



USAID | **SERBIA**
FROM THE AMERICAN PEOPLE

ANNUAL ASSISTANCE OBJECTIVES AND INTERMEDIATE RESULTS REPORT #2

SUSTAINABLE LOCAL DEVELOPMENT PROJECT IN SERBIA

Contract No.: AID-169-C-00-11-00102

Reporting Period: October 1, 2011 – September 30, 2012

October 4, 2012

This publication was produced for review by the United States Agency for International Development. It was prepared by Chemonics International.

CONTENTS

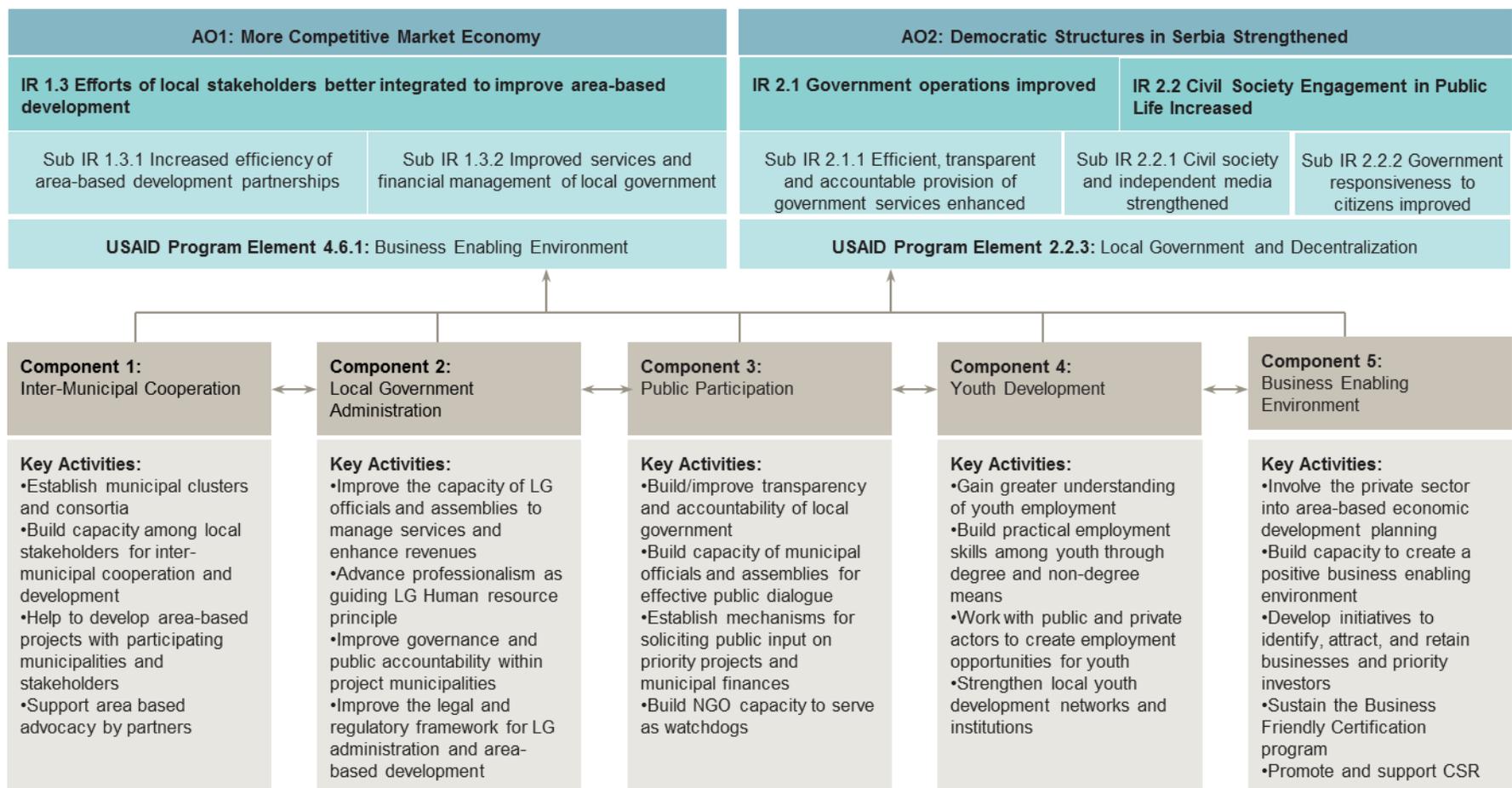
1. ABOUT THE PERFORMANCE MONITORING PLAN	1
2. EXECUTIVE SUMMARY	3
2.1. SUMMARY	3
2.2. INDICATORS THAT MEET OR EXCEED TARGETS	4
2.3. INDICATORS BEHIND SCHEDULE.....	6
2.4. INDICATORS POSTPONED OR TEMPORARILY SUSPENDED	7
3. STATUS OF USAID MISSION-LEVEL INDICATORS.....	8
3.1. TARGETS RELATED TO IR 1.3 EFFORTS OF LOCAL STAKEHOLDERS BETTER INTEGRATED TO IMPROVE AREA-BASED DEVELOPMENT	8
3.2. TARGETS RELATED TO IR 2.1 GOVERNMENT OPERATIONS IMPROVED.....	14
4. SUMMARY OF PMP-RELATED ACTIVITIES IN FY2012	17
4.1. CITIZEN AWARENESS AND SATISFACTION SURVEY	17
4.2. YOUTH ENTREPRENEURSHIP IN SERBIA: CONSTRAINTS AND OPPORTUNITIES	17
4.3. INVESTMENTS IN THE PROJECT PARTICIPATING MUNICIPALITIES	18
4.4. LABOR SKILLS GAP ASSESSMENT	19
4.5. GOOD GOVERNANCE MATRIX.....	20

Annex A:	Status of all PMP indicators
Annex B:	IMC project funding
Annex C:	Summary of investments and job creation in 32 program municipalities
Annex D:	Report on the baseline Citizen Awareness and Satisfaction Survey

LIST OF ACRONYMS

AO	Assistance Objective
BFC	Business Friendly Certification
CAC	Citizen Assistance Center
CeSID	Center for Free Elections and Democracy
COP	Chief of Party
COR	Contracting Officer's Representative
CSO	Civil Society Organization
CSR	Corporate Social Responsibility
GGM	Good Governance Matrix
GoS	Government of Serbia
IMC	Inter Municipal Cooperation
IPA	Instrument for Pre-Accession Assistance (European Union)
IR	Intermediate Result
LED	Local Economic Development
LG	Local Government
M&E	Monitoring and Evaluation
NALED	National Alliance for Local Economic Development
NES	National Employment Service
PMP	Performance Monitoring Plan
PPP	Public Private Partnership
PUC	Public Utility Company
RDA	Regional Development Agency
SAA	Stabilization and Association Agreement
SCTM	Standing Conference of Towns and Municipalities
SEIO	Serbia European Integration Office
SGS	(formerly Société Générale de Surveillance)
SLAP	System for Local Authority Investment Pipeline (hosted by SCTM)
TUV	Technischer Überwachungsverein (German: Technical Monitoring Association)
USAID	United States Agency for International Development

USAID's Sustainable Local Development Project in Serbia - Activity Framework



1. About the Performance Monitoring Plan

Project Goal: Sustainable local development stimulated in a transparent, participatory manner that creates economic opportunities for all regardless of age, gender, or ethnicity by (1) enhancing local governments' (LGs) capacities to improve inter-municipal cooperation and business support services and (2) improving stakeholders' capacities to engage constructively with local and national government.

To reach this goal and objectives, the Sustainable Local Development Project in Serbia (hereinafter referred to as "the Project") implements activities through five components:

- Component 1: Inter-Municipal Cooperation
- Component 2: Local Government Administration
- Component 3: Public Participation
- Component 4: Youth Development
- Component 5: Business-Enabling Environment

The Performance Monitoring Plan (PMP) for the Project was developed in February 2011, revised in April, and approved by the USAID COR on May 10, 2011.

The main purpose of the PMP is to provide a mechanism to keep track of the implementation progress, indicator definitions, methods of data collection, and targets over the five-year life of the project. The reporting should reflect Project activities on output, outcome, and impact levels. It should serve as a performance measurement tool for the Project and help the USAID Mission to monitor implementation against the schedule and targets, to evaluate the level of impact produced by the activities, and to support the Mission's performance reporting system.

The Sustainable Local Development Project in Serbia will contribute to USAID/Serbia Activity Objectives (AOs):

- A01: More Competitive Market Economy, and*
- A02: Democratic Structures in Serbia Strengthened.*

In addition, the Project will contribute to the following Intermediate Results (IRs):

IR 1.3: Efforts of local stakeholders better integrated to improve area-based development, with indicators:

Indicator 1.3.1 Number of business friendly municipalities, and

Indicator 1.3.2 Number of inter-municipal projects in SLAP system rated as fully prepared.

Sub IR: 1.3.1 Increased efficiency of area-based development partnerships, with indicators:

Indicator 1.3.1.1 Number of public services in support of business development, and

Indicator 1.3.1.2 Number of PPPs in delivery of public services.

Sub IR: 1.3.2 Improved services and financial management of local governments, with indicator:

Indicator 1.3.2.1 Improvement in the municipal budget operating surplus available to fund capital investments.

I.R. 2.1: Government operations improved, with

Sub IR 2.1.1: Efficient, transparent and accountable provision of government services enhanced, and indicator:

Indicator 2.1.1.2 Number of municipalities where users report improvement in local government services, and

Indicator 2.1.1.5 Number of partner municipalities implementing mechanisms to improve management practices including a performance based monitoring system.

Indicator 2.1.1.6 Number of sub-national entities receiving USG assistance that Improve their performance

In addition, the PMP consists of another 28 project activity indicators around the five technical components.

2. Executive Summary

The second Annual AO and IR Report is the PMP status report of the program indicators as of September 30, 2012. It covers the second fiscal year of project implementation in the period October 1, 2011 – September 30, 2012.

The body of this report is structured as follows:

- **Section 2** – Executive Summary - This section provides summary of the Project's accomplishments, and brief overview of the status of performance indicators.
- Status of USAID Mission-level and activity-level indicators is available in **Section 3** of this report.
- Overview of the Project's performance monitoring and research work in FY2012 is provided in **Section 4**. It contains key findings from several assessments and surveys related to citizen awareness and opinion on the IMC concept, quality of services and participatory mechanisms; youth development; labor skill gaps; municipal web presentations; and direct investments in partner municipalities.

Annexes:

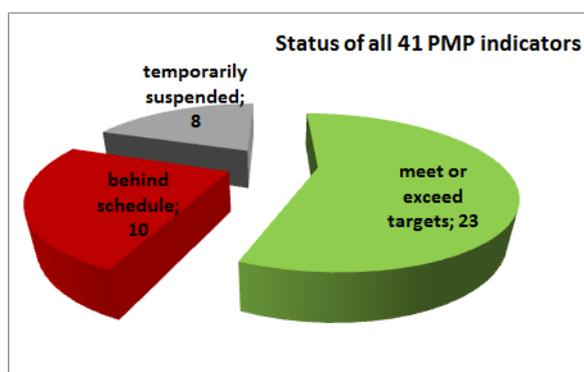
Annex A provides details about the status of all PMP indicators.

Annex B outlines an overview of IMC project funding.

Annex C offers a summary of investments and new jobs created in 32 program municipalities.

Annex D contains a report on the Citizen Awareness and Satisfaction Survey.

2.1. Summary

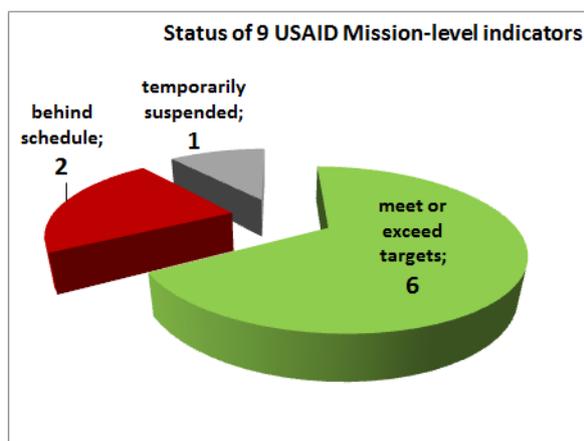


The Project's PMP consists of forty-one (41) indicators. In sum, the status of the Project's performance against these indicators can be presented as follows:

- The Project has met or exceeded FY2012 annual targets for **twenty three (23)** PMP indicators, out of which **six (6)** are USAID Mission-level indicators.

- The Project is currently behind schedule in meeting FY2012 targets for **ten (10)** performance indicators (**two (2)** are Mission-level indicators).

- The Project, in consultation with the USAID COR, postponed or temporarily suspended activities that relate to **eight (8)** indicators (highlighted rows in the table under Annex A). Out of these, **one (1)** indicator is on the level of USAID Mission.



2.2. Indicators that meet or exceed targets

If measured by the PMP indicators, we can summarize the Project Components' accomplishments as follows:

Component 1: Inter-Municipal Cooperation (IMC)

- ✓ Eight (8) areas of inter-municipal cooperation formed (municipal clusters) (PMP#13)
- ✓ Through the implementation of various Project initiatives, the number of local governments supported has exceeded the thirty-two (32) municipalities, which are official (direct) Project partners. Due to initiatives such as the Solid Waste Management initiative in the Vranje-led IMC area, and various agriculture and tourism development activities, forty-nine (49) local governments have recognized the benefits of inter-municipal cooperation (IMC) and are involved in IMC projects (32 of which signed IMC agreements and an additional 17 are engaged through initiatives). Such initiatives by their very nature necessitate a wider area of implementation and involve more local communities than the Project's official area of responsibility.
- ✓ Thirty-five (35) IMC functions and mechanisms established that enhance IMC sustainability as a vehicle for sustainable local development. At the time of IMC formation, in the first half of FY2012, a total of 44 IMC working groups (WG) and coordinating bodies were formed around regional development priorities. Since then, 35 WGs have become active. (PMP#18)
- ✓ Eighteen (18) IMC projects are supported by the Project, which are co-financed by the GoS, EU and other donors, LGs, and RDAs. With its limited resources, the Project provides facilitation through the Project's regional offices, technical assistance, subcontracts and grants to support the initiatives. To date, the Project provided 272 days of technical assistance and \$141,000 of grants and subcontracts, and contributed to the progress of the eighteen IMC projects. Contributions from implementing partners and other donors are estimated at \$24 million.

Component 2: Local Government Administration

- ✓ Component 2's accomplishments can be presented by the total of nine (9) public services in support of business development (USAID 1.3.1.1, PMP#6); four (4) LGs improved their asset management capacities, three (3) improved PUC monitoring (USAID 2.1.1.5, PMP#20); thirty-two (32) LGs receiving USG assistance that improves their performance related to IMC mechanisms for sustainable development; eight (8) assisted in achieving BFC standards;
- ✓ With respect to advocacy initiatives, Project experts assisted key partners in developing six (6) advocacy initiatives (PMP#25).

Component 3: Public Participation

- ✓ The Public Participation component faced challenges in mobilizing civil society organizations (CSOs). The initial effort made in establishing IMC areas and their respective bodies resulted in a commitment by LG leaderships to partner with civil and business sectors. However, the "open seat" at the mayors' forums and participation in the IMC working groups did not strengthen the role of the civil sector in the IMCAs. In FY2012, the Project issued grants to leading CSOs in seven (7) IMC areas to integrate public participation and citizens' voices into IMC governance mechanisms and ensure local development planning is more inclusive and sustainable. These lead CSOs are partnering with IMC public and private sector decision-makers to build their capacity in public outreach to ensure IMC programming is transparent and accountable, and that it safeguards the public interest.

- ✓ (PMP#3) To date, 101 institutions and organizations participated in Project-sponsored activities. In addition to the strategic partnerships the Project maintains with key partners, such as the newly established Ministry of Regional Development and Local Self-government, the National Agency for Regional Development, the Standing Conference of Towns and Municipalities, the National Alliance for Local Economic Development, KOMS and NAPOR, the National Employment Service, and regional development agencies, more than 90 other institutions and organizations receive different types of assistance and assume more substantive roles in regional development processes.
- ✓ (PMP#28) To date, twenty-one (21) initiatives were undertaken by, or with support of officials, to dialogue with the public. Within the IMC working groups, initiatives were taken around agribusiness in Kikinda and Subotica, tourism development in Uzice and Novi Pazar–led IMCs, regional promotion in Banat and Backa regions (Zrenjanin and Novi Sad-led IMCAs), and youth development roundtables in all eight IMC areas, etc. The status of this indicator exceeded the targets, and this is encouraging for Project activities in the future, as it demonstrates that local, regional and national partners are ready to involve the public in regional development processes on key priorities. The Project and its partners will continue working on the initiatives and bring them to a higher level of implementation.
- ✓ (PMP#33) To date, there are twenty-three (23) Project-assisted municipalities, where at least one project is taking into account or supporting participation of under-represented groups: seven (7) municipalities where ethnic minorities benefit from IMC projects (4 in South Serbia and 3 in Sandzak); and sixteen (16) municipalities where youth development projects are supported by NAPOR activities (NAPOR is a Project grantee)¹.

Component 4: Youth Development

The following PMP indicators summarize the Component's four accomplishments:

- ✓ Through Project support, thirty-one (31) youths began internships in twelve private companies with the prospect of future employment. (PMP#35)
- ✓ The Project supported implementation of the National Career Guidance Strategy, in cooperation with the Ministry of Youth and Sports and with partners on sub-national level (LGs and youth offices, local branches of NES and secondary schools), and delivered six (6) training sessions in career guidance and development to sixty-five (65) representatives of IMC WGs for youth work readiness, and supported ten (10) mobile career guidance teams to deliver career counseling services to youth in rural IMC areas. Through a grant to KOMS (Serbian Youth Umbrella Organization), 194 young people were enrolled in educational programs sponsored by the Project. (PMP#34)
- ✓ The Project also supported the National Employment Service (NES) to complete a labor force gap analysis and employer needs forecast to inform youth employment strategic planning, and established an additional four (4) WGs on Youth Work Readiness. The analysis will inform all youth development related processes and respective indicators.

¹ Youth development projects are small scale. Projects in IMC areas of Sandzak and South Serbia are in different stages of implementation.

Component 5: Business-Enabling Environment

- ✓ (PMP#39) In August 2011 the Project provided financial support to NALED, with a goal to improve BFC process. Criteria were modified and the revised BFC Manual for LGs was prepared. Revised BFC process was successfully tested in March 2012 in Paracin. In March and April 2012, two internationally-recognized certification institutions, SGS and TUV, have cooperated with NALED to provide an independent evaluation of NALED's business friendly certification process. Their involvement, along with improvements made by NALED's team on the process itself, will additionally improve certification procedures. As a result of this cooperation, evaluation of local governments against BFC criteria should become more rigorous.
- ✓ (PMP#41) Based on the Out-of-the-Maze recommendations, the Project team provided TA for two specific improvements, as follows:
 - Registry of the Most Burdensome Administrative Procedures, s - Vladičin Han and Merošina;
 - Registry of the Agricultural Subsidies at National and Local Level – Vladičin Han and Merošina.

There are also cross cutting indicators, as follows:

- ✓ (PMP#1 and PMP#2) A total of \$164 million of investments from private and public sectors are reported by participating municipalities since their signing MOUs with the Project. As a result of these investments, 3,357 jobs were created².
- ✓ (PMP#29) To date, through various components, the Project provided training to 955 participants (47.5% female participants) from local governments, PUCs, CSOs, and businesses.

2.3. Indicators behind schedule

(USAID 1.3.2, PMP#5) At the time of reporting, none of the IMC major infrastructure projects have been prepared and listed in the SLAP database. See comments in Section 3 of this report for further details.

(USAID 1.3.1.2, PMP#7) To date there are no PPPs established in the Project-supported IMC areas. However, the efforts of the Project team are numerous and it is realistic to expect that the first partnerships will be formed in the next program year. In late September SLDP has succeeded in brokering an agreement between the municipality of Beocin (part of the Novi Sad-led IMC area) and the Lafarge Company to establish a PPP through which a new business park will be developed on a 26 hectare site. For more details, see indicator report in Section 3.

(PMP#11) Twelve (12) out of targeted eighteen (18) municipalities received USD assistance with regulatory and/or administrative simplification. See Annex A for details.

(PMP#15) In March 2012 the Project listed 15 institutions or individuals, identified as "IMC Champions". Since then, the Project has slightly modified the criteria in order to promote champion institutions³, and at the time of reporting, this has been reduced to nine (9) Champions. It is

² The Project is provides limited technical assistance to local governments to remove administrative obstacles and meet business friendly standards. The Project is also working with partners to strategicly focus on regional development opportunities, such as tourism and agriculture. However, the Project is not designed to provide significant technical and financial assistance in investment attraction. Therefore, we can say that the Project's attribution to realized investments in partner municipalities is low and difficult to measure.

³ The initial list of IMC champions in March 2012 contained individuals. The modified list is more oriented towards promoting institutions.

important to note that this list is fluid, and the institutions and/or individuals who comprise the list may be replaced given the elections held earlier this year.

(PMP#26) There are five development initiatives in IMC areas, and ten were planned. These initiatives are based on ensured involvement of citizens. With the new focal-point approach, the Project expects better results in the next six to nine months, as we expect (a) improved coordination among the local CSOs in each IMC area, and (b) more active participation of civil sector in the work of IMC working groups.

(PMP#30) Local governments have not demonstrated interest for additional mechanisms for public participation in the budget drafting process. The Project believes that one of the roles of CSO Focal Points should be to ensure transparent planning of funds for IMC projects. Accordingly, the team will propose a revision of this indicator in the upcoming PMP revision.

(PMP#32) To date, no LGs have addressed CSO watchdog recommendations. Similarly to the above, the Project changed its original approach by moving from the role of CSOs as watchdogs towards CSOs as partners in IMC processes. The Project team believes that this approach will result with more initiatives coming from CSOs to LGs, and their proper reaction.

(PMP#36) The Project has not yet met the FY2012 target of forty (40) youth getting a job or starting their own businesses. The Project arranged for forty-four (44) young entrepreneurs to be mentored by twenty-two (22) local business leaders to improve their business and entrepreneurial skills and launch and sustain business start-ups under grant activities with Smart Kolektiv. Also, 25 youth are undergoing internship programs in 11 companies in Kraljevo, Nis, Novi Sad and Subotica, and 6 completed internship program in the research agency GfK, hired by the Project to conduct a citizen awareness and satisfaction survey.

(PMP#37) The target of eight (8) improvements in achieving business-friendly certification standards has not been officially met. The Project assisted 8 LGs on more than 20 improvements, and the City of Novi Sad has received formal recognition of certification. Other improvements must first be verified by NALED's evaluation committee, before being reported under this indicator.

(PMP#38) From the targeted eight (8), only four (4) development projects were based on input from businesses, as follows:

1. Regional Fiber Optic Network (Novi Sad);
2. Promotion of Inter-Municipal cooperation and initiatives in Banat Region, RDA Banat, Zrenjanin;
3. Agriculture Working Zone, Zrenjanin;
4. Protection of Geographic Indication, Subotica

2.4. Indicators postponed or temporarily suspended

In March 2012, the Sustainable Local Development Project in Serbia requested USAID's concurrence that it temporarily suspend eight (8) indicators related to municipal own-source revenue generation, the concept of Consortium, and distance learning professional development.

More details on the status of the Project's PMP indicators, with brief descriptions, can be found in Annex A of this report.

PMP (re)vision: In February 2012, the Project team proposed changes in monitoring and evaluating its performance to USAID that introduced a new approach to present Project impact with fewer, but

more relevant indicators. The PMP revision will take place alongside revisions to the Project's SOW, in line with cuts to the Project budget announced in late February 2012. The revised PMP will reflect the Project's strategic focus on the performance and sustainability of IMC area structures and the extent to which IMC partnerships are functional, participatory, transparent and successful in producing results. The proposed PMP revision will be presented to USAID by the end of November 2012.

3. Status of USAID Mission-level Indicators

Sub-section 3.1. provides details on the status of the Project indicators under the USAID/Serbia Strategy Results Framework. The Project is ahead of FY2012 targets for six (6) indicators. Status of two (2) indicators is behind the schedule, and one (1) indicator is, in consultations with USAID COR, temporarily suspended.

Annex A provides a detailed status update on the remaining PMP indicators.

According to the contract, Sustainable Local Development Project is required to report against the following indicators on the USAID Mission level:

3.1. Targets related to IR 1.3 Efforts of local stakeholders better integrated to improve area-based development

Indicator 1.3.1 Number of business friendly municipalities

Life of Project (LOP) target: A total of 20 municipalities certified or recertified.

Definition: Number of municipalities with NALED's business friendly certificate at the end of the project implementation, including the following:

(a) At least 20 Project participating local governments assisted in achieving business friendly standards by the Project. This means that the Project provided technical assistance and the LG successfully responded to at least one NALED's recommendation, resulting in meeting at least one additional BFC criterion.

(b) At least 20 local governments in Serbia are certified and/or re-certified after the Project completion. Certification and re-certification attained through NALED's Business-Friendly Certification program.

This indicator will directly measure the reach of NALED's BFC standards and Program efforts to sustain and enhance it.

Status: The Project is on track to achieve targets. A total of four (4) local governments have met BFC criteria and were awarded with the certificate in the reporting period (Novi Sad, Smederevo, Užice and Kruševac). As of September 2012, a total of 18 local governments in Serbia are certified, and another 33 are in different stages of the certification process, with three (3) listed as candidates for re-certification (Indjija, Kragujevac, and Loznica). These were the first local governments in Serbia that received certificates in 2008.

The Project provides technical assistance on BFC to eight (8) local governments: Kraljevo, Vrnjacka Banja, Nova Varos, Novi Sad, Sombor, Novi Becej, Kikinda, and Beocin.

Specifically, the Project's assistance and activities related to specific BFC gaps has included:

1) Beocin --

- Meeting with the head of IT regarding economic data available on website
- Providing an example of a building permit issuing guide
- Providing a template for a business sector survey
- Drafted decision on establishment of economic development council and discussed topics
- Gathering prices of communal services
- Employers database
- Survey of labor market need
- The Project's support to tourism promotion by supporting visibility and better communication with tourist in NS IMC area. Project covers: 1 interactive information kiosk connected with tourism organization, promotional brochures and promotional and educational conference on importance of inter-municipal cooperation regarding tourism development and the Project's best practice.

2) Kikinda--

- Gathering prices of communal services
- Drafted decision on establishment of economic development council
- Employers database
- Survey on labor market needs
- Providing a template for a business sector survey

3) Kraljevo--

- Technical assistance in establishment of one- stop shop – guide for building permitting process
- Assistance in gathering the necessary documentation, preparation of sustainable development strategy, development of the plan for capital investments, production of necessary databases, establishment of one-stop shop.

4) Nova Varos--

- Technical assistance in establishment of one-stop shop – guide for building permitting process
- Assistance in gathering the necessary documentation, development of a plan for capital investments, production of necessary databases, establishment of one-stop shop

5) Novi Becej--

- Providing example of building permit issuing guide and commenting on LGs draft
- Providing a template for a business sector survey
- Drafted decision on establishment of economic development council
- Employers database
- Survey on labor market need

6) Novi Sad--

- EDC meeting
- Employers database
- Survey on labor market need

7) Sombor--

- EDC establishment
- Providing template for business sector survey
- Employers database
- Survey on labor market need

8) Vrnjacka Banja--

- Assistance in gathering the necessary documentation, preparation of a sustainable development strategy, development of a plan for capital investment, production of necessary databases

Indicator 1.3.2 Number of major infrastructure inter-municipal projects fully prepared and listed in SLAP.

LOP Target: Five (5) projects; FY2012 target: One (1)

Definition: A major infrastructure project is defined as "heavy investments (basic infrastructure, water and waste water systems, solid waste management, or road infrastructure)." It also includes business enabling infrastructure (brownfields, greenfields, power supply, and gas infrastructure). System for Local Authority investment Pipeline (SLAP) is the pipeline supported by the EU through the Standing Conference of Towns and Municipalities (SCTM) for identifying projects as fully prepared and ready for IPA financing and/or other sources. Once a project is in the pipeline and rated as prepared, the sponsor municipality has done all it can to ensure the project is ready. Actually financing it through IPA is then a political decision. This will be increasingly political as the GoS takes over from the EU the procurement of IPA projects. The data needed to apply the proposed SLAP measure is online on the database maintained by SCTM.

Status: The Project is behind schedule. To date there are no Project-supported projects listed in SLAP. The Regional Fiber Optic Network in the Novi Sad-led IMC area, the Feasibility Study for Water Supply System "Pusta Reka" in the Nis-led IMC area, and the Regional Waste Water Treatment of the South Morava River in the Vranje-led IMC area represent the best project candidates for being listed in SLAP database.

The Project believes that accessing EU funding for infrastructure project financing is one of the key benefits of the IMC mechanism. In that respect, the Project provides the following type of support:

- facilitating regional cooperation among municipalities, in order to identify best project candidates, in accordance to EU IPA procedures;
- providing technical and financial assistance (grants and subcontracts) to move the selected projects to a higher level of readiness for financing;
- providing technical assistance to local governments in the area of capital investment planning and asset management.

Large infrastructure projects face numerous risks, including complex and lengthy procedures, political influence on decisions related to prioritization and financing, and lack of resources on local and national levels. One of the challenges in this process is the effectiveness of the SLAP system, which was originally designed to map and define projects, as well as improve the preparation process up to the moment of project financing and implementation. In the last year, the SLAP system did not prove to be a central project database; rather it was utilized as one of several ways to list project candidates for IPA funding. For all these reasons, it is difficult to predict the project pipeline mechanism that will be used for EU financing. The Project will be especially engaged in early FY2013 to develop a gap analysis of models/templates for specific sectors (solid waste management, water and wastewater treatment, business zones) in coordination with SEIO to help State and local institutions make the selection and implementation of projects efficient.

Sub IR 1.3.1 Increased efficiency in delivery of business related public services through inter-municipal and PPPs

Indicator 1.3.1.1 Number of public services in municipal clusters in support of business development.

LOP Target: 20 services; FY2012: 5 services

Definition: The indicator will measure those services that are developed or improved with Project assistance and through inter-municipal cooperation. Public services include, but are not limited to

the following: support programs for business start-ups; SME development mechanisms in place; improvements in business related services/procedures; communal services, promotion of local economy funded through LG budgets; new services; and capacities in RDAs.

Status: The Project is on track to achieve targets. Nine (9) services, as follows:

1) Nis-led IMC (Nis, Merosina and Gadzin Han) -- Monitoring of the PUCs Performance

Introduction of key performance indicators (KPI) and Performance Based Management in PUCs will improve operational, financial and technical performance of the PUCs (i.e. increased collection rate, improved quality of PUC database containing customer/user data). Improved performance of utility companies will directly influence quality of the services to customers (including business customers).

2 and 3) Kraljevo-led IMC and Zrenjanin-led IMC (Vrnjacka Banja, Zrenjanin, Kikinda, Novi Becej) -- Asset Management

The Project assisted 4 LGs in developing a Methodology and Action Plans to enable municipalities to understand the sequencing of complex activities that involve different layers of stakeholders (several state agencies, various local direct and indirect budget beneficiaries etc.). Businesses will benefit from increased quality of registry management as it can greatly enhance the security of private investors. An efficient registration system makes land transfers easier, less expensive and more secure and transparent.

4) Nis-led IMC and Vranje-led IMC (Vladicin Han and Merosina) -- Registry of the Most Burdensome Administrative Procedures

Establishing a register of most burdensome administrative procedures and rationalizing the deadlines for completing business-related administrative procedures is one of the basic preconditions for increasing local economic competitiveness. Public authorities must enable all tax payers to access services in a simple and fast way, without unnecessary expenses, without repeated attempts to acquire the same information and/or documents.

5) Nis-led IMC and Vranje-led IMC (Vladicin Han and Merosina) -- Registry of the Agricultural Subsidies at National and Local Level

Increasing the awareness of citizens and legal entities of agricultural subsidies in two selected municipalities will stabilize agricultural commodity markets, aid low-income farmers and aid rural development.

6) All eight (8) Project-supported IMCs -- Labor force gap assessment in cooperation with the National Employment Service

The survey identified the gap between supply and demand in labor market skills. Survey results predicted future trends in the balance between labor market supply and demand, and informed policies and practical IMC measures to reduce youth unemployment. This data informed the Inter-municipal Working Groups for Youth Work Readiness (IMC WG YWR) and Project planning on formal and non-formal education programs and other measures for unemployed youth in 2013.

7) All eight (8) IMCs (32 local governments) -- At the end of April, 2012, the Project provided a grant to RDA RARIS for the standardization of non-financial business support services in all eight Project-supported IMC areas. This activity will end in October 2012. To date, RARIS completed the following activities:

- Identification of business sector initiatives related to the need for real and sustainable non-financial support;
- Analysis of non-financial business services provided by Local Administration / LED Offices, Regional Chambers of Commerce, Regional Development Agencies, SMEs Agencies, associations of entrepreneurs.

8) Kraljevo-led IMC and Uzice-led IMC (Kraljevo, Nova Varos) -- Technical assistance in establishment of one-stop shop – guide for the building permitting process in two LGs.

The Project provided TA in the establishment of two one-stop shops for improving the construction permitting process. A one-stop shop makes it easier for potential investors to obtain information on investment opportunities and all the necessary documentation for investing in this municipality. The main goal of a one-stop shop is to shorten administrative procedures.

9) Sremski Karlovci and Beocin: The Project supports tourism by promoting visibility and better communication with tourists in the Novi Sad IMC area. The Project supported the purchase of two interactive information kiosks connected with the tourism organization in both LGs, as well as the completion of promotional brochures and two promotional and educational conferences.

Indicator 1.3.1.2 Number of PPPs in delivery of public services

LOP Target: 10 partnerships established; FY2012 target: One partnership established.

Definition⁴: A Public-Private Partnership (PPP) is a cooperative venture between the public and private sectors that meets clearly defined public needs through an appropriate allocation of responsibilities, resources, risks and rewards among the partners. In accordance with the USAID Partnership Reporting System format for “Non-GDA Partner Contributions”, a PPP (for the purposes of reporting) must involve some measurable private partner contribution to the cooperative venture in terms of cash contributions, monetized in-kind contributions, and/or non-cash leverage.

Percentage of shared/investment risk as threshold for a Project-sponsored initiative to count as a PPP will be as follows:

- (1) Private partner(s) at least contribute 50 percent of the capital cost and/or annual operating cost for the activity through cash (including credits) or in-kind contributions, AND/OR
- (2) Project leverages private contributions of a value equivalent to 50 percent of capital cost or one year operating costs) AND/OR
- (3) Private partner(s) share at least 50 percent of the risk of capital cost overruns and/or operating deficits through guarantees or other contractual provisions.

Status: Behind schedule. No PPPs established to date, but progress has been made on several fields. The Project has succeeded in brokering an agreement between the municipality of Beocin (part of the Novi Sad-led IMC area) and the Lafarge Company to establish a PPP through which a new business park will be developed on a 26 hectare site. The Project experts provided guidance and assistance during negotiations, and continues to support the establishment of the PPP by drafting legal documents as well as the agreement between the municipality and Lafarge. To advance this PPP initiative, the Project will co-finance the development of project documentation such as the geo-mechanical survey and main design of the business zone. Lafarge has committed by the end of 2012 to contribute approximately \$58,000 in the first phase, while Beocin Municipality will contribute \$6,500. The company has agreed to invest \$260,000 annually over the next four years for this venture. Lafarge will also assist Beocin to market the business park and provide supplementary services to future tenants (logistics, a distribution center and a central warehouse). Lafarge is a French industrial corporation operating in 78 countries world-wide. It is a leading cement company and construction industry supplier in Serbia.

During the reporting period the Project team and USAID/BEP organized three (3) regional conferences focusing on the “New Legal Framework of PPPs and Implementation Challenges” for the Kraljevo, Novi Sad and Nis–led IMC areas. The Project contributed three PPP manuals on

⁴ The definition for public-private partnerships will be revised in the PMP revision planned to November 2012.

infrastructure financing, parking services and energy efficiency. The manuals will assist local governments who want to establish PPPs under the 2011 Law on PPPs and Concessions.

Some progress has been made in relation to the Fiber Optic Network project –the Project supported a feasibility study for technical, financial and economic conditions for the network expansions. Conclusions of the study will strengthen negotiating position of the Novi Sad city government with potential private sector partners.

At the end of this reporting period the Project awarded a grant to NALED to facilitate establishment of one PPP for calendar 2012 and three additional PPPs in 2013 targeting a total of \$3 million in investments as the result of these partnerships.

Sub IR 1.3.2 Improved services and financial management of local governments

Indicator 1.3.2.1 Improvement in the municipal budget operating surplus available to fund capital investments as adjusted for any major regulatory change in transfers and shared taxes and adjusted by GDP growth or decline.

LOP Target: 20 partner LGs realize an increase of 10 percent or more.

Method: This calculation will rely on the database that the SCTM, with USAID assistance, obtained from the GoS Treasury last year; the database has detailed revenue and expenditure data to the sixth digit of the chart of accounts for each individual local government. The baseline and annual monitoring of increases will reflect the results for the prior years' budget execution, typically available in the early spring.

For each partner municipality, the baseline will be calculated by adjusting the standard classifications to better distinguish operating from capital revenues and expenditures. For example, land lease income is classified for official purposes as an "operating" revenue, but in fact is almost always "capital" revenue, since the lease payment is typically made in a lump sum at the beginning of the lease term. This calculation also will be made on the basis of "gross" operating surplus (i.e. excluding debt service) rather than net, since this best reflects the municipality's ability to fund capital investments from the budget.

Status: Temporarily suspended -- In April 2012, the Project formally requested USAID concurrence to temporarily suspend (until after Serbia's May elections) the below listed activities and indicators related to municipal own-source revenue generation. The justification for this request is the October 2011 amendment to the Law on Local Government Finance that increased local government share of income tax revenues from 40% to 80%. This has removed any incentive for local governments to increase own source revenues, thus removing the original rationale for this Project intervention.

The use of this indicator will be discussed with USAID under the PMP revision, which will take place after the contract's SOW modification in fall 2012.

3.2. Targets related to IR 2.1 Government Operations Improved

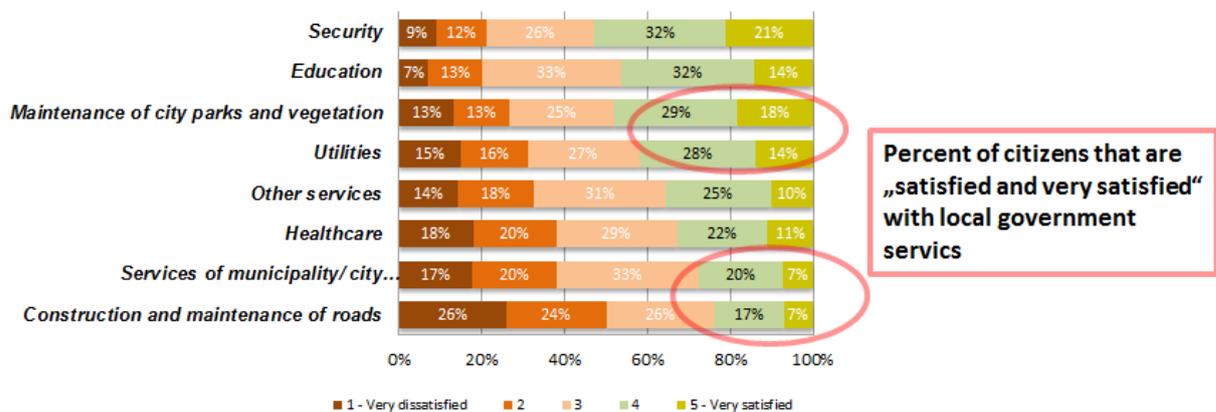
Sub IR: 2.1.1 Efficient, Transparent and Accountable Provision of Government Services Enhanced, with the following indicators:

Indicator 2.1.1.2 Number of municipalities where users report improvement in local government services

LOP target: 30 municipalities

Definition: Number of municipalities where at least 50 percent of users/interviewees/focus group participants responded favorably to a question that address satisfaction with the quality of LG services. This indicator also will focus on addressing specific needs on businesses, youth, and under-represented groups (women, ethnic minorities, elderly).

Status: Baseline survey completed. The baseline Citizen Awareness and Satisfaction Survey was conducted in the period March - June 2012. The Project plans to conduct another survey in the final Project year of 2015.



According to the survey (32 municipalities, 6,407 respondents), the baseline results for the question “Please rate your satisfaction with the following services in your place of residence” are as follows:

- Construction and road maintenance: 24%
- Services of municipality/city administration: 27%
- PUC services: 42%
- Maintenance of city parks and greenery: 47%

In order to measure progress over time, the Project is planning to conduct a follow up survey in the final year of the Project’s implementation⁵, thus allowing for an analysis of changes over time. The Project is also considering the survey in a “control group” of municipalities, which will allow for more rigor and empirical comparative analysis between the Project-assisted and other municipalities.

The Project is using survey results to point on attitudes of the community related to opportunities for regional development and IMC concept, importance of participation of civic (especially youth) and business sectors in the decision-making processes, and satisfaction with municipal services. The baseline survey results are used to inform IMC action planning, and at the training for focal point CSOs.

⁵ Following advice from the contracted agency GfK, who conducted the survey, at least two to three years are needed for any measurable changes in the citizens opinion on the subjects from our survey.

Indicator 2.1.1.5 Number of partner municipalities implementing mechanisms to improve management practices, including performance-based monitoring system.

LOP target: 21 municipalities; FY2012 target: 2 municipalities

Definition: Municipalities that successfully completed the Project's capacity building program in areas identified from the list of tool kit elements (see below), and are implementing at least 50 percent of the tools they were trained on, including the PUC performance-based monitoring system.

Financial Tools

- Market-oriented asset management
- Property tax administration
- Municipal borrowing and debt management
- Revenue enhancement action planning
- Cost recovery pricing of services and utilities

Project Planning/Implementation Tools

- Project preparation and management
- Capital project finance
- Capital improvement planning
- Public-private partnerships

Good Governance Tools

- E-governance, including procurement
- PUC financial reporting and performance monitoring
- Professionalization of staff
- Tools to help mayors and local assemblies function more effectively, implementing mechanisms to improve asset management, budgeting, capital investment planning.

Status: The Project is on track to achieve targets. Seven (7) municipalities

Comments: (3 LGs) - Monitoring PUC Performance - Performance based monitoring system introduced in three (3) PUCs -- "Medijana" Nis and Water and Wastewater PUCs in Merosina and Gadzin Han. All three PUCs started with quarterly reporting, and the next step is setting performance targets. In the next reporting period, another two-to-three PUCs for solid waste management will be included in the activity.

(4 LGs) - Asset Management - The Project is on target to help four (4) LGs in two (2) IMC areas manage public assets more sustainably and practice good governance techniques in their daily operations, with asset and land management practices and PUC monitoring practices on track to be delivered to all IMC areas in FY 2013. Namely, Zrenjanin, Kikinda and Novi Becej are assisted in property inventorying, and Vrnjacka Banja in land inventorying.

The Project provided TA and completed two (2) baseline assessments in the Kraljevo and Zrenjanin-led IMCs in an effort to develop municipal property databases allowing for better management of public property.

Ind 2.1.1.6 Number of Sub-national Entities Receiving USG Assistance that Improve their Performance

Target: 37 sub-national entities; FY2012: 30 sub-national entities

Definition: Sub-national entities refer to government units administratively responsible for a specific sub-area within the nation's territory, including their departments and divisions. Sub-national entities may be at the regional, state/provincial, district/county or municipal level.

"Improved performance" is measured by an increase in quantity, increase in quality (as measured and/or as perceived by end users), and decreased unit cost of provision of service. Services on which they might be working to improve performance will vary by country, but may include water, electricity, waste management, public sanitation, public health, public security, regulation and operation of public markets, street or road maintenance, planning and regulation of land use. USG

assistance efforts not only aim to improve the quality and quantity of select services, but to impart rational management approaches to ensure their long-term viability.

Within Project implementation, improvements in performance are achieved primarily through inter-municipal cooperation and by improving capacities of local governments, regional development agencies and provincial government of Vojvodina to plan and implement regional development projects, improve environment for doing business, share knowledge on technical topics, and create mechanisms for participation of private and civil sectors. The Project also works on improving performance of local governments in asset management, public utility companies' monitoring, capital investment planning.

Status: The Project is on track to achieve targets. Thirty-two (32) Project participating local governments are implementing mechanisms of inter-municipal cooperation for sustainable development. Specific improvements are as follows:

- 35 active IMC working groups work on regional development programming for the first time; 47 regional development initiatives identified through the municipal cooperation; eight (8) IMC area action plans developed (February-March 2012) and revised after elections (August-October 2012).
- Within the project-assisted 15 local governments, four (4) improved their asset management capacities, three (3) improved PUC monitoring, eight (8) received assistance in achieving BFC standards.

From the 44 originally formed working groups (WG) in early 2012 (comprised of 8 coordination working groups and 36 WGs on specific projects and technical topics of interest for IMCAs), at the time of reporting there are 35 active WGs. Nine WGs were not active or were put on hold. This decreased number of working bodies does not necessarily indicate that local partners have lost interest; rather, after an initial long list of opportunities and priorities, local partners have become more focused, selecting more realistic priorities. The Project expects that the number of working bodies will continue to fluctuate in the future, as better opportunities arise new working groups will be formed or if once promising projects become unfeasible WG will cease to function. As a result the Project will continue supporting the IMC mechanisms, but only if and when they are perceived as useful by partners. Furthermore, after elections, the Project organized two-day work planning sessions in the August-October period, in order to revise action plans for each respective area of cooperation.

4. Summary of PMP-related activities in FY2012

4.1. Citizen Awareness and Satisfaction Survey

The Project completed a baseline survey on citizen awareness and attitudes towards inter-municipal cooperation / partnerships between civil, public and private sectors, and satisfaction with the quality of services provided by local governments. The field survey was conducted in the March – June 2012 period, covering all 32 cities and municipalities that participate in the Project, with a total sample size of 6,407 respondents (5,123 citizens (80%) and 1,284 representatives of business entities (20)).

The Project and the agency GFK delivered six presentations at action-planning meetings in IMC areas led by Subotica, Zrenjanin, Novi Sad, Kraljevo, Uzice and Novi Pazar, as well as provided an internal presentation to the Project Team. The Project and local partners in Nis and Vranje-led IMC areas will receive the presentation of the survey results at their action-planning meeting scheduled for late October 2012.

The Project is using the survey results to target attitudes of the community related to opportunities for regional development and the IMC concept, importance of participation of civic (especially youth) and business sectors in the decision-making processes, and satisfaction with municipal services.

The follow up survey is planned for FY2015 and will be used for measuring the influence and success of Project activities. The Project will discuss with USAID possible use the survey in measuring the Project impact. Some of the questions that might serve that purpose are:

- awareness and opinion about IMC;
- satisfaction with the quality of LG services;
- awareness about the LG work and priorities;
- opportunities for participation of young people in LG decision making;
- opportunities for participation of business sector in LG decision making;
- municipal efforts to create better business environment.

The complete baseline survey report can be found as **Annex D**.

4.2. Youth Entrepreneurship in Serbia: Constraints and Opportunities

A group of four graduate students from George Washington University (Capstone group) visited the Project in March 2012 to research how best to implement Youth Business International's best practices in Serbia, with the goal of increasing financial support to young entrepreneurs. The Capstone team interviewed 54 people in 41 interviews from 45 organizations, institutions, and companies.

Based on the available data, the students identified the following as major constraints to youth entrepreneurship in Serbia:

- 1) weak contract enforcement and business invoices payment delays;
- 2) burdensome quasi-fiscal charges;
- 3) high payroll taxes;
- 4) lack of commercial credit;
- 5) structural problems of subsidized funding schemes for entrepreneurs;

- 6) lack of support from the older generation;
- 7) lack of good role models and examples for youth;
- 8) insufficient business training programs;
- 9) lack of entrepreneurship and entrepreneurial mindset teaching in schools; and
- 10) lack of aggregated, youth---friendly information on entrepreneurship.

While not all constraints can be realistically addressed in the short to medium term, the Capstone students see a number of program and advocacy opportunities that could improve the enabling environment for youth entrepreneurship, including:

- 1) establish a guarantee mechanism;
- 2) establish pre-incubation grants and support;
- 3) improve and expand upon the existing incubator system;
- 4) establish a national youth entrepreneur association;
- 5) establish an online information portal that aggregates relevant business information;
- 6) promote parental inclusion and engagement in youth entrepreneurship programs;
- 7) reduce the cost of doing business for start---ups;
- 8) create a multi---sector selection panel for public funds;
- 9) promote entrepreneurship in schools; and
- 10) allow university students who receive public scholarships to own businesses.

Recommendations of the assessment were used to assist the USAID Mission in defining some of the support proposed to the new Government of Serbia, related to regulations on financial assistance for young entrepreneurs. The assessment report is also shared with business incubators, NGOs who deal with youth entrepreneurship, career guidance centers, Ministry of Youth and Sports and National Employment Service.

4.3. Investments in the Project participating municipalities

GOS official statistics do not provide figures for direct investments at the subnational level. The Project's baseline assessments show that local governments in IMC areas (LED offices in particular) do not maintain investment data on a regular basis. Therefore, the Project team conducted its own assessment by contacting and visiting all 32 participating local governments in March and September 2012, and collected data on investments from 31 municipalities⁶. The reported figures represent data collected for the period since the partner LGs signed an MOU with the Project.

Key findings:

- Total amount inflowing investments (domestic and foreign) for the reporting period October 2011 – September 2012 is \$164,278,556 out of which \$126,101,000 are private and \$38,177,556 are public investments in Project partner municipalities.
- Number of jobs created; as a result of these investments in the reporting period is 3,273 for private and 84 for public sector, making the total number of jobs created at 3,357.

It is important to understand that Project activities are not designed to directly contribute to investments in the project-participating municipalities. The Project provides limited assistance to municipalities in achieving business friendly certification standards, in asset management and capital investment planning, in PPP concepts, and through providing TA, grants and subcontracts to support development projects on IMC level.

⁶ Representatives of the City of Vranje did not provide data on investments.

4.4. Labor skills gap assessment

The Project provided technical support to NES staff to deliver the report on labor skill gap assessment and recommend active labor market measures. Moreover, the Project engaged consultants to use NES data for report for 8 USAID SLD partner IMC areas. The main purpose of this consultancy is to contextualize descriptive results of NES skills survey into overall macroeconomic reality of Serbia and specific economic situation within each of IMC areas, in order to guide and assist the IMC stakeholders to pursue actions fostering local economic growth and increasing employment prospects of targeted youth. At the time of reporting the assessment has been finalized.

NES reached 70% of 5,500 companies to forecast skills and competencies which employers need from the labor force. NES conducted this research using a new, EU-funded, labor market survey methodology. The employers' survey showed considerable optimism related to new employment potentials in both the national and IMCA local labor markets. Contrary to this, the local labor market situation didn't seem so bright to local stakeholders. There is considerable lack of data on potential new investments, domestic and foreign. While local and regional developmental strategies seem to exist, there is not much action to meet these near future goals; youth unemployment is high and growing while the educational system doesn't meet labor market needs.

Key findings:

1. The Vojvodina region is among the most developed (Subotica, Novi Sad and Zrenjanin IMCAs). The Novi Pazar IMCA is the most devastated. The unemployment rate in the Novi Pazar IMCA is 48.2%, almost 25% higher than the average Serbian (RS) rate (23.3%). The Uzice IMCA has the lowest unemployment rate (17.1%). This is the only IMCA where the unemployment rate is lower than the RS average. The Novi Pazar IMCA has the highest youth population (25%), about 4/5 % higher than other IMCA-s.
2. The Employer' Survey 2012 has shown that general production; mining, production and distribution of energy (in the Novi Sad, Vranje, Nis, Novi Pazar and Kraljevo IMCAs) and construction (Uzice IMCA) represent the main industries by employment numbers. Net job creation⁷ was positive in all 8 IMCA-s (from 1.16 in the Subotica IMCA to 6.62 in the Uzice IMCA). Expected net job creation in 2012 is positive (except in the Novi Sad IMCA).
3. Local development priorities are mostly related to industrial production, agribusiness, tourism and attraction of investments. New investments (private, greenfield investments) were reported mostly in IMCA-s in Novi Sad, Zrenjanin and Subotica, and the Nis IMCA (i.e. Leskovac) where new investments are expected to create 5,000 new jobs. In addition to Working Groups, the Project initiated two important activities – Establishment of Mobile Carrier Guidance Centers (in Zrenjanin, Vranje and Novi Pazar IMCA-s) and Supporting Youth Entrepreneurship and Provision of Internship Opportunities (in Novi Sad, Subotica, Nis and Kraljevo IMCA-s).
4. Stakeholders pointed to several problems: a skills mismatch in the local labor markets due to an inadequate educational system. The school system is not flexible enough to react to local labor markets changes. Unemployed youth lack work experience and motivation, they seem risk averse and lack entrepreneurship knowledge and skills. Local employers are ready to offer on the job trainings and participate in employment programs for young employees. Young people need further encouragement and financial support to guide their carriers.

⁷ Net job creation can be defined as the difference between job creation and job destruction.

5. Recommendations: 1) continue the employers' surveys, using a more extensive instrument to focus specifically at young employees, 2) initiate debate on education system reform in respect to labor market needs and 3) create measures to support employers in providing on-the-job training and promoting internships. Along these lines: Youth Employment Working Groups should promote internships, entrepreneurship, data collection on youth employment and advocate for local educational systems reforms in line with local labor market needs.

How the Project uses assessment results:

- In the reporting period, IMC areas were informed about the assessment findings on IMC level for the first time. This is particularly important, as demand on the employment market should be observed regionally, due to patterns and fluctuations beyond municipal boundaries.
- Survey results are analyzed in the light of stakeholders' perception of the local labor market situation to provide recommendations for further actions to be undertaken. These actions should particularly address the programs for increase of employability and employment of youth in the local labor markets.
- In FY2013, the Project will invest more resources into the work with LED offices and private sector employers at the local level, and with the Ministry of Labor on possible incentives and support that IMC areas can get from the ministry for developing regional youth counseling and employment plans.
- The Project decided to issue RFP in FY2013 for training providers to develop skills of labor force according to the needs of employers.

4.5. Good Governance Matrix

The Project supported the USAID Good Governance Matrix (GGM) by contracting CeSID in May 2011 to conduct the assessment in seven selected local governments in Serbia. The GGM survey conducted by CeSID failed to provide the needed data, and the subcontract with CeSID to perform this activity was subsequently de-scoped, with USAID's consent in fall 2011.

Annex A: Status of all PMP indicators

USAID/Serbia Mission-level indicators:

USAID #	PMP #	USAID standard and custom indicators	Actual	Targets (cumulative)				Comments on the status
			Sep-2012	FY2012	FY2013	FY2014	LOP	
Indicators related to IR 1.3 – Efforts of local stakeholders better integrated to improve area-based development								
1.3.1	4	Number of business-friendly municipalities (cumulative figures)	18	4	12	12	20	<p>The Project supported NALED to improve the Business Friendly Certification (BFC) program through its grant fund.</p> <p>In addition, the Project uses BFC as a diagnostic tool to identify gaps and provide targeted technical assistance (TA) to the participating municipalities to reach necessary standards for certification.</p> <p>As of September 2012, a total of 18 local governments in Serbia are certified, and another 33 are in different stages of the certification process. 3 are listed as candidates for re-certification (Indjija, Kragujevac, Loznica). During the reporting period four (4) LGs were business friendly certified (Uzice, Novi Sad, Smederevo, Kruševac).</p> <p>The Project provides technical assistance to eight (8) : Kraljevo, Vrnjacka Banja, Nova Varos, Novi Sad, Sombor, Novi Becej, Kikinda, Beocin</p>
1.3.2 ⁸	5	Number of major infrastructure inter-municipal projects fully prepared and listed in SLAP	0	1	2	3	5	<p>The Project is supporting three (3) IMC initiatives to provide necessary technical documentation for eventual inclusion in SLAP. The projects are Regional Waste Water Treatment South Morava River (Vranje IMC), Regional Fiber Optic Network (Novi Sad IMC) and a Water Supply System “Pusta Reka” (Nis IMC), the utility of SLAP as a project database continues to be under question.</p>
1.3.1.1	6	Number of public services in municipal clusters in support of business development	9	5	10	15	20	<p>1) Nis-led IMC (Nis, Merosina and Gadzin Han) -- Monitoring of the PUCs Performance</p> <p>2 and3) Kraljevo-led IMC and Zrenjanin-led IMC (Vrnjacka Banja, Zrenjanin, Kikinda, Novi Becej) -- Asset Management</p>

⁸ Indicators highlighted in red are behind the schedule.

USAID #	PMP #	USAID standard and custom indicators	Actual	Targets (cumulative)				Comments on the status
			Sep-2012	FY2012	FY2013	FY2014	LOP	
								4) Nis-led IMC and Vranje-led IMC (Vladicin Han and Merosina) -- Registry of the Most Burdensome Administrative Procedures 5) Nis-led IMC and Vranje-led IMC (Vladicin Han and Merosina) -- Registry of the Agricultural Subsidies at National and Local Level 6) All eight (8) Project-supported IMCs -- Labor force gap assessment in cooperation with National Employment Service 7) All eight (8) IMCs (32 local governments) -- RARIS - Standardization of non – financial business support services 8) Kraljevo-led IMC and Uzice-led IMC (Kraljevo, Nova Varos) -- Technical assistance in establishment of one- stop shop – guide for building permitting process. 9) Sremski Karlovci and Beocin: SLD supports tourism promotion by supporting visibility and better communication with tourist in NS IMC area. Project covers: 2 interactive information boards connected with tourism organization in both LGs, promotional brochures and 2 promotional and educational conferences
1.3.1.2	7	Number of PPPs in delivery of public services	0	1	4	7	10	Negotiations on PPP between the Municipality of Beocin and company LaFarge are in final stages. Some progress has been made in relation to the Fiber Optic Network project - a feasibility study for technical, financial and economic conditions for the network expansions. Conclusions of the study will strengthen negotiating position of the Novi Sad city government. The Project will grant NALED to facilitate establishment of one PPP for FY 2012 and 3 additional ones for FY 2013. Since the adoption of the Law on PPPs in November 2011 there was only one project approved - Novi Sad Fiber Optic Network.
1.3.2.1	8	Number of municipalities with improvement in the municipal budget operating surplus available to fund capital investments (as adjusted for any major regulatory change in transfers and shared taxes and	-	0	4	12	20	The Project requested to temporarily suspend own-source revenue generation activities and corresponding indicators. The justification for this is the October 2011 amendment to the Law on Local Government Finance which increased local government share of income tax revenues from 40 percent to 80 percent. This has removed any incentive for local governments to increase own source revenues, thus removing the original rationale for this Project intervention as described in

USAID #	PMP #	USAID standard and custom indicators	Actual	Targets (cumulative)				Comments on the status
			Sep-2012	FY2012	FY2013	FY2014	LOP	
		adjusted by GDP growth or decline)						the contract Statement of Work.
Indicators related to IR 2.1 – Government Operations Improved								
2.1.1.2	24	Number of municipalities where users report improvements in local government services	-	N/A	9	N/A	30	A Baseline Citizen Awareness and Satisfaction Survey was conducted in the period March - June 2012. The Project plans to conduct another survey in the final Project year of 2015. For details on the survey results see Annex D.
2.1.1.5	20	Number of partner municipalities implementing mechanisms to improve management practices	7	2	9	15	21	(3 LGs) - Monitoring PUC Performance - Nis, Merosina i Gadzin Han. (4 LGs) - Asset Management - Vrnjacka Banja, Novi Becej, Kikinda, Zrenjanin.
2.1.1.6	New	Number of sub-national entities receiving USG assistance that improve their performance	32	30	37	37	37	The Project supported the following activities to improve LGs performance in the next reporting period: -IMC formation for sustainable local development - 32 - Business Friendly Certification – 8 Project municipalities in achieving BFC standards; - PUC performance monitoring – 3 PUCs - Asset management – 4 LGs

Optional USAID indicators (considered at the beginning of the Project but, in consultation with the USAID M&E Specialist in August 2011, dropped from the list of the Project indicators):

USAID #	PMP #	USAID standard and custom indicators	Actual	Targets (cumulative)				Comments on the status
			Sep-2012	FY2012	FY2013	FY2014	LOP FY2015	
Indicators related to IR 1.3 – Efforts of local stakeholders better integrated to improve area-based development								
2.2.1.4	31	Number of USG assisted CSOs that engage in advocacy and watchdog functions	10	10	20	30	40	<p>The Project changed the original approach by moving from the CSO's watchdog role towards the role of CSOs as partners in the IMC processes. In the FY 2012, the Project selected 9 Focal Point CSOs and BCIF as a coordinating body.</p> <ol style="list-style-type: none"> 1. Zrenjanin, Business Improvement District 2. Novi Sad, Novi Sad School of Journalism 3. Belgrade, Public Administration and Local Government Center 4. Vranje, Initiative for Integration 5. Kraljevo, European Movement in Serbia 6. Nis, Proactive 7. Leskovac, Educational Center 8. Uzice, Association Uzice Center for Human Rights and Democracy 9. Novi Pazar, Sandzak Committee for Protection of Human Rights and Freedoms 10. BCIF
Indicators under Program Element 2.2.3 Local Government and Decentralization of the Good Governance Program Area								
Prog. Element 2.2.3	9	Number of sub-national governments receiving USG assistance to increase their annual own-source revenues (Number of municipalities participating in inter-municipal development partnerships)	-	30	37	0	37	The activity is suspended. See comments for PMP#8.
Prog. Element 2.2.3	10	Number of local mechanisms supported with USG assistance for citizens to engage their sub-national government	16	2	8	16	24	<p>Eight (8) IMC Forums Seven (7) CSO Focal Points (1) - LGs from Novi Pazar-led IMC and the Project, with a grant, supported Sandzak Human Rights Committee in a series of public outreach activities, informing citizens about the work of local governments. Expected - Resource Center in Kraljevo will be opened with a Project grant and in cooperation with European Movement in Kraljevo in fall 2012.</p>

USAID #	PMP #	USAID standard and custom indicators	Actual	Targets (cumulative)				Comments on the status
			Sep-2012	FY2012	FY2013	FY2014	LOP FY2015	
Indicators under Program Element 4.6.1 Business Enabling Environment								
Prog. Element 4.6.1	11	Number of municipalities receiving USG assistance with regulatory and/or administrative simplification	12	18	30	30	30	<p>The Project uses the three project activities as a diagnostic tool for allocating its resources into technical assistance:</p> <ul style="list-style-type: none"> - Business Friendly Certification – eight (8) Project municipalities are in the BFC process and : Sombor, Novi Becej, Beocin, Kikinda, Novi Sad, Kraljevo, Vrnjacka Banja and Nova Varos will receive targeted assistance in improving efficiency of the construction licensing (certification criteria 4.9). - PUC performance monitoring – three (3) public utility companies: PUC “Medijana” Nis and Water and waste water PUCs in Merosina and Gadzin Han. - Asset management – four (4) municipalities will receive technical assistance during the next reporting period: Vrnjacka Banja, Zrenjanin, Kikinda, Novi Becej
Prog. Element 4.6.1	3	Number of institutions or organizations undertaking capacity and competency strengthening as a result of USG assistance	101	40	80	110	140	The list of assisted institutions and organizations is available upon request to SLD Project.

Status of other Project performance indicators

PMP #	Activity-level indicators	actual	targets (cumulative)				Comments on the status
		Sep-2012	FY2012	FY2013	FY2014	LOP FY2015	
1	Number of business-sector jobs created in participating municipalities	3,357	450	1,000	1,750	2,750	- Number of jobs created; as a result of these investments in the reporting period is 3,273 for private and 84 for public sector, making the total number of 3,357 jobs created in 32 Project participating municipalities.
2	Dollar value of increase in inflowing (domestic and foreign) investment	\$ 164M	\$45M	\$100M	\$175 M	\$275M	Investments defined as all realized investments from public and private sector in Project supported IMC areas. In discussions with USAID going forward, this targets and indicator definitions will need to be revised to reflect Project attribution and include in PMP revision. Project supported IMC areas, following MoU signings in each IMC area, have seen a total of \$164,278,556 out of which \$126,101,000 are private and \$38,177,556 are public investments in Project partner municipalities. The investments are tracked in euro currency, and for the reporting purposed the exchange rate of 1 USD = 0.78 EUR has been used.
13	Number of municipal clusters formed	8	8	8	8	8	<p>Eight inter-municipal cooperation agreements were signed and partnerships formed as follows:</p> <ul style="list-style-type: none"> - S1- VRANJE, Bujanovac, Presevo, Vladicin Han (June 8, 2011) - S2- NIŠ, Leskovac, Doljevac, Gadzin Han (July 19, 2011) - V1- NOVI SAD, Sremski Karlovci, Beocin, Temerin (July 5, 2011) - C/W1- NOVI PAZAR, Sjenica, Tutin (July 21, 2011) - CW2 – KRALJEVO, Cacak, Gornji Milanovac, Vrnjacka Banja , Raska (December 6, 2011) - CW3 – UZICE, Cajetina, Nova Varos, Prijepolje, Priboj (December 8, 2011) - V2 – SUBOTICA, Sombor, Kanjiza (November 23, 2011) - V3 – ZRENJANIN, Kikinda, Novi Becej (December 12, 2011)
14	Number of consortia established	-	3	4	4	4	The Project and USAID reached an agreement previously to de-emphasize the concept of “IMC cluster consortia” and focus solely on establishing, implementing and sustaining inter-municipal cooperation areas.

PMP #	Activity-level indicators	actual	targets (cumulative)				Comments on the status
		Sep-2012	FY2012	FY2013	FY2014	LOP FY2015	
15	Number of cluster champions identified	9	10	12	12	12	1. RDA SEDA (Samir Kacapor) 2. RDA Zlatibor (Slavko Lukic) 3. LED Bujanovac (Fazila Azemović)- Head of office 4. PUC Vranje Water Supply and Sewage System Company (Zivojin Mitrovic, Director) 5. Mayor of Leskovac (Slobodan Kocic) 6. Local Development Agency in Temerin (Zoran Pekez, coordinator from Temerin) 7. RDA Banat director (Irena Zivkovic,Director) 8. CSO Banatska Lenija 9. Local Economic Developmnet Office Kanjiza (Jelena Djeri, Legal officer)
16	Number of municipalities that continue LED activities in Year 4 and 5, as project steps back	-	N/A	N/A	30	30	This indicator of sustainability of inter-municipal cooperation will be used from 2014.
17	Number of inter-municipal projects leveraging the use of GoS, EU, or other donor funding	18	5	10	15	20	- With its limited resources, the Project provides facilitation through the Project's regional offices, and, to date provided 272 days of technical assistance and \$141,000 of grants and subcontracts, and contributed to the progress of the eighteen IMC projects. Contributions from implementing partners and other donors are estimated at \$24 million.
18	Number of functions established within clusters and consortia that contribute to sustainable development	35	11	20	24	24	The Project implemented thirty-five (35) IMC functions and mechanisms that enhance IMC sustainability as a vehicle for sustainable local development. IMC mechanisms include IMC coordination working groups and initiative working groups, but exclude IMC mayor forums which are calculated under PMP indicator 10. From the initially formed 44 WGs, Uzice WG on youth employment, Novi Pazar WG on agriculture development, and solid-waste management were not active. Also, there are other seven (7) potential working groups, but currently not active.
19	Number of municipalities which applied revenue-enhancement diagnostic tool, and, based on diagnostic reports, developed Fiscal Performance Enhancement Action Plans.	-	6	13	20	20	The activity is temporarily suspended. See comments for PMP#8

PMP #	Activity-level indicators	actual	targets (cumulative)				Comments on the status
		Sep-2012	FY2012	FY2013	FY2014	LOP FY2015	
21	Voluntary Distance Learning Credentialing Program developed	-	1	1	1	1	The Project team requested indicator 21, 22 and 23 to be temporarily suspended. The justification for this request is the delay in parliament passing the National Training Strategy for Municipal Administration, and the Law on Labor Relations in Municipal Administration. The passage and enforcement of these is a prerequisite for designing, implementing, and ensuring the sustainability of a distance learning credentialing program for municipal civil servants.
22	Number of prospective local government managers in the credentialing program	-	60	310	560	750	See comment above.
23	Number of graduated local government managers	-	0	12	62	150	See comment above.
25	Number of advocacy initiatives in support of improved legal/regulatory framework undertaken by SCTM, NALED, local governments, or other partner stakeholders	6	3	6	8	9	In respect to input to specific laws, by-laws and regulations, Project experts assisted development of the following advocacy initiatives: Law on Utility Services Law on PPPs and Concessions Law on Public Property Law on Amending the Law on Local Government Finances Draft Law on Labor Relations in LG Administration Draft Law on Salaries in Public Administration,
26	Number of development initiatives (policies, procedures, projects) based on input from citizens	5	10	20	28	36	1. Novi Sad and Temerin CSOs participated in working group on energy efficiency 2. Zrenjanin CSOs participate in working groups on agricultural development 3. Kraljevo CSO participates in Business Innovation Center 4. Beocin municipality actively engages public in the process of producing Strategic Development Plan, following principles of Public Participation Action Plan developed in 2011 with the Project's assistance. 5. Vranje CSO Initiative for Integration (IFI), selected and supported by the Project in a role of focal point organization for Vranje-led IMC, organizes a series of public outreach events to inform citizens about two regional projects - (1) South Morava river protection and (2) Waste Management.

PMP #	Activity-level indicators	actual	targets (cumulative)				Comments on the status
		Sep-2012	FY2012	FY2013	FY2014	LOP FY2015	
27	Percent of citizens reporting increase in local government transparency	TBD					<p>After failure of CeSID to provide Good Governance Matrix analysis in 2011, the Project abandoned GGM concept, and proposes the use the citizen attitude survey. Instead of asking citizens about the level of transparency of decision making processes of LGs, the Project proposes the following questions to be used for measuring the Project impact.</p> <ul style="list-style-type: none"> - awareness and opinion about IMC; - satisfaction with the quality of LG services; - awareness about the LG work and priorities; - opportunities for participation of young people in LG decision making - opportunities for participation of business sector in LG decision making; - municipal efforts to create better business environment.
28	Number of initiatives undertaken by officials to dialogue with the public	21	10	30	44	58	<ol style="list-style-type: none"> 1. Two meetings of the CSOs, from Zrenjanin and Subotica led IMC resulted with an initiative supported on IMC level for agribusiness area in Kikinda; 2. Uzice led IMC – two CSO (“Zlatiborski krug” i “Zenska inicijativa”) – tourism development; 3. Establishment of regional tourism organizations in the NP IMC; 4. Eleven CSOs took part in developing and planning activities to support youth entrepreneurs and internship program as well as Career Guidance mobile teams. 5. ZR IMCA-Press conference - RDA Banat - Brussels (RDA Banat) 6. NS IMCA-Opening ceremony for Educational Centre (Provincial Secretariat for Employment) 7. NS IMCA-Press conference – RDA Backa – Non financial support to SMEs (RDA Backa) 8. ZR IMCA-Press conference – RDA Banat – Non financial support to SMEs (RDA Banat) 9. SU IMCA-Press conference – Diversification of agriculture products (WG for agriculture) 10. NS IMCA-CSR panel (SMART Kolektiv) 11. NS IMCA-Preparation of Local Sustainable Development Strategy (Mayor of Beocin) 12. SU IMCA-Public Presentation – Study of Diversification of agriculture products (WG for agriculture)

PMP #	Activity-level indicators	actual	targets (cumulative)				Comments on the status
		Sep-2012	FY2012	FY2013	FY2014	LOP FY2015	
							13. NS IMCA-Round table – FTTH – broadband networks (Grantee Amber Software) 14.SU IMCA- Public Presentation – Study of Diversification of agriculture products (WG for agriculture) 15. KOMS roundtables: 8 (period: April-June) 16. KOMS roundtables: 3 (end of August) 17.Public hearing of Regional Waste Management plan for Pcinja district 2013-2023 18. Presentation of the Findings of the Analysis on Networking R&D with SMEs 19. Presentation of the Value Chain Analysis 20. Press conference – RDA SEDA – Non financial support to SMEs 21. Press conference – RDA Zlatibor – Non financial support to SMEs
29	Number of locally elected and appointed officials, CSO members, media, and the business community trained	955	550	850	1,000	1,000	The total participation on all Project's training events since the beginning of the Project is 955 (47.5% women).
30	Number of LGs with mechanisms for public participation in the budget drafting process	0	5	10	15	20	Local governments haven't demonstrated interest for additional mechanisms for public participation in budget drafting process. The Project will explore possibilities after the 2012 elections and formation of new local governments. The effort should also follow the annual budget calendar and be integrated in the work of 8 CSO Focal Points (see the comment below).
32	Number of LGs that either implement or otherwise address NGO watchdog recommendations	0	3	11	19	24	The Project changed the original approach by moving from the CSO's watchdog role towards the role of CSOs as partners in the IMC processes. In the FY 2012 the Project provided grants to CSOs in seven IMC areas to serve as the focal point for the Project's implementation of activities aimed at informing citizens, soliciting their inputs, and monitoring impact of citizens' initiatives on decision makers
33	Number of municipalities where at least one project is implemented, taking into account or supporting participation of under-represented groups (primarily women, youth and ethnic minorities)	23	9	14	19	24	The Project currently supports the implementation of two (2) IMC initiatives covering seven (7) municipalities that directly benefit under-represented groups (primarily ethnic minorities). Jointly with other partners (Czech Development Agency, UNOPS PROGRES Program, Office for sustainable development of underdeveloped Municipalities, SEDA, Novi Pazar, Sjenica

PMP #	Activity-level indicators	actual	targets (cumulative)				Comments on the status
		Sep-2012	FY2012	FY2013	FY2014	LOP FY2015	
							and Tutin) The Project supports the Pester Rural Development Project -- Value Chain Analysis and Marketing Plan development. The project is of particular importance for the mixed population of this underdeveloped area. <ul style="list-style-type: none"> - The activity that will support further development of the Regional Waste Water Treatment System along the South Morava River is a regional project, designed to benefit the mixed population of four (4) underdeveloped municipalities in South Serbia - Bujanovac, Presevo, Vladicin Han and Vranje. - In sixteen (16) Project partner municipalities, under the activities of NAPOR, supported by the Project's grant, youth development projects are in the process of implementation. The list of projects is available upon request.
34	Number of youth enrolled in project-supported educational programs	194	100	300	600	800	The Project has issued a \$ 12,222 grant to KOMS (Serbian Youth Umbrella Organization) to educate youth on IMC decision making processes and strengthen youth organizations in 7 IMC areas including 20 youth offices, 25 non-formal youth groups and 45 youth.
35	Number of youth undertaking internships with business and local government. (Joint effort of Program Components 4 and 5)	31	30	90	180	250	<p>The Project supported Smart Kolektiv with a grant to create and execute an internship program with an aim to provide unemployed and unskilled youth with work experience skills in order to secure any form of employment for a minimum period of 6 months. Throughout the period of performance, the Project provided support to the grantee in facilitating relations with Serbian central and local level governments and other relevant authorities, business associations, local media, donor community and other stakeholders, as necessary. Twenty-five (25) young people started their internship programs in August 2012 in 11 companies in Kraljevo, Nis, Subotica and Novi Sad.</p> <p>Earlier this year, six (6) graduate and post-graduate students attended internship in the research agency GfK from Belgrade, and worked on all steps of the Citizen Awareness and Attitude Survey, within the service agreement between the Project and GfK</p>
36	Number of youth that get a job or start own business within 6 months of completion of the educational programs. (Joint effort of Program Components 4 and 5)	0	40	170	340	500	Employment would be achieved through motivation and enabling companies to accept interns and through giving non-financial support to young entrepreneurs to enhance their possibilities for new employment. 44 young people participate in the Smart's entrepreneurship program, and 25 in internship program (as indicated in PMP#35).

PMP #	Activity-level indicators	actual	targets (cumulative)				Comments on the status
		Sep-2012	FY2012	FY2013	FY2014	LOP FY2015	
37	Number of improvements in achieving BFC standards as a result of the Program intervention	1 (7)	8	20	32	37	The Project provided technical assistance to seven (7) partner local governments that are in the process of BFC. The Project worked on more than 20 improvements, as recommended by the NALED's Evaluation Committee, needed for achieving BFC standards. Novi Sad met the certification criteria and improvements are verified. Progress of all assisted local governments towards certification will be closely monitored, together with NALED.
38	Number of development projects based on input from businesses	4	8	16	24	36	The Project forged inclusive IMC mechanisms and LG/private sector partnerships resulting in four (4) IMC initiatives benefiting from business sector support, to date, as follows: 1. Regional Fiber optic network (Novi Sad) 2. Promotion of Inter-Municipal cooperation and initiatives in Banat Region, RDA Banat, Zrenjanin 3. Agriculture Working Zone, Zrenjanin 4. Protection of Geographic Indication, Subotica
39	NALED's Business Friendly Certification recognized by national and international institutions	1	1	1	1	1	Two internationally recognized certification institutions SGS and TUV cooperate with NALED to provide independent evaluation of the process.
40	Corporate social responsibility initiatives supported	0	0	2	3	4	CSR activities: - 3 CSR workshops with 35 participants were held (in Nis, Novi Sad and Vranje –June/July). - CSR working groups in Nis and Vranje-led IMCAs. - RDA Leskovac submitted a concept paper to the Project end of July 2012 requesting grant support to implement the activity “Innovative CSR practice in south Serbia” (review planned for October) - The NGO Eneca from Nis has also submitted a CSR concept paper to provide support to 40 start-up companies from Nis and Vranje IMCAs (review planned for October)
41	Number of improvements made by local governments, based on Out of the Maze campaign recommendations	2	2	6	10	12	Registry of the Most Burdensome Administrative Procedures, simplification of the 3-5 procedures - Vladičin Han i Merosina Registry of the Agricultural Subsidies at National and Local Level - Vladičin Han and Merosina

Annex B: Overview of IMC area project funding, and the Sustainable Local Development Project's contribution to their advancement

Annex C: Summary of investments and job creation in 32 program municipalities

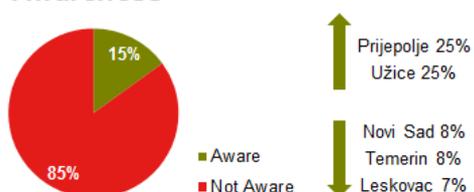
Annex D: Report on Market Research for the USAID Sustainable Local Development Project in Serbia

For the purposes of the USAID Sustainable Local Development Project, the GfK Market Research Agency from Belgrade has conducted market research in 32 municipalities in Serbia, during the period of March – June 2012.

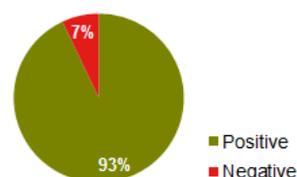
The research looked into the extent of citizen and legal entities awareness and satisfaction with the quality of information and services provided by local governments, as well as respondents’ opinions related to the relationship local governments establish with both the civil and business sectors.

SUMMARY OF SURVEY FINDINGS

Awareness



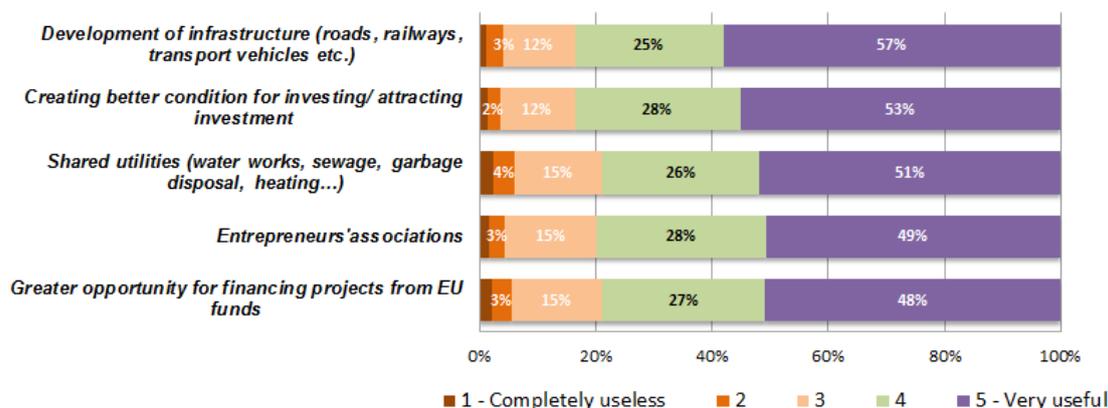
Attitude



A1. Do you know of an example where neighboring municipalities are cooperating, so as to best utilize their potential and resources?

A2. In your opinion, would your municipality develop better if it worked in partnership with neighboring municipalities?

Only 15% of respondents are aware of any form of cooperation among the municipalities. On the other side, 93% of them believe that their municipality will develop better if it cooperates with neighboring municipalities.



A3. In your opinion, to what extent would cooperation of your municipality with neighboring ones be useful for the following areas?

From the perspective of respondents, the level of usefulness of cooperation among municipalities is very high in infrastructure development, investment attraction, shared communal services, business

associations and increased opportunities for project financing from EU – all areas that the Project supports through its activities.

Most respondents (95%) think that businesses should have a more significant role in municipal development. From their perspective, the influence would be the most significant in improvement of the regional image and creating better conditions for business development.

According to the research, only 15% of respondents are aware of at least one civil society organization is active in their municipality. At the same time, 89% of respondents consider that civil society organizations should have a more significant role in local development.

The level of satisfaction with various services on the municipal level is rather mediocre. The services citizens are the least satisfied with are in the area of construction and maintenance of roads, followed by services of municipality/city administration. At the same time, when asked whether the utility services provision should be entrusted to the management of private enterprises, 57% respond negatively.

Opinion of businesses - 63% of representatives of businesses claimed that the businesses are not consulted enough in the process of decision making by local governments. At the same time, more than half of the respondents are not ready to invest their time to participate in activities which would contribute to the development of the community. More than 2/3 of respondents have not heard of any business associations active in their communities. From their point of view, in 87% of the cases, local governments do not introduce measures beneficial for business development. Also, 61% of the respondents do not notice any effort on the part of their municipality in attracting foreign investors.

Citizen's participation in decision making - More than 1/3 of citizens claim to be informed about the work of their municipality, while only 11% reported that they are familiar with the priorities of the local government. When asked whether they would like to be included in the activities of local government, 56% responded negatively.

Youth - Up to 67% respondents consider that youth do not get the opportunity to impact the work of the local government. A high proportion of young people (90%) are not aware of any institutions or organizations specialized in providing information to the youth, while 58% of young respondents are not aware of a Youth Office available in the municipality.

Communication - Citizens mostly get information about the work of the municipality from TV/Radio, and from friends and relatives. Approximately 50% of respondents have no communication with their municipality, while 45% asks questions and submit recommendations by personally visiting municipal offices.

I SAMPLING AND FIELD RESEARCH

According to the defined sample (as shown in table below), sample size was 150-250 respondents per city/municipality, randomly selected within each municipality. Final sample structure is based on the following proportion: 80% of individuals and 20% of legal entities. Municipalities included in the research are:

	Municipality	Total	Citizens	Businesses	
S1	TOTAL	800	640	160	
	Vranje	250	200	50	
	Bujanovac	200	160	40	
	Presevo	180	144	36	
	Vladicin Han	170	136	34	
S2	TOTAL	1000	800	200	
	Nis	250	200	50	
	Leskovac	230	184	46	
	Gadzin Han	200	160	40	
	Doljevac	170	136	34	
	Merosina	150	120	30	
V1	TOTAL	850	680	170	
	Novi Sad	250	200	50	
	Temerin	250	200	50	
	Beocin	180	144	36	
	Sremski Karlovci	170	136	34	
CW1	TOTAL	550	440	110	
	Novi Pazar	200	160	40	
	Sjenica	180	144	36	
	Tutin	170	136	34	
CW2	TOTAL	1000	800	200	
	Uzice	250	200	50	
	Cajetina	230	184	46	
	Nova Varos	200	160	40	
	Priboj	170	136	34	
	Prijepolje	150	120	30	
	CW3	TOTAL	1000	800	200
		Kraljevo	250	200	50
		Cacak	230	184	46
		Gornji Milanovac	200	160	40
Vrnjacka Banja		170	136	34	
Raska	150	120	30		
V2	TOTAL	600	480	120	
	Zrenjanin	250	200	50	
	Kikinda	180	144	36	
	Novi Becej	170	136	34	
V3	TOTAL	600	480	120	
	Subotica	250	200	50	
	Sombor	180	144	36	
	Kanjiza	170	136	34	

Field research has been completed successfully. It began on 19th March 2012 and was completed on 15th June 2012. It was implemented in two phases: firstly with individuals and secondly with legal entities. The total number of successfully completed surveys is 6,407 – 5,123 individuals and 1,284 legal entities.

II MONITORING AND QUALITY CONTROL OF DATA COLLECTION AND PROCESSING

The survey method used in this research is quantitative - CATI (Computer-assisted telephone interviewing).

All GfK projects are monitored according to the standards set in "The international code for market and other research", agreed between The International Chamber of Commerce (ICC) and the world's largest association of market researchers - E.S.O.M.A.R.

Control is also done according to "GfK International Quality Standard".

The first level of control is being conducted during the fieldwork in CATI centre. Supervisors control the work of interviewers during interviewing (CATI), thus in case of any irregularities we can react immediately.

The second level of control: During the fieldwork, work results of each field employee are checked. There are various control methods for the completed interview, some of them being:

Telephone control method:

Up to 20% of the completed questionnaires are checked by supervisor listening to the conversation. The standard for this control method is to choose a random selection of questionnaires representative of the sample.

Logical control of the data:

This control is based on the analysis of a logical connection between respondent's answers. The logical control is carried out as a standard. This type of control applies to the whole sample. The aim of the analysis is to check the following: correctness of respondent's selection to the particular section of the questionnaire; compliance with the instructions (following correct routing); completeness of the questionnaires.

The third level of control: Using Microsoft Access (for data entry) we can predefine values for each question that must be entered.

The forth level of control: During the process of data cleansing using SPSS program. SPSS control is somewhat automatic because it uses syntaxes and scripts. However, SPSS control is the most efficient control tool because it significantly limits the probability of error.

III SURVEY RESULTS

AWARENESS OF COOPERATION AMONG MUNICIPALITIES

According to data from the above mentioned research, 15% of respondents are aware of an example of a cooperation among municipalities, while 85% state they are unaware of any examples of partnership among municipalities. Representatives of male population are more informed about inter-municipal cooperation. Namely, 19% of men claim to be aware of an example of cooperation among municipalities, compared with 13% of women. The highest awareness is in Uzice and Prijepolje (25%), while the lowest awareness is shown in Leskovac (7%).

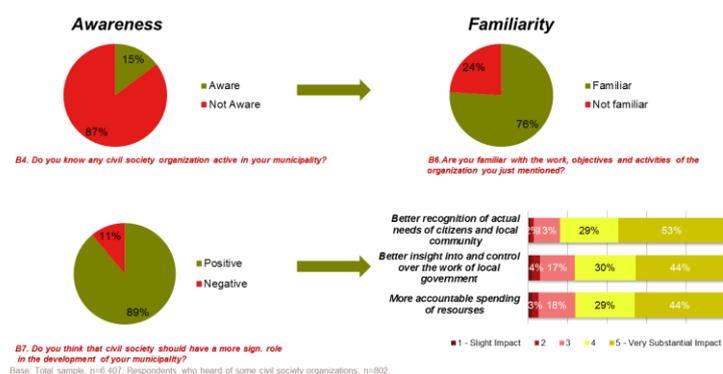
When it comes to citizens' opinions related to the partnerships of local governments, 93% of respondents consider that their domicile municipality would develop better if it cooperated with the neighboring municipalities. The highest positive response was in Tutin and Gadzin Han. Respondents from Novi Sad, Sremski Karlovci and Gornji Milanovac have showed the highest negative response. Among 7% of respondents who do not demonstrate optimism in relation to inter-municipal cooperation, the majority states corrupt politicians as the main argument, doubting the quality of inter-municipal cooperation, and preferring an independent approach. The respondents who are in favor of the proposal, stated that a cooperation with the neighboring municipalities would be useful in the majority of the suggested aspects. From the respondents' perspective, the level of usefulness would be the highest in infrastructure development, and it could result in

creation of better conditions for investing/attracting investments. Other arguments are shared utilities, entrepreneurs' associations, and increased opportunity for receiving financial support for projects from EU.

In terms of the level of respondents' awareness about the forms of association of their domicile municipality with other municipalities, as many as 86% of respondents gave a negative reply. Lack of information about this form of association is even greater with women, since 11% of respondents stated to be aware of some form of association, and mostly inter-municipal cooperation.

PARTICIPATION OF PUBLIC, PRIVATE AND CIVIL SECTORS IN COOPERATION AMONG MUNICIPALITIES

Civil society organizations



According to the research, 95% of respondents consider that entrepreneurs and enterprises should have a more significant role in municipality development. Only 5% of respondents do not see the need for an additional inclusion of the business sector in the work of local government, mostly stating that the economy has collapsed, that there are no strong companies, and that everyone is looking out for their own best interest. From the perspective of citizens who do believe in the positive

participation of the business sector in the work of local government, the positive effects would be significant improvement of an overall image of a region and creation of better conditions for entrepreneurial development. They also mention the importance of better definition of development priorities, and finally, increase in accountability of local government.

There are conflicting opinions about whether business representatives promote their region in the right way. About 43% of respondents claim that business representatives promote their region in the right way, while 57% disagrees, pointing out that the majority of business representatives just look after their own best interests.

According to the research, 15% of respondents are aware of a civil society organization which is active in their municipality, and almost 3/4 claim to be familiar with the activities and goals of the stated organization. At the same time, 89% of respondents find that civil society organizations should generally have a more significant role in their municipality development. According to them, inclusion of the civil society organizations would mostly contribute to better identification of real needs of the citizens and the local community, in addition to a better insight into and control over the work of local government, as well as a more accountable spending of resources.

IMPACT ON THE DEVELOPMENT OF THE LOCAL COMMUNITY

When it comes to the influence of various factors onto the development of a municipality, respondents consider that local government has the biggest influence onto the development. It is followed by the state authority, the intensity of world economic crisis, education system/staff quality, and finally the foreign affairs situation.

QUALITY OF SERVICES

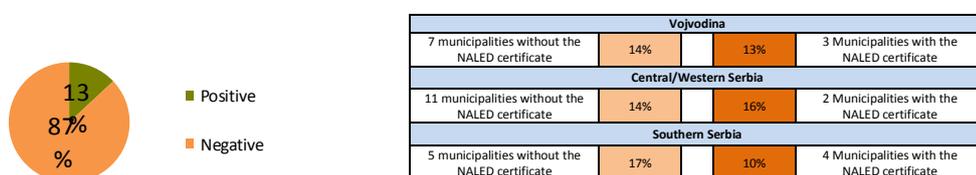
The extent of satisfaction with various services on a municipal level is rather mediocre. The services citizens are the least satisfied with are in the area of construction and maintenance of roads, followed by services of municipality/city administration, maintenance of city parks and vegetation, then healthcare, security and education.

When asked whether the utility services provision should be entrusted to the management of private enterprises, respondents' opinions differ. About 43% of respondents consider that private enterprises would do a better job in managing the utility services provision, mostly because of the higher level of responsibility and better quality of service.

THE RELATIONSHIP BETWEEN THE PRIVATE SECTOR AND LOCAL GOVERNMENTS

Representatives of businesses responded to the question about the extent to which the municipality/city government consults business representatives in the process of its work and decision-making, and 41% of respondents claimed that entrepreneurs are not consulted enough. Representatives of businesses consider that their more active role would contribute to a better provision of directions to authority regarding the needs and problems of the economy, adding that their advisory role would be very significant during the decision-making process of local government.

From the point of view of business representatives, in 87% of cases the municipality/city government does not introduce measures beneficial for the development of business. The highest number of respondents with negative response were in: Kikinda (100%), Kraljevo (100%), Sremski Karlovci (98%) and Bujanovac (98%).



Municipalities with the NALED certificate vs. municipalities without NALED certificates

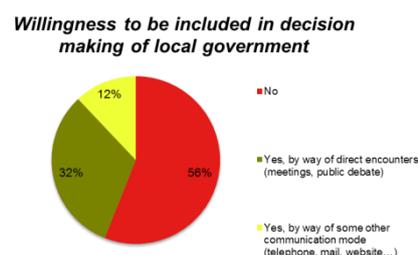
As many as 61% of respondents business representatives do not notice the efforts of their municipality when it comes to attracting foreign investors. About 12% notice efforts in this respect, as well as some realistic results, while 27% consider that there is some effort, but that the results are weak due to various external factors. When asked if they would put aside their time to participate in activities which would contribute to the development of their community, 49% business representatives responded affirmatively, while 51% provided negative response.

The majority of business representatives consider that their participation would be in the advisory capacity, as well as in a transfer of knowledge and experience. About 25% of respondents are aware of the existence of forums and work groups via which business representatives can express their opinions and impact on the work of their local government, while 75% is not aware of this option. Only 28% of business representatives have heard of an association of business representatives, while 72% have not. Business representatives of Novi Pazar are the most informed in this respect, and as much as a half of respondents claim to have heard of an association of business representatives.

When it comes to being informed about the work of a municipality, 35% of respondents claim to be informed, with men being more informed than women. About 23% of respondents claim not to be informed even though they are interested, while 42% show no interest in the work of their municipality.

CITIZEN PARTICIPATION

Up to 66% of respondents claim not to be familiar with the priorities of local government, while 22% claim that they are familiar with those priorities, but they do not include many important things. About 11% of respondents claim that they are familiar with the priorities of local government. Mostly male population is familiar with the priorities of local government.



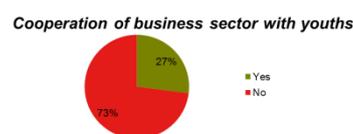
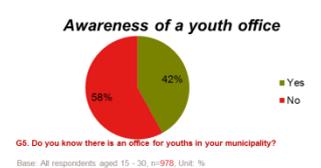
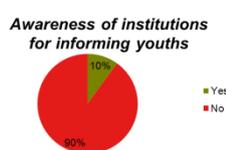
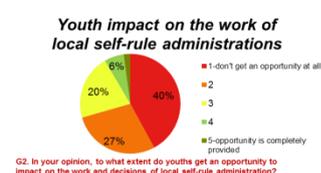
When asked whether they would like to be included in the work of local government and how, 56% responded negatively, with the majority of this group being women. About 32% of respondents stated that they would like to be included in the work of local government via public gatherings and discussions. This form of communication is mostly preferred by men. About 12% of respondents, mostly women, are interested in participation in the decision-making process of local government via other forms of communication.

According to the research results, 95% of respondents are not aware of any civic initiative that resulted in a change. Among the few respondents who claimed to be aware of a civic initiative that resulted in a change, the majority mentioned projects related to the roads building and the VAT cancellation on the baby equipment.

YOUTH

When asked about the type of support that would help the young find jobs, the respondents' replies were mostly concerned with opening new job positions.

Up to 40% of respondents consider that the young do not get an opportunity to impact the work and decision-making of local government.



According to the research, up to 73% of young respondents, aged 15-30, are not aware of any institutions or organizations which are specialized in providing information to young people about opportunities to continue education and develop their careers. Among few respondents who mentioned this type of organization, the majority mentioned the National employment service, Youth Office, and the Infostud web site. About 58% of young respondents are not aware

whether there is a Youth Office available. As the main goals and activities of a Youth Office, respondents stated the improvement of the lives of young people and employment.

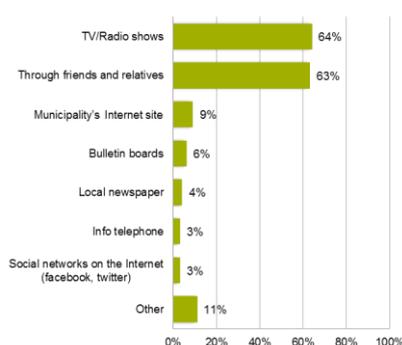
Almost one fourth of young respondents are familiar with a local example of a cooperation of the business sector with the young, in the form of providing the first job, scholarship, internship, etc. Women proved to be more informed about this topic than men, while the 25-30 age group was better informed compared to the younger generations. About three quarters of young respondents are not aware of any similar case.

COMMUNICATION

The research shows that respondents mostly get work-related information from TV/radio, and from friends and relatives. Other forms of communication are far less represented. Getting informed from friends and relatives is more present in smaller municipalities, while TV/radio shows are the main communication channel for the citizens in bigger cities.

A half of the respondents have no communication whatsoever with their municipality, while 45% asks questions, submits recommendations, requests/objections by personally going to their municipality offices. For the same purpose, the municipality web page and e-mail are used by only 2% of respondents.

Municipality to citizens



Citizens to municipality

