministry's legal department and there should be some progress by the end of July 2011.
6. First meetings between good governance expert and the Banjica Landfill municipalities were held on 8 and 9 June 2011. Two possible legal forms of the future company (PUC or Ltd) were presented at the meeting. Both options are valid, consultants (legal and economist) are more in favour of Ltd, and since the second option was introduced to municipalities for the first time, it steered concerns and made some confusion among the stakeholders.
7. The three consultants had a meeting with the good governance expert in mid June 2011. It is when the visiting SDC funded back-stoppers (BS), heard that the second option for forming the company was mentioned to municipalities. BS were not against the Ltd company model (they even said that it is more economically sound proposal) but objected to lack of communication between all parties.
8. Finally, all consultants are on schedule in preparation of the requested documentation: the legal has prepared sets of founding documents for both PUC and Ltd and submitted them to

[71] At the time the Ministry did not have Mining portfolio

PROGRES for review; the technical is examining the insufficient landfill capacity and the lack of waste separation facility as key issues – his final recommendation will be submitted to the MoEMSP; the economist needs inputs from legal and technical consultants in order to finalize his proposal by the end of July 2011.

The expected outcome is that the waste management facility is established in the region, the Banjica Landfill management company is formed and sustainable and the mechanisms of accountability and transparency in its work are set.

Water supply system/Waste Water Treatment - Kopaonik

The Ministry of Economy and Regional Development, through Serbia Waters will reconstruct the existing Water Supply System on Kopaonik, due to urgency of the situation and frequent water shortages in the resort. Estimated value of the reconstruction is 1.85 million EUR. This measure, will not, however, permanently solve problems of the water supply on the mountain. The permanent solution for water supply will include a new system on both sides of Kopaonik (Raška and Brus). For this project general design exists and the MoERD and PROGRES are looking for possibility of joint action in preparation of preliminary and main design. Since the resort is in Raška territory, the waste water treatment solution for the municipality includes it. The general design with prefeasibility study, done under PRO2, is being revised by the MoEMSP, and the next steps will include development of preliminary and main designs. As MoERD has sufficient funds for water supply system but not for the waste water treatment plant, PROGRES' potential involvement in these two projects will be considered. In the meantime consultations have been held with MISP and Safage which have complementary activities.

Regional landfill Meteris in Vranje

In agreement with the Mayors and officials from three local administrations, PROGRES conducted an assessment of the existing documentation and prepared a comparative analysis of potential solutions that was presented to the MoEMSP and the municipalities on feasibility of Vranje landfill becoming regional.

The following conclusions were made:

1. The MoEMSP opinion is that the Vranje landfill has to become regional
2. The construction of the second phase of the landfill should be based on the existing Spatial Plan for Vranje
3. Consequently, development of technical documentation is necessary and the Ministry is willing to participate in this activity, in partnership with municipalities and PROGRES
4. Vranje needs recycling yard in order to reduce quantity of waste disposed on the landfill and again the Ministry will participate, in partnership with PROGRES, to support the city in this
5. Within next five years regional recycling centre should be constructed to cover municipalities Vranje, Bujanovac, Preševo, Trgovište and other interested municipalities.

Vranje Deputy Mayor confirmed that a Protocol was signed last year with Pčinja mayors about participation in the regional landfill. However, he was not aware that a feasibility study was done/presented by "Royal Haskoning" (under MIR2 programme) to Pčinja municipalities in 2008 (although never approved in any Assemblies). This shows again the discontinuity of the government since new people in the municipalities are not aware of previous programmes' results.

Overall, the projects in this activity are identified in coordination with the line ministries and partner municipalities as projects of inter-municipal and national relevance; i.e. the Banjica Landfill. The positive experience is that all partner municipalities declared willingness to actively participate, nominated responsible persons and gave support to PROGRES consultants. However the problems occur due to the insufficient capacity of the municipalities to carry out the project tasks. The project team does not meet if PROGRES does not initiate the meeting. Furthermore, the line ministry,

MoEMSP, is slow in formalising the partnership and of fully guaranteeing that funds are available from their side for implementation, although they have their member appointed in the Banjica Landfill project steering committee, creating uncertainty as to the financial viability of projects.

Lesson learned: It takes longer than we planned initially to formalise partnerships with government, ministries which consequently results in less active engagement by the partner municipalities. PROGRES will pay more attention to these problems and continue to encourage local administrations to be active. In addition, the municipalities still do not fully appreciate the importance of preparing technical documentation and the long-term benefits this can bring in their sustainable development. Furthermore in the over two-year gap that ensued from the completion of MIR to the establishment of PROGRES in the South Serbia, much of the technical documentation developed has not gone further and many of the institutional or project management procedures put in place during MIR in partnerships with LSG have not been sustained.

However, often because of seamless transfer from PRO to PROGRES there have been subsequent investments and further development of studies and designs previously prepared during the PRO Programme (PROGRES predecessor in the South West of Serbia) which justify focusing on project pipeline development in a more systematic fashion:

- General and preliminary designs with pre-feasibility studies for collector's network and waste water treatment plants for municipalities Novi Pazar and Raška, worth 210,000 Euro are the base of further developments of studies and technical documentation for the solution of waste water treatment (WWTP) in Raška, including Kopaonik tourist resort and Novi Pazar. EU MISP funded the feasibility study for the WWTP in Novi Pazar which was completed in April 2011 and decided to fund a feasibility study for WWTP in Raška, including Kopaonik. Consortium Safage, Seureaca and Eptisa will prepare tender package (documentation) for WWTP for Raška (this and above all based on PRO documentation), as a part of the Waste waters master plan for West Morava basin.
- Feasibility study for Managing of Regional Landfill Banjica - Nova Varoš and the independent revision of the project, worth 90,000 Euro are the documents being used in the Banjica Landfill project.
- General design with pre-feasibility study for tourism road on the Golija Mountain, worth 145,000 Euro – the Ministry of Infrastructure and Energy is expressing interest for the construction of 12 km lot from Golijska Reka to Odvraćenica.
- Feasibility study for regional landfill for municipalities Raška, Novi Pazar and Tutin, with the study on possibilities for Sjenica municipality, worth 35,000 Euro, the MoEMSP is promising to invest in the sanitation of the waste dump in Raška municipality.
- Main design for the kindergarten Bukovica in Ivanjica municipality worth 15,000 Euro secured the funds to build it. The municipality applied to NIP and was granted 350,000 Euro for the construction. The works are expected to finish in August 2011.

4.2 Selected municipalities supported to prepare documentation for municipal economic, environmental and social infrastructure projects

This activity is closely connected with 4.1, as parts of the large inter municipal projects relate to local level where support is needed in preparation of technical documentation. This primarily refers to recycling yards and it was agreed with the MoEMSP that PROGRES will support development of proposals for funding while the Ministry/Eco Fund will support project implementation.

The focus of this activity is on municipal projects which are already in the SCTM SLAP database and that need developing to a mature stage. Namely, those are: feasibility studies, main designs with tender documents, and assistance in developing of financial plans. However, in order to win the

financial support from PROGRES, the projects will also have to fulfil other criteria, as listed in the Guidelines for PROGRES Implementation[72].

Following the PSCs approval, PROGRES signed grant contracts worth 75,000 Euro for developing of planning documents and main technical designs for the recycling yards in Vranje, Raška and Nova Varoš in April 2011, as a part of a bigger programme for integral solution for waste management.

The MoEMSP action plan for 2011 envisages construction of 30 recycling yards in Serbia and while PROGRES will assist with the preparation of planning and technical documentation, the Ministry will finance construction of recycling yards. Within this programme the MoEMSP contracted the Faculty of Technology from Belgrade to prepare the main technological design for a typical recycling yard for settlements of up to 50,000 inhabitants. The design was published on the MoEMSP website in April 2011 and Vranje recycling yard will be based on it.

The implementation of grants is ongoing. Raška and Nova Varoš paid their contribution, prepared tender packages for PROGRES to agree and PROGRES transferred the first payment (20% of contract amount). Vranje is behind with activities and is expected back on track in July 2011. It is expected that MoEMSP will formalise their support for construction of these three recycling yards during July 2011.

In June 2011, following an agreement with the Office for Sustainable Development of Insufficiently Developed Areas (which also supports LSGs in preparation of technical documentation with a budget of 1.5 million Euro), PROGRES collected information on municipal needs for development of technical documentation for infrastructure projects which could be eligible for joint support. PROGRES received 134 questionnaires (meaning 134 potential projects). The majority of proposals relates to reconstructions and replacements of old networks with insignificant number of new structures or economic infrastructure projects. For example, only seven projects were economic infrastructure. The causes of this problem are very complex. PROGRES will perform a thorough analysis of this structural issues, which would incorporate an assessment of the Law on Planning and Construction, current situation and issues within municipal cadastres, current situation in municipal planning directorates and status of planning documentation, ownership issues on municipal level, which will be presented as a study on construction obstacles and possible solutions.

PROGRES is looking to formalise the cooperation with the Office by signing MoU in July 2011, and some possible areas of joint funding have already been identified: development of technical documentation for primary collectors and regulation of rivers Vidrenjak and Pečaonica in Tutin and construction of trade-business centre in Žitorađa.

PROGRES is also assisting Novi Pazar in the design of its Development Action Plan 2011-2012, in synergy with MSP IPA 2007, which will identify key local development projects. PROGRES will provide expert support for the design of technical documentation.

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

Activities:

5.1 Support inter-municipal partnerships to develop project finance plans

This activity is closely linked to providing assistance to municipalities in implementation of inter-municipal projects and adoption of the most appropriate funding mechanism and organizational structure. Banjica Landfill project, Green Zone Leskovac, Pešter Agro-Development projects are

[72] Approved by the Programme Steering Committee in October 2010

some examples – funding mechanisms developed using PROGRES expertise and contacts with government institutions and other donors (MoEMSP, Czech Republic, Office for Sustainable Development of Insufficiently Developed Areas, USAID, etc.) are integrative part of these projects.

Since all actions within this activity are carried out using Programme's internal resources, PROGRES will ask the PSC and Donor Representatives for the reallocation of funds to support municipalities with additional technical, legal and business expertise in developing projects.

Result 6: Selected projects financed and implemented through PROGRES
Outputs:

- Implementation of seven infrastructure projects in Toplica District started
- 14 local infrastructure projects selected for funding after the first call for proposal
- Development of two large inter-municipal projects: Regional Green Zone (Processing, Storage and Distribution Agribusiness Centre) in Leskovac and Pester Agro Development Centre, underway

Imminent outcomes:

- Implementation of local infrastructure projects will create better life conditions and safer environment
- Development of Leskovac and Pester inter-municipal projects will improve economy and create new jobs

Activities:

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

The formula for allocation of funds was approved by the Programme Steering Committee in October 2010 after which questionnaires were developed and sent to municipalities. 15 small infrastructure projects from all four municipalities have been received timely and the visits to municipalities started to authenticate the information from the applications, but also to clarify the criteria and conditions to the Local Economic Development Offices teams who were leading in project preparation. The initial assessment showed that municipalities did not think strategically in choosing priorities. Most of proposals are simple reconstruction of the streets, which remain important in its own way, but without the prospect of any serious economic, environmental or social impact on citizens. Blace, for example, submitted four proposals for repaving of streets in the first round.

Despite the vicinity of all Toplica municipalities to PROGRES Prokuplje office, and frequent visits by the Programme team and consultants with an aim to encourage submission of ready infrastructure projects, the process has been slow. Yet, following the second Steering Committee (PSC) meeting in early February, and the observation of the PSC Chairman about the limited availability of project funding[73], there has been improved dynamics in the process.

In March 2011, eight infrastructure projects from Toplica[74] were received and seven of them approved at the third PSC on 19 April, 2011, worth 560,468 Euro:

- Prokuplje: regulation of Strazevačka river and Health clinic - plateau regulation
- Blace: Health clinic Barbutovac and reconstruction of toilets in Primary school Stojan Novaković
- Kuršumlija: Clinical Laboratory and Finishing works – heating for the sports hall
- Žitorađa: stadium stands.

With this, Kuršumlija has exhausted the allocated amount, while other three municipalities need to continue working on project proposals.

[73] Reference: minutes from the Second PSC, held in Prokuplje on 9 February 2011, introductory speech by the Chairman, Ognjen Mirić, available at PROGRES website: www.progresprogram.org
74 Two from each municipality.

Grant contracts for all seven projects were signed by UNOPS on 31 May 2011. Grant implementation teams were formed in all municipalities, separate accounts opened within the municipal budgets and joint signatures deposited. Furthermore, PROGRES experts have examined technical documentation, and provided comments so that the municipalities could engage design companies to correct the documents and improve BoQs. Public procurement will start in July-August 2011.

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

Following the approval of the guidelines for applicants and application documentation by the Programme Steering Committee, a final revision of documentation was performed in November 2010 and the first call for small scale municipal infrastructure projects (CfP), worth one million Euros, was advertised on 6 December (to avoid overlapping with the Citizens' Involvement Fund) in national newspapers, on UNOPS and PROGRES websites. The introductory presentations/workshops were held for at least 250 relevant stakeholders, mostly from the municipal local economy development offices and utility companies, in December 2010[75].

The first CfP was closed on 28 February 2011, and PROGRES received 27 applications from 24 municipalities[76]. The evaluation committee assessed that all 27 proposals can pass the first, administrative and conceptual, check. Most projects were related to reconstruction of existing infrastructure facilities without a single project aiming to create new economic opportunities.

The second stage, in early April 2011, included the review of technical designs (and supporting documents) and the evaluation of full applications. It was found that 25 out of 27 projects need additional technical documentation or updating of existing ones and all municipalities were given a month to complete this. In parallel, full evaluation of proposals was done, and short term technical experts checked designs and confirmed the BoQ amounts, as well as technical specifications.

Although the quality of written applications was satisfactory, there was a problem with the quality of technical designs, which were not ready in the municipalities before the call (and hence could not be produced at a short notice up to a high standard). Furthermore, although the call was open for three months, the municipalities were active in the last month only. The LED offices usually have only one person who writes the project proposals, a problem when there is more than one call open.
The evaluation committee has prolonged the decision which projects to recommend allowing municipalities to correct as much as possible in the designs. Finally, all concept notes were sent to the Swiss good governance experts.

In the extraordinary PSC meeting on 30 May 2011, 14 projects were recommended for funding worth 1,292,192.52 EUR[77]. Every project has potential good governance aspects and the measures for linking those principles were identified in cooperation with the Swiss experts. For example:

- Bojnik municipality will, during the construction of dairy market, demonstrate how the principles of accountability and transparency are respected (who controls the work of the PUC, how is the distribution of stalls regulated)
- Boslilegrad municipality will use the procurement of containers and the vehicle for waste collection to demonstrate how the principles of efficiency and accountability are respected (how will the PUC income increase, how is the fee structure set, who controls the work of the PUC).

Full information on potential good governance aspects for each project is available in the Annex III; attachment 3.3.

[75] The lists of participants are available at PROGRES.
[76] All but Kuršumlija have applied for this call. The list of received projects is available as Annex III, attachment 3.1.
[77] The list of approved projects is available in Annex III, attachment 3.2

The final details and budgets were agreed with the municipalities during June 2011 and contracts are expected to be signed by the end of July 2011.

The set of documents for the second call was agreed and is ready for advertising in early July 2011. The amount available is half a million Euros, and all municipalities are eligible to apply. It is not expected that municipalities can come up with new project proposals for the second call, and a possibility to use the same projects, with improved documentation, should be considered. Following the consultations with the Swiss back stoppers, the guidelines for the second call, as well as the application form have included the obligation for the municipalities to identify some of the principles of good governance and measures for starting the processes using the infrastructure project grants.

Finally, several points should be reported about the whole activity.

During the call, PROGRES engineers paid regular visits to municipalities in order to ensure that the projects planned for submission are in full accordance with the technical requirements of the CfP. In addition, a pool of three consultants was available to work with municipalities and support them in preparing applications. No visits were paid to Kuršumlija (due to political problems at the time of the Call), Priboj (who did not produce a draft proposal that the consultant could work on, in agreed timeframe) and Leskovac and Medveđa, who did not request assistance. During the consultants' visits, e.g. in January, it was ascertained that only Žitorađa started to prepare its proposal.
Above others, the consultants highlighted these challenges in municipalities:

- Absence of project pipelines
- Projects did not derive from the local development strategies
- Low knowledge of project preparation and the project cycle management and lack of sufficient number of qualified staff.

However, it is assumed that the lack of projects with technical documentation is the key reason for absence of proposals which would develop new infrastructure. Changes in Law on Planning and Construction, costs of preparing documentation, current situation and issues within municipal cadastres, current situation in municipal planning directorates and status of planning documentation as well as ownership issues on municipal level further exacerbate difficulty in identifying infrastructure projects ready for financing. It is therefore unrealistic to expect PROGRES municipalities to have "off the shelf" infrastructure project proposals that were selected by applying higher principles of good governance such as citizen participation and transparency ready and waiting for finance to implement.

On a more positive note, it is worth mentioning that the investments during the PROGRES predecessor programme in the South West Serbia – PRO, and the MIR programme in the South Serbia – are showing results. Consultants remarked that municipalities: Prijepolje, Nova Varoš, Ivanjica, Bujanovac, Vladičin Han, Medveđa and Vranje use project cycle management tools to a very high standard. The high attendance of municipalities during the introductory workshops, the strict procedure set in the guidelines for the call was respected, and municipalities were responding and sending the additional documents.

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

At the start of PROGRES implementation, information was sought from municipalities about their involvement in regional environmental projects (landfills, protection of rivers) and regional tourism projects. The results were as follow:

1. In regards regional landfills, the information received from the municipalities indicates that the South Serbia has partly solved the problem through contracts with PORR Werner & Weber Company to use Leskovac regional landfill. Prokuplje, Leskovac, Lebane, Medveđa, Crna Trava, Vlasotince and Vladičin Han[78] signed the contract. The municipalities which were offered the contract, but refused to sign, were Žitorađa, Bojnik, Bujanovac and Surdulica.
2. The landfill Meteris in Vranje can be converted into regional and the municipalities of Bujanovac, Preševo and Trgovište see it as their option.
3. Regarding the South West Serbia, Banjica landfill is under construction, expected to be used by the municipalities of Prijepolje, Priboj, Nova Varoš and Sjenica[79].

All projects and those mentioned within the activity 4.1, will be further assessed for potential support depending on their readiness, overall criteria from Guidelines for PROGRES implementation and particularly through secured financial sources for their implementation and sustainability, which will all be in accordance with the good governance principles.

At the end of May 2011, the PSC approved, in principle, PROGRES involvement in the construction of communal infrastructure inside the inter-municipal Regional Green Zone (Processing, Storage and Distribution Agribusiness Centre) in Leskovac. The Green Zone will be an industrial zone, managed by the PUC initially.

A One Stop Shop will be established as an entry point to improving efficiency and effectiveness of municipal administration. The management structure of the Zone itself will be discussed with all stakeholders and models will be developed following principles of good governance. The first draft of the project proposal will be internally evaluated at the beginning of July 2011, and a formal submission to the PSC will be made at the annual meeting. This project can have a huge impact on economic development of the whole region as there are four companies already interested to invest into zone, which could potentially create around 1000 new jobs within the first two years after construction. This potential will gradually increase as the zone is further developing.

Another important regional Programme "Pešter Agro-Development Centre" was identified with Sandžak Economic Development Agency (SEDA) in May 2011. It merges and creates synergy with three other proposals targeted to different possible sources of funding. The concept of the Programme is designed to provide correlation and timeframe for various similar activities from different donors, and to conclude the whole idea of creation of multifunctional Centre which will provide high quality services as well as to attract and channel other additional sources of funding.

One of the partners, The Czech Development Agency will support two subprojects: forming of the laboratory for quality check of cheese (setting up/equipment and salaries for one employee within laboratory and one SEDA employee who will monitor the project. This project will last for two years). The second project relates to Sjenica cheese and entails equipping the Centre with packaging machine for cheese, trainings for HACCP introduction, and support to the process of getting geographical origin label for cheese.

PROGRES intervention will be complementary to the Czech support and could include: definition of the organizational and management model and area market opportunities; establishment of technical conditions for provision of services within the Centre; improvement of management capacities within SEDA and PDC.
PROGRES will submit the project for PSC approval in late July 2011.

[78] Kuršumlija is also considering this option.
[79] As elaborated in Activity 4.1

Both Leskovac and Pešter projects are complex and will demonstrate integrative approach (project management, project management structure, principles of good governance and a multi-partnership approach).

6.4 Implementation of municipal infrastructure projects in Pčinjski District municipalities
A total of 600,000 EUR has been added to the PROGRES budget from an unexpended European Union IPA budget line, for implementation of municipal infrastructure projects in Pčinjski and Jablanički Districts. Details of activities will be agreed with the donors and the Programme Steering Committee members in H2 2011.

Component 4 - Public Awareness and Branding of Areas

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

Outputs

- Communications strategy developed as well as Internal Communications Plan
- PROGRES 2011 Calendar successfully prepared following art competition for high school students
- 24 radio shows "Acting Locally, Thinking Globally" prepared and broadcast by Radio Sto plus
- Three Programme Steering Committee meetings organised effectively gathering key local, regional, national and international stakeholders
- PROGRES was presented at 23 municipal assemblies' meetings
- Organised seven functions on ambassadorial level
- PROGRES website operational and visited by over 10,500 people in six months
- Two quarterly e-Newsletters prepared

Imminent outcomes:

- Communications strategy provides guidelines for increasing awareness of target audiences about logic and effects of the Programme
- PROGRES Calendar award ceremony gathered youth from different ethnic communities thus contributing to changing negative perceptions and stereotypes, an important step to building a more stable future
- Engagement of key local officials in radio shows and their readiness to talk about important local themes, such as budget, in more depth and more bravely than ever before contributes to establishing better links between the local government and citizens but also to establishment of responsible and open models of behaviours of authorities
- Programme Steering Committee meetings continue to be sound channel for communicating achievements by gathering the most relevant stakeholders and media attention
- Presentation of the Programme and its activities to Assemblies ensures wide participation of local stakeholders
- The newsletter facilitates coordination among stakeholders, and promotes the South and South West and work of PROGRES partners, in a simple and creative fashion
- All activities conducted within Result 7 contributed to transparency and accountability of the Programme; enhanced Programme credibility with stakeholders and thus expanded potential for cooperation in the field of development; ensured additional room on the public agenda for the issues of good governance and strategic development; raised public awareness in the South and South West Serbia about the European Union and the Government of Switzerland support to the Programme area; and facilitated coordination of development activities in the South and South West Serbia

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

Programme Communications Strategy[80] was developed at the beginning of PROGRES implementation, with Action Plan as an integral part and instrumental tool for planning and implementation of all communications activities. The document has been reviewed and approved by the DEU and SDC. The Strategy has three objectives and hence the achievements within this activity have been described along them:

Objective 1: To provide a framework for communications activities intended to raise awareness of target audiences about reasons for actions, achieved results and impact in the fields of Good Governance, Municipal Management and Development Planning, and Infrastructure

a. Communications staff provided prompt support to all three components which resulted in successful presentations of: the Citizens Involvement Fund, participatory budget hearings, launch/promotion of results of the Citizens' Satisfaction Survey, the first call for municipal infrastructure project proposals, anti corruption seminar, formal hand over of earthquake damage assessment reports to Kraljevo authorities, to name a few.
   All given support implied consistent use of clear messages, primarily bringing closer good governance to stakeholders, and communicating support of donors. There have been more than 500 media reports in the first year of PROGRES implementation.
   However, two initiatives are particularly worthwhile mentioning:
b. The PROGRES 2011 calendar competition for secondary schools in 25 municipalities which featured the issues of social inclusion and gender equality. Twelve students, whose drawings were published in the Calendar, received awards in a ceremony organised in Prokuplje, on 2 February 2011, in the presence of the Swiss Ambassador and the Prokuplje Mayor. Sixty best drawings were displayed in a small exhibition staged at the Toplica National Museum. This competition proved to be very useful for cultivation of PROGRES relationship with the local community, especially youth. It also provided room for PROGRES to put across some key messages – on this occasion about social inclusion and gender equality, both important 'ingredients' of good governance. The special value of the competition this year was that this small initiative connected youngsters from different ethnic communities – Serbian, Albanian, and Bosniak, thus contributing to changing some negative perceptions and stereotypes about each others. These changes are important for building a more stable future, which is PROGRES' overall objective.
c. Project "Acting Locally, Thinking Globally" was implemented in cooperation with the Novi Pazar based Radio Sto Plus, the only station with the regional broadcast licence in the South West Serbia. Through 24 radio shows, the project shared some good governance principles and encouraged citizens' initiative as well as cooperation between local governments and civil society. The most significant outcome, so far, was the engagement of the key local officials in radio shows and their readiness to talk about important local themes, such as budget, in more depth and more bravely than ever before.

Objective 2: To facilitate coordination and cooperation among relevant national and international development stakeholders whose work directly or indirectly affects the Programme area

a. The first big visibility event was the PROGRES signing ceremony in Vranje on 19 July 2010, in the presence of the Government of Serbia Deputy Prime Minister, Božidar Đelić, the Head of the Delegation of the European Union, Ambassador Vincent Degert, and the Director of the Swiss Agency for Development and Cooperation (SDC) in Serbia, Beatrice Meyer. The event was a full success in terms of attendance and media. Twenty municipal presidents, leading

[80] Please see Annex IV, attachment 4.1

Albanian, Bosniak, Bulgarian and Roma representatives were present and over 70 positive media reports were generated, both ensuring excellent visibility for the donors and a credible start for the PROGRES. Organisation of this event also represented a successful start of implementation of the Communications Strategy.

b. Organisation of three Programme Steering Committee Meetings:
    - The first Steering Committee, in Novi Pazar, on 22 October 2010, gathered representatives of 23 out of 25 PROGRES municipalities, including 17 Mayors and three Assembly Presidents. Attendance of municipal presidents of Bujanovac and Preševo, and presidents of the Albanian and Roma National Councils reaffirmed that development programmes may be a vehicle for strengthening inter-municipal and inter-ethnic cooperation. Excellent turn out of municipalities, ministries, development agencies and civil society indicated, on the one hand, that Programme communication during the inception period had been strong and targeted. On the other, it was clear that stakeholders have high expectations from PROGRES and although this was to some extent welcome it is necessary to manage expectations with right messages.
    - The second Steering Committee was successfully staged on 9 February 2011, in Prokuplje. The event gathered about 60 participants, 18 out of 25 PROGRES municipalities, including 10 Mayors. The Delegation of the European Union was represented by the Deputy Head, the Swiss Government by the Swiss Agency for Development and Cooperation Director for Serbia, while the USAID Mission Director and representatives of the UN Office of the Resident Coordinator and UNDP also participated in the meeting. Decisions taken during the Committee meeting attracted significant media interest, both in local and national outlets. In short, the work of the PSC continued to draw attention of development stakeholders and provided sound channel to PROGRES to communicate its achievements.
    - Over 60 participants, from 20 PROGRES municipalities, including 11 Mayors, attended the third Steering Committee in Bujanovac on 19 April, 2011. Good turnout enabled PROGRES to present its activities but was also an indicator of Programme relevance for partners. In addition, the Steering Committee has continued to provide floor for communication about development issues. For example, some of the municipal representatives confirmed they appreciated the opportunity to discuss project ideas with donors, ministries, and other municipalities' representatives on the margins of the Steering Committee. The event was opened for media and generated solid coverage – reports were focused on the approval of infrastructure projects for Toplica and work on the establishment of citizens' assistance centres (CACs), and majority of them communicated the funding support of European Union and the Government of Switzerland.

c. PROGRES was presented to 23 assemblies[81], which voted to approve cooperation with the Programme[82]. It is worth mentioning the presentation at the Novi Pazar Assembly, which gathered not only the local councillors, but also the heads of departments, PUCs and key civil society organisations from this city. Even the opposition party – Sandžak Democratic Action (SDA)[83] supported the Assembly decision to authorise the Mayor to sign the MoU with UNOPS, i.e., for Novi Pazar to join PROGRES. The presentations demonstrated PROGRES commitment to transparent and accountable work, set a solid ground for cooperation with assemblies, but also generated positive publicity for the Programme in local media.

[81] All but Kuršumlija and Tutin, who also voted to join the Programme, but without PROGRES presence
[82] Copies of municipal decisions to join PROGRES are available with the Programme
[83] Very often, the SDA does not even vote to adopt the Agenda of an Assembly session.

Objective 3: To raise awareness of the population in the South and South West Serbia about EU, Swiss Government and Serbian Government support to the area.

a. **Ambassadorial visits**:

The Strategy envisaged organization of two high profile visits annually while there have been seven functions on ambassadorial level in the first year[84]. This has been a positive occurrence, contributing to Programme advocacy efforts and excellent visibility, but caused shifts of other two activities within Component 4. As a remedial action, while aiming to ensure the Programme has resources to grasp communications opportunities as well as to reduce negative effect on the progress of other activities, a full time communications assistant has been recruited.

Activities that contributed to all three objectives:

a. The PROGRES website, www.progresprogram.org, was launched in December 2010 and since then had a total of 10,674 visits and 621,950 hits. Compared to one of PROGRES predecessor programmes – PRO, which had in average 484 visits per month, PROGRES website is three times more visited - in average 1,525 times per month. The number of unique visitors had gradually increased every month with a peak in April 2011 when the website had 1,328 unique visitors. Average number of unique visitors per month was 928. Most visited pages are those that give basic information about the Programme and about donors, as well as the documents library and public calls page[85]. Possibly the most interesting segment on the website are blogs, i.e. the personal views of prominent PROGRES stakeholders. Those texts provide contribution to result 7: raising awareness of need, logic and effects of change. Efforts to further improve the portal are continuing: creation of a web section providing access to selected materials in minority languages was initiated and the launch is expected in early August 2011.
   Most website stories are published on PROGRES facebook page, thus attracting attention of the younger population.
b. There have been two editions of the PROGRES quarterly e-newsletters so far. This tool helps PROGRES present its activities and achievements as well as facilitate coordination between relevant stakeholders and reaches out to ministries, international organisations and civil society. It also promotes the South and South West and work of PROGRES' partners, in a simple and creative fashion. A bit unexpectedly, the first edition of the newsletter also attracted media attention: e.g. the Radio Sto Plus reported that "PROGRES is the first donor programme in the area which introduced practice to inform the public about its activities."
c. PROGRES Day, which symbolically marked the first Programme anniversary, included activities aimed at presenting the Programme to the residents of Prokuplje. The event was a success: President of Serbia Boris Tadić, who was in Prokuplje that day, visited the Programme info point and talked to the PROGRES staff and volunteers; later in the day 700 children from the kindergarten Neven danced wearing PROGRES branded t-shirts and attracted attention of estimated 2,000 Prokuplje residents; finally, to show commitment to the local community, PROGRES staff donated funds and bought books in Braille for the Toplica District Association of Blind and Visually Impaired Persons. The success of this event had two main dimensions: first, it generated positive visibility for the Programme in the local community; second, the events were designed to raise awareness of issues that are essential to PROGRES. For example, PROGRES donation was about pointing out difficulties of vulnerable communities and about backing those who diligently work to overcome challenges. Central figures of PROGRES action were a blind girl who, with a support of her dedicated teacher, has been successfully integrated into mainstream school system.

[84] Details available through PROGRES monthly/quarterly reports.
[85] Please see Annex IV, attachment 4.2 for website statistics

d. Production of PROGRES promotional items, including calendar, New Year cards, business cards, maps, posters, folders and notebooks, beside enhancing Programme's visibility also meant small boost to local economy, as most of the vendors for printing and production of promotional material come from Prokuplje, Vranje and Novi Pazar.

It should be noted that PROGRES has an Internal Communications Plan[86] and Communications Manual[87], produced with an idea to be a tool presenting directions and simple learning for the entire team. Major activity implemented from the plan was the organisation of the staff retreat in Divčibare, from 21 until 24 June 2011. The function served as a planning and lessons learning exercise, with a strong team building component. A three member Staff Committee has been elected.

To summarise, this activity actively used tools and principles which demonstrated strong commitment to good governance, for example: presentation to municipal assemblies, public access to documents through website (including Quarterly Reports), circulation of newsletter to stakeholders, prompt and truthful replies to each and every media enquiry, staff use gender sensitive language, efforts were put to enable minorities to get information in their language etc. Programme stakeholders expressed appreciation, often publicly, recognized these efforts as examples of accountability and transparency, thus giving additional credibility to the Programme to take a role of a good governance player.

Good governance has also been underpinning theme for most of PR actions. The objective of school calendar competition was to promote non-discrimination, PROGRES staff donation was used to raise awareness of social inclusion, media partnership project tackled the issue of citizens' participation in the decision making etc. In addition, messages conveying good governance dominated PROGRES public appearances. As a result, Programme has ensured place for good governance on the public agenda.

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

The selection of the campaign theme for 2011 – *Promotion of good governance with emphasis on accountability and citizens' participation* - has been conducted in accordance with the description of the activity: input from local and national stakeholders[88], review of findings of the Citizens Satisfaction Survey, relevance to PROGRES objectives, compliance with national and European framework. This consultative process was in full accordance with the concept to treat good governance as a cross cutting principle as efforts were put to ensure participation of citizens.

Following the Programme Steering Committee approval of the selected theme in April 2011[89], the concept, as well as reports on subsequent discussions with stakeholders, was circulated to the Swiss good governance experts. ToRs for engagement of good governance campaign implementing partner as well as ToRs for campaign visuals have been developed and will be finalised and advertised in the second half of July 2011.

[86] Please see Annex IV, attachment 4.3
[87] Please see Annex IV, attachment 4.4
[88] Including the Standing Conference of Towns and Municipalities, OSCE, Serbian European Integration Office, the MoEMSP, the MHMRPALSG, UNDP, USAID, municipalities, civil society organisations and the Swiss good governance experts.
[89] Six potential themes were identified during this process: good governance; promotion of clean and healthy environment; bringing closer the EU Integration to citizens; supporting youth; promoting assets of the South and South West and local citizens' activism and raising awareness about discrimination.

Primarily due to extensive work conducted within the Activity 7.1, the timeframe for the campaign implementation has been postponed while maintaining the Activity 7.2 on the course. The work plan reflected these shifts and predicts delivery of all targeted outputs within Programme lifecycle. Recruitment of communications assistant should also prevent further deviations of the plan.

Result 8: A plan to develop the areas' images and self-images as unique regions of Europe is established and implementation begun

Output:

- Developed Strategic Guidelines for the work in the field of branding
- Tender for the provision of expert support for development of destination branding plans and projects advertised

Imminent Outcomes:

- Provision of branding support will, among other, focus on projects contributing to increased economic activity

Activities

8.1 Design of plans and implementation of projects for image building in partnerships with relevant organizations

Although the first advert for the recruitment of the on call area branding consultant was published in accordance with the work plan, the lack of qualified candidates necessitated re-advertisement. However, this attempt to find an expert failed and caused a three month delay. As a remedial action a short term contract was given to a professor from the Belgrade University Faculty of Economy. She conducted a simple review of existing national, regional and local strategies relevant for area branding and produced guidelines, which set a framework for provision of the expert support to municipalities and local stakeholders to develop branding plans as well as type of projects that would be eligible for funding.

The production of the guidelines was preceded by a series of meetings with the selected stakeholders in the South and South West (such as development agencies and tourism organisations) to get a strong insight into local branding perspectives. There were also discussions with the key national stakeholders, the Ministry of Economy and Regional Development (MoERD) and the Tourist Organisation of Serbia, but also Serbia Investment and Export Promotion Agency (SIEPA) and SEEDEV, a consultancy company implementing[90] a project related to geographic indications protection system. All interlocutors confirmed that, despite serious socio-economic challenges in the Programme area, there is room for tourism promotion (e.g. Uvac, Golija, Zlatar and Vlasina), product branding (e.g. Sjenica cheese) and promotion of municipalities (e.g. youth in Novi Pazar, children festival in Bosilegrad etc.), as well as inter-cultural and inter-ethnic features of the areas and rich cultural-historical heritage.

At the end of June 2011, PROGRES advertised a tender for the provision of expert support for development of destination branding plans and projects. The selection and contracting of the consultancy is expected in early August 2011. As envisaged by the Programme Document, the selected consultancy will prepare methodologies for development of branding strategies and analysing branding potentials and criteria for selection of destinations. The immediate objective of the intervention is to raise awareness of municipalities, development agencies, tourism organizations, producers' associations and other relevant local and regional stakeholders about the destination branding process and its possible effects on tourism, investments and trade development. In addition, the activities should assist municipalities and afore-noted stakeholders to develop skills with respect to destination brand strategies and projects. As a final product, at least five plans for branding of selected destinations will be delivered; out of which at least three plans

[90] Within Swiss-Serbian Trade Cooperation Programme 2009-2012

will be relevant for two or more municipalities or districts. In addition, proposals for at least five concrete branding projects, deriving from developed branding plans will be elaborated. The provision of branding support will, among other, focus on projects having economic impact in terms of improvement of competitiveness of distinctive local products or promote specific economic sectors.

PROGRES will also consider provision of branding support to uphold ongoing Programme efforts to increase competitiveness of agriculture and food processing industry in the South Serbia and of specific products of Pešter in the South West Serbia.

3 Assumptions and Risks

PROGRES is not a high risk Programme, as it follows a tested UNOPS' area based approach, and extensive implementing partner's experience in similar interventions and transferring ownership to local institutions. However, during the first year of realisation, it has been confirmed that the risk mitigation plans must be firmly in place.
Currently, the key risk to PROGRES is the inability of municipalities and potentially Ministries, to financially contribute to the awarded projects, which is delaying the overall cash flow of the Programme. This is a result of the chosen implementation modality, whereby until municipalities transfer co-funding, or Ministries agree implementation modalities, PROGRES is unable to disburse its share of the contract or verbal agreement, in case of Ministries.
Assumptions that were identified during PROGRES preparation in general were correct, while small changes occurred due to dynamics in political and socio–economic trends in Serbia and globally.

Those have been updated accordingly and include some observations for clarity.

3.1 Assumptions at different levels

Item	*Assumption*	*Assessment & Management Issues*
1	Overall political stability is maintained, and relations with the EU are consolidated and strengthened	It is certain that there will be early local and national elections, either later this year (as requested by the opposition), or in early 2012 (advocated by the ruling coalition). Whatever position, the common attitude is that the elections will coincide with the EU's feedback on Serbia's accession (if positive). The Programme is already putting in place plans, and structuring its activities in such a way so that elections inflict minimum damage on its implementation. Popular support for EU accession varies. While the positive trends in Serbia-EU relations have been reinforced after extradition of the former Bosnian Serb General Ratko Mladić to the International Criminal Tribunal for Former Yugoslavia in the Hague and are being improved as the negotiations between Serbia and Kosovo continue brining results, this cannot be said for the general/public support. This is specially the case with the latter, as there have been interpretations that the Serbia's recognition of Kosovo is a precondition for EU accession which has generally influenced decrease in support for this process. The economic crisis in EU countries has also influenced decrease in enthusiasm for the accession.

2	The Government of Serbia remains committed to implement the Strategy for Public Administration Reform, with emphasis on accelerating and completing the decentralization process	Although there is a positive trend in the relationship between the central Government and municipalities as they take up more responsibility for citizens' welfare, the overall rate is slow. The Government of Serbia is continuing decentralization, and adopting the necessary policy and legislation to support this process. Serbian municipalities are becoming more involved in the reform, through the SCTM work groups and committees as well as advocacy activities. For example, the amended Law on Financing of Local Self Governments (LSG) will benefit most PROGRES municipalities, as the republic budget will not be transferring money to Belgrade at all and will instead distribute money to the underdeveloped municipalities. However, there has not been much progress in the regulation of municipal property ownership. Unless the overall decentralisation efforts are solved during 2011, not much will change during 2012 - the election year.
3	The impact of the current global financial crisis will not further impact municipal finances	Statistically, there was an increase in GDP during the first quarter of 2011 and increase of unemployment from 19 to 22%. According to the European Bank for Reconstruction and Development (EBRD) chief economic expert, Serbia is slowly coming out of the financial crisis. However, the main obstacles that remain to be resolved are high unemployment and "a large percentage of late loan repayments". Furthermore, it was observed that there was not sufficient transparency in Government's use of resources and assets. The situation at the local level is even more worrying and municipalities bear more difficulties in servicing their regular obligations. PROGRES is strategically planning with LSGs and the Government of Serbia resources and continues to identify new funds to fill in the gap of lost municipal revenues.
4	Key stakeholders, especially cities, towns and municipalities, willingly participate in activities under the Programme	On a declarative level, all municipal assemblies have voted to cooperate with PROGRES. Furthermore, attendance at events organised by the Programme shows willingness to participate in the PROGRES activities. The Programme has a demand based approach and the flexibility to ensure that beneficiary LSGs commit to active participation: the competitiveness of the grants' schemes, nature of infrastructure projects and the co-funding requirements. On the other hand, the cut in transfers, as described under assumption 3, increase the demand for support from the PROGRES 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. LSG expectations in PROGRES were very high at the start of the Programme and some back lash form LSG that have not won projects or funding is being experienced.

5	LSGs have sufficient financial capacities to finance their own contribution to the grants awarded by the PROGRES grant scheme	This is one of the key reasons for delays in implementation of the Programme, as some municipalities are facing lack of funds, not only due to reduced transfers but also due to the inconsistency in central transfers. PROGRES is working with LSGs on adapting the implementation modality so that they are able to fulfil obligations.
6	Officials who do not recognize importance of cooperation with the civil society (and vice versa) are supportive of CIF activities. The CIF Regional Selection Committee knows situation well in SW and South Serbia and shortlists projects in accordance to criteria. Sufficient number of good quality projects receives funding	This assumption was right. In the first call for proposal for CIF projects. PROGRES received 167 projects that were result of partnership between the civil society and the local self governments. The challenges, on the other hand were the capacity of the applicants to prepare good quality proposals with clear budget (and following the rules in the advertised Terms of Reference) as well as to secure co-funding. The CIF Selection Committee had a superb knowledge of the issues in the South and South West Serbia and shortlisted projects in accordance with the criteria. As a result 40 projects, as planned, were supported in the first round.
7	The chosen statistical sample for Citizens' Satisfaction Survey, which could be small due to financial constraints, reflects citizens' satisfaction with municipal services. Municipalities, which normally do not monitor their services, are willing to act upon results of the CSS	The first CSS was done in a professional manner, with a representative sample which could give an over of the citizens' satisfaction with the municipal services. The results, in general, were very well received by the officials. It is expected that the same model will be used for the second CSS envisaged for the end of Programme.
8	The Parliament of Serbia adopts Law on Free Legal Aid. Citizens are well informed about the existence of the Citizens Advisory Service	The Law on Free Legal Aid is still not in place, but there is a Strategy on Free Legal Aid and the Law on Local Self Government which stipulates that LSGs could organize provision of free legal assistance. In addition, the Constitituion of the Republic of Serbia in its Article 67, guarantees to each individual the right on legal assistance. This has given PROGRES ground to advertise for the provision of the CAS services. The Programme, and the chosen implementing organisations, in partnership with the local self governments, will invest special efforts into informing citizens about the existence of CAS.

9	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 PROGRES plans. To overcome these delays PROGRES, wherever and whenever possible, takes up additional activities to support the line ministries.
10	Government and local government officials who have not been inclusive in the process of budget planning, recognize the importance of such approach	The municipal annual budgets are prepared on the basis of previous budget, considering inflation, potential increase of income and new expected spending. In order to have relevant developmental budget it is necessary that all stakeholders take part in preparation of the budget proposal and respecting developmental needs of the municipality. Increasingly, there is understanding with the local self government officials and realisation that the budget planning process must be inclusive.
11	Local government officials, CSOs and media recognize the importance of the transparency in budget preparation process and take part in OSCE training	Although the Law requests transparency of budget preparation, often municipalities take actions such are public hearings in order to satisfy form rather than seriously take into consideration findings of the action. The first OSCE training has been attended by the key local self government officials and their participation later resulted in small changes in the local budget. Further activities will carefully be planned to ensure maximum attendance of relevant officials.
12	PUCs, whose work has not been transparent to date, and which are not answerable to local assemblies, are willing to participate in the Programme and improve their accountability	Although accountability of PUCs towards municipality should be unquestionable there are situations where managers of the PUCs are political appointees and their liability reaches just the ruling majority in the assembly which is not willing to hold them responsible for functioning of PUC. Through implementation of specific projects where PUCs are involved PROGRES is reinforcing accountability of PUCs to Assemblies as a precondition for implementation.
13	LSGs, who have been neglecting gender issues, become aware of legal obligations and willing to work towards achieving gender equality in their municipalities	This has been proved right. LSGs have been aware of legal obligations and are increasingly willing to work towards achieving gender equality.
14	Media have capacity and knowledge to satisfactory implement public campaigns	Media in the South and South West Serbia are not so developed due to lack of financial sources. Nevertheless there are couple of relevant local media in the field but also desks of national media present in the South and South West Serbia.
15	Politicians in SS overcome their self interest and through moderation start including others in the works of LSGs	This assumption is correct and has been proven during first year of implementation. For this reason PROGRES senior management is in constant communication with all relevant authorities on local but also on national level to start including all stakeholders in projects' implementation.

16	Municipalities do have adequate space and technical documentation for CACs	Any physical infrastructure development is preconditioned by a full scale of project technical documentation. Issues are present on the level of property ownership or municipal buildings are overcrowded so the lack of space is one of challenges that municipalities are facing. The selected municipalities in PROGRES regarding new CACs do have adequate space for CACs and all activities are going as planned.
17	Municipal officials regularly approve participation of their staff in trainings and same persons continually participate in training sessions	As the municipal administration staff does not have clear ToRs they often receive additional tasks from municipal officials. Hence, often, the municipal servants do not follow the whole process of capacity building. However, PROGRES has been able, in the first year of implementation, to secure adequate participation of staff in workshops and seminars organised.
18	Premises and technical documentation exist for BICs. Municipalities fully dedicated to development of BICs	This assumption has been proven so PROGRES developed additional plan for support to BICs aside of creation of new ones. Beside this Governmental support to BICs has decreased due to lack of financial sources so support to the existing ones would be a more appropriate action.
19	High interest for development of Clusters among stakeholders. Adequate level of cooperation with MoERD	Clustering is relatively new concept among Serbian SMEs so the real knowledge about benefits of clustering has to be increased. Despite that, interest for clustering on the local level is high. This year's MoERD programme for cluster support is restricted; however there is a potential connection with the 2012 clustering programme.
20	Municipal officials recognize need for establishment of OSS. Adequate premises and technical documentation exist	Services towards business sector are not so developed in any of the municipalities. Need for direct investments in businesses force municipal officials to pay more attention to real needs of investors regarding municipal services. Any investment in physical infrastructure development is preconditioned by the full project technical documentation. The need for such structure has been recognised by some municipalities who are looking to develop industrial zones or industrial parks.
21	Local tax offices exist in municipalities and are fully functional	Although local tax offices exist in every municipality, the level of their performance is questionable. The most problematic issues remain the quality of the taxpayers' databases and availability of valid rule books and set procedures. PROGRES is considering expanding scope of actions within activity 2.4, in order to tackle this issue.
22	Spatial Plans are adopted in time for General Regulation Plans (GRP) and for Detailed Regulatory Plans usage of locations are predefined in GRP	Most municipalities didn't adopt spatial plans in time in the first place due to a slow process of its elaboration. None of them have suffered any consequences, although penalties were envisaged by the Law. However, PROGRES has been able to support development of GRPs and DRPs in LSGs selected during a public tender.

23	High level of coordination between municipal administration and local PUCs exist.	Although formed by the municipality PUCs often works as separate institutions without real coordination with municipal administration. In order to have better planning process and distribution of budget it is necessary to have this coordination on a much higher level.
24	Municipalities are using their Sustainable Development Strategies in planning of investments.	All municipalities have adopted their SDS but implementation of those is on ad hock basis. Often, the strategies are used just upon donors' demand. All PROGRES calls for proposals require municipalities to choose projects that are in line with their development objectives.
25	Cooperation between municipalities is on high level. Projects are embedded in Urban Planning documents and legal issues do not exist.	Cooperation among municipalities is on low level. It is rare that municipalities come with the common proposal for solving issues on their own. It is rather donor driven process and municipalities will be led towards cooperation and common approach to common issues.
26	Announced financial sources from Serbian Government, World Bank, EBRD, and other donor programmes are in place.	This assumption was correct. Despite economic crisis, most of the envisaged financial sources are in place. As 2012 is an election year, the Government of Serbia may change priorities. In addition the current changes in the Law on Financing of LSGs will lead to rebalance of the state budget which can again make changes in priorities of financing.
27	Project documentation with building permits are provided by municipalities on time.	Slow process of issuing building permits, due to inefficiency of cadastre and municipal administration, often prolong start of construction works. During the implementation of PROGRES this assumption has been proven right and the PROGRES activities that related to support to municipalities in preparation of these documents were more than relevant.
28	Programme donors participate in implementation of the Communication Strategy. Municipal officials, who are the key target audience, do not (mis)use Programme results for political promotion.	Programme donors have been supportive of PROGRES and messages which reflected on the successful implementation of the Communications Strategy. So far, there have not been many misuses of Programme and its results for political promotion.

3.2 Risks and flexibility

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

	RISK	Probability	Likely Impact	Assessment & Management Issues

1	Elections. National and local elections must be held by 2012 at the latest. Elections have proved disruptive for previous programmes, because elected officials focus on election campaigns at the expense of municipal management. At least one set of elections will be held during the programme period, possibly more	High	Moderate	Detailed Programme plans will take into account the elections scheduled for late 2011/early 2012. Any change to the election schedule will require revision of the Programme implementation plans, resource inputs and perhaps organizational structure.
2	Financial viability of municipalities. In 2009 transfers from central government to municipalities were drastically cut, putting a number of poorer municipalities at risk of bankruptcy. Bankruptcy would require central government intervention, administration and renewed elections. They would prove highly disruptive for processes of municipal development and investment plans	Moderate	High	Bankruptcy has not being announced in any of the municipalities from PROGRES AoR. A couple of municipalities are facing extremely difficult financial situation and are very close to bankruptcy. To prevent any damage on PROGRES modality, separate accounts for implementation of projects with, double signatories have been established. In case of bankruptcy of any municipality a contingency plan will be developed with line Ministry and given for approval to the PSC.
3	Lack of cooperation between the PROGRES and other Programme interventions in the field	Low	High	The PROGRES team has established appropriate cooperation mechanisms with other programmes in the field, and holds regular coordination meetings.
4	LSGs have insufficient financial capacities to finance their own contribution to the grants awarded by the PROGRES	Medium	High	Some municipalities are facing problems with co-financing due to lack of financial sources or due to inconsistent transfers, which is reflected on projects' implementation. PROGRES is making, where possible, additional co-financing arrangements with line ministries but cases must be examined individually in order to implement priority projects with or without municipal co-financing. Those

				cases will be presented to the PSC for final approval.
5	Severe weather and other natural disasters. Much of the territory covered by the PROGRES is subject to severe weather conditions: snowfall, droughts and floods. Additionally, there is a small risk of earthquakes, particularly in the Preševo Valley. This could delay implementation of construction projects, and change Programme priorities.	High	Medium	This has been proven a valid risk. During the first year of PROGRES implementation, there have been several floods (in Prijepolje, Novi Pazar and Leskovac, to name a few). The floods have put additional burden on the weak municipal budgets. PROGRES has offered to support municipalities to prepare technical documentation for works that would permanently solve the situation. In addition, there was a major earthquake in Kraljevo (which is in Raški District, where Programme partially operates) and PROGRES has provided engineering support in the assessment of damage.
6	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 in the local communities, while recruiting under-qualified people risks slowing or harming Programme implementation.	Moderate	High	This has proven to be a high risk – several recruitment processes had to be repeated due to the inability to engage people with adequate expertise and qualifications. The office in Novi Pazar remains the key hub to support the eight municipalities in the South West Serbia, while project office in Prokuplje, and a sub-office in Vranje, focus on the South Serbia.
7	Increased donor activity in the region leads to overlaps and confusion within the municipal management structures	Medium	Medium	The PROGRES team holds extensive consultations prior to the start and during implementation of activities with relevant donors/donor project representatives to prevent anticipated difficulties.
8	Organizational culture resists changes to administrative processes, organizational structure and methods of work	Medium	Medium	The organizational development is approached carefully, involving municipal leadership in the process from the earliest stages. Feasible changes are proposed incrementally and not at once.

9	Political gridlock between municipal government and municipal assembly interfere in project implementation	High	Medium	There is a clear message from the PROGRES team and donors that particular LG involvement will be discontinued without support and cooperation of all political parties and relevant stakeholders. PROGRES has had presentations to most assemblies in the Programme area. The project interventions are focussed on activities that have been identified as priorities by all stakeholders (regardless of their political affiliation). The PROGRES' communication efforts are directed to widely publicize Programme in order to build pressure of the citizens for project implementation.
10	Interethnic tensions in South West Serbia.	High	Medium	PROGRES, as a developmental Programme, works with elected representatives in municipalities and civil society organizations. There is a clear message that LG involvement will be discontinued without support and cooperation of all political parties and relevant stakeholders.
11	Possible changes in municipal management before elections	Medium	High	Constant communication with municipal management and representatives of political parties in municipal Assembly is in place in order to minimise potential changes in governing structure on the implementation of activities. There has been change of power in several municipalities, that this did not have impact on the overall Programme work plan.
12	Slow administration procedures on local level	Medium	High	Modality of PROGRES implementation through grant contracts to beneficiaries has shown that due to inefficiency of municipal administration implementation of the contracts is delayed. This creates high commitment of PROGRES funds but a low cash flow. This can also affect timing of implementation of certain actions. PROGRES is instigating strict rules with clear timeframes for implementation, and keeps the right to cancel the grant contract if implementation plan is not followed by beneficiary.

4 Implementation

The Programme implementation started in May 2010, when the financial resources were secured through a bridging agreement with the Swiss Agency for Development and Cooperation (SDC)[91]. This allowed the former Municipal Development in South West Serbia (PRO) team to seamlessly set the basics and commence activities for the new Programme in the South and South West Serbia.

The IPA Financial Agreement was signed on 25 May 2010, and the Delegation has contracted the United Nations Office for Project Services (UNOPS) as the implementing partner, from 1 July 2010.

During June 2010, submission of an addendum/reallocation and 'No Cost Extension' request to the Swiss Contribution Arrangement was discussed, agreed and approved on 24 June, 2010, for the period until 30 September 2010. The SDC extension request and consequent budget reallocation was necessitated to ensure that the objectives of the Swiss Government bridging funding were fully met.

The DEU 36-month timetable started with the inception period from 1 July – 30 September 2010, and the implementation period from 1 October 2010 – 30 June 2013.

The SDC approved the execution of a contract with UNOPS, from 1 November 2010 to 31 October 2011, with a possibility of an extension until 30 June 2013, which allowed the multi-donor action to continue to be fully aligned and thus to ensure that all parties fully meet their stated outcomes. A request for contract extension with a budget reallocation to necessitate lessons learnt in the first year, especially in the good governance as a cross cutting issue in the Programme, will be sent to the SDC by end of September 2011.

The Government of Serbia and DEU in 2010 recommended to the EC in Brussels to reallocate 600,000 EUR to PROGRES from the Cross Border Cooperation Serbia-Macedonia Programme, for support to the initiatives in the area which has been eligible under this funding. The DEU contract was amended in March 2011, to add the funds to the Component 3 - Physical, Economic and Social Infrastructure, enabling implementation of additional projects.

The total cost of the Programme, with the Government co-funding and assuming the Swiss Government renews the contract in October 2011 will be a minimum of EUR 18.1 million EUR.

The first three months of the inception period were devoted to achieving the key output – Programme being fully operational. Subsequent nine months have been devoted to delivering outputs related to support to Programme implementation.

4.1 Physical and non-physical means

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

[91] This was also agreed by the Government and the Delegation of European Union

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

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

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

Human resources

- Key local staff and International Programme Manager's contract transferred from PRO Programme were extended until 31 December 2010 to allow for the core (senior) staff to participate in the selection panels for recruitment of other posts advertised until 30 September 2010.
- Terms of Reference for the remaining PROGRES personnel were prepared and advertised in the first week of October 2010. Several challenges arose:
  - The number of interviews, and the length of recruitment procedure had a potential to destabilize other work as all existing staff was included in it
  - Component Manager 2 had to be released from duty two weeks after commencing in October 2011, due to conflict of interest issues not previously reported to PROGRES/RSEDP 2/Exchange 3
  - During interviews for SW Serbia coordinators, a need to restructure the municipalities identified – Novi Pazar, Sjenica and Tutin were put under one coordinator, while Raška and Ivanjica were to be covered by the other
  - The additional funding awarded by the DEU for infrastructure projects, the need to seriously approach the transversal topic of good governance within PROGRES, as well as commitment to support enhancing of inter-ethnic relations in the South Serbia have put on additional pressure on the Programme and the number of coordinators has been increased by two from the local experts budget line, which should enable smoother implementation of Programme at the current level of activities.
- All core staff recruitment was finished by the end of 2010, while full staff is on board as of June 2011
- An attempt to involve PROGRES in a political game of local parties of Bujanovac failed. Alleged influence of politics in a selection process of Project coordinator successfully negated by adhering to proper recruitment procedures
- All staff attended mandatory HIV training, organised by UN Country Team, on 24 May 2011.

Lessons learned: Due to under qualified and insufficient number of applications received for positions, longer and more aggressive advertising recruitment campaign was required.

Full details are available in the HR table, in Annex V, attachment 5.1. Organisational structure is available in the same Annex, attachment 5.2

Logistics/Travel

- All logistics and travel arrangements are in place
- Travel Authorizations for staff are certified by the Programme Manager through given Delegation of Authority
- The abundance of activities to set solid grounds for PROGRES implementation over the first eight months, and the understaffing (mainly lack of coordinators) resulted in intensive travelling and as the consequence the travel budget lines are being spent at a higher ratio than originally budgeted. Programme had to introduce more severe control of travel, followed by a formal revision of travel procedures and introduction of a Travel Protocol[92]. It is envisaged that budget reallocation will be needed in the future for travel costs
- The Programme uses United Nations Department of Safety and Security (DSS) system called Travel Request Information Processing (TRIP), which allows all personnel eligible under UN security arrangements to process clearances online. The use of TRIP is of utmost importance as it allows tracking of all personnel's movements
- Related to safety of travel - CASCO insurance policies for all vehicles were obtained
- Serious rainfall disrupted office functioning in Prokuplje office in the afternoon of 23 May 2011, and draining water flooded the office conference room. It also left the office without electricity and Internet. No serious damage was made and minor loss of some office supplies happened.

Information Communications Technology

- Information Communication Technology (ICT) accounts opened for all staff (emails and UNOPS Intranet access) as well as creation of Atlas user profiles for operations staff
- Proper security standards for ICT (hardware and software) are in place. Procurement of office software licences completed
- Remote assistance has been established between Prokuplje office and Vranje office, in order to achieve distant administration of Prokuplje office
- PROGRES Intranet portal has been established, and users provided with their credentials. Files important for project implementation will be input in the 3Q 2011
- Mechanism for monitoring of landline outgoing calls has been established with a view to reduce the telephone costs.

Administration/procurement

- Selected assets from PRO II were transferred to PROGRES[93]
- All financial and administrative records are kept according to the UNOPS' rules and procedures
- Offices in Novi Pazar, Prokuplje, Vranje and Belgrade are fully functional and operational in accordance to Programme needs and UN Safety and Security standards
- Procurement of vehicles, office equipment, furniture and communications equipment completed timely which enabled independent functioning of the Programme
- Contract and Purchase Orders approval right given to Programme, which resulted in swifter processing of contracts and payments. PROGRES' Programme Manager was awarded Delegation of Authority for Engagement Acceptance Level 1 – approval of Grants up to USD 100,000

[92] Available at PROGRES office.
[93] Details have been described in Bridging and Inception reports.

- The request to award procurement advisory role for the PROGRES' procurement officer was sent to the UNOPS headquarters. This should speed up procurement processes, especially cases of above USD 50,000
- In discussion with Legal department, sub-project implementation was agreed and grant methodology approved
- Two PROGRES procurement officers underwent UNOPS training on procurement, enhancing their knowledge/i.e. building internal capacities
- PROGRES Inventory tagging exercise completed. All assets accounted for.

Lessons learned:

- Wide geographical spread resulted in increased travel costs and reconfirmed that communications must be on top level in order to succeed
- The Programme probably underestimated the complexity of activities and that coupled with the chosen modality (grant contracts) resulted in difficulties in implementation. The recipients of grants are not always capable to come through with what they originally promised: both in terms of legal documents, but more importantly financial contribution. While the former mainly applies to small organisations that applied for Citizens' Involvement Fund support, the latter relates almost to all local self governments in the PROGRES area of responsibility.

A summary of grants is available in Annex V, attachment 5.3, while the list of procurement cases is available as attachment 5.4. Corporate procurement plan is in attachment 5.5.

Security

- PROGRES operates under the Security and Safety standards set by the United Nations Department for Safety and Security
- PROGRES participated in a one day United Nations Country Team security simulation exercise on 22 January, 2011 which completed successfully.
- During a two-day staff meeting at the end of March, all staff participated in a training session on security conducted by the UN Serbia Security Advisor, which resulted in higher level of security consciousness.
- Finalisation of PROGRES' security plans in 3rd Quarter will bring about appointment of the area security coordinators and security focal points. PROGRES Programme Manager is a member of the Security Management Team for Serbia as an observer, and Alternate Security Coordinator for Central Serbia.
- There were no major security concerns related to PROGRES personnel in the first year, although two minor incidents (bomb threats) were reported in Prijepolje[94] and Kuršumlija[95]. The arrest of the former Bosnian Serb general Ratko Mladić and his extradition to The Hague did not pose a security threat to PROGRES staff.

Finance

- Opening a Programme bank account; Programme Manager authorized with Manager Level 2 in Atlas (approval of purchase orders); Operations Manager authorized with Finance Level 2 (verification of local currency as well as treasury payments in EUR & USD); Operations staff authorized with buyer and payment user rights; Second payment from SDC (EUR 280,000) received and recorded in PROGRES books; Verification of expenditures for Grant Agreements

[94] Radio Sto plus (2011) *False alarm about bomb on the Prijpolje Railway Station* [Online] Available at: http://www.radiostoplus.com/index.php?option=com_content&view=article&id=7149:lana-dojava-o-bombi-na-stanici-u-prijepolju&catid=35:utorak&Itemid=70 (Accessed on 20 January 2011)

[95] Blic (2011) *Kuršumlija Assembly evacuated due to a bomb alert* [Online] Available at: http://www.blic.rs/Vesti/Hronika/229956/Evakuisana-Skupstina-opstine-Kursumlija-zbog-dojave-o-bombi (Accessed on 20 January 2011)

implemented; have contributed to achieving of a key output, that Programme is financially independent and operational

- The first year of implementation has revealed some issues that will have to be taken into consideration during the Programme implementation. Namely:
  - Exchange rate fluctuation can have significant effect on the buying power of the Programme. This is not unexpected when dealing with three currencies (RSD/USD/EUR). Careful planning of commitments is in place and will be monitored on permanent basis
  - Delivery rate will be influenced by municipal contribution to the joined sub-project accounts. It is evident that some municipalities cannot come through with their contribution[96]. This increases the risk of prolonging sub-project implementation, therefore reduces the delivery rate of the Programme (Prijepolje, Vlasotince and Tutin as examples)
  - Budget lines related to Publications, Translation Services, Costs of conferences and seminars/meetings/workshops need to be monitored carefully as the spending ratio is higher than originally planned. The positive side is that the visibility actions related to the spending of the above are of high quality and provide good value for money to the donors.
- Utilities charges correspond to high number of staff and activities
- There is a need to fully involve the Swiss backstoppers in the team and further enhance communication, and good governance is seen as a basis for future projects that the Swiss will be involved in. The role of C1M was highlighted as a transversal and the need for him to be involved in programming and planning outlined. This would require slight budget modifications specially in the upcoming 1 November Contract with the SDC
- Some CSOs have issues with solvency and legal registration. This increases the risk of grant implementation as money awarded for grants may be used for settling debts under other contractual obligations[97]. The risk mitigation procedure put in place is the payment of grants in more instalments with stricter financial control
- Memorandum of Understanding between PROGRES and the Ministries of Environment, Mining and Spatial Planning, Economy and Regional Development, as well as with Office for Sustainable Development of Undeveloped Areas was drafted and cleared by EMO Director and distributed to partner Ministries. After clearance from Ministries these MoUs will be signed.

In total EUR 35,052.39 has been contributed as co-funding as of 30 June 2011 - details available in Annex V, attachment 5.6.

4.2 Organisation and implementation procedures

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

The United Nations Office for Project Services

The UNOPS has the overall responsibility for Programme implementation, for achieving the Programme objective through the delivery of Programme results.

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

In early 2011, PROGRES became a part of UNOPS Europe and Middle East Section with the headquarters in Copenhagen, headed by the Regional Director for Europe and Middle East, and under direct supervision of the EMO Deputy Directors. This resulted PROGRES PM getting rights to approve grants up to USD 100,000 and speeding the grants and contracting processes up. The Operations Manager was authorised to verify treasury payments in EUR & USD. Finally, PROGRES procurement

[96] Details have been elaborated in the Section 2, under Component 2 and 3 especially.
[97] This is stipulated by Law and PROGRES cannot influence it.

officer will be awarded with UNOPS Procurement Advisory role which should also speed up procurement processes.

The Delegation of the European Union

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

The Swiss Agency for Development and Cooperation

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

The Government of Serbia

The Government of Serbia is a major stakeholder in the Programme, and a financial contributor under the IPA 2010 Financial Agreement. It has a responsibility for monitoring Programme implementation, and providing assistance, funding and facilitation as necessary.

Participating Municipalities

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

4.3 Timetable

PROGRES implementation started on 1 July, 2010 and will last for 36 months[98].

4.4 Programme Steering Committee (PSC)

The Programme Steering Committee (PSC) was established during the inception workshop, with the voting members from: the Ministry of Economy and Regional Development (MoERD), the Ministry of Environment, Mining and Spatial Planning (MoEMSP)[99], the Ministry of Human and Minority Rights, Public Administration and Local Self Government (MHMRPALSG)[100], the Standing Conference of Towns and Municipalities (SCTM)[101], and the Coordination Body for Preševo, Bujanovac and Medveđa, with chairmanship from the Serbian European Integration Office.

The members with the observer rights have been identified as: the DEU, the SDC, representativesof 25 local self governments from the Programme Area, Regional Development Agencies and Agencies for Small and Medium Enterprises operating in the Programme Area, representatives of the Albanian, Bosniak, Bulgarian and Roma National Minority Councils and other local and regional development programmes as appropriate. Although the donor representatives, DEU and SDC, are classified as 'observers' since they administer a direct contract with UNOPS, they also have veto rights for the allocation of investment funds they are accountable for.

The main role of the PSC is to ensure that the PROGRES provides relevant and effective support to the social and economic development of the South and South West Serbia. The PSC has the following functions:

[98] Please see the beginning of Section 4 for details of timetable of PROGRES implementation
[99] At the time of PSC establishment, this Ministry did not have the Mining portfolio
[100] At the time of PSC establishment, this Ministry did not have Human and Minority Rights portfolios
[101] Which has subsequently delegated its voting rights to the Mayors of Novi Pazar and Tutin, to ensure a balance in ethnic representation. The Mayors do not vote at times where conflicts of interest are possible.

- Informs all stakeholders of the Programme's activities, progress and results
- Provides a forum for discussion of issues arising
- Enables decisions to be made regarding the overall design and content of the Programme
- Reviews and approves planning
- Endorses Programme implementation reports.

The Programme Steering Committee meets each quarter and on an ad-hoc basis, as required. In the first year of PROGRES implementation there were three PSC meetings: in Novi Pazar in October 2010, in Prokuplje in February 2011, and in Bujanovac in April 2011[102]. There was an extraordinary meeting at the end of May 2011, to decide about funding of the infrastructure projects from the first call for proposals.

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

4.5 Costs and financing plan

Financial resources are provided as follows:

- The EU - EUR 14.1 million
- The SDC - EUR 2.5 million
- The Government of Serbia - a minimum of EUR 1.5 million
- Beneficiary municipalities will make additional resources available as part-contributions to sub-projects. These may be in kind or as financial contributions.

The total cost of the Programme, with the Government co-funding will be a minimum of EUR 18.1 million.

4.6 Special conditions/accompanying measures taken by the Government

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

5 Factors ensuring sustainability

During the first year of PROGRES implementation, the issue of sustainability remained central. The Programme's approach was to provide the support to local self governments, and other organisations who are direct beneficiaries, to take ownership and thus be empowered to carry out their mandate as prescribed by the different legislation/statutes.

5.1 Policy support

[102] Minutes of the meetings available in Annex I, attachments 1.3, 1.4, 1.5 and 1.6

PROGRES is an area based Programme, with a primary role to support the implementation of policy at local level. For example: the Law on Gender Equality envisaged forming of local gender equality mechanisms in all municipalities in Serbia. During the first year, PROGRES has advocated successfully to establish such bodies in six municipalities[103]. The Law on Planning and Construction gives a framework for preparation of planning documentation – PROGRES has supported, over the first year, design of four General Regulation Plans and eight Detailed Regulation Plans. This Law also pertains to infrastructure projects, within Component 3, just like the Law on Environment Protection and the Law on Public Procurement do. For the implementation of latter, for example, the municipalities are not obliged to have the public procurement procedure, in cases where less than 50% of public resources are being used for acquisitions. However, all procurements organised within PROGRES, are public thus setting good examples/practices to all municipalities. Finally, the branding call for proposals, advertised at the end of June 2011, is in line with the Strategy for Development of Tourism of the Republic of Serbia.

In regards maintaining contacts with the central level, and with the support of the Swiss good governance experts, PROGRES is working on providing an effective feedback loop. While it already informs the central level institutions about the practicality and effectiveness of the national policies (through quarterly reports, but also in regular meetings with the line Ministries and the Programme Steering Committee Chairperson, the Programme is hoping to start providing recommendations for modifications if/when necessary and to highlight needs for new policy level action where needed. This also applies to the 'vertical dimension tool' that the good governance experts are developing, which should provide information about problems in the implementation of the existing legislation at the local level, to the Standing Conference of Towns and Municipalities (SCTM), which in turn can advocate further at the Government for changes.

5.2 Appropriate technology

Programme uses technology which has taken into consideration municipal existing systems, but also their abilities to operate the newly procured equipment in the longer run. For example, as a part of the functional analysis prior to construction of the Citizens' Assistance Centres (CAC), IT assessment was conducted to ascertain whether and how the requested machinery complements that already existent in the municipalities, and LSGs real needs while taking into consideration staffing levels.

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

Finally, internally, the UNOPS has the technical capacity to maintain its intranet, Atlas accounting system, its global learning network as well as the financial means to maintain its infrastructure.

5.3 Environmental protection measures

As indicated above, all Programme activities reflect the principles of environmental protection and local sustainable development, complying with both Serbia and where possible, EU legislation.

Furthermore PROGRES also promotes the awareness and understanding of the environmental issues throughout its implementation, while at the same time addresses them to higher instances on the Government level – for example, to the Ministry of Environment, Mining and Spatial Planning (MoEMSP), one of the key Programme partners.

[103] Please see Chapter 2, activity 1.6 for details.

There have been concrete projects dealing with environment. One of the largest initiatives that PROGRES is working on is the development of the Banjica Landfill, which will enable sustainable waste disposal for four municipalities in the South West Serbia: Prijepolje, Priboj, Nova Varoš and Sjenica. On the local level, PROGRES is working on establishing recycling yards in Raška, Nova Varoš and Vranje. During the first call for infrastructure projects, two awarded initiatives deal with the energy efficiency and renewable energy (in Vladičin Han and Prijepolje). Finally, on a small scale, three environment projects have been supported through Citizens Involvement Fund, as a result of partnership between the local self governments and the civil society organisations[104].

In May 2011, PROGRES adopted a Green Office Checklist which guides staff how to cut down on the use of natural resources and minimise impact on the environment[105].

5.4 Social aspects

The Programme continuously contributes to socio-cultural communication and non-discriminative and multi-ethnic exchanges of experience and cooperation between all stakeholders. Tolerance, dialogue and communication between all partners at the local and regional level, as well as with the central level Government are promoted both formally and informally. Meetings of the Programme Steering Committee, which are held across PROGRES area of responsibility, are a good platform for this exchange. Another such example was the awards ceremony for participants in the PROGRES Calendar 2011 art competition[106], which, besides generating excellent visibility for the Programme, facilitated relationship between local communities. It connected youth from Serbian, Bosniak and Albanian ethnic background, sending a message of shared values and tolerance, which was a special bonus of the event. The fact that the calendar displayed works related to issues of social inclusion and gender equality further contributed to PROGRES' promotion of social aspects.

Good governance is a transversal topic within the Programme, and all its activities promote equal participation of all citizens, which directly reflects on the gender equality and minority representation. Furthermore, there are specific activities, within Component 1 which deal with non-discrimination/inclusion (particularly 1.6 and 1.7).

The Swiss funded Migration Component which ended in March 2011, specifically underpinned social aspects.

5.5 Institutional and management capacity

The Programme is focused on the organizational strengthening and development of capacities of local stakeholders (municipal leadership and administration, civil society organizations, sectoral organizations at local level (health, social policy, labour, education, etc.), development agencies and business communities to facilitate and achieve socio-economic development of the South and South West Serbia. That is, the support is geared to enabling these institutions to improve the performance of their work, by making investments in systems and in people.

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

[104] Please see the list of supported CIF projects described in the activity 1.1
[105] Please see Annex I, attachment 1.7
[106] Please see details in the activity 7.1

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

5.6 Financial capacity

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

Although all Programme activities are governed by laws or national strategies, the concern remains whether the local governments could afford to continue to provide these services and activities after the PROGRES. However, the Programme has requested, in cases where new services are being established – plans/strategies from municipalities that certify those services will become sustainable. In addition, promoting sustainability of Programme outcomes is a priority – for example, improvements in tax gathering and financial and programme management, cultivation of other funding sources and the development of a Programme Exit Strategy with sustainability at its centre, many outcomes and thus impacts should be long term.

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

6 Monitoring and Evaluation

6.1 Reporting requirements

Inception report

The Programme inception report was prepared within three months of the official start date and approved by the Steering Committee in October 2010[107]. The report was drafted following the inception workshop, held in September 2010, and some of the key stakeholders – line ministries, mayors, municipal administrations' officials, regional development agencies, development programmes and civil society organisations took part in it.

The report confirmed objectives and relevancy of the Programme, its results, and verified the quantified indicators of achievements as well as methodology (i.e. upgraded the logical framework matrix). A detailed work plan for each activity was produced, including a list of deliverables; the experts required were identified while the management structure and any possible commitments from stakeholders and beneficiaries were confirmed.

Furthermore, the report detailed how the cross-cutting issues of governance, environmental protection and gender mainstreaming would be incorporated in the implementation of the project.

Opportunely, at the beginning of September 2010, a visit by the Swiss experts (backstoppers) was organised, to support the PROGRES team in strengthening the approach in good governance, as the Programme's transversal principle. The main role of the backstoppers is to ensure that the

[107] Available at the PROGRES website: www.progresprogram.org

Programme team is on track regarding strengthening of the awareness of all actors about this concept, making sure that individual projects are designed as much as possible with a view to governance objectives and instruments. Parts of the first mission report were quoted in the inception report, including the reiteration that 'every project should reflect the governance concept and should contribute to the strengthening of the municipalities (and thereby of the State)'. The recommendation to emphasise the work on the internal structures of the municipality thus avoiding too much focus on the 'soft' elements of governance, the competences and procedures (decision making), the cooperation with other municipalities (e.g. landfill), the cooperation with the private sector (PPP) and the interplay of the municipalities with their public utility companies, was deemed crucial.

Although this support came from one PROGRES donor - the SDC, the effort to enhance good governance approach within Programme is relevant to the entire methodology, implementation arrangements, results and outcomes and has been developed in the ensuing periods.

Monthly Reports

During the first year of implementation, PROGRES submitted six monthly reports[108] as stipulated by the Programme Document[109]. Due to the abundance of events in the areas covered by PROGRES, the main challenge was to keep the monthly reports brief[110] so the reports varied from seven to nine pages, summarising Programme/components' progress, issues or constraints encountered and gave proposals to changes and solutions. They also provided brief updates of key political, economic and social events in the South and South West Serbia.

Furthermore, management meetings were held at the DEU, as deemed feasible and necessary. The financial reports were sent to both donors, regularly.

Quarterly Reports

Two quarterly reports were produced during the first year, each within ten working days of the end of each reporting period and both were adopted by the Programme Steering Committee (PSC). Furthermore, PROGRES shared the reports with the key beneficiaries at the PSC meetings, but also with the general public through PROGRES website (www.progresprogram.org).

As stipulated by the contract, the first quarterly report was submitted three months after submission of the Inception Report, in January 2011, and it presented an updated table of activities in relation to the key indicators as defined in the Log Frame, detailed progress, described difficulties encountered in the course of implementation, results accomplished during the reporting period, resources utilized as well as detailed planning of project activities for the next reporting period.

The second quarterly report was prepared at the beginning of April 2011, and it outlined the key activities performed as well as outcomes achieved, for the period from January – March 2011.

Annual Reports

This is the first annual report, for the period from 1 July 2010 – 30 June 2011[111]. There will be another annual report, prepared at the end of June 2012, while the report in the Year 3 of Programme implementation will be the Programme's final report.

[108] October and November 2010; January, February, April and May 2011
[109] According to the Programme Document, monthly reports were to be produced starting from the end of the inception period, at the end of the first week of the next calendar month
[110] According to the Programme Document, monthly reports should be up to five pages
[111] The work plan for July 2011-June 2012 is in Annex I, attachment 1.8

Final report

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

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

6.2 Monitoring

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

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

Input monitoring covers financial[112] monitoring and activity[113] reporting on the part of the Programme team and UNOPS headquarters.

- Weekly, monthly and quarterly reports are produced detailing expenditures, resource input, financial transfers, activities ongoing or completed, and support provided by consultants and other contractors.
- The UNOPS Copenhagen financial and administrative team sample a 'batch' of PROGRES vouchers on a monthly basis, to ensure compliance with procedures; a similar vetting process is undertaken on other financial, procurement and administrative aspects of the Atlas system. Further, PROGRES is required, on quarterly basis, to provide both a Programme report and self-audit checklist to Copenhagen management – any anomalies in procedures are caught and addressed quickly and efficiently.[114]

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

- All Quarterly Reports pass through the Programme Steering Committee system and are modified, explained in more detail or altered according to discussion and then approved at the formal Steering Committee meeting held each quarter.[115]
- As the capacity development methodology chosen by the donor organizations and UNOPS Programme implementation team is primarily one of a grant contract modality and of working through municipal, CSO or other implementing partners, particular attention is paid to the quality of the initial project proposal, final contract document which details whatever is applicable in terms of activities, bills of quantities, design, financial and co-funding details etc.
- During implementation, the quality, quantity of the delivery of outputs by the client organisations (grantees or Programme implementing partners) pass through internal auditing process led by PROGRES' respective Component Manager. In parallel, the PROGRES

[112] Please refer to Section 4 – Implementation, for details on these internal financial and administrative processes
[113] Inception and Quarterly Reports as well as various baseline studies are available on the PROGRES website: www.progresprogram.org
[114] Please refer to Section 4 – Implementation for details on these internal processes
[115] See section 4.4 for details of Programme Steering Committee Meetings and Annex I for minutes of the meetings

financial auditing staff fully review accounts in the field before the next instalment payments are made.

Impact monitoring will be made subject to mid-term evaluation and final report. The development of a set of instruments to indicate social and economic change within the Programme area, which can compare with the social and economic situation outside the area remains an ongoing process.

- One source of information or baseline is the Citizens' Satisfaction Survey completed in January 2011. Another baseline prepared by the Programme team is 'Women in the Public Sector in South and South West Serbia' completed in March 2011. These surveys, published on the PROGRES website will be repeated in ensuing years and results compared.
- A survey on the status of at least ten different types of business and local taxes in PROGRES municipalities will be carried out in the H2 2011. As regional projects start to be implemented and linked to CACs, One Stop Shops and to other aspects of PROGRES support to municipal administrative reforms, these business related statistics will be an important baseline to access the impact of these projects (the Leskovac Green Park, Pešter Agri Business Programmes)
- Other data will be drawn from available official statistics.

An Area Based Programme, especially one such as PROGRES remarked by most stakeholders as ambitious in content and potential outcomes, must be flexible in nature and have the ability to respond to the changing socio-economic-political internal to the AoR and external terrain that it operates in. In this respect the PROGRES Implementing Team have made great efforts to continually refine the conceptual basis of the Programme and to ensure programme results and outcomes will be measurable. Therefore:

- The original logical framework matrix (LFM) was revised in a participative manner at the stakeholder workshop in Nis in September 2010 and revised again during the discussion leading to the Addendum 1 of the EU contract in March 2011.
- The EU external monitor, who visited the Programme in mid October 2010, also participated in the LFM discussion and gave recommendations how to enhance the objectively verifiable indicators[116]
- At least two workshop discussions on the LFM were held with the Swiss Back stoppers
- Two internal workshops to address the issues raised by the EU monitor and the back stoppers and to further develop logical links to Programme elements, improve the quality of objectively verifiable indicators (OVIs) and address good governance throughout the LFM as the cross-cutting thrust, as envisaged in the Programme Document[117].

The Swiss Backstoppers will have one more final visit in September 2011 to complete their current contract while the EU External Monitor will visit the Programme during October 2011.

- The EU Monitor will review Programme results to date primarily using the criteria of relevance of design, efficiency and effectiveness of implementation, impact and sustainability of outcomes
- The back stoppers duties primarily have focused on assisting PROGRES to introduce good governance principles throughout all aspects of Programme implementation and sub project development with partners and any monitoring mechanisms will have to be fully defined if a new contract is offered by the SDC.

[116] An internal DEU report emanated from this visit

[117] The revised LFM is attached as Annex I, attachment 1.2 and will be submitted to the Programme Steering Committee for review, comment and endorsement.

An *Exit Strategy* will be finalised in the course of 2011-12. It will be incumbent of DEU, SEIO and SDC as well as Ministerial representatives of the PSC to provide the framework of the Exit Strategy to PROGRES implementing team so that in the preparation of the Exit Strategy, indicators will be established and agreed to point out the impact that the PROGRES had on institutional change in the Programme Area and to recommend any follow up actions that may be required.

Finally, the PROGRES team holds periodic learning workshops, to assess Programme's advancement, with a view to strengthening the work and the impact in line with the overall objectives. The latest such opportunity was the annual staff retreat, held during 21-24 June, 2011, at Divcibare, where the Log Frame was updated, the 2011-12 work plan produced and lessons learned discussed.

6.3 Evaluation

The PROGRES will be evaluated at least twice, depending on donors' needs. The mid-term evaluation will be based on assessment of output-to-impact. It will consider the extent to which the Programme's achieved and planned outputs have been contributing to the intended impact. Following mid-term evaluation, the Log Frame will be adjusted again accordingly.

To date no formal discussion has been held as to when and under what terms of references a mid-term evaluation will be conducted. It is hoped that after the SDC finalise a contract continuation with UNOPS and the EU monitor has visited in October 2011 that formal agreements will be made.
The final evaluation will be conducted before the end of the Programme. It will assess Programme implementation on the four standard EU and SDC evaluation criteria: relevance, efficiency, effectiveness and impact.

7 Lessons Learned

External:

1. **Municipal financial resources**: municipalities are still under heavy budget pressure and their financial liquidity and solvency are under a huge question mark. This has hindered and slowed down the implementation of grants/project due to inability to provide co-funding. Change of grant methodology that foresees reciprocity in tranches to the project grant account could be considered, but represents a high risk if the municipality starts experiencing financial flow problems during implementation.

2. **Local Economic Development**: although municipalities state that unemployment is their number one problem, project proposals and activities tackling employment and local economic development (LED) in general are not number one priority. LED project proposals regarding clustering, attracting foreign direct investments, economic infrastructure are flagged only in some cases (Leskovac, Preševo, Vranje, Prokuplje, Tutin, Kuršumlija), while all other municipalities remain focused on communal infrastructure. Despite that there are LED/Project development offices in almost every municipality, the real power of setting priorities and project proposal preparation is usually in the hands of one or two persons outside the office. In addition, the level of insight and knowledge of what is really happening in the business sector in the respective LSGs and cooperation with national institutions dealing with investments remain on a very modest level.

3. **Strategic Planning**: previous years' efforts dedicated to strategic development planning remain of a very limited impact as the valid legislation and highly politicised decision-making

are hindering realization of strategic and other planning documents. The connection between strategic action plans and annual budget cycles are not formalized for which the valid budget system takes credit.

4. **Insufficient local administrative capacities**: This is demonstrated through a lack of initiative from the municipalities to take ownership of the projects. For example – Banjica Landfill municipalities formed the steering committee; however, it does not meet unless there are initiatives from external factors. On the local level this is demonstrated as the lack of LED office capacities in project management. The main observation is that LED offices are not organisationally integrated / linked with the PUCs and building directorate so they lack sometimes essential information when writing project proposals.

5. **Quality of technical designs/land ownership**: the lack of planning documents, unclear land ownership and real estate cadastre pose serious problems in implementing programme such as PROGRES

6. **Legislation/non-enforcement of penalties**: there are legal consequences for failure to adhere to requirements and deadlines set by national legislation. The perfect example is that out of 25 PROGRES municipalities only three have succeeded to complete their spatial plans by prescribed 31 March 2011 deadline.

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

8. **Interest for the Programme** and attention which stakeholders and public showed exceeded expectations. This opened up significant room for Programme to demonstrate relevance, conduct advocacy efforts and generate visibility. However, this occasionally shifted attention from Programme work plans and activities to actions going outside the scope of the regular duties and which has stretched Programme resources to the limit on numerous occasions.

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

10. **Lack of capacity of the civil sector:** the project application and questionnaire forms although based on EU formats are quite complex to LSG and their understanding of the administrative and financial procedures remain weak. In addition, there have been attempts of fraud, during the first call for proposals in the Citizens' Involvement Fund. As a consequence, the rules of the second call should be more precise and much stricter; application form has to be simplified; administrative-financial rules and regulations have to be presented to the applicants with more details and with specific examples of good and bad practices; a list of necessary documentation (registration papers, bank statements etc.) that each applicant needs to submit with its application should be prepared and used as an eliminatory instrument.

Internal*:*

1. **Number of staff:** the first year showed that the planned number of fully employed staff has been inadequate for the scope of work, having in mind indirect implementation modality. It is worthwhile noting the engagement with Swiss experts on good governance has also been time consuming. Since there was no clarity on the format of Swiss experts work at the time when work plans have been developed this has not been taken sufficiently into account.

2. **Recruitment** of adequately qualified consultancy proved to be challenging. For example, two advertisements for branding consultants resulted in applications from inappropriately experienced and educated candidates. This has shown that in addition to competitive salaries and public vacancies, recruitment of staff should be followed by a strong communications. It is also important to readjust approach – e.g. change ToR or instead of a consultant get a consultancy.

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

4. **Planning:** PROGRES has been investing continuous efforts in planning – there are regular revisions of work plans, logical framework, monthly and weekly planning. Doubtless, programme staff has knowledge of PMC but the impression is that unrealistic activity projections are being made repeatedly and that the planning and monitoring/evaluation cycles within the Programme components should be more integrated. In addition, each manager has its own style/approach which creates (some) inconsistencies in the documents. These issues are being addressed on a continual basis internally.