



Ministry of European Integration
REPUBLIC OF SERBIA

#EY
ЗА ТЕБЕ



EU
PRO+

ANNUAL REPORT

1 January –
31 December 2022

(DRAFT)



Implementing partner
in 99 cities and municipalities in Serbia

Project title:	European Union for Local Development Programme - EU PRO Plus
Overall objective:	To contribute to socio-economic development, prosperity and social cohesion of Serbian society
Purpose:	To decrease socio-economic disparities in two regions within Serbia
Budget:	40 million euros
Donor:	The European Union
Start date:	1 January 2021
End date:	30 June 2024
Programme area:	The Regions of Šumadija and Western Serbia and the Southern and Eastern Serbia
Implementing partner:	United Nations Office for Project Services (UNOPS)
Report date:	22 February 2023
Period covered:	1 January 2022 – 31 December 2022
Prepared by:	UNOPS



Acronyms

AoR	Area of Responsibility
BSO	Business Support Organisation
CAT-I	Capacity Assessment Tool for Infrastructure
CFP	Call for Proposals
CLLD	Community-led Local Development
CSO	Civil Society Organisation
DEU	Delegation of the European Union
DAS	Development Agency of Serbia
DOA	Description of Action
EU	European Union
EPSCA	EU PRO Communication Strategy Assessment
GAP	Gender Action Plan
GEM	Gender Equality Mechanism
HR	Human Rights
ITI	Integrated Territorial Investment
ISTD	Integrated Sustainable Territorial Development
LAGs	Local Action Groups
LSG	Local Self-Government
MPALSG	Ministry of Public Administration and Local Self Government
MLEVSP	Ministry of Labour, Employment, Veteran and Social Policy
ME	Ministry of Economy
MEI	Ministry of European Integration
MTY	Ministry of Tourism and Youth
NGO	Non-governmental Organisation
MPI	Ministry for Public Investment
PSC	Programme Steering Committee
RDA	Regional Development Agency
RFP	Request for Proposals
RSMCO	Republic of Serbia Multi Country Office
SCTM	Standing Conference of Towns and Municipalities
SME	Small and Medium Sized Enterprises
SUD	Sustainable Urban Development
ToR	Terms of Reference

TABLE OF CONTENTS

Acronyms	2
TABLE OF CONTENTS	3
1. EXECUTIVE SUMMARY	4
2. REVIEW OF PROGRESS AND PERFORMANCE	6
2.1 Policy and Programme Context	6
2.3 Results and Activities	11
Result 1 Improved development planning in targeted municipalities and introduction of the ITI concept	12
Result 2 Enhanced economic growth in targeted municipalities	14
Result 3 Improved social infrastructure and social cohesion in targeted municipalities	16
3. MANAGEMENT AND COORDINATION	19
3.1 Governance	19
3.2 Coordination	20
3.3 Human Resources	21
3.4 Procurement and Grants	22
3.5 Finance	23
4. RISKS AND ISSUES	23
5. QUALITY	24
6. SUSTAINABILITY: Social, Environmental, Economic and National Capacity	26
7. CROSS-CUTTING THEMES: Good Governance, Gender Equality, Social Inclusion and Digitalisation	26
8. COMMUNICATIONS AND VISIBILITY	27
9. LESSONS LEARNED	29
10. NEXT REPORTING PERIOD	30
LOGICAL FRAMEWORK MATRIX – progress against indicators	31
LIST OF ANNEXES	34

1. EXECUTIVE SUMMARY

The European Union for Local Development - EU PRO Plus Programme concluded the second year of implementation with an intensive implementation pace, laying the foundation for continued high activity in the following year.

In 2022, the Programme initiated three public calls in total value of 8.4 million euros and, together with those initiated in the first year of implementation, concluded application processes for five calls worth over 12 million euros. The feedback received from target beneficiaries confirmed high relevance of the Programme interventions, with 876 applications valued at over 60 million euros. Participation of local administrations was significant, with project proposals received from 75 out of the 99 participating LSGs in response to the two public calls directed specifically to them, while taking into account other Programme interventions directed towards civil society and business community, different entities from 95 out of the beneficiary 99 Programme municipalities participated in Programme activities.

Programme's capacity building activities in contribution to **improved development planning and introduction of integrated territorial investment concepts** continued with greater focus on the twelve territories endorsed for support in development of Sustainable Urban Development (SUD) and Integrated Territorial Investment (ITI) strategies. During the year, 248 representatives of 58 LSGs and 10 RDAs benefited from capacity building activities in the areas of governance, empowerment of urban authorities, development of ISTD strategies, monitoring and evaluation of ISTD strategies and stakeholder analysis and involvement in the context of usage of EU territorial instruments. Additionally, 31 local self-governments (LSGs) with a population of approximately 1.6 million inhabitants will benefit from this process which brings these territories closer to the European Union through usage of territorial instruments in line with the EU Cohesion Policy.

Furthermore, the Programme developed a Comparative Analysis of the Integrated Sustainable Territorial Development (ISTD) approaches in EU Member States which presents the key features of integrated territorial development in six selected countries in terms of their governance and implementation procedures, highlighting challenges and lessons learned from a variety of different models used to implement the territorial dimension of EU Cohesion Policy. The Analysis shall be used as a key resource for the Programme, and the Ministry of European Integration (MEI) in particular, for the forthcoming efforts to introduce the ISTD approach to Serbia.

The EU PRO Plus made significant progress towards achieving the **enhanced economic development** through activities implemented by Business Support Organisations (BSOs), and has set the grounds for reaching the targets in this area through the Call targeting Micro and Small Enterprises (MSEs) under which 124 beneficiaries are selected, and the Call for Economic Infrastructure Projects (EIP) under which the beneficiaries are to be confirmed in the second quarter of 2023.

During the year, through projects implemented by BSOs over 400 enterprises have been supported to enhance their competitiveness in the areas of digitalisation, greening and circular economy, resilience, marketing and internationalisation, standardisation and access to financial instruments through training, mentoring and technical assistance providing benefits for over 980 SME representatives, while 38 SMEs received new equipment through these grants while 36 SMEs introduced standards or certifications.

These results should be enhanced in 2023, with an expected 271 new jobs to be created in the 124 enterprises which will be directly supported by the Programme as a result of the Call for MSEs, and an expected rise of annual income by 10 million euros along with increased export by 3.3 million euros in the next three years.

Finally, the projects selected under the Call for EIP should create conditions for generating new

investments of at least 25 million euros in industry and tourism and contribute to creation of hundreds of new jobs while the technical documentation developed through this support should contribute to creation of pipeline of economic infrastructure projects which will contribute further to the investments and job creation.

Contributing to **improved social infrastructure and social cohesion** the Programme concluded its nine month long support to 23 medical institutions in preventing and combating COVID-19 through engagement of 194 medical and non-medical teams which facilitated provision of related to COVID-19 related medical services to over 2.5 million people.

The Programme also contributes to enhancement of public services in health, social protection, education, sport, culture, public administration and the communal services sectors through rehabilitation of social infrastructure in 32 local governments through 33 projects awarded under the Call for Local Infrastructure Projects. Over 200,000 citizens will benefit from services improved through this assistance.

Additionally, EU PRO Plus support for strengthening of social services shall contribute to enhancement of 25 social services in 23 LSGs through joint cooperation of civil and public sectors. The interventions are mainly focused on improving services provided to children and young people from vulnerable groups, including the services of a personal companion of a child, neurofeedback therapy, day care centres for children with disabilities and behavioural problems, day care centres for street children, as well as home care services for adults and the elderly, personal assistance for people with disabilities and other social protection and health care services. Furthermore, these projects are expected to contribute to increased resilience of social service providers for possible future emergency situations, as well as to reduce the negative impact of COVID-19 on the quality of life of vulnerable groups. Over 2,000 vulnerable people will directly benefit from these services.

The **key risks and issues** were addressed by the Programme in 2022. A predominant issue relates to prolonged securing of endorsement for some of the activities which in turn affected the implementation timeline. Though the majority of delays were manageable, delays related to initiation of development of territorial strategies significantly reduced the available time for implementation of the subsequent grant scheme, resulting in the need for extension of the Programme implementation period by at least six months. Furthermore, the global market instability is affecting the realisation of the Programme posing greater challenges and risks to beneficiaries to conclude activities within the initially set budgets, while the risks related to low capacities of grantees are being continuously addressed. Looking forward, the Programme anticipates greater risks with implementation of procurement processes for the granted enterprises considering the disruption of the global supply chains. Efficient support from the Programme Steering Committee will remain critical throughout the Programme implementation period.

Throughout the year the **Programme interventions remained visible and recognisable** due to intense promotion of ongoing activities via traditional and digital media. Total of 26 press releases and 17 media announcements were issued, generating 1,570 media reports out of which 480 (over 30 percent) were in the national media. Majority of media reports were generated around the eight high level visits organised for the high EU representatives and promotion of Programme Calls interest in which also attracted over 130,000 visits to the EU PRO Plus website. To ensure easy reference and better visibility of the Programme activities a [new online map tool](#) was introduced to the website mapping all of the ongoing projects.

This Report provides review of progress and performance, update on management and coordination issues, review of assumptions and risks, quality and sustainability considerations, insight into the key outputs for the next reporting period, and lessons learned. A number of annexes give the readers opportunity to get in depth knowledge of some specific actions taken by the Programme.

2. REVIEW OF PROGRESS AND PERFORMANCE

2.1 Policy and Programme Context

During the year, several important developments related to the context under which the Programme operates took place. At the national level, both parliamentary and presidential elections took place in April 2022, while the [new government was](#) formed in October 2022. The Government consists of 28 ministries including [three without portfolios](#) in charge of activities and relations with the diaspora, balanced economic development, and development of underdeveloped municipalities. Among the 25 line ministries, there are [four new ones](#): the Ministry of Public Investments, the Ministry of Science, Technological Development and Innovation, the Ministry of Tourism and Youth and the Ministry of Information and Telecommunications. These changes in the composition of the Government impacted the structure of the Programme Steering Committee, as reappointment of its members is pending the decision of newly appointed ministries.

The [elections for members of national councils of 23 national minorities were held on 13 November 2022](#). The members of the councils of 19 national minorities were elected in direct elections, while four minorities were elected through the electoral assembly. Almost a half million voters enrolled in a special voter list had the right to vote in the direct elections, which were held throughout Serbia. The Republican Electoral Commission announced a total of 50 election lists for direct elections. [The constitutive sessions of national councils were held](#) in December 2022, after which their four year mandates started.

Several national policy changes and updates took place during 2022, a number of which related to the social and economic empowerment of the vulnerable and strengthening the civil sector. Namely, after nearly a decade of work, the [Strategy for an Enabling Environment for Civil Society Development for the period from 2022 to 2030](#) was adopted to ensure greater involvement of the civil sector in the decision-making process at all levels including the process of European integration, improve the sector's transparent funding and sustainability, increase the participation of civil society organisations in socio-economic development and act in accordance with sustainable development principles. Due to the alleged increased pressure and attacks on civil society and independent media by the state institutions a [group of prominent CSOs](#) withdrew from the consultation process in 2021 and ended up boycotting the Strategy drafting process.

Furthermore, the [Strategy for Social Inclusion of Roma for the period from 2022 to 2030](#) was also adopted, in order to align the previous 2016-2025 Strategy with national laws and the EU strategic framework for Roma. The document aims to improve the participation of Roma in all social processes, ensuring full inclusion in preschool, primary, secondary and higher education, increased access to quality and sustainable employment and health services, improving housing conditions and equal access of Roma to social protection rights and services.

Likewise, the long awaited [Law on Social Entrepreneurship](#) was adopted, setting the legal framework for development and work of social enterprises in the Republic of Serbia. The law recognises the existing practice and should ensure support for about 500 social enterprises in Serbia, regardless of whether they are currently registered as entrepreneurs, companies, foundations, citizens' associations or cooperatives as long as they were established to offer sustainable solutions for community development, have a social mission and the obligation to reinvest or return profits to the community. The [Council for the implementation of this Law was established](#) in July 2022 by the representatives of public institutions, civil sector and social enterprises with the role to provide key guidelines for the improvement of the social economy sector, including the creation of a social entrepreneurship development programme. As of 15 November 2022, business entities, civil society organisations and entrepreneurs that are already registered in the Business Registers Agency and meet the conditions prescribed by the Law on Social Entrepreneurship, have the opportunity to [register the status of social entrepreneurship](#).

In order to improve the quality of legal and strategic documents in the context of human rights and social www.euproplus.org.rs

inclusion, the Ministry for Human and Minority Rights and Social Dialogue with the support of the UN Human Rights Team, presented the [tool for the introduction of the Leave No One Behind \(LNOB\) principle](#) into legislative and strategic acts of the Republic of Serbia. The [tool](#) provides clear guidelines for the implementation of the human rights-based approach and the LNOB principle in all stages through which legislative and strategic acts pass, thereby ensuring that the most marginalised and excluded groups are recognised and involved. The tool is primarily intended for those developing and adopting legislative and strategic acts at all levels, as well as for all other stakeholders who are involved in their development.

Regarding the implementation of the Programme grants, the changes in the Value Added Tax (VAT) policy as a result of [VAT Rulebook changes](#)¹ enabled VAT exemption for all funds related to projects that are the result of bilateral agreements between Government of Serbia and donors. With this, the co-funding provided by Programme beneficiaries will be also tax exempted.

Further, during 2022 there were numerous projects and public calls published aimed at supporting the development of the SME, which required close coordination with the relevant national and international partners to ensure complementarity and avoid overlapping. Regarding the economic growth and empowering the private sector, the Ministry of Economy (ME) published the [Call for Economic Infrastructure](#) at the beginning of the year, for projects aiming at equipping industrial zones and supporting tourism development. As a result, financial support of 5,5 million euros was awarded to 20 projects, among them four targeting tourism development. Out of the twenty local self-governments (LSGs) to be supported, as many as 17² are from the Programme area, while the value of individual support varied from 64,000 to 530,000 euros. The Programme complementary activities will contribute to the efforts of ME to ensure support to economic growth and opening of much needed employment opportunities.

Likewise, the ME also published [five public calls for the SMEs](#) and also the investment programme in partnership with the Development Fund of the Republic of Serbia, "Recovery and Development" which establishes a new credit line for the allocation of favourable credit funds to companies for the implementation of new investments. Up to 90 million euros from the credit line of the European Investment Bank and 100 million dinars (850,000 euros) from the Development Fund was allocated for this programme.

Finally the Ministry of Economy published the Public Call, implemented together with the Development Agency of Serbia (DAS), "[Serbia and EU - Equipment for Enterprises](#)", worth 3.1 billion dinars (1.9 billion dinars funded from the State budget and 11 million Euros from the EU funds) aimed at supporting the wide range of MSEs. This call, implemented through the commercial banks, implies that business entities to which banks approve a loan or financing may be entitled to grant in value of up to 25% of the net value of equipment purchased. The share of economic entities is 5% of the total value of equipment, while the rest is provided from loans of commercial banks.

Additionally, several initiatives relevant for the Programme were implemented by other development organisations. With the support from the German Development Cooperation (GIZ) the ME organised [public private consultations](#) for development of the new strategy for support of Small and Medium Enterprises for the period 2023-2027. The strategy will cover improvement of the business environment, access to funding sources and new markets, continuous development of human resources, strengthening of the competitiveness of the SME sector, development of entrepreneurial spirit and encouragement of women, youth and social entrepreneurship, as well as digitization and greening of SMEs.

The StarTech programme support to the digital transformation of SMEs is part of a three-year project for the promotion of innovation and technological development in Serbia, implemented by National Alliance for Local Economic Development (NALED) and financed by the Philip Morris company. The SMEs can apply

¹ Official Gazette of RS No. 49/22, Article 24, paragraph 1, point 16a

² Blace, Sokobanja, Paraćin, Lebane, Tutin, Ljig, Trstenik, Kučevo, Novi Pazar, Knić, Bajina Bašta, Vranje, Doljevac, Čičevac, Rača, Babušnica, Kruševac

independently or in cooperation with faculties and research centres for grants in the amount of 15,000 to 100,000 USD for investment in the digital transformation of their business, research and introduction of innovative products and services. Out of three public calls planned, the first one was completed in 2022 selecting 28 SMEs and awarding 1 million USD and expert support for implementing innovation and digitization, creating jobs and conquering new markets.

Likewise, the Innovation fund published three public calls in 2022. [Katapult](#), a Call designed to support startup entrepreneurs, by providing mentoring support and grants for technological development and innovations. The Funds for the Katapult implementation were provided on the basis of a joint investment by the Republic of Serbia (Ministry of Education, Science and Technological Development) through a loan and technical support from the World Bank in the amount of 7.7 million euros and the European Union grant worth 10 million euros. [Early Development Programme](#) (Mini Grants Programme), also supported by the EU, was published with the objective to stimulate innovative entrepreneurship and creation of innovative companies with high commercialization potential and a scalable business model. The EU-funded [Matching Grants Programme](#) aims to encourage established and profitable micro, small and medium-sized companies to engage in development and commercialization of technological innovations in the form of new and improved products, services, technologies, and technological processes. All three programmes focus on most innovative companies in various phases of development.

USAID launched the Big Small Business project with a budget of USD 18.2 million³, as a five-year activity (April 2022-May 2027) designed to enable Serbian market actors to spur the SME sector's growth. The activity strengthens SME linkages with business support providers to improve their productivity and profitability; expands SME exports to regional, EU, and other markets; and strengthens SME access to financing instruments. The project is expected, among other objectives, to support at least 1,000 SMEs and generate USD 50 million in new investments.

The [EBRD's Western Balkans YIB programme](#), started in late 2022, foresees providing a total of 100 million Euros to local banks in the six countries of the region. Together with finance, the bank will provide advisory services aiming to promote youth entrepreneurship and financial inclusion in the region. So far, Banca Intesa Belgrade is the only Serbian financial institution that has joined the programme. The Programme in general is more mature SMEs with higher investment portfolios than SMEs awarded within EU PRO Plus.

In December 2022, U.S. International Development Finance Corporation (DFC) announced the launch of four new loan portfolio guarantees with ProCredit, Addiko, Banka Intesa and Raiffeisen banks expected to catalyse up to USD 272 million through risk-sharing guarantees for SMEs across Serbia, including women-owned businesses, businesses in rural areas, and farmers.

Furthermore, the support to infrastructure development of the local self-governments in the Programme AoR continued at the national level. Namely, the Government of Serbia formed a working group for integral development of South Serbia, covering territory of Prokuplje, Kuršumljija, Lebane, Bojnik, Leskovac and Medveđa, which initiated six projects aiming at improving infrastructure and activating economic and tourism potentials of this area. The first among them, the construction of 26 km road over Radan mountain, started in April 2022, would shorten the travel distance between Toplički and Jablanički district for 100km and significantly improve quality of life of local population. Similar working group was formed for the integral development of Ovčarsko-kablarska gorge.

The Government also allocated one million euros for seven LSGs⁴ through the [Public Call](#), implemented by the Ministry of Construction, Transport and Infrastructure (MCTI), in order to support infrastructure projects contributing to local economic development, social cohesion and investment projects. The MCTI

³ <https://www.usaid.gov/serbia/fact-sheet/jan-05-2023-big-small-businesses-project>

⁴ Leskovac, Prokuplje, Kraljevo, Kuršumljija, Medveđa, Lebane and Bojnik

also implements the [Clean Serbia](#) project, supporting 69 awarded local self-governments in ensuring sewage systems with waste water treatments and infrastructure for disposal of solid waste for close to 2.5 million citizens. The project worth 3.2 billion euros is being implemented within the commercial contract signed between the mentioned ministry and Chinese company China Road and Bridge (CRBC) Corporation.

In addition, with the support of KfW Development bank, the MCTI is implementing the communal infrastructure projects ensuring water supply and waste water treatment for 1,2 million inhabitants in 14 local self-governments. Besides this project, the KfW is also supporting district heating programmes within the energy sector.

The year 2022 also recorded important developments related to territorial development, both at EU level and in Serbia. The [National Urban Forum](#) “Better future of urban settlements in the context of new public policies in the Republic of Serbia”, organised in April 2022 by the MCTI, focused on the strategic revision of the Sustainable Urban Development Strategy of the Republic of Serbia until 2030. This revision may have an impact on the Programme in terms of potential minor changes to be introduced in the development directions of SUD and ITI territories. The Forum also discussed special aspects of urban development through key topics: Green Agenda and Urban Development, Quality of architecture and built environment, and Sustainable Housing. The role of young people, women, and other vulnerable social groups in urban development was also considered, as well as the importance of exchanging experiences in the field of urban development at the macro-regional level, in Europe and globally.

The National Urban Forum was also preparation for the 11th session of the [World Urban Forum \(WUF\) - “Transforming our cities for a better urban future”](#) that was held in June 2022 in Katowice, Poland, where three Serbian cities, Belgrade, Niš and Kruševac, out of which two participating in the EU PRO Plus Programme, presented their efforts in the improvement of eleven public spaces in Serbia.

The WUF 11 served as an important reminder about the urgency of making cities more sustainable, resilient, and climate-friendly. WUF11 participants declare their voluntary actions and commitments for the next two years and beyond, including:

- Move from incrementalism towards fundamental shifts in urban environments, systems of governance and forms of habitation, in line with human rights treaties;
- Focus on imminent urban crises such as climate and biodiversity emergencies, pandemics, violence and conflicts, and other natural and man-made disasters, that all converge in cities and surrounding territories;
- Reconfirm culture as a core component of local identity;
- Reconfirm that accessibility and universal design are an integral part of the solution to the challenges of urbanisation; and
- Encourage all development actors to mobilise their capacities in the UN Decade of Action, and appeal to governments to better fund UN-Habitat.

As important for urban development, Serbia has got the possibility to participate in two EU programmes. Namely, starting from 2022, in addition to EU Member States, Norway and Switzerland, the IPA beneficiary countries, including Serbia, have been for the first time included in the [Urban Development Network Programme - URBACT IV \(2021-2027\)](#). The fourth iteration of this Programme was officially adopted by the European Commission (EC) in September 2022 and it would continue to support cities working on integrated, sustainable urban development through EU cooperation. The cities from IPA countries, now eligible to apply, will receive support related to the establishment of the [action planning network](#) and design of integrated action plans on specific topics relevant for sustainable urban development and will have the opportunity to share experience with EU peers supporting the preparation of these countries for accession to the EU. Such approach is highly relevant to Programme interventions as it implies further operationalisation of developed territorial strategies in particular areas that are under territorial strategy coverage through additional capacity building of stakeholders within the SUD and ITI territories. The first call is to be open in January 2023.

Additionally, the European Commission opened a [Call for applications for the New European Bauhaus Prizes 2023](#), for which for the first time the projects and concepts from the Western Balkans countries are also eligible to apply. Following the successful last two editions that received over 3,000 entries from all EU Member States, the 2023 competition will reward 15 exemplary initiatives linking sustainability, aesthetics, and inclusiveness - the three core values of the New European Bauhaus with focussing on education and learning in the context of the European Year of Skills. The New European Bauhaus Call, open by 31 January 2023, is a creative and interdisciplinary initiative that connects the [European Green Deal](#) to living spaces and experiences. This initiative is complementary to territorial development strategies for urban areas, promoting initiatives that improve the quality of living in urban areas.

At the EU level, the European Commission (EC) adopted the [Proposal of the Nature Restoration Law](#), to restore damaged ecosystems and bring nature back across Europe, from agricultural land and seas, to forests and urban environments. The law should scale up existing experiences of nature restoration measures such as rewilding, returning trees, greening cities and infrastructure, or removing pollution to allow nature to recover. It will benefit from substantial EU funding: under the current Multiannual Financial Framework, around €100 billion will be available for biodiversity spending, including restoration. To help deliver on the targets while keeping flexibility for national circumstances, the law would require Member States to develop National Restoration Plans.

The relevance of this initiative to the Programme intervention is reflected in the introduction of specific targets that are highly relevant for inner urban areas, but also to the context of wider urban areas which include rural and protected areas, including: No net loss of green urban spaces by 2030, a 5% increase by 2050, a minimum of 10% tree canopy cover in every European city, town and suburb, and net gain of green space that is integrated to buildings and infrastructure; In agricultural ecosystems, an overall increase of biodiversity, and a positive trend for grassland butterflies, farmland birds, organic carbon in cropland mineral soils and high-diversity landscape features on agricultural land; Removing river barriers so that at least 25,000 km of rivers would be turned into free-flowing rivers by 2030, etc. The proposal delivers on a key element of the [European Green Deal](#): the [Biodiversity Strategy for 2030](#) commitment for Europe to lead by example on reversing biodiversity loss and restoring natures and represents the EU's key contribution to the adopted [post-2020 Global Biodiversity Framework](#). The Programme shall promote these standards along with other EU policies within the process for development of territorial strategies.

2.2 Progress Towards Achieving Objectives

Based on the latest available statistical data, compared to the baseline year⁵, the share of South-East Serbia Region in the national GDP increased by 1,7 pp, opposite to the share of Šumadija and Western Serbia Region which decreased by 0.7 pp, with the shares in the national GDP in 2021⁶ in Šumadija and Western Serbia Region of 18.7% and South-East Serbia Region 15.3%, while Belgrade region held the leading position with 40.2% and Vojvodina with the share of 25.8%. The overall share of 34% for both regions in the country's GDP has improved by 1 pp.

According to the information on the GDP per capita, the regional differences are still persisting. Namely, the GDP per capita in 2021 for the Belgrade region amounted to RSD 1,492,000 which is 62.7% higher per capita compared to the national average of RSD 917,000. The GDP per capita level index for Region Vojvodina equals 96.5% (RSD 885,000), while the GDP per capita level index for Region Šumadija and Western Serbia equals 68.5% (RSD 628,000) and for the region of South-East Serbia, the level index equals 72.1% (RSD 661,000), well below the national average. As a result, the dispersion indicator⁷, which

⁵ The baseline year for regional GDP distribution is 2016, while for unemployment indicator is 2019

⁶ SORS - preliminary data

⁷ The value of this dispersion indicator is zero if the values of regional GDP per inhabitant are identical in all regions of a country. The level of dispersion will increase, all other things being equal, if the differences in GDP per inhabitant between the regions grow. In the case of Serbia, the value of 34 % means that the GDP per inhabitant of each region, weighted on the basis of the regional population, differs from the national value by an average of 34 %.

captures the dispersion of the regional GDP per capita amount in 2020 equalled 34%, slightly lower compared to 2019 (35%).

The number of unemployed persons in the two programme regions in 2021 increased by 2.3% compared to the baseline year. However, the trends varied on the regional level. The Western Serbia Region experienced an increase of unemployment by 7.2% or 7,600 persons in absolute terms. In the same period, the South-East Serbia Region performed better and managed to reduce the number of unemployed persons by 3,100 or by 3.6%, notably, the number of unemployed females was reduced by 6%. It is clear that regional differences in economic development influenced labour market indicators and employment. As a rule, the unemployment rate in the Belgrade region is the lowest, followed by the region of Vojvodina and the region of Šumadija and Western Serbia, while the worst situation is in the region of South-East Serbia.

It is important to mention that the two Programme regions have significantly benefited from the direct (mainly foreign) investments that contributed to employment. Nevertheless, that significantly exposes the regional economies and labour market to the business performance of a few large foreign companies. The latter might negatively influence the employment indicator for Šumadija and Western Serbia region.

The Law on Investments adopted in 2016 aiming to improve the investment environment in the country and encourage direct investments to strengthen economic development and employment growth. The Law is proven to be a good instrument for channelling investments in less developed regions, which promotes balanced regional development. According to the [Ex post Analysis of the National Employment Strategy](#) observed from 2016 until the beginning of October 2020, 121 agreements on the allocation of incentive funds were signed. That contributed to 46,187 new jobs, out of which 28,483 were opened in the two programme regions. For example, in 2017 alone, 40% of all new jobs were created in the region of South-East Serbia while in 2018, 73% of all new jobs were created in the region of Šumadija and Western Serbia. In the analysed period, out of all newly created jobs on this basis, 31% are located in the region of Šumadija and Western Serbia as well as 31% in the region of Southern and Eastern Serbia, or 14,235 and 14,248 in absolute term, respectively.

Regardless of such positive effects of direct investments on employment, there is a possible reason for the worsening of this indicator for the region of Šumadija and Western Serbia in 2021. The high base effect and the volatility of car manufacturing production (FIAT) have most likely influenced the deterioration in employment in the region. The above-mentioned subsidies created about 20,000 jobs created in the production of automobile parts and about 13,000 jobs in the textile industry. The recent turmoil in FIAT possibly has a spill over effect across the connected industries that resulted in the overall reduction of employees.

2.3 Results and Activities

During the year, 193 projects contributing to decreasing the socio-economic disparities of the two targeted regions were supported by the Programme. Social cohesion and inclusion is being strengthened through improvement of local infrastructure implemented by 33 local self-governments (LSGs) directly benefiting over 200,000 citizens and strengthening of social services through 20 projects implemented by LSGs and Civil Society Organisations (CSOs) which shall contribute, while having a great positive impact on over 2,000 disadvantaged people in the two regions in the long run. Additionally, the Programme's support to 23 medical institutions in preventing and combating COVID-19 facilitated provision of medical services for over 2.5 million people, predominantly from the two targeted regions.

Furthermore, over 400 enterprises are supported to enhance their competitiveness through projects implemented by 16 Business Support Organisations (BSOs) while 124 micro and small enterprises (MSEs) which are supported directly should enable immediate employment of at least 272 people and contribute to increased revenue by 10 million euros which should affect the increase of the GDP in the two regions. Likewise, with the first phase of the Call for Economic Infrastructure Projects concluded, 38 LSGs are

invited to submit full proposals for projects which should facilitate investments of at least 25 million euros and contribute to creation of hundreds of new jobs.

Programme interventions remained highly relevant, as confirmed by very high interest in its activities from the target groups. The Programme received 876 applications with a total value of over 60 million euros in response to the five public calls closed during the year. Participation of local administrations was significant, with project proposals received from 75 out of the 99 participating LSGs in response to the two public calls directed specifically to them. While the Programme received a total of 133 applications from these 75 LSGs, taking into account other public calls directed towards CSOs, BSOs and MSEs, different entities from 95 out of the 99 cities and municipalities applied for support.

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

With endorsement of results of the [Call for Development of Territorial Strategies](#), the Programme entered into provision of technical assistance for development of twelve territorial strategies: seven Sustainable Urban Development (SUD)⁸ and five Integrated Territorial Investment (ITI)⁹. Thirty-one local self-governments (LSGs) with a population of approximately 1.6 million inhabitants will benefit from this process which will bring these territories closer to the European Union through usage of territorial instruments in line with the EU Cohesion Policy.

Regarding capacity building process, the Programme already exceeded the planned target with 84.5% LSGs and RDAs benefiting from interventions, after conducting Module I and partial implementation of Module II (two sets of trainings) of the Capacity Building Plan (82 LSGs and 11 RDAs).

The Programme completed the work on a Comparative Analysis of the Integrated Sustainable Territorial Development (ISTD) approaches in EU Member States¹⁰, focusing on six EU countries¹¹ selected together with the Ministry of European Integration (MEI). The analysis presents the key features of integrated territorial development in the selected countries in terms of their governance and implementation procedures, highlighting challenges and lessons learned. By illustrating a variety of different models used to implement the territorial dimension of EU Cohesion Policy, all of which are tailored to their specific institutional and territorial contexts, the report constitutes a key resource for the forthcoming tasks within Programme efforts to introduce ISTD approach.

Furthermore, the Programme initiated development of criteria for selection of pilot projects deriving from territorial strategies in line with the [Strategy of Sustainable Urban Development of the Republic of Serbia until 2030 for the period from 2021 to 2022](#) and the [EU Cohesion Policy objectives](#). On the other hand, the Programme is searching possibilities to identify potential sources of funding the other projects that will not be supported through the Programme's pilot grant scheme, by coordinating with other donor programmes and institutions. The identification of potential funding will help in directing the definition of actions in strategies towards available sources and additionally support implementation of strategies as objective of the action.

Activity 1.1 Enhancing national capacity to introduce integrated territorial development

⁸ The technical support is provided for development SUD Strategies for the following cities: Bor, Kruševac, Leskovac, Loznica, Novi Pazar, Smederevo and Šabac

⁹ The technical support is provided for development of ITI Strategies for the following territories: City of Kragujevac with Aranđelovac, Batočina, Knić, Lapovo, Rača and Topola; City of Niš with Gadžin Han, Merošina and Svrlijig; City of Pirot with Babušnica, Bela Palanka and Dimitrovgrad; City of Užice with Bajina Bašta, Čajetina, Požega and Priboj; and City of Zaječar with Boljevac, Knjaževac and Sokobanja

¹⁰ Comparative analysis of EU member states is available in Annex I Attachment 1.1

¹¹ Netherlands, Italy, Poland, Bulgaria, Hungary and Czechia

In December 2022, the Programme organised presentation of the Comparative analysis¹² to MEI and DEU and, pending feedback, the Programme will consolidate the document and present it to the negotiation group for Chapter 22.

Additionally, the Programme developed a number of documents setting the grounds for its support in developing the legal, institutional and regulatory framework: an outline of the Institutional frameworks for ISTD, the structure of the Study of the National Model for ISTD and an outline of the EU Member States' cases regarding capacities needed for management of territorial mechanisms in relation to requirements to the Serbian context.

The training module on territorial development instruments (Module I of the Capacity Building Plan) for the MEI is prepared and will be delivered once the Comparative Analysis of EU member states is thoroughly reviewed and more details on the potential roles of the various relevant national-level institutions are known. After the review, the involvement of other national level institutions in the EU PRO Plus capacity building activities and Module I in particular will be reconsidered.

The Programme also developed the Study Visits Programme¹³ which foresees four study visits. LSGs, RDAs and national representatives will be divided into groups to participate in the most relevant visits - the first dedicated to ITI - stronger urban areas, ITI - stronger rural areas, SUD and one dedicated to MEI. The outlines of the first two study visits, to Belgium and the Netherlands, and the other to Italy and France have been developed.

The draft Analysis of National Policy Framework for ISTD in Serbia¹⁴ is also prepared, and this too will be a part of the final Study for National Model for ISTD which will take into account lessons learned from strategy development process and the pilot grant scheme planned for late 2023.

The two IT tools - the draft revised concept note on the IT tool and Terms of Reference (ToR) for ISTD networking platform are prepared and will be furtherly discussed after the review of the Comparative Analysis. The IT tool is devised with an aim to support MEI in monitoring the implementation of the territorial strategies and has been designed as a starting point for development of a comprehensive tool at a later stage. The new tool can potentially act as a monitoring system, as GIS platform mapping strategies and projects and as a database of available funding sources. On the other hand the ISTD platform acts as a networking tool, through which the dissemination of results can be made, and networking and exchange of experience among ISTD practitioners can be established.

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

Upon endorsement of the [Results for Development of Territorial Strategies](#), the beneficiary territories have adopted decisions, established working groups (WG) and development councils, collected data for contextual analysis, and set up dedicated web pages for strategies. The Programme supported these efforts directly, and with use of national and international experts, provided templates for working groups and councils, questionnaires and survey questionnaires for citizens. Furthermore, the methodology and the steps in the process are presented to WGs, and contextual analysis for all twelve territories have been drafted.

¹² Presentation is available in Annex I Attachment 1.2

¹³ Study Visits Programme is available in Annex I Attachment 1.7

¹⁴ Analysis of National Policy Framework for ISTD in Serbia is available in Annex I Attachment 1.3

The Programme conducted four two-day trainings for Programme LSGs and RDAs on Module I - Territorial Development Instruments¹⁵ in March 2022, in Zlatibor and Belgrade, as a part of the EU PRO Plus Capacity Building Plan. The turnout of the LSGs was satisfying, considering circumstances that directly impacted attendance (ongoing pandemic, elections and political campaign). Total of 120 participants (74 or 61.7% women) from 51 LSGs and ten RDAs attended the training prepared and delivered by international experts.

After the training, the Programme conducted a short training needs assessment (TNA)¹⁶, to get first hand insights about the topics to be included in the Module IV - additional training.

As a part of Module II of Capacity Building Plan, two one-day online trainings on Partnership and Involvement of Stakeholders¹⁷ were held during November and December 2022 for the representative of working groups for development of territorial strategies. Participants were divided into two groups for SUD and ITI strategies. The overall response of the target group was very good with a total of 152 representatives (from 29 LSGs and 5 RDAs), out of which 91 (59.87%) were female.

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

To support implementation of projects derived from territorial strategies, the Programme foresees to publish a public call in May/June 2023, when it is expected that strategies will be in draft stage with sufficient details that enables publishing the call. Through this call, the Programme will strive to promote implementation of integrated projects as much as possible, in order to promote integrated approach during project implementation as well. The criteria for the call will be developed in the first quarter of 2023.

Result 2 Enhanced economic growth in targeted municipalities

During 2022, the Programme made significant progress towards achieving the enhanced economic development through activities implemented by Business Support Organisations (BSOs), and has set the grounds for reaching the targets in this area through the Call targeting Micro and Small Enterprises (MSEs) under which 124 beneficiaries are selected, and the Call for Economic Infrastructure Projects (EIP) which is initiated.

Within efforts to enhance competitiveness of small and medium-sized enterprises (SMEs), over 400 enterprises have been supported through BSO activities which included training, technical assistance, mentoring and certification. A total of 226 SMEs received support in digitalisation, 81 SMEs were supported in Greening and Circular Economy, 303 SMEs improved their Resilience, 176 SMEs were supported in Marketing and Internationalisation, 82 SMEs received support in standardisation and 132 SMEs were supported in access to Financial instruments. This support included technical assistance for improving processes and quality of products and services for 110 SMEs, mentoring and consultancy support for 235 SMEs, and training for representatives of 293 SMEs. A total of 68 training and capacity building events gathering 980 participants have been organised within projects led by BSOs in 2022. Additionally, 38 SMEs received new equipment through these grants while 36 SMEs introduced standards or certifications¹⁸.

Additionally, the direct support to MSEs as a result of the Call for MSEs should contribute to creation of at least 271 new jobs in 2023, and 401 more in the three-year period. Furthermore, the average annual income for the beneficiary MSEs is expected to rise by 10 million euros and export by 3.3 million euros in the next three years.

¹⁵ Report on Territorial Development Instruments Training available in Annex I Attachment 1.4

¹⁶ Report on TNA for LSGs and RDAs available in Annex I Attachment 1.5

¹⁷ Report on Partnership and Stakeholders available in Annex I Attachment 1.6

¹⁸ Report on SME info sessions CFP EUPROPLUS 02-2022 is available in Annex II Attachment 2.3

Finally, the projects proposed under the Call for EIP should create conditions for generating new investments of at least 25 million euros in industry and tourism and contribute to creation of hundreds of new jobs while the technical documentation developed through this support should contribute to creation of pipeline of economic infrastructure projects which will contribute further to the investments and job creation.

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

After the assessment of availability of mature economic infrastructure projects in Programme municipalities and extensive consultations with the key regional and national stakeholders, including the Ministry of Economy and the Ministry of European Integrations, a [Call for Proposals for Economic Infrastructure](#) was developed with a two-phase evaluation process. Pursuant to endorsement of the Programme Steering Committee(PSC) the Call was published in September 2022.

The Call includes assistance through three LOTs - for construction or reconstruction of industrial zones and other business - related facilities, for development of sustainable tourism and for development of technical documentation for economic infrastructure projects. The information about the Call was shared directly with the 99 participating local self-governments and presented in more details on six info sessions and an orientation meeting for Regional Development Agencies (RDAs) which gathered 161 representatives of 45 LSGs and 10 RDAs (out of which 76 or 47% female and 85 or 53% male participants).

The Call attracted applications from 58 LSGs with projects in total value of over 23 million USD out of which 16.7 million USD requested from the Programme. Administrative check and evaluation of the received applications was concluded in December 2022, and 38 LSGs whose project concepts were positively evaluated in the first phase were invited to submit full project proposals by the end of January 2023.

Additionally, the Programme assessed and analysed the needs of LSGs and developed a draft Call for Proposals for Introduction of Geographic Information Systems (GIS) aiming at improving the provision of services to businesses and promotion of particular investment opportunities, industrial zones and tourism potentials. The Call was shared with the PSC members and it will be discussed in early 2023 aiming at initiation of provision of this support to LSGs by mid-2023.

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

The Call for Business Support Organisations (BSOs) that was published in December 2021 was closed on 2 February 2022. A total of 45 applications with a value of two million USD were submitted by RDAs, business associations, research institutions and chambers of commerce. The Programme Steering Committee (PSC) approved awarding 16 grants to business support organisations (BSOs) in total value of approximately 753,372 USD. Grants are being implemented by 22 business support organisations as seven out of 16 grants are implemented in partnership. All 16 Grant Support Agreements have been prepared and signed during May 2022 with implementation started from 1 June 2022. Orientation meeting for the grantees held in Vrnjačka Banja on 19 May 2022 was attended by the representatives of all grantees as well as the representatives of the Ministry of Labour, Employment, Veteran and Social Affairs. In the second half of 2022 BSOs organised 68 events (42 in person and seven online training, four kick off meetings, nine orientation meetings and six round tables) with a total of 980 participants.

The [Call for Procurement of Equipment and Provision of Services for MSEs](#) was published on 4 May and closed on 30 June 2022. The outreach activities that the Programme conducted in this period included an extensive media campaign and direct information dissemination to some 15,000 eligible applicants via letters and emails. Total of 742 people attended sixteen in person and two online info-sessions that were organised. Detailed report on organised info sessions is available in the Overview of BSO project

implementation document¹⁹. Recording of the online info-session as well as Frequently Asked Questions were published on the internet page of the Call. Technical support for potential applicants was provided through a network of Regional Development Agencies (RDAs) with support of the Ministry of Economy (MoE). The orientation meeting for the RDAs organised on 17 May 2022 in order to provide RDAs with detailed information on the application process and documentation so they can provide quality technical support to MSEs, gathered representatives of nine RDAs. Total of 610 applications from 80 LSGs were received in the response to the Call. After the administrative check done by eight evaluation committee members, the technical evaluation started in July 2022 and involved twelve committee members and two representatives from the Ministry of Economy who participated in the Evaluation Committee as observers. Field visits were conducted for 204 MSE applicants in 60 LSGs during October and November. As a result 124 applications were proposed for financing and 28 for the reserve list. The Programme Steering Committee approved awarding grants to the proposed applicants on 28 December 2022. The total value of applications recommended for financing is 3.7 million USD out of which 2.8 million USD is requested from the EU PRO Plus.

In March 2022 the Programme held meetings with the representatives of 20 local development offices in order to analyse the needs of Programme municipalities and collect the quality data for preparation of the Public Call for Proposal for Business Related Services. The findings confirmed the relevance of the grant methodology approach to address the specific needs of LSGs like promoting particular investment opportunities, industrial zones and tourism potentials etc. However, it also showed that contracting a service provider for joint initiatives, like access to information, can also be effective.

Implementing Public Calls for Proposals for Supporting Women and Youth Startups and Vocational Training has been postponed for 2023. The Call for Proposals has been developed and will be additionally reviewed and discussed with relevant stakeholders in 2023 before sending to the Programme Steering Committee for approval and publishing.

Result 3 Improved social infrastructure and social cohesion in targeted municipalities

Within the efforts to secure improved social infrastructure to the target regions, the Programme assistance to LSGs facilitated through the [Call for Local Infrastructure Projects](#) aims to improve public services in health, social protection, education, sport, culture, public administration and the communal services sector. Cultural infrastructure will be improved in 9 LSGs, while the implementation of 8 grants is expected to enhance the teaching and learning conditions in the granted LSGs. Additionally, the conditions of sports and health institutions would be improved in 10 partner municipalities while 5 grantees would, through the implementation of the local infrastructure projects, upgrade social and communal services to the benefit of their citizens. Finally, energy efficient public administration building for the employees in Vrnjačka Banja resulting from an implemented local infrastructure grant would allow for an improved service provision for its citizens.

The Programme successfully closed [The Call for Strengthening Social Services](#) in March, with a total of 90 applications received from the civil sector and LSGs, and with partnership engagement of a broad range of local stakeholders relevant for improvement of the social services. Positive response to the CFP and great interest of local actors confirmed the relevance of the intervention and a great need for this type of support at the local level.

Twenty project proposals²⁰ for supporting strengthening of up to 25 social services in 23 LSGs²¹ through joint cooperation of civil and public sectors were [endorsed for funding by the PSC](#). The interventions are

¹⁹ Annex II Attn 2.1_EPP_Overview of BSO project implementation

²⁰ Additional three project proposals are placed on the reserve list

²¹ Kuršumljija, Prijepolje, Bojnik, Lebane, Kraljevo, Kragujevac, Velika Plana, Bor, Zaječar, Negotin, Leskovac, Babušnica, Trstenik, Sokobanja, Ub, Čičevac, Čajetina, Novi Pazar, Loznica, Ražanj, Niš, Čuprija, Žitorađa

mainly focused on improving services provided to children and young people from vulnerable groups, including the services of a personal companion of a child, neurofeedback therapy, day care centres for children with disabilities and behavioural problems, day care centres for street children, as well as home care services for adults and the elderly, personal assistance for people with disabilities and other social protection and health care services. Furthermore, these projects are expected to contribute to increased resilience of social service providers for possible future emergency situations, as well as to reduce the negative impact of COVID-19 on the quality of life of vulnerable groups. The implementation of the activity started in November and should provide benefits to over 2,000 vulnerable people. Two applicants that withdrew from the grant award process were replaced by the first two from the reserve list.

In May, the Programme completed its nine months long support to 23 medical institutions in preventing and combating COVID-19 through engagement of 194 medical and non-medical teams. The Programme facilitated provision of 2,645,519 (1,376,993 women and 1,268,526 men) medical services related to COVID-19 in the following way:

- In total, 1,186,370 individuals were tested for COVID-19, out of which 499,889 men, 545,711 women, 74,591 boys and 66,179 girls;
- Total of 214,488 individuals were referred to other health care centres / medical institutions due to COVID-19, out of which 80,780 men, 99,520 women, 17,002 boys and 17,186 girls;
- In total, 20,919 individuals were admitted for hospital treatment due to COVID-19, out of which 11,039 men, 9,494 women, 172 boys and 214 girls;
- In total, 1,207,313 individuals were vaccinated against COVID-19, out of which 571,904 men, 623,296 women, 5,758 boys and 6,355 girls;
- In total, 16,429 individuals were traced due to COVID-19, out of which 5,669 men, 7,138 women, 1,722 boys and 1,900 girls

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

The [Public Call for Local Infrastructure Projects](#) published in December 2021 was closed on 31 January 2022. The information about the Call was shared directly with the 99 participating LSGs and further promoted through six live and three online info sessions held in late December 2022 and early January 2023, attended by a total of 218 participants from 75 LSGs and six RDAs.

As a result, 75 projects with a total value of 18.4 million USD, out of which 12.9 million USD is requested from the Programme were received from 64 LSGs.

The Call, in particular, supported health and social protection services, allowing submission of two proposals in case one targeting those two sectors. The underdeveloped LSGs were also supported with up to seven (7) additional points. The Programme also acknowledged the DEU initiative and included 20 points for relevance related to territorial development, which made a step forward in terms of the quality of received applications, as Call promoted functional partnerships aimed at improving services in the aforementioned sectors, which brought an added value to the quality of the proposals. Through the awarded proposals 53 functional partnerships will be introduced to ensure the improvement of services through the soft measures that were introduced as mandatory, besides infrastructure intervention. This section also encouraged the municipalities to learn how to combine and utilise the funds from different available funding sources to systematically plan finances to finalise their projects. Sustainability was also a mandatory part of the evaluation criteria and elimination. Likewise, negative impact on the environment, for which four proposals were eliminated as concluded they would produce a negative impact on the environment.

The results of the evaluation in relation to the development level showed 47% awarded compared to 52% applied from the fourth group of development and devastated municipalities. The overall 70,5% awarded applicants belonging to the third and fourth level of development and devastated municipalities, which is www.euproplus.org.rs

proportional to the fund's disbursement per development level, where over 70% of EU funds will be disbursed to the LSGs in those three categories. This percentage also indicates the low interest of the developed LSGs to apply for funding, as only 20% of the overall number belonging to the first and second development level submitted applications. It may be relevant for some future interventions to consider activities only targeting underdeveloped municipalities.

The evaluation committee, composed of 19 members, finalised all evaluation documentation in April 2022, resulting in the list of 33 LSGs recommended for funding. Fourteen (14) applications were put on the reserve list, 19 proposals were not recommended, and eight applications were found ineligible.

The PSC, in an e-voting procedure, endorsed the results of the Call on 29 April 2022, allowing their [publishing](#) and the Programme issued 33 grant agreements to 32 local self-governments by the end of May 2022, securing funding in a total amount of 5,965,897.01 USD for 33 projects. Only the City of Vranje initially endorsed as the 34th project, withdrew due to the inability to secure co-funding for the project anticipated to increase in value by 60% compared to the initial price.

All 33 projects received the first instalment during June and July and commenced implementation. The infrastructure works commenced in twenty-one (21) LSG, seven (7) LSGs signed a contract for works and will give access to the site to the contractor during January 2023, and four (4) finalised procurement procedures. Only the City of Niš did not initiate procurement for the works, and the Programme sent a notice, requesting a revised action plan. Unfortunately, after the completion of the tender process, the Požega council adopted the decision to cancel the grant as a result of multiple failures to receive bids within the budgeted price as their value doubled compared to the planned.

In addition, to mitigate further delays in other projects that did not commence the works, the Programme served notices to 11 LSGs, requesting adjustment of the initial action plans and compensation for the accrued delays, bearing in mind the winter season that will further postpone specific types of construction works.

The Programme also processed one amendment of the grant agreement with the municipality of Bosilegrad based on a budget modification request sent in August, reflecting an increase of beneficiary cost-share for 100,000 USD in comparison to the original project budget reflecting the market price increase and the finalisation of the execution design.

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

[The Call for Strengthening Social Services](#) was launched on 14 January with a wide outreach campaign that included media promotion, dissemination of promotional material to 99 LSGs, and direct notification of over 900 contacts from public and civil sectors. Furthermore, three info-sessions about the Call, conducted online due to the COVID-19 related challenges, gathered 158 people (117 women and 41 men). The CFP attracted significant interest among the target groups and upon its closing on 7 March 2022 total of 90 applications were received from 56 municipalities and cities, where 58 project proposals came as a result of a partnership, mainly between civil and public sectors.

In line with UNOPS procedures, the Evaluation Committee for the CFP was established with three members of the Technical Evaluation Team, five secretaries within the Administrative Team, and three observers nominated by the Ministry of Labour, Employment, Veteran and Social Affairs (MLEVSA). The evaluation process was finalised in May and followed by the clarification of data presented in the project proposals that was required for 21 out of 23 applications that scored above the threshold set under the Call. The clarification process was finalised in June and the evaluation results were presented to the PSC. In an e-voting procedure, the PSC endorsed [the results of the CFP for Social Services Strengthening](#) on 16

September. Total of 20 project proposals in the value of 61,187,607.10 RSD²² were approved for funding, while three projects in the value of 9,042,798.00 RSD²³ were placed on the reserve list. The intervention is implemented in 23 cities and municipalities with participation of 22 CSOs, 14 LSGs, six social protection and health care institutions. Priority areas include improvement of social protection and health care services through support to vulnerable children and youth (12 projects), support to vulnerable adults (6), primary and secondary health care (3), family support (2) and social protection planning (2).

The Programme conducted final verification of the activity plans and budgets prior to the issuing of the donation agreements. During the process, two applicants²⁴ withdrew from the grant awarding process due to the lack of capacities and they were replaced by two first candidates from the reserve list, the Municipality of Tutin and the Municipality of Bela Palanka. During November and December, 18 contracts were issued, the projects started implementation with a duration of up to 15 months and all first tranches were transferred to the grantees. Two remaining grant agreements are expected to be issued in January 2023 upon finalisation of the verification process for the project proposals from the reserve list.

At the beginning of December, the Programme conducted two orientation meetings (one live and one online event) for the grantees, where they received instructions and guidelines related to administrative, financial and procedural implementation of their projects according to the Programme's requirements and procedures. The events were well-attended, attracting 44 participants (25 women and 19 men) from civil and public sectors, where representatives of all 18 grantees took part in the meetings, giving positive feedback on the content and quality of the informative sessions.

Activity 3.3 Support to COVID-19 related prevention and response activities

During first half of the 2022, following the request from the Ministry of Health, endorsed by MEI and DEU due to an unfavourable epidemiological situation, the Programme facilitated continued engagement of 191 out of 194 medical and non-medical workers in 23 healthcare centres throughout Serbia, supporting them in COVID-19 prevention and recovery efforts.

The engagement of medical workers in 23 institutions ended at the end of May, and all projects were administratively closed in November upon verification of the final reports.

3. MANAGEMENT AND COORDINATION

3.1 Governance

The Programme Steering Committee (PSC) steered and supported implementation of the Programme throughout the year. The composition of the PSC was re-confirmed and updated following the adoption of the Changes to the Law on Ministries in October 2022. Namely, the Public Investment Management Office (PIMO) was replaced by the Ministry for Public Investment (MPI), and the former Ministry of Youth and Sports (MYS) was replaced by the Ministry of Tourism and Youth (MTY). The other institutions initially included in the work of the PSC remained.

PSC members were engaged in Programme implementation, through provision of guidance and feedback on the key outputs of the Programme, and by participating in Programme events and activities, including participation in the capacity of observers in the work of the Programme Grant Evaluation Committees for all evaluation processes taking place during the year.

Several Programme submissions were reviewed and endorsed using the electronic voting procedure. In April 2022, the PSC endorsed publishing of the Call for Procurement of Equipment and Introduction of

²² 521,629.03 euros

²³ 77,090.54 euros

²⁴ the Association of Persons with Disabilities Kuršumljica and the Municipality of Ražanj

Services for Entrepreneurs, Micro and Small Enterprises along with results of two Calls - the Call for Business Support Organisations and the Call for Local Infrastructure Projects.

Furthermore, in September 2022, again using the electronic voting procedure, the PSC endorsed publishing of the Call for Economic Infrastructure Projects and results of the Call for Strengthening Social Services, along with progress reports of the Programme: Annual Report for 2021, Quarterly Report for January - March 2022 and Quarterly Report for April - June 2022.

In December 2022 an in-person PSC meeting was held, and the PSC members endorsed results of the Call for Procurement of Equipment and Introduction of Services for Entrepreneurs, Micro and Small Enterprises together with the Quarterly Report for July - September 2022 period. The meeting was attended by all PSC members.

3.2 Coordination

The EU PRO Plus continuously puts efforts to coordinate its activities with the relevant stakeholders and other development interventions.

The key national stakeholders, led by MEI and DEU along with other Programme Steering Committee (PSC) members, were involved in the development of all Programme activities, including the [Call for Procurement of Equipment and Provision of Services for MSEs](#), the [Call for Economic Infrastructure Projects](#) and the [2023 Calendar Art Competition](#). As in previous years in agreement with DEU in Serbia the calendar competition has been developed in line with the 2023 annual European Commission theme, while DEU and MEI together with UNOPS and Vox Populi comprised the judging committee.

Additionally, members of the line ministries have observed the processes for selection of beneficiaries as members of the grant evaluation committees for applications received in response to the three Calls closed during the year. Namely, representatives of the Ministry of Economy and Development Agency of Serbia participated in the work of the grant evaluation committees for the Call for MSEs and the Call for Economic Infrastructure Projects, while representatives of the Ministry of Labour, Employment, Veteran and Social Affairs (MLEVSA) participated in selection of beneficiaries under the [Call for Strengthening Social Services](#).

Participation of observers from national institutions in these processes goes beyond the quality control role as it also serves as means of coordination of efforts and enhancement of quality of projects as the participating members provide views and inputs on the assessed projects which are embedded in the projects endorsed for support, with closer monitoring of risks. Additionally, involvement of the larger number of institutions in the PSC was important for promotion of the activities implemented by the Programme as an information dissemination mechanism.

The activities in introduction of integrated territorial development are coordinated and synchronised with the most important initiatives and complementary projects. The Programme participated in two events organised by the Ministry of Construction, Transport and Infrastructure (MCTI): the Workshop on climate change and urban development and a Roundtable on financing urban development in Serbia. Both events are under umbrella of the [Strategy of Sustainable Urban Development of the Republic of Serbia until the 2030](#) revision process and preparation of a new Action plan for the period from 2023 to 2025.

Two complementary projects - joint AFD and World Bank [Serbia Local Infrastructure and Institutional Development Project](#) (LIID) and the World Bank [Green, Livable, Resilient Cities in Serbia Programme](#), were consulted with an aim to establish cooperation and synergy in activities related to sustainable urban development of the cities. This coordination will mostly contribute to the implementation of the projects derived from the territorial strategies supported by the Programme through "LIID" grant scheme. The cooperation with the [Cohesion Policy Project](#) implemented by GIZ continued with periodical meetings related to synchronisation of activities.

The programme also coordinated activities with the [Green Cities Serbia](#) - a Dutch Embassy public-private partnership project which provides sustainable urban solutions. The initiative aims to facilitate the green transition that will lead to more livable and enjoyable cities in Serbia. The cooperation included participation in the [study visit to the Netherlands](#), meeting with the [Netherlands Enterprise Agency \(RVO\)](#), Green Cities Serbia project workshop, and participation in the conference [Going green – Transforming the concrete jungle](#) organised by the Dutch Embassy in Serbia. The Programme will involve the project in the process of development of territorial strategies.

The relevant coordination activities with donor programmes included meetings with the Standing Conference of Towns and Municipalities (SCTM) [Exchange 6 Programme](#), to initiate coordination in overlapping development of SUD strategies and local development plans in Šabac and Kruševac, and to discuss on Programme activities related to support to Community-led Local Development (CLLD) territorial development instrument and support of Local Action Groups (LAGs); [Public and private finance for development](#) - Ensuring sustainable local communities by improving local development planning in the Republic of Serbia project. The project financed by the Slovak Development Assistance Grant (SlovakAid) and implemented through the United Nations Development Programme in Serbia (UNDP) and SCTM; [Helvetas MED III project](#); [NALED "Support to capacity building and development of local development plans"](#), and with the Ministry of European Integration Department for Cross-Border and Transnational Cooperation Programmes on [URBACT](#) and Cross-Border Programmes.

Additionally, the Programme participated in several relevant events. The "Green Society and Sustainable Living", organised by UNDP in partnership with the Ministry of Environmental Protection and with the support of the Government of Sweden was the fifth and final dialogue under the [National consultations on the environment](#), within Serbia's preparations for participation in the global conference "Stockholm+50", where key findings and recommendations of various stakeholders were presented related to reducing environmental pollution, preserving biodiversity and adequately responding to the challenges of climate change.

Also, the Programme attended the presentation of the [National Human Development Report titled "Human Development in Response to Demographic Change" 2022](#) for Serbia, organised by the UNDP and the UNFPA. The Report covers nine policy areas and was developed by a team of international and local researchers and in cooperation with the Prime Minister of the Republic of Serbia. This [strategic document](#) shows how Serbia's population will decline in the future and how the state and society will have to formulate new responses to the demographic challenges ahead. It offers possible new courses of action in response to depopulation in Serbia. The report covers nine relevant fields with interventions proposed: family support, labour market, migration, education, health and ageing, urban development, environment and climate change.

In addition, the Programme, while organising five field visits for the Head of Cooperation of the EU Delegation, closely cooperated with the EU-funded projects implemented by various international and national partners including GIZ project "EU for Cultural Heritage and Tourism", projects implemented within the Cross-border Cooperation Bulgaria-Serbia and Cross-border Serbia - Bosnia and Herzegovina Programmes and the UNOPS implemented project "The European Union Support to Social Housing and Active Inclusion Programme (EU SHAI)". The coordination and cooperation continued throughout the year with the EU Info Centre, the information hub of the EU Delegation, as the Programme provided inputs about the projects included in the media campaigns promoting the EU support.

3.3 Human Resources

The annual workforce planning has been exercised in the Q1 2022 and the identified needs for reinforcement of the Programme's workforce have been addressed during the year. Throughout 2022, 14 retainers have been engaged to respond to the high peak of activities in the Capacity Building Sector: The Pool of five international subject-matter experts in Integrated Sustainable Territorial Development have been engaged along with four local Senior Officers and two Officers for Capacity Building in the field of Urban Development & Strategic Planning. In addition, the Pool of three international Project Management

Support - Specialists for Comparative Analysis for Integrated Sustainable Territorial Development has been established. Mechanical, Water and Electrical Engineers engaged on retainer basis have joined the Infrastructure sector to support the assessment and development of technical documentation for local infrastructure project proposals. In the last quarter, the Competitiveness sector engaged Project Management Support Senior Assistant on a regular short-term basis to provide assistance and support collection and preparation of documentation related to processing of SME grants related requests.

In the first quarter, programme personnel set clear individual SMART performance objectives which were regularly discussed during informal and formal performance related conversations. Recognising the importance of performance management, the UNOPS developed a series of interactive workshops for Supervisors and Supervisees aimed at fostering performance and feedback culture among personnel. As an additional resource, UNOPS developed a Performance Management Basics course that aims to introduce UNOPS personnel to Performance Management policies, processes and practices, and their roles in the process and improve alignment in how performance is managed and evaluated across the organisation.

The Programme established its learning plan for 2022 based on individual development plans set by personnel during the performance objectives setting exercise and as agreed with the supervisors.

In summary, Over 50 courses in the area of Project Management, Infrastructure, Corporate Tools and ICT, Human Resources Management, Diversity and Inclusion have been completed by the personnel. The Associate for SMEs obtained PRINCE2 Foundation certificate while the Project Manager obtained recertification in PRINCE2 Practitioner. In addition, the Personnel attended WebEx training events in different work related and well-being topics.

3.4 Procurement and Grants

The EU PRO Plus predominantly uses grant methodology which gives ownership over the projects to the grantees while the Programme maintains monitoring and advisory roles. During 2022, the Grant Administration Unit provided administrative support to the management of Calls for Proposal (CFPs) for Local Infrastructure Projects, Business Support Organisations, Procurement of Equipment and Introduction of Services for Entrepreneurs, Micro and Small Enterprises, and Economic Infrastructure Projects. Pursuant to the transparent selection process of the grantees, the Grant Administration Unit conducted issuance and the administrative support to the management of 69 Grant Support Agreements (GSA) in the second year of its implementation. In brief, administration of GSAs during the last year included:

- Processing of 101 request for payments,
- Verification of 34 financial reports,
- Registration of 67 GSAs with the VAT Office,
- Processing of 26 budget revisions and time extensions.

In addition, the Grant Administration Unit had conducted administrative closure of 23 GSAs (issued in 2021) for support to the employment of human resources in 23 health care institutions on the territory of the Republic of Serbia, for the purpose of control and suppression of COVID-19 virus.

As for the procurement, in 2022 UNOPS has finalised the COVID-19 emergency procurement processes by delivering 26 specialised vehicles for medical teams for vaccination, triage containers equipped with required medical furniture and disinfection devices with liquid. Additionally, the Procurement Unit conducted 72 various procurement processes. In relation to the value of the goods, works or services and nature and complexity of the requirement, the statistic of all conducted solicitation processes is as follows:

- 15 Shopping processes, i.e. small value purchases up to USD 5,000.00
- 53 Requests for Quotations processes, i.e. purchases of USD 5,000.0 to USD 50,000.00
- 4 Invitation to Bid, purchases of value more than USD 50,000

3.5. Finance

The total delivery of the EU PRO Plus as of 31 December 2022 was 12,685,386.83 euros or 31.71% of the Programme budget or 51.24 % of the second pre-financing. The forecast delivery for the next reporting period is 1,095,323 euros.

4. RISKS AND ISSUES

In line with the EU PRO Plus Risk Management Strategy based on UNOPS project management structure, the Programme identifies and assesses risks and issues, plans and implements responses. This section provides insight into key risks and issues registered during the second year of Programme implementation.

- **Due to various delays in securing endorsements for launch of activities and selection of grantees, the programme implementation timeline is jeopardised.** Some of the delays are affected by delays encountered in the year 2021 with endorsement for provision of assistance in development of territorial strategies and endorsement for publishing of the Call for Strengthening Social Services. Furthermore, in 2022 the Call for Economic Infrastructure Projects was redesigned into a two-step process which elongated the application and selection process delaying the start of implementation of activities to the second quarter of 2023. The Programme is planning for and investing additional resources to expedite the evaluation process, and is closely monitoring awarded projects to ensure timely reaction to possible delays in implementation. However, since the Programme activities are interlinked, the planned support for implementation of territorial strategies will be significantly delayed resulting in the need for extension of the Programme implementation period for at least six months. Efficient support from the Programme Steering Committee will remain critical throughout the implementation period.
- **The increase of market prices on local and global levels affected the realisation of Programme activities.** The market prices instability affected virtually all Programme activities, as extreme variations especially in relation to construction materials were recorded at the beginning of the year. As this was expected from earlier phases of the Programme, the applicants and grantees were encouraged to introduce buffers when developing budgets which, thus far to a large extent, mitigated these effects. However, in more severe cases, with projects of high value and significant cost-share contribution, such as the local infrastructure project of the City of Vranje, the grantee was unable to secure the necessary co-funding. Furthermore, under similar circumstances several local self-governments needed to process the increase in co-funding through local assemblies and councils which, again, delayed the implementation. Finally, due to the decline in the overall economic activity, some of the SME grantees might not be able to financially support the planned investments and create jobs.
- **Unfavourable exchange rate fluctuations negatively affect the available Programme funds.** In July 2022 the exchange rate between euro and US dollar reached parity for the first time in twenty years, followed by further decline of euro by mid-October 2022. This negatively affected the availability of funds resulting in shortage for several activities, and especially those contracted during this period. Consequently, the budget deficit in Local Infrastructure Projects activity and Strengthening Social Services activity resulted in conservative award of grants to mitigate the risk of overspending. The Programme took several precautionary measures, including signing of Grant Support Agreements in USD currency to mitigate the risk.
- **Lower capacities of grantees may result in extension of implementation period and even cancellation of some activities.** With implementation of 33 Local Infrastructure Projects (LIP) and 16 Business Support Organisations'(BSO) projects underway, the Programme faced some

challenges related to capacities of the grantees to implement granted activities. Delays were encountered with procurement processes for infrastructure interventions, while as many as six of the 16 supported BSOs needed to be extended during the year. Being aware of the risk, the Programme planned for, and invested additional efforts to support these beneficiaries through mentoring and technical assistance, making the delays manageable.

- **Possible disruption of global supply chains or economic crisis might delay implementation of activities planned for 2023.** Namely the 124 MSE grantees endorsed for support in 2022 will need to implement procurement processes, which potentially include import of equipment from remote locations. Considering the potential lack of capacities of young beneficiary enterprises to negotiate procurement contracts and delivery terms, the Programme will closely monitor and support grantees in implementing procurement processes, relying on vast experience from the predecessor Programme whose implementation took place during the challenging COVID-19 pandemic circumstances.

5. QUALITY

During the second year of implementation, the Programme quality management standards were incorporated in line with the EU PRO Plus Quality Management Strategy (QMS) adopted in July 2021. The feedback from Programme stakeholders and beneficiaries was continuously collected and the quality of Programme interventions and outputs assessed.

In 2022, Programme conducted more than ten info-sessions, two training cycles and several orientation meetings and field visits. Each event was carefully evaluated, lessons learned and recorded. Namely, within Result 1, four training sessions on territorial development instruments were held in March 2022, attended by 120 participants. The review²⁵ of the evaluation questionnaires showed very positive feedback, with an overall average rating of 4.5 (out of maximum 5 points), highlighting competency of lecturers and their relationship with participants, noted as excellent (4.9). Training on partnership and involvement of stakeholders, delivered in November and December 2022, also showed very good results of an overall impression on gained knowledge, training content and prepared material, as well as organisation of the training. Feedback from 113 out of the 152 participants of the two on-line training activities²⁶ confirm high relevance of the training content and competence of the training providers, with an average rating of 4.44 and 4.42 out of 5.0. Regarding Result 3 activities, six live and three online info sessions were organised to promote the Call for Local Infrastructure Projects, and evaluation questionnaires populated by 148 participants were marked as highly positive (69 %) and positive (28%); the evaluation survey also showed improvement of participants' knowledge when compared to previous, before information sessions²⁷. Similarly, 76 percent of 101 attendees in four live and two online info sessions, organised during October to inform LSGs on the conditions of the Call for economic infrastructure, assessed highly positive organisation while their knowledge and understanding of the Call significantly improved after info sessions. Within Result 3, three online info-sessions were organised for promotion of the Call for Strengthening Social Services, held in January and February, attended by 158 participants, evaluated²⁸ very positively by the participants, assessing them as useful and relevant for the preparation of the project proposals (95 percent), confirming that their understanding of the Call was improved significantly after the presentation. The organisation of the info-sessions was assessed positively by 98 percent of participants. Following on the previous examples of good practice, after issuing 18 grant agreements within the Call for Proposals for Strengthening Social Services, two orientation meetings were organised at the beginning of December for the grantees in order to introduce the Programme's procedural and administrative requirements relevant for management and implementation of the

²⁵ Report on Territorial Development Instruments Training available in Annex I Attachment 1.4

²⁶ Report on Partnership and Stakeholders available in Annex I Attachment 1.6

²⁷ Local Infrastructure Projects Info sessions evaluation report is available in Annex III, Attachment 3.3

²⁸ Evaluation report on CFP for Social Services info sessions is available in Annex III, Attachment 3.1

endorsed projects through practical examples. The meetings were evaluated²⁹ positively by all the participants, stating that their knowledge and understanding of the Programme's procedures significantly improved after the orientation meetings.

Apart from evaluation of events, another evidence of the quality of the Programme activities and outreach campaigns was a high number of LSGs that applied to the LIP Call- it reached 65% of the total number of 99 targeted municipalities, and the number of applications received to the EIP Call reached 58%. The numbers were fully in line with the survey results, where 60% of targeted municipalities confirmed having projects or are in need of technical documentation for the development of economic infrastructure. Also, representatives of the MLEVSA were included in the evaluation process of the Call for Strengthening Social Services, in the capacity of observers, and confirmed the relevance of the proposed actions and provided additional recommendations for improving the quality of implementation of the activities related to the social protection services.

Furthermore, as part of the quality assurance process, the infrastructure team introduced the quality assessment of technical designs related to the subject of infrastructure intervention during the technical evaluation of the proposals. It was produced following lessons learned from the predecessor EU PRO Programme, when a high number of low-quality technical designs was noted during the implementation. To confirm the viability of the submitted project proposals, the evaluation committee requested administrative clarification to 43 LSGs and budget clarifications from 32 LSGs during March and conducted verification visits to 13 LSGs. The inclusion of external observers in the evaluation committee was an additional measure of quality assurance of the process and such practice was maintained also for the Call for Economic Infrastructure projects. Likewise, prior to the contracting of the projects endorsed under the Call for Strengthening Social Services, clarification process was conducted in order to confirm the current status of the licences required for provision of the social protection services, to ensure final verification of the budget and their readiness for the implementation phase, given the unplanned delay in the start of the implementation.

The Programme reviewed and fine-tuned output and impact indicators for individual local infrastructure projects to ensure they are measurable and their progress could be followed against the baseline, as only 10 percent of proposals ensured proper indicators, relevant for monitoring of the progress. The Programme also developed guidance for Grant Management Teams (GMT) that encompasses quality requirements during the initiation and implementation phase and supplied them with the action plan template, which all grantees populated as a baseline for comparing actual progress with the plan. Furthermore, the Programme developed and regularly populates a monitoring tool for collecting data and measuring the output, outcome and impact indicators. Also, as a part of assistance, the Programme provided guidance to all 33 local self-governments on developing tender documentation for works and services and ensured that all quality control mechanisms are introduced during the execution of the works so that all commencing projects would have technical supervision and health and safety experts.

The Programme also ensured internal and peer review of the quality of the Call for Economic Infrastructure Projects. Additionally, all related tools and annexes have been peer reviewed and tested prior to the launching of the Call, while the newly developed application mechanism through Google Forms improved the quality of the application process and shortened the time needed for evaluation. The Call was designed as a two-phased Call which was another assurance mechanism, allowing only good quality and relevant applicants to apply for the second phase.

Comparative Analysis of the EU Member States regarding usage of the EU territorial instruments was presented to MEI and DEU in December, whilst the positive feedback was received at the meeting.

Another recognition of quality is EU PRO Plus Calendar, which continues to be distributed as an official EUzaTebe calendar for the third year in a row, with demand for quantities exceeding those of previous

²⁹ Evaluation report on CFP for Social Services info sessions is available in Annex III, Attachment 3.2

years. The 2023 Calendar launch has been included in the official DEU event organised in Niš attended by high level stakeholders of the Programme AoR.

6. SUSTAINABILITY: Social, Environmental, Economic and National Capacity

Sustainability aspect has been incorporated into the CFP for Strengthening Social Services as a selection criteria in order to ensure institutional, financial and/or legislative sustainability of the interventions, while partnership between civil and public sectors were strongly encouraged to support the process. Furthermore, the main focus of the Call is greater resilience of the social service providers in the period of crises such as pandemic, through introduction of protocols and mechanisms that will respond to the specific local needs and prevent interruption in the provision of services. This approach resulted in a significant number of partnerships (over 60% of the received and 90% of recommended applications) between organisations and institutions designed to support viability of the actions, while the project proposals recommended for funding ensured that sustainability is in place through planning of different measures - development and adoption of strategic documents, budget allocations, establishment of governance mechanisms, protocols of cooperation between relevant local actors, etc.

Establishment of new social services planned in several LSGs under the awarded social cohesion projects should set required institutional and legal framework in order to ensure their sustainability. This will include decisions adopted by relevant governance bodies, fulfilment of legal requirements and budget plannings among other things. Furthermore, the City of Zaječar foresees development and adoption of strategic plans in social protection in order to ensure feasibility and sustainability of various social protection services in the long run. These interventions will be closely monitored and supported by the Programme with the start of their implementation.

7. CROSS-CUTTING THEMES: Good Governance, Gender Equality, Social Inclusion and Digitalisation

During 2022, the Programme made efforts in fostering good governance, social inclusion, gender equality and digitalisation throughout different activities and first results were recorded. Furthermore, implementation of the Gender Action Plan³⁰ is advancing in line with the set targets for all Programme activities.

The activities carried out within Result 1 so far encompasses various cross-cutting aspects: 1) Regarding gender mainstreaming, the programme requested a mandatory share of at least 40% of female members in working groups for development territorial strategies. As a result, out of the 343 members in all twelve working groups, 156 (45,48) are female. When it comes to female participation in three sets of conducted trainings so far, out of 449 overall participants in total, 250 (55,68%) were female, and out of 361 persons in total 192 (53,19%) were female respectively. Concerning good governance aspects, it was initially recognized in mandatory establishment of the governance mechanisms for implementation of the strategies, and as a result, the development councils for territories are established at first stage, while other aspects of governance arrangements are being discussed with MEI and will be established when territorial strategies are in draft phase. 2) In development of territorial strategies, the Programme structured the content of contextual analysis of the territory in a way to elaborate economic aspects related to innovative and smart economy, which will serve to identify and to use potentials of digital technology which will represent strategic direction for all strategies. Furthermore, the communication related to territorial strategies are set through a dedicated web page that will ensure regular

³⁰ Gender Action Plan is available in Annex V Attachment 5.2

communication in both directions, towards citizens and vice versa. The presentation of strategies and priority projects will be done by using GIS technology. 3) The environmental and climate change aspect is strongly determined and in the focus of all territorial strategies, reflected in the composition of working groups, the structure of contextual analysis, and finally in dedicated thematic areas in strategies.

During the year, the cross-cutting themes were included in the conditions of all drafted Calls. The CFP for supporting MSEs envisaged different cross-cutting aspects as an integral part of the concept by promoting equal opportunities and increased women representation in business related activities, benefit for the vulnerable groups and promotion of the corporate social responsibilities (CSR) activities among the business entities. This approach resulted in satisfactory support to the woman-owned businesses, where 29% such businesses were endorsed, while taking into consideration that on average 27% of the MSEs in Serbia are woman-owned. Furthermore, all endorsed applicants foresee CSR activities that will provide benefit to the disadvantaged people and significant percent of MSEs will foster employment of women, people with disabilities and youth.

Furthermore, the results are achieved in relation to the digitalisation of the business sector. Total of 226 SMEs received support in the digital transformation of their businesses through seven BSO grants that are primarily focused on digitalisation of SMEs. This support included training and mentoring in digital transformation, implementation of the digital solutions, big data management, web site and web shop creation etc.

The cross-cutting themes were embedded in the conditions of both CFPs for local and economic infrastructure. This resulted in several awarded local infrastructure projects that will have impact on gender equality and social inclusion, while all local infrastructure projects will have at least two good governance principles developed and contribute to economic, ecological, social or institutional sustainability. Activities especially promoting gender will be conducted within the implementation of at least 20% of local infrastructure projects and are mainly related to activities on promoting female sports activities, employment of women and overall improvement of economic activity of women or improvement of working conditions of women associations.

Social inclusion, Gender Equality and Good Governance represent the main focus of 20 project proposals endorsed under the CFP for Social Services Strengthening. The awarded projects will contribute to social inclusion of vulnerable and marginalised groups, including women, people with disabilities, elderly and youth, by improving their access to different social protection and health care services. In addition, encouraging digitalisation through CFP criteria brought funding to three projects which are dealing with this issue in relation to the improvement of social protection services and access to education for marginalised groups.

Finally, the Programme ensured equal opportunities and women representation in the outreach activities to promote published CFPs, making sure that the gender-disaggregated data are monitored and collected. Total of 41 info sessions were organised for the promotion of five CFPs, with participation of 1,401 people, where 46 percent of the attendees were female, thus reaching the set target of at least 40 percent female representation.

8. COMMUNICATIONS AND VISIBILITY

Throughout the year the Programme interventions remained visible and recognisable due to intense promotion of ongoing activities via traditional and digital media. **Total of 26 press releases and 17 media announcements** were issued, generating **1,570** media reports out of which **480 (over 30 percent)** were in the national media.³¹

³¹ Forty-two percent (42 %) of all used the issued Programme press releases verbatim
www.euproplus.org.rs

Responding to specific stakeholder needs in regards to ongoing Programme achievements and economic, socio-political developments in the AoR a total of **forty-one (41) documents - twenty two briefing notes and nineteen project overviews** were prepared amongst others for **eight high level visits organised for the high EU representatives**, including a 20 EU Heads of Missions (HOMS) visiting Svilajnac, 16 Deputy Heads of Missions (DHoMs) two day visit to South West Serbia³² and six visits organised for the DEU Head of Cooperation to Programme AoR. The visits included meetings with 22 local self-governments, six RDAs and 38 project visits, out of which 28 implemented through EU PRO Plus or predecessor programmes EU PRO and European PROGRES.

The largest number of reports, namely **428** media stories, was focused on local infrastructure as the most visible, quick tangible impact projects; the intensely promoted support to micro and small enterprises with **225** media reports; and the high EU official visits generating **281 reports**. Additionally, **seven media interviews were organised**, out of which three were broadcasted on national Radio Belgrade.

The EU PRO Plus website has been regularly updated throughout the year and **visited over 130,000 times (81,465 unique visitors)** with the page dedicated to Public Call being most visited by far. In 2022 the Programme Facebook, Instagram and Twitter accounts followership has grown to 19,317, 2,887 and 1,176 followers respectively while the YouTube page was populated with the 55 videos on various Programme activities.

Promotional campaigns were conducted for three public calls³³ while the **SME Public Call** had the most intense outreach. The promotion efforts included **direct marketing** (15,000 personal letters), 16,500 printed flyers and 250 posters for local promotion; **traditional media** engagement that amongst other included one overall and 14 follow up press releases for local media to correlate with info-sessions while creation of the animated promo video and related online info-session attracted 190,983 views to Programme Youtube channel. A especially created radio jingle was aired **304 times via national³⁴ and regional³⁵ radio stations**. DEU also promoted the call directly through the EU Info centre and via three separate statements by the DEU Deputy Head of Mission during the organised visit to South West Serbia. Promotion through Programme **digital media channels**, resulted in 25,614 clicks obtained via Google Ad promotion while the paid campaign on Facebook resulted in 23,419 clicks and the [YouTube Channel](#) video had 189,122 views. The web banner placement on Blic.rs mobile for 11 days generated 2,586,625 impressions and 4,956 clicks. Additionally the strategic promotion of [EU PRO Plus 2023 Calendar Competition "What is your Super Skill?"](#) recorded number of submissions - 257 by 72 high schools from 42 local self-governments. The campaign included direct email and post outreach to all schools in the AoR, a 15-day long (1-15 November 2022) digital paid campaign on Facebook and Instagram which yielded 4,754 clicks and 1,889,522 impressions, and reached 370,882 people; the promotion of Calendar animated promo video on the programme YouTube which received 146,860 views, reached 67,300 people and had 282,916 impressions, as well as direct phone follow-up to almost 250 high schools conducted by Programme infrastructure associates. The 12 best artworks were selected by online voting of four separate judging entities - a popular vote collected via [Programme website](#). A total of 3,000 calendars and shared among national and local stakeholders. The Calendar Competition Award event, organised in cooperation with EU Info Point Niš, gathered 40 awarded participants of this year's art competition "What is your super skill?". The transparency of all published calls was upheld by development of respective online info-sessions available on the Programme websites and publishing of [four result info sheets](#). The Programme grantees received support in the promotion of the projects, namely local infrastructure, BSO and projects related to enhancing the social services at the local level.

Innovations to the existing Communication and Visibility tools were introduced. The communication and visibility guidelines were further updated with success story scenarios - one for testimonial based grantee videos and other for Local Infrastructure grants contractually obligated to create promotional movies that captures before, during and after of the project optimising efforts and resources invested in the

³² DHoM mission included Užice, Sjenica, Novi Pazar, the monasteries of Đurđevi Stupovi and Žiča

³³ For enhancing social services, support to micro and small enterprises and economic infrastructure projects

³⁴ 80 airings on the national radios and 224 on the regional radio stations

³⁵ Radio Luna Užice, Radio OK Vranje, Radio Sto plus Novi Pazar, and Radio Boom 93 Požarevac

promotional activities. The project table and municipal profiles and project tables were continuously updated and were used to generate a [new online map tool](#) for all of the ongoing projects.

The promotion material efforts resulted in production of 31 standing projects boards for local infrastructure projects to be placed early in 2023 followed by the production of signboards to mark the projects awarded to BSO, SMEs and CSO projects. In addition the set of promotional material, including 50 umbrellas, 100 cups, 100 tote bags, 300 small and 300 medium size notebooks, safety helmets and vests, as well as 3,000 visibility labels were procured. The New Year VIP promotional packages are in production and will be shared with the main stakeholders early in January 2023.

The Annual Communication Survey on the citizens opinion on the EU support in the form of 21-item questionnaire, was open and disseminated on 30 January and will be closed 15 March. The results gauge Communication and Visibility efforts in the Programme AoR.

The projects conducted through the predecessor programme EU PRO continued to be widely promoted by the DEU and MEI as the examples of the EU support. Four projects were included in the DEU campaigns “What is EU for You”³⁶ organised to mark the 2022 EU Day while five more were promoted within the DEU Campaign “Stories from Serbia”³⁷ broadcast on the national Radio Television of Serbia. The two EU PRO beneficiaries participated in the MEI organised conference “Circular economy, employment and digitalisation in light of the Conference on the Future of Europe ” to promote the EU support to circular economy and employment, social justice and jobs creation, as well as the predecessor programme results achieved in these domains. The predecessor programme EU PRO was declared as the UNOPS Project of the Year (POTYA).

9. LESSONS LEARNED

With entry into a more intensive period for implementation of Programme activities, the majority of lessons learned during the year reflect feedback from Programme partners, stakeholders and beneficiaries. The following present the key lessons learned during the reporting period.

As noted by increased participation of local administrations in the Programme Calls, **the importance of transparency of processes for selection of beneficiaries was reconfirmed** in 2022. Namely, with relatively unfavourable correlation of available funds and requests for funding, though 193 projects were awarded during the year, a vast majority of applications were, in fact, rejected. However, with meticulous attention to availability of information through the Programme website, designated web pages for each of the Programme Calls, mandatory Questions and Answers (Q&A) sections, professionally recorded info sessions available on the website, and a large number of in person and online information sessions the number of negative responses from those not endorsed for funding was insignificant. Furthermore, the Programme provided specific information to each of the applicants on the reasons their application was unsuccessful which shall hopefully contribute to building of their capacities for project development.

Intensified **cooperation with Regional Development Agencies (RDAs) was proven effective** for both support to local governments and the SME sector. For the latter, institutional support was provided by the Ministry of Economy this year as well, and, based on the feedback from the applicants, it was widely used and appreciated. Additionally, the Programme invested additional efforts to organise tailor made info sessions for RDAs for the Call for Economic Infrastructure which enabled strengthening of support of RDAs provided to local governments in development of project proposals. As a result, a large number of received projects was positively assessed, though the Programme was unable to support all due to limited funds.

Digitalisation of processes contributes to efficiency and reduced risks. Starting from registration for info sessions, through asking questions to submitting applications, all processes related to Public Calls implemented by the Programme are digitalised. This significantly enhanced the application process,

³⁶ [What is EU for you? Prosperity](#), [What is EU for you? Equality](#), [What is EU for you? Incentive](#), [What is EU for you? Solidarity](#)

³⁷ [Stories from Serbia](#)

contributing to transparency, eliminating potential administrative errors and significantly enhancing the efficiency of processing hundreds of applications received in response to the Calls advertised by the Programme. Additionally, the Programme simplified the application process requesting only information which is assessed and evaluated from the applicants.

Involvement of external expert observers into the evaluation process provides multiple benefits. It has been a standard practice for the Programme since its inception to include non-voting observers into the evaluation process for public calls, and this practice has yielded multiple benefits for the Programme. Firstly, it provides an opportunity for the Programme Steering Committee members to observe the quality of process implemented by the Programme, but also to have insight into the quality of applications and capacities of the applicants. More importantly, it serves as a quality assurance mechanism, and this was proven on numerous occasions, with the Ministry of Economy and Development Agency of Serbia providing technical inputs and additional guidance to the evaluators, and most recently the Ministry of Labour, Employment, Veteran and Social Affairs (MLEVSA) participating in the evaluation process of the social inclusion projects as observers. In this particular case, MLEVSA representatives identified potential risks related to the certification process for providers of social services.

The first phase of the Call for Economic Infrastructure Projects, allowing the LSGs to apply only for one LOT, recorded a small number of applications received for the Lot related to development of technical documentation. Therefore it has been concluded that LSGs should not be limited to apply for one LOT only since they prioritise large construction projects over much-needed technical documentation (TD) that is not offered through the activities of the Ministry of Economy. This limitation resulted in a small number of TD applications even in municipalities where the funds offered would be significant in relation to the local budget.

10. NEXT REPORTING PERIOD

This section provides a list of priorities/activities for the subsequent reporting period. A detailed Work Plan is annexed to this report³⁸.

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

- *Activity 1.1* Conduct first training module on territorial development instruments for MEI, determine additional training package
- *Activity 1.1* Develop Study on national model for ISTD
- *Activity 1.2* Finalise development of territorial strategies
- *Activity 1.2* Delivery of remaining training modules on territorial development instruments for LSGs and RDAs
- *Activity 1.3* Conduct Call for proposals for projects from strategies, select applications and initiate implementation

Result 2. Enhanced economic growth in targeted municipalities

- *Activity 2.1* Obtain PSCs approval and publish the Call for enhancement of business related services
- *Activity 2.1* Select beneficiaries in response to the Call for Economic Infrastructure Projects and initiate implementation of projects
- *Activity 2.2* Finalise implementation of the BSO grants
- *Activity 2.2* Contract and implement grants for MSEs
- *Activity 2.2* Publish and contract Call for Proposals for support to Vocational training
- *Activity 2.2* Publish Call for Proposals for support to Women and Youth entrepreneurship

Result 3. Improved social infrastructure and social cohesion in targeted municipalities

³⁸ EU PRO Plus Work Plan for 2023 is provided in Annex V Attn. 5.1

- *Activity 3.1* Monitor implementation and finalise implementation of local infrastructure projects
- *Activity 3.2* Finalise issuing of two grant agreements and regular monitoring and evaluation of 20 social cohesion grants

LOGICAL FRAMEWORK MATRIX – progress against indicators

Legend

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

Objectively verifiable indicators	Objectively Verifiable Indicators - Target	Progress during the reporting period
Overall Objective: To contribute to socio-economic development, prosperity and social cohesion of Serbian society	WB Doing Business Report score 74	Not available. The WB discontinued publishing of the Doing Business Report.
	Global Competitiveness Index Rank 69	The World Economic Forum paused comparative country rankings on the Global Competitiveness Index during the turbulent times of COVID-19 pandemic.
SO1. To decrease socio-economic disparities of two regions within Serbia	Šumadija and Western Serbia Region GDP and number of unemployed - 20% / 101,760	The share of Šumadija and Western Serbia Region in the national GDP decreased by 0.7% to 18.7% in 2021. The Western Serbia Region experienced an increase of unemployment by 7.2% or 7,600 persons in total.
	South-East Serbia Region GDP and number of unemployed - 14.2% / 83,712	The share of the South-East Serbia Region in the national GDP increased by 1,7 % to 15.3% in 2021. In the same period, the South-East Serbia Region managed to reduce the number of unemployed persons by 3,100 or by 3.6%.
RESULT 1 Improved development planning in targeted municipalities and introduction of the ITI concept		
Result 1. Improved development planning in targeted municipalities and introduction of the Integrated and Sustainable Territorial Development (ISTD) concept	OC 1.1 The number of adopted Integrated Territorial Investment (ITI) and Sustainable Urban Development (SUD) strategies and the number of LSGs covered with these Strategies (Corresponds with IPA PF 2.11) - At least 15 strategies which include at least 35 LSGs	Twelve territories covering 31 LSGs are endorsed for support. The analytical stage for all 12 strategies completed.

	OC 1.2 Implementation of at least 80 percent adopted SUD and ITI Strategies initiated with at least three different funding sources - at least 12 (mid 2024)	Initiated contacts with donor programmes and relevant ministries to channel future strategies implementation. This activity is planned for 2024.
Result 2 Enhanced economic growth in targeted municipalities	OC 2.1 Number of jobs created or facilitated - At least 300 (2023)	Assessment of the implementation modality for support to Business Related Services carried out and shared with MEI.
	OC 2.2 Number of start-ups and MSEs that benefited - 500 (2023)	Implementation of sixteen BSO projects ongoing. 410 MSEs supported so far. 124 MSEs approved for the direct support with the expected 271 new jobs in 2023 and 401 new jobs more in the next three years.
	OC 2.3 Number and financial value of initiated investments in industry and services facilitated - At least six investments valued at least 25 million Euros (mid of 2024)	Criteria for the published Call for Proposals for Economic Infrastructure Projects designed to ensure at least 25 million Eur of industry investments through projects supporting equipping of industrial zones and development of tourism. Outreach campaign resulted in a response by 58 LSGs and ensured competitiveness.
Result 3: Improved social infrastructure and social cohesion in targeted municipalities	OC 3.1 Number of persons benefiting from improved public facilities/ services - at least 35,000 (2023)	33 awarded local infrastructure projects will create benefits from improved public services to more than 200,000 citizens, once implemented
	OC 3.2 Number of introduced or improved social services provided by CSOs and/or LSGs - at least 15	Eighteen out of 20 awarded projects for strengthening social services started realisation and two more in the process of contracting. Up to 25 social services are expected to be improved/introduced as a result, and over 2,000 disadvantaged people to benefit from the intervention.
	OC 3.3 Number of persons benefiting from enhanced health care services related to COVID-19 prevention and recovery - at least 300,000 (2022)	The activity for supporting 23 medical centres to enhance services related to COVID-19 prevention and recovery is completed successfully, facilitating provision of over 2,645,000 medical services related to COVID-19. 5000 disinfection devices, 60,000 L disinfection liquid and 41 triage containers were delivered.

Activity 1.1 Enhancing national capacity to introduce integrated territorial development	Number of persons at the national level trained - 40 (middle 2023)	This activity is planned for first half of 2023
	Proposals for regulators and procedural framework to enable preparation of the EU model for territorial planning - in place (end of 2024)	<p>The Comparative Study on EU member states prepared and presented to DEU and MEI</p> <p>The Analysis of National Policy Framework for ISTD prepared</p> <p>The outline of the report with an overview of the EU member states' cases regarding capacities needed for management of territorial mechanisms prepared.</p> <p>The content and the structure of the Study on national model for ISTD is prepared.</p>
	Monitoring, reporting and evaluation approaches related to ISTD model - in place (2022)	A wider list of indicators for monitoring and implementation of territorial strategies recommended by the European Commission, and those identified with the Strategy for Urban Development is developed.
	Number of tools developed or enhanced - at least one (2022)	A revised Concept Note on the potential IT tool and ToR for ISTD networking platform is drafted.
Activity 1.2 Improving capacities of municipalities and regional development agencies to introduce concepts of integrated territorial planning	Number of LSGs and RDAs benefiting from interventions - at least 80 percent (middle 2023)	84,5 percent of the LSGs and RDAs benefiting from the capacity building process (82 LSGs and 11 RDAs participated in the training activities within Module I and in the part of the Module II of Capacity Building Programme)
	Population covered by SUD and ITI Strategies - at least 2 million (end of 2022)	The awarded applications from the Call for Development of Territorial Strategies cover a population of approximately 1,6 million.
Activity 1.3 Implementing activities contributing to socio-economic growth deriving from integrated territorial planning strategies	Number of integrated projects deriving from the ISTD strategies, whose implementation is supported - at least 15 (mid 2024)	This activity is planned for 2024.
RESULT 2 Enhanced economic growth in targeted municipalities		
Activity 2.1 Developing economic infrastructure and businesses related services at the local level	Number of supported economic infrastructure projects - 16 (2024)	Call for Proposals for Economic Infrastructure Projects and for technical documentation published. First phase of the evaluation finalised, inviting 38 (out of 58) applicants to submit a full application.

	Number of LSGs supported in improvement of at least one business related service - 10 (2024)	This activity is planned for the next reporting period.
Activity 2.2 Enhancing competitiveness and sustainability of enterprises contributing to economic stability of local communities	Number of supported start-ups, entrepreneurs and enterprises - 100 (2022)	124 MSEs approved for the direct support in acquiring new equipment and introduction of services.
	Number of supported youth and women entrepreneurs - at least 50 (2022)	This activity is planned for the next reporting period.
	Number of people benefiting from skill-development training - 200 (2022)	This activity is planned for the next reporting period.
	Number of supported BSO projects - 10 (2022)	Sixteen BSO projects were contracted and implementation ongoing.
RESULT 3		
Improved social infrastructure and social cohesion in targeted municipalities		
Activity 3.1 Developing and improving infrastructure which contributes to enhanced quality of life	Number of social infrastructure projects implemented -at least 30 (2022)	Out of 33 awarded grants for local infrastructure projects, 21 have active sites, seven completed tenders for works and supervision services and four completed tenders for works, among them one cancelled. One did not initiate tender.
Activity 3.2 Supporting public institutions, including the social protection institutions, to enhance social services and preparedness for emergencies	Number of CSO projects related to social services supported - 20 (2023)	Eighteen out of 20 awarded grants for strengthening social services started implementation, two more projects from the reserve list are in the contracting process after two endorsed applicants withdrew from the process.
Activity 3.3 Support to COVID-19 related prevention and response activities	Number of medical centres supported to enhance services related to COVID-19 prevention and recovery - at least 20 (2022)	Activity completed with 23 medical centres supported to enhance services related to COVID-19 prevention and recovery.

LIST OF ANNEXES

Annex I Improved Development Planning

Annex I Attn 1.1	Comparative analysis of EU Member States
Annex I Attn 1.2	Presentation of Comparative analysis of EU Member States
Annex I Attn 1.3	Analysis of National Policy Framework for ISTD in Serbia
Annex I Attn 1.4	Report on Territorial Development Instruments Training
Annex I Attn 1.5	Report on TNA for LSGs and RDAs
Annex I Attn 1.6	Report on Partnership and Stakeholders
Annex I Attn 1.7	Study Visits Programme

Annex II Enhanced Economic Growth

Annex II Attn 2.1	BSO Info Session Summary Report
-------------------	---------------------------------

Annex II Attn 2.2 Evaluation Report on EIP Info Sessions and Orientation Meeting
Annex II Attn 2.3 EPP Report on SME info sessions CFP EUPROPLUS 02-2022

Annex III Improved Social Infrastructure and Social Cohesion

Annex III Attn 3.1 Evaluation Report on SC informative sessions
Annex III Attn 3.2 Evaluation Report on SC orientation meetings
Annex III Attn 3.3 Evaluation Report on LIP Info sessions
Annex III Attn 3.4 Status of Local Infrastructure Projects on 31 December 2022

Annex IV Communications

Annex IV Attn 4.1 EU PRO Plus Overview of Communication Activities 2022 Media Coverage

Annex V Programme Management

Annex V Logical Framework Matrix - integral part of the Report
Annex V Attn 5.1 EU PRO Plus Work Plan for Q1 of 2023
Annex V Attn 5.2 Gender Action Plan

DRAFT