



**USAID** | **SERBIA**  
FROM THE AMERICAN PEOPLE

# SEMI-ANNUAL PROGRESS REPORT

**SUSTAINABLE LOCAL DEVELOPMENT PROJECT  
APRIL 1, 2011 – SEPTEMBER 30, 2011**

**Contract No. AID-169-C-00-10-00102**

**October 17, 2011**

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

# CONTENTS

INTRODUCTION .....	1
ACTIVITY HIGHLIGHTS .....	1
I. ACTIVITIES DURING Q3 AND Q4 OF FY2011 .....	2
A. Component 1: Inter-Municipal Cooperation .....	2
B. Component 2: Local Government Administration .....	4
C. Component 3: Public Participation .....	7
D. Component 4: Youth Development .....	8
E. Component 5: Business Enabling Environment (BEE) .....	10
II. SIGNIFICANT CHALLENGES ENCOUNTERED AND ACTIONS TAKE TO RESOLVE CHALLENGES .....	11
III. RESULTS ACHIEVED AGAINST ANNUAL WORK PLAN TARGETS .....	13
IV. HIGHLIGHTS OF ACTIVITIES PLANNED FOR FY2012 Q1 .....	14
ANNEX A – Accruals as of September 30, 2011 .....	1
ANNEX B - Quarterly Event and Monitoring Plan —Q3 and Q4 .....	2
ANNEX C – Report by Cluster .....	4
Cluster V1 – Novi Sad, Sremski Karlovci, Beocin, Temerin .....	4
Cluster S/SE 1 - Vranje, Presevo, Bujanovac, Vladicin Han .....	5
Cluster S/SE2 - Nis, Leskovac, Merosina, Doljevac, Gadzin Han .....	6
Cluster CW 1 – Novi Pazar, Tutin, Sjenica .....	7
ANNEX D – IMC Priority Projects .....	8
ANNEX E – Performance Monitoring Plan .....	10

## ACRONYMS

BEE	Business Enabling Environment
BFC	Business Friendly Certification
CBYS	Capacity Building & Youth Specialist
CCN	Cooperative Country National
CeSID	Center for Free Elections and Democracy
COP	Chief of Party
CSO	Civil Society Organizations
DG	Democracy and Governance
EU	European Union
EGO	Economic Growth Office
GoS	Government of Serbia
IMC	Inter-Municipal Cooperation
IMCA	Inter-Municipal Cooperation Agreement
IPA	Instrument for Pre-Accession Assistance
IR	Intermediate Result
LG	Local Government (applies to a city or a municipality)
MERD	Ministry of Economy and Regional Development
MEMSP	Ministry for Environment, Mining, and Spatial Planning
MoE	Ministry of Education
MoF	Ministry of Finance
MoT	Ministry of Telecommunications
MPALSG	Ministry of Public Administration and Local Self Government
MoU	Memorandum of Understanding
MYS	Ministry of Youth and Sport
M&E	Monitoring and Evaluation
NALED	National Alliance for Local Economic Development
NES	National Employment Service
NGO	Non-Government Organization
PMP	Performance Monitoring Plan
PPP	Public-Private Partnership
Project	The Sustainable Local Development Project
PTPP	Pool of Trainers for Public Participation
PUC	Public Utility Company
RDA	Regional Development Authority
SCTM	Standing Conference of Towns and Municipalities
SoW	Scope of Work
STTA	Short-Term Technical Assistance
TA	Technical Assistance
ToT	Training of Trainers
WB	World Bank
WP	Work Plan

## INTRODUCTION

The Sustainable Local Development Project (hereinafter the Project) is a five-year, \$22 million project designed to support the long term economic and social development of Serbian communities. Core Project activities target inter-municipal initiatives to prepare major infrastructure and area-wide development projects, improve local governments' financial and asset management, involve the public more directly public in municipal affairs, reduce red tape for businesses, support youth entrepreneurship and employment, and foster a more business friendly environment. The Project will work through 12 inter-municipal clusters/partnerships, each bringing together three or more neighboring communities with common development interests. Through extensive stakeholder consultations, the Project developed its approach and streamlined activities in line with needs of the Government of Serbia (GoS). In addition, the Project held widespread discussions with government agencies and ministries which will take a key role in future project activities.

Chemonics International Inc. is pleased to submit the first semi-annual report to USAID for the Sustainable Local Development Project in Serbia, which covers activities from April 1, 2010 through September 30, 2011. This report covers the initial implementation of activities and cluster formation following USAID's approval of the Project's FY 2011 and five-year work plans in May, as well as planning and partnership-building at national and subnational levels. The report begins with an overview of the Project's activities (Activity Highlights) achieved during this reporting period, followed by a more detailed account per component of the Project's activities during the previous six months (Section I). Section II describes the Project's significant challenges encountered and how it responded to them. The final portion of this report (Sections III and IV) provides a summation of results achieved against the Year 1 Work Plan and highlight activities planned for the next quarter.

## ACTIVITY HIGHLIGHTS

Highlights within this reporting period encompassed:

1. Conducted surveys and field assessments for the identification of potential lead cities, partner local governments (LGs), and clusters.
2. Formed four clusters centered on Vranje, Nis, Novi Sad, and Novi Pazar.
3. Launched activities in these four clusters pursuant to formal Inter-municipal Cooperation Agreements (IMCAs) and Memoranda of Understanding (MoUs) signed at high-profile ceremonies, with the participation of the Ambassador and/or Mission Director.
4. Organized and conducted a competitive process to select the lead cities for forming the next four clusters (two each in Vojvodina and Central/Western Serbia).
5. Supported IMC Forums of the mayors from the first four clusters in selecting an aggregate 13 major inter-municipal projects and facilitated project-specific Working Groups in Action Planning for these initiatives.
6. Consulted extensively with GoS ministries and agencies, other donor organizations and their implementing partners, and other USAID implementing partners.

7. Provided input on the draft Law on Concessions and PPPs and by-laws to the Amended Law on Local Government Finance; co-sponsored NALED event to provide stakeholder input to implementation of the Law on Planning and Construction.
8. Staffed and established regional offices in Novi Sad and Nis, and recruited in anticipation of approval to open a third office in Kraljevo.
9. Supported CeSID to plan and implement improved quality control for its Good Governance Matrix and subcontracted with them to implement these improved procedures in seven municipalities.
10. Subcontracted with and supported NALED in piloting its Out-of-the-Maze model at the sub-national level for securing business community input into reducing red-tape. Pilot underway in Nis-Leskovac area.

Official launch of the first four clusters was deferred into the late June/July vacation season to accommodate the schedules of both USAID officials and the mayors. Consequently, much of the technical work during this reporting period concentrated on the advance preparation of training and TA resources to support the full launch of supported field activities in September. This preparation included Training of Trainers/Facilitators for the Public Participation component and for the Public Utility Monitoring Activity under the Public Administration Component; competitive procurement of subcontractors for a lead role in CSR and youth development activities; subcontract preparation for support to enhancing NALED's Business Friendly Certification Program (BFC); drafting manuals for Public Participation and Public Private Partnerships (PPPs); drafting guidebooks for PPP applications to SME Funds and Public Parking Management; development of an Excel-based tool for utility monitoring in smaller municipalities; and drafting of Requests for Applications (RFAs) for proposals related to local PUC reform and for development of Distance Learning Courses in Local Public Administration.

## I. ACTIVITIES DURING Q3 AND Q4 OF FY2011

### A. Component 1: Inter-Municipal Cooperation

Component 1 provides a joint inter-municipal implementation structure and facilitates strong political commitment through which capacity building activities under all five Project components can help public sector officials and professionals--as well as civil society and private sector stakeholders—accumulate positive learning experiences.

**Objective 1.1: To institutionalize models of inter-municipal mechanisms at the cluster and consortia level.** During FY 2011, the Project formed four inter-municipal clusters (with Novi Sad, Nis, Vranje, and Novi Pazar as lead cities). On schedule with the Five-year Work Plan target, the Project is currently working to select and form another four clusters so there will be a total of eight clusters formed by late December 2011. Representatives from the GoS and the provincial government served on Advisory Panels as part of the selection process.

The Contract SOW identified Nis and Novi Sad as lead cities, and added Vranje and Novi Pazar as directed by USAID based on Mission priorities for assisting these two under-developed, ethnically diverse regions. Selection of the next four lead cities and associated clusters proceeded through a two-phased competitive process. First, the Project invited LGs to fill out a detailed questionnaire to confirm their interest in Project participation and score all the larger LGs in respect to their capacity to serve as lead cities. A short list of cities was then invited to submit applications in which they proposed partner cluster LGs and priority IMC project ideas. The Project recommended to USAID the highest ranked cities as Project Lead City Partners, based on both the scored questionnaire response and the application.

In accordance with IMCAs and MoUs, the first four clusters held IMC Forums with partner mayors where they adopted action plans for three or more inter-municipal projects (in communal service investment/delivery and LED/tourism development). The forums also established Working Groups to support each project and encourage stakeholder participation. Moreover, the Project has made progress in preparing TA and training resources for Investment Project Preparation and Public Private Partnerships (PPP) that will both strengthen local and inter-municipal capacities to carry these IMC projects forward and introduce innovative applications of IMC and PPP concepts.



*IMC Forum in Novi Pazar*

Component 1 initiated plans to sponsor a National Forum on Model IMC Concepts at the Standing Conference of Towns and Municipalities' (SCTM) December 2012 annual General Assembly. The Project's Chief of Party (CoP) has met with the Secretary General of the SCTM and representatives of the Swiss Agency for Development and Cooperation (SDC), the donor organization that provides core support to the Standing Conference's advocacy meetings. They have discussed how to engage the Project as a prime sponsor of the SCTM's first, post-election period and, in conjunction with this, organize a major national forum of IMC models.

Component 1 also worked on IMC project identification in preparing IMC Agreements and launching Cluster Working Groups. During the process of forming the first four clusters (Vranje, Nis, Novi Sad, and Novi Pazar) the Component 1 and 2 Team Leader, the Component 5 Team Leader, and the Project Preparation and Compliance Specialist provided extensive technical assistance to counterparts to identify opportunities for inter-municipal cooperation, prioritize these in the IMCAs signed by the participating mayors, form working groups on the highest priorities, and launched some preparatory work. A number of these potentially may also have PPP elements (e.g. the Leskovac Green Zone, IMC cooperation in renewable energy and solid waste management).

**Objective 1.2: To demonstrate viable models of IMC, PPPs, and urban-rural linkages.** Component 1 developed technical brochures and guides introducing IMC/PPP concepts. During FY 2011 Q3 and Q4, consultant Ljilijana Brdarevic, under

the direction of the CoP and the PPP/Legal/Policy Specialist, prepared an initial drafts of technical guides to PPPs on parking management (SMS street parking systems and parking facility operation) and the structure of SME Loan Funds (guarantees and interest write-downs) that would operate through commercial banks. She also completed a first draft of a more generic PPP manual for infrastructure investments. Once finalized, in FY 2012 Q1, these guides will be disseminated to partner LGs for use in future work.

The Project Preparation and Compliance Specialist Bora Obradovic refined a training program in project preparation and capital finance. This was initially scheduled for delivery to the first four clusters in late September 2011, but has been moved to early November 2011, in part to avoid overlap with another Project workshop. Mr. Obradovic also arranged with the SCTM that the Standing Conference create a special "training folder" in the existing system SLAP system, and grant our Project privileged access to the folder for our capacity building activities. Deferring the first training to November will allow him to develop a special training exercise through which the participants will directly enter a specific model investment project into the SLAP database.

## **B. Component 2: Local Government Administration**

**Objective 2.1: Improve the capacity of local government officials and assemblies to manage services and enhance revenues.** During FY 2011, the Project Team, together with support from the Chemonics' home office, made significant progress in clarifying the availability of off-the-shelf guides and tools that can be adapted into the envisaged toolkits and made accessible to Serbian counterparts. The focus of this search has been on tools designed in the advanced EU and candidate countries with similar legal and institutional tradition (e.g. Slovenia, Croatia, Bosnia, Macedonia, Hungary, Slovakia, and Czech Republic). Assessment of the most promising items will be completed in FY 2012 Q1.

Pertaining to revenue enhancement during FY 2011 Q3, a local finance expert visited several EU donor projects, local think tanks, and professional associations and gathered comprehensive information on performance and practices in enhancing local own source revenues (OSRs). The expert also visited the municipalities of Paracin, Zrenjanin, and Indjija which were singled out by the SCTM as best examples in OSR administration (particularly of the property tax but also of the *firmarina* (signage fee) and land use fee). In FY 2012 Q1 the Project will receive additional support from Intergovernmental Finance Commission member Dragan Spiric to jointly produce a set of performance indicators that will address key issues of local tax administration environment and performance. This diagnostics tool, when introduced to cluster municipalities, should unveil the most critical deficiencies in the tax administration's ability to collect OSR and the most important strengths and weakness of OSR collection in individual jurisdictions.

On the expenditure side of the ledger, the Project solicited think tanks and other professional associations and institutions for applications to provide cities and municipalities with measures that could be used in subsequent efforts to reduce expenditures in LG administration and utilities. The RFA looks to one or more

qualified institutions to develop two research instruments—one to identify the wage and employment patterns in major municipal “cost centers” and the second to clarify current LG contracting practices with their public utilities (e.g. for street cleaning, park maintenance, solid waste collection, etc). The result should provide SCTM, NALED, or sector-specific utility associations (like KOMDEL) a much needed benchmarking model, with an initial data set, to publicly display and compare costs for equivalent services in various municipalities and thus incentivize them to reduce costs or to outsource some services.

As a significant first step towards delivering assistance in introducing utility performance monitoring system in the Project’s partner LGs, a cadre of nine motivated and skilled professionals was recruited and trained as PUC performance monitoring facilitators through a training of trainers (ToT) workshop held in Kovilovo on June 30 and July 1, 2011. International utility management experts, Rafal Stanek and David Toft, conducted this training, which also included Nis and Novi Sad staff with some prior experience in this topic who also may serve as mentors within their respective clusters. During the workshop, the Project and LGs developed a model performance monitoring methodology approach. Moreover, during July and August 2011 Mr. Stanek and Mr. Toft developed a simple but effective Excel-based tool which allows local government staff to track key performance indicators in utilities. Mr. Stanek and Mr. Toft will assist municipalities in the use of this management/monitoring tool and develop an Action Plan with timetable and priority sector(s) for initiating the PUC performance monitoring.

**Objective 2.2: Advance professionalism as a guiding local government human resource principle.** During the FY 2011 Q4, the Project developed an RFA inviting grant proposals for Distance Learning program development and pilot testing. At the time of this report’s submission, the Project is fine tuning a draft RFA that would marry the best existing course content for LG training in Serbia with international best practices in distance learning for public servants. It is anticipated the RFA will be issued in FY 2012 Q1 (October 2011) with a due date in November and would be competed among formal or non-formal educational institutions or university/faculty consortia.

**Objective 2.3: Improve the legal framework for local governance and IMC.** During this reporting period, both the Ministry for Economy and Regional Development (MERD) and the Ministry for Environment, Mining, and Spatial Planning (MEMSP) asked the Project to review draft legal documents. This was done in close collaboration with NALED and SCTM.

Additionally, in cooperation with NALED, on September 28<sup>th</sup>, the Project supported a roundtable dedicated to the second anniversary of the Law on Planning and Construction. With Minister Dulic as a keynote speaker and active roundtable participant, this event provided the private sector and local government stakeholders a special opportunity to provide candid criticism of the Law’s implementation and recommendations for its improvement. The roundtable also brought together representatives from the Port of Belgrade, several prominent construction sector experts, real estate attorneys, and municipal representatives. The discussion focused particularly on the controversial provisions of this amended law for converting urban land usage to ownership rights. The Project is considering using one of the partner

project municipalities to develop a model implementing ordinance and procedures for calculating this conversion fee.

In cooperation with EBRD, who provided principal TA to the MERD, the Project successfully initiated the last round of consultations among international stakeholders on the Draft on Concessions and PPPs. The Project's timely translation of the Draft into English allowed EBRD itself to obtain last minute input from its legal staff based in their London headquarters. The Project contributed comments prepared by Arthur Schankler, international investment preparation expert and PPP/legal/policy advisor.

Perhaps the most significant legislative development of FY 2011 for the Project's agenda was doubling the LG's share in the tax wage from 40 to 80 percent. This change was embodied in amendments to the Law on Local Government Finances introduced by the G17+ party in Parliament and, despite initial severe criticism, accepted as an interim measure by the Democratic Party (DS) legislative leadership and the SCTM. In July 2011, Project STTA Tony Levitas provided limited assistance to the SCTM in drafting rule books and by-laws to create annual framework for distribution of general transfer among individual local governments. This assistance was aimed primarily at mitigating some unintended consequences of the law as it is enacted, particularly perverse disincentives for OSR effort.

As a contribution to the recently released public debate on the draft Law on Referendum and Peoples Initiative, the Project offered support to the NGO Educational Center from Leskovac (lead member of the coalition of NGOs), which in turn proposed an amendment to the draft Law on the use of electronic signatures in connection with citizen "initiatives". The Educational Center has been using internet-based social media such as Facebook to increase public awareness about this topic. The Project will support all outreach activities promoting this idea.

On September 24, the National Assembly adopted the long awaited Law on Public Property. The Law establishes criteria and mechanisms for devolving ownership of municipal buildings and other immovable property to LGs, including municipal utility infrastructure and networks. Dating back to 2002, USAID (through both its earlier SLGRP and MEGA programs) has supported the MoF in drafting a new Public Property Law. The latest draft of the Law was apparently prepared without seeking any donor input or public debate, but on quick reading appears to preserve most of the major donor recommendations from earlier drafts. The Law provides important benefits for LGs, particularly in respect to disposing and mortgaging of property, but

Legal Initiatives Important for IMC Sustainability:

1. Draft Strategy on Public Procurement (proponent MoF, public debate started in July 2011);
2. Draft Strategy on PUC's restructuring (proponent MERD);
3. Draft Law on PPPs and Concessions (proponent MERD);
4. Draft law on Communal Services (proponent MEMSP)
5. Draft Law on Public Debt (proponent MoF);
6. Draft Law on Labor Relations in LG Administration (proponent MPALSG);
7. Law on Referendum and Public Initiative (proponent MPALSG)
8. Draft Law on Amending Law on Public Procurement (proponent MoF);
9. Draft By-law on Establishment of the PPP with LGs contribution in construction land as an equity to joint enterprise (proponent MEMSP);
10. Draft Law on Conversion of the Usage Right into Ownership (proponent MMESP).
11. Two Decree which will Determining the Criteria of Municipal Development

also requiring the inventory and registration for legal title to those most valuable properties for LED purposes.

Also on September 24, the Assembly enacted a Law on Restitution, which when fully implemented will remove an important and longstanding uncertainty from local property markets, but in the short term will provide heightened uncertainty when contemplating purchase of properties subject to unresolved restitution claims.

In addition, the Project's CoP and PPP/Legal/Policy Specialist provided USAID briefing notes of developments on other relevant legislation that the Project has been closely monitoring. See box, above, for legislation in some stage of preparation with potential implications for the Project and its local counterparts.

### **C. Component 3: Public Participation**

**Objective 3.1: To improve transparency of LG operations and accountability of locally elected officials/assemblies and Objective 3.2: To build NGO capacity to foster citizen participation and serve as “watchdogs”.**

During this reporting period intensive preparatory work was accomplished for Component 3 field activities. Prior to launching capacity building and training activities at the local level, the Project formed a team of three trainers –two local consultants and one international expert—who served as a resource for the duration of the pilot phase (FY 2011). Working in cooperation with the Project's Public Outreach Specialist (POS) and under the technical supervision of the Component 3 & 4 Team Leader, this team was assigned to recruit and train a national pool of trainers for public participation (PTPP) designed to develop mechanisms for increased public participation in local governance and to develop a manual that will provide practical guidelines for PTPP activities. Once the manual is disseminated, the Project will assist each LG in creating a tailor-made action plan for public inclusion in the budget planning process and strategic document development.

The Training of Trainers (ToT) was conducted from June 22 – June 24 in Andrevlje. Out of 46 applications received, 12 participants were finally designated as PTPP members through a competitive selection process. The ToT's content focused on public participation and “watch dog” functions of CSOs at the inter-municipal level for representatives of both the public and civil sectors.

As a starting point for Public Participation Action Planning tailored to each partner LG, the Project conducted an initial assessment of existing citizen participation practices and mechanisms. This assessment was administrated as a part of the overall Project baseline assessment and also provides a concise public participation profile for each partner LG.

During September, facilitators from the PPTP conducted Public Participation Action Planning Workshops for the Vranje and Novi Sad clusters that involved LG, CSO, media, and business associations' representatives from all cities and municipalities in each cluster. As an output from the Action Planning Workshops, each Project partner city and municipality developed its own draft Public Participation Action Plan, as the

basis for planning communication and citizens' involvement during 2012 in the following areas:

- Annual budget planning and monitoring processes
- Preparation of general and sector-specific planning and strategy documents
- Granting of major urban development approvals, property dispositions, or PPP transactions



*Public Participation Action Planning Workshop held at Palic for the Novi Sad Cluster*

To respond to Social Impact's December 2010 evaluation, CeSID and the Project's M&E Specialist and Chemonics' home-office M&E Director Mark Bardini developed a concrete plan and timeline for refining the GGM methodology, improving the coding, and strategizing public outreach activities through a series of working sessions between May 16 and 20. Based on this plan, CeSID was due to complete a GGM assessment in seven local governments throughout Serbia and have results analyzed in September. However, this process is one month late as CeSID only completed the fieldwork at the end of September.

Possible continued support for GGM will be decided upon in consultation with the Project's COTR and the new Director of the Democracy and Governance office based on (1) an assessment of CeSID's success during 2011 in implementing the quality control recommendations provided by outside experts, (2) its performance in disseminating results, and (3) its efforts and progress in securing funding from other sources to contribute to future rounds of GGM assessments and the overall prospects for the GGM's sustainability.

Furthermore, in September 2011 the Project initiated cooperation with Ms. Ivana Cirkovic, Head of the GoS Office for Cooperation with Civil Society, in creating sustainable mechanism of CSO coordination for greater citizen participation in public life at local and inter-municipal level.

#### **D. Component 4: Youth Development**

**Objective 4.1: To strengthen the role of youth as good governance advocates and local policy makers.** The Component 3 & 4 Team Leader reached an initial agreement with the SCTM to support their Youth Working Group's efforts to improve LG Youth Offices' (YO) services through partner government participation.

During this reporting period, the Component 4 team also agreed to cooperate with the National Association of Youth Workers (NAPOR) in supporting Project partner municipalities' YO coordinators to obtain the Association's certification as youth work professionals. This initiative will also involve close coordination with the SCTM, MYS, Council of Europe, Office in Belgrade, and GIZ. Depending on their previous experiences, participating YO coordinators will either a) attend a multi-

modular training course, or b) participate in a process to validate competencies they have previously achieved.

Towards the Project's goal of advocating for a more inclusive role of youth in local decision-making and development projects at the cluster level, the Component 4 team has agreed to assist the National Youth Umbrella Organization (KOMS) in its efforts to encourage youth organization networking at the sub-national level. KOMS is the only representative youth body that meets all criteria described in the Youth Law and serves as the main counterpart to the GoS in all strategic and legal developments in respect to Serbian youth. After decades and dozens of attempts, the Serbian YOs joined the KOMS in March 2011.

**Objective 4.2: To increase youth work readiness in targeted potential growth centers.** In June, the Project commenced more formal cooperation with the National Employment Service (NES). NES Deputy Director Danica Vasiljevic confirmed interest in signing an MoU for cooperation on a survey for labor market needs and existing skill gaps. These assessments will map the gap between the skills of graduating young people and the needs (both existing and prospective) of local employers in each cluster. Using IPA 2008 funds, NES is developing and piloting the survey methodology with a sample of 5,000 employers nationwide. In the second phase, they plan to use IPA 2011 funds to conduct these surveys on a community by community basis. Having learned of this NES initiative, the Project has agreed in principle with the NES' methodology to be applied in its first eight clusters and shared it with its local counterparts. In FY 2012 Q1, the Project will negotiate a MoU with NES that, tentatively, would allow NES to conduct the surveys and analysis using its own staff resources and have the Project underwrite sample design and secure the cooperation of the IMC Working Groups on Youth Work Readiness in facilitating the survey process.

In efforts to develop internship opportunities in the public and private sector, the Project is about to sign a subcontract with Smart Collective. This CSO has been charged with organizing 200 one- to three-month internships in eight clusters over two years. To ensure each participant's experience is meaningful, Smart Collective has agreed to work with both the supply and demand side to prepare, track, and evaluate internship quality. Smart Collective will recruit both employers and internship candidates and then proceed to train the candidates through orientation sessions, job interview preparation trainings and other activities. At the same time, Smart Collective will ensure that the employers offer the interns meaningful experiences while receiving valuable services. The Project also agreed with Smart Collective on a mentorship program where it will support existing young entrepreneurs. In FY 2012 Q1, beneficiaries will be selected through an open call for young entrepreneurs; the Project then will identify prospective mentors from successful local entrepreneurs and business leaders. These mentors and leaders then will be matched with mentees while Smart Collective will organize orientation sessions to facilitate the establishment of effective mentoring relationships.

Furthermore, to support implementation of the National Career Guidance Strategy ("Strategy") at the cluster level, the Project has recruited and prepared a detailed SOW for local expert Iskra Maksimovic, who was central in developing the Strategy. Pursuant to this SOW, she will provide expert support to the members of Inter-

Municipal Working Groups on Youth Work Readiness as they are formed in the first nine partner IMC clusters. Ms. Maksimovic will introduce Working Group members to both the National Career Guidance Strategy and National Youth Strategy, and stimulate their interest in the implementation of these policy documents at the inter-municipal level.

## **E. Component 5: Business Enabling Environment (BEE)**

**Objective 5.1: To sustain NALED's BFC program as a nationally and internationally recognized tool for attracting investors, retaining existing businesses, and good governance practices.** The FY 2011 work plan, based on direction from the contract SOW, sought international validation for NALED's Business Friendly Certification (BFC) Program. However, as previously reported, NALED made a convincing case to the Project for the need to revise and strengthen BFC procedures and their documentation prior to proceeding with bringing in outside organizations to validate the certification program. They also expressed some skepticism about the likely value of international validation to existing and prospective local government holders of BFC certificates.

By the end of September 2011, the Project was about to finalize a subcontract with NALED for a set of enhancements to the BFC process. NALED will revise all of its 100 BFC criteria, and all of the procedures that govern both the required applicant documents and the evaluation and verification processes. NALED also will devise a methodology for recertification, with consideration to introducing higher standards than apply for initial certification. Deliverables include: (1) a guidebook for LGs to navigate the certification process; (2) a handbook for the evaluators who perform the field assessments; and (3) a handbook for the Validation Committee members who review and oversee the results of the evaluators' work.

**Objective 5.2: To promote modern concepts of corporate social responsibility (CSR) and social entrepreneurship.** Conduct CSR assessments and pilot CSR initiatives in three clusters. The Project has procured subcontract assistance to promote CSR concepts at the local level. Under this assistance Smart Collective will define a set of general criteria that projects will need to meet in order to compete for the Project's grant support. In addition, Smart Collective will prepare a CSR and Social Entrepreneurship Best Practice Manual, which will illustrate information on cross-sector cooperation, CSR, and social entrepreneurship concepts, as well as practical tools for establishing and implementing a successful cross-sector partnership. These will be used to promote and support CSR initiatives at the cluster level.

**Objective 5.3: To increase domestic and foreign investments and the associated number of jobs at the cluster/consortium level.** During the past quarter, pursuant to a subcontract with the Project, NALED for the first time initiated an "Out-of-the-Maze" campaign at the sub-national level (in the Nis cluster which includes Leskovac). The Out-of-the-Maze concept, previously implemented successfully by NALED at the national level, looks to promote simplification of administrative procedures on a grassroots basis by soliciting ideas for reform from the business community and the public through media campaigns. The process involves a

partnership among regional chambers of commerce (RCoCs), other local business organizations and leaders, CSOs, and regional/local media and seeks to engage the positive collaboration of mayors and other LG leadership as well.

During September 2011, the Project, utilizing Czech experts from subcontractor the Berman Group, delivered workshops to two clusters in action planning for investment promotion and tourism development on an inter-municipal basis—one for the Novi Sad cluster and one for the Vranje cluster. The Novi Sad workshop participants developed a regional action plan with several key identified areas: infrastructure development, development of joint tourism products, monastery tours, cycling, wine tours, marketing/human resource development, usage of thermal water potentials, and the need for both improved tourism signs and tourism services certification.

The Vranje cluster workshop focused more on joint investment promotion. Participants developed a concept for cooperatively promoting existing industrial zones and marketing the region to investors. The Component 5 Team Leader and Berman Group expert Tomas Vlasak also visited the Novi Pazar cluster municipalities to assess IMC tourism potentials with a focus on conducting a tourism development workshop similar to the one delivered in Novi Sad.

## **II. SIGNIFICANT CHALLENGES ENCOUNTERED AND ACTIONS TAKE TO RESOLVE CHALLENGES**

***Reorganization of the GOS.*** The Project's scope of work cuts across the turfs of numerous ministries and donor initiatives, demanding a comprehensive approach to each task. As the first USAID project launched under the two assistance agreements signed between the US Government and the GOS on September 23, 2010, the Project is charting new territory in regards to coordination. As a result, the reorganization of the GOS – in particular related to the merger of NIP into MERD and the replacement of State Secretary Ilic at the MoF, the Project's lead counterpart for the pending Law on Public Property and Law on Public Debt—posed some challenges.

To overcome this challenge, the Project kept abreast of changes and immediately proceeded with reestablishing relationships where necessary. For example, with the departure of MoF State Secretary Ilic, the Project CoP met with State Secretary Jokovic to discuss the status of the draft law on public debt, particularly in response to authorizing publicly issued municipal bonds and municipal guarantees of debt.

***Impact of elections.*** Uncertainties related to the timing of national and local elections have continued to be a factor in planning some activities. In particular, in FY 2012 some mayors may perceive project activities—such as staff reductions to enhance net revenues or watchdog activities such as the GGM and Out-of-the-Maze campaign—as politically risky and will be reluctant to participate.

The Project is trying to anticipate potential impact where it can. For example, on the capital revenue enhancement activity, STTA Tony Levitas and local consultants have adapted the methodology for conducting initial diagnostics by simplifying the methodology, thus avoid potential political constraints in its implementation. Work planning for Year Two allows for flexibility in reallocating resources to where local

counterparts remain most engaged during the election period and also “pump priming” attention to preparing new activities for quick launch as new local governments are formed post-election.

***Scheduling challenges.*** According to the approved work plan, cluster formation in Vranje, Nis, and Novi Sad was to occur in June, with the Novi Pazar cluster following shortly thereafter in early July. However, the Project encountered significant challenges juggling various VIP schedules resulting in the need to repeatedly reschedule and delay MoU signing ceremonies. It also in turn had a ripple effect on other scheduled field work required to keep the remaining cluster formations on schedule. Moreover, because the MoU signing in Novi Pazar was followed by the month-long Ramadan in August, the counterparts requested the first IMC Forum and initiation of field activities be deferred to September.

To overcome scheduling issues, the Project adapted as quickly as possible and showed great flexibility and dedication. As a result of their persistence and tenacity, all four cluster formations were finalized before the vacation season hiatus, which has been the underlying objective of the sequencing schedule. The next four clusters are on schedule to be formed by the end of the calendar year.

***Political Sensibilities.*** As part of the final work plan, the Project’s management proposed Kraljevo as the lead city and regional office location for a consortium in Southwest Serbia, which would include a cluster centered on Novi Pazar. In the Project’s initial meetings with the Novi Pazar Mayor, and subsequent meetings between the mayor and USAID officials, he expressed his strong reservations about any suggestion of Kraljevo in some sense serving as a consortia lead city and having the project office located there. In response, USAID advised him of the following:

- Novi Pazar would definitely be the leader of a cluster, while Kraljevo and other cities in Southwest Serbia would have to compete to be selected.
- The selection of a location for the project’s regional field office would be deferred until the other two lead cities in the Southwest region are selected.

Based on guidance received in further consultations with USAID, the Project proceeded with the formation of a Novi Pazar cluster with Tutin and Sjenica. In addition, the Project stopped recruitment for two senior professional staff for the Kraljevo field office until the other two cluster leads are selected and office location is determined. To ensure coverage in the meantime, the Project retained an STTA facilitator (Ivana Teodorovic) through Maxima and converted the field office regional program assistant’s position into a professional level facilitator’s position. Since this facilitator is expected to spend approximately 75 percent of his or her time in Novi Pazar, the recruitment was initiated there.

Also, after consultation, the Project and USAID agreed to focus on “cluster” formation. As a result, the Project will not mention “consortium” and “consortium lead city” in its discussions with prospective counterparts in the Southwest.

### **III. RESULTS ACHIEVED AGAINST ANNUAL WORK PLAN TARGETS**

During the second half of FY 2011, Project Component 1 activities have been the establishment of four clusters around Novi Sad, Nis, Vranje, and Novi Pazar. In addition, Component 1 led the way in organizing forums for these partner municipality mayors who adopted action plans for three or more IMC projects. Through working groups, the clusters have prioritized the projects. Four new clusters have been identified and IMCAs and MoUs will be signed in the coming FY 2012 Q1.

Component 2 focused its activities towards laying the groundwork and developing the necessary tools for implementation of technical activities commencing in FY 2012. The methodology for Public Utility Company performance monitoring was finalized, while a consultant pool was established for monitoring these PUCs. Component 2 also moved ahead on PPPs with the initial draft of a PPP manual for infrastructure development and a technical guide covering PPP concepts on parking management and structuring SME Loan Funds. The Project has also prepared an RFA for distance learning to be issued in October 2011.

Under Component 3, draft actions plans for public participation in budget and planning processes were prepared at workshops for the Novi Sad and Vranje clusters. Component 3 and 4 Team Leader completed preparatory work for launching the spectrum of youth development activities at the local level. Through the cluster formation process, she and the RO staff established working relationships with partner LG Youth Office staff and the major local youth development NGOs, as well as the municipal LED offices whose close cooperation with youth development stakeholders will be essential to advancing the Project's objectives for improving the employment prospects for youth in partner communities. The Project has procured or is in the process of procuring subcontractor and STTA services to deploy the expertise needed to initiate cluster activities in career guidance, youth internships, and youth entrepreneurship.

The Project has established important working relationships in Belgrade to pilot sub-national applications for the National Career Guidance Strategy through established networks and organizations (such as KOMS, GoS-OCCSOs, BLF, NAPOR, MYS, and NES). The Component 3 and 4 Team Leader has arranged with MYS officials to cooperate in using the Project's partner clusters to pilot best practices in implementing the GoS Strategy on Career Guidance. In addition, following discussions with the SCTM, the Project received a Letter of Intent for their Youth Working Group to cooperate on Project Work Plan activities.

For all three BEE objectives, the Project completed basic preparatory work to launch activities at the cluster level and initiated implementation of its activities in the field. The Component 5 Team Leader established working relationships in the four clusters formed with RCoCs, Economic Development Councils, and business leaders. In addition, subcontracts were prepared with NALED for BFC strengthening and sub-national Out-of-the Maze campaign, with the Smart Collective for pilots to promote CSR concepts initially in two clusters. During September 2011, experts from the Berman Group conducted FDI and tourism potential assessments and conducted action planning workshops in the Vranje and Novi Sad Clusters. The following table provides an overview of milestones achieved to date:

## Implementation Milestones

Milestone	Completed	Underway
<b>COMPONENT 1</b>		
First four clusters formed	■	
Form first cluster in Novi Sad consortium centered on Novi Sad itself	■	
Complete selection of lead cities for second and third Novi Sad clusters	■	
Distribute questionnaires to all LGs in prospective Kraljevo consortium and assess responses	■	
Cluster working groups formed for initial activities	■	
Initiate periodic IMC group coordination committee sessions	■	
Explore and possibly plan forum for General Assembly of SCTM	■	
Develop technical brochure to introduce IMC/PPP concepts	■	
Prepare training in project preparation and capital finance		■
Develop Action Plan for introducing IMC/PPP models in three clusters		■
Identify off-the-shelf tool kit resources		■
Assess the status of PUC monitoring in Nis and Novi Sad	■	
<b>COMPONENT 2</b>		
Consult with MPALSG and MOE on scope of credentialing program	■	
Provide input to relevant laws and regulations		■
Assist ministries with promulgation of newly adopted laws/by laws		■
<b>COMPONENT 3</b>		
Outreach strategy assessment		■
Design trainings and conduct training of trainers	■	
Develop draft training manual for cluster training courses	■	
Finalize manual based on training of trainers participants' input		■
<b>COMPONENT 4</b>		
Identify networks of youth organizations and municipal youth offices	■	
Advocate for more inclusive role of youth in local decision-making and development projects		■
Assess youth internship possibilities		■
Develop intern concept with counterparts		■
Establish complementary working relationships with other USAID programs		■
Assess youth entrepreneurship opportunities	■	
Develop youth entrepreneurship concept with counterparts	■	
<b>COMPONENT 5</b>		
Agree on scope of enhancements with NALED	■	
Agree on modus operandi with NALED	■	
Agree on modus operandi with BLF/SMART Collective	■	
Agree with NALED on approach to adapting Out-of-the-Maze concept to the cluster level	■	

## IV. HIGHLIGHTS OF ACTIVITIES PLANNED FOR FY2012 Q1

During October, November, and December the Project will proceed to work under each of the five components in accordance with its updated FY 2012 Work Plan. Selected highlights are as follows:

- Component 1: Inter-Municipal Cooperation.** IMCA/MOU signing events for the Subotica cluster are scheduled for October, while the other three clusters will be formalized by the end of FY 2012 Q1. Following cluster establishment, working groups will be formed based on the priorities of each cluster defined within the IMCAs and expressed at IMC Forums. The working groups will then, with Project support, produce Action Plans to implement identified priority projects. The Project will deliver workshops in IMC Investment Project Preparation to the first

four clusters, and help them refine IMC project-specific action plans to pursue initial implementation in each cluster. The Project will assist the clusters with applications for Project Research or Development Grants, and perhaps for EU cross-border development grants.

- **Component 2: Local Administration Reform.** Component 2 will focus on launching in all clusters capacity development initiatives, in particular related to capital revenue enhancement and PUC performance monitoring. An RFA for a Distance Learning (DL) program that would marry the best existing course content for LG training in Serbia with international best practices in DL for public servants will be issued in October. The Project will continue to provide input into relevant laws and regulations, and is tracking 11 potential opportunities to support their development. In particular, the Project's PPP/Legal/Policy Specialist has been invited to participate in a MEMSP Working Group to prepare a by-law to the Law on Planning and Construction that would govern LG contributions of land to PPPs.
- **Component 3: Public Participation.** During FY 2012, the Project will facilitate seven cluster-level public participation action planning workshops on a rolling schedule (three during Q1 of the fiscal year). The workshops will generate draft public participation action plans which will serve as a basis for planning communication and citizens' involvement during 2012. Component 3 will also facilitate the training of CSO representatives from these clusters in techniques to increase and improve public participation. Simultaneously, the Project aims to increase cooperation with the GOS Office for Cooperation with Civil Society to create a sustainable cluster level network mechanism of CSOs.
- **Component 4: Youth Development.** Building on its work with Smart Collective, the Project will facilitate the organizing of one- to three-month internships in eight clusters. Smart Collective will recruit both employers and internship candidates and proceed to train the candidates through orientation sessions, job interview preparation trainings, and other activities. During FY 2012 Q1, beneficiaries will be selected through an open call for young entrepreneurs, while successful local entrepreneurs and business leaders will be selected as mentors. Afterwards, Smart Collective will match mentors with mentees and facilitate effective mentoring relationships through orientation sessions.
- **Component 5: Business Enabling Environment.** NALED will complete the Out-of-the-Maze media campaign to be followed by Grey Book presentation in Q2. In addition, NALED should be in the process of enhancing BFC procedures/documentation. To follow up on September's action planning workshops conducted the Berman Group, the Project will support working groups on tourism development (Novi Sad cluster) and investment promotion (Vranje cluster). Berman Group experts will return to facilitate similar Tourism Development Action Planning for the Novi Pazar cluster. The Smart Collective will initiate CSR assessments/promotions and related manual preparation.

## ANNEX B - QUARTERLY EVENT AND MONITORING PLAN —Q3 AND Q4

Note: No major events/meetings occurred in August 2011 due to large volume of vacations.

Quarterly Event and Monitoring Plan																			
Sustainable Local Development																			
Third Quarter, 2011																			
Event Type	Location	Representational Level	Days	Start	End	Monitoring Plan	Monitoring Date	April				May				June			
								W1	W2	W3	W4	W1	W2	W3	W4	W1	W2	W3	W4
First field visits to facilitate cluster formation	Vranje/Bujanovac/Presevo	COTR/none	3	4-Apr	6-Apr	COTR/FO		■											
First field visits to facilitate cluster formation	Novi Sad	COTR/none	2	11-Apr	12-Apr	COTR/FO			■										
Field visits to make assessment for the third consortium	Kraljevo/Novi Pazar	COTR/none	2	14-Apr	15-Apr	COTR/FO			■										
Second field visit to confirm cluster formation	Nis	COTR/none	2	18-Apr	29-Apr	COTR/FO				■									
Second field visit to confirm cluster formation	Vranje/Bujanovac/Presevo	COTR/none	2	20-Apr	21-Apr	COTR/FO				■									
Third field visit to prepare cluster documentation	Nis	COTR/none	1	3-May	3-May	COTR/FO					■								
Third field visit to prepare cluster documentation	Vranje/Bujanovac/Presevo	COTR/none	1	4-May	4-May	COTR/FO					■								
Second field visit to prepare cluster documentation	Novi Sad	COTR/none	2	5-May	6-May	COTR/FO					■								
MoU signings	Nis	Ambassador/MD/EGO Director/COTR/FO	1	9-May	9-May	COTR/FO						■							
First clusters forming	Nis	COTR/none	1	10-May	10-May	COTR/FO						■							
Ex-pat consultant Tony Levitas visit to assess data for revenue expenditure diagnostic	TBD	COTR/none	3	9-May	12-May	COTR/FO						■							
Third field visit to prepare cluster documentation	Novi Sad	COTR/none	1	16-May	16-May	COTR/FO						■							
Second field visits to make assessment for the third consortium	Kraljevo/Novi Pazar	COTR/none	2	19-May	20-May	COTR/FO							■						
MoU signings	Novi Sad	Ambassador/MD/EGO Director/COTR/FO	1	23-May	23-May	COTR/FO								■					
Third field visits to make assessment for the third consortium	Kraljevo/Novi Pazar	COTR/none	2	30-May	31-May	COTR/FO									■				
ToT in public participation	TBD	COTR/none	3	31-May	2-June	COTR/FO									■	■			
Ex-pat consultant Tony Levitas visit to train consultants in implementing revenue enhancement diagnostic	TBD	COTR/none	10	20-June	30-June	COTR/FO											■	■	
Visit of public utility monitoring specialist	TBD	COTR/none	10	13-June	25-June	COTR/FO											■	■	
MoU signings	Vranje/Bujanovac/Presevo	Ambassador/MD/EGO Director/COTR/FO	2	20-June	30-June	COTR/FO												■	

# Quarterly Event and Monitoring Plan

Sustainable Local Development

Fourth Quarter, 2011

Event Type	Location	Representational Level	Days	Start	End	Monitoring Plan	Monitoring Date	July				August				September			
								W1	W2	W3	W4	W1	W2	W3	W4	W1	W2	W3	W4
PUC Monitoring Workshop	Kovilovo, Belgrade	COTR / FO	2	30-Jun	1-Jul	COTR/FO													
First Inter-Municipal Forum for Vranje Cluster (TBC)	Vranje	COTR /None	1	4-Jul	4-Jul	COTR/FO													
MoU Signing and fist IMC Forum (TBC), together with the opening of the Danube Riverbank Tourist Info Stand	Sremski Karlovci	Ambassador, MD /EGO Director, COTR / FO	1	July 5	July 5	COTR/FO													
Meeting with 22 representatives of CSOs from Nis, Leksovac, Gadzin Han, Doljevac and Merosina regarding CSO participation & representative in the Nis cluster MoU and MoU Annex signing ceremony	Nis	COTR /None	1	12-Jul	12-Jul	COTR/FO													
Follow-up visits to prospective Novi Pazar cluster and Prijepolje as part of Southwest cluster assessment	Novi Pazar, Tutin, Sjenica, Prijepolje	COTR /None	4	12-Jul	15-Jul	COTR/FO													
MoU Signing	Nis	Ambassador, MD /EGO Director, COTR / FO	1	19-Jul	19-Jul	COTR/FO													
Meetings with mayors of cities invited to compete for selection as lead cities for second and third cluster in SW Serbia.	Kraljevo (regional meeting for Kraljevo, Cacak, Uzice and Prijepolje)	COTR / FO	1	20-Jul	20-Jul	COTR/FO													
MoU Signing	Novi Pazar	MD, EGO Director, COTR, FO	1	21-Jul	21-Jul	COTR/FO													
Meetings with mayors of cities invited to compete for selection as lead cities for second and third cluster in Vojvodina	Novi Sad (regional meeting for Zrenjanin, Vrsac, Subotica, Sombor, Kikinda, Sremska Mitrovica	COTR /None	1	22-Jul	22-Jul	COTR/FO													
Project WP Retreat	Belgrade	COTR /None	3	25-Jul	27-Jul	COTR/FO													
IMC Forum	Nis	COTR /None	1	23-Aug	23-Aug	COTR/FO													
IMC Forum	Novi Sad	COTR /None	1	25-Aug	25-Aug	COTR/FO													
Advisory Panel Central / Western Serbia Selection	Kraljevo	COTR /None	1	26-Aug	26-Aug	COTR/FO													
Advisory Panel Vojvodina Lead City Selections	Novi Sad	COTR /None	1	30-Aug	30-Aug	COTR/FO													
First meeting of Working Group of Vranje Cluster – waste water treatment and industrial zones	Vladicin Han	FO/ None	1	1-Sep	1-Sep	COTR/FO													
Berman Group Assessment	Vranje cluster and Novi Sad cluster	FO/ None	5	5-Sep	9-Sep	COTR/FO													
IMC Forum	Novi Pazar	COTR / FO / None	1	7-Sep	7-Sep	COTR/FO													
Public Participation Action Planning Workshop	Vranje	COTR / FO	3	21-Sep	23-Sep	COTR/FO													
First meeting Project Coordination Group of Nis Cluster	Leskovac	FO/ None	1	22-Sep	22-Sep	COTR/FO													
Berman Group Training: Tourism Developmnet	Novi Sad (may move to early Oct.)	COTR /None	2	22-Sep	23-Sep	COTR/FO													
Berman Group Training: Developmnet and Promotion of Existing Industrial Zones at the Inter-Municipal Level	Vranje / Bujanovac / Valadicin Han / Presevo TBD	COTR /None	2	26-Sep	27-Sep	COTR/FO													
2 year anniversary of passing of the Law on Planning and Construction with NALED	Belgrade	EGO Director	1	28-Sep	28-Sep	COTR/FO													
Public Participation Action Planning Workshop	Novi Sad	COTR /None	3	28-Sep	30-Sep	COTR/FO													
Meeting of Working Group Nis Cluster	Nis	FO/ None		29-Sep	29-Sep	COTR/FO													

## ANNEX C – Report by Cluster

### Cluster V1 – Novi Sad, Sremski Karlovci, Beocin, Temerin

The Vojvodina 1(V1) cluster was formed on July 5, 2011. For the MoU ceremony the Project mobilized ten NGOs and three businesses.

#### NOVI SAD

Population: 381,388

Employment: 136,270

Unemployment :16.72 % - 30,138

Economic Base: Tertiary sector of the economy, processing industry - NIS A.D., Mercator-S doo, Elektrovojvodina doo, JP Vojvodinašume

Ruling Coalition: DS, G17+, LSV,SPO,VA, SPV,DZVM,DSVM,SVM

Mayor: Igor Pavlicic



#### SREMSKI KARLOVCI

Population: 8,839

Employment: 835

Unemployment: 50.20% - 858

Economic Base: Agriculture, Tertiary sector of the economy

Ruling Coalition: DS, G17+

Mayor: Milenko Filipovic



#### BEOCIN

Population: 16,086

Employment: 3,105

Unemployment: 30.58% - 1,460

Economic Base: Industry, tourism, mining - AD "Lafarge BFC "Beočin, AD "Podunavlje"

Ruling Coalition: LSV, PUPS, SPS, DS, NDSRS,G17+

Mayor Bogdan Cvejic



#### TEMERIN

Population: 28,275

Employment: 7,078

Unemployment: 26.82 % - 2,302

Economic Base: Industry, craftsmanship, agriculture - FKL Temerin, DTD Ribarstvo, Termovent SC, Nobili Furniture

Ruling Coalition: GG,DS, SPS, DSS,NS, DSVM,SVM

Mayor: Andras Gustonj



### CLUSTER ORGANIZATION:

- The First Forum of Mayors was organized 25<sup>th</sup> August in Temerin. An Action Plan was adopted and members of the Coordination Working Group were appointed
- First meeting of Coordination working group was held September 7<sup>th</sup> 2011 in Sremski Karlovci. The appointed representatives from all partners' municipalities were present.
- Working groups meetings:
  - 16<sup>th</sup> September 2011—Tourism development
  - 16<sup>th</sup> September 2011—Business attraction

### PRIORITY IMC PROJECTS:

1. Development and Unification of the Tourism Offer on Inter-municipal Cooperation Area (IMCA)
2. Cooperation in the field of water supply and waste water treatment in IMCA
3. Development of infrastructure for optical communication network IMCA, according to the model developed and implemented by the Public Utility Informatika Novi Sad.
4. Development of renewable energy sources and increase of energy efficiency.
5. Development of small and medium size enterprises

### ONGOING / CAPACITY BUILDING ACTIVITIES:

Activity	Overall Budget	Budget by City/Municipality			
		Novi Sad	Sremski Karlovci	Beocin	Temerin
Tourism and Regional Development	\$7,183	\$3,591	\$1,197	\$1,197	\$1,197
Public Participation Planning Workshop	\$5,134	\$2,567	\$856	\$856	\$856
Water Supply Utility monitoring for Municipal and PUC officials *with S/SE2 Cluster	\$7,739	\$1,407	\$703	\$703	\$703
Training for Trainers *Project wide/all cluster training	\$9,000				

## Cluster S/SE 1 - Vranje, Presevo, Bujanovac, Vladicin Han

The South-South East 1(S/SE1) cluster was formed on June 8, 2011. For the MoU ceremony the Project mobilized eleven NGOs and five businesses.

### VRANJE

Population: 87,228

Employment: 18,958

Unemployment: 16.8 %

Economic Base: Example – Textile (Yumco), furniture producing (Simp), leather and shoe industry, machine industry(Alfa Plam, Zavarivac)

Ruling Coalition: Democratic Party

Mayor: Miroљub Stojicic



### PRESEVO

Population: 34,904

Employment: 3,212

Unemployment: 67.8%

Economic Base: Wood processing industry (Simp)

Ruling Coalition: Albanian Democratic Party (DPA) & NPA (National Movement of Albanians) & Citizens Initiative

Mayor: Ragmi Mustafa



### BUJANOVAC

Population: 43,302

Employment: 7,443

Unemployment: 64%

Economic Base: Agriculture, food processing, wood processing (Kondiva, Heba, Mattress Factory)

Ruling Coalition: PDD (Party for Democratic Action) & PDP (Movement for Democratic Progress) & DUA (Democratic Union of Albanians) & Bujanovac for a European Serbia– Boris Tadić & Citizens Group “Dr Stojanča Arsić and Dr Miodrag Milković”

Mayor: Shaip Kamberi



### VLADICIN HAN

Population: 23,703

Employment: 3,000

Unemployment: 60%

Economic Base: Fruit processing, wood processing, production of paper packaging

Ruling Coalition: minority rule - Democratic Party

Mayor: Nenad Mitrović



### CLUSTER ORGANIZATION:

- 4<sup>th</sup> July – First Mayor’s IMC Forum
- 1<sup>st</sup> September – First Coordination / Working Group Meeting

### PRIORITY IMC PROJECTS:

- Protection of the South Morava River catchment with interventions of communal waste water infrastructure
- Industrial zones coexistence in Inter-municipal area

### ONGOING / CAPACITY BUILDING ACTIVITIES:

Activity	Overall Budget	Budget by City/Municipality			
		Vranje	Presevo	Bujanovac	Vladicin Han
Public Participation Planning Workshop	\$8,757	\$2,189	\$2,189	\$2,189	\$2,189
Regional Product Development for FDI	\$7,000	\$1,750	\$1,750	\$1,750	\$1,750
Training for Trainers <b>*Project wide/all cluster training</b>	<b>\$9,000</b>				

## Cluster S/SE2 - Nis, Leskovac, Merosina, Doljevac, Gadzin Han

The South-South East 2 (S/SE2) cluster was formed on July 11, 2011. For the MoU ceremony the Project mobilized thirteen NGOs and seven businesses.

### NIS

Population: 255,479

Employment: 66,276

Unemployment: 34.4%

Economic Base: Electronic industry, machine industry, textile, agriculture, transport (Nltex, Philip Morris, Nis Expres, Jugoimpex, YURA, Shiwon)

Ruling Coalition: Democratic Party & SPS

Mayor: Miloš Simonović



### LESKOVAC

Population: 156,252

Employment: 41,790

Unemployment: 34.45 %

Economic Base: Hemijska industrija, Agriculture, Food Industry, Textile, Wood processing industry (Zdravlje Actavis, Nevena, Drvopromet, Inetremind)

Ruling Coalition: Democratic Party & SPS & Nova Srbija

Mayor: Slobodan Kocić



### MEROSINA

Population: 14,812

Employment: 4,020

Unemployment: 32,50%

Economic Base: Agriculture

Ruling Coalition: SPS & Democratic Party

Mayor: Slobodan Todorović



### DOLJEVAC

Population: 19,561

Employment: 2,943

Unemployment: 45.90%

Economic Base: Agriculture, food processing industry

Ruling Coalition: Nova Srbija & SPS & G17+

Mayor: Goran Ljubić



### GADZIN HAN

Population: 10,464

Employment: 1,696

Unemployment: 42.50 %

Economic Base: Agriculture, food industry

Ruling Coalition: Democratic Party & SPS & Grupa

Gradjana

Mayor: Saša Đorđević



## CLUSTER ORGANIZATION:

- 23<sup>rd</sup> August – First Mayor's IMC Forum
- 22<sup>nd</sup> September – First Coordination Working Group Meeting
- 30<sup>th</sup> September – First Working Group Meeting Related To Projects:
  - Solid Waste Treatment
  - Water Supply

## PRIORITY IMC PROJECTS:

- Solid Waste Management
- Support to processing, storage, and distribution Agribusiness center – “green zone”
- Joint presentation and promotion of IMC that includes:
  - Presentation and promotion of projects and econ interests through Brussels office
  - Establishment of office in Belgrade for Serbia's South East promotion
- Water Project Treatment – connecting of local water systems with Nis main pipeline

## ONGOING / CAPACITY BUILDING ACTIVITIES:

Activity	Overall Budget	Budget by City/Municipality				
		Nis	Leskovac	Merosina	Doljevac	Gadzin Han
Water Supply Utility monitoring for Municipal and PUC officials <b>*with V1 Cluster</b>	\$7,739	\$1,407	\$703	\$703	\$703	\$703
Training for Trainers <b>*Project wide/all cluster training</b>	<b>\$9,000</b>					

## Cluster CW 1 – Novi Pazar, Tutin, Sjenica

The Central Western 1(CW1) cluster was formed on July 21, 2011. For the MoU ceremony the Project mobilized eight NGOs and five businesses.

### NOVI PAZAR

Population: 117,084

Employment: 25,918

Unemployment: 44.13 %

Economic Base: Textile, road construction, trade , AD Novi Pazar Put, PTUPP Rekić

Ruling Coalition: SDP & DS

Mayor: Meho Mahmutović



### TUTIN

Population: 36,054

Employment: 3,116

Unemployment: 67.5%

Economic Base: Furniture production, trade, agriculture, forestry (Dalas furniture company, ELAN-MMS, Dairy “Zornić”)

Ruling Coalition: SDA

Mayor: Bajro Gegić



### SJENICA

Population: 27,970

Employment: 7,022

Unemployment: 44%

Economic Base: Agriculture, textile, food industry

Ruling Coalition: SDP & SDA

Mayor: Muriz Turković



## CLUSTER ORGANIZATION:

- Due to factors mentioned earlier in the report, late formation of the Novi Pazar cluster and religious holiday, no Working Groups have been formed or held in this reporting period other than the first Mayors' IMC Forum.

## PRIORITY IMC PROJECTS:

- Development and Unification of the Tourism Offer on Inter-municipal Cooperation Area (IMCA)
- Cooperation in Water Supply and Sewerage sector on IMCA
- Development of the Renewable Energy Sources and Energy Efficiency

## ONGOING / CAPACITY BUILDING ACTIVITIES:

Activity	Overall Budget	Budget by City/Municipality		
		Novi Pazar	Tutin	Sjenica
Training for Trainers *Project wide/all cluster training	\$9,000			
Due to the abovementioned delays, training are scheduled for November.				

## ANNEX D – IMC Priority Projects

*Projects Adopted by Inter-Municipal Cooperation Forums as Priorities for Further Assessment, Action Planning, and Initiation of Project Support, August-December 2011*

<b>Inter-municipal Cooperation (IMC) Area Vranje, Presevo, Bujanovac, Vladicin Han</b>
<ul style="list-style-type: none"> <li>✓ <b>Protection of the South Morava River Basin</b>, starting with a waste water treatment study, including possible IMC cooperation in effluent measurement and testing and possible pooled financing mechanisms for investment in waste water treatment facilities. Possible coordination with Corridor 10 construction in installing waste water trunk lines crossing the highway. (Vranje had EU West Balkan PPF for preparing a waste water treatment feasibility study, and may receive some loan financing support from KfW)</li> <li>✓ <b>Join cooperation in development, improvement, and promotion of existing businesses and industrial zones</b> within the area of inter-municipal cooperation within the new Vladicin Han industrial zone. Under consideration, development of coordinated investments in industrial zone access roads in conjunction with Corridor 10 construction. (Vladicin Han industrial zone has MISP support for a feasibility study now in progress.)</li> </ul> <p>NOTE: At the request of the Mayor of Bujanovac, the Project will also assess whether it can contribute to moving along planning for a regional land fill and transfer stations (which has been largely on hold since the EU MISP feasibility study).</p>
<b>Inter-municipal Cooperation (IMC) Area Nis, Leskovac, Gadzin Han, Merosina, Doljevac</b>
<ul style="list-style-type: none"> <li>✓ <b>IMC projects for solid waste management</b>—Initially, coordination in studying content and quality of solid waste to inform decisions in best technologies for solid-waste disposal, processing and recycling. This study would inform City of Nis decisions in respect to new regional landfill planning taking into consideration possible access to Leskovac regional land fill capacity.</li> <li>✓ <b>IMC in the Leskovac Green Zone--Processing, Storage and Distribution Agribusiness Center</b>. This project has support from MEMSP for off-site infrastructure, EU Progress for Phase I on-site infrastructure, and USAID Ag-Biz for some feasibility studies. The Sustainable Local Development Project would engage neighboring municipalities in promotion of the zone and urban-rural supply linkages, and as needed contribute to feasibility and business planning of the real estate (business park) aspects of the Center itself. Also consideration of grant support for technical documentation telecommunication conduits.</li> <li>✓ <b>IMC projects for energy efficiency and renewable energy resources.</b></li> <li>✓ <b>Joint investment attraction and promotion through intermunicipal cooperation</b>, initially featuring: <ul style="list-style-type: none"> <li>- Presentation and promotion of projects and economic interests through <b>Representational Office in Brussels</b>.</li> <li>- Establishment of <b>Representational Office in Belgrade</b> for Serbia's South-East promotion of projects and economic interests.</li> </ul> </li> </ul> <p>NOTE: In addition, at the request of the Municipality of Doljevac the Project will consider supporting a study for extension of Nis water system service to neighboring municipalities that could serve as a model for other cities in converting a city water system to a regional supplier.</p>
<b>Inter-municipal Cooperation (IMC) Area Novi Pazar, Sjenica, Tutin</b>
<ul style="list-style-type: none"> <li>✓ <b>Joint tourism development and promotion</b> (of cultural/historical tourism attractions and outdoor/rural tourism opportunities in Pester highlands).</li> <li>✓ <b>IMC collaboration on water supply and waste water treatment</b>. (Novi Pazar has some support from Government of Luxembourg in the water sector)</li> <li>✓ <b>Development of renewable energy sources and energy efficiency improvement projects</b> (initially building on experience of pilot wind energy PPP between Tutin and a Slovenian firm.)</li> </ul> <p>NOTE: The project will also cooperate with SEDA on Agribusiness Center project, which will be implemented in all three communities, and which has promised support from EU Progress, the Czech government, and the GoS Minister without Portfolio.</p>
<b>Inter-municipal Cooperation (IMC) Area Novi Sad, Sremski Karlovci, Temerin, Beocin</b>
<ul style="list-style-type: none"> <li>✓ <b>Joint development and promotion of tourist attractions</b> (combining historical/cultural tourism in Novi Sad/Sremska Karlovci with Danube-oriented and Fushka Gora recreational opportunities and Salas/wine tourism in Temerin).</li> <li>✓ <b>Inter-municipal cooperation in the development, improvement, and promotion of existing businesses and industrial zones</b></li> </ul>

- ✓ **Assessment and possible development of infrastructure for fiber optic communication network** through PUC Informatika Novi Sad, with possible PPP component.
- ✓ **IMC development of renewable energy sources and energy efficiency improvements**

## ANNEX E – Performance Monitoring Plan

### 1.1. Status of USAID Mission-level Indicators

USAID #	PMP #	USAID standard and custom indicators	Actual	Targets					LOP	
			Sept 2011	FY2011	FY2012	FY2013	FY2014	FY2015		
<b>Indicators related to IR 1.3 – Efforts of local stakeholders better integrated to improve area-based development</b>										
1.3.1	4	Number of business-friendly municipalities (cumulative figures)	0 (17)	2	-	12	-	20	20	<p>The Project defined an action plan with NALED to improve the Business Friendly Certification (BFC) program during this reporting period. This effort will be financed through a contract for services concluded with NALED.</p> <p>In addition, the Project will use 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 2011, there are 17 local governments with BFC certificates in Serbia. During the next four years, the Project will provide TA to its partner LGs to be recertified or new partners to get their first certificates.</p>
1.3.2	5	Number of major infrastructure inter-municipal projects fully prepared and listed in SLAP	0	0	1	1	1	2	5	The projects are yet to be determined. To date, between two and four potential projects per cluster have been identified.
1.3.1.1	6	Number of public services in municipal clusters in support of business development	0	0	5	5	5	5	20	<p>During the reporting period the Project drafted a toolkit on SME loan funds, which, if successfully applied, will present a service in support of business development.</p> <p>The detailed scope of activities will be based on analysis of best practices, recommendations from the Out of the Maze campaign, BFC program, and PUC Performance Monitoring.</p>

USAID #	PMP #	USAID standard and custom indicators	Actual Sept 2011	Targets					LOP	
				FY2011	FY2012	FY2013	FY2014	FY2015		
1.3.1.2	7	Number of PPPs in delivery of public services	0	0	1	3	3	3	10	<p>The baseline assessment confirmed local governments' interest to learn and apply PPP concepts, as well as identified ideas for potential projects:</p> <ul style="list-style-type: none"> <li>- development of broad band network in Novi Sad cluster;</li> <li>- Novi Sad's PUC "Cistoca" (solid waste) and Beocin cement factory;</li> <li>- Regional agribusiness center in Novi Pazar;</li> <li>- Solid waste management in Nis (pending a feasibility study's recommendations); and</li> <li>- Regional agriculture storage and distribution center "Green Zone" in Leskovac.</li> </ul> <p>During the reporting period, the Project developed a toolkit on IMC PPP concepts and a SME loan guide (which was PPP oriented). The Project also completed the draft of a manual for on PPP investments into infrastructure. The Project plans to use these resources to inform a post-election competition in establishing PPPs for purposes not anticipated in the initial major project priorities as stated in the cluster IMC agreements.</p>
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 adjusted by GDP growth or decline)	0	0	0	4	8	8	20	Baseline data collected
<b>Indicators related to IR 2.1 – Government Operations Improved</b>										
2.1.2.3	20	Number of partner municipalities implementing mechanisms to improve management practices, including a performance-based monitoring system	0	0	2	7	6	6	21	Initial training of trainers conducted for PUC monitoring (consultants, PUC management experts, KOMDEL Association of Communal Enterprises). In November 2011, the Project will issue a request for proposals on the following items:

USAID #	PMP #	USAID standard and custom indicators	Actual Sept 2011	Targets						
				FY2011	FY2012	FY2013	FY2014	FY2015	LOP	
										<ul style="list-style-type: none"> <li>- Creation and maintenance of a sustainable, public databases on fees, charges, and the unit costs that local governments pay their utility companies for public services;</li> <li>- Development of tender documents and/or model contracts for the provision of general public services; and</li> <li>- Preparation and dissemination of analytical case studies on the reform or restructuring of local public services in Serbia, particularly those municipalities where they have privatized service delivery.</li> </ul>
2.1.1.3	24	Number of municipalities where users report improvements in local government services	-	N/A	N/A	9	N/A	21	30	The Project plans to complete baseline assessments in for Clusters 1, 2, 3, and 4 in October 2011, and Clusters 5, 6, 7, 8, and 9 by February 2012. The Project will contract a professional agency to design methodology and conduct the survey in four clusters. The survey in remaining clusters will be organized through an internship program within the Sustainable Local Development Project.

## 1.2. Status of Project Activity Indicators

Table: Project Activity Indicators as of September 2011:

PMP #	Activity-level indicators	Actual	Targets						Comments on the baseline status
		Sep2011	FY2011	FY2012	FY2013	FY2014	FY2015	LOP	
1	Number of business-sector jobs created in participating municipalities	0	150	300	550	750	1000	2,750	The initial assessment in 16 municipalities that form the first group of 4 clusters showed that only a few local government administrations maintain good records on investment and job creation (Novi Sad, Vladicin Han, and Doljevac). In the coming years, the Project will work with municipal counterparts to establish a reporting system that will capture all activities related to investments into local economy and job creation.
2	Dollar value of increase in inflowing (domestic and foreign) investment	0	\$15M	\$30M	\$55M	\$75M	\$100M	\$275M	The official statistics do not offer figures on direct investments on the local government level in Serbia. Even on the central level, it is not possible to get disaggregated data by economic sector or municipality. The baseline assessments showed that local governments (LED offices in particular) do not regularly maintain data records on investments in the initial four clusters. One of the reasons is the low level of investors' interest and LED offices' focus towards project preparation activities as opposed to investment attraction and retention. The Project will train cluster leading partners (municipal LED offices, regional development agencies, business associations, NGOs) to track and report on investments on municipal, cluster, and consortium levels.
13	Number of municipal clusters formed	4	5	5	2	0	0	12	Four inter-municipal cooperation agreements were signed and clusters formed as follows: <ul style="list-style-type: none"> <li>- S1- VRANJE, Bujanovac, Preševo, Vladičin Han (June 8, 2011)</li> <li>- V1- NOVI SAD, Sremski Karlovci, Beočin, Temerin (July 5, 2011)</li> <li>- S2- NIŠ, Leskovac, Doljevac, Gadžin Han (July 19, 2011)</li> <li>- C/W1- NOVI PAZAR, Sjenica, Tutin (July 21, 2011)</li> </ul> The Project submitted to USAID a proposal for another four clusters in early September 2011. USAID has approved the Project proceeding to form a cluster centered on Subotica

PMP #	Activity-level indicators	Actual	Targets						Comments on the baseline status
		Sep2011	FY2011	FY2012	FY2013	FY2014	FY2015	LOP	
									(tentative MoU signing date-October 21) and in Zrenjanin (by December 22). At present, USAID approval to proceed with the two recommended clusters for Central/Western Serbia is pending.
14	Number of consortia established	-	0	3	1	0	0	4	The Project and USAID reached an agreement to de-emphasize the concept of consortium and focus on inter-municipal cooperation on the cluster level. The Project remains optimistic that, in some locations, opportunities will emerge for Consortia level activities once all clusters have been formed. To some extent, the stage is already set for this with the Nis/Vranje clusters which are contiguous and where several of the Nis cluster priorities will be extended to include Vranje cluster members as well (e.g. IMC Cooperation with the Leskovac Green Zone and the Nis initiatives to establish Economic Representational Offices in Brussels and Belgrade for the region, not just the City itself).
15	Number of cluster champions identified	0	3	7	2	0	0	12	With MoUs signed in June and July, it is too early to promote cluster champions. Within the initial four clusters, the main candidates are: <ul style="list-style-type: none"> <li>- The City of Nis (initiative to offer its newly opened office in Brussels as a shared resource for other cluster members),</li> <li>- The City of Leskovac with its project for a regional Green Zone,</li> <li>- The City of Novi Sad with planned investments into a broad band network and regional development agency SEDA in Novi Pazar.</li> </ul>
16	Number of municipalities that continue LED activities in Year 4 and 5, as project steps back	-	N/A	N/A	N/A	30	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	0	1	4	5	5	5	20	It is too soon to report any progress. However, the Project identified opportunities for IMC projects. The open call for EU cross-border cooperation projects presents another opportunity in Fall 2011.
18	Number of functions established within clusters and consortia that contribute to sustainable development	4	2	9	9	4	0	24	The following coordination working groups have been established: <ul style="list-style-type: none"> <li>- S1 (Vranje) – working group on industrial zones;</li> <li>- S1 (Vranje) – on protection of Juzna Morava river catchment;</li> <li>- S2 (Nis) – on Office in Brussels</li> </ul>

PMP #	Activity-level indicators	Actual	Targets					Comments on the baseline status	
		Sep2011	FY2011	FY2012	FY2013	FY2014	FY2015		LOP
									- V1 (Novi Sad) – on tourism.
19	Number of municipalities which applied revenue-enhancement diagnostic tool, and, based on diagnostic reports, developed Fiscal Performance Enhancement Action Plans.	0	2	4	7	7	0	20	At the time of reporting, a baseline analysis was being conducted for 16 local governments from the initial four clusters. To facilitate revenue enhancement, the Project is completing best practice guides to be used in the fall to motivate and inform local action planning.
21	Voluntary Distance Learning Credentialing Program developed	0	0	1	0	0	0	1	Request for Applications is drafted and will be published in October 2011.
22	Number of prospective local government managers in the credentialing program	0	0	60	250	250	190	750	First results pending development of the credentialing program.
23	Number of graduated local government managers	0	0	0	12	50	88	150	Same as above.
25	Number of advocacy initiatives in support of improved legal/regulatory framework undertaken by SCTM, NALED, local governments, or other partner stakeholders	0	1	2	3	2	1	9	<p>In respect to input to specific laws, by-laws and regulations, Project experts assisted the Standing Conference in successfully influencing provisions of the by-laws for implementing the amended Law on Local Government finance. The Project also contributed comments to the public debate on the Draft Law on Concessions and PPPs.</p> <p>In addition, the following was accomplished:</p> <ul style="list-style-type: none"> <li>- The Ministry of Environment, Mining, and Spatial Planning has invited the Project Policy/Legal Advisor to participate in drafting a by-law to the Amended Law on Planning and Construction that will regulate the contribution of municipal land to PPPs.</li> <li>- The Project sponsored a major NALED roundtable on the recently Amended Law on Planning and Construction at which Minister Dulic discussed the adequacy of by-laws of implementing the Law with LG and private sector representatives.</li> <li>- The Project offered support to SCTM in promoting some of</li> </ul>

PMP #	Activity-level indicators	Actual	Targets					Comments on the baseline status	
		Sep2011	FY2011	FY2012	FY2013	FY2014	FY2015		LOP
									<p>the legislative issues at the SCTM's annual conference in December 2011. The ongoing Out of the Maze campaign, which is being conducted by NALED at the local level and financially supported from the Project's grant fund, will identify some of the obstacles in doing business and set of recommendations for improvements in local governments.</p> <ul style="list-style-type: none"> <li>- The Project is exploring cooperation with NALED to help a partner LG develop a model ordinance and procedure for implementing the controversial Law on Planning and Construction provisions for converting usage to ownership rights to privatized land.</li> </ul> <p>The Project is planning to organize a best practice conference on E-government in April 2012. Laws and by-laws that are expected to be on the agenda during the FY 2012:</p> <ul style="list-style-type: none"> <li>- Draft Strategy on Public Procurement (proponent MoF, public debate started in July 2011);</li> <li>- Draft Strategy on PUC's restructuring (proponent MERD);</li> <li>- Draft Law on PPPs and Concessions (proponent MERD, public debate started in July 2011);</li> <li>- Draft Law on Communal Services (proponent MEMSP)</li> <li>- Draft Law on Public Debt (proponent MoF);</li> <li>- Draft Law on Labour Relations in LG Administration (proponent MPALSG);</li> <li>- Law on Referendum and Public Initiative (proponent MPALSG)</li> <li>- Draft Law on Amending Law on Public Procurement (proponent MoF);</li> <li>- Draft By-law on Establishment of the PPP with LGs contribution in construction land as an equity to joint enterprise (proponent MEMSP).</li> </ul>

PMP #	Activity-level indicators	Actual	Targets					Comments on the baseline status	
		Sep2011	FY2011	FY2012	FY2013	FY2014	FY2015		LOP
26	Number of development initiatives (policies, procedures, projects) based on input from citizens	0	0	10	10	8	8	36	The baseline assessment showed there is a lack of LG initiative to mobilize the local community. The existing capacities provide information, but do not capture citizen needs and concerns. The general impression is that municipal officials and local CSOs believe they represent citizens' interests and concerns adequately, but without communication mechanisms that will allow wider public to participate.
27	Percent of citizens reporting increase in local government transparency		TBD						In May 2011 the Project engaged CeSID to conduct the survey for Good Governance Matrix in seven Serbian municipalities. Prior to the survey, the Project provided TA through a US-based M&E expert from Chemonics, followed by TA from the Project's M&E Specialist. After CeSID had several problems in different implementation stages, the report on the GGM survey was drafted with a month's delay and just before the submission of the Annual AO and IR Report, giving little time for any conclusions.  In any case, the Project will use the experiences and findings from GGM/CeSID and consider using elements of GGM in measuring citizen perception of LG transparency, through some of the following GGM indicators: <ul style="list-style-type: none"> <li>- Public institution is transparent about plans and results.</li> <li>- Public institution is transparent about its procurement plans and actions (under Open Entry/Competition dimension);</li> <li>- Institution recruits employees in a transparent manner, and</li> <li>- Transparent budgets (under Management dimension).</li> </ul> The Project will propose a final definition of the indicator on LG transparency and annual targets during October 2011.
28	Number of initiatives undertaken by officials to dialogue with the public	0	0	10	20	14	14	58	The baseline assessment showed very few public participation mechanism, summarized in the table below:

PMP #	Activity-level indicators	Actual	Targets					LOP	Comments on the baseline status
		Sep2011	FY2011	FY2012	FY2013	FY2014	FY2015		
	City/municipality	Basic citizen participation mechanisms (pub. hearings)		Other cit. participation mechanisms	Business sector participation	Youth office formally exists	Youth office functional	Youth council	
	Vranje	yes			basic	yes	-	yes	
	Bujanovac	-		-	basic	yes	yes	-	
	Presevo	-		-	-	yes	-	-	
	Vladicin Han	-		-	-	yes	-	-	
	Novi Sad	yes		-	yes	yes	yes	yes	
	Sremski Karlovci	yes		-	-	yes	-	-	
	Beocin	-		-	-	-	-	-	
	Temerin	yes		-	-	yes	-	-	
	Nis	yes		-	yes	yes	yes	yes	
	Leskovac	yes		yes, some	yes	yes	yes	yes	
	Doljevac	yes		-	basic	-	-	-	
	Gadzin Han	-		-	-	-	-	-	
	Merosina	yes		-	-	-	-	-	
	Novi Pazar	yes		yes, some	basic	yes	-	-	
	Sjenica	-		-	-	yes	-	-	
	Tutin	yes		-	basic	yes	-	-	
	Total:	11		0 (2 basic)	3 (and 5 basic)	12	4	4	
29	Number of locally elected and appointed officials, CSO members, media, and the business community trained	103	150	400	300	150	0	1,000	6 trainings with 105 participants (46 female participants)
30	Number of LGs with mechanisms for public participation in the budget drafting process	0	0	5	5	5	5	20	The baseline assessment proved LGs declining interest to improve the existing mechanisms for public participation in the budget drafting process. It is usually organized to meet basic legal requirements. See the table under indicator #28 for the current status.
32	Number of LGs that either implement or otherwise address NGO watchdog recommendations	0	0	3	8	8	5	24	In the FY 2012 Q2, the Project will develop an RFA to identify one CSO per cluster 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.

PMP #	Activity-level indicators	Actual	Targets					Comments on the baseline status	
		Sep2011	FY2011	FY2012	FY2013	FY2014	FY2015		LOP
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)	0	0	9	5	5	5	24	In FY 2012, the Project will consult with USAID to initiate activities designed to promote the participation of women and youth at the local level in upcoming elections. These activities will fit within USAID's overall pre-election strategy and will be supported through grants to CSOs issued in the first quarter of FY 2012. In preparation for this activity, we have already initiated discussions with NDI, IRI, and ISC to ensure coordination.
34	Number of youth enrolled in project-supported educational programs	0	0	100	200	300	200	800	<p>Baseline assessment findings can be summarized as follows:</p> <ul style="list-style-type: none"> <li>- Various ad hoc initiatives exist on the municipal level, but there are no initiatives on inter-municipal level;</li> <li>- Besides the National Employment Service's programs, others are not structured enough and lack coordination mechanisms (the focus is usually on developing youth employment strategies, without strong implementation plans);</li> <li>- Youth entrepreneurship activities usually do not go beyond the Projects' frameworks, and there is a need to connect them with public outreach;</li> <li>- Youth office employees have a variety of competencies. One of the Project's plans is to help YO's develop a standard approach in recruiting and certifying the staff with adequate competencies (in cooperation with the National Association of the Youth Workers).</li> </ul>
35	Number of youth undertaking internships with business and local government. (Joint effort of Program Components 4 and 5)	0	0	30	60	90	60	250	
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	0	40	130	170	160	500	
37	Number of improvements in achieving BFC standards as a result of the Program intervention	0	0	8	12	12	5	37	As mentioned, the Project (LG Administration and Business Enabling components in particular) will provide technical assistance to LGs, based on BFC recommendations to reach the standards set by the certification program. Two existing or prospective Project partner LGs (Novi Sad, Beocin are in the BFC process now. NALED assessment reports are expected during the fall, at which time opportunities for Project support in addressing deficiencies will be identified.
38	Number of development projects based on input from businesses	0	0	8	8	8	10	36	Too early to report. The Project mapped project initiatives in the first four clusters. As part of the Novi Sad cluster formation process, the Mayor of Novi Sad offered the city Economic Development Council (chaired by a private business executive) a million Euros in the 2012 budget for them to program for improving

PMP #	Activity-level indicators	Actual	Targets					Comments on the baseline status	
		Sep2011	FY2011	FY2012	FY2013	FY2014	FY2015		LOP
									the business enabling environment. It remains to be seen whether he will honor this commitment in the actual budgeting process.
39	NALED's Business Friendly Certification recognized by national and international institutions	0	0	1	0	0	0	1	<p>The FY 2011 Work Plan for this activity sought international validation for NALED's BFC Program. However, as previously reported, NALED argued the need for the Alliance to revise and strengthen BFC procedures and their documentation prior to proceeding with bringing in outside organizations to validate the certification program.</p> <p>At the time of reporting, the Project subcontracted with NALED for a set of enhancements to the BFC process. NALED will in turn conduct a survey to assess the perceived value of international validation.</p>
40	Corporate social responsibility initiatives supported	0	0	0	2	1	1	4	During Fall 2011, the Smart Collective (a Serbian firm) will have completed an assessment of overall CSR potentials (including focus groups), and will have identified at least four promising CSR project concepts within the three clusters (Vranje, Niš and Novi Sad).
41	Number of improvements made by local governments, based on Out of the Maze campaign recommendations	0	0	2	4	4	2	12	Through NALED, the pilot Out-of-the-Maze campaign at the sub-national level started in mid-August 2011 in the municipal cluster around the City of Nis. This initiative is an experiment in adapting this concept, (pioneered by NALED on a nation-wide basis in previous years) to the sub-national level.