Ministry of European Integration
REPUBLIC OF SERBIA

#ЕУ ЗА ТЕБЕ

EU PRO+

The European Union
Local Development Programme

DESCRIPTION OF ACTION

Updated: October 2025

UNOPS Implementing partner in 99 cities and municipalities in Serbia

Executive Summary

The European Union for Local Development Programme - EU PRO Plus is designed to contribute to reduction of socio-economic disparities in Serbia. It will support Šumadija and Western Serbia and South and Eastern Serbia, the two less developed regions, to tackle persistent underutilisation of development potentials and reduce social exclusion. While building on the momentum created by its three predecessors, this Programme will enhance territorial development management, support economic growth, and improve social infrastructure and cohesion. The Programme Agreement signed in December 2020 is amended in November 2021 to allow for targeted assistance to COVID-19 economic recovery, and again in December 2023 to allow for assistance in rehabilitation of flood-caused damages.

Despite gradual socio-economic improvements over the past decade, the two targeted regions comprising 99 local self-governments (LSGs) are lagging behind other regions in Serbia, which are among others reflected in lower Gross Domestic Product (GDP), higher unemployment rates, lower living standard, and more extreme poverty than the country average. The disparities are evident also within the two regions, as there are high variations of unemployment and living standard among LSGs, all contributing to migrations and depopulation, and further economic and social decline. The average GDP per capita in Serbia is three times lower than the EU-average, while the GDP per capita in the two targeted regions is as low as one-fifth of the EU-average.

In response to these challenges, the Programme will enhance national, regional, and local capacities for management of integrated and sustainable territorial development (ISTD) while considering the European Union (EU) territorial instruments and contributing to the fulfilment of the requirements of Chapter 22 of the EU Acquis related to the Regional Policy and the Coordination of Structural Instruments. These instruments are supporting local communities to take more responsibilities for planning their development and tackling socio-economic challenges, thus the approach is effective in terms of addressing regional disparities.

This Programme will pilot models that reflect EU mechanisms adjusted to the country context which can be used as a concept of the EU territorial instruments in preparation for the accession.

Specifically, support will be provided to the Ministry of European Integration (MEI) to design elements of the national ISTD system and to strengthen capacity needed for the system launch and implementation. At the regional and local levels, the Programme will enhance capacities of the regional development agencies (RDAs) and LSGs to apply ISTD approach, which among other introduces multi-sectoral perspective, facilitate partnerships at different levels, activates territories' potentials, and builds foundation for use of multiple sources for development financing. The Programme will also support the design of local development policies/plans in accordance with the ISTD approach. This support will transfer benefits to the other Programme components in the terms of more structured, focused and more effective interventions adapted to the needs of the communities and based on medium to long-term planning.

Within efforts to contribute to economic growth, EU PRO Plus will support development of economic infrastructure, which will in turn facilitate investments and/or expansion of existing businesses, and contribute to job creation. Assistance will be provided to micro and small enterprises in order to enhance their competitiveness which will among other facilitate new employments.

The Programme will also support infrastructure projects that will improve access to health, social, cultural, sports and education services in local communities. Contribution to social cohesion will be provided through projects implemented by the civil society organisations.

There is a high level of coherence and synergy between different interventions as this Programme on the one hand strengthens capacities needed for enhanced territorial development management, and on the other, through identification, selection, and funding of projects, pilots the new approaches.

The Programme's interventions will be complemented with communication activities which will be in line with the Communication and Visibility Manual for European Union External Actions. The communications will contribute to the improvement of the overall visibility of the EU support to Serbia, raise awareness of the key stakeholders about the ISTD, facilitate their engagement, and promote the Programme's work and results, while linking them to the EU integration process.

There are four critical cross cutting aspects: governance issues are at the heart of this Programme because establishment of ISTD system will include defining accountabilities and responsibilities of stakeholders at different levels; wherever relevant, effort will be invested to support introduction of digital technologies and other innovations as they may accelerate development; environmental and climate change aspects will be addressed in all activities; and finally, gender equality considerations will be integrated in activities to ensure benefits for women and men, and the vulnerable groups.

This Programme has been developed during the Coronavirus disease (COVID-19) pandemic that caused the introduction of a state of emergency in Serbia. While society's immediate response focused on suppressing the transmission of the virus and safeguarding people's lives, this crisis will negatively affect people's lives, their livelihoods, and the economy. The Programme will through its activities, where relevant and feasible, strive to remedy some of the negative COVID-19 effects.

Additionally, as the May-June 2023 heavy floods severely affected the Programme area, the rehabilitation of some of the damaged infrastructure will be supported through the Programme in line with the priorities set by the Government of Serbia (GoS).

COVID-19 is also among key risks as in the case of prolonged duration of this crisis, the Programme could face operational challenges due to possible movement and other restrictions. This is why alternative activity approaches will be prepared, especially for the inception period. Other main risks relate to limited beneficiaries' capacities, primarily at the local level, to contribute to implementation of this complex intervention. In order to mitigate this, EU PRO Plus includes a strong technical assistance element and will have "field presence" to facilitate engagement of beneficiaries. However, transformation of the current territorial development paradigm that requires leadership and commitment of LSGs and stakeholders may be among the greatest challenges for the Programme.

The implementation methodology is based on capacity building actions and provision of grants for funding of projects that will be selected through competitive processes in accordance with UNOPS policy. Using grant methodology should be beneficial as schemes will be designed in a way to reflect relevant elements of ISTD approach, and will contribute to national ownership of the activities.

The European Union (EU) has provided 40 million Euros through the Instrument for Pre-Accession Assistance (IPA) 2020 to fund the Programme, which will be implemented by the United Nations Office for Project Services (UNOPS) over a period of 72 months, with a six-month extension to the original 36 months added with the first Programme Addendum relating to COVID assistance, an additional 18 months with the second Addendum of the Programme, an additional three months with the third Addendum of the Programme and an additional nine months with the fourth Addendum. The support is regulated with two action documents - the EU for Local Development which includes the 30 million Euros support and the EU for COVID-19 Economic Recovery which foresees a 10 million Euros addition. Its governance structure includes the Programme Steering Committee (PSC), which will be chaired by MEI and will include representatives of other relevant national institutions. The PSC will be providing strategic guidance, monitor progress of implementation, review risks and issues, and facilitate engagement of national partners.

The Programme's performance will be measured against the planned targets within the logical framework matrix (LFM). Monthly, quarterly, annual, and final report(s) will be produced in order to provide quality access to Programme related information. The evaluation of the Programme will be organised in accordance with the relevant provisions of the Contribution Agreement between the Delegation of the European Union and UNOPS.

1 Background

1.1 Global, EU and Government Policy[1]

1.1.1 Global policy

Worldwide urbanisation and its challenges of depopulation and demographic ageing, regional disparities, problems of urban culture and environmental protection, including climate change, influence the local context. That is why important topics for integrated territorial development are development agendas on the global level of the UN and WHO policies such as:

UN SDGs Agenda 2030[2] (2015) - Efforts are being made at EU level to link UN and EU policies. The Urban Agenda particularly emphasises the implementation of the Sustainable Development Goals, namely: SDG 11 – Make cities and human settlements inclusive, safe, resilient and sustainable, SDG 13 – Take urgent action to combat climate change and its impacts. Out of 17 goals adopted, several are directly related to the area of social protection: SDG 1 - A world without poverty, SDG 2 - A world without hunger, SDG 5 - Gender equality and the fight against violence, SDG 8 - Employment, SDG 10 - Reduce inequality within and among countries, and SDG 16 - Better Governance.

With the adoption of the **UN HABITAT Urban Agenda**[3] (2016) states have committed themselves to transpose the New Urban Agenda into viable and participatory urban policies at national and sub-national levels. Paragraph 15 of the New Urban Agenda stipulates that national governments play a leading role in defining and implementing policies and legislation in the field of sustainable urban development, and that the contribution of subnational and local governments, civil society and other relevant actors is equally important and transparent, and responsible.

In 2012, European Member States of the World Health Organisation (WHO) adopted "Health 2020: A European policy framework that supports the actions of all levels of government and society for health and well-being"[4]. Health 2020 acts as a unifying and coherent action framework to accelerate the attainment of better and more equitable health and well-being for all, adaptable to the realities that make up the European Region. Health 2020 recognises the key importance of action at the local level and the central role local governments can have in promoting health and well-being. The **WHO 'Healthy Cities' project**[5] was launched with the aim of placing health high on the social and political agenda of cities by promoting health, equity and sustainable development through innovation and change. Its creation was based on the recognition of the importance of action at the local urban level, and on the

[1] This Chapter refers to the various EU and national policies for information purposes only and shall not be deemed a waiver, express or implied, of any of the privileges and immunities of UNOPS, including its subsidiary organs.
[2] UN SDGs Agenda 2030 (2015)
[3] UN HABITAT Urban Agenda (2016)
[4] WHO Europe Health 2020: A European policy framework (2013)
[5] WHO Regional Office for Europe WHO Healthy Cities project: A project becomes a movement: progress 1987 to 1990. Copenhagen (1991)

key role of local governments. From its inception, Healthy Cities have been rooted in a firm set of values: namely the right to health and well-being; equity and social justice; gender equality; solidarity; social inclusion; and sustainable development. The Healthy Cities approach is based on the principles of inter-sectoral collaboration, community participation and empowerment.

1.1.2 EU urban and territorial policy

In order to promote its overall harmonious development, the European Union is strengthening its economic, social and territorial cohesion. In particular, the EU aims to reduce disparities between the levels of development of its various regions. Among the regions concerned, special attention is paid to rural areas, areas affected by industrial transition, and regions which suffer from severe and permanent natural or demographic handicaps, such as the northernmost regions with very low population density, as well as island, cross-border and mountain regions.[6]

These basic policies carry a strong urban and territorial dimension - they are place-based[7]. The European Commission (EC) has introduced a number of new instruments and possibilities for supporting and extending the approach and practice of integrated urban development. They are characterized by an intensified role of the direct link between the European level, cities and urban settings and implemented through multi-level governance. Recent EU policies highlight the role and growing importance of urban areas of all sizes in the EU, as well as local and regional authorities. The following policies are important to support integrated territorial / urban development:

Europe 2020 Strategy[8] or **''A strategy for smart, sustainable and inclusive growth''** puts forward three mutually reinforcing priorities: 1) Smart growth - developing an **economy based on knowledge and innovation**; 2) Sustainable growth - promoting a more **resource efficient, greener and more competitive economy**, and 3) Inclusive growth - fostering a **high-employment economy delivering social and territorial cohesion**. In order to underpin these priorities the seven flagship initiatives were defined as the following: 1) "Innovation Union" to improve framework conditions and access to finance for research and innovation; 2) "Youth on the move" to enhance the performance of education systems and to facilitate the entry of young people to the labour market; 3) "A digital agenda for Europe" to reap the benefits of a digital single market for households and firms; 4) "Resource efficient Europe" to help decouple economic growth from the use of resources, support the shift towards a low carbon economy, increase the use of renewable energy sources, modernise transport sector and promote energy efficiency; 5) "An industrial policy for the globalisation era" to improve the business environment, notably for Small and Medium Enterprises (SMEs), and to support the development of a strong and sustainable industrial base able to compete globally; 6) "An agenda for new skills and jobs" to modernise labour markets and empower people, and 7) "European platform against poverty" to ensure social and territorial cohesion so that the benefits of growth and jobs are widely shared and people experiencing poverty and social exclusion are enabled to live in dignity and take an active part in society. The implementation of the Europe 2020 Strategy is primarily funded by the European Structural and

[6] Treaty on the functioning of the European Union, Article 174
[7] Ec.europa.eu Barka report (2013)
[8] Ec.europa.eu A European strategy for smart, sustainable and inclusive growth (2010)

Investment Funds (ESIF). In the financial perspective 2014-2020 a strong emphasis was on the concentration of priorities to address key changes identified in strategic documents. In that respect, the EU requested from member states to prepare national and/or regional smart specialization strategies as main tools to identify and implement structural changes in the economy. Also the focus was on the optimal combination of funding sources to support the real needs. In that respect, from a financial perspective integrated territorial investments (ITI) and the community-led local development (CLLD) were introduced to encourage integrated territorial development strategies. Based on the latest EC Report on implementation of Cohesion policy[9], more than 3,800 territorial, urban and local strategies receive EU funding. Focus on territorial development will continue after 2020.

With the adoption of the **Leipzig Charter on Sustainable Cities** in 2007[10], an integrated approach to urban development became the focus of overall European development. The revised **New Leipzig Charter - The transformative power of cities for the common good**[11] was adopted at the Informal Ministerial Meetings organised on 30 November 2020 under German Presidency. It provides a key policy framework document for sustainable urban development in Europe. The Charter highlights that cities need to establish integrated and sustainable urban development strategies and ensure their implementation for the city as a whole, from its functional areas to its neighbourhoods.

EU Urban Agenda[12] (2016) encourages an integrated and coordinated approach to the EU's urban dimension, and national policies and legislation. It builds on the principles of subsidiarity and proportionality and focuses on the three pillars of EU policy making and implementation: better regulation, better funding and better knowledge. The EU Urban Agenda encourages integrated urban / territorial development by targeting above and beyond sectoral policies, beyond administrative boundaries - functional urban areas, including small and medium-sized cities. The agenda prioritizes the following topics: air quality, housing, inclusion of migrants and refugees, urban poverty, tasks and skills in local economy, circular economy, digital development, urban mobility, climate change adaptation, energy development, sustainable use of land and nature-based solutions, innovative and responsible public procurement, safety of public spaces, culture and cultural heritage.

Rural Development Policy[13] (2014) helps EU rural areas respond to the wide range of economic, environmental and social challenges of the 21st century. Often called the "second pillar" of the Common Agricultural Policy (CAP), it complements the system of direct payments to farmers and measures for managing agricultural markets. Member States and regions draw up rural development programs (RDP) based on the needs of their territories and address at least four of the six common EU priorities[14]. The EU's rural development priorities are divided into "target areas". Within the national RDPs to be developed, Member States or regions set quantified targets for those areas. They then determine the

[9] Strategic report 2019 on the implementation of the European Structural and Investment Funds
[10] Bmi.bund.de Leipzig Charter on Sustainable Cities (2007)
[11] The New Leipzig Charter and Implementing document (2020)
[12] Ec.europa.eu EU Urban Agenda (2016)
[13] Ec.europa.eu Rural Development Policy (2014)
[14] 1) fostering knowledge and innovation transfer in agriculture, forestry and rural areas; 2) improving the sustainability and competitiveness of all types of agriculture, fostering innovative farming technologies and sustainable forest management; 3) encouraging the organization of the food chain, animal welfare and risk management in agriculture; 4) restoration, conservation and enhancement of ecosystems related to agriculture and forestry; 5) depleting resource efficiency and supporting the transition to a low carbon economy and climate resilience in the agriculture, food and forestry sectors; 6) promoting social inclusion, poverty reduction and economic development in rural areas.

measures and funding to achieve these goals. At least 30% of the funding for each RDP must go to measures relevant to the environment and climate change, and at least 6% to community led local development (CLLD). Rural development measures also support the diversity of the rural economy and the quality of life in rural areas. The diversity of rural economy includes activities to start and develop rural and eco-tourism and related businesses, revitalise and commercialise local crafts and provide new services based on existing ones.

In December 2019, the European Commission launched the **European Green Deal** (EGD)[15] as its new flagship policy. Its achievement would take Europe to climate neutrality by 2050 and see EU economies producing net zero carbon emissions by that date. The main goals are the following: there are no net emissions of greenhouse gases by 2050; economic growth is decoupled from resource use, and no person and no place is left behind. The EGD defines the set of actions to boost the efficient use of resources by moving to a clean, circular economy, and restore biodiversity and cut pollution. Reaching this target requires action by all sectors of economy, including: 1) investing in environmentally-friendly technologies; 2) supporting industry to innovate; 3) rolling out cleaner, cheaper and healthier forms of private and public transport; 4) decarbonising the energy sector; 5) ensuring buildings are more energy efficient, and 6) working with international partners to improve global environmental standards. In order to help businesses and regions that are most affected, the EU provides financial support and technical assistance through the Just Transition Mechanism in order to mobilise at least €100 billion over the period 2021-2027. Recently, the discussion on "Green Agenda for the Western Balkans"[16] emerged. The EC is determined to pursue the design and adoption of this policy in the Western Balkans. The proposed policy is centred around five pillars: 1) decarbonisation; 2) circular economy; 3) pollution reduction; 4) sustainable farming and 5) biodiversity.

New EU Cohesion Policy[17] (2021-27) has five programme objectives (PO): PO1) Smarter Europe, through innovation, digitization, economic transformation and support for SMEs; PO2) Green Europe, low carbon, investment in energy transition, renewable energies and combating climate change; PO3) Connected Europe, with strategic transport and digital networks; PO4) A socially responsible Europe, providing a level of social rights and supporting quality employment, education, skills, social inclusion and equal access to health care, and **PO5) Europe closer to citizens, supporting local development strategies and sustainable urban development**. It also has two horizontal objectives: developing administrative capacity and cooperation between regions and across borders. According to EC proposals, Integrated Territorial Development (ITI), including Community-led Local Development (CLLD) and Sustainable Urban Development (SUD), will be placed under the new policy objective of PO5, "bringing ESIF[18] closer to citizens". Two European Regional Development Fund (ERDF) objectives will promote integrated development in: 1) urban areas and 2) rural and coastal areas. The ERDF will continue to have a particular focus on sustainable urban development (SUD), with a national commitment of at least 6% for integrated territorial development in urban areas. For 2021-27, this minimum allocation will be increased: initial proposals for 6% have since been further boosted to 8%, according to the provisional

[15] European Commission European Green Deal 2019 - 2024 (2019)

[16] europeanwesternbalkans.com The Green agenda (2020)

[17] Ec.europa.eu New EU Cohesion Policy (2021-27)

[18] European Structural and Investment Funds

agreement reached by the European Parliament in December 2020. In each EU Member State, these funds must be invested in priorities and projects selected at the local level, based on their own integrated territorial strategies, which are approved by the relevant programme management bodies. ITI and CLLD will be implemented and a new programme of networking and capacity building of urban authorities - European Urban Initiative (EUI) has been launched in May 2021. The Cohesion Policy further supports local development strategies and enables local governments to manage resources.

The 2022 European Commission Progress Report[19] states that Serbia is moderately prepared in the area of regional policy and coordination of structural instruments and calls for timely implementation of the EU cohesion policy action plan, including legislative adoption, institutional framework definition, and administrative capacity strengthening. The report underscores the need for effective administrative capacity to manage EU funds and permanent appointments in key positions for compliance with EU standards.

The Report indicates Serbia's **moderate preparedness in economic development**, with a post-COVID rebound in GDP growth in 2021 followed by a slowdown in 2022, partly due to global consequences of the war in Ukraine. The banking sector remained stable, and fiscal support measures helped improve the budget balance in 2021, though unemployment slightly increased.

The private sector, though developing, faces challenges in rule of law, corruption, and judicial efficiency. Improvements are noted in Serbia's economic structure and EU integration, with still ongoing development needs in education, infrastructure, and SME support. The **competitiveness and inclusive growth** cluster have seen progress in social policy, economic policy, enterprise policy, scientific development, and education, aligning with European quality assurance standards while the **internal market** made advancements in company law, worker mobility, and the free movement of goods.

Further efforts are needed to ensure systematic financing and effective cooperation between the government and **civil society** as verbal attacks and smear campaigns against CSOs continue.

1.1.3 EU tools for territorial development[20]

The 'umbrella term' for European Structural and Investment Funds (ESIFs) and Cohesion Fund (CF) supported territorial intervention is 'integrated territorial development'. Integrated territorial investment encompasses territorial instruments including integrated territorial investment (ITI) and community led local development (CLLD) and also the principles and processes involved in sustainable urban development (SUD). The latest proposed instrument - the European Urban Initiative (EUI)[21] is introduced with an aim to strengthen integrated and participatory approaches to sustainable urban development and provide a stronger link to relevant EU policies.

Integrated territorial Investment (ITI) makes it possible for EU Member States to combine resources from different ESIFs under the priority axes of one or more Operational Programmes. ITIs may be used to implement integrated territorial investment – which may or may not employ the CLLD and SUD tools. They also allow Member States to delegate management tasks to the local level. The role of the member

[19] EC Report for Serbia
[20] This section was developed using the analysis developed under the EU PPF7 Programme
[21] Ec.europa.eu EU Urban initiative post 2020 (2019)

states is to set a national policy framework that invites local actors to express their views, to cooperate, to develop new beliefs, and to build trust.

ITIs provide an effective means of integrating investment priorities, thematic objectives and different funds within a defined territory. Their use encourages the greater involvement of local stakeholders in the rollout of sustainable development strategies and promotes change in local and regional planning culture. In addition, they can play a useful role in establishing closer links between urban areas and their rural hinterlands.

The basic required content of territorial strategies is prescribed with the EU regulation 2021/1060 of the European Parliament and of the Council of Ministers from 24 June 2021[22][23] are:

a) The geographical area covered by the strategy.

b) An analysis of the development needs and the potential of the area. The basic required content of ITI strategies has been clarified in the present proposals to the European Parliament and Council of Ministers[24].

c) A description of an integrated approach to address the identified development needs and the potential.

d) A description of the involvement of partners in the preparation and in the implementation of the strategy.

The strategies may also contain a list of operations to be supported.

Community-Led Local Development (CLLD) model has emerged from the very successful bottom-up LEADER approach to rural development. CLLD is no longer a model aimed exclusively at small-scale rural development, it has also been extended for use in urban areas. CLLD is a tool for use at a sub-regional level. It must be led by local action groups composed of representatives of public and private local socio-economic interests, in which no single interest group controls the decision-making. It must be carried out through integrated community-led local development strategies.[25] The scope of CLLD allows local strategies to focus on challenges like social inclusion, climate change, the segregation of Roma and other disadvantaged groups, youth unemployment, urban deprivation, urban-rural linkages and so on.

The essential requirements of CLLD are as follows:

a) Local action groups
b) Local development strategies
c) The area and population coverage of a given local strategy

Sustainable Urban Development. To address economic, environmental, climate, demographic and social challenges, the ERDF supports integrated territorial development based on territorial or community-led

[22] Common Provisions Regulation', Chapter II, Territorial Development (Op. cit.): Regulation (Eu) 2021/1060 Of The European Parliament And Of The Council (24 June 2021)
[23] 'Proposal for a Common Provisions Regulation', Chapter II, Territorial Development (Op. cit.)
[24] 'Proposal for a Common Provisions Regulation', Chapter II, Territorial Development (Op. cit.)
[25] 'Proposal for a Common Provisions Regulation', Chapter II, Territorial Development (Op. cit.)

local development strategies that are focused on urban areas, including functional urban areas ('sustainable urban development') within programmes under both goals referred to in Article 5(2) of ERDF Regulation[26]. Special attention shall be given to tackling environmental and climate challenges, in particular the transition towards a climate-neutral economy by 2050, to harnessing the potential of digital technologies for innovation purposes, and to support the development of functional urban areas. In this context, sustainable urban development resources programmed under priorities corresponding to PO 1 and 2 shall count towards the thematic concentration requirements under Article 4.
At least 8 % of the ERDF resources at national level under the Investment for jobs and growth goal, other than for technical assistance, shall be allocated to sustainable urban development in one or more of the forms. The relevant territorial authorities or bodies shall select or shall be involved in the selection of operations.

European Territorial cooperation (ETC) also known as Interreg, is one of the two goals of cohesion policy and provides a framework for the implementation of joint actions and policy exchanges between national, regional and local actors from different Member States. The overarching objective of the ETC is to promote a harmonious economic, social and territorial development of the Union as a whole. Interreg is built around three strands of cooperation: cross-border (Interreg A), transnational (Interreg B) and interregional (Interreg C). Funded through ERDF, this is one of the oldest EU initiatives to territorial development that also contributed to preserving stability.

European Urban Initiative-post 2020. The Commission's proposal for the post-2020 ERDF/CF Regulation provides for a new instrument providing coherent support for cities that builds on all thematic priorities of the Urban Agenda for the EU and covers all urban areas - the European Urban Initiative (EUI)[27]. This initiative aims to strengthen integrated and participatory approaches to sustainable urban development and provide a stronger link to relevant EU policies, and in particular, cohesion policy investments by facilitating and supporting cooperation and capacity building of urban actors, innovative actions, knowledge, policy development and communication in the area of sustainable urban development, described within the Explanatory Memo[28] .

The EUI will combine three main strands of activities which takes into consideration the current envelopes of the URBACT Programme[29] and the Urban Innovative Actions[30]:

a) support for capacity-building

b) support for innovative actions

c) support for knowledge, policy development and communication

ITI, CLLD, SUD and EU Urban Initiative can be combined or used independently of each other. For example, it is possible to create an ITI that does not incorporate any other territorial development model. On the other hand, it is possible to include within it one or more areas benefiting SUD or CLLD or both.

[26] Common Provisions Regulation, Article 11
[27] Ec.europa.eu European urban initiative post 2020 commission proposal
[28] Ec.europa.eu European urban initiative post 2020
[29] https://urbact.eu
[30] https://uia-initiative.eu/en

1.1.4 Government Policy

Since the Action aims to address the challenges of 1) economic growth on the local level (through support in integrated territorial approach to planning at national and development funding, and more balanced regional development), 2) creation of employment opportunities, and 3) social infrastructure, as the critical element for maintaining wellbeing, health and skills of the workforce, the Programme will directly contribute to the implementation of the several national policies. These relate to EU integration and harmonisation with above mentioned EU and UN policies, which are ''localised'' in the Serbian national economic, political, territorial, and institutional context.

Chapter 22 - Regional Policy and Coordination of Structural Instruments[31] covers the rules related to the planning and implementation of EU cohesion policy, using the European Structural and Investment Funds. These are regulations defining common and fund specific rules for implementation of cohesion policy such as objectives of the EU cohesion policy, the funds for its implementation, the priorities that can be financed, as well as the principles and rules for support and the amount of available financial resources. These regulations also set out the necessary strategic and programmatic framework, thus, a specific programming document, which must be agreed with the European Commission, as well as the institutional framework for managing those programmes.

The establishment of a fund/programme management system for the overall development of a Member State is the backbone of this chapter. Since this is a system which should ensure the effective, efficient and visible use of funds for socio-economic development of the Member States, the establishment of this system - including issues of planning/programming, implementation, monitoring and evaluation, and financial management and control - presents a significant challenge.

The essence of Chapter 22 is the need for Serbia and other pre-accession countries to demonstrate their ability to address the demands of EU Cohesion Policy and to absorb the considerable funding streams associated with it. Chapter 22 requires creation of procedures and institutional structures related to the reduction of socio-economic disparities between Serbia's regions, and instruments to address the Urban Agenda of the EU.

In order to open negotiations in this chapter, Serbia prepared **Action Plan for Fulfilment of the Conditions in the Area of EU Cohesion Policy** – Chapter 22 – Regional Policy and Coordination of Structural Instruments[32], a detailed set of actions with precise timetable, setting clear goals and timelines to meet the requirements arising from EU cohesion policy. Action Plan consists of 6 interrelated sections (legal framework, institutional framework, administrative capacity, programming, monitoring and evaluation, financial management and control (including audit)) presenting through narrative and tabular parts specific cohesion policy requirements, the current state of play in the Republic of Serbia, and describing measures which need to be undertaken until 2025.

Although negotiations in Chapter 22 have not been opened, preparatory work has already started having in mind the importance of the cohesion policy for Serbia's economic and social development on one

[31] https://ec.europa.eu/neighbourhood-enlargement/policy/conditions-membership/chapters-of-the-acquis_en
[32] http://www.mei.gov.rs/upload/documents/pristupni_pregovori/akcioni_planovi/ap_pg_22.pdf

hand, and the complexity of establishing the whole system and putting it into practice, on the other. In that respect, Republic of Serbia has established a working group that will be responsible to draft the Law governing cohesion policy by 2020 in order to ensure introduction of the EU cohesion policy objectives and requirements as well as the principles and rules envisaged by EC regulations and implementing acts. The Law will define the cohesion policy goals, introduce key cohesion policy principles and establish the legal basis for the development of the institutional framework for the implementation of this policy. The adoption of the Law on System for Management of Cohesion Policy in the Republic of Serbia will ensure greater stability of the system and could provide inputs for amendments of other laws with the provisions of this Law.

The Action Plan also defines that the institutional system for managing funds will be centralized with a strongly mandated coordination body. The Ministry of European integration will perform the role of this body in order to ensure the coordination among different EU policies and instruments, Programmes and funds. Furthermore, it is stated that the number of operational programmes will be limited (up to three) which will be multi-sectoral. In that respect, having territorial instruments will have to be envisaged. With the assistance of the IPA 2015 project, the Ministry of European Integration initiated drafting the Methodology for Preparing the Partnership Agreement and Cohesion Policy Programmes with the Programming Calendar. The Methodology should provide guidance for the Serbian Administration and other stakeholders on how to organise the programming process and activities that should be conducted so that the Partnership Agreement and Cohesion Policy Programmes are prepared in line with the deadlines from the Action Plan for Chapter 22.

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

National Priorities for International Assistance in the Republic of Serbia until 2025 (NAD) - New NAD should help mobilize resources and capacities to implement the political, economic and social reforms necessary to meet the Copenhagen criteria, while at the same time facilitating preparation for Serbia's future participation in EU Cohesion policy. In this context, the main purpose of the new NAD document is to: 1) Further align international development assistance with strategic priorities for socio-economic development and EU integration; 2) Identification of key resources needed to implement strategic priorities in the sector, and 3) Support preparatory activities aimed at capacity building for multi-annual planning in the context of negotiation in chapter 22 - Regional policy and coordination of structural instruments. As a result of the process, the objectives, priorities and measures that will be proposed for financing from international development assistance in 9 sectors will be defined as: justice, home affairs, public administration reform, transport, environment, energy, competitiveness, human resources and social development, agriculture and rural development.

There are several national regulations which are of importance for support of integrated territorial planning. These are related to territorial organisation, regional development, local level responsibilities, public policies, public participation, and application of the territorial instruments.

The **Draft Law on the Establishment and Functioning of the Cohesion Policy Management System**[33] regulates key aspects of cohesion policy outlining goals, principles, and funding for the policy's implementation. The law establishes a strategic framework for preparing programs using cohesion policy funds and defines a system for managing and controlling these programs, covering implementation, monitoring, reporting, evaluation, and public information about the results. Its aim is to create a management and control system for the EU's cohesion policy, aligning with Serbia's EU accession process obligations.

The **Law on Territorial Organisation Republic of Serbia**[34] (2018) - The territorial organisation of Serbia consists of municipalities[35], cities[36], the city of Belgrade[37] and autonomous provinces. In the territory of the municipalities are inhabited places, which have built facilities for housing and business, basic municipal infrastructure and other facilities to meet the needs of residents who are permanently resident there.

The **Law on Regional Development**[38] (2015) and the Regulation on the Nomenclature of Statistical Territorial Units[39] (2010) establish statistical territorial units corresponding to EU NUTS levels. The Regulation on the Nomenclature of Statistical Territorial Units defines statistical territorial units corresponding to NUTS 1, NUTS 2 and NUTS 3 levels. In order to stimulate regional development in Serbia, the law has determined, out of a total of 5, the regions of Šumadija and Western Serbia and the region of South and East Serbia. The Law defines the goals of stimulating regional development and the way of financing[40].

The last amendment of the **Law on Local Self Government**[41] derived in 2018. The local self-government unit (LSGU) monitors the process of EU integration of the Republic of Serbia and develops the necessary administrative capacities (Article 13, paragraph 6). LSGU, through its bodies: adopts strategic plans and

[33] Draft Law on Establishment and Functioning of the Cohesion Policy Management System
[34] https://www.paragraf.rs/propisi/zakon_o_teritorijalnoj_organizaciji_republike_srbije.html
[35] The municipality is the basic territorial unit in which local self-government is exercised, which is capable of exercising independently through its organs all the rights and duties within its jurisdiction and which has at least 10,000 inhabitants.
[36] The city is a territorial unit, representing the economic, administrative, geographical and cultural centre of the wider area and has more than 100,000 inhabitants.
[37] The City of Belgrade is a separate territorial unit, and the autonomous provinces are autonomous territorial communities.
[38] https://www.paragraf.rs/propisi/zakon_o_regionalnom_razvoju.html
[39] http://rra-jug.rs/v2/wp-content/plugins/downloads-manager/upload/Uredba-o-nomenklaturi-statistickih-teritorijalnih-jedinica.pdf
[40]The objectives of promoting regional development are: 1) overall socio-economic sustainable development; 2) reducing regional and intra-regional disparities, in terms of socio-economic development and living conditions, with an emphasis on encouraging the development of underdeveloped, devastated industrial and rural areas; 3) reducing negative demographic trends; 4) development of economy based on knowledge, innovation, modern scientific and technological achievements and management organization; 5) development of competitiveness at all levels; 6) establishment of a legal and institutional framework for planning, organizing, coordinating and implementing development activities; 7) encouraging inter-municipal, inter-regional, cross-border and international cooperation in matters of common interest; 8) more efficient use of indigenous natural resources and resources, as well as foreign resources, at the republic, provincial, regional and local levels. Financing of regional development is done from the following sources: the budget of the Republic of Serbia, the budget of the autonomous provinces, the budget of the city of Belgrade, the budget of local self-government units, pre-accession funds of the European Union, non-repayable development assistance of the international community and other programs of the European Community, development loans of international financial institutions and commercial banks, donations, contributions and gifts of legal and natural persons, and other sources in accordance with the law.
[41] https://www.paragraf.rs/propisi/zakon_o_lokalnoj_samoupravi.html

programmes for local economic development (Article 20, point 1); adopts and implements programmes for stimulating local economic development, undertakes activities for maintaining existing and attracting new investments and improving general business conditions (point 7). The latest amendment to the 2018 Law introduced provisions to enable LSGs to cooperate and join together to achieve common development goals, plans and programs (Article 13), and strengthened the position of the sub-municipality (''mesna zajednica'') as the lowest form of local self-government, in order to encourage subsidiarity.

The **Law on the Planning System of the Republic of Serbia**[42] is a new legal framework from 2018, which regulates the planning system i.e. the management of the public policies system and long-term planning, types and content of planning documents, mutual compliance of planning documents, the procedure of determining and implementation of public policies and obligation of reporting on the implementation of planning documents. The main objective of the law is to establish an efficient, transparent, coordinated and realistic planning system that will cover all key aspects of social and economic development policy, regional and spatial development of the state, province, cities and municipalities, as well as effectively implement the EU accession process, with optimal use of budgetary funds. In addition, the law will improve national and local development planning and its linkage to the budget planning process. Also the **Regulation on Methodology of Management of Public Policies, Analysis of the Effects of Public Policies and Legislation on Content of Specific Public Policies' Documents**[43] (2019) has been adopted. The regulation defines the implementation of a participatory public policy approach at the level of information, consultation and feedback. Consultation methods include focus group, round table, semi-structured interview, panel, survey, gathering written comments (Article 41). The **Law on Ratification of the Additional Protocol to the European Charter of Local Self-Government on the Right to Participate in the Affairs of a Local Authority**[44] (Draft, Government of the Republic of Serbia 31.5.2018.[45]; Council of Europe, 2009[46]) defines the measures necessary to realize the right to participate in the affairs of local authorities. These measures include: 1) Empowering local authorities to facilitate, promote and facilitate the exercise of the right to participate; 2) Ensure that procedures are in place for: citizen involvement, access to official documents, meeting the needs of those categories of citizens who face particular barriers to their participation; and mechanisms and procedures to address or consider complaints and suggestions regarding the functioning of local authorities and local public services, and 3) Encourage the use of ICT to promote and exercise the right to participate.

The initial introduction of policies of sustainable and integrated urban development into the legal framework in Serbia took place through changes of the **Law on Planning and Construction** in 2014. Article 29 of that law defines that the Ministry in charge of the tasks of urbanism can finance the creation of national programmes which regulate the policy of urban development, urban renewal etc. in order to include the Republic of Serbia in the integration process. The legislator proposed the amendments of the legal framework during the process of drafting the Strategy of Sustainable and

[42] http://www.parlament.gov.rs/upload/archive/files/lat/pdf/zakoni/2018/2386-17%20lat.pdf
[43] http://www.pravno-informacioni-sistem.rs/SlGlasnikPortal/eli/rep/sgrs/vlada/uredba/2019/8/9/reg
[44] https://rm.coe.int/168008482a
[45] http://www.parlament.gov.rs/upload/archive/files/lat/pdf/predlozi_zakona/2169-18%20LAT.pdf
[46] https://rm.coe.int/168008482a

Integrated Urban Development of the Republic of Serbia till 2030 through the provision of the article 12 of the Law on Changes and Amendments of the Law on Planning and Construction[47] from 2018.

The **Strategy of Sustainable Urban Development of the Republic of Serbia until 2030**[48] is adopted for the first time in the Republic of Serbia in accordance with the needs to solve urban development problems and tackle potentials that settlements carry as development generators. It is public policy that is a key instrument for achieving sustainable urban development using an integrated approach. The general objective of the strategy is sustainable and integrated development of territory, which is ensured by the improvement of the economic, social and cultural development, by the quality of urban/territorial governance, the protection of the urban environment and adjustment to climate changes, by the improvement of social wellbeing by affordable and good quality housing, the preservation and affirmation of cultural heritage and urban identity.

Within the strategic axis of Urban governance the following measures are envisaged: implementation of an integrated approach in territorial development planning (5.3.2); development of local integrated urban development strategies - SUD (5.3.3); implementation of the EU Cohesion Policy instruments - ITI - Territorial Integrated Investment and CLLD - Community Led Local Development (5.2.3), as well as improvement of the local government financing system in terms of source revenues (5.2.2); supporting the development of partnerships and networks at all levels of government and universities, institutes, development and research organizations and international organizations in order to improve the quality of work and to innovate in urban/territorial governance (5.1.4); inter-municipal and cross-border cooperation, strengthening of regional institutions (5.1.6), and digitalization and introduction of electronic services in urban governance (5.4). The Strategy envisaged the ''Healthy city'' concept, as well.

The Strategy recommends blending of financial resources for boosting integrated territorial development, and comprises the domestic and foreign funding of urban development. The domestic financial sources are funds, agencies, commercial banks, projects, programmes of different ministries, budgets of local self-government units, funding of companies that implement activities, funds of interested domestic investors and loans of investment and commercial banks in the Republic of Serbia. Foreign financial sources are EU funds and programmes, credit lines (credit lines of foreign governments and international financial institutions), development and other funds of countries outside of the EU, projects and means of interested foreign investors. With its reliance on place-based interventions, the Strategy defines six national programmes through priority areas of territorial intervention, namely: 1) industrial/economic and commercial zones and brownfield locations; 2) illegally built and underdeveloped areas, urban sprawl and degradation of the rural area; 3) endangered urban structures; 4) settlements with a concentration of social problems 5) settlements with problems of environmental

[47] https://www.paragraf.rs/propisi/zakon_o_planiranju_i_izgradnji.html . The Strategy is defined as a document of spatial and urban planning. The key foundation for the introduction of this new document of spatial and urban planning are based on article 3 of the Law, which define principles for planning, management and use of space. Some of these principles are the following: compliance with European regulations and standards in the area of planning and territorial governance; sustainable and integrated territorial planning; balanced territorial development; rational use of land by fostering measures of urban and rural renewal and reconstruction; rational and sustainable use of non-renewable resources and optimal use of renewable resources; protection and sustainable use of natural goods and immovable cultural heritage; protection from natural disasters, elimination of climate change causes; improvement and use of ICT; public participation, and horizontal and vertical coordination.

[48] https://www.srbija.gov.rs/dokument/45678/strategije.php

protection and climate change, and 6) areas with cultural and architectural heritage (after the second World war, Spas, groups of settlements).

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

The Low-carbon Development Strategy of the Republic of Serbia for the period from 2023 to 2030 with Projections until 2050[49],adopted by the Government of Serbia in June 2023,defines five specific objectives: 1) Reduction of GHG emissions to be covered by the EU-ETS by 15.0% by 2030 and between 66.4% and 76.8% by 2050 compared to 2010. 2) Reduction of GHG emissions not covered by the EU-ETS by 9.7% by 2030 and between 33.5% and 54.5% by 2050 compared to 2010. 3) Increase carbon sinks in forests by 17% by 2030 and between 22% and 132% by 2050, compared to 2010. 4) Conserve the potential of mitigation measures established by 2030 and 2050 by increasing climate change resilience in priority sectors and 5) Promoting the transition to a climate-neutral economy and climate-resilient society. These objectives are to be achieved by reducing emissions in the production of electricity and heat, increasing energy efficiency and using renewable energy sources in the industrial sector, but also by measures in other sectors. The strategy envisages that the Action Plan for its implementation in the period 2024-2030 will be adopted within one year.

Support to the economic growth within the integrated territorial approach and balanced regional development can be envisaged through several national policies. The **Economic Reforms Programme** for the period from 2018 by 2020[50] is based on the obstacles and challenges identified in the field of competitiveness. The following structural reforms were defined: 1) Management of public finances - transformation of tax administration, improvement of capital investment management; 2) Reform of the energy and transport market - development of the energy market with the construction of energy infrastructure, improvement of capacity and quality of infrastructure and services in the field of transport, reform of the railway; 3) Development of the agricultural sector - improving the competitiveness and position of agricultural holdings; 4) Development of the industrial sector - raising the competitiveness of the manufacturing industry; 5) Development of the service sector - a package of measures to improve access to finance for SMEs, introduction of corporate management in public enterprises, simplification of procedures and other business conditions, improvement of the geospatial sector to support investment decision-making; 6) Research, development, innovation and digital economy - a program to support innovation and technological development in the public and private sectors, development and improvement of the national broadband communication infrastructure; 7) Trade reforms - improving the conditions for product safety and removing barriers to trade; 8) Education and skills - qualifications oriented towards the needs of the labour market; 9) Employment and labour

[49] Official Gazette of RS, No. 46, page 49
[50] https://rsjp.gov.rs/wp-content/uploads/2018/04/ERP_2018-20201.pdf

market - improving the effectiveness of active employment policy measures with a particular focus on the young, the redundant and the long-term unemployed; 10) Social inclusion, poverty reduction and equal opportunities, and 11) Improved adequacy, quality and targeting of social protection.

In January 2021, the Government of Serbia adopted the Programme of Economic Reforms for the period from 2021 to 2023. Under the Programme, priority structural reforms will cover: energy and transport markets, agriculture, industry and services, business environment and the fight against the gray economy, research, development and innovation and digital transformation, reforms in the field of economic integration, education and skills, employment and the labour market, as well as health and social protection.

The Strategy for the Development of Education and Upbringing until 2030 is aiming to Increase quality of teaching and learning, equity and accessibility of sub-university education and upbringing and strengthen educational function of educational institutions and to improve accessibility, quality, relevance and equity of higher education. It is a continuation of the strategy that was valid until 2020 and included topics that were not part of the existing strategic framework, but whose implementation started in the previous period. It also harmonises policies in education with scientific, technical, technological and sustainable development and contemporary trends in society and economy as well the education regulations with international documents (documents of the UN, EU, and Council of Europe) and a new strategic framework of the Republic of Serbia.

The **Strategy of the Industrial Policy of the Republic of Serbia 2021-2030**[51] adopted in March 2020 aims to create conditions for improving the country's industrial competitiveness, sustainable growth and economic development, as well as new employment. The Action Plan for Implementation of Industrial Policy Strategy of the Republic of Serbia from 2021 to 2030 for the period from 2021 to 2023 adopted in April 2021 details the activities foreseen by the Strategy that predominantly relate to digitalisation and circular economy while addressing the COVID-19 effects to Serbian economy. **Research and Innovation Strategy for Smart Specialisation** (RIS3)[52] envisages focusing development investments in areas where the country has a critical mass of knowledge, capacity and competencies and in which it has the innovative potential to position itself in global markets. The goal of RIS3 in Serbia is to develop and market superior innovative products and services in the global market. RIS3 concentrates on the development of activities, measures and instruments to foster better cooperation between key stakeholders from the economic, scientific and research sectors in the areas of specialization under the principles of "Collaborative Innovation". The research identified preliminary priority areas that will be further analysed in the "Qualitative and detailed analysis of priority domains" phase in: 1) the region of Šumadija and Western Serbia - food and beverage production and processing - Food and health, machinery and electronic manufacturing devices - Industry 4.0, environmental protection and energy efficiency, as well as 2) the region of South and Eastern Serbia - information and communication technologies - Digitization of Economy and Society, production and processing of food and beverages - Food and health, environmental protection and energy efficiency , and Key Enabling Technologies (KET) and Emerging Technologies.

[51] https://pks.rs/dogadjaj/strategija-industrijske-politike-republike-srbije-2021-2030-590
[52] https://pametnaspecijalizacija.mpn.gov.rs/wp-content/uploads/2019/03/4S-Finalni-izvestaj-o-kvalitativnoj-analizi.pdf

The **Strategy of agriculture and rural development of the Republic of Serbia for the period 2014-2024**[53] (2014) establishes the foundations of a new agricultural policy and a clear commitment to gradually adopt the European agricultural support model. The strategy aims to define: 1) Directions for the future development of agriculture and the food industry, based on the concept of sustainable development, which promotes environmental protection and sustainable management of natural resources; 2) A model of support that would lead to accelerating the development of the agri-food sector, which has significant potential for increasing production volumes and long-term sustainable growth of competitiveness in an area wider than the local-regional one; 3) Directions for future agricultural policy reforms and the institutional framework.

One of the preconditions for balanced regional development is the network of technical infrastructure - roads, railways, airports, etc. The overall objectives of the **Strategy for the Development of Rail, Road, Water, Air and Intermodal Transport in the Republic of Serbia from 2008 to 2015**[54] are: 1) The transport network of the Republic of Serbia integrated into the Trans-European Transport Network (in order to achieve this goal, it is necessary to carry out the rehabilitation, reconstruction and construction of Pan-European Corridors VII and X, the Belgrade-South Adriatic route, routes 3, 4, 5, 6, 7, 10 and 11, as well as certain transverse connections of the Basic Network are accepted as part of the TEN); 2) Effective use of the comparative advantages of each type of traffic; 3) Improving the quality of transport system services; 4) Increasing the level of safety and security of the transportation system; 5) Strengthening the transport market and its gradual deregulation; 6) Reducing the negative impact of transport on the environment, in accordance with the principles of sustainable development; 7) Establishing stable financing for the development of the transport system. Some of the new infrastructure corridors, as part of the Government priority investment projects, represent the ''new regional development corridors'' (''Moravski corridor'', etc.).

The **Strategy of Information Society Development in Republic of Serbia until 2020**[55] (''Official Gazette RS'', No. 51/10) - Within the European Union, ICTs have been recognized as a major factor influencing economic growth and innovation, and among the seven flagship initiatives of the Europe 2020 Economic Strategy is the Digital Agenda for Europe, which demonstrates the importance of ICT in the development of the modern economy. Together with the strategy in the field of telecommunications, this strategy forms the Digital Agenda for the Republic of Serbia. The development of the information society should be directed towards harnessing the potential of ICT to increase efficiency, economic growth and higher employment and improve the quality of life of all citizens. Activities undertaken for the development of the Information Society should be prioritized within the following areas: 1) Electronic communications 2) E-government, e-health and e-justice; 3) ICT in education, science and culture; 4) E-commerce; 5) ICT business sector - human resources development, start-up and innovation companies development, export and cross-border outsourcing, intellectual property protection of software and digital content, and 6) Information security.

[53] http://www.pravno-informacioni-sistem.rs/SlGlasnikPortal/eli/rep/sgrs/vlada/strategija/2014/85/1/reg
[54] https://www.putevi-srbije.rs/images/pdf/strategija/Strategijatransport_lat.pdf
[55] https://www.paragraf.rs/propisi/strategija_razvoja_informacionog_drustva_u_republici_srbiji.html

The Strategy of Scientific and Technological Development of the Republic of Serbia for the Period from 2021 to 2025 - "Power of Knowledge"[56] has a goal to enable the development of Serbia to be accelerated through the improvement of the scientific-technological and innovation system, as well as the integration into the European research area. Additional strengthening of scientific and research institutions and investment in infrastructure is foreseen, so that they are recognizable at the regional and European level and capable of solving complex problems independently. The strategy foresees greater investment in individuals, especially in young scientists. The goal is for leading researchers to be recognizable at the world level, and for research teams to be able to participate in competitive projects and create new knowledge, technologies and jobs. Investments in new science and technology parks, centres of excellence and institutes are also planned. An integral part of this strategy is the Action Plan for its implementation for the three-year period from 2021 to 2023.

Strategy for the development of artificial intelligence in the Republic of Serbia for the period 2020-2025[57] determines goals and measures for the development of artificial intelligence whose implementation should result in economic growth, improvement of public services, improvement of scientific personnel and development of skills for the jobs of the future. Also, the implementation of the measures of the Strategy should ensure that artificial intelligence in the Republic of Serbia is developed and applied in a safe manner and in accordance with internationally recognized ethical principles in order to use the potential of this technology to improve the quality of life of each individual and society as a whole, as well as to achieve the Sustainable Development Goals. The strategy is aligned with the European initiative on artificial intelligence, which established the policy of the European Commission in the field of artificial intelligence and ensure participation in the framework programme of the European Union for research and innovation and full integration into the European Research Area. The objectives of the Strategy are: 1) The development of education directed towards the needs of modern society and economy conditioned by the progress of artificial intelligence, 2) Development of science and innovation in the field of artificial intelligence and its applications 3) Development of an economy based on artificial intelligence (where it is a key competence and where it is used in various branches of industry), 4) Improving assumptions for the development of artificial intelligence and public sector services using artificial intelligence and 5. Ethical and safe application of artificial intelligence.

The Strategy for the Development of the Start-up Ecosystems of the Republic of Serbia for the Period from 2021 to 2025[58] aims to accelerate development of the start-up ecosystems, encourage innovation in the economy of the Republic of Serbia, as well as economic growth based on the knowledge economy and attract large number of talents, i.e. experienced founders, investors and mentors from the region and the world who support the development of start-up ideas in the Republic Serbia. The objectives of the Strategy are: 1) Raising start-up entrepreneurial capacity through educational programmes; 2) Improvement of infrastructure and programme support for start-ups; 3) Improvement of the start-up financing mechanism; 4) Improving conditions for start-up business and 5) Promotion of start-up culture and global recognition of the ecosystem.

The Integrated National Energy and Climate Plan of the Republic of Serbia for the period from 2021 - 2030 with a vision until 2050[59] is a key strategic document that, in terms of renewable energy sources, energy efficiency and the reduction of greenhouse gas emissions, defines the goals for 2030 and

[56] Strategy of Scientific and Technological Development of the Republic of Serbia for the Period from 2021 to 2025 - "Power of Knowledge"
[57] Strategy for the development of artificial intelligence in the Republic of Serbia for the period 2020-2025
[58] Strategy for the Development of the Start-up Ecosystems of the Republic of Serbia for the period 2021-2025
[59] Integrated national energy and climate plan of the Republic of Serbia for the period 2021-2030 with a vision until 2050

foresees specific policies and measures to achieve them. The plan, prescribed by Regulation (EU) 2018/1999, contains an overview of the current state of key policies and appropriate measures to address the five dimensions of Regulation (EU) 2018/1999: 1) decarbonisation (greenhouse gas emissions and renewable energy), 2) energy efficiency, 3) energy security, 4) internal energy market and 5) research, innovation and competitiveness.

The Plan was prepared in accordance with the adopted recommendations of the Energy Community on the preparation and development of integrated national energy and climate plans[60] and Guidelines for the development of integrated energy and climate plans.[61] Annex I of the Treaty on the Energy Community prescribes EU Regulation 2018/1999 as acquis communitaire on energy. This regulation stipulates the obligation to prepare an Integrated National Energy and Climate Plan followed by the decision of the Ministerial Council D/2021/14/MC-EnC that prescribes the obligation to prepare an Integrated National Energy and Climate Plan for all Contracting Parties.

The Circular Economy Development Programme in the Republic of Serbia for the period from 2022 to 2024[62] aims to create a stimulating environment for the development of the circular economy in order to support the green transition in the Republic of Serbia. Among the specific objectives of the programme are support to business entities for improving the production efficiency through the application of new technologies, energy efficiency, and the use of renewable energy sources and materials. The support to local self-governments in the development of circular economy local roadmaps is also foreseen as to contribute to the formation of sustainable communities. Among the priorities there are also listed stimulating application of green public procurement and voluntary instruments in the field of environmental protection, education of relevant stakeholders (media, schools, universities, consumers), strengthening the cooperation of the business and academic sectors for innovations that contribute to the circular economy, as well as introducing new subjects in order to apply the concept of circular economy in study programmes at basic and master's academic or professional studies.

The Sludge Management Programme (2023-2032)[63], adopted by the Serbian government in September 2023, aims to establish a sustainable, cost-effective sludge management system in Serbia. This first-time initiative aligns with circular economy principles and EU regulations, addressing the expected increase in sludge from municipal wastewater treatment plants. It includes short-term measures like sludge use in agriculture, industry, and disposal in various landfills, and long-term strategies for building an efficient system with regional management centres and advanced treatment technologies.

The Waste Management Programme for the Period 2022-2031[64] aims to minimise environmental waste impact and boost resource use efficiency, adhering to circular economy principles. Key measures include implementing the "polluter pays" principle, where polluters cover full waste management costs, and the "Pay as you throw" principle, allowing households and entities to control costs based on waste amount. The program introduces "home composting" in rural areas, providing composters to households for biodegradable waste management, reducing collection and transport costs. Other measures focus on waste generation prevention, reducing recyclable and biodegradable waste in landfills, lessening waste's

[60] Recommendation of the Ministerial Council of the Energy Community (2018/1/MC-EnC)
[61] Policy Guidelines by the Energy Community Secretariat on the development of National Energy and Climate Plans under Recommendation 2018/01/MC-EnC
[62] Official Gazette of RS, No. 137/2022, page 15

[63] Official Gazette of RS, No. 84/2023, page 135
[64] Official Gazette of RS , No. 12/2022

negative environmental and health impacts, and managing waste according to circular economy principles.

The implementation of the Air Protection Programme in the Republic of Serbia for the Period from 2022 to 2030 with the Action Plan[65] requires an investment of 2.6 billion Euros to reduce emissions across energy, stationary combustion plants, traffic, industry, and agriculture. It involves collaboration among institutions, businesses, and citizens, supporting local governments in developing air quality plans and encouraging the replacement of old heating systems and de-registration of older diesel vehicles for recycling. The programme also focuses on education and awareness to promote best practices and habit changes for air quality improvement.

The Strategic Priorities of the Culture Development of the Republic of Serbia from 2021 – 2025[66] identifies 20 strategic priorities of culture policy aimed at improving the cultural image of the Republic of Serbia and to raise awareness of its own cultural identity founded in rich tradition and through applying new modern and innovative technologies for transmitting.

Although, not being the priority of the Programme, the attempts to adjust national policies for risk management and environmental protection have been made. Some of these are of high priority within the "Green Agenda for the Western Balkans", and focus on decarbonisation, pollution reduction, and biodiversity. **Action Plan for the Implementation of the National Programme for the Natural Disaster Risk Management 2017-2020**[67] - The floods that occurred in the Republic of Serbia in May 2014, to the extent not recorded in the last 120 years, endangered the lives, health and property of more than 1.6 million people, or 22% of the total population, in 38 municipalities in Central and Western Serbia. In addition to taking immediate action to address the immediate threat to the lives and health of people and property of greater value, the Government, with the support of the EU, UN and WB, has initiated a process of damage assessment while reviewing and proposing measures to recover and restore flooded areas. In accordance with the National Program, an Action plan for its implementation for the period 2017 to 2020 has been drawn up. The Action Plan is fully aligned with the Sendai Framework for Disaster Risk Reduction 2015-2030, which was adopted on March 18, 2015 at the Third World Conference on Disaster Risk Reduction. The overall objective of the Action Plan is that by 2020, the Republic of Serbia has a natural disaster risk management system in place, a strong inter-institutional coordination system established, more resilient to natural disasters and other hazards, and able to quickly restore the situation that preceded the natural disaster and another danger.

National Environment Protection Programme[68] (2010) is in the function of Serbia's accession to the EU. It contains: description and assessment of the state of the environment; basic goals and criteria for implementation of environmental protection as a whole, by areas and spatial units with priority measures of protection; conditions for the implementation of the most favourable economic, technical, technological, economic and other measures for sustainable development and environmental management; long-term and short-term measures to prevent, mitigate and control pollution; carriers, manner and dynamics of realization, and means of realization.

[65] Air Protection Programme in the Republic of Serbia for the Period from 2022 to 2030 with the Action Plan
[66] Strategic priorities for the culture development of the Republic of Serbia from 2021 - 2025
[67] https://www.cadri.net/sites/default/files/productsCountry/Serbia-DRR-Plan-Validated.pdf
[68] Nacionalni program zaštite

In order to support creation of employment opportunities several national policies have been adopted. The **Reform Programme for Employment and Social Policy in the Process of Accession to the European Union (2016)**[69] defines policies and measures for the period 2016-2020. The programme looks at the challenges, directions for further change and reform in the areas of labour market and employment policies, human capital and skills development policies, as well as social inclusion and social protection policies, including the pension and health care systems. The Programme is conceived as a strategic process that will accompany the EU integration process as the main mechanism for dialogue on priorities in the fields of social policy and employment and is structured according to the model of the Europe 2020 Strategy. The key reforms relate to the field of social protection, and include the following objectives: increasing coverage and improving the adequacy of cash benefits; active inclusion; increasing support for the families at risk, continuing the process of deinstitutionalization and developing community-based non-institutional services; improving long-term care systems; improving the quality of services, strengthening the control and regulatory mechanisms; connecting social work centres with institutions providing services in the field of health care, education and employment, as well as with the police, judicial authorities, CSOs representing certain socially vulnerable groups, the Red Cross, appropriate local government services. In the **Report on Implementation of the Reform Programme for Employment and Social Policy in the Process of Accession to the EU**[70] **,** the most important of the listed priorities is the development and improvement of employment policies, social and child protection, and its. the harmonization with the corresponding policies of the EU.

Strategic directions and priorities of the **National Strategy for Employment 2011 – 2020**[71] are as follows: promotion of employment in less developed regions and development of regional and local employment policy, improvement of human capital, development of institutional capacities and expansion of programs of active employment policy including social entrepreneurship, and reduction of labour market duality.

Support for social infrastructure is part of several national policies. The overall objective of the **Social Protection Development Strategy 2019 to 2025** (Draft) is to develop integrated and sustainable social protection that develops services to preserve and improve the quality of life and well-being of vulnerable and marginalized groups and individuals, support families in meeting the needs of life, creating equal opportunities for the independent life and independence of individuals, fostering social inclusion in the community and preventing dependence on social services, thus contributing to the economic prosperity and sustainable development.

The Strategy of Deinstitutionalization and Development of Social Protection Services in the Community for the Period of 2022-2026[72] outlines a system of measures, conditions, and public policy instruments aimed to prevent institutionalisation, reduce the number of citizens reliant on home care accommodation services and offer more intensive support within the community setting. The strategy focuses on developing community-based social protection services, enabling individuals, particularly those with intellectual and mental disabilities at high risk of institutionalisation and social exclusion, to have their needs met in a natural environment.

[69] Program reformi politike zapošljavanja i socijalne politike u procesu pristupanja EU
[70] Program reformi politike zapošljavanja i socijalne politike u procesu pristupanja EU 2016-2017
[71] Nacionalna strategija zapošljavanja 2011-2020
[72] Strategy of Deinstitutionalization and Development of Social Protection Services in the Community for the Period of 2022-2026

The Strategy for Youth in the Republic of Serbia for the period from 2022-2030[73] focuses on improving young people's social position and rights realisation. It is based on five principles: respect for rights and anti-discrimination, youth empowerment, equal opportunities, inter-sectoral cooperation, and active youth participation. The strategy updates the previous version to align with the Law on the Planning System.

The **Public Health Strategy in the Republic of Serbia 2018-2026** was adopted in 2017. The strategy supports the promotion of health, disease prevention and the extension of quality of life for the population. Good health is essential for sustainable economic and social development and a fundamental concern in the lives of every person, family and society. The strategy builds on the document "Health 2020: A European policy framework that supports the actions of all levels of government and society for health and well-being"[74]. An important document for the projection of desired outcomes in public health by 2020 is the third EU program for health activities 2014-2020[75]. Focusing on achieving equality in health is the basis and is linked to sustainable development through good governance in the three most important aspects of sustainable development: economic development, broad social inclusion and environmental sustainability (UN, SDGs Agenda, 2015). The strategy has the following general objectives, within which specific and operational goals are: 1) improving health and reducing health inequalities; 2) improving the environment and the working environment; 3) prevention and control of diseases and leading health risks; 4) development of community health promotion actions; 5) supporting the development of affordable, quality and effective health care; 6) developing a public health system based on research evidence; 7) improving governance, communication and partnerships for the implementation of the "health in all policies" principle.

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

1.2 Problems to be Addressed

There are substantial discrepancies in the levels of socio-economic development across Serbia. Out of five statistical regions the two covered by the Programme - Šumadija and Western Serbia and South and Eastern Serbia, exhibit a significant lag including the overall growth, employment and productivity as well as social development. The differences stem from different levels of development of economic

[73] Strategy for Youth in the Republic of Serbia for the period 2022-2030
[74] http://www.euro.who.int/en/publications/abstracts/health-2020.-a-european-policy-framework-and-strategy-for-the-21st-century-2013
[75] https://ec.europa.eu/health/funding/programme/2014-2020_en

structures, labour productivity, the efficiency of business entities and business environments in these geographical areas.

According to the official national statistics there were 6,945,235 people living in Serbia in 2019[76] out of which 48.9% were residents of the Programme Area of Responsibility (AoR). Within the period 2011-2017 all regions, except Belgrade, showed depopulation trends - Vojvodina (3%), Šumadija and Western Serbia (4.5%) and the South and Eastern Serbia (5.7%).

While the population decline is also attributed to the low fertility rates, limited access to public goods and services and crucially shortage of work opportunities, remain the root cause of migration and emigration. Official statistics show that emigration is most common amongst 25 and 34 years old with higher education diploma.[77] Between 2011 and 2019 a total of 246,337 people (6.7%) left the two Programme regions while simultaneously a significant influx of young and working age internal migrant population was registered in the Belgrade and Vojvodina Regions.

The negative internal migration balances in Serbia can be addressed through an increase of attractiveness of smaller urban centres and rural areas by improving access to public services and goods, improving living and working conditions, creating better human development opportunities and providing a better basis for spatial cohesion in the country.[78]

Serbian Academy of Sciences and Arts notes that in all regions of south-eastern Serbia, the population has decreased by an average of ten percent over the past nine years. The largest depopulation in a single municipality was in Crna Trava, where the population was reduced by more than one third.[79]

According to the World Bank, Serbia's population of just below seven million is projected to fall to 5.8 million by 2050, which would be a nearly 25% decline since 1990.[80] At the beginning of 2020 in Serbia, as many as 18 municipalities have fewer than 10,000 people while the government warned that effectively the 37,000 people a year population decline translates into "losing one town annually".[81]

The unproportioned area based development ratio is also reflected in the regional gross domestic product (GDP) contribution - Belgrade Region (40.4%) and Vojvodina (26.5%) while Region Šumadija and Western Serbia (19.2%) and South and East Serbia (13.8%)[82] which cover half of the population but contribute only one third share in the total GDP of the Republic of Serbia.

According to the recent data from Statistical Office of the Republic of Serbia, Regions in Serbia had the following shares in the national GDP: Belgrade Region holds the leading position with 41.3%; Vojvodina Region with 25.9% is the second, and then come Region Šumadija and Western Serbia – 18.6% and

[76] Republic of Serbia Statistical Office Population estimate
[77] Južnevesti.com Serbian Academy of Sciences and Arts Drastic changes needed to repopulate Southern Serbia (25 March 2019)
[78] IOM Study on external and internal migration in Serbia
[79] Južnevesti.com Serbian Academy of Sciences and Arts: Drastic changes needed to repopulate Southern Serbia (25 March 2019)
[80] www.rferl.org The Balkan depopulation crises (9 March 2020)
[81] Rs.n1info.com Population in Serbia under seven million (15 January 2020); APnews.com Shrinking country: Serbia struggles with population decline (10 February 2020)
[82] from Statistical Office of the Republic of Serbia Ibid, Page 10

South and East Serbia – 14.1%. In comparison with 2017, the regional GDP estimates for 2018 tend to show almost identical shares of individual regions in the national GDP.[83]

For the Belgrade region, with GDP per capita amounting to RSD 1 240 000 (EUR 10 484), notable is by 70.8% higher per capita compared to the national average (around EUR 6 138). However, the level index calculated for the Serbian capital is about 2.7% higher than in 2017. The GDP per capita level index for Vojvodina Region is 97.1% (RSD 705 000/EUR 5 961), it is approx. by 2.4% lower compared to 2017. The GDP per capita level index for Region Šumadije and Western Serbia equals 67.3% (RSD 489 000/EUR 4 135), which is a decrease by 2.2% when compared to 2017. For Region South and East Serbia the level index is 65.6% (RSD 476 000/EUR 4 025), which is an increase by 1.9% when related to 2017. Therefore the 2018 estimates of the regional GDP indicate small changes regarding discrepancies of the regional economic development, with 2.61 ratio of GDP per capita between Belgrade region and Region South and East Serbia (compared to 2.64 in 2017).[84]

All the Serbian regions are below the 75% limit of the EU -28 average of GDP per capita - Belgrade Region (65%), Region South and East Serbia (24,6%) and Region Šumadija and Western Serbia (24,6%).

Even though economic revival and the labour market situation in Serbia are improving the regional disparities and unemployment, common among the youth population, remain more pronounced in Šumadija, Western Serbia, South and East Serbia. While employment conditions are better in the Belgrade region than in other parts of Serbia the geographical labour mobility is low creating lasting pockets of unemployment, inactivity and poverty in underdeveloped regions.

The results of a Survey conducted by the national Statistical Office on labour force in the third quarter of 2019, the number of employees was 2,938,700 while the number of unemployed was 308,400. The employment rate for the given period was 49.6% and the unemployment rate was 9.5%. [85] Compared to the same period of 2018, the employment rate rose by 0.4%, while the unemployment rate decreased by 1.8%.

While Vojvodina did not record significant changes, the highest employment growth (by 14,900), with a decrease in unemployment (by 22,600), was recorded in the South and Eastern Serbia Region. In the Šumadija and Western Serbia Region, there was a simultaneous decrease in employment (by 10,100) and unemployment (by 21,600), while in the Belgrade region, the fall in unemployment (by 22,100) was followed by a relatively small increase in employment (by 3,200).

The informal employment rate was 18.8% at the level of all industries. The informal employment rate in the agricultural sector was 58.3%, and 8.5% in the non-agricultural sector.

The unemployment rate of the population aged 15 and over was 9.5% - 8.5% men and 10.8% women. At regional level, the lowest rate is in the Belgrade Region (7.6%), followed by the Vojvodina Region (8.2%) and the Šumadija and Western Serbia Region (10.6%). The worst situation was recorded in the South and Eastern Serbia Region, with the highest unemployment rate (12%). Moreover, the unemployment

[83] Statistical Office of the Republic of Serbia, Regional GDP (2018), page 11
[84] ibid.
[85] https://www.stat.gov.rs/oblasti/trziste-rada/anketa-o-radnoj-snazi/

rates within the underdeveloped regions also differ. In 2019, for example, the unemployment rate in Pčinja District of the South and Eastern Serbia Region was 20.8% and in the neighbouring Jablanica District of the same Region was 9.1%. Likewise, in the Šumadija and Western Serbia Region in 2019 Raška District registered a 19% unemployment rate compared to 6.4% in Kolubara District of the same Region.

According to the last Assessment of Absolute Poverty conducted in 2018[86], poverty in Serbia remains significant despite registering a constant decrease compared to 2017[87] (from 7.2% to 7.1%). Around half a million citizens are unable to meet their minimal existential needs. Poverty remains significantly more frequent in non-urban than in urban areas and is particularly frequent in the region of Southern and Eastern Serbia (as much as 11.9% compared to 3.9% of Belgrade region which has the lowest rate), followed by the region of Šumadija and Western Serbia with the rate of 6.8%.

Similar results are obtained with the measurement of relative poverty and social exclusion indicators, i.e. (AROPE) rate[88] used for monitoring the achievement of the five goals set by the Europe Fight against poverty and social exclusion 2020 strategy.[89] According to the EU statistics on income and living conditions (SILC)[90] (2018) data[91] 34.3% of the population of the Republic of Serbia (2.28 million) are at risk of poverty or social exclusion. This value is significantly higher than the average value for the EU 28 countries (21.7%).

In the Republic of Serbia, differences by gender in terms of the (in)ability to meet the basic needs point to a somewhat less favourable position of men while by age, children and youth are vulnerable to an above-average extent. By the absolute poverty criterion, in the Republic of Serbia, the most vulnerable individuals are those living in households whose heads have lower education attainment, incomplete primary education (19.0%) or only primary education (14.8%), and are unemployed (23.8%).

Judging[92] by the profile of the poor, the living standards are decisively influenced by three elements: employment status, low education attainment and residence outside urban areas. Irrespective of the concept applied (absolute or relative poverty), the population of Eastern and Southern Serbia has the lowest living standards, while the Belgrade population has the highest living standards.[93]

In line with the data on poverty, the vulnerable groups' protection rate was the lowest in the Belgrade Region (1.3% of the population received financial social assistance). In the Eastern and Southern Serbia Region the rate stood at approximately 5%, while in the Šumadija and Western Serbia region, approximately 3% of the population were covered by protection.

[86] Socijalnoukljucivanje.org.rs Assessment of Absolute Poverty in 2018.pdf
[87] The absolute poverty rate shows the percentage of individuals in society that cannot meet their basic needs, and whose income/spending is below the threshold (line) of poverty
[88] EC.Europe.eu Glossary: At risk of poverty or social exclusion (AROPE)
[89] Europarl.eu The fight against poverty, social exclusion and discrimination
[90] EC.Europa.eu Glossary: EU statistics on income and living conditions (EU-SILC)
[91] Socijalnoukljucivanje.org.rs People at risk of poverty or social exclusion (AROPE)
[92] http://socijalnoukljucivanje.gov.rs/wp-content/uploads/2016/06/SIPRU-ESRP-2016-English.pdf
[93] Socijalnoukljucivanje.org.rs Employment and social reform programme in the process of accession to the European Union- ESRP 2016.pdf

Statistics suggest that the income inequality has increased since 2000 and is currently the highest among European countries. The Gini of 34% in 2018 is significantly higher than the average Gini for the EU-28 countries (31%).[94]

In relation to the socio-economic inequality, the European Commission (EC) [95] estimates that the Republic of Serbia made progress in areas such as employment, social inclusion of Roma, prohibition of discrimination and gender equality, but also that the areas of employment and social issues remain affected by scarce public finances and limited institutional capacity. The EC latest report[96] suggests that in the coming period Serbia should particularly increase financial and institutional resources for employment and social policies to more systematically target the young, women and long-term unemployed and improve the adequacy of the social benefit system to provide more effective support for parts of the population most in need.

The Third National Report on Social Inclusion and Poverty Reduction 2014-2017 shows that the inequalities in health outcomes are also present, Serbian citizens self-report indicates that they are accustomed to living and working with health problems and accepting their condition as normal.[97] Although from 2012 to 2016 there was an increase in the expected life expectancy at birth for both sexes, the national mortality statistics do not allow tracking differences in socio-economic status. However, if the differences in the values of these indicators reflect the development of the region, districts and municipalities in which the population lives and works, then they are significant. Again inequalities are the greatest among those that are the most developed, such as Belgrade, and the least developed – Southern and Eastern Serbia. The latter is particularly threatened by the aging of the population and the consequent weaker response of the health system to the health needs of the socially vulnerable groups, although the situation is very similar in the entire territory of Serbia, especially in remote rural areas. The equalisation of regional development in the health care system, therefore, comes as an imperative.

There are significant regional and social disparities regarding education levels.[98] According to the 2011 Population Census[99], in urban areas, about 23% of the people have completed higher education and about 23% – primary education or below. In non-urban areas, only 6% have completed higher education and about 51% – primary education or below. Comparisons between different administrative districts in Serbia shed new light on the high regional disparities in terms of the population's education levels and these correspond to disparities in the economic development levels of the regions. In the Belgrade region, about 28% of the population have completed higher education, while in Šumadija and Western Serbia and the Eastern and Southern Serbia this rate is significantly lower - around 12% in both of the regions. Furthermore, around 41% of the population in these two regions have completed only primary

[94] Fren.org.rs Analysing Income Inequality in Serbia.pdf
[95] MEI.gov.rs Annual progress report of the European Commission for Serbia 2019.pdf
[96] EC.Europa.eu https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/20180417-serbia-report.pdf
[97] Socijalnoukljucivanje.org.rs Third National Report on Social Inclusion and Poverty Reduction in the Republic of Serbia for the period from 2014 to 2017.pdf
[98] Socijalnoukljucivanje.org.rs http://socijalnoukljucivanje.gov.rs/wp-conteEmployment and Social Reform Programme in the Process of Accession to the European Union-ESRP-2016-English.pdf
[99] SORS, 2011 Population Census

education or below, which is twice as much as in the Belgrade region, where 19% of people have completed only primary education or less.

An assessment of territorial industry development[100] points to a deepening gap between undeveloped areas and Belgrade and Vojvodina, with an ever-increasing concentration in these latter areas. Over the course of the 1996-2016, the number of large industrial centres decreased from nine to only one (Belgrade); the number of medium-sized industrial centres was reduced from 17 to four; the number of medium-sized industrial centres from 26 to 12; while the number of small industrial centres declined from 125 to 59. There are over 320 existing and planned industrial (Greenfield and brownfield) zones in the Republic of Serbia.[101] In recent years there has been significant progress with regard to development of the planned industrial zones, parks and free zones in urban settlements, as defined in 2011-2020 Industry Development Strategy of the Republic of Serbia[102], mainly through the Government of Serbia and the EU support for underdeveloped areas. From 2010, the EU supported formulation of 22 detailed regulation plans for industrial zones in South and South Western Serbia.[103] Lately, starting from 2018, EU supports formulation of eight detailed regulation plans for industrial zones in Šumadija and Western Serbia and South and Eastern Serbia Regions[104], which will contribute to completion of necessary planning basis for almost all available investment locations in both regions.

There is no adequate information on brownfield sites in urban settlements. Instead, there are only estimates[105] of several hundred commercial brownfield sites with a total surface area of about 1,500 ha and buildings/facilities with a total surface area of around 3 million square meters.

From the perspective of concentration of the greenfield and brownfield locations, the largest number of greenfield locations in South and Eastern Serbia is represented in the City of Vranje (7), the largest area coverage is in the City of Zaječar (477.63 ha) while the largest number and coverage area of the brownfield locations is in the City of Leskovac (29 locations with 116.47 ha). In Šumadija and Western Serbia, the largest number of brownfield locations is in the City of Kragujevac (17), while the largest area coverage is in Municipality of Lapovo (1402,12 ha)[106].

In both regions, further support is required in developing and equipping industrial areas, and in regeneration of brownfield sites, that constitute significant development potential for a possible conversion and sustainable repurposing. As an additional element, the completion of the corridor X highway and highway towards Montenegro would contribute to better competitiveness of the industrial zones of the Šumadija and Western Serbia and South and Eastern Serbia regions.

The most significant challenges regarding construction land usage are reflected in its inefficiency in intensive urban sprawl and illegal construction. In the urban settlements of the regions under the

[100] Source: The Strategy of Sustainable Urban Development of the Republic of Serbia until 2030
[101] Spatial Plan of the Republic of Serbia 2010-2020
[102] Pravno-informacioni sistem.rs Strategy and industry development policy of the Republic of Serbia from 2011 to 2020
[103] Sources: European PROGRES and EU PROGRES final reports: EU PROGRES Final Report.pdf and European PROGRES- Final publication: Progres in making the diference.pdf
[104] Source: EU PRO EU support to development of detailed regulation plans
[105] Source: Development Agency of Serbia
[106] IAUS 2016 Reports on implementation of regional spatial plans for Šumadija and Western Serbia and Southern and Eastern Serbia

Programme AoR, there are disparities in terms of the quality of life and, above all, infrastructure accessibility and the extent to which infrastructure has been developed, and the services provided by public agencies and utilities. Coordination and integration of various sectoral policies is very poor, and the rural-urban linkages management has suffered neglect at the regional and local levels. The rural population in the Republic of Serbia shrunk between two censuses (2002-2011) to 40.6%. As a result of the neglect of rural urban linkages development, disparities in the quality of life and urban-rural settlements accessibility have been growing[107].

The traffic infrastructure network in urban settlements in Šumadija and Western Serbia and South and Eastern Serbia regions is significantly outdated. Some main sections in larger urban settlements have been developed and/or modernised in the past fifty years. The problem is a substandard traffic infrastructure in built-up peripheral and suburban zones developed without planning, with limited possibilities in terms of available space for reconstruction or modernisation.

When it comes to communal infrastructure, Šumadija and Western Serbia and South and Eastern Serbia regions have lower connectivity ratio compared to Serbia average and particularly compared to Belgrade and Vojvodina. The percentage of the total population connected to public water supply networks in 2013 reached 82%. Compared to Belgrade (92%) and Vojvodina (91%) who have the highest percentage, the connection percentage is lower in Šumadija and Western Serbia and South and Eastern Serbia Regions (71%).

The percentage of the population connected to the public sewerage system has kept growing and has reached 63% in 2018 (compared to 58% in 2013)[108]. According to the last available statistical data from 2013 the smallest percentage of connection to public sewerage (31 - 36%) is in the Šumadija and Western Serbia Region and South and Eastern Serbia Region, where the inhabitants are mostly connected to septic tanks, while the highest percentage (62 - 74%) is in the Belgrade Region. There has been some improvement in past years, and as an example of good practice is Surdulica, where the connection percentage had significant growth and increased from 43% in 2013 to 66% in 2015 mainly thanks to EU support. [109]

The current organised waste collection coverage is approx. 60%.[110] The smallest coverage is in the municipalities of South Serbia (20-25%), while in Belgrade this percentage is far above the average (80 - 90%). According to the Water Management Strategy in the Republic of Serbia, it is necessary to build over 300 wastewater treatment plants with a total capacity of about 5.5 million equivalent inhabitants to meet the EU regulation requirements. To date, only about 40 plants have been built in Serbia, while only slightly more than half are in function with as many as acceptable effects. Existing plants serve 600,000 inhabitants which is less than 10% of inhabitants.

The current state of flood protection is not satisfactory despite the fact that dikes and other types of "linear" protection of length over 3,550 km have been constructed in Serbia. Approximately 18% of the

[107] Source: The Strategy of Sustainable Urban Development of the Republic of Serbia until 2030
[108] Statistical Office of the Republic of Serbia - Ecco Bulletin 2018
[109] Reports on regional spatial plans in the region of Šumadija and Western Serbia and the region of Southern and Eastern Serbia for 2016, IAUS
[110] Waste Management Strategy for the period 2010-2019. The Official Gazette of the Republic of Serbia, 29/10

territory[111] remains susceptible to flooding even in the areas where the protection systems are built. The Preliminary Assessment of the Flood Risk (2012) identified flood areas where there are or may be experiencing significant risks from floods in the outer waters. Mapping flood risk maps were made for significant flood areas along the Danube and the Great Morava Basin, while in the future, such maps will be made for other significant floodplains. All identified areas will require significant integrated actions toward mitigation of flood risk in the upcoming period.

Disparities in territorial development require integrated efforts, through the creation of the overspill effects from the fastest development centres to other slowly developing ones, as well as in creation of conditions for the development potential in those regions which are falling behind. These conditions need to be built through various dimensions influencing growth potential for integrated sustainable territorial development.

Another determinant of socio-economic growth is investing in human capital and creating conditions for high-quality education and training regardless of economic, social status and place of living. Thus adequate planning of the investments in human resources rounds up the overall framework, which underpins the dynamics of the development potentials.

In order to unlock the growth potential for job-creation which underpins even territorial development, support for the SMEs sector focusing on the micro-enterprises and start-ups created by youth and women is needed. The rationale for such an approach lies in the fact that the SME sector accounts for 99.9% of all domestic enterprises - almost all of them falling into the category of microenterprises. A total of 65.7% of all employment and 40.8% of all exports are generated by the SME sector, which represented 34.8% and 56.2% of the GDP and GVA respectively.

The tendency of domination of the SMEs sector continued in all regions and most of the territorial areas of Serbia in 2017, although there are significant differences in the development of the SME sector between individual regions. Belgrade region with the smallest share in total number of SMEs (32.7%) dominates in terms of the employment (33.1%), turnover (44.0%) and GVA (44.0%) in relation to the SME from the region of Vojvodina, the region of Šumadija and Western Serbia and the Region of South and East Serbia.

The financing gap for funding based on the potential demand from, for example, micro enterprises in Serbia is estimated between 938 - 1,036 mil EUR. Serbia has taken steps to address sub-optimal investment situations and market failures but still needs to create a system of strong national institutions able to implement programmes of direct financial support to enterprises complementing the credit lines available from commercial and public banks. Since such institutions have a public mandate, they are arguably better placed than private operators to address structural problems within the market. In addition to financial injection, however, without support, these newly established enterprises could not survive without proper guidance, mentorship and advice.

[111] Concerning both regions it is primarily in the Danube, and Sava rivers, then Morava, Drina, Kolubara, Timok and others.

Different stages of the development and growth cycle of SMEs require professional support provided by the business support organisations (BSOs). These include two groups of services: Supporting Entrepreneurship Development and Supporting the Development of the Public Sector.

On the other side, efforts in the creation of the enabling business environment still need support, due to its comprehensiveness, size of funding required and timing necessary to deliver such reforms. The business environment encompasses, among others, collecting and digitalising geospatial information, preparation and adoption of regulation plans, preparation of project documentation, refurbishment of the communal infrastructure or in general infrastructure related to the attraction of the investments into the municipalities, including tourism-related infrastructure.

Lastly, for socio-economic growth on the local level, the dominant factor is also social infrastructure which addresses public necessities such as education, culture, health and community services, including sports infrastructure.

According to the data of the Ministry in charge of Finance for the period January-September 2018 almost third of all revenues on the level of municipalities and cities are gained through transfers of other levels of authorities (central and provincial level). In the situation of scarce resources for the financing of the local socio-economic growth, an integrated approach to planning and development is one of the approaches which requires mutual work on the exploration of the common strengths and weaknesses and possible areas of cooperation.

Experiences of other countries from previous EU enlargements have shown that adequate development planning and management of the resources, along with project management are a key measure of the absorption capacities of that country for the effective use of the allocated EU funds in the post-accession period. Development planning models elaborated in the EU member states can provide the basis for such an approach, applying the different model concerning the degree of the urbanisation of the municipalities and their economic and social growth potential.

The mechanism of Integrated Territorial Investment (ITI) has been introduced under Article 36 of the CPR of the current Cohesion policy in the EU. One of the most significant assumptions of new EU cohesion policy for 2014-2020 is acceptance of the territorial approach to development policy.

Having in mind the present state of play of accession negotiations between European Commission and Serbia, it is necessary to pay due attention to proper preparation for full use of opportunities after the Republic of Serbia becomes the EU Member state. Structural and Cohesion Funds available upon accession shall represent one of the main sources of development financing for the Republic of Serbia, which is an experience of comparable countries which have already joined the EU. The sheer amount of funds raises the necessity to define, establish and make functional mechanisms for their utilisation, following EU Regulation, significantly before accession date.

These functions are defined through negotiation Chapter 22 - Regional policy and coordination of structural instruments. Although negotiations in Chapter 22 have not been opened, preparatory work

has already started having in mind the importance of the cohesion policy for Serbia's economic and social development on one hand, and the complexity of establishing the whole system and putting it into practice, on the other.

A very important dimension of the cohesion policy funds represents the challenge of tackling the **territorial dimension** of development. In that sense, it is of the utmost importance to provide an appropriate "transitional phase" which will enable local self-governments and central government institutions of Serbia to gradually adjust their development policies in respect to future EU financing upon accession. The introduction of "place-based approach"[112] and implementation of Integrated Territorial Investments (ITI), including Community-Led Local Development (CLLD) and Sustainable Urban Development (SUD) and European Urban Initiative (UIE) before accession shall on one side promote an integrated approach to territorial development (encouraging local self – governments and various stakeholders on specific territory to assure appropriate planning, programming and synergy of action with different financing sources) while at the same time assuring maximum impact of IPA funds.

The integrated "place based approach" already has some foundations in Serbia which will be used as a starting point for this action. Sustainable Urban Development (SUD) in a form of inner city urban development strategies was already introduced in the Cities of Kragujevac, Užice and Kraljevo, while the City of Niš also developed high-quality urban strategy that meets many of the requirements of SUD. Such documents provide a basis for implementation of integrated projects in these cities.

The LEADER approach – the forerunner to CLLD has been piloted within a number of Serbian municipalities, and for the purpose of implementation of EU Agriculture and Rural Development Measures (IPARD), fifteen Local Action Groups (LAG)[113] are already established within the Programme area, which is a requirement for CLLD, and a significant resource for implementation of Programme activities in rural areas.

According to European Commission (EC) 2019 Progress Report[114] Serbia is moderately prepared on regional policy and coordination of structural instruments. Some progress has been made in implementing 2018 recommendations with the adoption of the Action Plan for meeting the EU cohesion policy requirements. In the coming year, Serbia should implement the pending recommendations from 2018, in particular:

- Start implementing the adopted action plan in order to meet the requirements of the EU cohesion policy;
- Ensure adequate capacity to implement indirect management programmes under EU pre-accession assistance and guarantee that the key positions in the structures are filled on a permanent basis.

[112] Place-based approach
[113] Local Action Groups (LAG)
[114] European Commission (EC) 2019 Progress Report

The Action is designed to provide support to the Ministry of European Integration (MEI) in implementation of the Action Plan for Fulfilment of the Conditions in the Area of EU Cohesion Policy - Chapter 22 - Regional Policy and Coordination of Structural Instruments.

According to the World Bank[115], Serbian economy is experiencing a recession due to the COVID-19 pandemic, and GDP is expected to drop by 2.0 percent in 2020. Strict restrictions on mobility, commerce, and public gatherings aimed at containing the pandemic have had significant adverse impacts on economic activity. Public debt is projected to reach almost 60 percent of GDP by year-end and poverty (18.2 percent in 2019) is expected to increase by as much as 2 to 4 percentage points in 2020, wiping out the gains of the last four years. The negative impact of the pandemic is affecting manufacturing but is most pronounced in the services sectors, in particular transport and tourism. The government and the National Bank of Serbia have introduced several measures to mitigate the economic impact of the pandemic, including a massive fiscal stimulus package of about 13 percent of GDP during 2020. The fiscal package includes direct payments to businesses and individuals, soft loans, and guarantees. Additional measures, including wage subsidies (of 2/3 of minimum wage) to all employees and further deferral of social contributions and labor taxes, were announced in August. The World Bank has taken a number of actions aligned with the Approach Paper “Saving lives, Scaling-up Impact and Getting Back on Track” to support the Government of Serbia (GoS) in responding to the COVID-19 global pandemic crisis.

1.3 Beneficiaries and Parties Involved

The Programme will focus on 99 municipalities in the two regions: Šumadija and Western Serbia and South and Eastern Serbia located in the following districts: Mačvanski, Kolubarski, Zlatiborski, Moravički, Raški, Šumadijski, Pomoravski, Rasinski, Podunavski, Braničevski, Borski, Zaječarski, Toplički, Nišavski, Pirotski, Jablanički and Pčinjski districts.

Since the Programme will support various territorial initiatives, municipalities will play key role, either as direct beneficiaries or as one of stakeholders in other initiatives partnerships with local SMEs, civil society organisations (CSOs) and business support organisations (BSOs), among all, regional development agencies and already established Local Action Groups (LAGs), but later a new institutional mechanisms that are envisaged to be established as partnerships of business, civil and public sector will be main Programme counterparts. The final beneficiaries are the inhabitants of the areas where the Programme will be implemented.

The key institution that the Programme will be coordinating with is the Ministry of European Integration of the Government of the Republic of Serbia (MEI), in charge for implementation of the Action Plan for Fulfilment of the Conditions in the Area of EU Cohesion Policy - Chapter 22 - Regional Policy and Coordination of Structural Instruments. The benefits that MEI will gain as a result of the programme will be in identification of applicability of EU territorial instruments in Serbian context, possible territories for Integrated Territorial Investment (ITI) and enhanced capacities for implementation of Chapter 22.

The other key institutions are:

[115] World Bank Serbia Country Overview

- The Ministry of Agriculture, in charge for implementation of IPARD Programme, in terms of coordination and synergy of activities related to support of Local Action Groups (LAG) in actions focused on support of initiatives in rural areas.
- The Ministry of Construction, Transport and Infrastructure, as in charge for implementation of urban development policies
- The Ministry of Economy, the Ministry of Public Administration and Local Self-Government, the Ministry of Environmental Protection, The Ministry of Trade, Tourism and Telecommunications and the Ministry of Culture and Information, Ministry of Sports and Youth, Ministry of Labour, Employment, Veteran and Social Policy, Ministry of Health (with regards to COVID-19 mitigation related issues).
- Standing Conference of Towns and Municipalities (SCTM)
- Development Agency of Serbia (DAS), which provides support of direct investments and export promotion, and leads in supporting the economic and regional development, and
- Regional Development Agencies.

Other institutions and organisations involved in the Programme implementation include, but are not limited to, the Chamber of Commerce and Industry of Serbia, Republic Geodetic Authority, and various business support and civil society organisations.

1.4 Justification

The main focus of the action is to contribute to preparation for the fulfilment of the requirements under **Chapter 22 of the EU acquis**. The aim is to introduce and to pilot different available measures and a set of "territorial instruments" that are designed to create a smooth transition to the absorption of European Structural and Investment (ESI) Funds through sustainable local economic and social development in Serbian context. Thus, the action should provide recommendations for appropriate solutions that best fit the needs of specific territories, and enable them to combine available funds from different programmes and funds.

Proposal of the ESI funds post 2020 stipulates five policy objectives one being **"Europe closer to citizens – sustainable and integrated development of urban, rural and coastal areas through local initiatives."** The Action emphasises the improvement of socio-economic conditions on the local level by providing assistance to employment and economic opportunities and improvement of conditions for living and doing business on the local level.

The Action will contribute to alignment with the **EU Urban Agenda**[116] and will prepare principal stakeholders for the further development of that agenda through measures anticipated to be contained

[116] https://ec.europa.eu/regional_policy/sources/docgener/brochure/urban_agenda_eu_en.pdf

within the emerging 'Leipzig-2 Charter' (planned for launch in 2020)[117]. It will also contribute to many sectoral objectives – including those dealing with Public Administration Reform, Competitiveness, Environment & Climate Change, Transport, Agriculture & Rural development, Human resources and social development.

The Action envisages the implementation of the priorities defined in the **Revised Indicative Strategy Paper for Serbia 2014-2020**[118] in particular the following results: "Improved service delivery and legal certainty to citizens and businesses, including through sound administrative procedures and by upgraded e-government services; Policy planning system established with medium-term planning documents and consolidated sector strategies, supporting the objectives of the Government and enabling prioritisation and budgetary planning and monitoring and more inclusive and evidence-based policy and legislative development, including for alignment with the acquis, ensured; Investment project preparation substantially improved both at the central and local government level, resulting in mature investment projects; "

The Programme also addresses priorities within the **Strategy for the Western Balkans**[119] in particular by addressing the priorities related to the public administration reform in terms of an appropriate balance between central, regional and local government also needs to be found, recognised needs related to strengthening of the economy - structural weaknesses, with inefficient and rigid markets, low productivity, limited access to finance, unclear property rights and a cumbersome regulatory environment, leading to low competitiveness and high unemployment.

The design of the Action comprises the local development aspects recognised under the **Situation Analysis of the Needs Assessment Document 2019-2025** promoting integrated sustainable approach in local development fostering synergetic impact of pooled funds on the specific territory. This action complements measures designed under the Competitiveness and Human resources and social development and Public administration reform sector analyses, supporting actions which are highlighting needs of the citizens on the local level at the same time delivering EU agenda closer to them.

The Programme will directly contribute to implementation of the **Sustainable Urban Development Strategy of the Republic of Serbia until 2030**[120] that envisages introduction of integrated approach through formulation of local integrated urban development strategies, and on the other hand, introduction of governance mechanisms at local and regional level. The Programme will indirectly contribute to a successful implementation of measures defined in the Action Plan for Chapter 22 - Regional policy and coordination of structural instruments.

[117] In 2007, in European Union, ministers adopted the Leipzig Charter to achieve the objective of sustainable cities and recognise the importance of the social, cultural and economic role that cities play.
[118] Instrument for Pre-accession Assistance (IPA II): Indicative Strategy Paper for Serbia (2014-2020), Adopted on 19/08/2014.
[119] "A credible enlargement perspective for and enhanced EU engagement with the Western Balkans", European Commission, Strasbourg, 6.2.2018 COM(2018) 65 final
[120] https://www.srbija.gov.rs/dokument/45678/strategije.php

1.5 Other Interventions[121]

Over the past decade, as a result of the accumulation of best practices, the modality of support to general development in Serbia took an increasingly strategic approach as municipal local development plans, regional strategies and sustainable development plans were developed. Consequently, a variety of investment programmes and projects were undertaken by national and local tiers of government with the assistance of international donors focused on the reduction of territorial imbalances. Guiding themes of these interventions include municipal, local and rural development; private sector development and business competitiveness; good municipal governance; public property and land management; cross-border cooperation; social inclusion; employment; energy efficiency and management.

Currently, there are also interventions under development by the World Bank and the European Investment Bank which may be relevant as potential partners for blended funding of integrated territorial activities.

The World Bank supports Serbia Local Infrastructure and Institutional Development Project worth 100 million USD implemented by the Ministry of Construction, Transport and Infrastructure aiming at increasing efficiency, inclusiveness, and sustainability of LSG infrastructure service delivery. The Project will be a mixture of investment and technical assistance to boost green and inclusive infrastructure development and infrastructure service provision at the local level, including the implementation of the relevant chapters of Sustainable Urban Development Strategy. It will be implemented through three components: (1) Rebuilding back better; (2) Strengthening public finance management and asset management systems and (3) Project management and capacity building

The Programme will monitor development of these initiatives and explore possibilities for cooperation should they materialize.

The EU funds are currently (2014-2020) disbursed through, the Instrument for Pre-accession Assistance (IPA II)[122], Horizon 2020[123], Implementation of EU Agriculture and Rural Development Measures (IPARD)[124], Competitiveness of Enterprises and SMEs (COSME)[125] and Erasmus+ Programme[126]. The vast majority of these mechanisms have been available and utilised in the Programme AoR on the per Project basis. Most relevant interventions for the EU PRO plus programme include:

The Instrument for Pre-accession Assistance (IPA) as the means by which the EU supports reforms in the 'enlargement countries' with financial and technical help enabling political and economic reforms necessary to adopt the rights and obligations that come with EU membership. Initial IPA (2007-2013) allocated € 11.5 billion Euros while its successor, IPA II (2014-2020), dedicated € 11.7 billion Euros to Programmes developed in partnership with the beneficiaries. IPA II introduced strategic focus based on seven year country specific Strategy Papers[127] providing stronger national ownership through integration

[121] This section includes inputs provided by the EU PPF7 Programme
[122] the Instrument for Pre-accession Assistance (IPA II)
[123] Horizon 2020 Programme Horizon SME support Serbia
[124] Approximately half of the population in Serbia is non-urban, thus it is estimated that IPARD grants may lead to a total investment in agriculture of roughly €400 million. IPARD Serbia
[125] COSME map Serbia; COSME Programme
[126] Erasmus+ Serbia
[127] Country Strategy Papers

of own reform and development agendas. Indicative IPA II funding allocation for Serbia 2014–2020 is 1.539,1 billion Euros.[128]

Additionally, the IPA II multi-country financial assistance[129] addresses priorities for regional cooperation or territorial cooperation. As the result **Cross-Border Cooperation (CBC) Programmes**[130] implemented with the Republic of Serbia include six territorial initiatives: Hungary-Serbia; Romania-Serbia; Bulgaria-Serbia; Croatia-Serbia; Serbia-Bosnia and Herzegovina, and Serbia-Montenegro. Coverage of the territory in question includes 14 (out of 17 districts) i.e. 80 (out of 99) municipalities covered by the EU PRO plus AoR. Co-financed by the respective countries, these Programmes facilitate cooperation between border areas of neighbouring states and are addressing issues of common interest such as waste management, service provision in various sectors, tourism, transport, cultural and economic cooperation etc.[131]

The two ongoing interventions, **the European Support to Municipal Development Programme – EU PRO (2018-2020) and Enhancing Good Governance and Social Inclusion for Municipal Development – SWISS PRO (2018-2021)** cover 99 LSGs in Šumadija, Western, Southern and Eastern Serbia and are both implemented by UNOPS in Serbia. The former is an EU financed 25 million Euros intervention aimed at Enhanced competitiveness of enterprises; improved business environment and Strengthening of social cohesion. The latter is 5.8 million Euros intervention financed by Swiss Agency for Development and Cooperation (SDC) which contributes to inclusion of vulnerable groups, through reinforcement of the rule of law at the local level, strengthening social cohesion and increasing the responsibility, transparency, efficiency and effectiveness of local self-governments.[132] The interventions are successors of **two previously joint interventions financed by the EU and SDC** between 2010 and 2018 - the Support to Local Self-governments in southern Serbia is a growing initiative that started in 2010 with The European Partnership with Municipalities - EU PROGRES (2010-2014) and European PROGRES Programme (2014-2018). **EU PROGRES** was implemented as a support to the sustainable development of 25 municipalities in the South East and South West of the country. The Programme financed with 18 million Euros successfully implemented a total of 255 projects focused in four areas of intervention - good governance; municipal management and development planning; social, economic and environment infrastructure and public awareness and branding of areas.[133] Some of the key impacts include contribution to commercial investments of at least 30 million Euros, facilitated employment of 300 people, and creation of the basis for opening of 3,000 jobs in the five- year period. The initiative grew with the successor **European PROGRES** Programme that covered 34 LSGs in South East and South West of the country and utilised a budget of 24 million Euros. The Programme successfully delivered 254 projects in the areas of strengthening local governance; increasing competitiveness of local economy and

[128] Funding the priority sectors - Democracy & governance; Rule of law & fundamental rights; Environment & climate action; Transport; Energy; Competitiveness & innovation; Education, employment and social policies and Agriculture & rural development;

[129] Multi-country – financial assistance under IPA II

[130] Between 2014-2020, Serbia took part in eight CB and transnational cooperation programmes. Since 2004, over 800 projects in total worth over €91 million have been implemented by some 500 Serbian organisations. Cross-border and Transnational Cooperation in Serbia, The Delegation of the European Union to the Republic of Serbia

[131] MEI Cross Border Cooperation (CBC) - Šumadijski, Pomoravski and Rasinski districts remain out of the Cross-Border (territorial) Cooperation eligible area, due to the nature of the programme and the districts' central geographic location.

[132] Implementation of certain SWISS PRO activities conducted in partnership with the Standing Conference of Towns and Municipalities (SCTM).

[133] EUProgres.org EU PROGRES Moving Forward - South and South West Serbia.pdf; EUProgres.org EU PROGRES_Programme Document_Oct 2010.pdf

enhancing social inclusion.[134] Some of the key impacts include establishment of 96 and enhanced competitiveness of 32 existing businesses resulting in employment of close to 1000 people and enhanced social inclusion of 7,570 vulnerable people. Additionally the Programme's assistance to development of technical and planning documentation, and several construction projects related to industrial zones complemented efforts of the Government and LSGs to facilitate investments and resulted in the project pipeline worth 29 million Euros.

The EXCHANGE Programme represents a continuing intervention launched in 2004 implemented across underdeveloped areas in Serbia by the Standing Conference of Municipalities and Towns (SCTM). The Programme completed four cycles - EXCHANGE 1 (2004-2007), EXCHANGE 2 (2008 - 2010), EXCHANGE 3 (2010-2013), EXCHANGE 4 (2013-2015) investing a total of 16.6 million Euros of EU funds in introducing EU models into the operations of local government units in Serbia and improving their capacities and efficiency. The currently ongoing EXCHANGE 5 (2017-2020) is a 3.5 million Euros worth Programme which provides support to 48 local self-government units, inclusive of EU PRO plus AoR areas, on issues of property management, municipal planning and programme budgeting support.[135]

Technical Assistance for Investment projects **Project Preparation (EU PPF)** (2017 - 2020) is a 21 million Euros initiative implemented by Louis Berger Group in coordination with Ministry of European Integration (MEI) and Ministry of Finance – Department for Contracting and Financing of EU Funded Programmes (CFCU). The Programme builds the capacity of Serbian administration to manage and absorb EU pre-accession funds. Two results predict prepared technical and tender documentation or infrastructure projects related to the environment and energy sectors - total of seven valued at around 100 million Euros; training 500 stakeholders in energy and environment sectors on preparation of technical documentation.[136]

System Development for Cohesion Policy Management (2019 - 2022) is a 2.7 million euros project financed by the EU within IPA 2015 to prepare Serbian public administration for the effective preparation and implementation of the EU Cohesion Policy i.e. projects financed through structural funds and the Cohesion Fund. The initiative consists of three components - Establishment of a legal and institutional framework for EU Cohesion Policy; Preparation of relevant planning and programming documents for EU Cohesion Policy, and Development of capacities of institutions and bodies nominated for implementation of Cohesion Policy, as well as partners and potential beneficiaries at the national and sub-national levels.

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[134] EU PROGRES; European PROGRES; EU PRO; Swiss PRO; EU PRO Map

[135] Exchange 1 Programme - Novi Bečej, Pantelei (Niš), Kovačica, Krupanj, Žitorađa, Varvarin, Senta, Ada, Čoka, Bela Crkva, Negotin, Užice, Knjaževac, Irig, Nova Crnja, Pećinci, Niš, Svilajnac, Prokuplje, Šabac, Palilula (Beograd), Bela Palanka, Golubac, Doljevac, Trstenik, Kovin, Palilula (Niš), Zrenjanin, Sremska Mitrovica, Stari Grad (Beograd), Pirot, Novi Beograd (Beograd),Inđija, Aleksinac, Valjevo, Majdanpek, Čačak, Titel, Vranje, Veliko Gradište, Kragujevac, Žagubica, Paraćin, Kruševac, Ćićevac, Priboj, Osečina, Arilje and Kanjiža; Exchange 2 Programme; Exchange 3 Programme Aranđelovac, Paraćin, Palilula (Niš), Čoka, Vršac, Vranje, Žitorađa, Kruševac, Niš, Novi Sad, Palilula (Beograd), Svilajnac, Stara Pazova, Ćuprija, Koceljeva, Užice, Arilje, Beočin, Bela Crkva, Gornji Milanovac, Dimitrovgrad, Gadžin Han, Bač, Blace, Savski venac (Beograd), Veliko Gradište, Žabalj, Kula, Barajevo (Beograd), Bujanovac, Zrenjanin, Zvezdara (Beograd), Kuršumlija, Kraljevo, Merošina, Požarevac, Pančevo, Pirot, Senta, Trstenik, Čajetina, Bela Palanka, Vladičin Han, Kikinda, Svrljig, Lazarevac (Beograd), Bački Petrovac, Despotovac, Žagubica, Zemun (Beograd), Knjaževac, Nova Varoš, Rača, Ruma, Sokobanja, Sjenica, Ub and Čačak; Exchange 4 Programme; Exchange 4 DEU; Exchange 5 Programme; Novi Sad, Apatin, Sremski Karlovci; Požarevac, Petrovac na Mlavi, Kučevo, Velika Plana, Veliko Gradište, Golubac and Žagubica; Beočin, Šid; Bačka Palanka, Bač; Kuršumlija, Blace; Niš, Ćuprija; Arilje, Lučani, Požega and Kosjerić; Bogatić, Vladimirci and Mali Zvornik; Čačak, Gornji Milanovac and Ivanjica; Stara Pazova and Ruma; Topola, Rekovac and Lapovo; Subotica and Senta; Kruševac and Aleksinac; Užice and Bajina Bašta; Kovačica and Kovin; Kragujevac and Batočina; Valjevo and Ub; Smederevo, Žabari and Malo Crnić

[136] Technical Assistance for Investment projects Project Preparation (EU PPF6) Programme; www.ppf.rs - Loznica, Pančevo, Kraljevo, Brus and Blace, Belgrade, EHC project and LEEN project

The initiative will indirectly contribute to a successful implementation of measures defined in the Action Plan for Chapter 2 while the main beneficiary and coordinator of activities is the Ministry of European Integration.

The EU invests into **Roma focused initiatives** to contribute to social inclusion and improved living conditions of the Roma women and men, girls and boys experiencing poverty and social exclusion across Serbia. Roma inclusion project (2018 - 2021) implemented by the Standing Conference of Towns and Municipalities (SCTM) is a 4.2 million Euros initiative that contributes to changes at the local level in line with the Strategy for Social Inclusion of Roma for the 2016-2025 period through enhancement of administrative capacities and effectiveness of LSG service provision.[137] Preparation of technical documentation for substandard Roma settlement (2019 - 2021) implemented by Consortium led by KPMG d.o.o. Belgrade is a 2.6 million Euros initiative that contributes to sustainable improvement of social inclusion of Roma through further investment in sustainable housing solutions, better access of Roma pupils to the education system and strengthening of national Roma inclusion mechanisms at the local level.[138] European Union Support to Social Housing and Active Inclusion" Programme (SHAI) (2019 - 2021) is 20 million Euros initiative implemented by the United Nations Office for Project Services (UNOPS) that works with local self-governments across Serbia to contribute to strengthening capacities of responsible institutions, authorities, organisations as well as provide adequate housing solutions, jobs, social, education and healthcare services complementary to housing solutions to the most vulnerable.[139]

Other large non-area focused economic development Programmes include the EU financed **Support to Competitiveness and Innovation Programme** established in 2011 to promote linkages between research, technology development and economy as well as to encourage and support the development of innovative technologies. The Programme positions the newly established and existing companies to access venture capital markets, and serve as the key state actor in developing innovation entrepreneurship in Serbia. Since its inception, through the Fund for Innovation 20.8 million was allocated for 157 innovative projects, 2.7 million euros for 514 innovation vouchers and 470 thousand euros for support in technology transfer. In total, over 24 million euros has been invested so far while over 1,950 applications for innovative projects were submitted to all public calls.[140]

EU Business Incubator Development (EUBID) (2019 - 2021) is 1.5 million Euros, intended to increase the competitiveness and innovation of start-up companies through improved capacities of business incubators to provide high value-added services to start-up companies.[141] Improving business environment (IBE) (2017 - 2020) is a 2.3 million Euros initiative intended to improve the regulatory and administrative environment for doing business in the Republic of Serbia. Project activities ensure establishment of a business-friendly environment through improving the operational framework for planning and building permits; Establishing a Business Stimulating Regulatory Framework; Improving the regulation and public policy adoption process.[142]

[137] Roma inclusion project
[138] Technical Assistance for Improvement of Socio Economic Living Conditions of Roma Population 14 LSGs selected so far Novi Sad, Vršac, Sombor, Subotica, Smederevska Palanka, Smederevo, Lebane, Odžaci, Kostolac, Loznica, Trstenik, Beočin, Novi Pazar i Boljevac.
[139] European Union Support to Social Housing and Active Inclusion" Programme (SHAI)
[140] Innovation Fund Programme
[141] EU Business Incubator Development (EUBID)
[142] Improving business environment (IBE) Project

Relevant EU financed **Horizontal interventions** include Support to Priority Actions for Gender Equality in Serbia (2018 - 2021) a two million Euros project implemented by UN Women supporting the formulation of different national-level policies pertaining to gender equality and strengthening the role of the Coordination Body for Gender Equality. Some of these activities may be linked to proposed Programme activities related to social inclusion and social cohesion.[143] Support to participation in EU Programmes (2019 - 2021) a 1.4 million investment implemented by Consortium led by International Development Ireland with an objective to enhance Serbia's potential for using funds dedicated for projects funded by EU programmes.[144] Similarly 4.7 million Euros project financed by EU and implemented by GIZ - Support to IPA Programming, Trainings And Project Preparation project is intended to support the planning and preparation of strategic and policy framework for pre-accession/accession assistance and the development of mature projects with a full set of project documentation in accordance with EU procedures for Programming and Procurement rules.[145]

Improvement of accessibility for persons with disabilities[146] (PWD) (2017 - 2020) project worth 3.5 million Euros which encompasses the preparation of technical documentation for social infrastructure and works in municipalities across Serbia to improve access for PWDs to up to 90 municipal buildings. The Programme coordinates activities related to social inclusion and cohesion and explores opportunities for synergies.

Additionally the EU is also the largest lender to Serbia. Most relevant current intervention financed through European Investment Bank (EIB) in partnership with the Ministry of Public Administration and Local Self-Government (MPALSG) is **Partnership for local development**[147] worth 30 million Euros.[148] Started in April 2019 the project supports LSGs in improving the existing infrastructure and enhancing the quality of life of local communities and preventing migrations. The activities are informed by the survey UNDP and MPALSG conducted in 2017 and are predominantly focused on the public infrastructure. The project includes the City of Belgrade and its municipalities as it was affected by 2014 floods or 2015-2016 migration crises in addition to large disparities between its urban and peri-urban areas and its achievements in the reform of public administration.[149]

EU for Cultural Heritage and Tourism (2019 - 2022) is 16.6 million Euros[150] intervention financed by the EU and implemented by GIZ aimed at developing tourism as a significant economic potential for the economic development of eastern Serbia and the Lower Danube region.[151] The intervention is four pronged - one goal is to improve and present four crucial cultural heritage sites[152] through conservation and construction works increasing touristic pull potential of the region. The second goal aims at the technical assistance and capacity building on the successful models of sustainable tourism development

[143] Gender Equality Programme
[144] Support to participate Programme through iHorizon 2020, COSME, Erasmus +, Creative Europe, Fiscalis 2020, Customs 2020 etc.
[145] Support to IPA Programming, Trainings And Project Preparation project
[146] https://www.mgsi.gov.rs/lat/projekti/projekat-unapredenja-pristupacnosti-osobama-sa-invaliditetom-javnim-objektima-javne-namene
[147] MDULS.gov.rs Instruction on execution of project Partnership for Local Developmnet.pdf SRB
[148] Out of 30 million Euros allocated for the project 22 million was secured through the EIB loan, 25 percent comes from the national RS budget, donor funds, UNDP funds and LSGUs through a minimum of 15 percent of project value confounding.
[149] MDULS.gov.rs 30 million Euros earmarked for support to underdeveloped Serbian municipalities (15 April 2019)
[150] The Programme is jointly funded by EU (15 million Euros) and GIZ (1.6 million Euros)
[151] http://www.euzatebe.rs/en/projects/eu-for-cultural-heritage-and-tourism
[152] Felix Romuliana – Gamzigrad, Fetislam fortress – Kladovo, Rajačke pimnice – Negotin, National Theatre – Belgrade

without adverse social impacts accenting environmental and cultural heritage preservation.[153] While main project beneficiaries are Ministry of Trade, Tourism and Telecommunications of the Republic of Serbia and National Tourism Organisation of Serbia the special attention will be paid to organisations from Eastern Serbia and the Lower Danube region while representatives of local governments, local tourism organisations, organisations managing the sites, as well as representatives of private companies providing tourist services from towns and municipalities covered by the project will also be included in the process. The project's third component includes grants awarded to local governments, citizens' associations, and small and medium-sized entrepreneurs to enhance their economic and tourism-related capacities aiming to improve the quality of tourist offer of the Lower Danube region. The funds will be disbursed through four separate programmes[154], which differ from each other by the type of beneficiaries and activities to be funded. The goal of the fourth project component is to raise visibility and attractiveness of Eastern Serbia and the Lower Danube region as tourist destinations through marketing campaigns in the country and abroad; participation in national and foreign fairs; placement of promotional content in national and foreign media and the like.

Area based interventions financed through Bilateral Agreements

The Government of Switzerland operates in Serbia through its Cooperation Office, which is part of the Embassy of Switzerland while the Cooperation Program is jointly implemented by various Swiss federal institutions.[155] The three key intervention areas are governance; economic development and employment; sustainable energy and resilient cities. Previous, recent Programme relevant interventions financed by SDC include **Municipal Economic Development in Eastern Serbia (MED)[156]** (2012 - 2017) implemented by GIZ**, Rural & Regional Development Support to Serbia (RRDS)[157]** (2015 - 2019) implemented by SCTM. Besides the above mentioned SWISS PRO Programme, SDC is financing **Private Sector Development in Southwest Serbia (PSD)** initiative launched in 2009 and focused on economic growth in the underdeveloped municipalities in Southern Serbia by increasing employment and income opportunities. The area of implementation grew from nine municipalities in Zlatiborski district[158] in **Phase II[159]** (2009 - 2013) to 25 municipalities from Zlatiborski, Kolubarski, Moravički and Raški districts in

[153] The technical assistance and capacity building programme will address - Development of tourism products and services; Presentation and interpretation of cultural heritage; Joint promotion of Eastern Serbia and the Lower Danube region as domestic, regional and European tourist destination; Destination management and cooperation among tourism industry players; Management and self-sustainability of cultural heritage sites, and improving their attractiveness as tourist destinations.

[154] Four types of grants to be awarded - for minor infrastructure works directly affecting the attractiveness of the region for tourists to Municipalities and public institutions; for capacity building of regional tourism associations and organisations; for innovative tourist initiatives to improve the visibility of the regions tourist potential for the creative industry and cultural institutions; and for Private sector i.e. to improve the quality of the direct tourist offer.

[155] Swiss Aid implementing institutions: The Swiss Agency for Development and Cooperation (SDC), a division of the Swiss Ministry of Foreign Affairs; The State Secretariat for Economic Affairs (SECO), a division of the Swiss Federal Department of Economic Affairs, Education and Research; The State Secretariat for Migration (SEM), a division of the Swiss Federal Department for Justice and Police.

[156] Strengthening Local and Regional Economies with the Help of Improved Framework Conditions, Municipal Economic Development in Eastern Serbia Boljevac, Golubac, Kladovo, Knjaževac, Majdanpek, Negotin, Sokobanja, Veliko Gradište and Zaječar

[157] Rural & Regional Development Support to Serbia Šid, Inđija, Sremska Mitrovica, Irig, Ruma,Stara Pazova, Pećinci, Bogatić, Vladimirci,Koceljeva, Krupanj, Loznica, Ljubovija,, Mali Zvornik, Šabac, Valjevo, Lajkovac, Ljig, Mionica, Osečina, Ub, Aranđelovac, Batočina, Knić, Lapovo, Rača, Topola and Kragujevac

[158] Arilje, Nova Varoš, Priboj, Prijepolje, Čajetina and Užice

[159] PSD Southwest Serbia Phase 2 Arilje, Nova Varoš, Priboj, Prijepolje, Čajetina and Užice

Phase III[160] (2013 - 2017) and is currently covering 105 municipalities (except Vojvodina)[161] **in the Phase IV** (2017 - 2020)[162]**. PSD IV** aims to contribute to economic growth by creation of jobs and income in the tourism sector. Results include improved access to sales channels and finance, establishment of Public Private Development Partnerships (PPDP) and support for SME development as well as increased access to the labour market, social security system, training and financing for rural women.

Kingdom of Norway is currently supporting **Norwegian Support to the Western Balkans Development - Norway for You** (2018 - 2021) a 6.18 million Euros investment implemented by the United Nations Office for Project Services (UNOPS). The project aims to contribute to a more balanced socio-economic development in Serbia by increasing employment opportunities, in particular for vulnerable and marginalised groups, supporting social cohesion and improvement of local infrastructure. The Project will also contribute to strengthening the information security of the Government of Serbia.[163]

The United States government through the **United States Agency for International Development (USAID)** has been engaging in the areas of democracy, human rights and governance, and interventions that foster economic growth and trade since 2001.[164] Previous recent Programme relevant interventions financed by USAID include **Private Sector Development Project (PSD)**[165] (2013 - 2017) implemented by DAS and RDAs and **Business Enabling Project (BEP)**[166] (2011 - 2017) implemented by DAS. Currently USAID is implementing **the Competitive Economy Project** (2017 - 2021) worth 10.7 million Euros implemented by the Cardno Emerging Markets USA, Ltd. The Programme aims to strengthen the competitiveness of the Serbian food processing industry, particularly fruit and vegetable value chains. Project increased sales and exports of Serbian food products in domestic and international markets by Small and Medium Enterprises (SMEs). In 2021 USAID has initiated support for a number of activities including the Serbia Innovates aiming at accelerating the development, introduction and scale-up of new economic models that will strengthen the innovation driven Serbian economy, bolstering its further development, competitiveness, and export potential, Civil Society Resilience Strengthening Activity and SME Activity in Serbia

The German Corporation for International Cooperation (GIZ) has been engaging in priority areas of sustainable economic development and employment; democracy, civil society and public administration; public infrastructure (energy and water) in Serbia since 2000.[167] Its previous most recent relevant interventions financed by GIZ include **Strengthening of Local Land Management in Serbia**[168] (2010 - 2018) implemented by SCTM. Currently GIZ is also implementing the above mentioned **EU for Cultural Heritage and Tourism**[169] (2019 - 2022) intervention.

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[160] PSD Southwest Serbia Phase III Arilje, Bajina Bašta, Kosjerić, Nova Varoš, Požega, Priboj,Prijepolje, Sjenica, Užice, Čajetina, Gornji Milanovac, Ivanjica, Lučani, Čačak, Vrnjačka Banja, Kraljevo, Novi Pazar, Raška, Tutin, Valjevo, Lajkovac, Ljig, Mionica, Osečina and Ub

[161] Zlatiborpsd

[162] PSD Southwest Serbia Phase IV

[163] Norwegian support for Serbia

[164] U.S. Embassy in Serbia, News and Events, February 10, 2019

[165] USAID Private Sector Development Project Novi Pazar, Sjenica, Tutin, Priboj, Prijepolje, Nova Varoš, Raška, Vranje, Leskovac, Medveđa, Preševo, and Bujanovac

[166] USAID Business Enabling Project

[167] OECD.Stat, Aid (Official Development Assistance - ODA) disbursements to countries and regions (DAC2a), Grants total

[168] Strengthening of Local Land Management in Serbia; Ambero Strengthening of Local Land Management in Serbia Čačak, Despotovac, Kladovo, Kragujevac, Kraljevo, Majdanpek, Niš, Novi Sad, Obrenovac, Smedro, Subotica, Užice, Valjevo and Zrenjanin

[169] EU for tourism Belgrade, Kladovo, Zaječar, Negotin

Japan International Cooperation Agency (JICA) finances with 1.4 million Euros **Establishing and promoting mentoring services to SMEs in the Western Balkans**[170] (2019 - 2021) Programme, a fourth iteration of the regional intervention involving Bosnia and Herzegovina, North Macedonia and Serbia. Implemented by DAS with the support of Japanese experts the initiative provides standardised business mentoring services.[171]

Government of Serbia relevant interventions

Programme relevant interventions by the Government of Republic of Serbia include - **The Ministry of Public Administration and Local Self-Government (MPALSG)** Call for LSGs for allocation of funds for 2020 disbursing approximately three million Euros for four groups of projects - Infrastructure works, E-government projects, prevention and risk reduction of climate change and Organisation of Festivals.[172] **Ministry of Economy (MoE)** several annual Calls for Proposals for support to - Startups; Entrepreneurship development; and Business infrastructure.[173] **The Public investment management office (PIMO)** issued a list of 42 projects of public facilities reconstruction across Serbia in 2020.[174] **The Coordination Body's Office of the Government of the Republic of Serbia for the Municipalities of Preševo, Bujanovac and Medveđa** has annual competitions for projects in the three Municipalities that address issues of protection and improving social and minority rights and the allocation of funds for subsidies to private entities or private owners.[175]

1.6 Key Lessons from the Predecessor Programmes

The following are the key lessons within EU PRO Plus predecessor Programmes:

Monitoring, reporting, and evaluation of effectiveness and impacts of municipal projects and policies is often inadequate: LSGs, while understanding general benefits of the project(s), invest insufficient resources into monitoring and reporting of outcomes and impacts. Provision of gender segregated data, number and category of beneficiaries was also limited despite requirements set by the implementing partner. This weakness is also reflected at a higher level as LSGs generally do not have adequate mechanisms to monitor, evaluate, and report on the implementation of local policies. This, in turn, hinders the effort of the implementing partner and the national beneficiary to capture and assess effects and impacts of particular action. In the context of the EU PRO Plus, this lesson is even more important if introduction of the ISTD progresses without proper monitoring and evaluation, beneficiary LSGs and line national institutions will not be able to assess the added value of the new approach.

[170] Establishing and promoting mentoring services to SMEs in the Western Balkans (Phase 2); JICA on the project

[171] Japanese support to Serbia

[172] MDULS.gov.rs Public Call 2020_pdf

[173] Ministry of Economy 2020 Calls for Proposals

[174] PIMO List of projects 2020

[175] The Coordination Body's Office of the Government of the Republic of Serbia for the Municipalities of Preševo, Bujanovac and Medveđa Calls for Proposals

EU PRO Plus will address this at several levels: capacity building interventions will include strong elements related to monitoring, evaluation, and reporting; criteria for selection of proposals for funding, will put more emphasis on outcomes and benefits; grantee's obligations regarding tracking outcomes and benefits will be additionally strengthened.

Soft measures are important for development of economic zones and should complement works: EU PRO encompassed significant support to development of economic infrastructure in selected LSGs, while essentially focusing on infrastructure equipping of industrial and business zones. These interventions proved to be effective as the Programme recorded numerous examples where this contributed to new (private sector) investments and opening of jobs. In most cases, beneficiary LSGs had professional entities responsible for management of the industrial or business zones and this was also an important factor for their successful development. In some cases, however, LSGs had limited capacity to manage their economic zones, which hampered their development and realisation of (new) investments. In these situations, providing technical assistance to the LSGs to address governance, business strategies, promotional, and other aspects related to economic zones functioning would be beneficial.

The new Programme should therefore also include room to support "soft" measures related to development of industrial and business zones. This can be addressed at several levels: by ensuring that “soft” measures fall under eligible activities within ITI grant scheme; by having a separate activity that supports LSGs to enhance services they provide to businesses; and by making eligible “soft” support within economic infrastructure support.

Diversify support to SMEs in order to respond to specific needs: EU PRO set high standards regarding design and conduct of schemes to support entrepreneurs, micro, and small enterprises. Numerous applied approaches (e.g. promotion and evaluation) can be considered as best practices and have been praised by line national partners, while the fact that there were no failed out of 94 projects supported through the first CFP is impressive. The Programme however confirmed the need to consider design of different approaches for different SME sectors. The needs of manufacturing SMEs and those providing services are not the same, and criteria for assessing their proposals should also be different. This is also the case for other sectors, and especially now when COVID-19 negatively affected most sectors, but some are actually recording growth that existed prior to the crisis.

This confirmed that the Programme will have to, while continuing practice of closely consulting and coordinating SME related activities with the line ministries and institutions, consider diversification of approaches and support, in order to ensure the specific needs are adequately addressed. Duly attention should be given to consideration of COVID-19 effects.

Support to SMEs through grant schemes generated strong results but strong monitoring was necessary to ensure the success: part of SMEs has valid business ideas but limited capacity to implement the desired “changes”. This is why it is necessary to ensure that they receive technical

assistance throughout the process of grant implementation. This support contributes to the capacity of SMEs to conduct procurements, enhance business communication with suppliers and overall business administration and record keeping.

SMEs are willing to support development of their local communities: Introduction of Corporate Social Responsibility (CSR) activities as an integral and mandatory part of schemes supporting SMEs, raised the awareness of businesses about the importance of contributing to the local community. The effects of this approach were impressive as many of the supported SMEs through EU PRO continued to implement CSR activities even after the end of grant support. In this way, the overall effectiveness of the support scheme has been strongly reinforced.

EU PRO Plus will therefore continue to encourage CSR activities in its interventions related to provision of support to the SMEs.

The quality of technical documentation for infrastructure projects affects the needed timeframe for implementation and should be assessed during the selection process for the projects. Potential shortcomings of the technical documentation for infrastructure projects, if not timely identified, may severely affect the implementation dynamics. On site visits are crucial to obtain a comprehensive overview of applicant potential and capacity and validate information presented in project proposals.

EU PRO Plus will therefore organise on-site visits and review of supporting documentation wherever feasible thus contribute to effectiveness and efficiency of the process.

Flexibility enabled Programmes to quickly respond to emergencies: each of the three direct EU PRO Plus predecessor local development programmes - EU PRO, European PROGRES, and EU PROGRES, because of flexibility that was embedded in the Description of Action (and Budget), were in position to swiftly mobilise its resources and capacities to support national and local governments' response to crisis that at the time hit the country: earthquake in Kraljevo in 2010, devastating floods in 2014, unprecedented influx of migrants in 2015 and 2016, and most recently, COVID-19 pandemics. The support that was provided was often critical and, since it was provided efficiently, generated significant positive publicity for the donors, primarily the EU.

It is therefore important to maintain some flexibility in the design of EU PRO Plus activities and budget. This can be achieved by leaving room for some decision making during the implementation period, especially inception, and by finding the adequate balance between providing level details that would reduce room for scope creep but leave sufficient room for limited adjustments of interventions and approaches. In addition, planning for contingency budget would also be relevant, especially considering that at least one national emergency or crisis has happened during each of the three iterations of these significant EU funded local development actions.

2 Intervention

2.1 Overall Objective

To contribute to socio-economic development, prosperity and social cohesion of Serbian society.

2.2 Purpose

To decrease socio-economic disparities in two regions within Serbia.

2.3 Results and Activities

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

Interventions under Result 1 will enhance national, regional, and local capacities for management of integrated and sustainable territorial development (ISTD) while considering the features of EU territorial instruments and contributing to the fulfilment of the requirements of Chapter 22 of the EU Acquis that relates to the Regional Policy and the Coordination of Structural Instruments.

At the national level, the Programme's support to the Ministry of European Integration (MEI) will facilitate the design of the national model for the ISTD, which will address geographic, organisational, governance, coordination, implementation, monitoring, reporting, evaluation and other elements of this system.

Outputs will include development of supporting regulations, documentation, and processes necessary for establishment of legal and institutional framework for the introduction of the ISTD model. More specifically, outputs among other encompass: provision of inputs for the Law on System for Management of Cohesion Policy, currently being drafted; design of the governance model, which will define responsibilities and level of involvement of national, regional, and local level; preparation of proposal for coordination model; and definition of approach related to monitoring, reporting, and evaluation.

Development of regulatory framework will be complemented with design of supporting (IT) tools and products that will facilitate monitoring of ISTD developments and collection of needed data, and more generally, contribute to building of technical capacity needed for future use of EU territorial development instruments.

In addition, knowledge and skills of MEI personnel about EU integrated territorial development mechanisms and experiences of EU countries in their application, on the one hand, and about programme and project management, will be enhanced.

At the regional and local level, the Programme will enhance capacities of the local self-governments (LSGs) and regional development agencies (RDAs) to introduce and apply integrated approach to

territorial development. The Programme will enhance LSGs' and RDAs' awareness and understanding of integrated territorial development, including about European structural and investment funds and EU territorial instruments, and terms and conditions for their use.

The local policy framework will be strengthened through development of the local development policies in accordance with ISTD approach – which among other means introduction of multi-sectoral perspective, unlocking specific development potentials of targeted territories, and creation of foundation for multiple funding sources for policies implementation.

Interventions under this result will also enhance LSGs capacities to monitor, evaluate, and report on the implementation of ISTD policies. This will be achieved through introduction of the result and evidence-based planning, of the ex-ante and ex-post analysis methodologies and indicators that will be used for monitoring and evaluation.

Finally, one grant scheme will be designed and conducted with consideration of EU models for territorial investments adjusted to Serbian context and considering potentials of targeted areas and capacities. The piloting of the grant scheme will enhance preparedness of local governments for the absorption of future cohesion funds, while lessons learned from this intervention will be critical for the design of Serbia's ISTD approach.

Activity 1.1 Enhancing national capacity to introduce integrated territorial development

This activity encompasses provision of expert support and training to MEI in development of legal, institutional and regulatory framework, building of knowledge and skills needed for introduction of the ISTD approach in Serbia. In addition, new IT based tools will be designed or existing upgraded to enable comprehensive tracking of development interventions and relevant data at the national, regional, and local level. Additionally, the Programme will procure office furniture and IT equipment[176] for the Ministry to contribute to enhanced efficiency of the Ministry's units and departments dealing with cohesion policy, including territorial development. While the scope of the expert support will be further elaborated during the inception period in collaboration with the MEI, their specific assignments include development of inputs for relevant legislation, preparation of proposals for ISTD governance and coordination mechanism, and definition of monitoring, reporting, and evaluation arrangements Furthermore, MEI will with the Programme's expert support, and in consultations with relevant stakeholders, define the nature of territorial targeting[177] and relationships among different mechanisms of integrated territorial development.

Expert support will include conduct of time bound specific assignments, which will be primarily performed by international consultants that have practical experience in this field. In addition, the Programme will provide experts, primarily national, that will provide more continuing support the MEI in development of elements of the ISTD national system.

[176] Such as computers and computer accessories.
[177] How the territories that will implement territorial mechanisms, primarily Integrated territorial Investments, will be selected

The experts will be recruited in accordance with the relevant UNOPS policies. MEI will be invited to participate in the expert recruitment process, in the capacity of "observer" and in accordance with the relevant UNOPS regulations.

Considering that design of the ISTD model requires consultations at the national, regional, and local level, the Programme will also support MEI in efforts to engage and coordinate these efforts with institutions and stakeholders. This should facilitate design of the most adequate ISTD model for the Serbia's context, subsequent engagement and support of (national) institutions to implementation of the ISTD.[178]

In the first three months, the Programme will also conduct assessment of MEI's needs for training related to ISTD. The training programme will among other include organisation of workshops[179] that will include consideration of ISTD theoretical aspects and practical examples, and will also be used to facilitate discussions and development of elements of the future Serbia's system. Additional capacity development modalities will be used based on needs assessment.

This activity also includes organisation of study visits to selected EU member states[180] (if possible, based on assessment of health situation) in order to enable estimated MEI representatives to expand knowledge about practical implementation of EU territorial instruments. The visit programme and location will be agreed with the MEI and in accordance with training needs analysis.

The Programme will be responsible for administrative and logistical arrangements related to organisation of workshops and study visits, as well as for provision of the necessary experts/lecturers, while MEI may facilitate organisation of some parts of the study visit programmes and, where relevant, engagement of other national stakeholders.

Finally, during the first nine months of implementation, in consultation with the MEI and other line institutions, EU PRO Plus will review existing tools and data bases of development interventions at the local and regional level in order to identify information gaps. This Review will in particular consider the information needs related for introduction of the ISTD approach.

Subject to findings, EU PRO Plus will prepare a proposal for design of new or upgrade of existing tools. Possible intervention will be conducted with the support of UNOPS's central resource for leveraging technology for partners, which will give an efficiency advantage and ensure quality. UNOPS and the line national institution will closely monitor realisation of this intervention.

The entire activity will be closely coordinated with the EU-funded Cohesion Policy project to avoid overlaps and ensure synergy, with respect to the mandate of both projects.

[178] The Programme's communication activities will also target line national institutions, and other key stakeholders, to ensure

[179] Subject to situation related to the COVID-19 pandemic, the Programme will consider conduct of online workshops if in-person workshops are not feasible

[180] If possible, based on assessment of the health situation

As the inception period will be of significant importance for confirmation of needs related to the expert support, training, and technical tools, while considering the findings, the Programme will provide a detailed work plan related to this activity in the Inception Report.

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

This activity will enhance capacities of LSGs and RDAs to start introduction and applications of ISTD approaches.

In the first three months of implementation, the Programme will, in consultation with MEI, design an awareness raising and capacity development activities that will enhance knowledge of LSGs and RDAs about the ISTD. Activities to be implemented will include public events and workshops, training sessions, active work with LSGs, production of leaflets, brochures, video and other supporting materials. These activities will facilitate introduction of the ITSD approach, and enable relevant LSGs and RDAs employees to enhance understanding of the concept and roles and responsibilities of involved actors. The Programme will provide the opportunity to all participating LSGs and all RDAs operating in the two covered regions, to benefit from the capacity building interventions.

Simultaneously with the capacity building activities the Programme will in consultations with the MEI and other line ministries, institutions, and partners, such as is Standing Conference of Towns and Municipalities (SCTM), develop methodology and criteria for selection of LSGs to be provided with technical assistance (TA) for preparation of ISTD strategies. When designing criteria, Integrated Territorial Investments (ITI), Community-led Local Development (CLLD) and Sustainable Urban Development (SUD) models will be taken into consideration, in order to define the approach that will ensure that the least developed LSGs and areas are not left behind.[181]

Upon agreeing the criteria, the Programme will invite LSGs to express interest for TA, assess the received applications and recommend beneficiaries. The Programme's recommendations will be verified by the Programme Steering Committee (PSC). Before initiating the TA, the Programme and the beneficiary LSGs will sign the Memorandum of Understanding (MoU)[182] that will confirm LSGs' commitment and define parties' responsibilities.

While the methodology will be reconfirmed with MEI and other stakeholders during the inception period, ISTD strategies will be developed through participatory process, which will include representatives of public, business and civil sectors; will be based on multi-sector approach; a special attention will be given to planning of funding for the implementation from multiple sources; will be aligned with the Law on Planning System and other relevant national and local policies; will consider relevant elements of EU territorial instruments.

[181] There is a high degree of complementarity with the Activity 1.1 as preparation of the national ISTD will provide inputs for the Activity 1.2.
[182] Or similar document such as exchange of letters of commitment

The Programme will also explore the need to assist LSGs in development of Local Development Plans envisaged by the Law on Planning System. To do this, the Programme will map available assistance for development of local plans and, once known, the LSGs included in support for development of ISTD Strategies, and based on these inputs assess if the support for local plans should be included in the Programme assistance.

The TA will be provided through a combination of thematic workshops, which will have strong practical components, and provision of online support and on-the-job training. It is envisaged to organise four workshops for groups of five to seven beneficiaries during the one year, which is estimated time for development of the documents.

The Programme will provide expert support and will be responsible for administrative and logistical arrangements. The MEI will participate in the design of criteria and methodology, monitor and facilitate the process as necessary. Beneficiary LSGs will own the process and substantially contribute.

This activity encompasses provision of TA for development of up to 15 ISTD strategies. Considering that ITI mechanism among other envisages development of strategies for urban agglomerations, the number of LSGs that will benefit from this is expected to exceed 30.

While the Programme primarily focuses on the two underdeveloped regions, during the final year of implementation in preparation for the successor project, the Programme will initiate support to development of additional ISTD strategies which may include territories in Vojvodina Region.

Additionally, the Programme will, in consultation with the EU Delegation, consider improvement of technical capacities of RDAs and LSGs through procurement of IT equipment, such as computers, servers and computer accessories. This, including the equipments' specifications, will be done based on assessment of technical capacities of RDAs and LSGs and contingent on budget availability, which may include reallocation of savings from other activities, within the allowed parameters of budget reallocation.

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

Using the ISTD strategies developed under Activity 1.2, the Programme will pilot a competitive grant scheme, i.e. a Call for Proposals (CFP) to support projects from at least 10 ISTD investment applications.

A Call will be developed in consultation with the relevant ministries and the SCTM at the beginning of the second year of implementation. The scheme will be aligned with the ITI, CLLD, and SUD instrument, while considering Serbia's context, capacities, and results from Activities 1.1 and 1.2. For this purpose, the Programme may consider both strategies developed with its support under the Result 1, and also other strategies developed in line with the ISTD principles available at the time of implementation.

While respecting relevant UNOPS regulations, this grant scheme will be designed in a way to enable (direct) engagement of national stakeholders, primarily MEI as line institution, as well as of regional and local actors in identification and selection of projects, and, subsequently, into monitoring and evaluation.

The eligible applicants will be able to request funding for several interventions/projects deriving from the ISTD strategies. In their applications, they will among other be asked to present a broader multi-sectoral development perspective as well as comprehensive financial plan for implementation of the relevant parts of the ISTD Strategy. Considering that one of key features of the integrated approach to territorial development relates to use of multiple sources of funding for realisation of investments/projects, the applicants will have an obligation to present funds beyond the ones of the EU that will be provided through the Programme, and this will be among the key criteria for selection of the applications that will be supported.

The grant scheme should be conducted in six months, while awarded grants will be implemented over a 12 to 18-months period. The grant scheme will be initiated in the second year of the Programme.

The Programme will conduct intensive information campaigns, in cooperation with MEI, including a series of workshops, to introduce the CFP to potential beneficiaries and stakeholders. MEI and possibly other line national partners may also participate in evaluation, in line with the UNOPS policy and regulations. The PSC will review the recommendation of the Evaluation Panel.

The Programme will closely monitor implementation of awarded grants by the grantees. Effort will be put to record lessons, challenges, as this will be an important input for the design of Serbia's ISTD model supported under the Activity 1.1 and Activity 1.2.

Result 2 Enhanced economic growth in targeted municipalities

Result 2 will contribute to economic growth of local governments and targeted areas in line with the integrated and sustainable territorial development principles. A two-tier approach will be implemented, with activities contributing to the improvement of the business enabling environment and activities directed towards enhancement of competitiveness and sustainability of businesses.

Contributing to creation of an environment more conducive to business development, the Programme will support improvement of economic infrastructure. These interventions will facilitate new investments and or expansion of established businesses in the targeted areas, which will in turn contribute to job creation Up to 20 projects will be supported by the Programme through development of planning and technical documentation and implementation of construction works. Gender mainstreaming in infrastructure will be considered to ensure that concerns and experiences of women and girls, as well as men and boys, are an integral dimension of the planning and with the ultimate goal of achieving gender equality.

These interventions will also reduce negative effects of COVID-19 pandemic. The LSGs need support to effectively deal with budgetary and organisational constraints to maintain a business enabling

environment and support investments which were halted by the COVID-19 pandemic through introduction or enhancement of business and investment support services provided by the LSGs which have proven to be ineffective during the pandemic. This may include digitalisation of investment-related data, introduction of on-line investment support services, and similar which should contribute to reducing the number of persons who have become unemployed during the COVID-19 public health crisis.

Up to 500 micro and small enterprises will be supported to enhance their competitiveness and sustainability directly or indirectly. The Programme's support to start-ups and businesses in the second investment cycle will enhance market potential, value chain contribution, efficiency, productivity and directly contribute to job creation. Moreover, it will also increase social awareness and ensure tangible benefits for communities the supported businesses operate in. Sustainability of results will be ensured through focus on innovation, digital transformation, environmental sustainability and the location of businesses, with those operating in rural areas and deprived municipalities being prioritised.

Part of the Programme assistance to SMEs will be directly contributing to COVID-19 recovery efforts. One of the main challenges for SMEs related to the pandemic is to adapt to the new needs of the market, restructure their operations and adjust their production to meet these new challenges. Many would need to improve technology in order to respond to the new market needs and opportunities. Related to employment, the pandemic has displayed even greater vulnerability of the persons from marginalised groups, including minorities and youth, often with lower qualifications and skills. Finally, with the new COVID reality innovation became increasingly important for SMEs and these efforts will be supported by the Programme.

The effort will create benefits for vulnerable groups, including women and youth, and especially those youngsters who are no longer in the education system and who are not working or being trained for work (NEET population). It is expected that at least one third of the jobs created will be occupied by women, while the NEET population will benefit targeted assistance to youth entrepreneurship training that will enhance their employability.

Social inclusion will also be achieved through economic empowerment of vulnerable groups and inclusive economic growth based on partnership principles fostering skills development, self-employment promotion, entrepreneurship, mentorship and work experience placement and practice-based programmes in support of rural communities or agricultural households.

Activity 2.1 Developing economic infrastructure at the local level

This activity includes provision of support for development of economic infrastructure and improvement of the quality of services that LSGs provide to investors and businesses.

A grant scheme will be conducted within this activity to support projects of local self-governments (LSGs) for development of economic infrastructure. The Programme will direct the assistance to economic infrastructure projects which may include development or improvement of industrial and business zones, science and technology parks, business incubation centres, tourism infrastructure, and other

types of infrastructure projects which may facilitate investments through development of related plans, technical designs or implementation of construction works. The support shall enable adequate conditions for investors that have demonstrated their intention to develop business and a willingness to employ new workers, including persons who have become unemployed during the COVID-19 public health crisis and persons from marginalized groups. The public call will include eligibility and selection criteria aiming at clear demonstration of the project contribution to COVID Economic Recovery, such as support in realisation of investments which were stalled due to the pandemic.

In the design of grant schemes, the Programme will consult primarily with the MEI, the Ministry of Economy, Ministry of Construction, Transport and Infrastructure (MCTI), the Public Investment Management Office (PIMO) and Development Agency of Serbia (DAS).

In response to COVID-19 recovery efforts, the projects displaying clear contribution to the quality of administrative services and business infrastructure affected by COVID-19 will be selected through a public call for support.

During the inception period, the Programme will in consultation with the donor, the European Union, and MEI, while considering the needs, decide whether the scheme will be integrated within ISTD scheme envisaged under the Activity 1.2 or will be launched as separate interventions.

If these schemes are launched separately, while striving for an integrated territorial approach, a set of criteria will be embedded in the call to ensure that supported projects include elements of ISTD. For example, the LSGs will be encouraged to consider multi sectoral and multi-source funding approaches, established partnerships with other LSGs and similar. Finally, COVID-19 economic recovery efforts will be supported through consideration of effects the pandemic had on local economies and, if relevant, ensure this is considered when setting criteria for provision of funding.

Before publishing, the Call along with selection criteria, will be presented to the Programme Steering Committee (PSC).

To promote the Call, generate interest and ensure relevance of proposed projects, the Programme will create an outreach plan for the activity which will include implementation of information sessions once the public call is published. The call will be advertised, for a minimum of 45 days during which related information will be shared in a transparent and accountable manner.

The evaluation of the received proposals will be conducted by the Programme while representatives of the key institutions – MEI, ME and DAS, will be invited to participate in the process as observers in line with UNOPS regulations. The recommendations for funding, once concluded, will be presented for review to the PSC.

Up to 20 projects will be implemented over a 12 to 18-month period using UNOPS grant methodology. To facilitate efficient, effective and sustainable implementation, the Programme will closely monitor implementation and support implementation teams to ensure compliance with procedures and efficient implementation of activities.

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

This activity will contribute to enhanced competitiveness and sustainability of enterprises which should lead to sustainable job creation. To do so, the Programme will provide direct support to entrepreneurs and enterprises, and will also work with business support organisations (BSOs) to ensure wider opportunities for economic growth. The support will be provided using a transparent selection process through grant methodology.

Several public calls will be developed primarily in collaboration with the Ministry of Economy and Development Agency of Serbia, but also in consultation with the Ministry of Youth and Sport and the Ministry of Labour, Employment, Veteran and Social Policy to ensure that appropriate measures are undertaken to maximise the effects of this intervention on youth. The calls will be developed during the inception period and advertised immediately after its completion.

The direct assistance to businesses will be focused on young micro and small enterprises registered within a five-year period Selection criteria will include factors assessing capacities of businesses to sustain and expand their competitiveness with increased productivity, expanded markets and potential for job creation. Aiming at enhanced contribution to employment of youth and women, criteria will include gender considerations along with other social aspects related to structure of the businesses and also their contribution to local communities. Social impact will be an important element and will include corporate social responsibility, effects on vulnerable groups and environmental contribution. Through this grant scheme, the Programme will support businesses to procure equipment and introduce services (such as certification or standardisation) which will enable them to expand their markets.

While the Programme will generally support businesses in the production and tourism sectors, with consideration related to COVID-19 economic recovery efforts, service industry which has been one of the most affected will be supported as well. Likewise, factors contributing to resilience of businesses to crises such as COVID-19 pandemic will be encouraged through the Call, as well as contribution of projects to economic recovery efforts.

A separate grant scheme will be directed to business support organisations (BSOs) which include business associations, regional development agencies, clusters, business incubators, co-working spaces, science and technology parks, etc. The focus will be on activities with strong contribution to competitiveness and sustainability of enterprises with tangible effects on identified businesses. Selection criteria will primarily include aspects measuring effectiveness of the proposed intervention on job creation. In addition, contribution to COVID-19 recovery efforts will be assessed along with wider social impact of the project which may include aspects related to support to vulnerable groups, contribution to sustainability and resilience of businesses, as well as environmental considerations. Partnerships among BSOs will be encouraged through this Call, complementing the nature of integrated sustainable development approaches.

Contributing to COVID-19 economic recovery direct support will be provided to SMEs to improve their technology and introduce new services and products in order to reach new markets. The Programme will

support BSOs which will contribute to digitalisation and adaptation of enterprises to the new reality in the times of pandemic, as well as transformation to green and circular economy which could provide important opportunities for SMEs in response to the crisis. Additionally, BSOs will be supported to implement projects in support of SME resilience and sustainability, as well as specific actions designed to recover sectors most affected by the pandemic. These interventions may include digital transformation, e-commerce operations and delivery infrastructure, as well as support in moving towards geographically closer supply chains. Separate grant schemes for SMEs and BSOs contributing to COVID-19 economic recovery will be launched or integrated into the aforementioned calls as separate LOTs.

The Programme will also provide assistance to start-ups owned by women and youth which may be implemented as a separate LOT under this public call or a separate call to ensure maximum visibility.

To ensure wide and inclusive outreach, the Programme will design an outreach strategy which will include information sessions, media campaigns and, if feasible, dissemination of information directly to eligible businesses using available business databases. The Calls will be advertised for a minimum of 45 days. In accordance with UNOPS rules and regulations, the evaluation of the received proposals will be conducted by the Programme while representatives of the line ministries and institutions, will be invited to participate in the process as observers. The recommendations for funding, once concluded, will be presented to the Programme Steering Committee for review.

The projects will be implemented over a 9 to 12-month period using UNOPS grant methodology. To facilitate efficient, effective and sustainable implementation, the Programme will closely monitor implementation and provide technical assistance to beneficiary businesses.

The outreach activities will be conducted once the Call is advertised, and will include information sessions and a media campaign. The Call will be advertised for a minimum of 45 days and the received applications will be evaluated by the grant evaluation committee consisting of UNOPS personnel while the representatives of ME, DAS and other line ministries will be invited to serve as observers, in line with UNOPS regulations. The recommendations for funding, once concluded, will be presented to the Programme Steering Committee.

Up to 221 awarded projects will be implemented over a 12 to 18-month period. The Programme will closely monitor implementation and delivery of milestones for each awarded project to facilitate efficient, effective implementation and sustainable results.

Result 3 Improved social infrastructure and social cohesion in targeted municipalities

Result 3 will contribute to social cohesion at the local level through improvement of social infrastructure and implementation of integrated initiatives fostering crises preparedness and resilience of public institutions contributing to improvement of living conditions.

This will be achieved through improved conditions for provision of education, social and health services, protection of cultural heritage, enhanced gender equality, improved accessibility of public infrastructure for persons with limited mobility and improved energy efficiency. Public servants and users of spaces

managed by public institutions will benefit from improved working conditions while the citizens will benefit from improved quality of public services. Gender mainstreaming in infrastructure will be considered to ensure that concerns and experiences of women and girls, as well as men and boys, are an integral dimension of the planning and with the ultimate goal of achieving gender equality.

In relation to COVID-19 effects, the continuity of social services, as well as access to shelters for children, women, homeless and families at risk has been identified as one of the priority needs. Upgrading the health sector infrastructure in order to improve COVID-19 preventative measures is also important. Likewise, enhancing the resilience of the education system to crises, including the ability of the education system to continue to be inclusive during such times is equally important. Finally, in order to reduce the risks of future pandemics, restoring the ecosystems and biodiversity, and reducing the pollution, sport and communal infrastructure relating to rehabilitation of parks and green areas will be supported.

Enhanced preparedness and resilience of the public institutions and uninterrupted provision of services during crisis will be achieved through innovative and integrated initiatives which also contribute to facilitation of partnerships between the public, private and civil sectors through joint interventions in rehabilitation of public spaces integrated with inclusion of vulnerable groups and civic engagement. Moreover, integrated approach to social protection services will be supported through creation of linkages between social services and public institutions in provision of services to socially vulnerable groups. Finally, in response to the COVID-19 pandemic, resilience of the most affected populations will be enhanced through targeted interventions supporting day-care centres and accommodation facilities for elderly, persons with disabilities and children without parental care.

Additionally, the Programme will support enhancement of capacity of public health system to respond to COVID-19 crisis through procurement of COVID-19 related medical equipment and items and expansion of human capacities of medical institutions to respond to crises.

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

Through this activity, local governments will be supported to develop social infrastructure projects that contribute to improvement of living conditions. The LSGs will be supported to develop and implement social infrastructure projects in education, health and social services, investments in sport infrastructure as well communal services related infrastructure through reconstruction, establishment and/or renovation of existing facilities of public infrastructure in line with defined needs and recovery efforts.

The support will include equipping of public institutions in relation to pandemic preparedness and prevention. This may include infrastructure equipment which will contribute to contactless communication, such as installment of automatic doors, glass barriers and disinfection tunnels in public facilities.

During the inception period, the Programme will design a grant scheme for LSGs in cooperation with MEI, the MCTI. Ministry of Youth and Sports (MYS) and PIMO, and launch it immediately after the PSC review. Rehabilitation of social, health, educational, sports, cultural and communal infrastructure through construction works and provision of equipment will be eligible for support.

The projects will be primarily evaluated against the effectiveness of results and expected impact on the quality of life in local communities. Sustainability will be assessed in relation to project contribution to improved local governance through integration and application of Good Governance principles of accountability, transparency, participation, non-discrimination and efficiency, including the energy efficiency. An important element of the evaluation criteria will be the contribution of proposed projects to integrated sustainable development, through multi-sectoral or multi-funding approach, established partnerships with other LSGs and similar. The effects on the vulnerable groups will also be assessed, including the effects on improvement of living conditions for Roma population. Finally, as the grant scheme will be implemented during the COVID-19 pandemic or the socio-economic recovery efforts, contribution of projects to these efforts will be assessed.

The Call will be published for a minimum of 45 days, aiming to attract a fair number of applications and will be promoted through informative sessions and media.

The evaluation of the received proposals will be conducted by the Programme while representatives of MCTI, MYS, and PIMO will be invited to participate as observers in line with UNOPS regulations. The recommendations for funding will be presented to the PSC for review.

The projects will be implemented over a 12 to 18-month period using UNOPS grant methodology. To facilitate efficient and effective implementation and achieve sustainable results, the Programme will closely monitor awarded projects.

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

This activity encompasses provision of grants for projects of civil society organisations (CSOs) that will support providers of the social services at the local level to sustain the existing and introduce new innovative social services. The scheme will be designed to address the gaps in provision of social services identified during the first wave of COVID-19 crisis, while also considering expected budgetary constraints in 2021 and increased demand for social services in the forthcoming period.

Projects that will be considered for support may include but will not be limited to provision of community based services, provision of in kind assistance to the most vulnerable, interventions that enhance access to health and education services, introduction of (digital) innovations that enhance capability of service providers to identify, monitor, and assess socials services and that, more generally enhance their preparedness for possible future emergencies and major disruptions.

The Programme will initiate design of the CFP during the inception period, and in consultations with the MLEVSP, MEI, MPALSG, SCTM and other partners, while also considering findings of relevant national

and international assessments related to COVID-19 effects on social welfare[183]. The Programme will ensure that CSOs projects supported through this scheme are aligned with relevant local regulations[184].

The grant scheme will be launched in the first year and will be conducted in six months, while specific launch date will be determined in consultations with the national institutions and other relevant (development) programmes to ensure synergy of support provided in this area. The Programme will conduct an information campaign, in cooperation with the line institutions, including a series of workshops, to introduce the CFP to potential beneficiaries and stakeholders.

Line national institutions will be invited to participate in evaluation, in the capacity of observer, in line with the UNOPS policy and regulations. The PSC will review the recommendation of the Evaluation Panel.

The awarded grants will be implemented over a 12 months period and the Programme will closely monitor their implementation.

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

This activity will strengthen the capacities of the public national health system to respond to COVID-19 pandemic and other national health emergency situations. It includes procurement of specific medical and non-medical equipment, supplies, and items needed for urgent response to a national health emergency, support for engagement of medical personnel in the public health institutions and support the Government of Serbia capacities for surveillance and response of the Institutes for Public Health.

Depending on the circumstances, UNOPS will consider application of the Emergency Procurement Procedures (EPP). Under EPP, additional flexibility is granted in procurement while still adhering to essential public procurement principles, including carefully assessing market availability and logistics constraints in a constantly changing environment through our market intelligence and networks, so that a contract can be awarded to an appropriate supplier without delay. The technical specifications for procurements that would be conducted would be developed in coordination with the relevant national institution.

Furthermore, considering the scale of COVID-19 crisis, this support includes provisional engagement of the medical personnel through provision of grant(s) to the respective public health institution(s). The estimated needs for provision of additional medical personnel as well as the list of beneficiary public institutions will be defined in consultations with the Ministry of Health (MoH), the Institute of Public Health of Serbia "Dr Milan Jovanović Batut", and the donor. The support should enable the beneficiary public health institutions to engage around 200 personnel for up to 25 medical institutions which shall include medical doctors, administrative staff and professional sanitary/environmental engineers, for the initial period of three months. The EU hereby confirms that, in selecting the above-mentioned

[183] For example, United Nations Serbia presented in September 2020 “COVID-19 Socio-Economic Impact Assessment” that among other identifies challenges related to provision of social services during the crisis and indicates challenges for provision of adequate services in the coming period due to likely increase of the number of people who will need assistance as well as due to expected financial constraints.
[184] Local Self Government Plans on Provision of Social Services

beneficiary public institutions, it will have complied with its applicable internal rules, regulations and procedure. Since the pre-selection is outside UNOPS' control, the EU recognizes and agrees that UNOPS shall not be accountable, or otherwise carry any liability, for the performance of those beneficiary public institutions.

In defining technical details and implementation modalities, experiences and best practices from previous UNOPS implemented programmes will be built in. In addition, the activities will correspond and be planned in accordance with the needs defined at the national and level of the local self-governments.

The Programme will maintain close cooperation with all relevant national and international stakeholders to ensure coordination and synergies, where feasible.

Activity 3.4 Support in rehabilitation of the flood-caused damages

This activity will complement the efforts of the Government of Serbia to rehabilitate some of the damaged infrastructure caused by the May-June 2023 floods.

The projects to be supported will be selected based on the priorities defined by the Government of Serbia coordinated by the Ministry for Public Investment. The Ministry has prepared the preliminary report on the damages and the list of urgent infrastructure projects throughout the country, for which significant financial resources are needed. UNOPS engineers will review the proposed list of priorities, and, considering relevance and feasibility, in agreement with the donor and support from the Programme Steering Committee identify up to three projects to support.

3 Assumptions and Risks

3.1 Assumptions at Different Levels

Item	***Assumption***	***Assessment***

1	Serbia remains politically stable, and continues to cultivate relations with the EU	Serbia is politically stable and has continued to implement reforms contributing to sustainable development, while primarily following the framework and directions envisaged by the EU accession process. Since the beginning of its accession negotiations in January 2014, Serbia has made steady progress in the process and opened 18 out of 34 negotiating chapters to date, implementing a number of important reforms and adopting various relevant regulations along the way. The number of Serbian citizens in favour of EU accession has increased from 47% in December 2016 to 55% in December 2018 and has since slightly decreased to 54% in December 2020[185]. The Government, however, remains committed to conduct reforms relevant for the EU integration process. Under leadership of the MEI, the Government actively works on implementation of measures that contribute to fulfilment of requirements deriving from the Chapter 22 – Regional policy and coordination of structural instruments.
2	Government is committed to creation of environment more conducive for business, investments into economy and promotion of SMEs	Serbia's Strategy for Support to the Development of Small and Medium-sized Enterprises (SMEs), Entrepreneurship and Competitiveness 2015-2020, has been harmonised with the EU policy.[186] The focus of the strategy is to improve the business climate, better access to sources of financing, continued development of human resources and strengthening the sustainability and competitiveness of SMEs. The document also sets out the steps that should be taken to provide better access to new markets, raise the entrepreneurial spirit and encourage women and youth entrepreneurs and social entrepreneurship. The Action Plan envisages the actions, which are related to promotion of SMEs and investments in the economy.

[185] MEI Public opinion bi-annual surveys archive

[186] http://www.privreda.gov.rs/wp-content/uploads/2017/01/Strategija-I-Plan_eng_poslednje.pdf

3	Programme areas remain stable, without inter-ethnic and intra-ethnic/political tensions	Serbia has ratified all main international human rights instruments, though implementation of some should improve[187]. Furthermore, the legal framework related to protection of minority and cultural rights is in place, and generally upheld, in line with the Framework Convention on National Minorities, to which Serbia is a party. Amendments to the Law on local self-government strengthened to some extent the Councils for Interethnic Relations, but their role, mandate, composition and work still need to be clarified. Further improvements should be seen in implementation of policies and applying them more consistently while tackling regional difference, in particular in education, use of languages, and access to media[188]. UNOPS experience to date, in implementation of the projects funded by the European Union and the Swiss Government, in cooperation with the Government of Serbia and local governments, shows that initiatives such as this Programme have been successful in reducing tensions, by focussing on the developmental issues and processes of common interest to all stakeholders. Being a United Nations agency, UNOPS can guarantee impartiality in approach to all Programme stakeholders.

[187] EC Report for Serbia 2019

[188] ibid

4	Serbia's macroeconomic stability is preserved and the country continues to contribute to creation of a stable and predictable business environment.	Although the economy is still facing challenges, the reform-oriented policy stance began to bear fruit through improved growth prospects, better sovereign credit rating and an improved business environment. Macroeconomic stability improved as a result and the economy returned to growth earlier than expected. Serbia's first employment and social reform programme marked an important step in addressing policy challenges in the employment and social areas. Positive trends were recorded in increasing employment, while the country's export performance continued and import coverage of goods and services increased, resulting in reduction of the trade and current account deficits. Serbia's export performance continued and import coverage of goods and services increased, resulting in reduction of the trade and current account deficits[189]. However, COVID-19 has negatively affected the performance of Serbia's economy in 2020 as the World Bank forecasts that the country will enter the recession and finish the year with negative GDP.
5	The key Programme stakeholders actively cooperate in implementation of the activities	The Ministry of European Integration, which was the national coordinator of IPA funding, has led consultations during preparation of the Programme, and liaised with the line ministries about the specific activities, which all stem from the national strategies and action plans. The Ministry for European Integration will provide the Chairperson for the Programme Steering Committee (PSC) and remain the key coordinator of the national institutions. During the inception period, the Programme's team will present the activities and roles and responsibilities to other stakeholders, with emphasis on the benefits for the direct beneficiaries, and thus contribute to the sense of ownership, as well as inspire active cooperation for implementation of the activities.

[189] ibid

6	LSGs demonstrate clear commitment to development and/or enhancement of their capacities to plan and implement integrated territorial investment initiatives	In the process of integrated development planning, there are legal provisions, such as those in the Law on Local Self-Government which are encouraging LSG to cooperate in order to address services they are providing to the citizens and the business on their territories. The Strategy for Public Administration Reform, as well as the Strategy for Professional Training of LSG Employees, envisage capacity building of municipal administrations as the key factor for establishment of a system of standards for better services to citizens and business entities. The Law on Planning System created a need for additional support across the public administration, including LSG for strengthening the planning and analytical capacities. Also, the adoption of the new Strategy for Sustainable Integral Urban Development of the Republic of Serbia provides a basis for such an approach.
7	SMEs are committed to adoption of new technologies as the path to greater productivity	The SME sector provides 70% of the country's employment, however, as a result of economic stagnation and negative effects of COVID 19, the number of enterprises has been on the decline, and with it also employment rates. According to the EU 2019 Progress Report for Serbia[190] some improvement has been made concerning support to the SMEs, though a number of challenges remain: unpredictable business environment, high level of para fiscal charges, and difficult and costly access to finance. Investing in new technologies remains one of the key obstacles to the development of the SME sector and safeguarding jobs. Many enterprises need specific skills and expertise in introducing or upgrading technologies or developing new products that can be obtained only outside the company. Furthermore, once they develop or upgrade the products, they lack international connections, quality certifications and visibility of their products. These enterprises need specific expertise to strengthen their market position and become more bankable. Results of similar programmes have shown that, when provided with such

[190] http://www.mei.gov.rs/upload/documents/eu_dokumenta/godisnji_izvestaji_ek_o_napretku/Serbia_2019_Report.pdf

		services, 74% of supported enterprises increased their turnover, 56% increase their productivity and 67% increased number of employees[191]
8	Severe weather and other natural disasters and emergency situations may delay, but will not endanger Programme objective and purpose	Much of the territory covered by the Programme is subject to severe weather conditions: snowfall, droughts and floods. Additionally, there is a small risk of earthquakes, particularly in the Kopaonik mountain area, and the Preševo Valley. The work plans will incorporate adequate tolerances for adverse weather conditions, while the technologically advanced construction methods and materials will be applied. In case of major natural disasters, the Programme activities could be modified, in consultations with the donor and the Government.
9	Changes in legislation will not negatively affect the implementation of the Programme	As a potential EU member state, Serbia should comply with the EU legislation and hence any new policies will be respecting the framework of the accession negotiations.

3.2 Risks

#	Risk	Probability	Likely Imp	Mitigation Measures

[191] EBRD Small Business Support in Serbia implemented between 2012-2014

1	Low capacities of benefiting municipalities, institutions, SMEs, civil society and other organisations, may decrease efficiency and effectiveness, and impede fulfilment of the Programme objectives	High	Med/High	The Programme will be implemented in 99 municipalities, out of which 44 are devastated or underdeveloped. The integrated territorial development approach requires a complex application process, relies on inter-municipal cooperation and is embedded in existence of solid development strategies. The Programme will have a strong technical support element. It will closely engage with the beneficiaries throughout the implementation. Field presence will be ensured to enable efficient and effective support. In addition, intensive communications and raising awareness about the ITI approach, its objectives and methodology will be conducted during the first six months of the implementation, to ensure wide understanding among the key parties and beneficiaries. Furthermore, the Programme will continuously monitor and provide on-the-job support to the grantees to ensure understanding of contractual obligations and implementation of projects with the available budget, in the agreed timeframe and to the scope. The evaluation of the project proposals will be conducted in line with the UNOPS regulations, and will include validation of projects through field visits to applicants, which will minimise the space for contracting those entities with poor capacity. The field presence, which may be limited due to available resources, will also provide opportunity for close contact and awareness rising among the beneficiaries. Finally, by setting the clear tolerances and showing readiness to cancel projects that do not comply with the contract, activation of

				reserve lists of projects, and the use of local languages in communication with the beneficiaries, will also contribute to mitigation of this risk.
2	Some stakeholders or local beneficiaries may push for implementation of certain projects, without adequate selection and abuse the Programme activities and results for political promotion	Medium	Med/High	The selection of the projects for funding will be conducted in a fair, transparent and competitive process, in line with the Programme's Description of Action (DoA) and UNOPS regulations. The details of the Calls will be clearly communicated to all stakeholders and beneficiaries.
3	Possible prolonged duration of COVID-19 pandemic, may delay materialisation of Programme results	High	Med-High	The emergence of the new form of coronavirus at the end of 2019 (COVID-19) characterized as pandemic by the World Health Organisation (WHO), caused severe socio-economic consequences. Thus far Serbia went through two waves of the pandemic, with the state of emergency introduced by the Government of Serbia during the first wave, between 15 March 2020 and 7 May 2020. The second peek occurred in July 2020 while Serbia is currently experiencing the third wave of the pandemic with over 1,000 infected registered per day in late October. Finally, the actual effects of the pandemic in Serbia are not yet known and even if this crisis is concluded, similar medical crises may occur in the future. Protracted duration of the COVID-19 crisis in Serbia, could significantly affect the implementation dynamics. If this risk materialises, the Programme would apply modified implementation approaches, wherever

				feasible, to ensure progress of activities. It would also maintain close communication with the donor and the key national beneficiary, in order to assess the effect on the Programme and facilitate identification of solutions to possible obstacles. In agreement with the donor, the Programme may also propose a time extension, to allow completion of activities whose progress could be hindered by the health crisis.
4	The Programme will issue a large number of grants which could negatively impact the implementation dynamics as well as costs and delivery	High	Med/High	This risk will be mitigated by meticulous planning, taking into account dependencies and ensuring synergies of the activities, both for the Programme's and involved parties' sake. In addition, there will be flexibility for the Programme to use direct procurement, justified by the economies of scale. Finally, the grant methodology includes a strong monitoring mechanism and advisory support, and will entail strong outreach to diverse stakeholders.

5	Changes in the municipal management structures or regrouping of local political forces may jeopardise Programme implementation	High	Med	Should the parliamentary elections be announced/held during the Programme lifespan, the team will plan/re-plan the activities so as to minimise impact on delivery, scope and budget, while the interventions will be focussed on the priorities identified by diverse stakeholders, regardless of their political affiliation. Depending on the stage of Programme Implementation, this time could also be used for assessment, planning, or monitoring/evaluation activities. Furthermore, the communication will be directed to widely publicise the Programme to the public, in an effort to build pressure on citizens for its implementation. After the elections/or following regrouping of the local political forces, additional communication efforts will be undertaken to quickly establish relations with the newly selected leadership. The Programme will work with all legally elected political parties in every municipality.
6	Inter-municipal projects may be jeopardized by lack of cooperation among LSGs, especially in cases where local political leaders represent different political options	High	Med	Building capacities and contributing to articulation of joint interests will be one of the key activities in the early stages of the Programme.

7	Lack of strategies and structures for implementation of integrated territorial development initiatives puts a significant number of target LSGs in inferior position in comparison to few LSGs who have created strategies for SUD mechanisms and LAGs as prerequisite for CLLD intervention	High	Med	Immediately upon initiation, the Programme will commence implementation of capacity building activities for target LSGs. The Programme will strive to test different models/instruments for integrated territorial development, in order to ensure a great majority of LSGs have the opportunity to benefit from the Programme support for development of Strategies.
8	Early parliamentary and local elections, announced for 2022, could slow down activities due to pre-election campaign and post-election establishment of authorities. Significant changes at national and or local level could also hinder implementation, due to possible shift of priorities or time they would need to take ownership over activities. Overall Programme's efficiency, possibly effectiveness, could be reduced.	Med/high	High	The President of Serbia in October 2020, just ahead of voting of the new Government of Serbia, conduct of early parliamentary election, in 2022. This development could significantly slow down activities. Furthermore, as this Programme envisaged strong engagement with a number of institutions at the national level, the election and possible changes could introduce a range of obstacles to implementation, In response, the programme will follow main political developments and if this announcement is confirmed, adjust its plan to "incorporate "effect of elections. Close consultations will be maintained with the donor and MEI, to consider additional remedial actions.

9	Complexity of the process for application of Integrated Territorial Development instruments may not lead to timely finalisation of the planning process as well as the quality of the process and may jeopardize implementation timeframe.	Med	Med	Ensuring proper understanding of the ITD mechanisms is a prerequisite for successful implementation of the Programme. The Programme will therefore invest significant resources into building capacities to respond to the needs of the Programme.
10	Overburdening municipalities during implementation, and/or launching several time-consuming activities at the same time, may be a problem due to low capacities and result in smaller number and poorer quality of project applications, as well as lack of interest for the Programme	Med/high	Med	One of the possible measures to mitigate this risk is to adopt different approaches for 'strong' and 'weak' municipalities that may not have the same capacities (e.g. uneven human and financial resources, seriousness of problems etc.). Other approaches may include appropriate planning of different calls, ensuring stronger technical assistance for some LSGs (e.g. those that are devastated or underdeveloped); introducing favourable criteria in calls for 'weaker' LSGs; or designing activities that benefit only weaker LSGs, sequencing the calls. Furthermore, Programme plans should be realistic and coordinated. The Programme activities should be avoided during the inception period, when the management products and consultations with the stakeholders should be in focus.

11	The Mayors and municipal leadership are not supportive of teams tasked with development and implementation of projects proposals (such as the Local Economic Development Offices – LED, or IT/), which can lead to lessen effectiveness in implementation of the Programme and impede achievement of results	Med/high	Med	The Programme will communicate directly with the mayors and municipal leadership to explain the Programme's rationale and the methodology for implementation. In addition, a vigorous promotion of the Programme to all relevant stakeholders and parties involved will be organised in the first six months, for the same reason. Where relevant, the Programme shall propose signing of written agreements, such as the MoUs, in order to ensure stronger local ownership and engagement
12	Lack of available expertise in the area of Integrated Territorial Development may jeopardise Programme implementation.	Med	Med	The Programme will assess availability of national consultants to be engaged. Where necessary, international consultants will be engaged to build both internal Programme resources and resources of targeted beneficiaries.
13	Poor quality of existing strategies including Local Sustainable Development Strategies, Sustainable Urban Development strategies and other documents defining Local Action Groups (LAGs) may jeopardise the quality of projects proposed for support.	Med	Med	Some input on the quality will be obtained through assessment conducted prior to commencement of the Programme and Programme interventions may be adjusted to accommodate the risk accordingly

4 Implementation

The United Nations Office for Project Services (UNOPS) was selected for direct management of the Programme the funding has been provided from the Instrument for Pre-accession Assistance (IPA II) 2014-2020, Annual Action Programme for the Republic of Serbia for 2020.

4.1 Methodology

All Programme activities will be undertaken in partnership with the Government of Serbia, in cooperation with the national and local institutions, while ensuring coherence with the relevant national policies. This will ensure national ownership and help develop the national capacities. UNOPS will hold the overall responsibility for the results, maintain a monitoring and supportive role, and ensure good visibility of the European Union (EU) assistance.

The Programme activities include a combination of capacity building and grant schemes.

The capacity building activities will be carried out by competent Programme personnel, technical experts and/or service providers. Technical experts will be recruited through recruitment processes in line UNOPS procedures which ensure efficiency and effectiveness. UNOPS also maintains a dedicated pool of technical experts ready to deploy to development challenges which may be used, if relevant. All recruitments will be conducted based on the Terms of References which will be developed for each position. For interventions or activities requiring a larger team of experts, the Programme will consider engagement of service providers through a procurement process in line with UNOPS procedures. The Request for Proposal will include Terms of References defined for the required service and all bidders will be evaluated against the set qualification and technical criteria.

The grant schemes will be conducted in line with UNOPS Grant Management methodology and relevant procedures ensuring integrity of the process. The grant process includes development and publishing of Call of Proposals (CFP) which includes eligibility criteria, scope and objectives and detailed evaluation criteria. The CFPs will be developed in consultations with the Ministry of European Integration and other relevant national stakeholders.

The projects will be evaluated by the Grant Evaluation and Selection Committee. This Committee shall comprise independent individuals with competence in the thematic area who can make impartial decisions and have no perceived or actual conflict of interest. The Committee will evaluate received applications in line with propositions of the CFP and the evaluation guidelines which will be developed for each CFP.

The independent Programme website will be used as an easy information and data hub for all stakeholders and a tool to ensure transparency of the intervention in general. Namely, it will serve for the publishing of all recruitments, procurements and Calls for Proposals as well as their respective results. In addition, the Programme will develop outreach plans for each of the grant schemes which will include a combination of activities, depending on the target beneficiaries, and which will at minimum include organization of informative sessions. Frequently asked questions will be compiled and posted on the Programme website, all in support of transparency and accountability of the process.

To support implementation of the Grant Support Agreements, the Programme will organize orientation meetings for the awarded grantees, where the grant implementation procedures and requirements will be presented. The Programme will also assign a personnel member for each of the awarded grants who will provide support to grantees in alignment with required processes, as needed.

While the grantee enjoys significant autonomy in pursuing the agreed objective, the Programme will monitor achievement of the set programmatic and financial milestones. The payment schedule will be defined for each project to ensure uninterrupted implementation and optimum efficiency while mitigating potential risks. The payments will be made against proven accomplishments of milestones, upon review and verification by the UNOPS team. The monitoring visits will allow for the assessment of progress, reflection on implementation, challenges, lessons learned and agreement on the next steps. A designated sub-account for each project will be required.

In some cases, when higher efficiency is needed, direct implementation of projects, by UNOPS, may be required and for these exceptions, the Programme Steering Committee (PSC) will be consulted.

The current structure of UNOPS in Serbia includes the central office in Belgrade and offices in Vranje, Niš, Novi Pazar and it ensures an efficient implementation and monitoring of the Programme with appropriate personnel levels. UNOPS will ensure logistical efficiency of the project implementation through its office organisation and will adapt its structure if necessary for maintaining its excellence in project management.

4.2 Physical and Non-physical Means

The donor’s funding will cover all Programme eligible costs as outlined in the ANNEX II - General Conditions for PA Grant or Delegation Agreements of PAGODA 2 contract format, including:

- Programme activities
- Human resources
- Office and IT equipment
- Logistics (travel and transport)
- Visibility.

In addition, considering complexity of the Programme and the timing of its development during the unprecedented global health crisis caused by the COVID-19 pandemic, a contingency budget is envisaged to enable flexibility of the Programme.

In full consultation with and approval from the DEU, vehicles, furniture and equipment from existing EU-funded programmes may be transferred to the Programme or disposed of in accordance with standard procedures.

The financial and administrative records will be kept according to the UNOPS rules and procedures, using a double entry bookkeeping system. The Programme will keep:

- Accounting records (computerised or manual) from the UNOPS accounting system, such as general ledger, sub ledgers and payroll accounts, fixed assets registers, etc.
- Proof of procurement procedures, such as tendering documents (bids and evaluation reports)
- Proof of commitments, such as contracts and order forms
- Proof of delivery of services, such as approved reports, time sheets, transport tickets, proof of attending seminars, conferences and training courses (including relevant documentation and material obtained, certificates)
- Proof of receipt of goods such as delivery slips from suppliers
- Proof of purchase such as invoices and receipts
- Proof of payment such as bank statements, debit notices, proof of settlement by the subcontractor
- For fuel and oil expenses, a summary list of the distance covered, fuel and maintenance costs
- Personnel and payroll records, such as contracts and salary statements. For local personnel, details of remuneration paid, duly substantiated by the person in charge locally, broken down into gross salary, social security charges, insurance and net salary.

4.3 Organisation and Implementation Procedures

The Ministry for European Integration is the National IPA Coordinator (NIPAC), tasked with programming, preparation, implementation as well as sustainability and effects of this Programme. The Ministry for European Integration will also preside over the Programme Steering Committee (PSC).

The United Nations Office for Project Services (UNOPS), the Programme's implementing agency, will provide strong capacity building in project management, infrastructure and procurement, which are UNOPS' mandated expertise.

4.4 Timetable

The Programme will be implemented over a period of 72 months. A four-month inception period will be integrated into the Programme work plan. More details are provided in the Indicative Work Plan annexed to this document.

4.5 Programme Steering Committee

The Programme Steering Committee (PSC) will be established during the inception period, with the Ministry for European Integration providing the chairperson and the overall coordination. The voting members of the PSC will include representative of the donor - the EU Delegation to Serbia, and representatives of other relevant national ministries - the Ministry of Economy, Ministry of Construction, Transport, and Infrastructure, Ministry of Public Administration and Local Self Governments, Ministry of Labour, Employment, Veteran and Social Policy and the Ministry of Youth and Sport.

Representatives of the Ministry of Health, Public Investment Management Office (PIMO) and the Development Agency of Serbia (DAS) and other relevant organisations, such as the Standing Conference of Towns and Municipalities (SCTM) may be invited to participate in the work of the PSC as observers.

With the changes introduced with the Amendment to the Law on Ministries of 2022, the composition of the Programme Steering Committee has changed accordingly. Since then, the voting members of the PSC are representatives of the Ministry of Tourism and Youth (replacing the Ministry of Youth and Sport) and the Ministry for Public Investment (former Public Investment Management Office).
The PSC should provide guidance and direction to the Programme, monitor progress and performance, provide a forum for discussions about risk and issues, suggest possible modifications of the Programme design, review recommendations for funding of project proposals, review the Programme's reports, and facilitate communication with the key stakeholders. The PSC composition and competencies will be confirmed during the inception period.

The inception period will also be used to validate relevance and feasibility of the Programme and suggest possible modifications of the Description of Action and the work plan. This period will also be used for preparation and start of the initial activities.

The PSC will meet on a quarterly basis. The Chairperson or the DEU may request extraordinary meetings, and/or decide to organise consultations/voting through email.

4.6 Costs and Financial Plan

The original budget of the Programme was 30 million Euros and it has been amended with an additional 10 million Euros for the COVID-19 economic recovery totalling to 40 million Euros.

5 Factors Ensuring Sustainability

5.1 Social

The UNOPS approach is rooted in the UN standards and goals, ensuring respect for human rights principles and contribution to the Sustainable Development Goals, including those related to poverty, inequality and justice. The Programme is focused on addressing the most pressing needs of the citizens living in deprived regions, including in multi-ethnic areas through tailored measures, aimed to achieve viable impact.

Bearing in mind the design of the Programme, particularly its strive to achieve better access to social, communal and other services and different resources for all citizens regardless of economic, social status and place of living, there is a clear intention to ensure social sustainability of the intervention.

ISTD approach whose introduction is supported by the Programme, among other, establishes a framework for engagement of stakeholders at all levels, from different societal sectors. The approach itself therefore ensures that the interests of multiple social groups will be represented, which in turn ensures distribution of benefits to different parts of society, including vulnerable, and creates a solid basis for their continuation after the Programme ends. The ISTD models that will be piloted and or supported ensure that less developed areas, including rural territories, are not left behind.

The Programme will strongly promote engagement of socially excluded groups, ensuring their participation in the relevant stages of the intervention, meaning their involvement in the design and realisation of the activities pertaining to their local communities. Women, people with disabilities, youth, representatives of Roma and other vulnerable groups will be encouraged to take part in each step of implementation, including the decision-making. Their participation through the focus groups, public hearings, working groups and in similar ways will be enabled directly, as well as by proxy, through engagement of civil society organisations.

Other aspects of the intervention, such as economic and infrastructure development, will contain a strong social dimension by supporting corporate responsible companies, social enterprises, economic empowerment of the most vulnerable groups, improvement of social infrastructure, and addressing the issues of communal infrastructure in the most marginalised communities. Where relevant, infrastructure interventions will include elements related to access to buildings for people with disabilities and restricted movement. Interconnected approach will generate synergistic effects, which will be one of the key factors to ensure long term impact and sustainability.

5.2 Environmental

UNOPS has been climate neutral since 2012 and this is achieved through careful monitoring of effects of the activities on the environment as a foundation of sustainability.

The Programme will embed environmental sustainability as a cross cutting element to be fully integrated through the instruments of the integrated territorial development to ensure creation of the preventive measures (such as legislative framework, urban planning, raising awareness and capacity building) and the protection measures through sustainable infrastructure projects. By using new advanced technologies, the Programme will reduce adverse environmental impacts and address key environmental aspects such as air, water and soil pollution. The activities will address impact on ecosystems, sustainable natural resource management and disaster risk reduction, cultural and natural heritage.

The Programme will put effort to record contribution of its activities to cleaner the environment on the basis of objectively verifiable indicators. The impact areas where UN system methodologies exist for measurement and reporting are GHG emissions, waste and water. The UN system provides information to the public on its performance in these areas via the annual Greening the Blue report[192].

5.3 Economic

The Programme's activities are linked to relevant national strategies for economic reforms and development of entrepreneurship and competitiveness. The Programme will result in integrated interventions in less developed regions aimed at creating jobs and boosting sustainable economic development. By creating a coordinated and more effective mix of services, such as access to high quality public services, business and social infrastructure, a sustainable support system in the less developed areas will be created. The system will help enterprises overcome the challenges they are currently facing and strengthen their prospects for increasing productivity and raising their competitiveness in the global markets.

The ITSD concept whose introduction will be supported by the Programme is place based approach, which is among other designed to unlock specific potentials and utilize comparative advantages of targeted territories. This clearly indicates that prospects for economic sustainability are higher compared to top down and or sectorial approach.

Positive impact will be made on livelihoods, as the support to businesses will lead to the creation of more jobs and income opportunities at the local level. The Programme will pay special attention to minorities and vulnerable groups in activities, e.g. when designing the criteria for the project selection etc.

[192] https://wedocs.unep.org/bitstream/handle/20.500.11822/30054/GreeningtheBlue.pdf?sequence=1&isAllowed=y

UNOPS, as the Programme's implementing agency, will provide strong capacity building in project management, infrastructure and procurement, which are UNOPS's mandated expertise. At the macro level, capacities of municipal administrations, as well as business support organisations to prepare and implement projects, adhering to the good governance principles, will contribute to sustainability.

UNOPS has been recruiting its senior management locally for a longer period of time, which is also an important factor for economic sustainability, as it not only contributes to creating work for the local population, but also uses the knowledge from the local environment and contributes to increasing long term local expertise.

5.4 National Capacity

This Programme provides a major contribution to national capacity as it directly contributes to building of the new national territorial development (sub) system. The EU PRO Plus approach is comprehensive as it includes: activities that will enhance (human) capacities at national, regional, and local level for introduction and management of the ISTD; it includes support for development of processes, regulations, and tools necessary for establishment and application of the system; its results will likely contribute to development of national policies and legislation regulating the territorial development. This will be achieved through provision of technical support, which will to a large extent be based on on-the-job engagement with the beneficiary institutions, and piloting of models, while considering good EU practices, and with involvement of national, regional, and local actors.

Furthermore, the Programme follows requirements of Chapter 22 and is grounded in existing policies and legislation, which also enhances sustainability prospects. In this way, the Programme is ensuring sustainability on a mid-term and long-term perspective.

The national ownership of the Programme will be ensured on several levels: the PSC will include relevant national institutions and the key stakeholders, who will thus secure continued input and involvement in all activities; activities will be implemented in consultation and, in some cases through formalised cooperation, with the line ministries and national institutions; the Programme will be predominantly implemented though grant methodology that gives ownership over (sub)projects to the grantees.

Also, institution-building under this action will respect effective lines of accountability between institutions (agencies and parent institutions), therefore avoiding any possible fragmentation of administration. Addressing the quality of administrative services, by improvement of procedures and standards will contribute to sustainability of the activities after the Programme is finished.

Part of the activities will be implemented with co-funding from the beneficiaries as this enhances their ownership and commitment and hence additionally contributes to sustainability.

6 Cross cutting

6.1 Gender equality

The Programme will provide direct and significant contribution to gender equality. The core of these efforts will be to ensure fair distribution of benefits from the gender equality viewpoint. The approach to gender equality will have several dimensions:

- The Programme will ensure involvement of women and men in the design of policies and regulations that are envisaged by this Programme. This will in turn should contribute to more adequate incorporation of gender equality considerations into policies;
- Criteria related to fair gender representation for selection of beneficiaries of learning functions will introduced;
- The Programme will directly support women entrepreneurship through a separate lot in one of the planned CFPs. In other CFPs, gender equality will be among criteria for the selection of the projects. These proposals that provide stronger contributions to gender equality will be receiving more points.

The Programme will during the inception period develop a Gender Action Plan that will further develop the approach defined in this document. In addition, gender segregated data will be introduced, to facilitate monitoring, assessment, and reporting of EU PRO plus contribution to gender equality. 6.2.

6.2 Digitalization

Digital technology significantly affects people's lives – it enhances competitiveness of businesses and facilitates new business opportunities; it helps us to reduce environmental footprint and fight climate change; it contributes to efficiency and transparency of public services. The Programme will, while recognizing the importance of digitalization, in line with the expected results, strive to support the introduction of digital technology. There will be several opportunities for this:

- Digitalization and innovations will be among criteria for selection of projects of SMEs and start-ups that will be supported.
- Digitalization will be among eligible actions for the Programme’s support within efforts to enhance business related public services.
- In development of ISTD strategies, the Programme will ensure that opportunities provided by digital technology are considered. This may lead to identification of digitalization related measures and projects
- The Programme will ensure that in CFPs, where relevant, digitalization related interventions are eligible for support.

6.3 Environment and climate change

As described in the sustainability section, the Programme includes actions that will reduce environmental footprint and contribute to fighting climate change. Environmental considerations will be essentially integrated in all activities:

- ISTD establishes a multi-sectoral approach, and environment related considerations are among priority themes. Therefore, ISTD policies that will be developed will address environment;
- The element of environmental sustainability will be among criteria for selection of projects for funding in all CFPs. This means that project proposals that reduce environmental footprint or contribute to fight against climate change fight will have better prospects to be supported
- Although the Programmed at this stage does not include a separate environmental activities, some interventions will have a direct positive impact on the environment. For example, projects such as renovation of schools and kindergartens, will enhance energy efficiency while improved water supply will reduce water (and energy) losses.
- Finally, there is possibility that some of the projects that will be supported on the basis of the ISTD Investment Plans directly address environmental or climate change issues – this would further enhance the programmes contribution in this field.

7 Communications and Visibility

The goal of the communications and visibility will be to promote the objectives of the Programme, its activities and results according to Programme Communication Strategy and amongst clearly defined stakeholders. The general focus will be placed on the promotion of the development opportunities for beneficiaries and linking the Programme outcomes to the EU support to Serbia's development and EU integration process in line with the #ЕУЗАТЕБЕ brand. The Programme will thus contribute to the improvement of the overall visibility of the European Union (EU) support to Serbia but also to a better understanding of the EU values.

In addition, communication and visibility activities will raise awareness of key stakeholders at the national, regional, and local level, about the ISTD approach and support their engagement with the Programme. This will in turn facilitate informed adoption of the ISTD model. Furthermore, communication activities will also promote the Programme activities and ISTD model among the donors, which should generate opportunities for synergy and, where relevant and feasible, facilitate donors' funding contribution into implementation of the ISTD plans and strategies.

The Programme's Communications and Visibility Strategy will be prepared during the inception period, in line with the Communication and Visibility in EU financed external actions[193] document as well as the country level Visibility Guidelines for EU funded projects in Serbia[194] document and in consultation with the DEU, the Ministry of European Integration of the Republic of Serbia (MEI) and the key stakeholders. The Strategy will provide details about the communications objectives and principles, target audiences

[193] IPA Visibility And Communication; EU INFO NET - EUZATEBE Programme

[194] Communication and Visibility in EU-financed external actions; Visibility Guidelines for EU-funded projects in Serbia

and tools and techniques to be used for outreach, key messages, approach to monitoring and evaluation, as well as the available resources. One section will be dedicated to risks as well as to approach crisis communication.

All communications activities will be presented in the overall Communications Action Plan, which will serve as the basis for the detailed quarterly plans. Still, the first six months of the Programme's implementation will be crucial to disseminate information in an innovative and intensive plan for outreach to 99 participating municipalities. Such an approach will require a good communications team, but also field presence. The combination of the two will be pivotal in the development and implementation of specific and tailor-made activities and materials which will facilitate the introduction and adoption of the ITD methodology practiced by the Programme.

If approved as a separate visibility tool the Programme's logo will prominently feature the EU flag, while the overall EU visibility will be enhanced by visibility boards at the infrastructure projects and by branding the equipment donated to the beneficiaries.

The organisation of events and visits of high officials of the DEU and the Government of Serbia to the project sites, handover ceremonies and work with media through meetings, trips and provision of different multimedia inputs, will be among the main activities to communicate Programme's achievements to a wider audience. Information about the Programme outputs, outcomes and results will also be disseminated through social media channels, website including #ЕУЗАТЕБЕ platform and separate web page and newsletters. Opportunities to establish a partnership with the public service broadcaster will be explored as will be different opportunities with local media in order to achieve improved local reporting on EU relevant issues. Partnership projects with EUIC and other relevant organisations will be prioritized to optimize Programme contribution to #ЕУЗАТЕБЕ. Strong engagement with youth will also be prioritized through different initiatives to achieve impact in the age bracket that will benefit most from EU accession and the initiatives generated by the EU integration process. This will result in a wider awareness of the EU's support to Serbia, as well as the potential of municipalities.

The Communications team will provide inputs to the regular Programme reports. Other reports, such as briefing notes for the high level meetings/visits, analysis and speaking notes, may be drafted, upon the request of the donor or the Ministry for European Integration.

Monitoring and evaluation of the communications activities may include, but not be limited to: measuring of volume and tone of the media coverage and the number of website hits, number of followers on Facebook and Twitter, list of participants in the events and surveys of their satisfaction, and continuous feedback from the stakeholders (through formal and informal meetings, focus groups). Baseline followed by annual opinion polls will be conducted to follow Programme visibility through years, most popular communication channels and also to gauge fluctuations in support to EU accession in AoR considering the contemporary political and social context.

The Communications Strategy will be adjusted according to the findings of the annually conducted online Survey aimed to track the visibility of the Programme activities as well as general opinion on EU support

in the Programme AoR. Additionally the end of the Programme Communication Strategy assessment will be undertaken by an independent entity to assess overall relevance, efficiency and effectiveness of the communication activities and to document the lessons learned.

8 Monitoring and Evaluation

8.1 Reporting Requirements

The Programme reports will be developed with the intention to inform a wide variety of stakeholders about progress in implementation of activities, performance and results.

The following reports will be produced:

- **Inception Report.** The Inception Report will provide details about activities conducted during the inception period (four months from the Programme's official start date). The conclusions of all consultations with the stakeholders about the relevance and feasibility of the Programme, methodology for implementation, cross cutting themes as well as integration of lessons learned from previous similar initiatives, will be outlined in this report. The inception Report will also include recommendations for possible alterations of the Programme design and approach. It will also include the work plan for the first quarter of implementation and will be submitted to the Programme Steering Committee (PSC) within ten working days upon completion of the inception period.

- **Monthly Reports.** The monthly reports will provide a short and concise overview of key Programme developments and achievements and in this manner facilitate information sharing, contribute to the monitoring of progress and provision of early warning signals to issues. The reports will primarily be produced for internal distribution, and may be submitted to the PSC chair and the donor upon request. At the end of each quarter the monthly report will be substituted with a quarterly report and at the end of each year with an annual report.

- **Quarterly Reports.** The Quarterly Reports will provide a comprehensive overview of the Programme implementation for the respective period, including progress of activities, degree of achievement of results, contribution towards Programme objectives, difficulties encountered, mitigation measures as well as lessons learned, information on communications/ visibility, overview of utilised resources and incurred cost and a work plan for the next reporting period. The Quarterly Reports will be submitted to all members of the PSC, within ten working days of each calendar quarter.

- **Annual Reports.** The Annual Reports will be in the same format as the Quarterly Reports, covering a 12-month period. The Annual Reports will be submitted to all members of the PSC, within 15 working days of each reporting period.

- **Final Report.** The Final Report will be submitted as stipulated by the contract and will include a description of all aspects relevant to implementation as per general EU requirements.

The reports will be produced in English language and all but monthly reports will be translated to Serbian and made publicly available through the Programme website.

On request, the Programme can provide ad–hoc reports on overall progress or specific activities/issues within the Programme area of responsibility. The structure, format and deadlines for submission of reports will be confirmed during the inception period.

8.2 Monitoring

The Programme's progress and performance will be monitored internally and externally.

External monitoring the progress of the implementation of the Programme will be done in accordance with the rules and procedures for monitoring under indirect management. The IPA II monitoring process is organised and led by the National IPA Coordinator (NIPAC)/ Ministry of European Integration (MEI). The NIPAC is the main interlocutor between the Serbian Government and the EC regarding strategic planning, coordination of programming, monitoring of implementation, evaluation and reporting of the overall IPA assistance and is responsible for ensuring the linkage of IPA assistance to the EU accession process.

Regular external monitoring will be carried out by the Programme Steering Committee (PSC) chaired by an appointed representative of the MEI. The PSC will meet quarterly and discuss the Programme's progress, obstacles in implementation, deviations to the plans, as well as mitigation measures.

In addition, the Results-Oriented Monitoring (ROM) may be used as an external monitoring system as required by the donor, aiming at enhanced accountability and management capacity with a strong focus on results.

Internally, the Programme will adhere to UNOPS monitoring practices. The Programme plan and the logical framework matrix (LFM) will serve as baselines for monitoring. During the inception period, the Programme will develop a Monitoring and Evaluation (M&E) Plan and the according tool for its conduct. The focus will be on setting and monitoring tolerances for the five areas: time, cost, risk, quality and benefits. While the LFM defines what will be measured, the M&E Plan will provide information on where, how, by whom and how often will the data be collected.

The internal monitoring will be primarily conducted by the Programme team. However, the UNOPS Internal Project Board is responsible for monitoring the quality of implementation. The Internal Board is responsible for internal quarterly assurances that assess a Programme's adherence to UNOPS corporate and local standards in project management, procurement and infrastructure. The board assesses Programme performance in relation to stakeholder satisfaction, delivery performance, procedures, knowledge management, personnel management and core values. In addition, the UNOPS has a strong

financial and programmatic audit framework, which will provide another layer of monitoring to the Programme.

Monitoring and evaluation results will be recorded in Programme monthly, quarterly and annual reports, along with exception reports which will be created in case of exceeding the set tolerances.

8.3 Evaluation

The Programme will continuously evaluate its performance using tools such as evaluation questionnaires for capacity building activities or information sessions for public calls, or feedback from the Programme beneficiaries obtained through formal activity reports. The evaluation tools and techniques will be confirmed through specific strategies which will be developed during the inception period such as the Communications Strategy, Gender Action Plan and Monitoring and Evaluation Plan. In addition, the Programme will analyse data collected in relation to advertised public calls, such as the quantity and quality of received applications, as well as demographics of the applicants which will educate its future related activities.

No funding has been budgeted for the evaluation of the entire Programme. However, the European Commission may carry out in accordance with the relevant provisions of the Contribution Agreement a mid-term, a final or an ex-post evaluation of the entire Programme and/or its components via independent consultants, through a joint mission or via an implementing partner.