



Ministry of European Integration  
REPUBLIC OF SERBIA

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ЗА ТЕБЕ



**EU**  
**PRO+**

# INCEPTION REPORT

(FINAL)



**UNOPS** Implementing partner  
in 99 cities and municipalities in Serbia

<b>Overall objective:</b>	To contribute to socio-economic development, prosperity and social cohesion of Serbian society
<b>Purpose:</b>	To decrease socio-economic disparities in two regions within Serbia
<b>Budget:</b>	30 million Euros
<b>Donor:</b>	The European Union
<b>Start date:</b>	1 January 2021
<b>End date:</b>	31 December 2023
<b>Programme area:</b>	The Regions of Šumadija and Western Serbia and the Southern and Eastern Serbia
<b>Implementing partner:</b>	United Nations Office for Project Services (UNOPS)
<b>Report date:</b>	2 September 2021
<b>Period covered:</b>	1 January 2021 – 30 April 2021
<b>Prepared by:</b>	UNOPS

## Acronyms

<b>AoR</b>	Area of Responsibility
<b>BSO</b>	Business Support Organisation
<b>CAT-I</b>	Capacity Assessment Tool for Infrastructure
<b>CFP</b>	Call for Proposals
<b>CLLD</b>	Community-led Local Development
<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>GAP</b>	Gender Action Plan
<b>ITI</b>	Integrated Territorial Investment
<b>ISTD</b>	Integrated Sustainable Territorial Development
<b>LAGs</b>	Local Action Groups
<b>LSG</b>	Local Self-Government
<b>MPALSG</b>	Ministry of Public Administration and Local Self Government
<b>MLEVSP</b>	Ministry of Labour, Employment, Veteran and Social Policy
<b>ME</b>	Ministry of Economy
<b>MEI</b>	Ministry of European Integration
<b>MYS</b>	Ministry of Youth and Sports
<b>NGO</b>	Non-governmental Organisation
<b>PIMO</b>	Public Investment Management Office
<b>PSC</b>	Programme Steering Committee
<b>RDA</b>	Regional Development Agency
<b>RSMCO</b>	Republic of Serbia Multi Country Office
<b>SCTM</b>	Standing Conference of Towns and Municipalities
<b>SME</b>	Small and Medium Sized Enterprises
<b>SIPRU</b>	Social Inclusion and Poverty Reduction Unit
<b>SUD</b>	Sustainable Urban Development
<b>TOR</b>	Terms of Reference

## Executive summary

The European Union for Local Development Programme – EU PRO Plus, 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 2021. During the inception period, which lasted until 30 April 2021, the Programme established the governance framework, reassessed the relevance and feasibility of the planned actions, initiated development of activities whose implementation should contribute to sustainable development of 99 beneficiary local self-governments (LSGs), recruited and established the Programme team and provided emergency assistance to support Government efforts in combating the COVID-19 pandemic.

The EU PRO Plus **governance and management framework** has been set up in line with the Programme Description of Action (DOA) and UNOPS project management methodology. This effort included development of the Programme plans, strategies and registries and setting up human resource capacities to respond to the needs of the Programme. The Programme team responsibilities have been defined and **recruitment of 16 personnel completed**, which has created the basis for the efficient start of implementation.

The **Programme Steering Committee (PSC)**, which is chaired by the Ministry of European Integration, and composed of representatives from the Ministry of Economy (ME), Ministry of Public Administration and Local Self Government (MPALSG), Ministry of Labour, Employment, Veteran and Social Policy (MLEVSP), Ministry of Youth and Sports (MYS) and the Public Investment Management Office (PIMO) as voting members with support from the Standing Conference of Towns and Municipalities (SCTM) and Development Agency of Serbia (DAS) in the capacity of observers, finalised its formation.

Efforts to verify **relevance and feasibility**, and to present the EU PRO Plus included meetings with the national institutions, Regional Development Agencies (RDAs), LSGs, Small and Medium-sized Enterprises (SMEs) and Business Support Organisations (BSOs) and review of available strategies and action plans. The Programme also conducted several surveys to inform development of EU PRO Plus activities and these activities confirmed that the EU PRO Plus addresses some of the key development challenges in the Programme area.

To ensure efficiency in implementation and strengthen relevance of the activities, the Programme proposes a two-track approach which implies conduct of a limited number of Calls for Proposals for BSOs, SMEs and social infrastructure in order to maintain momentum generated by the predecessor programme, while gradually introducing an integrated approach. This approach is backed by the surveys and interviews which indicate that most LSGs have no adequate capacity to work immediately on Integrated and Sustainable Territorial Development (ISTD). This track will also consider COVID-19 effects and is justified as the pandemic generally reduced budgets for local development. The second track is about introducing and building capacities for ISTD at national, regional, and local level. While all LSGs and RDAs on the target territory will benefit from some capacity building activities, in-depth support will be focused on targeted territories, and will include development of ISTD strategies.

**COVID-19 related challenges** have been considered and their inevitable impact on all Programme interventions assessed. Implementation of EU PRO Plus capacity building and strategic development activities will be more challenging, while assistance to social and economic development will need to be streamlined to maximise relevance of the Programme. Moreover, the Programme supported the Government in providing **emergency assistance to combat the pandemic**, and a portion of the

Programme funds have been reallocated for emergency procurement of vaccination vehicles, triage containers and disinfectants for schools.

The planned activities contributing to **improved development planning in targeted municipalities and introducing Integrated Territorial Investment (ITI) concept** have been validated with the key national stakeholders and its application tested with the target RDA and LSG beneficiaries. The analysis of existing territorial mechanisms implemented through Community-led Local Development (CLLD) and Sustainable Urban Development (SUD) instruments shows that these interventions are feasible in the Serbian context. The Programme also re-confirmed the need to invest significant efforts into building capacities of actors on the entire Programme territory to recognise the benefits of territorial instruments and consider linkages and partnerships which may be created to maximise the effectiveness of these instruments.

Relevance and feasibility of activities targeting **enhanced economic growth in targeted municipalities** has been cross-checked through various mechanisms. The Survey of LSGs confirms that the planned interventions pertaining to supporting the enabling business environment are relevant, however in addition to the existing pipeline of economic infrastructure projects, the quality of existing technical documentation and great potential for development of new business enabling projects has also been identified, especially in the light of the ongoing pandemic and the need to support digitalisation process.

Additionally, activities directed towards **enhancement of competitiveness and sustainability of businesses** have been validated by the key national, regional and local stakeholders and backed-up with feedback from the target SME and BSO beneficiaries who identified the planned support as priority assistance needed for enhancement of SME sustainability and competitiveness. Moreover, in the context of the COVID-19 economic recovery, the Programme will include support to the sectors which have been affected the most by the pandemic, and with prioritisation of activities which will accelerate SME digitalisation, increase resilience and secure new markets.

Feedback from the LSGs confirms that the **need for investment into social infrastructure at the local level remains significant**. A pipeline of 575 social infrastructure projects worth 310 million Euros is already developed according to the feedback received from 49 LSGs. However, based on the past experience, the level of project preparedness is low, therefore the Programme should also open room for support to development of technical documentation and feasibility studies.

**Communication efforts**, which strongly underpin the Programme, focused on development of visual identity, design of website, production of promotional material, establishment of social media channels, and provision of media support to initial activities. The Programme launch event was held on-line on 14 April, initially gathering over 250 participants and generating 60 media reports. These preparations create a 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 the EU PRO Plus.

During the inception period, the Programme also identified **elements which may enhance Programme relevance and feasibility** including the option to extend Programme's support to national institutions to coordinate local and regional development issues while fully respecting national ownership; facilitate exchange between the local and national level; potential to increase relevance of activities by supporting more strongly COVID-19 recovery efforts, etc.

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

The EU PRO Plus Programme context has not changed significantly since the Programme development in 2020 and it has been primarily affected by the continued COVID-19 pandemic and the announced general elections. Health considerations and the related restrictions limited options for interaction with the Programme stakeholders and influenced the need for alternative approaches for Programme visibility and outreach. Moreover, the uncertainty of future development of the pandemic generated new challenges and risks for Programme implementation. Additionally, the Programme context is influenced by the limited term of the Government formed in 2020 with already announced elections for April 2022 which may reduce room and commitment of the national institutions to undertake the needed reforms which would ensure progress sustainability of the Programme interventions.

Several national policy changes and updates took place during the inception period. [The Strategy of the Public Administration Reform in the Republic of Serbia for the period from 2021 - 2030](#) was adopted in April 2021 and updated in July 2021. The Strategy aims for an efficient, responsible and transparent administration that provides quality and easy access to the professional and effective services. While a set of measures and goals have been created to improve the capacities of the public administration, simplify administrative procedures, establish electronic data registers, promote the digitalisation, and improve public services to citizens and economy, the Strategy introduces establishment of the single administrative point within each LSGs, as key to better and more efficient liaison with its users.

The Programme will contribute to implementation of the Strategy on several levels. Firstly, in line with the Strategy, Regional Development Agencies (RDAs) shall be included in the capacity building activities for Integrated Territorial Development and will be encouraged to participate in implementation of specific actions. Secondly, the Programme will pay attention to coherence of policies relevant for development and implementation of ISTD Strategies and projects. Additionally, the Strategy reaffirms the importance of monitoring and evaluation as a necessary precondition for improving efficiency and effectiveness of public policies in achieving goals which will be an integral part of the ISTD Strategies supported by the EU PRO Plus. Finally, horizontal and vertical cooperation will be addressed through the capacity building and strategy development processes in line with the EU territorial mechanisms. Opportunities to engage with the National Academy for Public Administration will be assessed and this may additionally contribute to implementation of the Strategy.

Additionally, the [Law on Usage of Renewable Energy Sources](#) adopted in April 2021 will allow easier permits for installation of solar panels while the procedure for on-grid connection to the power supply will be simplified. The two months permitting process will replace the process which currently takes two years ensuring easier access to sustainable green energy sources to individual users and industry. The new law will allow application of innovative solutions towards energy consumption and create possibilities for LSGs to reduce the carbon footprint of the public facilities on a much larger scale.

In terms of implementation of policy developed prior to commencement of the Programme, the [Law on the Planning System of the Republic of Serbia](#) adopted in 2018 is among the most relevant for the Programme. The Law regulates the need for Development Plans for Local Government Units with the deadline for adoption of such plans set for 1 January 2021. However, according to the data provided

by the Standing Conference of Towns and Municipalities (SCTM) by the end of the Inception Period, only 13 local governments<sup>1</sup> in Serbia have adopted such Plans, among which ten within the Programme area of responsibility.

Furthermore, as the Programme is developed in the context of preparation for the fulfilment of the requirements under Chapter 22 of the EU acquis, its contribution to implementation of the [Action Plan for meeting EU Cohesion Policy Requirements, Chapter 22 – Regional Policy and Coordination of Structural Instruments](#) is considered. During the Inception Period, two key contributions have been developed. Firstly, the Action Plan foresees a capacity building programme for institutions and bodies involved in implementation of the cohesion policy relating to territorial instruments focused on requirements of the EU legal framework which considers experiences from EU member states and lessons learned. The Capacity Building Plan to be delivered under Result 1 of the Programme will contribute to realisation of the Action Plan as it will incorporate findings from the Comparative Analysis of the EU member states and consider existing capacities of the Ministry of European Integration. Secondly, the Action Plan foresees implementation of awareness raising activities among the potential final beneficiaries and the general public targeting regional development agencies, municipalities, public utility companies and other relevant stakeholders at regional and local level including the civil society organisations and other public and private institutions involved in employment and social policies. Broad participation and inclusion of all relevant stakeholders in the process of development of integrated development strategies is embedded in the Programme approach and will be encouraged and monitored throughout the Programme implementation.

Additionally, two Action Plans relevant for the Programme have been adopted during the inception period. [The Action Plan for the Implementation of the Strategy of Sustainable Urban Development of the Republic of Serbia until 2030 for the period from 2021 to 2022](#), adopted in March 2021, foresees preparation of the Urban Development Programmes for the key areas of interventions defined in the Strategy. The specific programmes should ensure funding of activities related to the implementation of the Strategy and usage of territorial instruments under the EU cohesion policy and can be used for the purpose of blending different funding sources for implementation of territorial initiatives. While the formulation of Sustainable Urban Development (SUD) Strategies is defined with the National Strategy, the Action Plan provides more details on the programmes for funding SUD strategies and blending of funding sources.

Likewise, the [Action Plan for Implementation of Industrial Policy Strategy of the Republic of Serbia from 2021 to 2030 for the period from 2021 to 2023](#) details the activities foreseen by the Strategy that predominantly relate to digitalisation and circular economy while addressing the COVID-19 effects on the Serbian economy.

A public review of the [Draft Spatial Plan of the Republic of Serbia from 2021 to 2035 and the Report on the Strategic Assessment of the Environmental Impact of the Spatial Plan of the Republic of Serbia from 2021 to 2035](#) has been initiated. The Plan provides the key inputs important for territorial development and use of EU territorial tools, and defines key development axes that provide a framework for capital investments. The identified urban agglomerations and larger and smaller urban centres, together with important development corridors, provide a basis for developing part of the selection criteria of the territories for provision of technical assistance in piloting integrated territorial mechanisms, and could also have an impact on the proposal of the national ISTD model.

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<sup>1</sup> Bački Petrovac, Bela Crkva, Ruma and inside the Programme AoR - Doljevac, Knjaževac, Kuršumljija, Mali Zvornik, Mionica, Niš, Petrovac na Mlavi, Sjenica, Vladičin Han and Vranje

In January 2021, the Government of Serbia adopted [the Programme of Economic Reforms](#) for the period from 2021 to 2023, as a candidate country for EU membership in order to prepare for participation in the process of economic and fiscal surveillance of EU member states. Under the Programme, priority structural reforms will cover: energy and transport markets, agriculture, industry and services, business environment and the fight against the gray economy, research, development and innovation and digital transformation, reforms in the field of economic integration, education and skills, employment and the labour market, as well as health and social protection.

At a broader level, the EU Cohesion Policy is increasingly recognising the importance of its territorial dimension. Local self-governments can play a crucial role in designing and implementing territorial strategies, both individually or as part of wider functional areas together with other municipalities. Already in 2014-20, each EU Member State was required to invest at least 5% of its European Regional Development Fund (ERDF) resources into sustainable urban development. For 2021-27, this minimum allocation will be increased: initial proposals for 6% have since been further boosted to 8%, according to the provisional [agreement](#) reached by the European Parliament. In each EU Member State, these funds must be invested in priorities and projects selected at the local level, based on their own integrated territorial strategies, which are approved by the relevant programme management bodies. EU PRO Plus will allow piloting these approaches, thereby strengthening integrated territorial development. The different territorial instruments provided by the Cohesion Policy regulatory framework<sup>2</sup> can help to ensure that Programme interventions are relevant to the territory they are implemented in, while providing additional motivation for local stakeholders to participate in the preparation of their territorial development strategies and thereby increasing their preparedness for the use of future EU funding mechanisms.

The Government of Serbia is also advancing with drafting of the National Air Protection Programme with accompanying Action Plan which will serve as the foundation for further improvement and adoption of bylaws, as well as for further transposition of the European legislation in the area of air protection in Serbia. The National Programme will focus on reduction of the air pollution emissions, improvement of the air quality and reduction of impact of the air pollution on the health of citizens. Finally, the new Strategy for the support to development of Small and Medium Enterprises, Entrepreneurship and Competitiveness is in early stages of development.

The EU PRO Plus will consider the adopted Laws and Action Plans and monitor developments and changes in legislation, and where relevant, ensure compliance with the Programme activities.

The period also confirmed the commitment of the Government of Serbia to continue to support priority projects contributing to socio-economic development. The [Ministry of Economy](#) has already published eight public calls to support economic growth in 2021. Funds of over 17 million Euros are allocated for support to SMEs, business start-ups, projects implemented by Regional Development Agencies (RDAs) and over 8.5 million Euros for improvement of business infrastructure.

To support the competitiveness, the Development Agency of Serbia is currently implementing several support programmes to businesses out of which two related to scaling up and internationalisation of small businesses - The Programme of support to SMEs for entering the the multinational supply chains and Enterprise Europe Network (EEN) containing 600 different international partners within EU (universities, economic chambers, agencies companies and institutes).

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<sup>2</sup> Regulatory framework for ISTD - Regulatory references on Integrated Sustainable Urban Development is available in the Annex I Attn 6

Additionally, a capital investment of 3.2 billion Euros is secured through a commercial contract with the China Road and Bridge Corporation in support to [design and construction of municipal wastewater treatment units and networks and landfill projects](#) for 65 LSGs. The investment is expected to significantly increase the volume of waste water treatment which is currently at 12 percent in Serbia. It should also contribute to eliminating river pollution and contribute to the overall health of the inhabitants.

Relevant donor funded development programmes also continued. The UNDP is implementing the [improvement of the local development Programme](#) in partnership with the Standing Conference of Towns and Municipalities (SCTM), supported by the Ministry of Finance of the Slovak Republic. Within this Programme, ten LSGs out of which eight<sup>3</sup> on the Programme territory will be supported in provision of local development plans until the end of March 2022.

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

The EU PRO Plus 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 initial activities in order to create conditions for efficient implementation in the first year.

Efforts to verify relevance and feasibility, and to present the EU PRO Plus included meetings with the national institutions, Regional Development Agencies (RDAs), Local Self-Governments (LSGs), Small and Medium-sized Enterprises (SMEs) and Business Support Organisations (BSOs) and review of available strategies and action plans. The Programme also conducted several surveys to inform development of EU PRO Plus activities.

A comprehensive Assessment of Development Potentials of LSGs<sup>4</sup> secured inputs from 66 LSGs in relation to their capacities for project planning and implementation, development potentials and regional cooperation. To analyse the provided feedback, the Programme relied on the UNOPS-developed Capacity Assessment Tool for Infrastructure (CAT-I) which enabled identification of gaps to plan, implement and deliver sustainable infrastructure projects. The results of the individual answers were cross referenced with regard to development level, average population and regional affiliation. Additionally, EU PRO Plus sought information from the LSGs on existing infrastructure projects which resulted in feedback provided by 49 LSGs on the number and value of infrastructure projects ready for implementation which enabled confirmation of relevance of allocated funding and confirmed the need for infrastructure projects.

The EU PRO Plus also secured feedback from 86 SMEs and 17 BSOs through a structured survey<sup>5</sup> which provided valuable inputs relevant for development of activities under Result 2.

Additionally, two surveys conducted through the predecessor EU PRO Programme were consulted for inputs in relation to Civil Society Organisations (CSOs) and RDAs and the feedback received from

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<sup>3</sup> Prokuplje, Blace, Tutin, Nova Varoš, Sjenica, Kuršumilija, Petrovac na Mlavi and Mali Zvornik

<sup>4</sup> Assessment of the Development Potentials of the Local Self- Governments is available in the Annex I Attn 3

<sup>5</sup> Survey of Business Support Organizations and Small and Medium Enterprises supported under the EU PRO Programme is available in the Annex II Attn 1

representatives of 20 CSOs and the 11 RDAs active on the Programme territory is taken into account when planning the EU PRO Plus interventions.

The socio-economic effects of the COVID-19 and the related recovery needs re-confirm and enhance Programme relevance. Firstly, financial capacities of LSGs have been reduced due to lower national transfers for infrastructure investments, reduced business activity which led to reduced local incomes, and the reallocation of funds from the planned investments to priority needs related to the pandemic undertaken by many of the LSGs. Secondly, the more challenging environment for businesses increased the need for support. The SMEs in many sectors face difficulties in dealing with the need to transform their businesses and ensure stability of operations. Finally, continuity and stability of social and health services is even more important in the light of the pandemic.

The inception period findings indicate lack of capacities in relation to territorial mechanisms at all levels, and significant imbalance of territorial institutional capacities, especially in case of RDAs, as well the lack of institutional mechanisms and inter-municipal cooperation. The introduction of integrated territorial approach will contribute to support decentralized management of funding mechanisms to provide inputs for the negotiation processes related to Chapter 22 and introduction of the legal framework for EU Cohesion policy, thus supporting creation of the institutional mechanisms to support territorial initiatives. Furthermore, the Programme intervention will rely on the National investment priorities and capital investments, and will identify key investment projects to be able to absorb and to blend different funding sources, and finally, contribute to more balanced socio-economic development of two targeted regions.

Transition to a place-based approach is a challenging process. While the Programme Description of Action foresees a two-track approach with a portion of projects implemented in parallel to development of ISTD strategies, maximising local and wider territorial advantages is at the core of all Programme interventions. For example, the selection process for the proposed grant schemes for Business Support Organisations, Development of Social Infrastructure or Improvement of Social Services shall include assessment of relevance of the proposed project in relation to integrated territorial dimension. This means that, in addition to project maturity, capacity of the applicant to implement it, methodology and planned outcomes, the proposed projects will need to be anchored in local, regional or national strategies, including the sectoral strategies. Additionally, elements such as partnerships between sectors, synergy of funds, etc. will be promoted. With this, the Programme would ensure continuity in development assistance and at the same time test readiness and capacities of local stakeholders to understand and embed territorial approach in development.

## **Result 1: Improved development planning in targeted municipalities and introduction of the ITI concept**

### *Relevance and feasibility*

The Programme approach is aligned with the EU and national policies, namely the [EU Cohesion Policy 2021 – 2027](#) and EU Regulatory framework for ISTD<sup>6</sup>. The approach is also in line with the [The Strategy of the Public Administration Reform in the Republic of Serbia for the period from 2021 - 2030](#) where the capacity building of local administration and improvement of institutional mechanisms are envisaged and with [Action Plan for meeting the EU Cohesion Policy Requirements, Chapter 22 – Regional Policy and Coordination of Structural Instruments](#) particularly in relation to implementation of developed Capacity Building Programme. The Capacity Building Programme is

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<sup>6</sup> Available in Annex I Attn. 6

partly related to measures for foreseen capacity building of the institutions at national level, especially MEI, and more concretely to implementation of the measure related to awareness raising and capacity building for partners, potential final beneficiaries and general public. The EU PRO Plus will contribute to development of capacities of MEI and partners at regional and local level in accordance with defined measures in the Action Plan, through a comprehensive training concept, created in an integrated manner with linkages between all territorial levels, and tailored for specific target groups. The support to formulation of ISTD strategies is also in line with the [Law on the Planning System of the Republic of Serbia](#), where the territorial strategies are identified under subnational public policies.

The approach applied by the Programme to facilitate the design of the national model for Integrated Sustainable Territorial Development (ISTD) has been validated with the Ministry of European Integration (MEI). This included further development of tasks in terms of research and analyses which should be conducted to ensure a comprehensive support to MEI in the establishment of the national ISTD model. In this context, the direction in improving knowledge and skills of MEI staff about EU integrated territorial development mechanisms was also traced.

At the national level, in terms of establishing mechanisms for managing territorial development, there is a strong commitment and determination of the national stakeholders led by MEI to introduce EU territorial instruments and to develop a national ISTD model. Based on conducted LSG and RDA surveys, and preliminary introductory consultations, the Programme confirmed a strong interest of the larger urban centres and surrounding LSGs to initiate territorial initiatives. The LSGs also point out that they will ensure full motivation and participation of staff as well in establishing governance arrangements for managing the territorial initiatives.

An analysis of existing experiences in using territorial instruments was conducted to provide an overview of the implemented territorial initiatives. The Sustainable Urban Development (SUD) instruments were piloted through the development of SUD strategies in four Programme LSGs. The analysis shows applicability and feasibility of the SUD instrument in Serbian context, which also enables further implementation of the territorial initiatives in these four SUD within Programme activities. In addition to providing support to further development of existing capacities, the existing SUD municipalities will be used to share their experience lessons learned with other municipalities and to the new territorial initiatives that will be supported by the Programme in parallel with other elements of exchange of experience devised in the Capacity Building Plan. The analysis of the existing CLLD initiatives proves the relevance of the Programme approach in terms of building capacities of existing LAGs and support in implementation of initiatives derived from their strategies.

The feedback received from the RDAs and LSGs through interviews and surveys confirmed strong need for enhancing capacities at the local and regional levels for usage of territorial instruments. According to the Survey of LSGs, the greatest identified gap relates to implementation of local development plans and strategies. Namely, the majority of LSGs identified challenges in implementation of local development strategies due to absence of the key indicators and lack of mechanisms for monitoring and implementation, while the roles and responsibilities for monitoring and reporting are not clearly set. The Survey of RDAs indicates that the RDAs need support in relation to intersectoral and intermunicipal projects, particularly in relation to the public sector and intermunicipal cooperation.

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<sup>7</sup> Assessment of the existing Community-led Local Development (CLLD) and Sustainable Urban Development (SUD) Initiatives is available in the Annex I Attn 1

Through the consultations with the key stakeholders, the lack of adequate instruments for resolving complex territorial issues is also identified, and the need of acquiring knowledge and applying powerful tools as EU territorial instruments can support unlocking the under-utilized potential contained at local and regional levels.

Coordination at the local level will be supported in line with the development of Chapter 22 negotiation process. In the context of integrated local development, the needs for coordination of donor, national and municipal funds will be continuously assessed and discussed with the national stakeholders led by MEI and the Programme shall accordingly support development of the system for coordination. The possible support will take stock of the current situation, all relevant ongoing processes as well as roles and responsibilities of national institutions and provide professional and technical support in accordance with the principle of sustainability.

Within efforts to introduce and promote ISTD, and to establish the system for implementation of future EU integrated territorial development instruments, the Programme could provide support to the Ministry of European Integration as the institution responsible for negotiations within the Chapter 22, while ensuring full respect of national institutions' ownership and mandate, to further enhance coordination of national, bilateral, and international funding targeting regional and local development actions. In addition, while considering that success of the ISTD approach is dependent on use of multiple funding sources, it may be relevant to enhance existing digital tools and platforms, such as [ISDACON](#), to enhance access to information about funding opportunities. This should be done only in collaboration with the national institutions that would "own" the tools in order to ensure sustainability. Taking into account the importance of information exchange and coordination, and especially information sharing with the local level, development of an approach to support creation of such a mechanism will be one of the Programme priorities in the first year or implementation.

Considering that introduction of ISTD approaches is a long term process, the Programme should also be a vehicle to facilitate horizontal collaboration, which would primarily enable sharing of best practices among LSGs. This could be done in cooperation with the Standing Conference of Towns and Municipalities (SCTM) which is included in the work of the Programme Steering Committee (PSC), and other stakeholders dealing with local development in Serbia.

### *Progress towards the result*

A detailed plan for implementation of activities directed towards improved development planning has been developed and is well set for achievement of the set target for development of at least 15 ITI and local SUD strategies.

#### *Activity 1.1 Enhancing national capacity to introduce integrated territorial development*

Following comprehensive consultations with MEI, two key outputs which will provide the bases for enhanced national capacity have been identified. Additionally, the need for coordination with the EU-funded Cohesion Policy Project has been confirmed and this activity will be implemented in close coordination between the two projects with respect to the mandate of both.

Firstly, the Programme has developed a draft structure for a **comparative analysis of selected EU Member States in their use of EU territorial instruments**. The analysis of six to eight countries will not only look at the national-level approach to the territorial dimension of Cohesion Policy, but also at selected territorial instruments. Covering a wide range of territory types and governance models, it will ensure an overview of cases with potential applicability in the Serbian territorial and institutional context. Documentary analysis and interviews with key actors will allow a focus on good practices and practical experiences, ensuring policy-relevance. Key issues are practices regarding: governance,

management, funding, selection of territories, development of strategies, delegation of tasks, capacity building, monitoring and evaluation. The comparative analysis provides a crucial opportunity for Serbia to learn from existing experience in order to design the most appropriate model for integrated sustainable territorial development.

The analysis will also serve the entire capacity building process, by means that envisaged study visits will be tailored based on the proposed case studies. Additionally, the Programme will facilitate development of a platform to support knowledge exchange between LSGs, LAGs and RDAs involved in ISTD initiatives, MEI, selected international experts and practitioners,<sup>8</sup> which should include different tools - website, webinars, seminars, round tables, conferences, case studies, peer reviews etc.

Secondly, an **analysis of the Serbian legal, administrative, territorial and institutional framework** in relation to the EU legal framework for territorial development in EU cohesion policy will be initiated in 2022. Inputs from both analyses will be embedded into a comprehensive Study that will propose the national model for the ISTD, with incorporated results from the ISTD strategic planning processes and pilot grant schemes that will be conducted in parallel. This support shall be focused on territorial mechanisms and coordinated with the EU-funded Cohesion Policy Project to avoid potential overlaps and ensure synergy.

Finally, the Programme will ensure and facilitate exchange of information and strive to institutionalise channeling of financial support towards projects defined in ITI and SUD strategies. This will be done through communication and work with an inter-sectoral expert group at the national level, that will be established by MEI for the purpose of verification of the national ISTD proposal, and work with relevant ministries and which will also participate in the ISTD strategic planning process, especially with RDAs, who will have significant role in creation of institutional mechanisms for ISTD.

The Programme defined the main topics for capacity building of MEI related to territorial instruments<sup>9</sup> in EU Cohesion Policy. A training needs assessment questionnaire<sup>10</sup> is prepared and will follow to define the precise scope and duration of the training programme. The content was designed in consultation with the Cohesion Policy Project, and is focused on a more tailored approach towards those skills and knowledge required to implement ISTD strategies and territorial development initiatives, both at national and instrument level. This is distinct from the wider approach of the Cohesion Policy Project, which covers all aspects of Cohesion Policy.

Capacity Building Plan will consist of the trainings, study tours, on-the-job support, establishment of ISTD platform for peer-to-peer exchange, and tools that will be designed in a way to directly facilitate development of Serbia's ISTD model and build MEI and other line national's stakeholders ability to implement it. While covering main conceptual aspects of the EU territorial mechanisms, the training will be focused on development of knowledge, skills and tools needed for the implementation of EU territorial mechanisms, or ISTD approach in Serbia's context. Special attention will be paid to development of organisational, technical, and human capacity for monitoring and evaluation. The study tours will be organised to countries whose ISTD model is the most relevant for Serbia, while also considering findings of the analysis that will be conducted within this Result. Provision of on-the job expert support will be concentrated on the design of structures, regulations, processes, and tools

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<sup>8</sup> For instance, the European Commission's Urban Development Network, the Urban Initiatives Network, URBACT, the SUD network run by the European Policies Research Centre, as well as allowing for the participation of Commission representatives, e.g. from territorial policy units in DG Regional and Urban Policy and the Joint Research Centre

<sup>9</sup> Capacity Building Plan is available in the Annex I Attn 3

<sup>10</sup> Training Needs Assessment Questionnaire for the Ministry of European Integration is available in the Annex I Attn 4

in support of the ISTD system application. The initial concept has been drafted and will be further developed in the following quarter.

### *Activity 1.2 Improving capacities of municipalities and regional development agencies to introduce concepts of integrated territorial planning*

The Survey of RDAs implemented in December 2020<sup>11</sup> confirms that there are significant discrepancies between the RDAs in their capabilities and engagement. The number of RDAs with a wider range of work and expertise is insufficient, while their capacities and success in the project proposal production and delivery varies significantly. The survey findings show they all require advancement of specialised knowledge of permanent staff and in relation to the public sector and intermunicipal cooperation, in particular in development of mechanisms for inter-municipal cooperation, which is a prerequisite for integrated territorial initiatives.

On the other hand, the LSG survey<sup>12</sup> identifies a majority of the gaps through a series of capacity building activities that would support drafting of the plans, but also in preparation of the project proposals, planning, management, monitoring, for which the Programme training plan will provide a substantial response towards improvement of capacities both LSGs and RDAs.

A Survey of Civil Society Organisations (CSOs)<sup>13</sup> indicated that the CSOs are not sufficiently involved in the planning process, such as development of strategic documents and their participation in cross-sectoral projects is often limited. Therefore, the Programme will put additional efforts into including the civil sector in the planning process.

An initial concept for the Capacity Building Plan for LSGs and RDAs has been defined based on the inputs provided by the Survey of LSGs conducted during the inception period and two surveys conducted by the predecessor EU PRO Programme in preparation for EU PRO Plus. The main objective of the Plan is to enhance understanding of ISTD and its instruments, and to provide a framework for development of ISTD Strategies.

Capacity building is an integral part of the activities that are being implemented. The Capacity Building Plan will make use of national and international expert input. In line with the development of the national ISTD model, a specific training package is envisaged for MEI, while other parts of the plan are aimed at strengthening the capacities of LSGs and RDAs. The Capacity Building Plan is organised into two components - 1) four packages, and 2) ISTD platform and conference. The packages under component 1 are targeting MEI as well as actor at the regional and local levels:

- Package 1 on Territorial Development Instruments, primarily targeted at MEI and localized for LSGs and RDAs
- Package 2 on ISTD Strategy Development Process, primarily targeted at LSGs and RDAs
- Package 3 on ISTD Strategies Implementation (ITI, SUD and CLLD) through integrated projects, primarily targeted at LSGs and RDAs
- Package 4 (additional) to respond to needs arising during the project implementation

Special attention will be given to enhancing capacities for the implementation of ISTD strategies of the responsible local institutions, in particular representatives of local economic development offices

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<sup>11</sup> Overview of the Regional Development Agencies Survey Results is available in the Annex I Attn 2

<sup>12</sup> Assessment of the Development Potentials of the Local Self- Governments is available in the Annex I Attn 2

<sup>13</sup> Overview of the Civil Sector Survey Results is available in the Annex III Attn 1

with LSG administrations, but also from other fields such as urban development, environmental protection, social welfare, etc. MEI representatives will be included in packages 2 and 3 as well.

Component 2 consists of an ISTD platform and a conference towards the end of EU PRO Plus. The ISTD platform for practitioners/experts will act as an arena for exchange between the various stakeholders involved at national, regional and local levels, providing the platform for knowledge exchange, sharing of good practises, evaluation and dissemination of results. It will also provide an opportunity for the input of both national and international experts. A conference to present the overall results of the project is planned at the end of the process, as a special activity.

It will include training relating to project identification and development and identification of funding sources for their implementation; planning methodology and methods for the implementation of key steps in the strategic planning process such as: the establishment of partnership and working group; strategy formulation; stakeholder analysis; identification of funding sources; mapping of the intervention region and designing a governance model for implementation of strategies. The training activities will also provide the floor for horizontal exchange and coordination, and will include the identification and promotion of good practises related to ISTD. The training programme will also enable the participation of LSGs who are not part of the technical assistance for the provision of support in ISTD strategy formulation. These can participate within the ISTD strategic planning process to gain practical knowledge through specific training devised. The training set designed for MEI will be localized for the purpose of the capacity development of the RDAs and LSGs, and should enable regional and local stakeholders to get acquainted with the EU territorial policies and instruments, territorial strategies, institutional mechanisms and strategy implementation procedures. During the inception phase, visits to 20 key local and regional stakeholders, mainly large urban centers and RDAs,<sup>14</sup> were conducted with the aim to identify potentials for the establishment of the ITI and SUD territories, and to check preliminary defined criteria for selection of ISTD territories. The criteria will be used for the Call for expression of interest for development of territorial strategies, which is planned to be advertised in September 2021.

The Programme defined a set of criteria for the definition and selection of the ITI and SUD territories, which will be used for definition of the ISTD territories within the Call for the expression of interest for provision of technical assistance. The criteria are defined by taking into account EU member states' experiences, the Serbian legal context and the structure of urban settlements.

The criteria for the definition of territories and eligibility of applicants are as follows:

For Sustainable Urban Development (SUD) territories

- Applicant can be one of those LSGs classified as urban area - centre of integration of more than 100,000 inhabitants<sup>15</sup>, as defined in the system of urban centres defined in the Draft Spatial Plan of the Republic of Serbia from 2021 to 2035 and the Report on the Strategic Assessment of the Environmental Impact of the Spatial Plan of the Republic of Serbia from 2021 to 2035, and
- do not already have a developed SUD strategy<sup>16</sup>.

<sup>14</sup> Niš, Kragujevac, Piroć, Leskovac, Vranje, Novi Pazar, Smederevo, Zaječar, Kruševac, Kraljevo, Valjevo, Šabac, Loznica, Jagodina, Prokuplje, Požarevac and RDAs Zlatibor, RARIS, Braničevó and Podunavlje and Podrinje, Podgorina and Rađevina.

<sup>15</sup> According to the Draft Spatial Plan, the urban areas classified as centres of integration of more than 100,000 inhabitants are: Šabac, Loznica, Valjevo, Novi Pazar, Čačak, Kruševac, Kragujevac, Kraljevo, Užice, Bor, Zaječar, Piroć, Leskovac, Vranje, Prokuplje, Jagodina, Požarevac and Smederevo. Cities of Niš, Priština and Novi Sad are listed under a separate category in the Draft Plan.

<sup>16</sup> The cities of Kragujevac, Kraljevo and Užice are not eligible to apply for SUD strategy

## For Integrated Territorial Investment (ITI) territories

- Applicant can be one of the LSGs which are classified as urban centres<sup>17</sup> or urban areas - centre of integration of more than 100,000 inhabitants<sup>18</sup> defined in the system of urban centres in the Draft Spatial Plan of the Republic of Serbia from 2021 to 2035 and the Report on the Strategic Assessment of the Environmental Impact of the Spatial Plan of the Republic of Serbia from 2021 to 2035,
- fulfill the requirement of the spatial continuity of the territory,<sup>19</sup>
- ensure partnership with at least three (3) LSGs and
- ensure partnership with the Regional Development Agency (RDA) that covers the related territory.

Based on the criteria, the Programme will be able to pilot different types of ITIs (functional urban areas, rural urban linkages, multiple areas of intervention, etc), which will provide quality inputs for the proposal of the national ISTD model. The thematic framework for support will be based on thematic areas defined in [Strategy of Sustainable Urban Development of the Republic of Serbia until 2030 for the period from 2021 to 2022](#) and the EU Cohesion Policy thematic areas.

The support in formulation of the integrated territorial and local urban strategies will be done exclusively in accordance with the European Union's Cohesion policy and territorial instruments Regulatory framework for ISTD - Regulatory references on Integrated Sustainable Urban Development<sup>20</sup>. Only documents of this kind with a strong territorial and spatial dimension provide an understanding of the linkages between spatial areas, sectors, projects, and environmental, social and economic development; and, a focus on clear priorities that address the main challenges of each territory, that will serve for pilot grant schemes under Activity 1.3.

The methodology that will be used for formulation of local SUD and ITI strategies is elaborated in "The Integrated Urban Development Strategies - Guide for Cities and Municipalities"<sup>21</sup>, developed through the Serbia Land Management Project project, which piloted formulation of first three local SUD strategies in Serbia, and will be adapted for the context of EU PRO Plus Programme.

The process of formulation of ITI and local SUD strategies will provide several benefits. Firstly, all developed strategies will have a list of priority projects that are mapped, and have a clear spatial dimension and linkages between spatial areas, sectors and other projects. A financial framework for projects will also be considered and included in the strategies. By taking into account that a vast majority of LSGs that are matching criteria for SUD and ITI have been supported to introduce GIS with predecessors EU PRO and European PROGRESS programmes, the identified priority projects may be also mapped through GIS and related databases which may be a useful input for a unified system for priority projects mapping. These maps will be formed alongside spatial visualisation within the strategic documents.

<sup>17</sup> This refers only to the City of Niš, as other cities defined in the Spatial Plan under category Urban centre classified within the category of the urban areas of Novi Sad, Niš and Priština are not in the Programme area of responsibility, Draft Spatial Plan of the Republic of Serbia from 2021 to 2035 and the Report on the Strategic Assessment of the Environmental Impact of the Spatial Plan of the Republic of Serbia from 2021 to 2035

<sup>18</sup> Šabac, Loznica, Valjevo, Novi Pazar, Čačak, Kruševac, Bor, Zaječar, Pirot, Leskovac, Vranje, Prokuplje, Jagodina, Požarevac and Smederevo.

<sup>19</sup> The single geographical area without detached geographical units

<sup>20</sup> Regulatory framework for ISTD - Regulatory references on Integrated Sustainable Urban Development is available in the Annex I Attn 6

<sup>21</sup> The Integrated Urban Development Strategies - Guide for Cities and Municipalities is available in the Annex I Attn 7

Secondly, the available funding sources will be identified for each strategy, and for that purpose the LSGs will be additionally trained on how to identify and use available funding sources. The available funding sources will be presented as a special chapter in strategies, to provide information to all stakeholders aiming to develop project proposals relevant for strategy implementation

In terms of harmonizing planning procedures and institutionalization of the ISTD planning framework, the Programme will have intensive consultation with the Government of Serbia Public Policy Secretariat to achieve mutual understanding and to ensure compliance of developed strategic documents.

Additionally, once the territorial coverage of ISTD Strategies supported by the Programme is confirmed, the Programme will explore the need to assist LSGs to develop Local development plans envisaged by the Law on Planning System. To do this, the Programme will map available assistance for development of local plans and based on these inputs assess if the support for local plans should be included in the Programme assistance.

### ***Activity 1.3 Implementing activities contributing to socio-economic growth deriving from integrated territorial planning strategies***

Piloting grant schemes for implementation of ISTD (ITI and local SUD) Strategies is planned for the second year of implementation. For time efficiency reasons, the integrated projects that are suitable for applying under pilot grant scheme will be identified during the draft phase of the strategy formulation, which will also serve for capacity building purposes. The Programme will strive to direct and to support integrated grants where possible, to ensure coverage of different sectors (economic, environment, business, social infrastructure, tourism, culture, etc.). Such an approach will enable delegation of some actions within the main action to LSGs and will be helpful for LSGs to boost their internal capacities, and to strengthen institutional mechanisms that will be established for implementing ISTD strategies.

By taking into account that Programme intention is to promote and build capacities regarding EU territorial instruments, which also include support of CLLD, since there are already established Local Action Groups (LAGs) with developed CLLD strategies done in accordance with European Union's Cohesion Policy and territorial instruments Regulatory framework for ISTD, these established CLLD mechanisms can be supported in many aspects: 1) the Programme may support implementation of CLLD initiatives under the same grant scheme, and 2) this will be linked to the capacity building part where the existing LAGs will be trained on various aspects, identification and preparation of projects, identification of funding sources, etc. Such approach will explore potentials of use of CLLD in a comprehensive manner, and will also provide inputs on perspectives of usage of this territorial instrument for the study that will propose the national ISTD model.

## **Result 2: Enhanced economic growth in targeted municipalities**

### ***Relevance and feasibility***

Relevance of the planned activities contributing to economic growth is supported by the policy framework which recognises local economic development as an instrument which integrates economic growth and development with social equality and quality of environment with sustainable financing of development of urban settlements. The Programme conveyed consultations with LSGs concerning their potentials for improvement of the quality of services they provide to investors and businesses and the results confirmed the relevance of the related EU PRO Plus activities. In the context of COVID-19, support to LSGs to maintain infrastructure investments is critical for enabling

the grounds for economic growth.

LSGs reported an extensive pipeline of economic infrastructure projects ready for implementation: based on the feedback from 49 LSGs a total of 136 economic infrastructure projects worth over 89 million Euros are identified, out of which 88 projects worth 59 million Euros secured construction permits. The structure of the projects with regulated property ownership and valid construction permits varies from multifunctional facilities, industrial parks, agrobusiness zones, greenfield, brownfield and greyfield locations to properties with industrial heritage or military facilities with the potential for business development. This is aligned with the Programme scope and National Sustainable Urban Development Strategy until 2030, which foresees Programmes for economic infrastructure development through infrastructure projects in the business zones and those in the function of tourism and other economic activities. The average value of identified projects is 330,000 Euros once major investments of over one million Euros are excluded. However, taking into account EU PRO experience with an average of 500,000 Euros for economic infrastructure projects, the planned funds for this activity remain valid. The economic infrastructure projects are also recognised by the Action Plan for implementation of the Industrial Policy Strategy of the Republic of Serbia from 2021 to 2030 for the period 2021 to 2023 under Measure 3.2 Support to investments in industrial production and through support to Economic Infrastructure will contribute to achievement of Measure 3.4. Support for development of infrastructure for industrial zones.

Based on the discussions and the received feedback on the questionnaire, and experience from the predecessor projects, the LSGs would greatly benefit from technical support for development and implementation of economic infrastructure activities, focused on sustainability of interventions. For example, while LSGs are capacitated to contract and monitor implementation of infrastructure works, effectiveness of projects would be enhanced with support for development or improvement of management models for the new economic infrastructure.

Additionally, the feedback of 66 LSGs in response to the Survey of LSGs clearly indicates that local governments do not invest sufficiently in activities related to cooperation with the private sector and promotion of investment potentials which confirms the relevance of the planned assistance for enhancement of the business support services provided by LSGs. Digitalisation, through usage of Geographic Information Systems (GIS) or similar activities comes out as an important priority for LSGs, especially in the context of COVID-19. Through the Programme Description of Action foresees issuance of grants to LSGs to implement priority projects for enhancement of business-related services, consultations indicate that this activity may also be implemented through a service provider selected through a transparent and competitive process. This approach may be beneficial in terms of standardization of interventions, and application of lessons learned.

The consultations with the Ministry of Economy, National Employment Service, Serbian Chamber of Commerce, Regional Development Agencies, and SMEs from the two regions covered by the Programme confirmed that planned activities directed towards competitiveness and sustainability of businesses are aligned with the Government efforts and respond to the needs of the target beneficiaries. This was also validated by the results of the surveys conducted among EU PRO Programme SME and BSO beneficiaries. Direct grant support to SMEs for procurement of new equipment and introduction of services is confirmed by 98% of surveyed SMEs. Based on inputs from the Ministry of Economy the direct support is even more relevant for the sectors affected by COVID-19 and SMEs in least developed LSGs, as well as those that are more risky and cannot access the available state support. As far as the scope of the intervention is concerned, based on the survey, SMEs are primarily interested in support for access to new markets, introduction of quality standards,

digitalization of business, enhancing online sales and use of joined equipment, which is within the span of the Programme.

Additionally, consultations and preliminary inputs from the stakeholders obtained at meetings and through the survey confirmed the need for provision of support to BSOs to enhance their ability to provide specialised services to the SMEs. Relevance of the support to SMEs provided by the BSOs is also reinforced by the fact that over 57 percent of surveyed SMEs have not accessed services provided by BSOs.

Finally, the consultations with the National Employment Service confirmed the relevance of the activities targeting unemployed who are no longer in the education system and who are not working or being trained for work (NEET population).

Alignment of the Result 2 activities with the national priorities have been confirmed by the current policy changes. The [Action Plan for implementation of the Industrial Policy Strategy of the Republic of Serbia from 2021 to 2030 for the period 2021 to 2023](#) which was adopted during the inception period foresees activities which will be supported by the Programme. The EU PRO Plus will contribute to efforts to approach to EU membership by building on the strengths of the Serbian Industry, and will also contribute to overcoming some of the identified weakness, such as small number of alternative sources of funding, high share of low value added products in exports, insufficient development of clusters and other forms of associations, and low level of digitization of the industry. Activities within Result 2 will directly contribute to the achievement of several objectives of the Action Plan: Improved digitization of industrial manufacturing business models, Industrial development based on innovation and development of higher stages of technological manufacturing and Increased investments in industry with improved quality of the investments.

The Programme also remains relevant in relation to the existing [Strategy for the support to development of Small and Medium Enterprises, Entrepreneurship and Competitiveness for the period from 2015 to 2020](#). Especially related to Enhancing the sustainability and competitiveness of SMEs through support to SMEs and improvement of economic infrastructure, Optimisation and improvement of the utilisation of the existing and construction of new economic infrastructure, Improvement of the efficiency and institutional business support to SMEs and stimulating the business association. Besides improvement of the business environment, there is an obvious opportunity for the Programme to contribute the indicators set in the strategy for improvement of the government services, such as strengthening the sustainability and competitiveness of SMEs and improvement of the access to the foreign markets.

In terms of feasibility of the planned activities, the need to sequence publishing of the Public Calls in coordination with the Ministry of Economy in order to avoid overlaps is confirmed. Specifically, the plan for publishing the Call for SMEs needs to be postponed to September 2021 to allow for completion of the [Call for SMEs published by the Ministry of Economy](#). Additionally, the Ministry of Economy will be consulted to ensure that the selection criteria of the Calls is in synergy with the ongoing programmes of the Ministry, Development Agency of Serbia and other relevant stakeholders.

### *Progress towards the result*

The Programme developed an initial draft of the Call for Proposals for Business Support Organisations (BSOs) which will be used to enhance sustainability and competitiveness of SMEs and their ability to recover from the negative impact of COVID-19 pandemic, increase resilience, expand to new markets

as well as implement relevant standards through support provisioned by the beneficiary BSOs. At least 200 SMEs will benefit from this assistance.

### *Activity 2.1 Developing economic infrastructure and business related services at the local level*

Following initial consultations with the stakeholders and target beneficiaries, the Programme is considering two approaches for improvement of economic infrastructure - publishing a separate Call or incorporating the assistance into the Result 1 activities and supporting economic infrastructure projects which have derived from the ISTD Strategies.

The projects supported through this activity will be aligned with the Programme objectives and with the Package of measures defined in the National Urban Development Strategy for 2030 for improvement of business and innovative infrastructure (industrial zones, business zones, science-technology parks, zones for improved Business, innovation centres etc.) and commercial zones. The eligible projects must align their objectives with the socio-economic development priorities of the areas defined in the relevant local/regional/national development strategies and plans. The projects will also need to promote inter sectoral, territorial and integrated approach and the Programme will validate the proposals in line with the themes for urban development defined in the National Urban Development Strategy and relevant National Sectoral strategies<sup>22</sup> from areas for Sustainable economic development. Based on the lessons learned in the predecessor Programme, the infrastructure investments will be supported with soft measures, to ensure sustainability and maximise impact. Therefore integrated expert support for provision of the services for promotion, management and development of the specific small scale economic infrastructure projects, that will provide good governance guidance to the LSGs for scaling up businesses, has been foreseen.

While support for economic infrastructure is relevant, this intervention could be implemented separately or combined with the grant scheme envisaged under the activity 1.3. The Programme will in consultation with the Ministry of Economy, while considering ongoing efforts in this field, provide recommendations to the Programme Steering Committee for the more effective approach.

When it comes to improvement of business related services in general, besides lack of technical documentation, several types of activities have been identified in direct communication to a stakeholder LSGs: improvement of public communal services which aim at developing digitised solutions that would ensure more efficient and effective multiple public services; enhancement of access to business related information from LSGs and local public companies; support to businesses for implementing investment projects; designing tax incentives for achieving development objectives, identifying and promoting investment opportunities, marketing and branding of LSGs as business friendly environments and development of feasibility studies for priority economic development projects. This may be achieved through a public call directed towards LSGs who will identify and propose priority projects, or through a service provider selected through a competitive procurement process.

While this approach responds to the needs of LSGs, the Programme will strive to provide strategic support to LSGs, addressing the specific objectives for Improved and Integrated Strategic Framework

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<sup>22</sup> [National employment strategy for the period 2011-2020](#), [National strategy for youth for the period 2015 to 2025](#), [The Poverty reduction Strategy for Serbia](#), [Strategy for support to small and medium enterprises, entrepreneurship and competitiveness for the period from 2015 to 2020](#), [Strategy and policy for industry development in the Republic of Serbia from 2011 to 2020](#), [Strategy of scientific and technological development of the Republic of Serbia for the period from 2016 to 2020- Research for innovations](#), [Strategy for development of trade in the Republic of Serbia until 2020](#), [Strategy for development of free zones in the Republic of Serbia for the period from 2018 to 2022](#), [Communication Strategy for the accession of the Republic of Serbia to European Union](#), [Law on Spatial planning of the Republic of Serbia from 2010 until 2020](#)

for Sustainable, Innovative and Inclusive Local Economic Development set in the [National Strategy for Urban Development](#).

### ***Activity 2.2 Enhancing competitiveness and sustainability of enterprises contributing to economic stability of local communities***

Meetings with relevant stakeholders have been held in order to more clearly define the terms of CFP for Business Support Organisations (BSOs). Additionally, Survey of SMEs with 85 respondents and a Survey of BSOs with 17 respondents have been conducted, as well as desk research in order to more closely define criteria for the support of BSOs. Inputs from the surveyed SMEs and BSOs singles out access to new markets as a key development need, as suggested by over 60 percent of respondents.

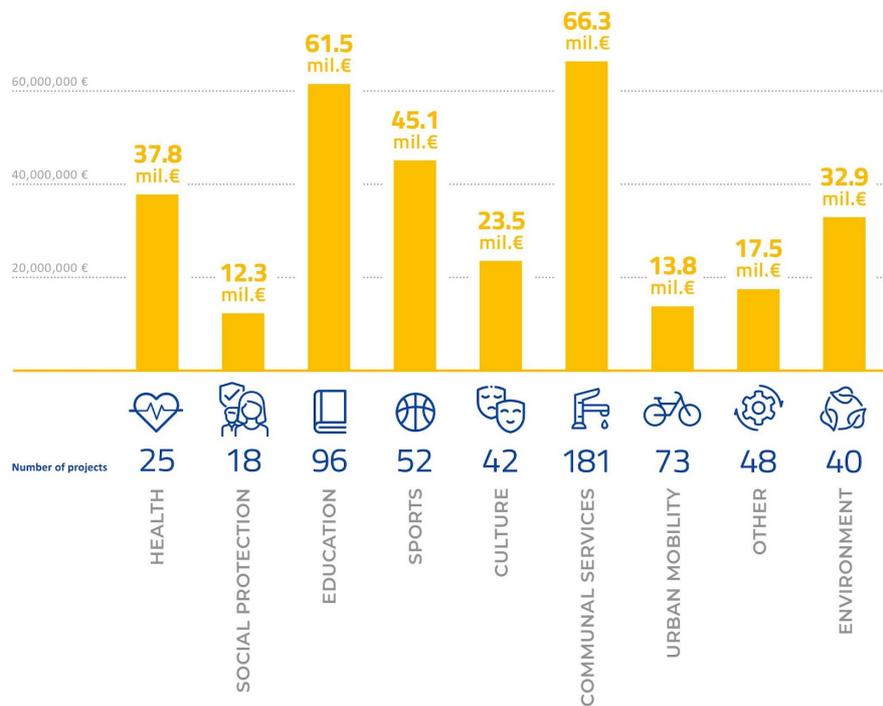
Based on these inputs as well as inputs from the analysis of the BSO support conducted under EU PRO programme, Draft of the CFP for BSOs has been developed during the inception period and will be vetted with the key stakeholders during the next quarter.

## **Result 3: Improved social infrastructure and social cohesion in targeted municipalities**

### ***Relevance and feasibility***

The Programme consultations with the LSGs and the Survey of LSGs confirmed that the need for investment into social infrastructure at the local level remains significant. As a general trend, financial capacity to fund local public infrastructure is reduced, primarily due to COVID-19 pandemic. The LSGs have re-directed some of their funds to assist recovery efforts, and central-level support is also reduced, as for example, PIMO, which provides the most comprehensive assistance to LSGs already allocated most of its funding for the year. Additionally, provision of support to local public infrastructure generates high visibility and contributes to interpretation by the local population of continued commitment of the Government of Serbia and the European Union to support sustainable development.

Feedback from the 49 LSGs who responded to the Programme inquiry resulted with feedback on a total of 575 social infrastructure projects valued at 310 million Euros, where the majority addresses the need for communal infrastructure and education, followed by sport, health, environmental protection, culture and social protection.



By excluding the major investment projects worth over 1 million Euros, the Programme singled out 504 projects ready for implementation worth 148 million Euros. Average value of investment per project is 295,000 Euros, which is double the value foreseen by the Programme budget which indicates the need to increase allocated funds for this activity. However, financial capacities of LSGs have been reduced as a consequence of the budgetary restrictions due to the ongoing pandemic, which may indicate the inability of LSGs to secure the needed co-funding for this activity. Therefore, to keep this assistance relevant and used by LSGs the manageable co-financing threshold should be kept at a manageable percent while those securing greater co-financing levels should be prioritised for support through evaluation criteria.

The COVID-19 pandemic has also prioritised the need for support to healthcare and social protection services over education, sports and communal infrastructure, however all sectors foreseen with the Description of Action still remain relevant.

Based on the experience with the predecessor Programme EU PRO, support to LSGs implementing social infrastructure projects to enhance good governance principles resulted in substantial contribution to project sustainability. Specifically, support for the introduction of good governance principles resulted in enhanced usage of the supported public facilities. The relevance of governance activities combined with the infrastructure projects is also confirmed with the Survey of LSGs.

Development of infrastructure which contributes to enhanced quality of life remains aligned with the Government priorities based on the policy developments which took place during the inception period. Following adoption of the [Law on Usage of Renewable Energy Sources](#) in April 2021, the Ministry of Mining and Energy confirmed that they will secure 50 percent of refund for investments into the solar systems, [with an announced budget of 150 million Euros annually](#) allocated for increased energy efficiency of the private and public buildings ensuring lower energy consumption. As communicated by the Ministry, the energy consumption is four to five times higher due to poor insulation. The EU PRO Plus would leave room to support energy efficiency of the public buildings under the call for local infrastructure projects.

As the mandate of the EU PRO Plus extends to providing capacity building support to LSGs towards integrated territorial development, the Programme will introduce elements of sustainable integrated territorial approach into criteria of the Call for Proposal to ensure understanding and to introduce guidance on methodology behind integrated territorial approach.

The Call for Proposal for Local Infrastructure Projects will only allow proposals aligned to local development strategies or plans and actions in line with National Sustainable Urban Development Strategy and sectoral strategies. According to the LSG Survey Results, 57% of LSGs have comprehensive Sustainable Development Strategies while 12.5% reported to have Sustainable Development Strategies with accompanying Local Development Plans developed in accordance with the Law on the Planning System. The latest SCTM Report presented on the meeting with EU PRO Plus, showed 11 LSGs from the area of the Programme intervention, adopted the local development plans<sup>23</sup>, the other 26 LSGs<sup>24</sup> initiated provision of the local development plans with the assembly decisions during 2019 and 2020, while four cities have Integrated Sustainable Urban Development Strategies<sup>25</sup>, which confirms the relevance of the Call. The call will allow LSGs to submit their proposals based on the adopted local development plans and integrated territorial strategies developed under the Result 1.

### *Progress towards the result*

The Call for Proposals for Social Infrastructure Projects developed by the Programme should enable implementation of at least 30 social infrastructure projects contributing to improved living conditions for at least 30,000 inhabitants of the Programme municipalities. Design of the Call ensures contribution to national priorities in line with the Programme Description of Action.

In line with the integrated territorial approach, the Call aims to introduce the elements of multi-sectoral, territorial, integrated and sustainable approach in line with the themes and objectives of the National Strategy for Urban and Sustainable Development until 2030<sup>26</sup>. The Call will promote **intersectoral and integrated approach** and validate the contribution of the proposal to the themes for urban development in line with Sectoral strategies (for sustainable urban structures and rational land use, for inclusive urban development, for transport and technical infrastructure, for environment and climate, and for cultural heritage and urban culture) all in line National Strategy for Urban development. In line with **place based approach**, the Call will support project proposals with territorial dimension, targeting specific areas, considered as hotspots on behalf of the local community as being territories with large numbers of users of social afare services, excluded vulnerable groups or otherwise important for local community. As an added value, the Programme will support innovative solutions such as use of self sustainable energy sources, recycled materials or advanced innovative technical or building solutions, good governance and inter municipal cooperation and partnerships, specifically encouraging the partnerships with a civil sector. The Programme may consider implementation of a rolling call to allow calls derived from the draft concepts for SUD or ITI strategies developed under the Result 1.

<sup>23</sup> Doljevac, Knjaževac, Kuršumljija, Mali Zvornik, Mionica, Niš, Petrovac na Mlavi, Sjenica, Vladičin Han, Pirot and Vranje

<sup>24</sup> Aleksandrovac, Aleksinac, Babušnica, Bela Palanka, Blace, Bojnik, Boljevac, Bor, Bosilegrad, Kladovo, Kraljevo, Knić, Leskovac, Merošina, Nova Varoš, Paraćin, Prokuplje, Ražanj, Šabac, Sevojno, Svrlijig, Tutin, Velika Plana, Veliko Gradište, Vrnjačka Banja, Zaječar

<sup>25</sup> Kragujevac, Kraljevo, Užice and Niš

<sup>26</sup> <https://www.mgsi.gov.rs/cir/dokumenti/urbani-razvoj>

### ***Activity 3.1 Developing and improving infrastructure which contributes to enhanced quality of life***

During the inception period, the Programme consulted with the key stakeholders on the objectives of the Call for Proposals (CFP) Social Infrastructure and obtained feedback from LSGs on the relevance of the action vs set local strategies and development plans. The CFP is developed in line with the feedback received from the consultations and the target LSGs through the Survey of LSGs which included feedback from 66 LSGs and the inquiry on the status of projects with feedback from 49 LSGs. The outreach to the target beneficiaries is outlined aiming at publishing of the Call following the formation of the Programme Steering Committee (PSC), which, if concluded in June 2021 should enable award of the grants in Q4 of 2021 and allow for the planned 18-month implementation of awarded projects.

The CFP foresees allowing the LSGs to allocate a portion of the funds to procurement of equipment. Furthermore, in the context of the COVID-19 impact, and also confirmed through consultations with the stakeholders, projects directed towards health and social service infrastructure should be promoted which may be achieved through allowing a LSG to nominate up to two projects if one comes from the health or social service sectors. Additionally, in line with the Description of Action, the Programme will support projects in the education, sports, culture and communal infrastructure sectors. The proposed selection criteria includes evaluation of the project contribution to wider community, relevance of the action, linkages with the integrated territorial approach, promotes innovative solutions, specific outcomes and impacts, partnership and sustainability.

In response to the Government's need to combat the COVID-19 pandemic, a portion of the funding, not exceeding 1.2 million Euros has been reallocated to emergency procurement of vaccination vehicles, triage containers equipped with medical furniture and disinfectants for primary schools. These procurements have been concluded during the inception period, and partially delivered to the end beneficiaries.

### ***Activity 3.2 Supporting public institutions, including the social protection institutions, to enhance social services and preparedness for emergencies***

A concept for support to enhancement of social services and preparedness for emergencies is being developed by the Programme, and is thus far predominantly informed by the Survey of Civil Society Organisations (CSOs) conducted by the predecessor EU PRO Programme. The Survey results indicate that CSOs have proven to have operational capacities and expertise in prompt responding to the urgent needs and providing assistance to the most vulnerable citizens, including the time of COVID-19 crisis. Particularly, contribution of organisations that are licenced for provision of social protection services during the crisis in addressing the needs of the most disadvantaged groups showed that the CSOs should be supported to be the initiators of protocols on cooperation between the public institutions and the civil sector in the emergency situations and to work in partnership on improving the assessment of excluded groups needs, as well on planning and implementing integrated services to address immediate and urgent needs for enhancement of social services.

Also important is that the civil sector still relies mostly on funding opportunities provided through donor programmes, and only half of the CSO respondents manage to ensure continuous operations and financing, which indicates the need for their further capacitating not only in project management skills, but also in development of more innovative approach in funds securing, potentially through establishment of partnership with business sector and development of economic activities and entrepreneurial skills.

Additionally, the same Survey shows that the CSOs should play a key role in the future, together with the public institutions, when it comes to provision of social services as they proved to be more flexible in the services provision and better responded to the needs of the most vulnerable groups in the crisis than some public institutions did.

The Programme will conduct necessary consultations with the key stakeholder, the Ministry of Labour, Employment, Veteran and Social Policy (MLEVSP) and other relevant stakeholders, including the LSGs, to confirm the approach and finalise the Call for Proposals which should be tentatively published during the third quarter of the Programme. The Call will strive to promote a multi-sectoral, inter-municipal and integrated approach.

## Management and Coordination arrangements

Establishment of the Programme Steering Committee (PSC)<sup>27</sup> managed by the Ministry of European Integrations (MEI) has been finalised during the inception period. The Committee will be chaired by MEI with participation of the donor and the national institutions on three levels: In addition to MEI and the Delegation of the European Union, Ministry of Economy (ME), Ministry of Public Administration and Local Self Government (MPALSG), Ministry of Labour, Employment, Veteran and Social Policy (MLEVSP), Ministry of Youth and Sports (MYS) and the Public Investment Management Office (PIMO) will be invited to nominate voting members of the PSC. Additionally, representatives of the Standing Conference of Towns and Municipalities (SCTM) and Development Agency of Serbia (DAS) will be invited to participate as observers, while several other ministries and offices will be consulted in relation to development of specific activities.

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. Moreover, coordination, synergies and synchronization with other relevant interventions managed or coordinated by national institutions will be ensured through the work of the PSC.

The PSC approves the Programme reports and requests for funding of projects and activities. The ministries and offices of the Government of the Republic of Serbia that are the members of the Steering Committee have the voting right. The donor, the Delegation of the European Union, does not vote but reserves veto right, in case they disagree with a particular action.

Additionally, the Programme established cooperation with the key relevant donor programmes, primarily the EU-funded [Cohesion Policy Project](#) implemented by GIZ, which aims to strengthen and develop a legal and institutional framework for the implementation of EU Cohesion Policy, develop relevant planning and programming documents for EU Cohesion Policy, and to strengthen the capacities of institutions and bodies nominated for the implementation of Cohesion Policy-partners and potential beneficiaries at national and sub-national level. The established coordination with the Cohesion Policy Project will enable creation and the synergy of both actions, in achieving a common objective of increasing capacities of all levels for Cohesion Policy implementation, but also avoid potential overlapping. While the Cohesion Policy Project is dealing with overall capacity building of all nominated institutions for implementation of Cohesion Policy, the Programme is focused in particular to the capacity building of the MEI and regional and local institutions exclusively to the establishment and application of EU Cohesion Policy territorial development tools, and definition of the national model for ISTD which is outside the scope of the Cohesion Policy Project.

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<sup>27</sup> The EU PRO Plus Programme Steering Committee Terms of Reference is available in the Annex V Attn 3

The Programme implementation team structure and responsibilities have been defined.<sup>28</sup> Recruitment of 16 full time team members, 7 on-call national experts and the key international expert was completed. Additionally, support services for the Programme have been designated. This created a basis for efficient progress of implementation.

## Resources and budget

The EU PRO Plus established a system for monitoring 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 7.37 million Euros has been received from the European Union prior to the Programme's start. The budget remains appropriate for the Action.

## Assumptions and Risks

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 area 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 high interest of the LSGs, SMEs, BSOs and CSOs in the Programme is expected.

This period also confirmed appropriateness of risk analysis done prior to the launch of the Programme. The newly identified risks predominantly relate to uncertainties related to COVID-19, as the second wave of the pandemic materialised and severely impacted the operating environment for businesses and made an impact on society as a whole. Effects of the disruption of the global supply chains due to the COVID-19 pandemic are still evident, and the global supply lines are still vulnerable.

The COVID-19 pandemic also brings the uncertainty of any future repercussions. Possible prevention measures including travel restrictions and limitations for physical gatherings, may have significant practical impact on the process for development of territorial strategies and the capacity building activities, including organisation of study visits. Extensive participatory approach is a pre-condition for the process of formulation of territorial strategies. In case of prolonged pandemic, alternative solutions have been identified to maximise involvement of stakeholders and to ensure legitimacy of the strategic planning process.

Additionally, the Government formed in 2020 already announced general elections for early 2022. As the reforms planned under the Programme require political decision making at all levels, such as endorsement and adoption of the ISTD strategies, these activities may be hindered by the possible political changes resulting from the elections.

EU PRO Plus also started to implement risk response measures and is, for example, introducing additional steps to verify quality of proposed projects during the evaluation process in response to expected low quality of design documentation. Additionally, the Programme outreach plan considers organisation of events and training in a hybrid model, with both virtual and in-person participation, depending on the current situation and related restrictions.

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<sup>28</sup> The EU PRO Plus Organigramme is available in the Annex V Attn 4

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 Plus Programme activities are being implemented from four locations. Operational offices, as envisaged by the Description of Action are based in Belgrade, Niš, Vranje, and Novi Pazar. Pending approval of the Donor, assets, including vehicles, from the predecessor Programme EU PRO are planned to be transferred to the EU PRO Plus.

## Quality and sustainability

The Programme's approach to quality is based on three pillars: the framework for quality management that UNOPS globally applies, the structures and regulations of the UNOPS Serbia Multi Country Office and finally, on implementation of quality checks to ensure that the outputs are fit for purpose.

The Programme shall develop the Quality Management Strategy 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.

The Programme will carefully set the requirements through the evaluation criteria within the Calls for Proposals (CFPs) to ensure support to economical, social and environmentally sustainable projects. The UNOPS approach to sustainability will be integrated into all Programme actions, while special attention will be paid to monitoring of the impacts of the activities to the wider population.

Additionally, the Programme shall contribute to building national capacity: The Programme is fully aligned with national policies and will support their implementation. The quality of infrastructure projects would be additionally strengthened through the review of project documentation during the submission process which will eliminate the majority of changes to its scope and value. During implementation, the Programme will ensure that all processes are fully in line with the requirement of the law on planning and construction, while additional quality assurance will be set to ensure the inspection of all completed works regardless the fact that technical commissioning is not required by the Law in cases of rehabilitation projects where permits were obtained through Article 145 of the Law on Planning and Construction. Quality and sustainability of SME related projects will be enhanced based on the lessons learned from the EU PRO Programme including more comprehensive capacity building training for the beneficiaries.

The Gender Action Plan (GAP)<sup>29</sup> developed during the Inception period outlines specific activities which will be undertaken by the Programme to ensure contribution to gender equality. These activities focus on gender equality in capacity building activities, gender mainstreaming in grants selection and management, establishment of gender sensitive indicators and promotion of awareness on gender equality among personnel and partners.

The Programme will follow quarterly set plans and ensure that the activities remain within set tolerances for time, budget and will quarterly report to the members of the Project Board, while

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<sup>29</sup> Gender Action Plan (GAP) is available within Annex V Attn 1

UNOPS internal quality assurance mechanism will quarterly assess progress of the Programme against the set indicators.

## Monitoring, reporting, and evaluation arrangements

The templates for inception, monthly, quarterly, and annual reports were developed. The Programme will monitor costs, time, scope, risks, quality, outcomes, and impact. Each aspect will have monitoring tools, procedures and reporting. 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.

This Inception Report covers the period from 1 January 2021, until 30 April 2021. The contractual obligation of the Programme is to provide quarterly reports, annual reports 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 Plus implementer, UNOPS, will, albeit, provide full logistical support for evaluations.

Monitoring of the Programme implementation will be in accordance with the EU rules and procedures with the aim to track progress over time against the planned targets within the logical framework matrix (LFM). While the LFM will define what will be measured, the Monitoring and Evaluation (M&E) Plan which is under development, will provide information on where, how, by whom and how often the data will be collected. This Plan shall include information on approach to M&E, performance indicators, source of data, collection methods, frequency of data collection, analysis of collected information and reporting.

In accordance with the UNOPS procedures, quarterly stage planning will be implemented, and Programme's performance internally assessed through Quarterly Quality Assurance process.

## Work Plan

The EU PRO Plus revised the overall work plan<sup>30</sup> and prepared a plan for the period from 1 May until 30 June 2021. The following are the key priorities for the coming reporting period:

### Programme Management

- Form the Programme Steering Committee, organise the induction meeting

### Result 1: Improved development planning in targeted municipalities and introduction of the ITI concept

- Initiate development of comparative analysis of the selected EU Member States regarding usage of the EU territorial instruments based on the content and methodology for the analysis developed during the Inception Phase
- Confirm the scope of the training modules with MEI based on the conducted TNA - developing of TNA assessment questionnaire
- Continue with introductory meetings with the key stakeholders (LSGs and RDAs)

<sup>30</sup> Revised Overall Action Plan is available within Annex V Attn 2

- Finalise production of materials for awareness raising activities - developing a capacity building curriculum for RDAs and LSGs

### **Result 2: Enhanced economic growth in targeted municipalities**

- Finalise consultations with the key stakeholders in relation to development of economic infrastructure and business related services at the local level and produce a draft CFP
- Publish the Call for Proposals for BSOs, initiate info sessions

### **Result 3: Improved social infrastructure and social cohesion in targeted municipalities**

- Introducing the planned infrastructure activities of the EU PRO plus to the key stakeholders
- Finalise the Call for Proposals for Social Infrastructure Projects, initiate info sessions
- Develop Call for Proposals for sustaining and introducing new innovative social services

### **Communication and Visibility**

- Draft Communication strategy to be sent for review to DEU and MEI
- Coordination with Sector teams on developing promotional campaigns for upcoming calls
- Procurement of full set of visibility materials for the team outreach activities

## **Communications and Visibility**

The EU PRO Plus Communications and Visibility Strategy Strategy is being drafted in line with the [Communication and Visibility Manual for European Union External Actions](#). While building on the best practices of the previous Programme the Strategy will also integrate the findings of the EU PRO Communication Strategy Assessment (EPCSA)<sup>31</sup> conducted by an external agency that harvested the recommendations for the enhanced future approach. The recommendations include diversifying communication channels with media, building campaigns with memorable slogans, and introducing short summaries of public calls during promotion.

Simultaneously, in preparation for the onset of the official Programme outreach phase the initial Outreach plan was developed<sup>32</sup> with the accompanying key visibility products. In order to meet communication and visibility requirements of both institutions the products were developed in consultations with MEI and DEU and following the successful approval process of the visual identity<sup>33</sup>,

<sup>31</sup> Summary of Recommendations for the EU PRO Plus Communication Strategy is available in Annex IV Attn 1

<sup>32</sup> Draft Initial outreach plan is available in Annex IV Attn 2

<sup>33</sup> EU PRO PLUS Approved visual identity is presented in Annex IV Attn 3

the standard, key communication products were developed - templates for memorandums, press material, team email signatures, business cards as well as the Programme fact sheet.<sup>34</sup>

The basic version of [EU PRO Plus website](#) is online and will be adapted overtime according to DEU and MEI inputs as well as according to recommendations from the EPCSA.

On 14 April [EU PRO Plus launch event](#) was held on-line, initially gathering over 250 participants and further shared through digital channels using a YouTube link which has since generated 830 views and via Facebook post that was shared 15 times and reached over 31,000 people.

In addition the start of the Programme was promoted through a [press release](#) that generated significant media coverage<sup>35</sup> of 60 media reports (18 or 30% published in the national media), and one media interview organised for the Project Manager.

EU PRO social media channels<sup>36</sup> have all been repurposed and rebranded with EU PRO Plus visuals to ensure continuation of efforts to increase the number of followers built for the duration of the previous Programme. The activity in the transitional period has been maintained by sharing the success stories from the EU PRO programme relevant to the planned EU PRO Plus activities with the focus on local infrastructure and SME support, thus increasing public interest in the EU grant support at the local level.

In the period from April to 21 May 2021, also as a part of the initial outreach activities, jointly with the EU PRO Programme and in close cooperation with DEU and MEI Communication and Visibility teams, [a local media competition](#)<sup>37</sup> was organised. Besides the promotion of the EU PRO successful projects the competition required from applicant media outlets to underline that the EU support continues through the new EU PRO Plus Programme in their media reports. As a result Total of 26 eligible media submissions underlined the EU support to local level, ranging from grant support to business, social infrastructure projects and support to the vulnerable - the topics that will also be addressed within the EU PRO Plus Programme.

## Conclusions and Recommendations

Extensive consultations, surveys, monitoring of developments and analysis confirmed relevance and feasibility of the EU PRO Plus. The planned activities remain in line with the national priorities and address primary needs of the target beneficiaries when it comes to socio-economic development.

The Programme also identified elements which could enhance its relevance and feasibility and contribute to sustainability of results.

- To ensure efficiency in implementation and strengthen relevance of the activities, as envisaged in the Description of Action, the Programme proposes a two-track approach which implies conduct of a limited number of Calls for Proposals for BSOs, SMEs and social infrastructure in order to maintain momentum generated by the predecessor programme, while gradually introducing an integrated approach. This approach is backed by the surveys and interviews which indicate that most LSGs have no adequate capacity to work immediately on Integrated and Sustainable Territorial Development (ISTD). This track will also consider

<sup>34</sup> EPP\_FS in English is available in Annex IV Attn 5

<sup>35</sup> Media Coverage of the EU PRO Plus online launch event is available in Annex IV Attn 6

<sup>36</sup> [Facebook](#), [Instagram](#), [Twitter](#), [Youtube](#)

<sup>37</sup> Media Competition Call for Submissions is available in Annex IV Attn 4

COVID-19 effects and is justified as the pandemic generally reduced budgets for local development. The second track is about introducing and building capacities for ISTD at national, regional, and local level. While all LSGs and RDAs on the target territory will benefit from some capacity building activities, in-depth support will be focused on targeted territories, and will include development of ISTD strategies. Provision of capital support would be linked to progress on capacity building, primarily considering the status of integrated development strategies and plans, and would be provided to a mix of complementary interventions to enhance effectiveness.

- The Programme may support national institutions to coordinate local and regional development issues, including ISTD. While fully respecting national ownership, and in consultation with MEI, the Programme may provide technical support to MEI to further enhance coordination of national, bilateral and international donors to local and regional development. This support may include improvement of existing and or development of new tools to enhance access to information about local and regional development projects and funding opportunities.
- The Programme may also provide support to MEI and other key national partners to promote national policies at the local level, identify and share best local development practices, and provide a forum for LSGs to provide their feedback to the national level stakeholders. The Programme should support preparation of projects, while focusing on priority interventions that may contribute to economic growth. This can be done through provision of funding for development of feasibility studies and designs for priority development projects. In addition, while capacity building measures should be focused on ISTD, it is relevant to include areas related to project identification and development, project finances, monitoring, evaluation, and reporting as this will in turn enhance efficiency and effectiveness of ISTD interventions, and more broadly, local and regional development efforts.
- In the light of COVID-19 pandemic, the relevance of the Programme may be strengthened with prioritisation of certain segments of the planned activities. For example, focusing on digitalisation and support in transformation of business activities to remain relevant and feasible during the pandemic, may be prioritized support to SMEs under Activity 2.2. Likewise, providing a framework for advancing support to healthcare and social service infrastructure compared to other sectors envisaged for the support to social infrastructure within Activity 3.1 will bring greater value to the citizens. These adjustments can be made during the development process for the Calls for Proposals.
- Relevance of actions that would contribute to digitalisation of public services that affect businesses and well as in operations of businesses have been in particular demonstrated in the context of COVID-19 crisis and confirmed by LSGs and SMEs, while COVID-19. Therefore, the Programme may put more emphasis and consider a slight increase of funding for activities that digitalise business related services and or data.
- Consultations with the Ministry of European Integration provided stronger direction for the Programme on the efforts in lieu of establishing a national model for ISTD and introduction of cohesion policy relating to territorial mechanisms. Specifically, enhanced Programme support in conduct of analysis and studies which will inform creation of the national model will be beneficial for achieving the objectives under Result 1 of the Programme and will positively contribute to the overall Programme objective. This also relates to support to LSGs to establish Integrated Territorial Investment (ITI) models as the most complex territorial instrument in need of standardisation of processes. Additionally, findings of the surveys for

LSGs and RDAs confirm an extensive need for capacity building activities which would provide the grounds for building of the national system for ISTD. This indicates a potential need for securing additional funding for Result 1 activities.

- The Programme may have an opportunity to pilot a part of the grant scheme foreseen under Result 1, Activity 1.3. According to the preliminary assessment of existing strategies developed in line with the Community-led Local Development (CLLD) territorial instrument and input provided by the Ministry of Agriculture, Forestry and Water Management, this grant scheme may be separated from the grant schemes for Integrated Territorial Investments (ITI) and Sustainable Urban Development (SUD) instruments and implemented earlier in the lifecycle of the Programme. The EU PRO Plus will further assess the benefits of taking this direction and reconfirm with the key stakeholders if the change in approach should be taken.
- Based on discussions with the Ministry of Economy, taking into account COVID-19 related effects on businesses, the Programme support should prioritise sectors more affected by the pandemic. Additionally, when assessing capacities of businesses to sustain and expand their competitiveness, potential financial difficulties during the period of the pandemic will be taken into account while maintaining the risks at a manageable level.
- Introducing technical assistance in support to both economic and social infrastructure projects as needed will contribute to sustainability of projects and enhance impact of the Programme interventions. In this respect, introducing good governance activities in support of social infrastructure projects planned under Result 3, Activity 3.1 and expert support for development of industrial zones and other economic infrastructure projects planned under Result 2, Activity 2.1 should be considered. This may be achieved by securing technical assistance through national experts or potentially exploring possibilities to include support as a part of the assistance which LSGs would secure through grants.
- With the ongoing pandemic and related changes in Government priorities, the Programme should allow for flexibility to support Government efforts for COVID-19 prevention and recovery while not jeopardising the Programme purpose. Additionally, the support provided to date should be included in the Programme activities.
- In line with discussions with the donor, the Programme Logical Framework Matrix indicators have been reassessed<sup>38</sup> and their revision is proposed to enable improved measurement of progress of the Programme. The Programme may integrate identified additions into its Monitoring Plan with no delay, while formal changes to the LFM should be considered and processed with the Programme Amendment, as the LFM is an integral part of the Programme Agreement.
- As the urban planning and urban development is predominantly under the responsibility of the Ministry of Construction, Transport and Infrastructure (MCTI), including implementation of the Sustainable urban development Strategy of the Republic of Serbia until 2030, inclusion of the representatives of the MCTI in the work of the Programme Steering Committee may be beneficial especially for steering implementation of the Result 1 activities. Additionally, the MCTI can contribute to implementation of the Programme infrastructure activities.

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<sup>38</sup> The proposed changes to the LFM are available in the Annex V Attn 6

## LFM - Progress against indicators<sup>39</sup>

<b>Overall Objective:</b>	
<b>To contribute to socio-economic development, prosperity and social cohesion of Serbian society</b>	
<ul style="list-style-type: none"> <li>World Bank Doing Business Report – Distance to frontier, scores 74 by the end of the Programme</li> <li>Global Competitiveness Index Rank reaches 69 place by the end of the Programme</li> </ul>	
<b>Specific Objective: To decrease socio-economic disparities of two regions within Serbia</b>	
<ul style="list-style-type: none"> <li>Increased Gross Domestic Product (GDP) as the percent of the national average in Šumadija and Western Serbia Region to 20 percent</li> <li>Increased Gross Domestic Product (GDP) as the percent of the national average in South – East Serbia Region to 14.2 percent</li> <li>Number of unemployed persons in the Šumadija and Western Serbia Region is reduced to 101,760 out of which 47,380 female and 54,380 male</li> <li>Number of unemployed persons in the South – East Serbia Region is reduced to 83,712 out of which 45,856 female and 37,856 male</li> </ul>	
<b>Result 1. Improved development planning in targeted municipalities and introduction of the Integrated and Sustainable Territorial Development (ISTD) concept</b>	
<ul style="list-style-type: none"> <li>At least 15 local development strategies aligned with ISTD methodologies are adopted</li> </ul>	
<b>Result 2 Enhanced economic growth in targeted municipalities</b>	
<ul style="list-style-type: none"> <li>At least 300 jobs created or facilitated</li> <li>At least 500 start-ups, micro and small enterprises that benefited from the Programme activities</li> <li>At least six industry investments facilitated</li> </ul>	
<b>Result 3: Improved social infrastructure and social cohesion in targeted municipalities</b>	
<ul style="list-style-type: none"> <li>At least 35,000 persons benefiting from improved public facilities/services.</li> </ul>	
<b>OUTPUTS</b>	
<b>Objectively verifiable indicators</b>	<b>Progress during the reporting period</b>

<sup>39</sup> This LFM is developed for the purpose of simplified monitoring of progress vs indicators. The full Programme LFM is available in the Annex V Attn. 5

Activity 1.1 Proposals for regulatory and procedural framework, including governance, coordination, territorial approaches, in place to enable the preparation of EU models for territorial planning developed by the end of the Programme	The table of content and the methodology for comparative analysis of the selected EU Member States regarding usage of the EU territorial instruments is developed
Activity 1.1 Monitoring, reporting and evaluation approaches related to ISTD model developed by the end of 2022	The concept of the comparison of different EU Member States in terms of monitoring, reporting and evaluation approaches prepared as a basis for definition of the national model
Activity 1.2 At least 40 personnel from MEI and institutions trained to develop the national ISTD system by mid-2022	The draft TNA for capacity building for MEI initiated. Held consultations with MEI regarding definition of the scope.
Activity 1.2 At least 80% out of the 99 beneficiary LSGs and 7 RDAs benefited from capacity building interventions related to ISTD, including EU models for territorial planning by mid-2022	Capacity Development curriculum prepared. The capacity building process covers all 99 LSGs and 11 RDAs at certain segments, while the complete training programme covers LSGs and RDA included in at least 15 ISTD strategies.
Activity 1.2 At least one tool for capturing, monitoring and sharing ISTD related data developed or enhanced by the end of 2022	The concept of the ISTD networking platform is devised.
Activity 1.3 Implementation of at least 10 ISTD projects, deriving from the ISTD strategies, whose implementation is supported by the end of the Programme	Meetings with the key stakeholders at national, regional and local level held to confirm the relevance of the action.
Activity 2.1 At least 6 economic infrastructure projects supported by the end of the Programme	Needs assessment conducted with 50 LSGs. Recommendations prepared for improvement of the DoA
Activity 2.1 At least 10 business services related projects are supported by the end of the Programme	Needs assessment conducted. Further consultations with the project board members and LSGs will produce a more refined proposal during Q3
Activity 2.2 At least 100 start-ups, entrepreneurs, and enterprises supported by the end of 2022	Meetings with stakeholders, the Ministry of Economy, Serbian Chamber of Commerce and Regional Development Agencies were held, meetings and surveys of SMEs were done to confirm the relevance of the action.
Activity 2.2 At least 50 youth and women entrepreneurs supported by the end of 2022	Meetings with stakeholders, Ministry of Economy, National Employment Service and Regional Development Agencies held to confirm the relevance of the action.

<p>Activity 2.2 At least 200 people benefitting from skill-development trainings by the end of 2022</p>	<p>Meetings with stakeholders National Employment Service and Regional Development Agencies held to confirm the relevance of the action.</p>
<p>Activity 2.2 At least 10 BSO projects supported by the end of 2022</p>	<p>Meetings with stakeholders, the Ministry of Economy, Serbian Chamber of Commerce and Regional Development Agencies were held, meetings and surveys of SMEs were done to confirm the relevance of the action. CFP for BSOs drafted based on inputs from the stakeholders, lessons learned from EU PRO and results from the SME and BSO survey.</p>
<p>Activity 3.1 At least 30 social infrastructure projects implemented by the end of 2022</p>	<p>Needs assessment conducted with 50 LSGs. Call prepared. Upon its approval by the PSC it should be announced by end June 2021</p>
<p>Activity 3.2 At least 20 CSO projects related to social protection services supported by the end of 2022</p>	<p>A concept for Programme assistance to social protection services is being developed.</p>