



**EU  
PRO**

EUROPEAN UNION SUPPORT  
TO MUNICIPAL DEVELOPMENT

# INCEPTION REPORT

1 January – 30 April 2018



Republic of Serbia



Implementing partner

**Overall objective:** To contribute to a more balanced socio-economic development in Serbia

**Purpose:** To enhance competitiveness and social cohesion of the less developed areas by better market positioning and more competitive SMEs and developing/improving business enabling and social infrastructure

**Budget:** 25 million Euros

**Donor:** The European Union

**Start date:** 1 January 2018

**End date:** 31 December 2020

**Programme area:** The Regions of Šumadija and Western Serbia and the Southern and Eastern Serbia

**Implementing partner:** United Nations Office for Project Services (UNOPS)

**Report date:** 16 May 2018

**Period covered:** 1 January 2018 – 30 April 2018

**Prepared by:** UNOPS

## Acronyms

<b>AoR</b>	Area of Responsibility
<b>BSO</b>	Business Support Organisation
<b>CB</b>	Coordination Body for Preševo, Bujanovac, and Medveđa
<b>CFP</b>	Call for Proposals
<b>CIF</b>	Citizens' Involvement Fund
<b>CSO</b>	Civil Society Organisation
<b>DEU</b>	Delegation of the European Union
<b>DAS</b>	Development Agency of Serbia
<b>DOA</b>	Description of Action
<b>EU</b>	European Union
<b>FIDIC</b>	The International Federation of Consulting Engineers
<b>GEM</b>	Gender Equality Mechanism
<b>GG</b>	Good Governance
<b>HR</b>	Human Rights
<b>LSG</b>	Local Self-Government
<b>MCTI</b>	Ministry of Construction, Transport, and Infrastructure
<b>ME</b>	Ministry of Economy
<b>MEI</b>	Ministry of European Integration
<b>MSE</b>	Micro and Small Size Enterprises
<b>MSP</b>	Managing Successful Programmes
<b>NGO</b>	Non-governmental Organisation
<b>NMC</b>	National Minority Council
<b>OHCHR</b>	Office of the High Commissioner of Human Rights
<b>OSCE</b>	Organisation for Security and Cooperation in Europe
<b>OSS</b>	One Stop Shop
<b>PPF5</b>	Project Preparation Facility 5
<b>PRINCE 2</b>	PRojects IN Controlled Environments
<b>PSC</b>	Programme Steering Committee
<b>RDA</b>	Regional Development Agency
<b>RFP</b>	Request for Proposals
<b>RSOC</b>	Serbia Operations Centre
<b>SCTM</b>	Standing Conference of Towns and Municipalities
<b>SDC</b>	Swiss Agency for Development and Cooperation
<b>SME</b>	Small and Medium Sized Enterprises
<b>PIMO</b>	Public Investment Management Office
<b>SIPRU</b>	Social Inclusion and Poverty Reduction Unit
<b>SME</b>	Small and Medium Enterprise
<b>ToR</b>	Terms of Reference

## Executive Summary

The European Union Support to Municipal Development – EU PRO, the development programme that is funded by the European Union and implemented by the United Nations Office for Project Services (UNOPS), in partnership with the Government of Serbia, commenced on 1 January 2018. During the inception period, which lasted until 30 April 2018, the Programme established the governance framework, reassessed the Action's relevance and feasibility, and initiated activities whose implementation should contribute to sustainable development of 99 local self-governments (LSGs) in the regions of Šumadija and Western Serbia and Southern and Eastern Serbia.

The EU PRO governance and management framework has been set up in line with the Programme's Description of Action (DOA) and UNOPS project management methodology that is aligned with the highest international standards in project management. This effort included development of the Programme's strategies for risk and quality management, design of configuration management instruction and monitoring and evaluation plan. Registers for risks, issues, quality, and lessons learned have been set up and templates for inception, monthly, quarterly, annual reports and stage plans have been designed and put into use.

The Programme Steering Committee, which is chaired by the Ministry of European Integration, and includes representatives of the Ministry of Economy (ME), the Ministry of Construction, Transport, and Infrastructure (MCTI), the Development Agency of Serbia (DAS), the Public Investment Management Office, the Standing Conference of Towns and Municipalities, and the Delegation of the European Union, has also been established. This mechanism promotes national ownership over the Programme and enables relevant institutions to steer the implementation, monitor progress, and contribute to decision making. The Programme management team responsibilities have been defined and recruitment of 16 personnel completed, which has created basis for the efficient implementation start.

In order to introduce the Programme to beneficiaries and re-assess relevance and feasibility of planned interventions EU PRO organised 26 meetings with national institutions and international partners, held ten info sessions that gathered 209 participants (108 female and 101 male) from 86 LSGs and representatives of ten regional development agencies (RDAs). In addition, two surveys were conducted: the first was designed to assess capacities and needs of LSGs and included 101 representatives of 78 municipalities; and the second focused on needs and communication channels of Small and Medium Sized Enterprises (SMEs) and included over 200 firms. These efforts confirmed high relevance of the Programme activities, reinforced need for close coordination with complementary actions, and indicated need for limited modifications.

Specifically, LSGs confirmed that the need for investments into public infrastructure at the local level remains significant, although consultations indicated that municipalities generally do not invest timely and sufficient funding into development of projects, which validates relevance of the Programme's support for development of technical documentation. It was also shown that the number of mechanisms for funding of local infrastructure projects, primarily managed by national institutions, has increased, especially in 2018. While this is *per se* positive development, it also poses risk for the Programme and beyond, as methodologies for selection, monitoring, and evaluation of projects seem to be inconsistent and simpler than the ones of EU funded schemes, including the approach that will be applied by EU PRO. This could reduce the LSGs' interest for some EU PRO grant schemes, which could in turn decrease the number and quality of projects submitted for

consideration. In the mid-term it could shrink LSGs' capacities to absorb EU and other donors' funds. EU PRO will monitor this trend, closely coordinate and intensively promote infrastructure activities in order to mitigate this risk.

Consultations with the MCTI confirmed that the planned EU PRO work pertaining to land management was important in the light of Government's doing business reforms. The MCTI primarily requested support for upgrade of electronic system for issuing of construction permits, whose establishment was one of most successful country's reforms. Although this support is not directly envisaged in the DOA, while considering the Programme's objective to enhance land management, as well as that this was a high Government priority, the EU PRO recommends provision of support in this area. In addition, the Programme will cooperate with the MCTI and other stakeholders in order to support efforts to standardise and upgrade the national geospatial data infrastructure. The implementation of these interventions will be feasible with limited budget reallocations and use of part of contingency budget.

Furthermore, the survey with SMEs, and talks with ME, DAS, and other stakeholders, showed that businesses needed assistance for procurement of the equipment as 83% of over 200 respondents identified this as principle area for support, while also indicating need for quality standards and improvement of organisation. The consultations, however, showed that micro and small enterprises, especially of those younger than five years that will be targeted by EU PRO, have limited capacities. EU PRO will for this reason, while not changing the targeted outputs and outcomes, strive to simplify the procedures and to provide quality guidelines for development of proposals in this field.

Meetings with national institutions confirmed significance of planned work on social cohesion and social inclusion, especially in the light of Serbia's efforts to implement the Action Plan for Integration of the National Minorities and needs communicated by the LSGs.

Progress has been made regarding development and implementation of activities. While considering the framework provided by the DOA as well as findings from consultations, the Programme developed calls for proposals (CFPs) for social infrastructure, economic infrastructure, technical documentation, development of detailed regulation plans, and provision of equipment and services to MSEs. Four infrastructure related CFPs have been approved by the PSC and advertised on 25 April 2018. The CFP for MSEs is being finalised on the basis of received feedback from the PSC, primarily the Ministry of Economy, and will be advertised in May 2018.

The Programme addressed cross cutting themes. For example, EU PRO with support from Swiss PRO, which is complementary development programme, integrated good governance, human rights, and gender equality elements into CFPs criteria in order to encourage beneficiaries to consider these issues during development of applications. In addition, Gender Action Plan, which provides framework for systematic address of gender equality issues by the EU PRO, was developed.

Communication efforts, which strongly underpin the Programme's activities, focused on development of Communications Strategy and visual identity, organisation of promotional event, design of website, production of promotional material, establishment of social media channels, and provision of media support to initial activities. These "preparations" create solid foundation for promotion of support that the European Union and the Government of Serbia provide to local and regional development as well as for communication of opportunities for beneficiaries, actions and achievements of EU PRO.

This report provides insight into findings related to the Programme's relevance and feasibility and describes progress achieved during the Inception Period, including information about key activities,

developments that influenced the Project, including the risks encountered, and other implementation aspects.

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## Review of the Programme design and progress

### Policy and programme context

EU PRO context has not significantly changed although there were developments that affected the Programme. Adoption of the Law on National Spatial Data Infrastructure<sup>1</sup> and the Law on Planning System of Republic of Serbia<sup>2</sup> are the most significant policy changes. The former regulates the establishment and maintenance of the geo-spatial data, and incorporates the European Union (EU) Directive - Infrastructure for Spatial Information in the European Community – INSPIRE, into the national regulations. The later aims to establish efficient, transparent, and coordinated system for planning of development which covers spatial, regional, social, and economic aspects. In addition, the newly adopted Law on Electronic Government<sup>3</sup> should facilitate simpler, more transparent, and more efficient communication of citizens, businesses, and civil society with the public administration.

EU PRO will consider these three Laws when designing and implementing activities related to land management, primarily establishment of Geographic Information System and development of planning documentation, in order to ensure compliance with the new provisions, where relevant.

This period also confirmed commitment of the Government of Serbia and international donors to support development of small and medium sized enterprises (SMEs). For example, the Ministry of Economy (ME) launched three calls in February 2018: the first that includes provision of equipment for micro and small sized enterprises (MSEs) that is implemented in partnership with the Development Agency of Serbia (DAS)<sup>4</sup>; the second, which enhances entrepreneurship and is realised through the Development Fund<sup>5</sup>; and the third that relates to provision of business start-up grants<sup>6</sup>.

The United States Agency for International Development (USAID) and the European Bank for Reconstruction and Development (EBRD) also fund projects supporting the private sector development. The USAID Competitive Economy Project<sup>7</sup> supports fruits and vegetables producers aiming at increased export and domestic sales through a range of activities contributing to branding of products and provision of linkages with potential buyers. The EBRD in its Serbia Strategy for 2018-2023<sup>8</sup> identified enhancing private companies' capacities as priority. The EBRD will also support new technologies and innovation through activities that are currently being defined.

These are positive developments and they create potential for synergies and maximization of effects of these complementary interventions but it also underlines the need for close coordination in order to avoid duplication.

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<sup>1</sup> The Law can be accessed at <http://www.parlament.gov.rs/upload/archive/files/cir/pdf/zakoni/2018/2149-17.pdf>

<sup>2</sup> The Law can be accessed at <http://www.parlament.gov.rs/upload/archive/files/cir/pdf/zakoni/2018/2386-17.pdf>

<sup>3</sup> The Law can be accessed at <http://www.parlament.gov.rs/upload/archive/files/cir/pdf/zakoni/2018/164-18.pdf>

<sup>4</sup> The Call is available at: [http://privreda.gov.rs/javni\\_pozivi/javni-poziv-za-dodelu-besporvatnih-sredstava-u-okviru-programa-podrske-malim-preduzecima-za-nabavku-opreme-2/](http://privreda.gov.rs/javni_pozivi/javni-poziv-za-dodelu-besporvatnih-sredstava-u-okviru-programa-podrske-malim-preduzecima-za-nabavku-opreme-2/)

<sup>5</sup> The Call is available at: [http://privreda.gov.rs/javni\\_pozivi/javni-poziv-za-program-podsticanja-preduzetnistva-kroz-razvojne-projekte-u-2018-godini/](http://privreda.gov.rs/javni_pozivi/javni-poziv-za-program-podsticanja-preduzetnistva-kroz-razvojne-projekte-u-2018-godini/)

<sup>6</sup> The Call is available at [http://privreda.gov.rs/javni\\_pozivi/javni-poziv-za-dodelu-besporvatnih-sredstava-u-okviru-programa-podsticanja-razvoja-preduzetnistva-kroz-finansijsku-podrsku-za-pocetnike-u-poslovanju-u-2018-godini/](http://privreda.gov.rs/javni_pozivi/javni-poziv-za-dodelu-besporvatnih-sredstava-u-okviru-programa-podsticanja-razvoja-preduzetnistva-kroz-finansijsku-podrsku-za-pocetnike-u-poslovanju-u-2018-godini/)

<sup>7</sup> USAID Competitive Economy Project supports food processing industry <http://konkurentno.rs/en/home-eng/>

<sup>8</sup> The EBRD Serbia Country Strategy is available at <http://www.ebrd.com/where-we-are-serbia/overview.html>

The Social Inclusion and Poverty Reduction Unit (SIPRU)<sup>9</sup> was temporarily inactive at the beginning of 2018 due change of their position within the Government. In April, SIPRU was reactivated and it will continue to work within the Cabinet of the Prime Minister.<sup>10</sup> This is relevant as the Programme will consult the SIPRU when conceptualising of the EU PRO social cohesion interventions.

## Relevance and feasibility of the design and progress towards achieving objectives and results

EU PRO had four objectives for the inception period: to verify the relevance and feasibility of the Programme and identify changes needed in the design; to present the Programme to the stakeholders and build their commitment; to establish governance framework; and to develop and launch initial activities in order to create conditions for efficient implementation in the first year.

Efforts to verify relevance and feasibility, and to present EU PRO included 26 meetings<sup>11</sup> with national institutions and international partners, and development projects, and ten info sessions that gathered 209 participants (108 female and 101 male) from 86 LSGs and ten regional development agencies (RDAs). In addition, two surveys were conducted: the first that was designed to assess local self-governments' (LSGs) capacities and development needs, which included questionnaire completed by 101 representatives of 78 municipalities<sup>12</sup>; and the second, web-based survey, which encompassed over 200 Small and Medium Sized Enterprises (SMEs)<sup>13</sup>. These activities confirmed that the Action was aligned with national policies as well as that it addressed some of the key development challenges in the Programme area.

### Result 1: Improved technological structure of SMEs and their ability to increase their market share

#### *Relevance and Feasibility*

Relevance of the activities aiming at improved technological structure of SMEs and their ability to increase their market share has been validated. The consultations with the ME and RAS confirmed that planned interventions were aligned with the efforts of the Government of Serbia to support development of SMEs. Through their active involvement in the design of the activities, the Government stakeholders helped the Programme to better target beneficiaries and set the evaluation criteria that additionally enhances relevance. The Programme's information sessions also confirmed significance of the activities targeting businesses as participants flagged unemployment as burning issue.

The Survey to assess the needs and identify preferred communication channels of SMEs, also indicated the high relevance of planned interventions as 83% of respondents identified support for procurement of equipment as priority area. In addition, SMEs recognise importance of international quality standards and the need for enhancement of organisational and managerial capacities, need

<sup>9</sup> Established in 2009 with the aim to strengthen capacity of the Government to develop and implement social inclusion and to support line ministries in developing and implementing social inclusion policies

<sup>10</sup> <https://www.blic.rs/vesti/politika/djindjiceva-cerka-pri-kabinetu-ane-brnabic-nadeno-resenje-za-tim-koji-podrzava/lwqtx4g>

<sup>11</sup> The overview of the meetings is provided in the Attachment 1

<sup>12</sup> The Report on information sessions and survey conducted with LSGs is provided in the Attachment 2

<sup>13</sup> The summary of SME Survey findings is available in the Attachment 3.

assistance for establishment of joint production, and expect further reduction of red tape – the Programme will address some of these areas through activities with Business Support Organisations (BSOs).

Efforts to consult stakeholders enabled the Programme to strengthen some approaches in order to enhance feasibility. For example, 50% of SME Survey respondents did not apply for subsidies in the past due to lack of information on available funding whereas 43% confirm they doubt integrity of the selection process. Furthermore, 49% of respondents confirm that they do not have capacities to prepare an application in English, while 46% need to engage a consultant for development of application. Other stakeholders, such as Regional Development Agencies, also pointed out that SMEs, especially those younger than five years that will be targeted by EU PRO, had limited capacities.

To address the above concerns, the Programme has allowed applications in Serbian and reduced the paperwork, while not changing the initially set outputs and outcomes, and will implement a range of communication activities to ensure transparency and effective outreach to potential beneficiaries across the Programme's territory.

### *Progress towards the result*

The Call for Proposals (CFP) for Procurement of Equipment and Provision of Services for Entrepreneurs, Micro and Small Enterprises (MSEs), which has been drafted, should enable beneficiaries to enhance market potential, value chain contribution, and open new jobs. This should be achieved through enhancing the quality or introduction of new products, increasing productivity, and introduction of innovations. This interventions should through 150 projects enable opening of at least 300 jobs.

#### *Activity 1.1 Grant scheme for SMEs*

While considering the framework provided by the DOA and inputs received from with the Ministry of Economy (ME), Development Agency of Serbia (DAS), and other stakeholders, EU PRO drafted CFP for Procurement of Equipment and Provision of Services for MSEs. On the basis of feedback provided by the Programme Steering Committee (PSC), the CFP is being revised and will be shared with the Committee for final consideration in May 2018.

EU PRO also developed the plan for information campaign to promote the CFP, while taking into consideration inputs obtained during the Programme's introductory info sessions and findings of SME survey. The Campaign will include organisation of at least ten information sessions, promotion through communication channels of line national institutions, LSGs, and business support organisations, media ads and appearances, use of social media, development of video, and production of promotional items.

#### *Activity 1.2 Support to Business Support Organisations (BSOs) and NGOs to strengthen their ability to provide specialised service to SMEs*

Consultations and preliminary inputs from the stakeholders obtained at the info sessions and meetings held confirmed the need for provision of support to BSOs to enhance their ability to provide specialised services to the SMEs. As far as the scope of the intervention is concerned, the support SMEs are expecting from the BSOs primarily relates to enhancement of managerial and

operational capacities, then business enabling legislative changes, and organisation of a joint production.<sup>14</sup>

## **Result 2: Improved conditions for business operations through more efficient administrative service provision, better land management and specific small scale infrastructure investments**

### *Relevance and feasibility*

Enhancement of land management, within broader efforts of the Government of Serbia to improve business environment, has been one of the country priority reforms. The most recent actions included the adoption of the Law on National Spatial Data Infrastructure, while the Ministry of Construction, Transport and Infrastructure (MCTI) in consultations with EU PRO highlighted the need for upgrade of electronic system for issuing of construction permits and establishment of electronic system for development and adoption of planning documents as priorities.

These developments make the Programme's efforts related to land management highly relevant albeit introduction of limited modifications to the design is needed. EU PRO DOA does not directly envisage support e-permitting system, but considering to date success of this reform, and urgent need for upgrade of system functionalities, the Programme recommends procurement of hardware and software licensees to establish currently non existing back up system. In addition, while following the framework provided by the DOA, EU PRO will engage with the MCTI and the Republic Geodetic Authority (RGA) to implement projects that contribute to development of the national geospatial data infrastructure, which is aligned with the EU Directive INSPIRE, while focusing on enhancement of capacities of the LSGs in this area.

The Programme has also validated importance of support for improvement of economic infrastructure as the Government and LSGs have been working on facilitation of numerous investments. While progress has been made regarding preparedness of investment sites, consultation with the DAS indicated the need for further upgrades. The Programme will aim to support the projects where investors already confirmed their interest, which is justifiable from impact perspective. While considering recommendation from the DAS, EU PRO will also leave room for projects for infrastructure development of industrial zones in underdeveloped municipalities in order to prepare them for the next investment cycle which should follow in the coming years.

### *Progress towards the result*

The Programme developed CFPs for development of detailed regulation plans (DRPs), execution designs, and economic infrastructure. These schemes will be used to support projects that enhance conditions for realisation of investments, expansion of existing businesses, and valorisation of touristic and cultural heritage potentials. At least 900 jobs should be facilitated by these interventions.

In addition, the Programme will recommend to the provision of support to establishment of currently non-existing back-up server to electronic issuing of construction permits. This will reduce the risk of documentation loss and failing legally set deadlines for public authority holders in case of failure of the main system.

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<sup>14</sup> As confirmed with the SME Survey

### ***Activity 2.1.1 Enhancing land management through development of GIS and improved access to geospatial data***

Based on the consultations with the MCTI and Analysis of E-system for Issuing of Construction Permits<sup>15</sup>, the Programme has started to develop the proposal for procurement of hardware and software components that will enable establishment of currently non-existing back-up system.

EU PRO also has started to develop the CFP for GIS, while considering the provisions of the new Law on National Spatial Data Infrastructure. The scheme will be used to support development of local information systems of planning documents and their integration with local GIS systems and implementation of the National Land Use Cod.

EU PRO also has discussed with the Republic Geodetic Authority ways to enhance LSGs' knowledge and understanding about the National Spatial Data Infrastructure.

### ***Activity 2.1.2 Development of urban plans related to economic development***

The CFP for development of DRPs has been designed and approved by the PSC in April 2018. The allocated funding will be used for development of DRPs that contribute to investments or expansion of existing businesses, rehabilitation of brownfield sites, revitalisation of deprived areas, urban renewal, development of high quality public spaces, and preservation and valorisation of natural and cultural heritage. The Programme plans to support development of up to 50 DRPs. The CFP was advertised on 25 April 2018 and will be open until 11 June 2018.<sup>16</sup> The Programme will invite the representatives of the MCTI to participate in the evaluation of proposals as observers.

In addition, the MCTI has requested the Programme's support for the conduct of the Study for the Establishment of E-System for Development of Planning Documents that will comprise analysis of needs, requirements, and regulations concerning all stakeholders included in the planning process. This research should result in provision of recommendations for establishing of the system that will be tailored to the country systems and aligned with the NSDI. The Programme will develop this project by the end of July 2018.

### ***Activity 2.1.3 Development of project technical documentation for projects contributing to economic development***

The CFP for Technical Documentation for Projects Contributing to Economic Development was drafted on the basis of DOA. Following approval from the PSC, the CFP was advertised on 25 April 2018 and will be open for 12 months, while the first cut-off date for acknowledgment and evaluation of applications is 11 June 2018.<sup>17</sup> The eligible projects include development of execution designs for construction and reconstruction of public infrastructure in business areas, greenfield and brownfield sites, communal infrastructure leading to industrial zones<sup>18</sup>, and of business support facilities.

## ***Activity 2.2 Development/improvement of infrastructure with economic impact on local level***

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<sup>15</sup> The Analysis is conducted with support from the World Bank, and in partnership of the MCTI, Business Registers Agency (BRA), and National Alliance for Local Economic Development (NALED)

<sup>16</sup> The CFP is available at <http://www.europeanprogres.org/prokonten/sr/758/Javni-poziv-za-podnosenje-predloga-za-izradu-planova-detajlne-regulacije/>. The documentation also includes Corrigendum that removed limitation related to maximum applicant's co-funding of 49%.

<sup>17</sup> The CFP is available at <http://www.europeanprogres.org/prokonten/sr/759/Javni-poziv-za-podnosenje-predloga-za-izradu-izvodjackih-projekata-za-ekonomsku-infrastrukturu/>. The documentation also includes Corrigendum that removed limitation related to maximum applicant's co-funding of 49%.

<sup>18</sup> Water, sewage, electricity, access roads

While considering DOA framework, and inputs received from the DAS, ME, MEI and other stakeholders, EU PRO developed the CFP for Economic Infrastructure. The eligible projects include public infrastructure that will enable or enhance functioning of the industrial zones, technology parks, business incubator centres, and public infrastructure that contributes to development of tourism destinations. The Programme will support implementation of up to six economic infrastructure projects. The Call was advertised on 25 April 2018 and will remain open until funding is available or 24 months. The first cut-off date when the Programme will acknowledge and initiate evaluation of the received applications is 11 June 2018.<sup>19</sup> EU PRO will offer the opportunity to the representatives of RAS to participate in the work of the Panel that will evaluate the applications in the capacity of observers.

### **Result 3: Better social cohesion and attractive living environment through improvement of small scale public infrastructure and social relations**

#### *Relevance and Feasibility*

The Programme's consultations with LSGs and RDAs, and the Survey of LSGs' Capacities and Development Needs<sup>20</sup> confirmed that the need for investments into public infrastructure at the local level remains significant. The consultations, in addition, indicate that despite some progress municipalities still do not invest timely and sufficient funding into project preparation, which also validated relevance of the Programme's support for development of technical documentation.

Furthermore, the number of mechanisms for funding of local infrastructure projects, primarily managed by national institutions, has increased, especially in 2018.<sup>21</sup> While this is *per se* positive development, it also poses risk for the Programme and beyond, as methodologies for selection, monitoring, and evaluation of projects seem to be inconsistent and simpler than the ones of EU funded schemes, including the approach that will be applied by EU PRO. This could reduce the LSGs' interest for some EU PRO grant schemes, which could in turn decrease the number and quality of projects submitted for consideration. In the mid-term it could shrink LSGs' capacities to absorb EU and other donors' funds. EU PRO will monitor this trend, closely coordinate and intensively promote infrastructure activities in order to mitigate this risk.

Within efforts to validate social cohesion activities, EU PRO met the Coordination Body for Preševo, Bujanovac and Medveđa (CB), the Ministry of Education, Science and Technological Development, the Office for Human and Minorities Rights (OHMN), and the Commissioner for Equality Protection. These national stakeholders confirmed importance of planned activities aiming at social cohesion in multi-ethnic communities and social inclusion of the most marginalised groups. They also assessed that activities were aligned with the national strategic framework, and welcomed EU PRO plan to focus on economic empowerment of the most vulnerable citizens.

In addition, importance of the activities that contribute to improvement of education for national minorities was highlighted, as these were part of Serbia's Action Plan for Realisation of Human Right

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<sup>19</sup> The CFP is available at <http://www.europeanprogres.org/prokonten/sr/759/Javni-poziv-za-podnosenje-predloga-za-izradu-izvodjackih-projekata-za-ekonomsku-infrastrukturu/>. The documentation also includes Corrigendum that removed limitation related to maximum applicant's co-funding of 49%.

<sup>20</sup> Summary of the Survey findings is available in the Attachment 2

<sup>21</sup> For example, the Programme recorded that calls related to infrastructure will be managed by PIMO, ME, Ministry of Public Administration and Local Self-governments, and the Ministry of Education, Science, and Technological Development

of Minorities under the Chapter 23 of EU Accession Negotiations<sup>22</sup>. Another area that was deemed relevant was provision of support for alignment of social inclusion and social cohesion local policies with the national framework, while LSG Survey also showed that municipalities need assistance for in the field of social protection.

This EU PRO will consider the initial findings when identifying projects and developing grant scheme in this area. Considering the needs, it would be feasible to allocate more funding into social inclusion and social cohesion activities that benefit the vulnerable population.

#### *Progress towards achieving the result*

##### *Activity 3.1 Supporting projects for improvement of the living conditions and quality of public infrastructure in municipalities*

The CFP for Local Infrastructure Projects for improvement of education, health, social care, environmental protection, water and waste management, culture, and sports facilities has been drafted while incorporating the comments received from the Standing Conference of Towns and Municipalities (SCTM) and the Public Management Investment Office (PIMO). Eligible activities include construction and reconstruction of buildings, of water supply and sewage systems, solid waste management and waste water systems, improvement of energy efficiency, and recycling. Criteria for selection of the projects include good governance considerations. The Call was approved by the PSC, advertised on 25 April, and will remain open until 29 June 2018.<sup>23</sup> The Programme will invite the representatives of the MCTI to participate in the evaluation of proposals as observers.

##### *Activity 3.2 Supporting projects enhancing inter – ethnic dialogue and cooperation, improving social cohesion and social integration in multi – ethnic communities*

EU PRO has been engaging with the national partners to identify priority social cohesion projects. The CB confirmed that one of priorities for Preševo, Bujanovac, and Medveđa was continuation of engagement of assistants for teaching Serbian as non-mother tongue in four elementary schools with Albanian pupils, which was supported through EU PRO predecessor, European PROGRES. While building on results of the previously supported project, EU PRO and CB initiated work on development of a project proposal for engagement of up to eight teaching assistants in the school year 2018-2019. The proposal will be presented to the PSC at the meeting that is planned for early June 2018.

On the basis of the DOA and findings from consultations, initial concept for the CFP for supporting the civil society projects has been developed. The concept envisages address of social inclusion and employability of vulnerable groups in multi-ethnic communities, inter-ethnic cooperation, and implementation of policy measures for improvement of the position of national minorities at local level. The CFP will be developed in Q2 2018 and presented to the PSC for consideration.

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<sup>22</sup> Chapters of the EU Acquis can be accessed at [https://ec.europa.eu/neighbourhood-enlargement/policy/conditions-membership/chapters-of-the-acquis\\_en](https://ec.europa.eu/neighbourhood-enlargement/policy/conditions-membership/chapters-of-the-acquis_en)

<sup>23</sup> The CFP is available at <http://www.europeanprogres.org/prokonten/sr/761/Javni-poziv-za-podnosenje-predloga-za-lokalne-infrastrukturne-projekte/>. The documentation also includes Corrigendum that removed limitation related to maximum applicant's co-funding of 49%.

## Management and Coordination arrangements

The PSC has been established by appointment of representatives of the relevant institutions. The Committee is chaired by the Ministry of European Integration, and includes representatives of the MCTI, the DAS, the PIMO, the Standing Conference of Towns and Municipalities, and the Delegation of the European Union.<sup>24</sup> This mechanism promotes national ownership over the Programme and enables the involved institutions to steer the implementation, monitor progress and performance, and contribute to decision making.<sup>25</sup>

EU PRO presented the five CFPs at the first PSC meeting that was held on 29 March 2018. On the basis of PSC feedback, EU PRO introduced limited modifications of the CFPs for economic and social infrastructure, execution designs, and detailed regulation plans. The revised CFPs were approved by the PSC through e-procedure that was conducted from 11 to 19 April 2018.

The Programme's implementation team structure and responsibilities have been defined.<sup>26</sup> Recruitment of 16 full time team members and 14 on call national experts was completed. This created basis for efficient progress of implementation, even during this reporting period.

## Resources and budget

EU PRO established system for monitoring of financial performance. All financial and administrative records are and will be kept in accordance with the UNOPS rules and procedures. The tax exemption procedure for the Programme funds was established and applied. The first instalment in the amount of 12 million Euros has been received from the European Union prior to the Programme's start.

The budget remains appropriate for the Action. The Programme plans to provide stronger support to the reforms related to electronic issuing of construction permits and National Spatial Data Infrastructure project, which will also require engagement of additional expert resources. This period also showed that the initially projected scope for the communications work should be expanded in order to support communications and visibility objectives of the EU and the Government. These development indicate the need for utilisation of part of the contingency budget and the Programme will make necessary projections in the Q3 2018.

## Assumptions and Risks

EU PRO established a system for risk management that has two key elements: Risk Management Strategy<sup>27</sup> that defines techniques, standards, and processes that will be applied in identification and assessment of risks, and then in planning and realisation of risk responses; Risk and Issue Register<sup>28</sup> that will be used as a record of all identified risks and issues and their status. This systematic approach should reduce negative effects that certain events could have on delivery of the Programme.

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<sup>24</sup> The PSC scheme is available in the Attachment 4

<sup>25</sup> The Programme Steering Committee Terms of Reference is available in the Attachment 5

<sup>26</sup> EU PRO Organigramme is available in the Attachment 6

<sup>27</sup> The Risk Management Strategy is available in the Attachment 7

<sup>28</sup> Available with EU PRO

The initial assumptions were further analysed through monitoring of developments that have potential to influence the Programme and consultations with the national and local stakeholders. The assumptions identified during development of the Programme will likely hold true: Serbia and the Programme's areas of responsibility remain stable, while the country continues to implement reforms along the European Union accession path; the Government remains committed to enhance business environment, facilitate investments, and support SME development, while recent legislation changes provide the opportunity to the Programme to enhance relevance and effectiveness of planned interventions; LSGs and other beneficiaries shown high interest for the Programme.

This period also confirmed appropriateness of risk analysis done prior to the Programme's launch. Uncertainties related to capacities of beneficiaries, especially SMEs, were stressed during consultations and EU PRO will put effort to simplify the approach, while not reducing the set targets. The Programme also has started to implement risk responses – for example, CFPs contain provisions that envisage additional scoring for proposals coming from underdeveloped LSGs or rural areas. Efforts are put to strongly communicate the Programme and opportunities for beneficiaries.

The newly identified risks relate to increased number of mechanisms for funding of infrastructure projects as well as for supporting the SMEs, as described in the previous sections. The Programme will continue to coordinate activities with relevant stakeholders and monitor progress, in order to introduce synergies, avoid overlapping, and identify possible modifications.

## Offices and assets

EU PRO has four operational offices, as envisaged by the DOA, in Belgrade, Niš, Vranje, and Novi Pazar. With approval from the donor, the European Union, assets from the predecessor programme, European PROGRES, including vehicles, were transferred to EU PRO.<sup>29</sup>

## Quality and sustainability

EU PRO approach to quality is based on three pillars: the framework for quality management that UNOPS globally applies, the structures and regulations of the RSOC and finally, on implementation of quality checks to ensure that the outputs are fit for purpose. The Programme developed the Quality Management Strategy<sup>30</sup> that defines the quality standards to be applied and the responsibilities of personnel for achieving the required quality during the implementation. The document describes quality management procedures that will be used for quality planning, quality control, and quality assurance. It also outlines reporting requirements, quality records, and timing of key quality activities.

EU PRO endeavours to ensure sustainability of the intervention will focus on:

National capacity: the Programme is aligned with national policies and will support their implementation; national institutions will through engagement in the PSC and implementation contribute to steering, monitoring, and decision making; EU PRO will predominantly use the grant

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<sup>29</sup> Approvals available with UNOPS

<sup>30</sup> The Quality Management Strategy is available in the Attachment 8

methodology, which gives the ownership over activities to the grantees, while the Programme maintains monitoring and advisory role.

**Economic sustainability:** EU PRO should contribute to generation of economic activity through enhanced competitiveness of SMEs, facilitation of investments, and opening of jobs. This will be highly beneficial for people that will get employment and their families, LSGs whose revenues will increase, SMEs that should be able to win new markets and enhance export. The Programme is part of broader efforts to enhance balanced regional development.

**Social sustainability:** The Programme has strong social dimension, as part of its activities will directly enhance living conditions for the citizens and directly benefit national minorities and other vulnerable groups.

**Environmental sustainability:** design and reconstruction abide by the principles of environmental protection and local sustainable development. Predominant use of local natural materials for the construction and reconstruction of social and economic infrastructure will minimise the negative effect on the ecosystems and communities, thus contributing to environmental sustainability.

In addition, gender equality, social inclusion, and good governance, as cross cutting themes, will be addressed through activities. Efforts will be made to enhance gender equality in projects, establish gender sensitive indicators for monitoring and reporting, and implement gender awareness activities<sup>31</sup>.

In addition, Swiss PRO, which is complementary programme, supported the EU PRO's info-sessions for LSG's representatives on the four on-going calls for project proposals, by providing an overview of and introduction into the three cross-cutting aspects that the LSGs might encounter during the projects development: Good Governance, Social Inclusion and Gender Equality. It was stressed that addressing these aspects in their project proposals will enhance the expected outcomes and impacts of the projects, as well as contribute to their sustainability, while at the same time increasing accountability, improving transparency and overall responsiveness of local public organisations and institutions toward addressing the citizens' rights and meeting their needs.

Four CFPs that were developed, approved by the PSC, and advertised, also include criteria that address sustainability, good governance, gender and human rights.

### **Monitoring, reporting, and evaluation arrangements**

The templates for inception, monthly, quarterly, and annual reports were developed.<sup>32</sup> The Programme will monitor costs, time, scope, risks, quality, outcomes, and impact. Each aspect will have monitoring tools, procedures and reporting.<sup>33</sup> The key performance indicators derive from the Logical Framework Matrix but the Programme will consider other needs of the key stakeholders in order to ensure high relevance of the monitoring approach.

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<sup>31</sup> Gender Action Plan is available in the Attachment 9

<sup>32</sup> Available with EU PRO

<sup>33</sup> The initial scheme of EU PRO Monitoring and Reporting Scheme is available in the Attachment 10

This Inception Report covers the period from the official signing of the contract with the Delegation of the European Union, on 1 January 2018, until 30 April 2018. The contractual obligation of the Programme is to provide quarterly reports, annual report and the final report.

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

## Work Plan

EU PRO revised the overall work plan<sup>34</sup> and prepared a plan for the period from 1 April until 30 June 2018.<sup>35</sup> The following are the key priorities for the coming reporting period<sup>36</sup>:

**Result 1: Improved technological structure of SMEs and their ability to increase their market share**

- The Call for Proposal (CFP) for Small and Micro Enterprises (MSEs) approved and advertised
- The MSE outreach campaign designed and implemented, including information sessions
- The concept for the CFP for Business Support Organisations developed

**Result 2: Improved conditions for business operations through more efficient administrative service provision, better land management and specific small scale infrastructure investments**

- The first draft for the CFP for Geographic information System developed
- CFPs for planning and technical documentation closed and evaluation initiated
- CFPs for economic and social infrastructure closed and evaluation initiated
- Proposal for upgrading electronic building permitting system approved and implementation initiated

**Result 3: Better social cohesion and attractive living environment through improvement of small scale public infrastructure and social relations**

- Project proposal for language learning programme developed and approved
- Engagement of consultancy for conduct of language learning programme initiated and advanced
- Developed concept for the CFPs for social cohesion and social inclusions projects

**Communication and Visibility**

- Programme Launch organised
- The Programme Website developed
- The Programme Stylebook established

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<sup>34</sup> The revised Work Plan is available in the Attachment 11

<sup>35</sup> The Work Plan for the period 1 April - 30 June 2018 is available in the Attachment 12

<sup>36</sup> The plan covers deliverables for the period May – June 2018

- Facebook and Tweeter accounts regularly updated
- Communication campaigns for Programme CFPs implemented

## Communications and Visibility

The EU PRO's Communications and Visibility Strategy Communication Strategy has been drafted in line with the Communication and Visibility Manual for European Union External Actions.<sup>37</sup> The primary goal of the Strategy is to contribute to effective promotion of the EU support to local development, while at the same time promoting contribution of the Government of Serbia and ensuring strong communication of both the development opportunities for beneficiaries and the Programme's results and achievements. The Strategy identifies specific and measurable objectives, opportunities and tools for promotion of each result area, target audiences, and clear key messages to be communicated throughout the duration of the Programme.

The promotional event scheduled for 22 May in Aranđelovac is being prepared with planned 400 participants, including the Minister of European Integration, the Head of the Delegation of the European Union, and 99 participating LSGs. This event will also include the fair of EU funded projects.

The logo for EU PRO was developed and the templates for memorandums, presentations, and press material were developed. In addition, the key promotional materials were produced: 500 notebooks, 500 folders, 500 plastic pens, 500 metal pens, four roll-up banners, one pop-up banner.

The website design was prepared and domain eupro.org.rs was registered. Until the finalisation and the official release, the website of the predecessor programme - European PROGRES is hosting the domain where the first EU PRO Public Calls were published.<sup>38</sup> The EU PRO website will be completed by end July 2018.

Communication support has been provided to initial Programme activities. Press releases were issued to promote four infrastructure calls. Assistance also included development of the promotional campaign for the Call for MSEs. In order to organise targeted and informed campaign the survey for MSEs was created, which resulted in over 200 responses and will inform both the promotion of the activity.

So far approximately 100 media reports related to EU PRO were published in the national and local media outlets, majority of which promoting the infrastructure calls and all correctly listing the European Union support to local development, and infrastructure improvement.

European PROGRES social media channels have all been repurposed and rebranded to EU PRO to ensure continuation of efforts to increase number of followers built for the duration of the previous

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<sup>37</sup> [Communication and Visibility in EU-financed external actions](#) and [the DEU Visibility Guidelines](#)

<sup>38</sup> <http://www.europeanprogres.org/eupro/sr/748/EUPRO/>

Programme. Although the inactivity in the transitional period has garnered a slight loss of following<sup>39</sup>, the pages are once again beginning to generate traffic with new activities in EU PRO being published

## Recommendations

EU PRO consultations, surveys, monitoring of developments, and analysis, confirmed relevance and feasibility of the Programme. In addition, consideration of the following elements could enhance relevance and feasibility of EU PRO:

- Within the set objective to enhance land management, the Programme should support upgrade of electronic system for issuing of construction permits. This is one of most successful doing business reforms and the Programme's contribution to ensuring its continuing success is fully aligned with the EU PRO objectives. This intervention would not require alteration of the objectives, results, or budget main headings, and would be feasible with limited budget modifications within relevant sub line, and use of part of the contingency budget.
- While following the DOA, EU PRO should develop projects in support of establishment of electronic system for development of planning documentation and ensure alignment of GIS action with the framework set by the Law on National Spatial Data Infrastructure. The Programme will in this way provide contribution to priority doing business reform.
- EU PRO is part of endeavors to enhance Serbia's competitiveness and activities should therefore focus on economic development. The Programme will monitor the progress and would, in consultations with the donor and the PSC, consider reallocation of part of funding from other lines for economic infrastructure projects, if this becomes feasible (e.g. due to lower actual costs of some budget items/projects).
- While the Programme is focused on economic development, the inception period confirmed that needs related to social inclusion and social cohesion remain significant. Therefore, provision of support to priority projects in these areas is relevant and feasible, while interventions should include economic empowerment of the vulnerable communities.
- Continuous and quality engagement of national institutions in steering and monitoring of the Programme would be beneficial as it would ensure high relevance and enhance outcomes and impacts. Engagement from other partners and beneficiaries, LSGs, RDAs, BSOs is also important – for the Programme performance and for strengthening of their capacities. The inception period was marked by quality engagement of the national institutions and this momentum should be maintained throughout the implementation.
- The Programme will need to invest continuous and systematic efforts into coordination of activities, considering the number of interventions that include infrastructure and SME activities. While this is risk it also presents the opportunity for synergies.

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<sup>39</sup> The Facebook page currently stands at 9,087 and the Twitter page at 804 followers

- Considering the opportunities and need for the promotion of support that the European Union and the Government of Serbia provide to the local and regional development, the initially defined scope of communication activities may not be adequate. Options for scope expansion should be considered, while contingency budget could be used for implementation of newly identified interventions.

## LFM - Progress against indicators

### Legend<sup>40</sup>

	Activity completed, outputs delivered in accordance with the set targets
	Activity progressing in accordance with the plan
	Activity progresses with manageable delay
	Activity is critical

Objectively verifiable indicators	Progress during the reporting period
<b>Overall objective:</b> To contribute to a more balanced socio-economic development in Serbia.	
<b>Project purpose:</b> To enhance competitiveness and social cohesion of the less developed areas by better market positioning and more competitive SMEs and developing/improving business enabling and social infrastructure.	
Four CFPs that are developed are focused on facilitation of investments and generation of economic activity. The Programme also is seen as partner for conduct of key country's doing business reforms, which is a solid foundation for progress towards the objectives.	
<b>RESULT 1</b> <b>Improved technological structure of SMEs and their ability to increase their market share</b>	
Activity 1.1 Grant scheme for SMEs	The CFP for Procurement of Equipment and Provision of Services for Entrepreneurs, Micro and Small Enterprises prepared and presented to the PSC.
Activity 1.2 Support to Business Support Organisations (BSOs)	Initial consultations on the design of the CFP for BSOs have been conducted with the ME, RAS and the Chamber of Commerce.
<b>RESULT 2</b> <b>Improved conditions for business operations through more efficient administrative service provision, better land management and specific small scale infrastructure investments</b>	
Activity 2.1.1 Enhancing land management	Programme held three meetings with MCTI and one with RGA to align the activity with new laws' requirements (e-space and National Spatial Data

<sup>40</sup> Colour the boxes in the table as appropriate

through development of GIS and improved access to geospatial data	Infrastructure)
Activity 2.1.2 Development of urban plans related to economic development	The CFP for development of Detailed Regulation Plans prepared, PSC approval obtained on 23 April and the CFP published on 25 April
Activity 2.1.3 Development of project technical documentation for projects contributing to economic development	The CFP for development of project technical documentation prepared, PSC approval obtained on 23 April and the CFP published on 25 April
Activity 2.2 Development/improvement of small-scale infrastructure with economic impact on local level	The CFP for development of infrastructure with economic impact on local level prepared, PSC approval obtained on 23 April and the CFP published on 25 April
<b>RESULT</b>	<b>3</b>
<b>Better social cohesion and attractive living environment through improvement of small scale public infrastructure and social relations</b>	
Activity 3.1 Supporting projects for improvement of the living conditions and quality of public infrastructure in municipalities	The CFP for local infrastructure prepared, PSC approval obtained on 23 April and the CFP published on 25 April
Activity 3.2 Supporting projects enhancing inter – ethnic dialogue and cooperation, improving social cohesion and social integration in multi – ethnic communities	Four meetings with relevant counterparts held and confirmed relevance of planned activities. One project proposals contributing to inclusive education developed, and initiated conceptualisation of CFP completed