

Standard Summary Project Fiche – IPA centralised programmes
(Regional / Horizontal programmes ; centralised National programmes)

1. Basic information

1.1 CRIS Number:

1.2 Title: Regional Socio-Economic Development Programme

1.3 ELARG Statistical code: 02.22

1.4 Location: Republic of Serbia

Implementing arrangements:

1.5 Contracting Authority EC

1.6 Implementing Agency: N/A

1.7 Beneficiary (including details of project manager):

Ministry of Economy and Regional Development

Financing:

1.8 Overall cost: 21MEUR

1.9 EU contribution: 21 MEUR (10 MEUR technical assistance, 11 MEUR grant financing)¹

1.10 Final date for contracting: 3 years after the signature of the Financing Agreement

1.11 Final date for execution of contracts: 5 years after the signature of the Financing Agreement

1.12 Final date for disbursements: 6 years after the signature of the Financing Agreement

2. Overall Objective and Project Purpose

2.1 Overall Objective:

Strengthened capacity in Serbia to develop and implement regional development policy for more balanced territorial socio-economic development

2.2 Project purpose:

2.2.1 Component 1: Assistance to Regional Policy Development at National Level

- Increased capacity at national level to plan and implement integrated regional development policy

2.2.2 For Component 2: Support to the Regional Development Agencies

- Increased development planning and implementation capacities of RDAs, participating municipalities and other local stakeholders

¹ Under the grant scheme component there will be 10% co-funding.

2.3.3 EP (European Partnership)

This programme addresses several key objectives as highlighted in the European Partnership, specifically those intended to:

- Strengthen policy-making capacity and inter-ministerial coordination at government and local levels;
- Adopt and implement decentralization reform ensuring viability of local governments;
- Develop reliable economic statistics and build up institutional capacity to produce and publish basic statistical data harmonized with European standards.

In response to the European Partnership, the Government of Serbia's plan adopted in April 2006 identifies the following relevant priorities:

- Strengthened European integration structures at all levels and improved cooperation between them.
- Strengthen policy-making capacity and inter-ministerial coordination at government and local levels.
- Strengthened economic policy-making process.
- Strengthen the business environment to promote the development of the private sector and employment with competitive markets.
- Develop reliable economic statistics

Under Article 113 (Regional and local development) of the **SAA** Serbia is obliged to strengthen regional and local development co-operation, with the objective of contributing to economic development and reducing regional imbalances. Specific attention will be given to cross-border, trans-national and interregional co-operation. Co-operation will take due account of the priority areas related to the Community *acquis* in the field of regional development

2.4 Link with MIPD

The Multi-Annual Indicative Planning Document 2007-2009 (MIPD) addresses the strategic priorities and objectives as presented in the European Partnership document for Serbia, Serbia's Action Plan for the Implementation of the Priorities of the European Partnership, as well as other relevant strategic documents of the Serbian government, highlighting programme objectives, expected results and conditionality in the priority areas of co-operation for the period 2007-2009.

Of particular relevance for regional and local development are the EC priorities, objectives and results presented in the MIPD under IPA Component 1 – Transition Assistance and Institution Building (Chapter 2.2 of MIPD) specifically:

Under political requirements:

- Improve the performance of Serbian's public administration, and
- Advance on the reform of local self-government

By achieving these objectives Serbia is expected to reinforce the capacity for general government coordination, planning mechanism, formulation and implementation of policy at all levels. It is also expected to establish functional regional development policy and introduce NUTS classification.

The envisaged programmes include training in economic planning and PCM, implementation of measures for co-financing projects implemented with EU funds, support to regional development policy and balanced territorial development through introduction of NUTS classification, strengthening economic planning and implementation at central and regional level, support to more efficient spatial, cadastral and municipal planning and management and support to municipal and inter-municipal/cross-border project.

Under socio-economic requirements:

- Improving infrastructure in order to promote business related activities and public services

Expected results in this group of objectives include improved conditions for growth and sustainable development of all communities, enhanced investments and local capacity for employment and diversification.

Some of the planned programmes include assistance to SME and Regional Economic Development Support institutions, actions on employment, economic development and social inclusion and support to statistical office and other responsible institutions to improve socio-economic data processing and monitoring.

Under European standards:

- Strengthening the European integration structures for the verification of the compatibility of government policies with the *acquis* and institutions dealing with Decentralized Implementation System and improve cooperation among them.

The expected result is the establishment of administrative structures necessary to effectively manage DIS and co-financing.

In pursuit of this objective the EC will provide assistance for the establishment of agencies and institutions required for the implementation and enforcement of the SAA once it is signed.

According to the MIPD all assistance may be provided in the form of twinning/twinning light, technical assistance, project preparation facility, procurement of equipment, works, investments and grant schemes. Under certain conditions assistance in the form of budgetary support is also possible. All IPA activities programmed for Serbia are closely coordinated with other EC sponsored cooperation activities and multi-beneficiary programmes.

2.5.Link with National Development Plans

2.5.1.Link with National Economic Development Strategy (NEDS)

The strategic directions of the National Economic Development Strategy are:

- to improve welfare of citizens,

- dynamic economic growth and
- sustainable development.

Key priorities are:

- to establish a stable, efficient and competitive market economy through the EU accession process, and
- to complete the transition process

Government recognizes the socio-economic disparities across the country and set the objective to achieve more balanced regional development. Some key steps include:

- Capacity building for the implementation of the regional policies at the national, regional and local level;
- Establishing statistical-analytical base for evaluation of regional competitiveness;
- Monitoring and evaluation in accordance with EU (NUTS) standards;
- Creation of the institutional capacities and legislative framework for regional policy development and implementation;
- Establishment of institutional structures at the national, regional and local level;
- Establishment of economic regions;
- Defining financial mechanisms to support balanced regional development;
- Acceleration of the process of decentralization and to increase financial support to municipalities.

2.6 Link with national/sectoral investment plans(where applicable)

The project directly links to the following key government strategies and action plans:

- Public Administration Reform Strategy
- South Serbia Economic Development Strategy
- Strategy for Development and Encouraging Foreign Investments
- Development of the Public Statistics Strategy
- Local Development Plans adopted by Local Governance /Municipalities across Serbia
- National Employment Strategy 2005-2010
- PRSP Strategy and Implementation Reports

3. Description of project

3.1 Background and justification

The Serbian government has started to recognize the need for an integrated and coherent regional policy. There are growing concerns over the widening gaps in socio-economic performance and fortunes between different parts and different social groups within the country.

As Serbia seeks to integrate its economy and markets more fully in the global context and, in particular in the EU single market, there is an imperative to ensure that all areas of the country are capable of competing there.

Another contributing factor is EU accession. In that context, it is crucial to be well prepared for the introduction of pre-accession, and ultimately, EU Structural Funds. The implementation of national regional policy and the preparation for accession will require a significant effort on the part of the government to strengthen the institutional base for the management of the Structural and Cohesion Funds.

Although the Government of Serbia has undertaken policy work by creating relevant strategies (Poverty Reduction Strategy, National Investment Plan, Strategies for agricultural and tourism development, Strategy for Stimulation and Development of Foreign Investments etc), the actual scale of the development gap between Serbia regions is not fully known.

The Strategy for Balanced Regional Development adopted by the government in January 2007 is significant in that it is the first such document that attempts to tackle the issues specific to development of the regions. The Strategy broadly encompasses the development priorities and interventions aimed at building overall development capacity, reducing disparities and building the potential of poorer parts of the country to compete. It also sets out a coherent unified policy and legal framework for regional development as well as a strategy for building the institutional framework.

At the sub-national level, there is slow, but growing capacity and awareness in a number of municipalities across Serbia of the meaning and benefits of socio-economic development. A number of municipalities which have already created SME Development Agencies are now in the process of converting to Regional Development Agencies. These RDAs, like the more advanced RDAs in Kragujevac, Zrenjanin and to a lesser extent, Leskovac, already supported under RSEDP, have the potential to play a key role in developing socio-economic project proposals, contributing to the development and implementation of national policies for socio-economic growth and competitiveness. In some cases, such as Zajecar, the need to improve project identification and formulation and to increase absorption capacity for state and donor financing has encouraged local stakeholders to become founders and investors in a new RDA to be established in the course of 2007.

Against this background it is clear that an opportunity exists to build on the momentum of the policy commitments of the government and technical and financial support already provided under various EAR and other donor programmes as well as lessons learned over the past few years.

Based on the objectives of the Strategy for Balanced Regional Development, it is expected that the Serbian government will soon establish the institutional arrangements at national level necessary for the effective coordination, administration and management of integrated regional development. The successful operation of such a body will require skills and systems related to the policy life cycle (programming, strategic planning and management) and systems for monitoring results and impact as well as consultation and partnership building skills. The experience with earlier projects shows that substantial assistance will be required in order to attain a satisfactory level of operational autonomy.

In the overwhelming number of cases at the sub-national level, there is a desire of the various stakeholders not only to continue their current operations, but to expand them. However, the level of their preparedness to undertake responsibilities for coordination of regional development varies dramatically between various parts of the country. For example a number of local development plans and regional development plans that have been produced across the country are of varying quality and are not always directly relevant. Local coordination and partnership building skills are slowly developing as the culture of sharing information and inter-institutional cooperation evolves in the north and central Serbia and is still at early stage of development in other parts of the country. The quality of local service providers and staff with available technical skills needed for efficient project identification, development, management and implementation is following the similar pattern. One of the consequences of the missing institutional framework is the lack of dependable, long-term sources of finance to offset operational costs of RDAs as well as the necessary project finance for the implementation of regional development projects.

In conclusion, the lack of adequate technical know-how and insufficient budgetary sources are both major obstacles that must be overcome if these groups of stakeholders are meant to have any real chance to evolve into a dynamic network of regional economic development agencies capable of fulfilling what will become with time a more demanding set of duties. In this respect the continued support for the expansion of the RDAs across the country and provision of project finance, as started on a pilot basis under RSEDP, represents a logical extension of the resources already committed to support socio-economic development at sub-national level.

3.2 Assessment of project impact, catalytic effect, sustainability and cross border impact (where applicable)

The two components will contribute to a strengthened capacity in Serbia to develop and implement regional development policy for more balanced territorial socio-economic development. This can be achieved through the provision of support both at the national level where overall socio-economic objectives and priorities are made and at the sub-national level where project pipelines need to be developed and implemented that have socio-economic benefits for both the public and private sectors. The projects also contribute to an increase in the competitiveness of Serbia and should serve to help reduce the widening disparities between regions in the country and increase social cohesion. The effect of this is an increase in the standard of living of the local populations as the number of local investments increases.

Catalytic effect: accelerate overall socio-economic development, institutional development, increased absorption capacity for EU funds.

Capacity to absorb larger, future sources of financing is also expected to result from the projects as the level of necessary skills is likely to increase considerably following programme completion.

Functional sustainability is achieved through the institutionalization of a network of regional development agencies across Serbia that shares a common vision and mandate as well as the creation of a national association that will be able to lobby government and act as an advocate for sub-national interests. The focus on training, mentoring and networking is intended to leave behind a local knowledge base and enhances the likelihood that skills, once developed, will and remain with the beneficiaries

Financial sustainability of RDAs will be ensured through financial contributions of the shareholders and the national government to ensure their proper and continued functioning even after donor assistance has ceased.

Concerning cross-border co-operation, all of the above will position border regions to participate more effectively and efficiently in CBC programmes.

3.3 Results and measurable indicators

The attached project fiche consists of two components:

Component 1: Assistance to Regional Policy Development at National Level and

Component 2: Support to the Regional Development Agencies which includes call for proposals grant scheme

Expected results and measurable indicators by component

COMPONENT 1: ASSISTANCE TO REGIONAL POLICY DEVELOPMENT AT NATIONAL LEVEL

Expected results include:

- Increased institutional capacity of new government body for support of integrated regional development
- Increased understanding among main government actors involved in regional development policy formulation of EC regional development policies and concepts
- Increased capacity to collect and analyze statistics for regional development
- Improved co-ordination activities

Measurable indicators for reviewing progress include:

- Staff recruited
- Staff trained
- Procedures manual, rule book developed
- Equipment procured, delivered and operational
- EC policies, concepts begin to mainstream into regional development policies at national level
- Survey results
- Republic Statistical Office adopts and applies appropriate measurement system
- Regional statistics figure prominently in the national development planning process
- Government sector strategies are in support of national development objectives
- Coordination groups established and meet at regular scheduled intervals
- National development objectives take into account regional/local priorities
- Regional/local plans are in support of national development objectives

COMPONENT 2: SUPPORT TO THE REGIONAL DEVELOPMENT AGENCIES

- Increased efficiency of RDAs with respect to the management of local development resources
- Increased RDA inputs/participation in national regional development policy planning process

- Improved project cycle management skills within RDAs
- Strengthened capacity of RDA staff in grant management
- Increased advocacy roll of RDAs at national level

Measurable indicators for reviewing progress include:

- Regional stakeholder project committees established
- Local budgets are allocated and in line with development plans
- Network of certified local service providers developed
- Convergence of regional and national development objectives
- Regional statistical data supplied conforms to national statistical reporting requirements
- RDAs participate in national co-ordination body and working groups
- Regular series of meetings, workshops and other links with main regional stakeholders established
- RDAs staff, municipal staff, business associations and other stakeholders apply modern tools and techniques related to regional development planning
- Quality of regional projects increases
- Increase in number of bankable projects
- Training needs assessment undertaken
- Training delivered
- Quality of proposals processed by RDA
- Number of Calls for Proposals launched
- National Association of RDAs established with all RDAs signed on
- Thematic/sector working groups established and meet at regular intervals
- Government policy takes into account local development priorities

3.4 Activities

Component 1: Assistance to Regional Policy Development at National Level

Activities foreseen:

- Development of organization, job descriptions, work programmes, operations manuals, vertical and horizontal linkages
 - Procurement of equipment
 - Undertake training needs assessment and curriculum development
 - Undertake staff development (workshops, study tours, seminars)
 - Undertake PCM training
 - Development of operations manual for regional development planning, implementation, monitoring and control
 - Identify appropriate financial mechanisms and incentives in support of balanced regional development

To ensure rapid set-up of the designated government body counterpart, the counterpart director will be supported in undertaking the above activities with the full support of EU and local experts. Staff recruitment will also take place in parallel with infrastructure set-up to be

followed by a training needs assessment of recruited personnel and a comprehensive training programme, particularly in PCM.

- Organization of workshops, seminars and study tours for key stakeholders at national level
 - Introduction to best practice related to integrated regional development policy in EU (i.e. awareness raising seminars and workshops, publications, web-sites)

Together with the director, the project team will organize a series of workshops and seminars for national stakeholders focusing on EU best practice in regional development policies and concepts. Results will be disseminated through regular newsletters, bulletins and on-line means.

- Establishment of statistical-analytical base-line for evaluation of the regional competitiveness, monitoring and evaluation in line with EU standards.

The project will work closely with the Republic Statistical Office for the purpose of establishing standardized modern tools and methods for collecting and analyzing statistical data essential for evaluating regional competitiveness.

- Establishment of relevant steering committee, working groups for vertical and horizontal co-ordination for effective policy implementation

All of the activities implemented will be overseen by a Steering Committee comprised of main national level stakeholders, donors and representatives from RDAs.

Contracting arrangements are as follows:

Number of contracts: One service contract
Tendering procedure: Restricted international tender
Duration: 36 months
Contract value: 2.0 MEUR

Component 2: Support to the Regional Development Agencies

Activities foreseen:

- *Increased efficiency of RDAs with respect to the management of local development resources*
 - Establish regional stakeholders committees
 - Undertake training in budgeting and financial planning for municipal staff
 - Review and develop local and regional development plans (operational programmes and financial plans)
 - Develop 3-year business plans
 - Develop operations and procedures manuals
 - Organize thematic workshops in related fields
 - Develop certification program for local service providers
 - Publication and dissemination of regular newsletter to RDA stakeholders

- *Increased RDA inputs/participation in national regional development policy planning process*
 - Train local stakeholders in basic statistical data collection and processing
 - Support establishment of In-doc centres at RDAs

- *Improved project cycle management skills within RDAs*
 - Access training needs of RDAs
 - Design and deliver PCM training

- *Strengthened capacity of RDA staff in grant management*
 - Establish central Project Preparation Facility for grant management
 - Design and deliver training in grant management to RDA
 - Launch calls for proposal
 - Evaluation of proposals received
 - Monitor progress of project implementation
 - Hold information seminars for interested parties

- *Increased advocacy roll of RDAs at national level*
 - Assist establishing RDA association based on best EU practice
 - Dissemination of results to network members through regular newsletter and other means
 - Design and maintain RDA association web-site

- Direct Award Grants to up to 9 Regional Development Agencies

Contracting arrangements are as follows:

Number of contracts: One service contract to Manage Call for Proposals

Tendering procedure: Restricted international tender

Duration: 36 months

Contract value: 3.5 MEUR

Number of contracts: Grant Scheme Call for Proposals

Tendering procedure: Local Call for Proposals

Duration: 36 Months

Contract Value: 11 MEUR

Number of contracts: Up to 9 Contracts to Regional Development Agencies

Tendering procedure: Direct Award

Duration: 36 months

Contract value: 4.5 MEUR

3.5 Conditionality and sequencing

For Component 1

- The Government of Serbia must have officially appointed the beneficiary (i.e. the line ministry which will be responsible for integrated regional development) before the start of the project;
- Legal basis established for the creation of the national body for coordination of integrated regional development before the project starts;
- Appropriate premises must be secured and available by the time projects starts;
- Budget for department staff salaries must be earmarked and available by the time the project starts.

For Component 2

- Each participating RDA must be fully incorporated as a joint stock company;
- Shareholders in the RDA must include at least 2/3 of all municipalities in the region by start of the project;
- Shareholders' annual financial and/or in-kind contribution to the RDA must be sufficient to cover salaries of core staff and basic operating expenses as indicated in RDA business plan or budget forecast for a minimum period of three years;
- RDA profile as indicated in (i.e. mission statement, basic business plan, description of activities, incorporation papers) must reflect a clear commitment and understanding to EU RDA best practice;
- No more than one RDA shall be eligible for participation in the project from the same territorial area.

3.6 Linked activities

Considerable resources have been provided by the EC, USAID, UNDP and other donors to support regional, municipal and local development initiatives across Serbia in recent years. EC assistance has funded the establishment of SME Development Agencies, financed grants for socio-economic development and established three Regional Development Agencies in North, Central and South Serbia (under RSEDP which ended in December 2006). The recently launched EC-MSP in Banat of 6 MEUR will continue the momentum in North Serbia. Following the success of RSEDP, and the goodwill it has generated, there is an opportunity to support a growing trend across municipalities in Serbia to start working together on projects with a shared benefit.

As a logical follow up to assistance already provided over the past five years focused EC support for the further integration of institutions, networks and skills for project planning, preparation and implementation is necessary to begin preparing the country for the future arrival of Structural Funds.

3.7 Lessons learned

In order to increase the efficiency of project implementation it is important to take into account the experience gained during the implementation of the RSEDP project in the three pilot regions.

For the overall implementation strategy it proved crucial for the team to develop very close working relationships with all the municipalities and other stakeholders at sub-national level. The trust and good will developed during the process helped minimise some of the implementation risks envisaged in relation to cooperation of the local stakeholders with the project team.

Another relevant success factor of the project was the willingness of the municipalities to support financially the Regional Development Agencies. For this reason the proposed project is determining the secured sufficient financial support from the municipalities as one of the eligibility criteria for RDAs for participation in the project. However, in order to put in place a sufficient stream of funds it is essential that RDAs stay focused on core activities and do not get involved in project implementation and provision of professional services, tasks that should be left to local private sectors operators.

With respect to lessons learned in the implementation of the grant scheme a general conclusion from RSEDP is that there were more eligible projects than available funds. It was also noted that the programme impact would have been diminished considerably had there been no accompanying financial incentives as provided through the grant scheme.

4. Indicative Budget (amounts in €)

Activities	TOTAL COST (million Euro)	SOURCES OF FUNDING										
		EU CONTRIBUTION				NATIONAL PUBLIC CONTRIBUTION					PRIVATE	
		Total	% *	IB	INV	Total	% *	Central	Regional	IFIs	Total	% *
Activity 1	2	2	100	X								
contract 1.1	2		100	X								
Activity 2	3.5	3.5										
contract 2.1	3.5		100	X								
contract 2.2	4.5	4.5	100	x	X							
Activity 3	10											
Contract 2.3	10	10						1.0				
TOTAL	21	21										

* expressed in % of the Total Cost²

Notes:

At this stage it is not possible to determine the exact number of contract due to call for proposals approach of the grant scheme.

5. Indicative Implementation Schedule (periods broken down per quarter)³

Contracts	Start of Tendering	Signature of Contract	Project Completion
Contract 1.1	T + 1Q	T + 2 Q	T + 9 Q

² Activity 3/Contract 2.3 Grant Scheme Call for Proposals includes 10% local co-financing

³ Where T=the date of the signature of the FA and xQ equals the number (x) of quarters (Q) following T.

Contract 2.1	T + 1 Q	T + 2 Q	T + 9Q
Contract 2.2	T + 1 Q	T + 2Q	T + 9Q
Contract 2.3	T+ 2Q	T +4Q	T+9Q

All projects should in principle be ready for tendering in the 1ST Quarter following the signature of the FA

6. Cross cutting issues (where applicable)

6.1 Equal Opportunity

Throughout project implementation there will be no discrimination on the grounds of health status, race, sex, sexual orientation, mother tongue, religion, political or other opinion, national or social origin, birth or other status. Equal opportunities for all will be ensured during project implementation. EU and National laws and regulations concerning the equal opportunities will be followed strictly. Equal opportunity for men and women to participate in the project will be measured by recording the experts and consultants employed.

6.2 Environment

Environmental considerations will be addressed throughout project implementation. Training activities will ensure that environmental issues mainstream across PCM and especially when considering grant proposals where environmental impact assessments will accompany proposals as appropriate. The beneficiary will be assisted to implement an internal environmental assessment system to determine in which areas improvements could be made with respect to environmental matters.

6.3 Minorities

The programme will be designed in cooperation with local stakeholders with a view to creating employment opportunities for minority and vulnerable groups. Comprehensive assessment of challenges facing minorities and other vulnerable groups will be undertaken. Activities such as training for service providers to design and deliver demand-driven training courses particularly for vulnerable groups will be part of the programme. Operations and procedures manuals will all feature sections on addressing the needs of minorities and vulnerable groups. A supporting evaluation mechanism to assess the impact of these measures will be enforced.

ANNEX I: Logical framework matrix in standard format –

LOGFRAME PLANNING MATRIX FOR Project Fiche IPA Integrated Regional Development Programme 2007	Programme name and number	Disbursement period: expires 6 years after the signature of the Financing Agreement
	Contracting period expires 5 years after the signature of the Financing Agreement	
	Total budget:	IPA budget: 21 MEUR

Overall objective	Objectively verifiable indicators	Sources of Verification	
Strengthened capacity in Serbia to develop and implement regional development policy for more balanced territorial socio-economic development	<ul style="list-style-type: none"> Reduction in socio-economic disparities across Serbia 	<ul style="list-style-type: none"> Official statistical documents Living standards and measurement surveys (LSMS) Income and expenditure surveys Poverty assessment reports 	
Project purpose	Objectively verifiable indicators	Sources of Verification	Assumptions
Component 1: Assistance to Regional Development Policy at National Level			
<ul style="list-style-type: none"> Increased capacity at national level to plan and implement integrated regional development policy 	<ul style="list-style-type: none"> Government policies for regional development approximate EC policies Increased convergence of national and sub-national policies and strategies Projects implemented are in direct support of national development policies 	<ul style="list-style-type: none"> Review and comparison of relevant policy and strategy documents Review and comparison of relevant policy and strategy documents M/E reports 	
Component 2: Support to Regional Development Agencies			
<ul style="list-style-type: none"> Increased development planning and implementation capacities of RDAs, participating municipalities and other local stakeholders 	<ul style="list-style-type: none"> Increased number of local stakeholders actively involved in RDA operations Local and regional development plans elaborated in line with national development objectives 	<ul style="list-style-type: none"> Incorporation documents of RDAs Review of local and regional development plans 	<ul style="list-style-type: none"> A sufficient number of RDAs fulfill eligibility criteria for participation in the programme

	<ul style="list-style-type: none"> Increased number of bankable projects from each region 	<ul style="list-style-type: none"> Disbursement orders M/E reports 	
	<ul style="list-style-type: none"> Regular meetings take place between stakeholders 	<ul style="list-style-type: none"> Meeting minutes 	
	<ul style="list-style-type: none"> Increased number of jointly developed projects in line with development plans 	<ul style="list-style-type: none"> M/E reports 	

Component 3: Access to finance (Grant Scheme)			
<ul style="list-style-type: none"> Increased access to finance for project implementation in support of development policy priorities 	<ul style="list-style-type: none"> Amount disbursed per region Number of projects awarded per region RDA operations sufficiently financed 	<ul style="list-style-type: none"> Disbursement orders M/E reports RDA budgets Annual financial reports 	<ul style="list-style-type: none"> Sufficient number of bankable projects from each region RDAs stay within forecasted budgets RDAs meet grant obligations
Results	Objectively verifiable indicators	Sources of Verification	Assumptions
Component 1: Assistance to Regional Policy Development			
1.1.1 Increased institutional capacity of new government body for support of integrated regional development	<ul style="list-style-type: none"> Staff recruited Staff trained Procedures manual, rule book developed Equipment procured, delivered and operational 	<ul style="list-style-type: none"> Employment contracts Training reports Manuals approved Invoices, delivery receipts 	<ul style="list-style-type: none"> The Government of Serbia has officially appointed the beneficiary (i.e. the line ministry which will be responsible for integrated regional development) before the start of the project; Legal basis established for the creation of the national body for coordination of integrated regional development before the project starts; Appropriate premises secured and available by the time projects starts; Budget for department staff salaries earmarked and available by the time the project starts.

1.1.2	Increased understanding among main government actors involved in regional development policy formulation of EU regional development policies and concepts	<ul style="list-style-type: none"> • EU policies, concepts begin to mainstream into regional development policies at national level • Survey results 	<ul style="list-style-type: none"> • Review of policies • Evaluation reports 	
1.1.3	Increased capacity to collect and analyze statistics for regional development	<ul style="list-style-type: none"> • Republic Statistical Office adopt and apply appropriate measurement system 	<ul style="list-style-type: none"> • Base-line and ex-post surveys • Statistical reports 	
1.1.4	Improved co-ordination activities	<ul style="list-style-type: none"> • Regional statistics figure prominently in the national development planning process • Government sector strategies are in support of national development objectives • Coordination groups established and meet at regular scheduled intervals 	<ul style="list-style-type: none"> • Review of key national development planning documents • Comparison of government documents • Meeting minutes 	
		<ul style="list-style-type: none"> • National development objectives take into account regional/local priorities • Regional/local plans are in support of national development objectives 	<ul style="list-style-type: none"> • Review of national development strategy • Review of regional/local development plans against national objectives 	
Component 2: Support to Regional Development Agencies in Serbia				
2.1.1	Increased efficiency of RDAs with respect to the management of local development resources	<ul style="list-style-type: none"> • Regional stakeholder project committees established • Local budgets allocated and in line with development plans • Network of certified local service providers developed 	<ul style="list-style-type: none"> • MoU between regional stakeholders establishing committees • Comparison of municipal budgets and development plans • Certification records 	
2.1.2	Increased RDA inputs/participation in national	<ul style="list-style-type: none"> • Convergence of regional and national development objectives 	<ul style="list-style-type: none"> • Comparison of national and sub-national plans 	<ul style="list-style-type: none"> • Government has designated national level coordinating body

<p>regional development policy planning process</p> <p>2.1.3</p>	<ul style="list-style-type: none"> Regional statistical data supplied conforms to national statistical reporting requirement RDAs participate in national co-ordination body and working groups Regular series of meetings, workshops and other links with main regional stakeholders established RDAs staff, municipal staff, business associations and other stakeholders apply modern tools and techniques related to regional development planning 	<ul style="list-style-type: none"> Assessment of data supplies against reporting requirements Meeting minutes 	
<p>2.1.4 Improved project cycle management skills within RDAs</p>	<ul style="list-style-type: none"> Quality of regional projects increases Increase in number of bankable projects 	<ul style="list-style-type: none"> Number of projects approved Evaluation reports Number of projects approved 	
<p>2.1.4 Strengthened capacity of RDA staff in grant management</p>	<ul style="list-style-type: none"> Training needs assessment undertaken Training delivered 	<ul style="list-style-type: none"> TNA report Training report Attendance forms Announcements in local press Regular RDAs activity reports 	
<p>2.1.5 Increased advocacy roll of RDAs at national level</p>	<ul style="list-style-type: none"> Quality of proposals processed by RDA Number of Calls for Proposals launched National Association of RDAs established with all RDAs signed on Thematic/sector working groups established and meet at regular intervals Government policy takes into account local development priorities 	<ul style="list-style-type: none"> Association's Statute, other founding document(s) Meeting minutes Government policy documents 	<ul style="list-style-type: none"> Government has designated national level coordinating body
<p>Component 3: Access to finance (Grant Scheme)</p>			
<p>3.1.1 Increased access to finance for development projects in the</p>	<ul style="list-style-type: none"> Amount disbursed per region Number of projects awarded per 	<ul style="list-style-type: none"> Disbursement orders M/E reports 	<ul style="list-style-type: none"> Sufficient number of bankable projects from each region

	regions	region		
3.1.2	Increased financial sustainability of RDAs	<ul style="list-style-type: none"> All RDA grant recipients have balanced budgets 	<ul style="list-style-type: none"> RDA budgets Annual financial reports 	<ul style="list-style-type: none"> RDAs stay within forecasted budgets RDAs meet grant obligations
Activities		Means	Costs	Assumptions
Component 1: Assistance to Regional Policy Development		For all components under Project 1, Technical assistance and equipment	2.0 MEUR (IPA contribution 100%)	
1.1.1	<p>Development of organization, job descriptions, work programmes, operations manuals, vertical and horizontal linkages</p> <ul style="list-style-type: none"> Undertake training needs assessment and curriculum development Undertake staff development (workshops, study tours, seminars) Undertake PCM training Development of operations manual for regional development planning, implementation, monitoring and control Identify appropriate financial mechanisms and incentives in support of balanced regional development 			
1.1.2	<p>Organization of workshops, seminars and study tours</p> <p>Introduction to best practice related to integrated regional development policy in EU (i.e. awareness raising seminars and workshops, publications, web-sites)</p>			
1.1.3	Establishment of statistical-analytical base-line for			

	evaluation of the regional competitiveness, monitoring and evaluation in line with EU			
1.1.4	Establishment of relevant steering committee, working groups for vertical and horizontal co-ordination for effective policy implementation			
Component 2: Support to Regional Development Agencies in Serbia		Technical assistance	8 MEUR (IPA contribution 100%)	
2.1.1	<p>Increased efficiency of RDAs with respect to the management of local development resources</p> <ul style="list-style-type: none"> - Establish regional stakeholders committees - Undertake training in budgeting and financial planning for municipal staff; - Review and develop local and regional development plans (operational programmes and financial plans - Develop 3-year business plans - Develop operations and procedures manuals - Organize thematic workshops in related fields; - Develop certification program for local service providers - Publication and dissemination of regular newsletter to RDA stakeholders. 			
2.1.2	Increased RDA inputs/participation in national regional development policy planning process			

<ul style="list-style-type: none"> - Train local stakeholders in basic statistical data collection and processing - Support establishment of In-doc centers at RDAs 			
<p>2.1.3 Improved project cycle management skills within RDAs</p> <ul style="list-style-type: none"> - Access training needs of RDAs - Design and deliver PCM training 			
<p>2.1.4 Strengthened capacity of RDA staff in grant management</p> <ul style="list-style-type: none"> - Establish central Project Preparation Facility for grant management - Design and deliver training in grant management to RDA - Launch calls for proposal - Evaluation of proposals received - Monitor progress of project implementation - Hold information seminars for interested parties 			
<p>2.1.5 Increased advocacy roll of RDAs at national level</p> <ul style="list-style-type: none"> - Assist establishing RDA association based on best EU practice - Dissemination of results to network members through regular newsletter and other means - Design and maintain RDA association web-site 			
<p>: Access to finance (Grant Scheme)</p>	<p>Grant scheme Call for Proposals</p>	<p>11 MEUR (IPA contribution 10 MEURO plus 10% local finance)</p>	

3.1 Open call for Proposal to all stakeholders including municipalities, NGO's business associations, civil society actors etc.			
---	--	--	--

Annex 2

Amounts contracted and Disbursed per Quarter over the full duration of Programme

amounts (in million €) Contracted and disbursed by quarter for the project

Contracted	Q1	Q2	Q3	Q4	Q5	Q6	Q7	Q8	Q9
Contract 1.1		2.0							
Contract 2.1		3.5							
Contract 2.2		4.5							
Contract 2.3				10					
Cumulated		10		20					
Disbursed									
Contract 1.1		1,200,000	140,000	140,000	140,000	140,000	140,000	50,000	50,000
Contract 2.1		2,100,000	175,000	175,000	175,000	175,000	175,000	175,000	350,000
Contract 2.2		3,600,000							900,000
* Contract 2.3									10,000,000
Cumulated		6,900,000	7,215,000	7,530,000	7,845,000	8,160,000	8,475,000	8,790,000	20,000,000

**Note: For the grant scheme (Contract 2.3) it is not possible at this stage to determine precise number of contracts due to the open call for proposals system. Therefore, it is also not possible to determine disbursement schedule.*

Annex 3

Reference to laws, regulations and strategic documents:

Reference to laws, regulations and strategic documents

Laws/Regulations adopted:

- Constitution of Republic of Serbia, 2006 (*Article 94: The Republic of Serbia shall take care of balanced and sustainable regional development, in accordance with the Law*)
- Law on Financing of the Local Self-Government, 2006
- Law on Local Self-Government, 2002, and Law on Changes of the Law on Local Self-Government, 2004
- Law on Free Zones, 2006

Reference to AP (applies only to Candidate Countries, not applicable to Serbia, which is a Potential Candidate Country)

Reference to NPAA (applies only to candidate countries, not applicable to Serbia which is Potential Candidate Country)

Reference to European Partnership

This programme addresses several key objectives as highlighted in the European Partnership, specifically those intended to:

- Strengthen policy-making capacity and inter-ministerial coordination at government and local levels;
- Adopt and implement decentralization reform ensuring viability of local governments;
- Develop reliable economic statistics and build up institutional capacity to produce and publish basic statistical data harmonized with European standards.

In response to the European Partnership, the Government of Serbia's plan adopted in April 2006 identifies the following relevant priorities:

- Strengthened European integration structures at all levels and improved cooperation between them;
- Strengthen policy-making capacity and inter-ministerial coordination at government and local levels;
- Strengthened economic policy-making process;
- Strengthen the business environment to promote the development of the private sector and employment with competitive markets;
- Develop reliable economic statistics.

Reference to SAA

The SAA negotiations opened in October 2005 were subsequently called off in May 2006 since Serbia and Montenegro did not meet agreed political conditions for the process to continue. The Council supports the Commission's decision to resume negotiations with amended negotiating mandate for Serbia (adopted after separation of Montenegro), as soon as these conditions are met.

Reference to MIPD

The Multi-Annual Indicative Planning Document (MIPD) addresses the strategic priorities and objectives as presented in European Partnership Document for Serbia, the Serbia's Action Plan for the Implementation of Priorities of European Partnership, as well as the other relevant strategic documents of the Serbian government, highlighting programme objectives, expected results and conditionality in the priority areas of co-operation for the period 2007-2009.

Of particular relevance for the area of regional and local development are the EC priorities, objectives and results presented in the MIPD under IPA Component 1 – Transition Assistance and Institution Building (Chapter 2.2 of MIPD) including:

Under political requirements:

- Improve the performance of Serbian's public administration, and
- Advance on the reform of local self-government.

By achieving these objectives Serbia is expected to reinforce the capacity for general government coordination, planning mechanism, formulation and implementation of policy at all levels. It is also expected to establish functional regional development policy and introduce NUTS classification.

The envisaged programmes include training in economic planning and PCM, implementation of measures for co-financing projects implemented with EU funds, support to regional development policy and balanced territorial development through introduction of NUTS classification, strengthening economic planning and implementation at central and regional level, support to more efficient spatial, cadastral and municipal planning and management and support to municipal and inter-municipal/cross-border project.

Under socio-economic requirements:

- Improving infrastructure in order to promote business related activities and public services.

Expected results in this group of objectives include improved conditions for growth and sustainable development of all communities, enhanced investments and local capacity for employment and diversification.

Some of the planned programmes include assistance to SME and Regional Economic Development Support institutions, actions on employment, economic development and social inclusion and support to statistical office and other responsible institutions to improve socio-economic data processing and monitoring.

Under European standards:

- Strengthening the European integration structures for the verification of the compatibility of government policies with EU acquis and institutions dealing with Decentralized Implementation System and improve cooperation among them.

The expected result is the establishment of administrative structures necessary to effectively manage DIS and co-financing.

In pursuit of this objective the EC will provide assistance for the establishment of agencies and institutions required for the implementation and enforcement of the SAA once it is signed.

According to the MIPD all assistance may be provided in the form of twinning/twinning light, technical assistance, project preparation facility, procurement of equipment, works, investments and grant schemes. Under certain conditions assistance in the form of budgetary support is also possible. All IPA activities programmed for Serbia are closely coordinated with other EC sponsored cooperation activities and multi-beneficiary programmes.

Reference to **National Development Plans**

Link with National Economic Development Strategy (NEDS)

The strategic directions of the National Economic Development Strategy are:

- to improve welfare of citizens,
- dynamic economic growth and
- sustainable development.

Key priorities are:

- to establish a stable, efficient and competitive market economy through the EU accession process, and
- to complete the transition process.

Government recognizes the socio-economic disparities across the country and set the objective to achieve more balanced regional development. Some key steps include:

- Capacity building for the implementation of the regional policies at the national, regional and local level
- Establishing statistical-analytical base for evaluation of the regional competitiveness
- Monitoring and evaluation in accordance with EU (NUTS) standards
- Creation of the institutional capacities and legislative framework for regional policy development and implementation
- Establishment of institutional structures at the national, regional and local level
- Establishment of economic regions
- Defining financial mechanisms to support balanced regional development
- Acceleration of the process of decentralization and to increase financial support to municipalities

Reference to national/sectoral investment plans (where applicable)

The project directly links to the following key government strategies and action plans:

- Public Administration Reform Strategy
- South Serbia Economic Development Strategy
- Strategy for Development and Encouraging Foreign Investments
- Development of the Public Statistics Strategy
- Local Development Plans adopted by Local Governance /Municipalities across Serbia
- National Employment Strategy 2005-2010
- PRSP Strategy and Implementation Reports

Annex 4

Details per EU funded contract

Component 1: Assistance to Regional Policy Development at National Level

The project will consist of technical assistance, long and short term, provided to the central body ultimately responsible for co-ordinating integrated regional development policies at national level. It is expected that the project will start after Project 2 and will have duration of 24 months.

Total budget for Component 1 is 1.0 MEUR

Component 2: Support to the Regional Development Agencies

Component 2 will deliver technical assistance to approximately 10 RDAs as well as their local level stakeholders such as municipalities and other relevant local authorities. It is foreseen that direct financial support shall be provided to the RDAs to cover their operating costs for a period of three years.

Technical assistance in the form of resident long-term advisors and short term expertise will be provided to each of the eligible and participating RDAs. Advisors will be based in the field and supported by a programme management unit based in Belgrade (ideally situated in the same premises as the relevant designated government body). A Project Preparation Facility would also be based in the PMU and would be responsible for the grant scheme and training activities.

Total budget for Component 2 is 20 MEUR of which 9 MEUR is for TA and 11 MEUR for the grant scheme covering the entire territory of Serbia.

In the field the main emphasis will be on building up participating RDAs in a consistent manner across the country with a view to creating a sustainable network of professionals duly qualified in the regional development planning process. Increased local capacity would be achieved through considerable resources channelled into training in a wide range of technical and practical skills that local stakeholders will need in order to perform in a more efficient manner as well as the development of the structures, procedures, systems and tools essential for regional development planning and management.

To the extent possible, every effort will be made to promote mentoring of lesser developed RDAs by the more developed ones as well as establishing linkages with other RDAs in EU Member States.

Networking figures prominently into the project so that information, experiences and ideas can be shared in a more timely way.

Non-standard procedures

It is foreseen that all participating RDAs will receive direct financial support covering part of operation costs for a period of three years. These funds would be provided from grant scheme budget. To this end, derogation from PRAG will be requested from EAR following similar precedents.