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Program evropskog partnerstva sa opštinama · European Partnership with Municipalities Programme

European Partnership with Municipalities - PROGRES

INCEPTION REPORT

30 September 2010

List of Acronyms

AoR	Area of Responsibility
BIC	Business Incubator Centre
BIRN	Balkan Investigative Reporting Network
CAC	Citizens Assistance Centres
CIF	Citizens Involvement Fund
CSO	Civil Society Organisation
CSS	Citizens' Satisfaction Survey
DEU	The Delegation of the European Union to Serbia
DRP	Detailed Regulation Plan
EU	European Union
GRP	General Regulation Plan
HR	Human Resources
ICA	Individual Contractor Agreement
ICT	Information Communications Technology
IP	Industrial Park
IZ	Industrial Zone
LED	Local Economic Development
LSG	Local Self-Government
MoERD	Ministry of Economy & Regional Development
MoESP	Ministry of Environment and Spatial Planning
MoU	Memorandum of Understanding
MPALSG	Ministry of Public Administration and Local Self Government
NCE	No-Cost Extension
NMC	National Minority Council
OSCE	Organisation for Security and Cooperation in Europe
OSS	One Stop Shop
PSC	Programme Steering Committee
PRO	Municipal Development in South West Serbia
PRPC	Pristina Project Centre
PUC	Public Utility Company
QMS	Quality Management System
RDA	Regional Development Agency
REC	Regional Environmental Centre
SCTM	Standing Conference of Towns and Municipalities
SDC	Swiss Agency for Development and Cooperation
SME	Small and Medium Enterprise
TA	Technical Assistance
ToR	Terms of References
UN	United Nations
UNOPS	United Nations Office for Projects Services

Executive Summary

This report covers the activities and the outcomes during the inception phase of the European Partnership with Municipalities– PROGRES, a joint Programme of the European Union (EU), through the Delegation of the European Union in Serbia (DEU), the Government of Switzerland, through the Swiss Agency for Development and Cooperation (SDC), and the Government of Serbia, which has an aim to enhance stability and socio-economic development of Serbia's two most underdeveloped areas – the South and South West. The United Nations Office for Project Services (UNOPS) has been granted an initial budget of EUR 18,1 million for the Programme, which should be implemented in a timeframe of three years.

Although it would be unrealistic to expect a huge impact during a short period covered by the report, 1 July – 30 September, 2010, PROGRES has achieved some crucial outcomes which allow an efficient and smooth start of the Programme: both project offices - in Novi Pazar and Prokuplje are operational, as well as two smaller offices – one in Vranje and the other in the Ministry of Environment and Spatial Planning; senior management team has been recruited, and significant partnerships have been established in principle. In addition, PROGRES team has visited all Programme municipalities to both present the Programme and identify infrastructure needs, while local assemblies have started adopting decisions which will allow their cooperation with the Programme. The Programme has a draft Communications Strategy and has already had a major visibility event - PROGRES launch in mid July.

Furthermore, during the Inception Workshop, held in mid-September 2010, the Programme team discussed and finalised, with the main stakeholders, the PROGRES logical framework matrix and thus verified the relevance of the Programme and its results. In parallel, a detailed work plan for each activity, including a list of deliverables, experts required and management structure have been produced and operations and procurement plans have been drafted.

Finally, at the beginning of September, a visit by the Swiss backstoppers was organised, to support the PROGRES team in strengthening its approach in good governance, as the Programme's transversal principle. The backstoppers will have a mandate during the implementation of PROGRES and will ensure that the Programme team is on track regarding strengthening of the awareness of all actors about the governance concept, making sure that individual projects are designed as much as possible with a view to governance objectives and instruments. Although achieving the principles of good governance can take several decades, it is the only sustainable approach to development.

Section 1 of this report provides an update of the socio-political situation, including some new legislature pertinent to the Programme activities. Section 2 gives details of the activities and the outcomes to date. The assumptions and risks have been revised during the inception period and are available in the Section 3. The implementation arrangements, including an overview of the physical and non-physical means, costs and financing and plan have been presented in the Section 4. Section 5 summarises key factors ensuring sustainability. The monitoring and evaluation requirements, in the Section 6, remain the same as in the Programme Description of Action. This narrative is complemented with Annexes, providing additional details on the HR and procurement plans, overall work plans, lists of meetings during the inception phase, as well as key documents developed during the inception period.

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1 Background

The European Partnership with Municipalities – PROGRES is a joint action of the European Union (EU), the Government of Switzerland and the Government of Serbia, with an objective to enhance stability and socio-economic development of Serbia's two most underdeveloped areas – the South and South West. Through the Delegation of the European Union to Serbia (DEU)¹, the Swiss Agency for Development and Cooperation (SDC) Serbia country office², and the Government of Serbia, the three donors have allocated an initial budget of €17,5 million³, for three years, for this Programme. The implementing partner, as named by the Government of Serbia, is the United Nations Office for Projects Services (UNOPS).

PROGRES was scheduled to start on 1 May 2010, immediately after the just completed Municipal Development in South West (PRO), to enable the core PRO personnel remain in place to conduct planning and preliminary activities for the follow up Programme in the South West Serbia and its extension into the South Serbia, under the EU Instrument for Pre-Accession Assistance (IPA) 2010 project fiche⁴.

Since the financial agreement with the DEU was not signed by 1 May, the SDC executed a contract with the UNOPS for bridging funding in the amount of €200,000⁵, for the period from 1 May to 30 June, 2010. This allowed the DEU, which officially confirmed the IPA 2010 Financial Agreement with the Government of Serbia on 25 May, 2010 to finalize the documentation for PROGRES and prepare a contract with 36 month implementation period, from 1 July, 2010. This contract had an initial three month inception period, until the end of September 2010.

The SDC bridging contract has been subsequently extended to 30 October 2010⁶, which allows the SDC main contract to commence on 1 November 2010 and alignment of this multi donor action financially, programmatically and in reporting, monitoring and evaluation terms.

Finally, the full SDC contract with UNOPS is expected to commence from 1 November, for 31 months.

Programme Development

This report outlines the activities conducted and outcomes achieved during PROGRES inception phase, from 1 July – 30 September, 2010. The three month period served as an opportunity to meet some of the main Programme's beneficiaries and partners and to consult them on the framework outlined in the Description of Action.

During the Inception Workshop⁷, held on 16 and 17 September in Niš, PROGRES' key stakeholders discussed and confirmed Programme's objectives and relevancy, including verifying the quantified

¹ PROGRES is identified in the Instruments for Pre-Accession (IPA) 2010 Fiche, CRIS Number 2009/021-765

² PROGRES is consistent with the Swiss Cooperation Strategy for Serbia 2010-2013 approved in December 2009

³ Additional 600,000 Euro from the Cross-Border-Cooperation Serbia-Macedonia fund are expected to be transferred to PROGRES Component 3 budget line, for the infrastructure projects in the area that would have been eligible for that support

⁴ Project Number 9 within 20 projects in the Agreement is: European South and South West Serbia Support Programme, a total value of €13.5 million. In the meantime, donors have agreed to rename the Programme: European Partnership with Municipalities - PROGRES

⁵ UNOPS reference numbers: project 00075034; award 00059845

⁶ Please see Annex II, attachment 2.2 for the Extension Agreement

indicators of achievement and methodology, as well as reconsidering the assumptions and risks. The logical framework⁸ matrix was updated, following the European Union (EU) project cycle management guidelines.

The inception period also served to set out a detailed work plan for each activity⁹, identify the experts required¹⁰ and outline the management structure¹¹.

At the beginning of September, a visit by the Swiss backstoppers was organised, to support the PROGRES team in strengthening the approach in good governance, as the Programme's transversal principle. The backstoppers will have a mandate during the implementation of PROGRES and will ensure that the Programme team is on track regarding strengthening of the awareness of all actors about the governance concept, making sure that individual projects are designed as much as possible with a view to governance objectives and instruments. In the first mission report¹², the backstoppers have reiterated that 'every project should reflect the governance concept and should contribute to the strengthening of the municipalities (and thereby of the State)'. In regards the governance, as a transversal theme, 'it is absolutely essential that emphasis be placed on the internal structures of the municipality, 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. This is to avoid a too narrow focus on the "soft" elements of governance (i.e. within the area of civil society)', the backstoppers conclude. Finally, 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.

1.1 Government/Sector Policy

The work of the local self governments (LSG) is regulated foremost by the Serbian Constitution from 2006, and then by a number of strategies and laws¹³. Several new regulations have been initiated or adopted, during the inception period, and the most relevant for the PROGRES are:

- ***Spatial Plan of the Republic of Serbia***

Draft Law on the Spatial Plan of the Republic of Serbia¹⁴, for the period until 2020, has been adopted by the Government in July 2010¹⁵ and submitted to the Parliament for discussion. The Plan is in accordance with the 2009 Spatial Development Strategy¹⁶ and establishes a new system of planning rules that guide protection, regulation and development in the Republic of Serbia and its regional units. In addition, the

⁷ Please see Annex VI for the Inception Workshop report.

⁸ Please see Annex I, attachment 1.1 for revised logical framework

⁹ Please see Annex III, attachment 3.1 for detailed work plan.

¹⁰ Please see Annex II, attachment 2.3 for the HR plan.

¹¹ Please see Annex II, attachment 2.5 for Organisation Chart.

¹² Please see Annex IV, attachment 4.2 for a full report from the backstopping mission.

¹³ The full list is available in the PROGRES Description of Action, but the key ones are: the Strategy for Public Administration Reform, the Law on Local Self-Government Finances, the Law on Local Elections, the Law on the Capital City, the Law on Territorial Organization of the Republic of Serbia, the Law on Salaries, the Law for Public Enterprises and Common Services, the Law on Communal Services, the Law on Anti-Discrimination.

¹⁴ Republic Agency for Spatial Planning (2010) *Draft Spatial Plan of the Republic of Serbia*. Available at: http://195.250.98.80/media/PPRSrbije%20KARTE/Nact_PPRS_JU_23.4..pdf. (Accessed on 1 September, 2010)

¹⁵ The Serbian Government (2010) *Government Adopts the Spatial Bill*. Available at: <http://www.srbija.gov.rs/vesti/vesti.php?id=67592> (Accessed on 1 September, 2010)

¹⁶ Republic Agency for Spatial Planning (2009) *Spatial Development Strategy of the Republic of Serbia*. Available at: http://www.rapp.gov.rs/media/strategije/STRATEGIJA_%20PPRRS.pdf. (Accessed on: 1 September, 2010)

Plan establishes a correlation between physical-environmental, economic and social development on the principles of sustainable spatial development and sets up a rational framework for the achievement of strategic priorities.

The Law on Planning and Construction¹⁷ stipulates that the whole Serbia should have the planning documents until March 2011, which in turn should result in putting to an end the long administrative procedures related to issuing of building permits.

- ***Draft Law on Stimulation of Construction Industry in the Conditions of Economic Crisis***

The Parliament adopted the Law on Measures to Revive the Construction Industry in Serbia during Economic Crisis¹⁸, following the Government justification that, in this way, they will stimulate the building season, which has drastically slowed down and is the poorest in the last 10 years. More specifically, the Law suggests that the public procurement procedure is shortened for the Government-funded projects for construction and reconstruction of schools, kindergartens, hospitals and clinics, sport facilities. It stipulates a 20% - 80% ratio in funding (20 by the Government and cities/municipalities and 80 through bank loans), which will be repaid both by the local governments and the central government in 50 - 50 ratio. A total of 300 million Euros will be made available for this programme and the Ministry of Economic and Spatial Planning (MoESP), according to the Law, will be issuing all building permits.

During the Parliament debate, the opposition parties criticised the draft proposed by the Government, claiming it leaves space for manipulation, different interpretations and corruption¹⁹.

This is the second Law the Government was forced to adopt because the new Law on Planning and Construction, in force since September 2009, did not have well defined implementation arrangements and by-laws for the bridging period. The bridging period ends in September 2011, which is also the deadline for the adoption of municipal general regulation plans.

- ***The Law on Regional Development***

The Serbian Government adopted changes to the Law on Regional Development in May 2010²⁰, which mainly related to the number of regions, status and number of regional development agencies (RDAs). Originally, the Law²¹ stipulated seven regions - Vojvodina, Belgrade, Central Serbia, West Serbia, East Serbia, South Serbia and Kosovo. This resulted in a protest from the Bosniak parties who requested that all municipalities with the majority Bosniak population should remain in one region²². The Law was changed and Serbia is now divided into five statistical regions: Vojvodina, Belgrade, Šumadija and West Serbia, South and East Serbia, Kosovo and Metohija.

¹⁷ The National Parliament of Serbia (2009) *The Law on Planning and Construction*. Available at:

http://www.parlament.gov.rs/content/lat/akta/akta_detalji.asp?Id=689&t=Z (Accessed on 1 September, 2010)

¹⁸ The National Parliament of Serbia (2010) *The Law on Measures to Revive the Construction Industry in Serbia during Economic Crisis*. Available at: http://www.parlament.gov.rs/content/lat/akta/akta_detalji.asp?Id=933&t=Z (Accessed on 1 September, 2010)

¹⁹ Radio Television of Serbia (2010) *The Parliament Adopted a Set of Laws*. Available at:

<http://www.rts.rs/page/stories/sr/story/9/Srbija/730636/Skup%C5%A1tina+usvojila+set+zakona.html> (Accessed on 20 July, 2010)

²⁰ The National Parliament of Serbia (2010) *The Law on Changes and Additions to the Law on Regional Development*. Available at: http://www.parlament.gov.rs/content/lat/akta/akta_detalji.asp?Id=831&t=Z. (Accessed on 15 September, 2010)

²¹ The National Parliament of Serbia (2009) *The Law on Regional Development*. Available on:

http://www.parlament.gov.rs/content/lat/akta/akta_detalji.asp?Id=661&t=Z. (Accessed on 15 June 2010)

²² Politika (2010) *Bosniaks ask for Guarantees for Sandzak*. Available at:

<http://www.politika.rs/rubrike/Politika/Boshnjaci-traze-garancije-za-Sandzak.lt.html> (Accessed on 18 March 2010)

Lastly, the Law envisages accreditation of minimum: three RDAs in Vojvodina, one in Belgrade, four for Šumadija and West Serbia, three for the South and East Serbia, and one for Kosovo and Metohija.

- **General Master Plan of Transport**

The General Master Plan of Transport was presented in mid-May 2010, and it includes all transport projects, identified as the national priority, for the period until 2027²³. 22,2 billion Euro investments are planned in the next 17 years: 13,5 billion for the road traffic (mainly Corridor 10), 7,5 billion for the railways (again, the priority is the Corridor 10), 400 million for the water/air traffic (Danube-Tisza-Danube Canal, cleaning and widening of the Danube banks, cleaning the mines-explosives from the WWII and implementation of the river information system; air - Belgrade and Niš Airports).

The Government officials say that the projects within the Master Plan are ranked in line with the software used in all EU states which would ease off seeking of further loans.

It is certain that the Master Plan will facilitate further investments in the poor regions, improve quality of living, promote trade and contribute to improvement of relations with neighbouring countries. As the Corridor 10 is seen as one of the key routes for the development of the South Serbia, this Master Plan is directly, hopefully positively, affecting overall PROGRES efforts.

- **Other laws**

Several other bills have been adopted by the Government, including the Bill on amendments to the Law on protection against noise in the environment, Bill on amendments to the Law on protection of nature, Bill on amendments to the Law on waste management²⁴ and a Bill on amendments to the Law on the Development Fund²⁵ which will have the effect on the work of the local self governments.

In addition, the beginning of implementation of the recently adopted Law on Communal Police is expected this year, which is expected to result in increased safety and cleanness of the cities/towns²⁶; the Law on Extraordinary Situations²⁷ increases competencies of the local authorities, and the Law on Pre-School education²⁸ has been adopted in March this year.

Finally, several other laws, which are relevant for the local self governments are being prepared or are in the procedure: the Law on Communal Services that may open possibilities for private public partnerships²⁹; changes to the Law on Budgetary System³⁰ that would strengthen the fiscal responsibility and enhance governance of public finances and sustainability of fiscal policy; Law on Local Employees

²³ B92 (2010) *General Master Plan of Transport*. Available at:

http://www6.b92.net/info/vesti/index.php?nav_id=431219&dd=14&mm=05&yyyy=2010 (Accessed on 14 September, 2010).

²⁴ The Government of Serbia (2010) *Bill on consumer protection under emergency procedure*. Available at:

<http://www.srbija.gov.rs/vesti/vest.php?id=139260> (Accessed on 20 September 2010)

²⁵ The Government of Serbia (2010) *One-off aid to pensioners in early October* Available at:

<http://www.srbija.gov.rs/vesti/vest.php?id=138760> (Accessed on 23 September, 2010)

²⁶ The Parliament of Serbia (2009) *The Law on Community Police*, Available at:

http://www.parlament.gov.rs/content/lat/akta/akta_detalji.asp?Id=659&t=Z# (Accessed on 20 September, 2010)

²⁷ The Parliament of Serbia (2009) *The Law on Extraordinary Situations* Available at:

http://www.parlament.gov.rs/content/lat/akta/akta_detalji.asp?Id=783&t=Z (Accessed on 20 September 2010)

²⁸ The Parliament of Serbia (2009) *The Law on Pre-School Education* Available at:

http://www.parlament.gov.rs/content/lat/akta/akta_detalji.asp?Id=796&t=Z (Accessed on 20 September, 2010)

²⁹ Press Online (2010) Dulic: *Law on Communal Services during middle of the year*. Available at:

http://www.pressonline.rs/sr/vesti/u_fokusu/story/107510/+Duli%C4%87%3AZakon+o+komunalnim+delatnostima+sredinom+godine.html (Accessed on 20 September 2010)

³⁰ Blic (2010) *Changes adopted to the Law on Budgetary System*. Available at:

<http://www.blic.rs/Vesti/Ekonomija/207686/Usvojene-izmene-i-dopune-Zakona-o-budzetskom-sistemu> (Accessed on 20 September 2010)

which is expected in Parliament in November, Law on Citizen Participation will probably be open for public debate in October, and adoption of bylaws according to the Law on Regional Development are expected.

PROGRES Component Managers will monitor and report on the new legislation in procedure that can affect the work of the local self governments.

1.2 Socio-political context

Serbia is committed to its European Union (EU) accession and according to a Government's report³¹, the overall fulfilment of the National Programme for Integration (NPI), until the second quarter of 2010, was 75%, as 404 regulations, out of 537 planned for period July 2008 – June 2010, were passed. However, despite the high rate of adoption of the laws and bylaws, the concerns remain in regards to effectiveness of their implementation.

Serbia has made another progress, in supporting a resolution within the United Nations³² which envisages the EU mediated talks with its breakaway province of Kosovo that declared independence from Serbia in February 2008. In turn, its readiness to negotiate the Kosovo issue, already had a positive effect on the EU attitude, and the Serbia's candidacy for accession will be discussed in a 25 October meeting in Luxembourg³³. The pending Kosovo talks should bring an assurance of further stability in the South Serbia.

While the situation in the South Serbia has been calm, the developments in the South West Serbia, following the elections for the National Minority Councils (NMC) in June 2010 have raised concerns both of the local population, the Government of Serbia and the international community. Unlike the Albanian, Bulgarian and Roma NMCs, which operate in the Programme Area of Responsibility (AoR) and which were formed within legally prescribed time³⁴, almost four months after the elections, it is not yet clear when the Bosniak Council will be formed. This dispute has caused additional turbulences in Novi Pazar. To name a few: in August, a Nis Express bus, on the road from Igalo to Niš, was stoned at the entry to Novi Pazar³⁵; several days later, a Serbian flag was torched on the elementary school Desanka Maksimović³⁶; and finally, the buildup of tensions resulted in clashes between protesters in Novi Pazar who turned stones at police officers who were securing the protest about confiscation of a plot of land in Novi Pazar in September³⁷. Prior to the clashes, the Islamic Community has expressed dissatisfaction

³¹ SEIO (2010) *The overall fulfilment of NPI in the second quarter was 73 percent*. Available at: <http://www.seio.gov.rs/code/navigate.asp?Id=106#901> (Accessed on 20 September, 2010)

³² Reuters (2010) *Serbia backs compromise resolution on Kosovo*. Available at: <http://www.reuters.com/article/idUSTRE6885IJ20100909> (Accessed on 25 September 2010)

³³ B92 (2010) Deputy PM: EU Questionnaire Ready. Available at: http://www.b92.net/eng/news/politics-article.php?yyyy=2010&mm=10&dd=02&nav_id=70020 (Accessed on 3 October 2010)

³⁴ According to the Law, the Councils should be formed 30 days after proclamation of the final results. The Roma Council was formed on 29 June 2010 (http://www.b92.net/info/vesti/index.php?yyyy=2010&mm=06&dd=29&nav_category=11&nav_id=442012), and Albanian and Bulgarian on 3 July 2010 (<http://www.rts.rs/page/stories/sr/story/9/Srbija/733174/Nacionalni+saveti+manjina+prema+planu.html>)

³⁵ Blic (2010) *Niš Express bus stoned in Novi Pazar*. Available at: <http://www.blic.rs/Vesti/Hronika/202931/Kamenovan-autobus-Nisekspresa-u-Novom-Pazaru> (Accessed on 16 August 2010)

³⁶ B92 (2010) *Serbian flag torched in Novi Pazar*. Available at: http://www.b92.net/eng/news/crimes-article.php?yyyy=2010&mm=08&dd=19&nav_id=69167 (Accessed on 19 August 2010)

³⁷ B92 (2010) *Violence at Novi Pazar*. Available at: http://www.b92.net/eng/news/politics-article.php?yyyy=2010&mm=09&dd=05&nav_id=69491 (Accessed on 5 September 2010)

with the Government's decision to change the composition of the Commission for Religious Education, which excluded their representative, but included the rival, officially recognised Islamic Community of Serbia's member. In addition, the Mufti Zukorlić allegedly required, in a letter, from the European Union's foreign policy and safety Catherine Ashton, EU sent international observers to Sandžak³⁸. Lately, the meeting called by the Minister for Human and Minority Rights, with representatives of the three lists and the OSCE Head of Mission, did not yield any concrete outcomes³⁹. As the tensions continue, the Government does not seem to have a strategic approach to solution of the problems, although it has announced some financial support to the area⁴⁰. The new elections for the Bosniak Council are often mentioned as a possibility.

Other relevant events, covered by this report for the period of July – September, 2010, reconfirm that the Programme will be facing several challenges, albeit all manageable with careful planning and prompt reaction. Chronologically:

- Trgovište has yet to recover from the serious floods in May 2010, during which two people were killed. The damage to the households and roads was huge, and caused landslides.
- In Belgrade, the Minister of Finance signed an Annex to the Contract between “Serbian Roads” and European Investment Bank, which refers to the loan intended for the Gazela bridge reconstruction⁴¹. The Contract obligates the Ministry of Labour and Social Policy to provide adequate housing and infrastructure for Roma that have been moved to Vranje, Bojnik and Leskovac. In addition, the Ministry has undertaken to employ one Roma person from each family, on building Corridor 10. However, majority of Roma families that were dislocated from the Gazela Bridge returned to Belgrade⁴², in search of jobs.
- Turbulences in Kuršumlija local self government continue. In July, a new majority has been formed by the Democratic Party (DS) and Serbian Radical Party (SRS), following ousting of the former DS coalition partners – group of war veterans ‘Iron Regiment’⁴³. However, in August, the new parliamentary majority was formed between the Serbian Radical Party (SRS), New Serbia (NS), and Democratic Party of Serbia (DSS)⁴⁴. In addition, this municipality continues to be at the bottom of the national statistics concerning prosperity. The employment rate was only 16,9%; those employed had the lowest salaries in Serbia - 15,852 dinars and poor access to health

³⁸ Blic (2010) *Zukorlić Seeks International Observers for Sandžak*. Available at:

<http://www.blic.rs/Vesti/Politika/205971/Zukorlic-trazi-medjunarodne-posmatrace-za-Sandzak> (Accessed on 6 September 2010)

³⁹ B92 (2010) *Bosniak Lists without agreement*. Available at:

http://www.b92.net/info/vesti/index.php?yyyy=2010&mm=09&dd=24&nav_id=460781 (Accessed on 28 September 2010)

⁴⁰ B92 (2010) *200 millions for Sandzak*. Available at:

http://www.b92.net/info/vesti/index.php?yyyy=2010&mm=09&dd=20&nav_id=459946 (Accessed on 29 September 2010)

⁴¹ Vecernje Novosti (2010) *Roma Being Relocated Again*. Available at:

<http://www.novosti.rs/vesti/beograd.74.html:289610-Ponovo-sele-Rome> (Accessed on 8 June 2010)

⁴² Internal report on the situation of 52 Roma families available at PROGRES.

⁴³ Blic (2010) *Coalition between DS and SRS in Kursumlija*. Available at:

<http://www.blic.rs/Vesti/Politika/196402/Koalicija-DSa-i-SRS-u-Kursumliji> (Accessed on 1 September, 2010)

⁴⁴ B92 (2010) *New Leadership in Kursumlija*. Available at:

http://www.b92.net/info/vesti/index.php?yyyy=2010&mm=08&dd=07&nav_category=11&nav_id=450489 (Accessed on 1 September, 2010)

services - there were 556 citizens per doctor (compared to 176 in Niš) and bad infrastructure - 11% of modern roads (the same figure applied to Novi Pazar)⁴⁵.

- In Sjenica, Esad Zornić was voted the President of the Assembly in July⁴⁶, while in September, the Party of Democratic Action (SDA) and Sandžak Democratic Party (SDP) signed the letter of cooperation in the Assembly⁴⁷.
- In Bosilegrad, the Mayor, Vladimir Zaharijev, and a local councilor Mirjana Cvetanova had a verbal conflict during the Assembly session which almost resulted in a fight. The case is going to be put to the court⁴⁸.

There have been other developments, directly or indirectly relevant for the PROGRES:

- The Government has decided to support every new job opening in Niš, Zaječar, Kraljevo and Novi Pazar, with a sum ranging from 4,000 – 10,000 Euro, within a Programme for revival of the big industrial centres and devastated areas⁴⁹. In order to be eligible for the support, each financier will have to have invested at least half a million Euro and have opened 50 new jobs. Critics say that the investors will take money from the state and operate while the money is available and subsequently close the company. They believe that the state should have rather asked the local entrepreneurs what problems they had and tried to solve those.
- A new political coalition, United Regions of Serbia, has been founded by: G17 Plus, "Zajedno za Šumadiju" (Together for Sumadija, led by Verko Stefanović), National Party (Narodna partija, led by Maja Gojković), movement "Živim za Krajinu" (I live for Krajina, led by Boško Ničić); the founding declaration was also signed by the film director Goran Paskaljević, entrepreneur Mirko Todorović (owner of Todor textile company) and the honorary G17 Plus President Predrag Marković. It is headed by Mladjan Dinkic, who said, at the founding ceremony, that that Serbia needs dispersion of the governance and genuine decentralization so that the regions are not only statistical, but political also⁵⁰.
- As of 1 July, 2010, transfers from the state budget, to local governments, increased by one billion dinars⁵¹. According to the SCTM data, transfers to cities and municipalities in 2009 were reduced by 15 billion dinars, while in 2010 this reduction will amount to 20 billion. The budget of Serbia for 2010 envisages 25,7 billion dinar transfers to cities/municipalities.

⁴⁵ Blic (2010) *The best quality of life in Novi Sad, the worst in Kuršumljia*. Available at: <http://www.blic.rs/Vesti/Tema-Dana/195695/Najbolje-se-zivi-u-Novom-Sadu-najgore-u-Kursumliji> (Accessed on 20 September 2010)

⁴⁶ Glas (2010) *Sjenica gets a new coalition*. Available on: <http://www.glas-javnosti.rs/aktuelne-vesti/2010-07-02/sjenica-dobila-novo-skupstinsko-rukovodstvo> (Accessed on 20 September 2010)

⁴⁷ Radio Sto plus (2010) *Recomposition of Sjenica Assembly*. Available on: http://radiostoplus.com/index.php?option=com_content&view=article&id=6492:prekompozicija-u-skuptini-sjenice&catid=37:cetvrtak&Itemid=70 (Accessed on 24 September 2010)

⁴⁸ Jufne vesti (2010) *Almost fighting in Bosilegrad Assembly*. Available at: <http://www.juznevesti.com/Drushtvo/Zamalo-tuca-u-Skupstini-Bosilegrada.sr.html> (Accessed on 9 September 2010)

⁴⁹ Blic (2010) *The Government will Support Every New Job Opening with up to ten thousandö*. Available at: <http://www.blic.rs/Vesti/Tema-Dana/189509/Za-novo-radno-mesto-drzava-ce-davati-do-deset-hiljada-evra> (Accessed on 16 September 2010)

⁵⁰ B92 (2010) *Founding of the Coalition United Regions of Serbia*. Available at: http://www.b92.net/info/vesti/index.php?yyyy=2010&mm=05&dd=16&nav_id=431528 (Accessed on 17 September 2010).

⁵¹ B92 (2010) *Bigger Transfers to Municipalities*. Available at: http://www.b92.net/info/vesti/index.php?yyyy=2010&mm=06&dd=08&nav_category=9&nav_id=437318 (Accessed on 8 September, 2010)

We continue to monitor the events closely and undertake the measures to minimise possible damage to the Programme.

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.

2.4 Activities

Component 1: Good Governance

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

-  *Output 1: Criteria for CIF projects finalised; the projects funded through the CIF are expected to increase participation of communities*
-  *Output 2: Citizens Satisfaction Survey contractor identified; the Survey should result in increased efficiency and accountability of the local governments*
-  *Output 3: Two grant contracts and one letter of commitment prepared for budgetary public hearings projects that are aimed at enhanced participation and compliance with the rule of law standards*
-  *Output 4: Partnerships agreements with Gender Directorate, Standing Conference on Towns and Municipalities (SCTM), Organisation for Security and Cooperation in Europe (OSCE), and key civil society organisations agreed in principle*

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) have been finalised⁵², in accordance with the feedback received during the workshop with the key civil society organisations in the South West Serbia in April 2010⁵³, and comments from the Swiss backstopping experts. The Fund will continue to support small, short term projects which address community needs and that have resulted from partnerships of the civil society organisations and local governments. One of the key criteria is that the projects reflect priorities identified in the municipal sustainable development strategies as well as the national strategies. Local government institutions/organisations and the civil society organisations are eligible to be lead partners for projects. This is justified by the fact that the local governments are obliged to allocate a line within municipal budget for support to the civil society organisations. Very often this is done by copying/pasting previous budgets without any consultations or assessment of true needs. In accordance with the good governance principles, CIF needs to stress participation and potential for transparency and accountability, and not only remain a project based device. We believed that allowing for such approach would encourage institutional anchorage, but also sustainability, as the municipality could guarantee actions upon finishing of the project. Furthermore, there is 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. Finally, this approach is possible within UNOPS procedures and we can issue a grant directly to municipalities. On a negative side, we are aware that there are big potentials for manipulation/frauds, but those could be limited by putting in place tough evaluation criteria and employing a CIF administrator (who will be supported by other staff). If successful, benefits will be much higher than the envisaged risks.

The CIF application forms have been developed⁵⁴, and the call for proposals will be advertised following the Programme Steering Committee (PSC) approval in October 2010. Four hundred thousand Euro will be available in the first round of funding. In parallel with the first call for CIF proposals, supplementary presentations will be organised, along with the brief project cycle management trainings in five Programme municipalities: two in the South West Serbia, one in Toplica, one in Jablanica and one in Pčinja.

⁵² Please see Annex IV, attachment 4.3 of this report

⁵³ Organised within the Municipal Development in South West Serbia (PRO)

⁵⁴ Please see Annex IV, attachment 4.4 of this report.

1.2 Citizens' Satisfaction Surveys

The tender for the Citizens' Satisfaction Survey in year one was successfully finished at the beginning of September. Administrative procedures are being finalised and contract is expected to be signed in the first week of October 2010, with immediate start of the activities envisaged in the ToR⁵⁵. The surveys will be used to provide feedback to municipalities – both elected and appointed officials – on their performance, the trends in satisfaction over time, but also on the perceived priorities for services and change.

The ToR for baseline socio-economic studies is being finalised and will be advertised at the beginning of October 2010 on UNOPS website and key national newspapers.

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

Four municipalities have been envisaged for this activity and the service has already been ongoing in two: Novi Pazar and Prijepolje, through SDC funded Migration project⁵⁶. Both will continue to work until the end of 2010.

ToR for the PROGRES advisory service activity is being finalized, with a shift in focus from the issues faced by migrants to those faced by general population. Tender will be advertised following consultations with the Ministry of Justice, for activities in two municipalities in the South West Serbia and Toplica District.

This activity is also closely coordinated with the PBILD programme, which is looking to support municipalities in the South Serbia in establishing the service, modelled on and drawing on the lessons learnt from the PRO/PROGRES. In a recent meeting⁵⁷ with PBILD, it has been agreed that PROGRES will wait for mid-term evaluation of PBILD's grant scheme (mid 2011) which would involve grants for provision of additional services (CAS) in selected municipalities, in cooperation with the CACs, Social Welfare Services and possibly CSOs, before starting any activities in Jablanica/Pčinja Districts.

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

Pilot projects have been contracted during the inception period for organisation of two 2010 budgetary public hearings and one seminar: "Eye on Public Finances" project⁵⁸, "Citizens in Budget Process"⁵⁹ and Organisation for Security and Cooperation (OSCE) Media Department's anti-corruption seminar. As the activities/partners have been identified in the PROGRES Description of Action, direct grants will be issued to implementers⁶⁰.

Three municipalities will be participating in the pilot activities – Leskovac, Novi Pazar and Blace. Those 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).

This activity is particularly important as it will prove that municipalities' willingness to increase transparency, accountability, but also show commitment to inclusion of all community groups.

⁵⁵ Please see Annex IV, attachment 4.5 of this report for the ToR for CSS consultancy.

⁵⁶ Quarterly Migration Report is attached as Annex V of this report

⁵⁷ Please see Annex IV, attachment 4.1 for the list of meetings held in the inception period

⁵⁸ Implemented by Pro Concept and Balkan Investigative Reporting Network (BIRN)

⁵⁹ From the Toplica Centre for activities in Blace

⁶⁰ In case of the OSCE, PROGRES plans to exchange letter of commitment for implementation of activities and covering the costs of trainers, travel and accommodation of participants.

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

During the inception period, it has been agreed that this activity should be 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.

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 inception workshop verified PROGRES' approach in establishing the local gender mechanisms in the municipalities where not existent. In all municipalities, PROGRES will advocate, through partners identified in the Programme Description of Action, for signing of the European Charter on Equal Participation of Men and Women on the local level/or localisation of the National Gender Equality Strategy, and it will support the Councils to draft the Action Plans. The key partners will be asked to submit project proposals in the first quarter of Programme implementation.

Initially, PROGRES will focus on the municipalities in the South West Serbia and Toplica District, while the activities in the South Serbia will be closely coordinated with the SCTM and PBILD who are also working on gender issues on the local level.

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

The Project for Ethnic Relations (PER) has submitted a project proposal which addresses the deadlock in establishing the multiethnic local executive in the municipality of Bujanovac and encourages interethnic cooperation in decision making in the municipality of Preševo. However, due to internal restructuring, PER has requested and has been granted a permission to delay the start of the project implementation. In the meantime, consultations with the donors who previously supported PER⁶¹, but also with the municipalities, the OSCE South Serbia office and the Coordination Body, showed that PER approach will have to be reconsidered. Further consultations are taking place at the beginning of October and finalisation of PER proposal is expected in the last quarter of 2010.

In addition, PROGRES staff have meet the OSCE Democratisation Department and agreed on the next steps regarding support to the National Minority Councils (NMCs). A coordination meeting at the Ministry of Human and Minority Rights⁶², which gathered the key donors, showed there was a big interest in support of the Councils, especially the Albanian (established for the first time) and the Bosniak (establishment pending).

Support for NMC projects, once their strategies and action plans are prepared will be continually discussed with the Councils directly, the OSCE, and the EU funded project embedded within the Ministry of Human and Minority Rights⁶³.

⁶¹ Meeting with the UK Embassy, please refer to the Meetings during inception period matrix, in the Annex IV, attachment 4.1 of this report.

⁶² Meeting at the Ministry, please refer to the Meetings during inception period matrix, in the Annex IV, attachment 4.1 of this report.

⁶³ Technical assistance to the Ministry for Human and Minority Rights, in the amount of €1.2 million from IPA 2007 service contract) to enhance capacities of the National Minority Councils and local self governments to implement minority rights standards.

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

- ✚ *Output 5: Assessment of Citizens' Assistance Centres conducted and recommendations for establishing three were made, expected to result in increased efficiency and effectiveness of local self governments' services*
- ✚ *Output 6: Criteria for establishment of Business Incubator Centres aligned with the national policies, increasing state building, accountability and sustainability of actions*

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

The Description of Action envisaged establishment of two CACs and upgrade of IT equipment in eight municipalities that have operational CACs for at least two years. Following an assessment throughout AoR, PROGRES team discovered that the Centres do not exist in four municipalities: Bosilegrad, Crna Trava, Trgovište and Žitorađa. In addition, although a CAC exists in Preševo, they intend to move it to a bigger area inside the municipal building. In Žitorađa, establishment of the CAC will be supported through EXCHANGE project⁶⁴. Furthermore, CAC sub-offices are needed in three municipalities: Bojnik, Leskovac and Prijepolje. Equipment upgrade (both software and hardware) as well as additional training sessions have been requested in Vranje, Preševo, Vlasotince, Vladičin Han, Tutin, Sjenica and Priboj. Having in mind the situation in the municipalities, and based on the selection criteria for this activity⁶⁵, as well as the budget available, PROGRES will conduct a more detailed assessment prior to formally recommending the establishment of CACs in all three municipalities (Bosilegrad, Crna Trava, Trgovište) and support to the eight above municipalities to upgrade the IT system.

A questionnaire will be prepared during October, to collect necessary information which would allow for planning of establishment and upgrade of the existing functions within CACs. Data collected will be collated and submitted for the PSC review/approval.

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

Actions undertaken during the inception period were dedicated to a preliminary assessment of the current situation in municipalities regarding development of economic infrastructure, real need and common interest of municipalities and the line Ministry (MoERD), which is interested in providing support for development of economic infrastructure in municipalities within PROGRES AoR.

In regards the **industrial parks (IP)** and **industrial zones (IZ)**, the assessment showed that:

- In Vranje, IP is planned on 117ha of land, currently hosting military barracks⁶⁶
- In Kuršumlija, IP is planned and the municipality received one million dinars from the Fund for Underdeveloped Areas in Serbia to prepare detailed regulation plan. However, the expropriation costs are high and this could delay implementation of any further activities
- Leskovac has three existing IZs, used up to 50% of their capacity; in addition, there are five Greenfield locations and one Brownfield location, all incorporated in the planning documents. The mapping of IZ exists.

⁶⁴ They have already started with preparation of technical documentation.

⁶⁵ Please see Annex IV, attachment 4.6 - Guidelines for project funding

⁶⁶ Negotiations with the Army are underway

- Bujanovac, with 80ha along Bujanovac-Preševo road, entered in the Spatial plan
- Preševo, with 80ha zone, entered in the Spatial plan
- Surdulica needs the DRP for the zone (internal infrastructure), it is in the Spatial plan and the investors are already showing interest
- Vladičin Han with 300ha regional industrial zone, DRP is ready for public viewing. The zone is divided into three sectors, two are with problematic legal status
- Tutin's IZ is being developed with the assistance from Turkish International Cooperation and Development Agency (TIKA)

Our present understanding is that the MoERD's main interest currently is revitalization of the industrial zone in Vladičin Han and development of Green IP in Leskovac.

Business Incubator Centres (BIC):

Regarding BICs, the policy of the Ministry is to strengthen functions and services in the existing BICs with the possibility of establishing new ones in less developed municipalities, as appropriate. The assessment showed the following:

- Prokuplje - functioning BIC
- Vranje – BIC is being developed at the old YUMCO factory
- Medveđa - in the process of establishing, building works complete, equipping is planned with Slovakian partners
- Priboj expressed a high interest for establishment of BIC
- Novi Pazar – BIC project pending because of the location ownership issues

Clusters:

- Only two, out of 25 registered clusters in Serbia are from the South and South West Serbia - Alko cluster Leskovac and Textile Association in Novi Pazar.

There is an ongoing call for support to cluster development announced by the MoERD. Criteria for support to cluster development within PROGRES are developed in accordance with the criteria of the Ministry and this activity will be a joint effort of the PROGRES and MoERD for municipalities within PROGRES AoR.

This activity will be crucial to opening opportunities for further investments, raising capacities of the local economic development offices in chosen municipalities but finally, in increase of number of businesses and job creations.

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

This activity is tightly connected with the Activity 2.2, especially with development of IP/IZ.

The support to develop One Stop Shops (OSS) will be recommended for up to two municipalities with the highest potential for development of IP/IZ. Detailed analysis of functions needed in OSS together with systematization and defining of connections with other departments within municipal administration and PUCs will be implemented when municipalities which will develop IP/IZ are identified. This will depend on the current structure of the municipal administration and processes for delivering of specific services.

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

During the inception period a number of meetings were held with the SCTM and MSP programme⁶⁷ to discuss this activity and agree on the next steps:

- Signing of the MoU between municipalities for more efficient and effective collection and control of public incomes through establishment of common IT system (CITS). This MoU would oblige municipalities to coordinate their financial⁶⁸, technical⁶⁹ and human⁷⁰ resources under a single administrative management structure
- Agreement by all municipalities that databases of taxpayers will be in one place and that the tax bills will be printed in each local tax office
- Set up a coordination team, made up of the heads of tax offices, which will be responsible for: preparation of work plan and reporting mechanisms; supervision of the system; analysis of the system performance; proposing solutions for improvement of the organisational and technical performance of the system; proposing solutions for improvement of local tax policy, should ensure sustainability and improvement of the system, and commitment to following principles of accountability, transparency and inclusion.

One challenge remains, and that is how to collect the relevant data. Two possible approaches have been identified: the first, involving a company/service provider, which would visit the households and collect and compile data. The second would be to engage, through partnership with the National Employment Service (NES), local unemployed people who would receive intensive training and who would work under supervision of local tax offices.

A specialist will be recruited during December 2010 to support municipalities regarding this activity.

2.5 Support LSG to strengthen financial management capacity

Since this activity is closely connected with Activity 1.4 (annual budget consultations) the focus during the inception period was to support municipalities in budget public hearing as the tool for participatory and transparent way of budget preparation. By the first quarter of 2011, municipalities for technical support will be selected while by the end of the second quarter relevant methodology for technical assistance, to the selected municipalities, will be developed. All activities within 2.5 will remain complementary to the activities of the Activity 1.4.

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 has been concluded that their methodology is the most appropriate. Further steps will be defined during the last quarter of 2010, and will include agreement on methodology with the SCTM, development of training curricula and provision of trainings to decision makers in all municipalities, selection of municipalities that fulfil criteria for implementation of QMS and selection of consultancy licensed to introduce QMS/issue certification to municipalities.


⁶⁷ Both have relevant experience in the field and have been successful in establishing a common IT Centre for tax collection in Uffice, for municipalities of Uffice, Arilje and Poflega.

⁶⁸ Meaning: securing financials in the local budgets for the functioning of CITS

⁶⁹ Meaning: using compactable hardware and unique software in all municipalities

⁷⁰ Meaning: adequate number of people in all municipalities will be dedicated for functioning of CITS

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

-  *Output 7: Project application forms prepared and distributed to municipalities so that they can submit proposals for support in preparation of planning documentation, which, in turn, can result in increase of infrastructure investment*

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

The Building and Planning Law of Serbia requires the planning documentation as a prerequisite for infrastructure development. The deadline for the adoption of municipal spatial plans is March 2011 and for the adoption of municipal general regulation plans September 2011.

In PROGRES municipalities, design of spatial plans had been contracted well before Programme's official start. Therefore, the PROGRES team has recommended altering this activity⁷¹ and instead focussing on urban planning documentation: general regulation plans and detailed regulation plans.

The initial assessment showed that there are only a few municipalities which are yet to contract the preparation of the general regulation plans: Kuršumlija, Prokuplje, Žitorađa, Trgovište, Priboj, Nova Varoš and Prijepolje, as well as settlements of Baljevac and Jošanička Banja (Raška municipality); while detailed regulation plans are needed for: Kopaonik (wider zone in the National Park), Raška, Ribariće in Tutin municipality, Jezero area on the Radan Mountain in the Bojnik municipality, recreational centre and weekend settlement in Crna Trava municipality, 5 ha of industrial zone in Vlasotince municipality, and Jovačka Lakes and Kukavica in Vladičin Han municipality.

Following these initial assessments, at the end of September, a questionnaire and an application form for municipalities to request support in preparation of planning documentation⁷² was distributed to all municipalities. The final results will be compiled and presented to the PSC for approval. Having in mind the legal timeframe, as well as the fact that existence of detailed regulatory plans can result in increase of infrastructure investment, this activity is one that should start immediately.

As a part of urban planning process, 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. Therefore, PROGRES will, in 2011, assist at least one municipality from the South West and extend support to two municipalities from the South Serbia to adopt the methodology and start using it in infrastructure master planning. From there it will be extended to other municipalities where appropriate in subsequent years.

However, although all planning could be considered only in technical aspects, PROGRES team will ensure a holistic, good governance approach in these instruments, so that they are brought together to an overall strategy of the municipality and adapted, as appropriate.

Finally, in the forthcoming period, PROGRES team/consultants will assess status of waste management plans in municipalities in order to provide further support in preparation of the municipal and regional waste management plans.

⁷¹ According to the UNOPS procurement rules and procedures, PROGRES cannot be involved once the public procurement procedure has been finished and contracts signed

⁷² Please see Annex IV, attachment 4.7 of this report.

3.2 Assistance to municipalities to establish effective and sustainable mechanisms for implementing their development strategies, and reporting on progress to the municipal assemblies.

This activity will be implemented in close coordination with the SCTM (EXCHANGE III) and PBILD programme⁷³, which are in the process of selection of municipalities or development of methodology for this action. In parallel with the selection of inter municipal and local investment projects to be implemented with PROGRES support, the Programme will work on synchronization of the methodologies and selection of eight municipalities to receive TA.



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 inception period. 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 two-year Swiss-funded Migration project operating in the South-West Serbia, 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 to the National Employment Service (NES) as well as with the SDC national efforts to link local to central level reforms, was implemented by PRO/PROGRES and will complete on 31 December 2010. The PBILD programme in South Serbia has modelled its activities (in this context) on the PRO approach. With the completion of the Migration project⁷⁴ in the South-West Serbia and full commencement of PBILD activities in the South Serbia, lessons will be learnt, evaluations made and new activities designed, which PROGRES will implement in coordination with partners and other programmes.

Component 3: Physical, economic and social infrastructure

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

-  *Output 8: Three project fiches developed for inter-municipal projects*
-  *Output 9: The assemblies of Nova Varoš, Priboj, Prijepolje and Sjenica adopted decisions to form a common PUC to manage the regional landfill, a first step in establishing a model of organisation and setting the legal form of inter municipal cooperation in line with principles of good governance*

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

It is a common knowledge that municipalities rarely come together to effectively develop inter-municipal projects and the initial interviews with the municipalities were not sufficient to collect the valid information on projects of this nature. However, this initial assessment points to several existing initiatives, which will be taken into consideration:

⁷³ Both PROGRES and PBILD work in Jablanica and P inja Districts and close coordination with this programme will avoid overlap of activities.

⁷⁴ Recent Migration project interim report to SDC (from the end of September 2010) is available as Annex V of this report, while the final report will be ready at the beginning of the next year.

- **Environmental:** Waste water treatment in Bojnik and Bosilegrad; Vlasina River regulation (flood protection); Water supply Bojnik-Doljevac; Biomass heating - Feasibility Study (Priboj, Prijepolje and Nova Varoš); Crna Trava - organic herbs and plants – feasibility study⁷⁵
- **Solid waste activities around the existing Vranje regional landfill with a view to include other municipalities – see below**
- **Social:** Stray dogs asylum for Prijepolje, Priboj and Nova Varoš.

On the other hand, there are several projects, of inter municipal character, that have started within PRO Programme, as well as projects identified in coordination with the line ministries, which have more substance and higher level of involvement of all stakeholders for further development. Those are:

1. **Integrative solution for waste management in municipalities Nova Varoš, Priboj, Prijepolje and Sjenica (landfill in Nova Varoš, recycling yards, transport station in Sjenica, collection of floating waste on Lim river)** – the project documentation has been revised, meetings have been held during the inception period, involving MoESP, and the following actions have been set:
 - Three municipalities, including Sjenica who agreed to be a partner in the project, have adopted assembly decisions on forming a common PUC that will manage the landfill⁷⁶. This, first step, is crucial to establishing a model of organisation and setting the legal form of inter-municipal cooperation in line with the principles of good governance.
 - Overview of the documentation and location has been performed by the MoESP and PROGRES team
 - Recommendations for redesign of the technical project are in process
 - There is a strong commitment of MoESP for further investment in construction of the landfill after the redesign is done
 - If all agreed steps are done PROGRES will support municipalities in redesign of the technical project so newly established PUC will be able to apply for the finances from Eco Fund for continuation of construction works during 2011
 - As a part of integrative solution for landfill, construction of a transport station with recycling yard is envisaged in Sjenica. This sub project will be supported by the MoESP and PROGRES both in technical design and construction
 - Floating waste on the Lim River is another serious issue that affects municipalities Prijepolje, Nova Varoš and Priboj. Additional project has been developed in partnership with the MoESP, MoERD and REC, for solving of this issue for collection and management of floating waste. Two floating barriers are envisaged in Brodarevo and Bistrica, and management structure to be developed⁷⁷
 - One more recycling yard will be supported in Nova Varoš or Prijepolje (depending on the availability of location) for the purpose of selecting waste collected on the Lim River.
2. **Regional landfill Vranje, with solutions for Bujanovac and Preševo** – the existing landfill in Vranje is only used by this City. There is willingness of municipalities Bujanovac and Preševo to use the landfill as a regional solution, with transfer stations developed in both municipalities. The MoESP has expressed high interest to support this initiative both technically and financially. This idea needs to be further assessed and a feasibility study should be prepared.

⁷⁵ This feasibility study can be used as a part of Activity 3.1 Economic development versus environmental protection in special nature reserves.

⁷⁶ Prijepolje, Nova Varos and Sjenica have adopted the Assembly decisions, which are available as Annex IV, attachment 4.9 of this document. Priboj is expected to do so by mid October 2010.

⁷⁷ The project fiche is being finalised during October 2010

3. **Water supply system on the Kopaonik Mountain** – Kopaonik is one of the key tourist centres in Serbia, with high potential and influence in the economic development for municipalities Raška, Brus and Novi Pazar⁷⁸. Currently, water supply and waste waters are the biggest problem both regarding economic development and environmental protection. The MoERD has already financed the general design for water supply system for the whole Kopaonik and the main design for the reconstruction of the existing system. This documentation will be finished during November 2010. In addition, the Ministry has secured some finances for reconstruction of the existing system during 2011. Once MoERD finalises the project concept and funding plan (agreed deadline is mid-October 2010), PROGRES involvement in these projects will be further examined and recommendations for PROGRES future steps made.
4. **Marketing and investment plan for Zlatibor – Zlatar touristic area** – the master plan for Zlatibor – Zlatar exists, but marketing and investment plans have not been fully elaborated. Development of these plans will result in a more effective source of information for potential investors on these two mountains. This project is developed in partnership with the MoERD⁷⁹.
5. **Brownfield revitalisation in the South and South West Serbia** whose mapping has been done by various institutions. The revitalisation of at least one of these sites in the South Serbia is intended and a project fiche has been developed in partnership with the MoERD⁸⁰.

Finally, a preliminary analysis of possible costs for the above projects, done by the PROGRES team, shows that PROGRES will 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 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.

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

Preliminary analysis of costs showed that it would be possible to finance six projects and not 12, as originally planned. These changes have been accepted during the Inception Workshop and the log frame has been adjusted accordingly.

The focus of this activity will be on municipal projects which are already in the SCTM SLAP database, that need developing to a mature stage, namely feasibility studies, main designs with tender documents, and assistance in developing of financial plans.

Majority of PROGRES municipalities started uploading their infrastructure projects into the SLAP. 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 Implementation⁸¹.

The following project sectors were initially identified by the municipalities for this activity:

- **Water supply and wastewater systems:** 14 municipalities need developing project and design documents to final stage (Blace, Bojnik, Ivanjica, Lebane, Nova Varoš, Novi Pazar, Preševo, Priboj, Prokuplje, Surdulica, Trgovište, Tutin, Vlasotince and Vranje)
- **Roads and bridges:** municipalities of Leskovac, Vladičin Han and Prijepolje
- **Environmental (landfills and energy efficiency):** municipalities of Medveđa, Prijepolje and Surdulica.

⁷⁸ But also other municipalities, indirectly

⁷⁹ The project fiche is being finalised during October 2010

⁸⁰ The project fiche is being finalised during October 2010

⁸¹ Please see Annex IV, attachment 4.6 of this report. The Swiss backstopping experts have reviewed the guidelines to ensure alignment with the good governance principles.

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

Activity 5.1 Support inter-municipal partnerships to develop project finance plans

The initial visits to PROGRES municipalities, during the inception phase, did not have the objective to identify possible projects for this activity. The identification and selection of projects to receive the assistance in developing finance plans will derive from the complementary activities 4.1, 4.2 and 6.3.

Result 6: Selected projects financed and implemented through PROGRES

Output 10: Municipal infrastructure needs identified

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

Following meetings with all municipalities, PROGRES team learnt that their priorities are communal infrastructure (streets, sewage pipelines, water supply) as well as reconstruction of schools, cultural centres, sport halls, kindergartens. On average, according to municipal estimates, projects are worth between 80,000 EUR and 350,000 EUR. These projects will also have to fulfil criteria listed under Guidelines for PROGRES implementation.

The allocation of funds for four Toplica District municipalities in this activity will be based on the formula explained and justified in a separate document⁸², which will be distributed prior to the next voting members' PSC meeting, before the end of 2010.

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

Information received from the municipalities related to their priorities in small scale infrastructure is presented in the table Municipal Infrastructure Needs⁸³. Generally, the municipalities responded well to our request for the information and out of 25 municipalities only Bujanovac, Leskovac, Medveđa, Preševo and Vladičin Han did not provide complete data.

The average number of projects listed by municipalities is 20 and their estimated values vary. It is possible to sort them into three categories:

1. Value from 20,000 – 100,000 EUR - 30% of the projects received
2. Value from 100,000 – 400,000 EUR - 50% of the projects
3. Value from 400,000 EUR upwards - 20% of the projects

Although the information about projects is preliminary, it is evident that the municipal priorities are communal infrastructure, educational institutions, sports grounds, environmental projects. However, it is also worth noting that most of the projects are in the domain of wishful thinking as they do not have main designs, while only 5% have building permits.

Again, overall criteria for these projects have been incorporated in the Guidelines for PROGRES implementation.

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

The information sought from the municipalities at this stage is related to their involvement in regional environmental projects (landfills, protection of rivers) and regional tourism projects.

⁸² This document will be based on funding allocation criteria developed under both MIR and PRO programmes.

⁸³ Available as Annex IV, attachment 4.8 of this report

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 Han⁸⁴ signed the contract. The municipalities which were offered the contract, but refused to sign, were Žitorađa, Bojnik, Bujanovac and Surdulica.




The landfill Meteris in Vranje can be converted into regional and the municipalities of Bujanovac, Preševo and Trgovište see it as their option.

Regarding the South West Serbia, Banjica landfill is under construction, expected to be used by the municipalities of Prijepolje, Priboj, Nova Varoš and Sjenica⁸⁵.

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.

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

-  *Output 11: Communication Strategy drafted, aiming to increase awareness of target audiences about logic and effects of the Programme*
-  *Output 12: Presentation of PROGRES held at Novi Pazar Assembly, with ongoing planning for presentations in other municipalities during October and November 2010, thus ensuring a wider participation of stakeholders and enhanced support for the Programme*
-  *Output 13: Key partnerships established for implementation of the public awareness campaigns*

Activities:

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

The key outcome during the inception period has been drafting of the PROGRES Communication Strategy⁸⁶. This document provides framework for communications activities that will raise the awareness about activities, achievements and impact of the Programme. The Strategy has clear objectives, target audiences, key messages, communications tools, and mechanisms for monitoring and evaluation. It also has the Action Plan that will be instrumental for planning and implementation of communications activities. The document has been reviewed and approved by the DEU and SDC.

During the inception period, the main visibility event was the PROGRES signing ceremony in Vranje on 19 July, 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), Beatrice Meyer. The event was a full success in terms of attendance and media. Twenty municipal presidents, leading Albanian, Bosniak, Bulgarian and Roma representatives attended 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.

In addition, the presentation of PROGRES to 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,

⁸⁴ Kur-umlja is also considering this option.

⁸⁵ As elaborated in Activity 4.1

⁸⁶ Please see Annex IV, attachment 4.10

contributed to a wider public awareness of the Programme and its objectives/activities. Even the opposition party – Sandžak Democratic Action (SDA)⁸⁷ supported the Assembly decision to authorise the Mayor to sign the MoU with UNOPS, i.e., for Novi Pazar to join PROGRES. Similar presentations are being planned in other Programme municipalities during October and November, 2010.

In addition, significant efforts have been put to create a strong foundation for communications work: terms of references for on call communications staff have been designed and recruitment is ongoing; visual identity and concept for website have been developed; support has been provided to the presentation of the Programme to the participating municipalities; and finally, concept for partnership project with Radio Sto Plus, designed to promote good governance, has been prepared.

7.2 Information-education and/or advocacy campaigns are implemented in partnership with civil society⁸⁸

A solid base for joint work on campaigns was formed following initial meetings with the SCTM, OSCE, Serbian EU Integration Office and MoESP. All of them expressed readiness to assist PROGRES, by sharing experiences and, if appropriate, through engagement in the campaigns. The MoESP is continuing their “Clean Up” Serbia Action and possibilities for joint activities with PROGRES in the field of environmental awareness campaigns will be considered. Meetings also took place with several leading civil society organisations in the Programme area which confirmed that the lack of understanding of EU, and limited citizens’ awareness about their rights with respect to the local government could be two possible themes for campaigns.

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

Activities

8.1 Design of plans and implementation of projects for image building in partnerships with relevant organizations⁸⁹

A series of meetings with civil society, contacts with the Belgrade University Faculty of Economy, the MoERD, and attendance at the presentation by Serbia's Intellectual Property Office on the system of protection of the geographical indications, have been used to identify areas or themes in the South and South West Serbia which have a significant promotion potential. 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.). Further consultations will be continued until December 2010, to design plans and activity plans for implementation of small campaigns.

TRAINING SUPPORT

PROGRES has already established contacts with the SCTM Training Centre, who will act as a focal point for most training activities related to development of LSGs in the Programme’s AoR. Likewise, OSCE has been identified as another key partner in training support for municipalities and PROGRES has already started to agree modalities and plans for three different trainings, in the areas of good governance, with the OSCE Media Department.

⁸⁷ Very often, the SDA does not even vote to adopt the Agenda of an Assembly session.

⁸⁸ Please note the name of the Activity has been revised slightly, following the Inception Workshop

⁸⁹ Please note the name of the Activity has been revised slightly, following the Inception Workshop

3 Assumptions and Risks

Following the inception period, the list of assumptions has been updated to reflect different levels of inferences that could affect the Programme implementation. In addition, several risks have been revised.

PROGRES will continue to employ active risk management and contingency planning strategy to ensure sound management. Regular assumption and risk reviews will be undertaken and reported in Quarterly and Annual Reports.

3.1 Assumptions at different levels

<i>Item</i>	<i>Assumption</i>	<i>Assessment & Management Issues</i>
1	Overall political stability is maintained, and relations with the EU are consolidated and strengthened	<p>There is a strong possibility that the current Government will fulfil its mandate and that political stability continues. National and local elections would then be held by mid 2012 and, although elections have proved disruptive for previous programmes, appropriate planning as required will allow adjustment of resources and inputs in response.</p> <p>The present positive trends of Serbia-EU relations include agreements on visa liberalisation and Interim Free Trade Agreement, EU Member-State approval of the Lisbon Treaty. Although the majority of parliamentary parties presently support the EU integration process, this assumption will be reviewed regularly as there are also issues that could disrupt political stability and therefore Programme progress i.e. Kosovo status, the International Criminal Tribunal for Former Yugoslavia (ICTY) trials, Serbian Progressive Party call for early elections, etc.</p>
2	The Government of Serbia remains committed to implement the Strategy for Public Administration Reform, with emphasis on accelerating and completing the decentralization process	<p>Although there is a positive trend in the relationship between the central Government and municipalities, as the local self governments are taking more responsibility for citizens' welfare, the overall rate is slow.</p> <p>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 SCTM working groups/committees/advocacy activities. Further policies, envisaged for the coming period, such as the regulation of municipal property ownership, will give an additional boost to the decentralization process.</p>
3	The impact of the current global financial crisis will not further impact municipal finances	<p>The global financial crisis has, according to experts, bottomed in Europe, while Serbia will remain adversely affected in the immediate future.</p> <p>The crisis has resulted in large cutbacks in financial transfers to municipalities in 2009, putting Serbia's intergovernmental finance system at risk and placing much pressure on LSG finances. While further cuts in transfers to municipalities seem</p>

		<p>unlikely, as that would bring LSG service provision to citizens to a standstill and would be strongly resisted by LSG and citizens, the level of transfers is expected to remain at the current intensity dependant on the rate of economic recovery.</p> <p>EU funded Programmes like PROGRES will be required to strategically plan with LSG Programme resources and to identify new LSG funding sources for development to fill the gap of lost municipal revenues.</p>
4	<p>Key stakeholders, especially cities, towns and municipalities, willingly participate in activities under the Programme</p>	<p>Some local authorities will be more committed to Programme participation than the others. The Programme will have a demand based approach and the flexibility to ensure that selected beneficiary LSG commit to active participation. The competitiveness of the grants' schemes, nature of infrastructure projects and the co-funding requirements should ensure positive participation.</p> <p>It should be noted that the cut in transfers as described under assumption 3 likely is to increase the demand for support from the PROGRES in preparation of planning documents and projects and an improvement of municipal finances as LSG seek alternative forms of financing for priority activities and plan for increased independence from central government transfers.</p>
5	<p>LSGs have sufficient financial capacities to finance their own contribution to the grants awarded by the PROGRES grant scheme</p>	<p>Municipalities will be required to provide co-funding for the grants awarded under the PROGRES. This has not been problematic in the previous area based programmes in the South and South West Serbia, despite the financial crisis which resulted in a significant reduction of transfers from the central Government.</p>
6	<p>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 in SW and South Serbia well and shortlists projects in accordance with the criteria. Sufficient number of good quality projects receives funding.</p>	<p>Cooperation between municipalities and CSOs in the South and South West Serbia is still undeveloped. Beside activities within PRO Programme regarding CIF there have been no additional interventions in this area. It is expected that partnerships between municipalities and CSOs will be reinforced, by working on some real issues on the local level.</p>

7	<p>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.</p>	<p>Sampling is the key issue for analysis of citizens' satisfaction with the municipal services and methodology for sampling will be developed in accordance with the previous analysis done within PRO Programme, based on perceptual basis, so that the results can be comparable.</p>
8	<p>The Parliament of Serbia adopts the Law on Free Legal Aid. Citizens are well informed about the existence of the Citizens Advisory Service.</p>	<p>It is expected that the Law will be in place during 2011. This will mean that all activities regarding Citizens' Advisory Services will have a legal background and more chances for sustainability.</p>
9	<p>Government and local government officials, who have not been inclusive in the process of budget planning, recognize the importance of such approach.</p>	<p>The municipal annual budgets are prepared on the basis of previous budget, taking into consideration 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 having in mind the developmental needs of the municipality.</p>
10	<p>Local government officials, CSOs and media recognize the importance of the transparency in budget preparation process and take part in the OSCE training.</p>	<p>Although the Law prescribes transparency in budget preparation, the municipalities often organise public hearings in order to satisfy form rather than to seriously take into consideration findings of the action.</p>
11	<p>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 and</p>	<p>Although accountability of PUCs towards municipality is unquestionable there are situations where managers of the PUCs are political appointees and their accountability reaches just ruling majority in the assembly. This, in turn leads to the lack of willingness to call for their responsibility in functioning of a PUC. In addition, there is little coordination between PUCs and municipal administrations, and better planning process and distribution of budget will result in improving the current conditions.</p>

	assure high level of coordination between municipal administration and local PUCs.	
12	LSGs, who have been neglecting gender issues, become aware of legal obligations and willing to work towards achieving gender equality in their municipalities.	Gender equality is the legal obligation by the Law and LSGs have to work towards achieving results prescribed by the Law.
13	Media have capacity and knowledge to implement public campaigns satisfactory.	Media in the South and South West Serbia are underdeveloped due to the lack of financial resources and inadequate staff. Nevertheless there are several local media but also correspondents of national media present in the South and South West Serbia who do have capacity for better reporting.
14	Politicians in the South Serbia overcome their self interest and through moderation start including others in the works of LSGs. NMCs willing to participate in trainings.	There is a lack of participation of all ethnic groups in LSG in the South Serbia. However, recently, there have been positive signs of dialogue and more opportunities for all to be equally represented.
15	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.
16	Municipal officials approve participation of their staff in trainings and some persons continually participate in training.	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.
17	Premises and technical documentation exist for BICs. Municipalities fully dedicated to development of BICs.	Any physical infrastructure development is preconditioned by a full scale of project technical documentation. There are issues as to the level of property ownership or required technical documentation and the lack of space is one of challenges that municipalities are facing.

18	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. Promotion of the Ministerial program for cluster development will reinforce action in this regard.
19	Municipal officials recognize need for establishment of OSS. Adequate premises and technical documentation exist.	Services towards business sector are not well 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. In addition, any physical infrastructure development is preconditioned by the full scale of project technical documentation. However, issues are present on the level of property ownership and/or lack of space in municipal buildings is a real challenge.
20	Local tax offices exist in municipalities and are fully functional.	Although local tax offices should exist in every municipality, the level of their performance is questionable. In order to fulfil the tasks envisaged in the Programme, one of the preconditions is to have a fully operational tax office in municipal administration.
21	Spatial Plans are adopted in time for GRPs and for Detailed Regulatory Plans usage of locations are predefined in GRP.	Development of urban plans is not possible if spatial plans are not in place. On the other side, it is possible to include some already developed detailed regulation plans in preparation of the general regulation plans and spatial plans.
22	Municipalities are using their Sustainable Development Strategies in planning of investments.	All municipalities have adopted their strategies but implementation of those is on <i>ad hoc</i> basis, and often they are used only upon donors' demand.
23	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 a common proposal for solving issues on their own. This process is rather donor driven and municipalities will be led towards cooperation and common approach to common issues.

24	Announced financial sources from the Serbian Government, World Bank, EBRD ⁹⁰ , and other donor programmes are in place.	Financial crisis has significantly reduced level of investments during 2009. Nevertheless, a number of investment lines from the Serbian Government and international financial institutions for developmental projects have been announced in 2010.
25	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. It is of high importance that technical documentation is timely prepared and building permits issued.
26	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.	It is highly important that messages developed within PROGRES Communication Strategy are reinforced also by donors in order to have a clear and strong approach towards beneficiaries – municipalities, in the first place. This will also prevent potential misuse of the Programme results for political promotion of local politicians.

3.2 Risks and flexibility

	<i>RISK</i>	<i>Probability</i>	<i>Likely Impact</i>	<i>Assessment & Management Issues</i>
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 account of the elections scheduled for 2012. Any change to the election schedule will require an urgent revision of the Programme implementation plans, resource inputs and perhaps organizational structure.

⁹⁰ European Bank for Reconstruction and Development

2	<p>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.</p>	Moderate	High	<p>The PROGRES team will prepare contingency plans for support to bankrupt municipalities, in consultation with donors and the MPALSG.</p> <p>Should a bankruptcy occur in the PROGRES area, contingency plans to complete Programme activities will be put into effect, with approval from the PSC.</p>
3	<p>Lack of cooperation between the PROGRES and other Programme interventions in the field</p>	Low	High	<p>The PROGRES team will establish appropriate cooperation mechanisms with other programmes in the field, and hold regular coordination meetings.</p>
4	<p>LSGs have insufficient financial capacities to finance their own contribution to the grants awarded by the PROGRES</p>	Medium	High	<p>The requirements for municipalities to contribute to appropriate activities will remain, but may be reduced in some cases. In other cases, contributions may be requested in kind, as appropriate. Those may include staff time, office space, or similar. The PROGRES team will work to ensure adequate provisions for co-funding are made as the LSG annual budgets are prepared.</p>

5	<p>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.</p>	High	Medium	<p>The Programme planning will take into account the risk of severe weather in winter. Other natural events will require a response to be developed once the extent of the impact of the event is clear.</p>
6	<p>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.</p>	High	High	<p>Although the Programme will try to recruit staff locally, recruitment will be on a competitive basis. Salary levels will be commensurate with the position expertise required and difficulty of recruiting/or relocating to these less developed areas. Furthermore, allowances will be made for staff training, learning and development.</p> <p>The office in Novi Pazar will remain the key hub to support the eight municipalities in the South West Serbia, while another project office will be located in Prokuplje, with a sub-office in Vranje</p>
7	<p>Increased donor activity in the region leads to overlaps and confusion within the municipal management structures</p>	Medium	Low	<p>The PROGRES team will hold extensive consultations prior to the start and during implementation with relevant donors/donor project representatives to prevent anticipated difficulties.</p>
8	<p>Organizational culture resists changes to administrative processes, organizational structure and methods of work</p>	Medium	Medium	<p>The organizational development will be approached carefully, involving municipal leadership in the process from the earliest stages. For example: the Programme modality is designed to work through implementing partners; in order to avoid the Programme being taken advantage of by corrupt officials all contract forms will be designed to ensure payments</p>

				are made based on outputs, while putting in place adequate monitoring means. In addition, partnership arrangements are in place with the OSCE for joint anti-corruption trainings with the National Anti-Corruption Agency. OSCE and PROGRES will prepare a check list/manual on the key elements of corruption and how to address/combat them in the local governments' environment that will serve as a reference tool for future work of all seminar participants.
9	Political gridlock between municipal government and municipal assembly interfere in project implementation	High	High	There will be a clear message from the PROGRES team and donors that particular LSG involvement will be discontinued without support and cooperation of all political parties and relevant stakeholders. The project interventions will be focussed on activities that have been identified as priorities by all stakeholders (regardless of their political affiliation). PROGRES communication efforts will be directed to widely publicize Programme to the public in order to build pressure of the citizens for project implementation.
10	Inter-ethnic tensions in the South West Serbia.	High	High	PROGRES, as a developmental Programme, will work with elected representatives in municipalities and civil society organizations. There will be a clear message from the PROGRES team and donors that particular LSG involvement will be discontinued without support and cooperation of all political parties and relevant stakeholders.
11	Possible changes in municipal management before elections			Constant communication with municipal management and representatives of all political parties through municipal assemblies will ensure that any potential changes in governing structures will not influence the implementation of activities.

4 Implementation

The three month inception period has been devoted to outcomes regarding setting up arrangements, intensive planning, discussions and agreements with stakeholders and potential Programme partners.

 *Output 14: Programme fully operational*

4.1 Physical and non-physical means

Staff and other necessary human resources

- Fixed Term Appointment for Programme Manager issued
- UNOPS has decided to extend the key local PROGRES staff ICAs until 31 December 2010, to allow for the core (senior) staff to sit in on the selection panels for recruitment of other “new” posts. PRPC Manager and PROGRES Programme Manager chaired the selection panels for the below posts advertised during the inception period:
 - Technical Specialist – candidate recommended
 - Deputy Programme Manager – candidate recommended
 - Operations Manager– candidate recommended
 - Communications Officer– candidate recommended
 - National Education Consultant– candidate recommended
 - International Consultant – Project Development– candidate recommended
 - Head of South West Office– candidate recommended
 - Component Manager for good governance– candidate recommended
 - Component Manager Municipal Management and Development Planning– candidate recommended
 - Component Manager Physical, Economic and Social Infrastructure - interview scheduled for 1 October, 2010
 - Civil Engineer – interview scheduled for 1 October, 2010
 - Operations / IT Assistant– candidate recommended
 - Senior Coordinator for South Serbia - interview scheduled for 5 October, 2010
 - On-call Web Designer - candidate recommended

Interviews were conducted in Novi Pazar, except for positions where it was logistically more feasible to organise them in Belgrade. This resulted in having a variety of staff on the selection panels, avoidance of over flooding the market and reduction of effects of the holiday season. The new contracts should start as of 1 October 2010.

- The following posts were contracted through desk review of candidates on roster:
 - Graphic Designer – Čedomir Cvetković
 - On-call Interpreter (Serbian) – Nevena Nedić
 - National Consultant for Development of Project Fiches – Aleksandar Jovanović
 - On-call IT Assistant - Edis Mekić
 - On-call office cleaner – Edita Arapović
 - On-call Translator (Albanian) – Evgjenije Islami
 - On-call Translator (Serbian) – Duška Tomanović
- Detailed Terms of Reference for the remaining PROGRES personnel have been prepared and advertisements are planned for the first week of October 2010.
- Detailed HR plan is available in Annex II, attachment 2.3

Travel and transport

- Travel Authorizations for staff are certified by the Programme Manager through given Delegation of Authority.

Office, assets and IT

- Selected assets from PRO II transferred to PROGRES
- Tender for procurement of five new PROGRES vehicles was closed on 26 September 2010. This will allow for independent and safe travel of staff
- Tender for procurement of IT equipment for PROGRES offices has been conducted successfully and a company for contract award recommended. Enough office equipment has been secured for normal functioning of two project offices
- Tender for procurement of photocopier machines for PROGRES offices has been done and company for contract award has been recommended
- Tender for procurement and installation of LAN equipment in PROGRES office in Prokuplje has been done and company for contract award has been recommended
- Procurement of office furniture for PROGRES office in Prokuplje has been done and company for contract award has been recommended
- Tender for small reconstruction works in PROGRES office in Prokuplje has been done and company for contract award has been recommended. The new office in Prokuplje will be presentable in line with the overall plan of visibility of the Programme and the donors
- Prokuplje office operational from 4 October, 2010
- Air conditioners for Novi Pazar office have been procured and installed

Information Communications Technology

- Internal and external communication with official e-mail addresses enabled – Information Communication Technology (ICT) accounts opened for all staff (emails and UNOPS Intranet access)
- Atlas user profiles created in the system for operations staff. This will enable Programme to process payments, record assets and raise contracts.

Administration / procurement

- All financial and administrative records are kept according to the UNOPS rules and procedures
- Detailed draft human resources (HR) plan has been prepared for the period until 31 December, 2010⁹¹
- Full draft procurement plan has been drafted⁹²
- Working premises have been obtained in Novi Pazar and the office lease agreement has been extended until 31 December, 2010
- Safe location for work in Novi Pazar has been obtained and company for provision of security services in Novi Pazar office has been contracted
- Working premises have been obtained in Prokuplje and the office lease agreement has been signed for period until 31 December, 2011
- Working premises have been obtained in Vranje. One desk will be temporarily placed in Vranje municipality LED office. The tender for a permanent solution will be published in mid-October 2010
- Office in Belgrade has been secured in the Ministry of Environment and Spatial Planning. Memorandum of Understanding with the Ministry should be signed during October 2010

⁹¹ Please see Annex II, attachment 2.3 for the HR plan.

⁹² Please see Annex II, attachment 2.4 for full draft procurement plan

- Tax exemption procedure for Programme funds established allowing for payment of invoices without VAT
- Programme bank account opened through Treasury enabling payments through local bank account
- Small payments can be done locally - Petty Cash custodian appointed and funds received
- Segregation of duties in terms of committing, verifying and payment officers done. This will minimize risk of potential fraud, and maximize efficiency of processing payments
- A number of small contracts for services and goods were managed for July 2010 PROGRES launching ceremony including purchase of banners, transport of participants, TV production, event in Pržar Hotel in Vranje, rent of equipment for simultaneous translation and interpretation
- A number of small contracts for services and goods realized for September 2010 PROGRES Inception Workshop including purchase of notebooks, pencils, transport of participants, event at the Hotel Tami Residence in Niš and simultaneous translation
- A number of long term agreements have been approved including purchase of photocopy paper, provision of travel management services and photocopy maintenance
- Tender for provision of Citizen Satisfaction Survey conducted and company recommended for contract award. The selected company proposal is in line with the budget available.

Security

- At present, the PROGRES Programme Manager is the UN South West Serbia Security Coordinator, while the Operations Manager is the South Serbia Security Focal Point. Because of the geographical extent of PROGRES in the Central and South Serbia, the PROGRES Programme Manager will also be ratified as the back-up Security Coordinator for Central Serbia in support of the Kraljevo-based UNHCR coordinator who fills that role.
- New arrangements will be discussed and agreed upon from 1 October 2010 where the PM is also designated as alternate UN Security Coordinator for central Serbia and continues to be a member of the United Nations (UN) Security Management Team (SMT)
- Minimum Office Safety and Security standards for operations in Novi Pazar are met and the UN Department for Safety and Security approval of office premises in Novi Pazar has been obtained
- Minimum Office Safety and Security standards for operations in Prokuplje are met and the UN Department for Safety and Security has provisionally approved office premises in Prokuplje. Security field visit and assessment will be done in November 2010.

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. The UNOPS is responsible for achieving the Programme objective through the delivery of Programme results.

All Programme staff will be positioned in two project offices: one in Novi Pazar and the other in Prokuplje, while there will also be a small sub-office in Vranje. The MoESP has also allocated an office for PROGRES to facilitate the communication between this line ministry and the Programme, while the discussions about an office within MoERD are ongoing.

All staff will be accountable to their line managers for performance.

The Delegation of the European Union

The Delegation of the European Union (EUD) 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.

The Government of Serbia

The Government of Serbia is a major stakeholder in the Programme, and a financial contributor. It has a responsibility for monitoring and steering Programme implementation, and providing assistance and facilitation as necessary.

This support is mainly given through the two line Ministries – for Economic and Regional Development (one million Euro) and for Environment and Spatial Planning (0,5 million Euro). Within MoERD, there are two sectors PROGRES is cooperating with – the tourism and regional development. However, only the tourism sector has an allocated budget line and the PROGRES is still trying to reach an agreement with the MoERD on the priorities for the support of joint projects. In regards cooperation with the MoESP, integral solutions for waste management are being considered.

Participating Municipalities

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

4.3 Timetable

The Programme implementation period will last for 36 months. The start date is 1 July 2010. Full implementation plan, with key milestones, is attached as Annex III of this report.

4.4 Programme Steering Committee (PSC)

The aim of the Programme Steering Committee (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 steering mechanism will have the following functions:

- Informing all stakeholders of the Programme's activities, progress and results;
- Providing a forum for discussion of issues arising;
- Enabling decisions to be made regarding the overall design and content of the Programme;
- Reviewing and approving planning
- Endorsing Programme implementation reports.

During the Inception Workshop, the composition of the PSC⁹³ and the voting rights of its members has been reconsidered, as well as dynamics of the meetings⁹⁴.

It has been decided that the members with the voting rights will be representatives of: the MoERD, MoESP, MPALSG, the SCTM, and the Coordination Body for Preševo, Bujanovac and Medveđa, with chairmanship from the Serbian European Integration Office.

⁹³ Please see Annex VI for full Inception Workshop report.

⁹⁴ Please see Annex IV, attachment 4.11 for the PSC ToR.

The members with the observer rights have been identified as: the DEU, the SDC, representatives of 25 local self governments from the Programme Area, Regional Development Agencies operating in the Programme Area, 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 Programme Steering Committee will meet each quarter and on an ad-hoc basis, as required.

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

4.5 Costs and financing plan

The IPA Financial Agreement was signed on 25 May 2010, and the Delegation has contracted UNOPS as the implementing partner, from 1 July 2010.

Prior to that, the financial resources to cover May and June 2010 were secured through a bridging agreement with the SDC⁹⁵, which allowed the former PRO team to seamlessly continue its work, to set the basics and commence activities for the new Programme in the South and South West Serbia.

During June 2010, submission of an addendum/reallocation and “No Cost Extension” request to the Swiss Contribution Arrangement was discussed and agreed. The “No Cost Extension” was approved on 24 June, 2010, for the period until 30 September 2010⁹⁶. The SDC extension request and consequent budget reallocation was necessitated to ensure that the objectives of the Swiss Government bridging funding are fully met.

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

The SDC are considering executing a new 32-month contract with UNOPS for SDC funding component, from 1 November 2010, which would allow the multi-donor action to continue to be fully aligned and thus to ensure that all parties fully meet their stated outcomes. The final approval is expected on 7 October 2010. A request for contract extension of Bridging Finance and a minor budget reallocation has been approved by the SDC⁹⁷.

Finally, the Government of Serbia and DEU have 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 would be amended to add the funds to the Component 3 - Physical, Economic and Social Infrastructure, enabling implementation of additional projects.

Financial resources will be provided as follows:

⁹⁵ This was also agreed by the Government and the Delegation of European Union.

⁹⁶ Please see Annex II, attachment 2.1

⁹⁷ Please see Annex II, attachment 2.2

- The EU will provide EUR 13,500,000 or EUR 14,100,000 if the Macedonia Cross Border funding is added
- The SDC will provide EUR 2,016,667
- The Government of Serbia will provide 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 and cross border additions 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 UNOPS.

5 Factors ensuring sustainability

The issue of sustainability is central to the design of the Programme. Its overall approach – providing support to local institutions to invest, develop, learn and take ownership – means that the Programme will place local institutions in a stronger situation to carry out their existing mandates.

5.1 Policy support

PROGRES continues to monitor the Government policies and will support the implementation at the local level.

Please see Section 1.2 of this report for new laws/strategies implemented since IPA funding has been approved in May 2010.

5.2 Appropriate technology

No procurement for the project beneficiaries has been conducted in the inception period.

Internally, all staff have ICT accounts, enabling them Internet use and access to Atlas accounting system, as well as a number of learning programs on UNOPS Intranet.

5.3 Environmental protection measures

All projects identified under Activity 6.3 are supporting environment protection. Furthermore, PROGRES is in the process of establishing green office policy. Right from the start of the Programme, we are monitoring the consumption of paper and rationalising the use of cars.

5.4 Social aspects

Good governance is the transversal and underlying principle of the entire PROGRES, and consequently the social aspects are of the utmost significance for its results and activities.

Programmatically, during the inception period, several projects have been identified that will directly support improvement of social aspects, e.g. participation of citizens in budgetary consultations, as well as a media awareness campaign on good governance⁹⁸. Furthermore, the PROGRES team will strongly focus on specific instruments such as the Citizens Involvement Fund (CIF), citizens' advisory services, gender and ethnic minorities' issues, in light of dealing with the concrete questions of decision making and the management of the municipality, which will in turn affect social aspects.

In addition, UNOPS is an equal opportunities employer and nourishes the highest standards of communication both within its offices and with partners. Although professional qualifications and experiences are the key preconditions in the employees' selection, PROGRES is also paying particular attention to equal representation of gender in senior management. For example, the appointed Deputy Programme Manager and the Infrastructure component manager are women, while one of the vital financial roles in the Operations team is also performed by a female. It is expected that the Programme will recruit several female coordinators in its AoR.

Finally, the PROGRES Migration Component, which runs until the end of 2010, underpins robustly social aspects.

5.5 Institutional and management capacity

This remains the same as outlined in the Programme Description of Action.

5.6 Financial capacity

PROGRES will directly support enhancement of an enabling environment for a better delivery of municipal services and local development, which should result in municipalities being able to attract more financial investments, at the same time operating in a more cost effective manner.

6 Monitoring and Evaluation

6.1 Reporting requirements

Inception report

As envisaged by the Programme Description of Action, this inception report contains updated logical framework matrix following the EU project cycle management guidelines⁹⁹. The inception workshop held in mid September, gathering key stakeholders,¹⁰⁰ has redefined several activities and confirmed most, improved the quantified indicators of achievement and thus verified the relevancy of the Programme and its results.

During the inception period, a detailed work plan for each activity¹⁰¹, including a list of deliverables per activity¹⁰², experts required¹⁰³ and management structure¹⁰⁴ have been identified.

Weekly/Monthly Reports

Weekly reports will be prepared by all staff. Copies will be held at PROGRES and will be available upon donors' request¹⁰⁵.

⁹⁸ Please see activities within Component 1 for further information.

⁹⁹ Please see Annex I, attachment 1.1 for revised logical framework.

¹⁰⁰ Full inception workshop report is available in the Annex VI of this report.

¹⁰¹ Please see Annex III, attachment 3.1 for detailed work plan.

¹⁰² Please see Annex I, attachment 1.2 for the list of deliverables per activity.

¹⁰³ Please see Annex II, attachment 2.3 for the HR plan.

¹⁰⁴ Please see attached organigram, attached in Annex II, attachment 2.5 of this report.

Monthly Reports will be submitted at the end of the first week of the next calendar month¹⁰⁶, starting from October 2010, summarising Programme/components progress, issues or constraints encountered and proposed changes and solutions compared to previous report.

Quarterly/annual/final reports

Quarterly, annual and final reports will be submitted as outlined in the Programme Description of Action.

6.2 Monitoring

This remains unchanged from the Description of Action document.

The first monitoring visit of the EU monitors is taking place from 12-15 October. The purpose of the mission is to determine the outlines of the project, in the wider frame of the EC PCM methodology and in line with the criteria of relevance and quality of design, efficiency, effectiveness, impact to date, and potential sustainability.

6.3 Evaluation

The evaluation plans remain unchanged from the Programme Description of Action.

¹⁰⁵ Please see Annex IV, attachment 4.12 for draft template of the weekly report.

¹⁰⁶ Please see Annex IV, attachment 4.13 for draft template of the monthly report.