

**Project Results for USAID-Government of Serbia (GoS) Consultation and Annual Monitoring
February 2013**

Project	USAID Sustainable Local Development Project
USAID Office	Economic Growth Office. Susan K. Kutor, Office Director
USAID Contracting Officer's Representative	Nenad Moslavac, Project Management Specialist
Duration	December 2010 – December 2015
Budget	Life of Project: \$20.3 million Obligated to date under both Agreements (EG and DG): \$16,929,957
Implementing Partner	Chemonics International, Chief of Party: Howard S. Ockman
Project Purpose	USAID's Sustainable Local Development Project (SLDP) is a five-year project supporting local communities, their businesses, and civil society to increase local government efficiency and achieve economies of scale through Inter-municipal Cooperation (IMC) approaches to economic growth. The Project's core activities focus on using IMC mechanisms to create jobs and reduce unemployment in regional economies. The Project provides technical assistance, grants and subcontracts.
Project Components	The Project team has been re-organized during 2012 from five to three components: <ol style="list-style-type: none"> 1. IMC Programming – assisting IMC partners to create jobs by supporting private sector expansion. 2. Public Administration Reform – building institutional and technical knowledge and skills for comprehensive inter-municipal economic development. 3. Youth Development and Participatory Mechanism – forging partnerships between the public, private, and civil society sectors to grow local economies, increase participatory decision-making, and curb youth outmigration and unemployment.
Assistance Agreement	169-AA-10-EG/001 169-AA-10-DG/001
Objectives	A More Competitive Market Economy (EG) <i>Improved World Economic Forum's global competitiveness Score</i> <i>Exports as Percentage of GDP</i> Democratic Structures in Serbia Strengthened (DG) <i>USAID Monitoring Country Progress overall score</i>
Indicators	EG Result 1.3 Efforts of local stakeholders better integrated to improve area-based development <i>1.3.1 Number of business-friendly municipalities</i> <i>1.3.2 Number of major infrastructure inter-municipal projects fully prepared and listed in SLAP¹</i> DG Result 2.1 Government Operations Improved <i>2.1.1 Monitoring Country Progress – National Governance</i> <i>2.1.2 World Bank Indicators Government – Effectiveness</i>
GoS European Integration Office (SEIO) Aid Coordination Group	The two aid coordination groups: Local Government Group and Local Infrastructure Group
Key GoS Partners – Ministries	Ministry of Regional Development and Local Self-Government Ministry of Labor, Employment and Social Policy Ministry of Youth and Sports

¹ SLAP is a national database of infrastructure projects managed by the Standing Conference of Towns and Municipalities (SCTM)

Other Partners – Provincial government, GoS Agencies and other organizations	Vojvodina Provincial Secretariats National Agency for Regional Development National Employment Service Government of Serbia Coordination Body for the Municipalities of Presevo, Bujanovac and Medvedja Government of Serbia Office for Coordination with Civil Sector Organizations Serbia Investment and Export Promotion Agency 32 Project participating local self-governments and The Standing Conference of Towns and Municipalities
Date of USAID-GoS workplan review	Last review: February 2012 Next review: February 2014
<p>The consultative process to date :</p> <p>During the first implementation year, USAID organized a series of consultative meetings with senior officials from key government institutions. In March 2011, USAID provided the GoS with a report listing SLDP’s development objectives for the project’s 5-year implementation period and commitments from the GoS.</p> <p>In 2012, USAID and the GoS established cooperation around more specific topics and initiatives. The Project team signed a Memorandum of Understanding with the Ministry of Economy and Regional Development (MERD), which forges a closer partnership between USAID and the National Agency for Regional Development (NARD) and relevant Regional Development Agencies (RDAs), with the goal of institutionalizing and sustaining IMC and Local Economic Development (LED) governance. USAID also strengthened collaboration with MERD, SCTM, the National Alliance for Local Economic Development (NALED), the System of Long-listed Advanced Infrastructure Projects (SLAP) Team, the Serbia European Integration Office (SEIO), Municipal Infrastructure Support Programme (MISP), and Project Preparation Facility 4 (PPF4) to standardize the delivery of project preparation and capital investment planning capacity building efforts.</p> <p>On January 16, 2013, the Project team met with SEIO representatives to discuss its plans for adding jobs through the expansion of the private sector. USAID will continue to share its knowledge and ongoing experience regarding the demand vs. supply-side approach with SEIO.</p> <p>In 2013, USAID is planning to strengthen cooperation with the Ministry of Youth and Sports, the Ministry of Labor, and the National Employment Service (NES).</p>	
<p>State of implementation from January 2012 through December 2012:</p> <p>USAID facilitated the ongoing work of the eight IMC partnerships, encompassing 32 municipalities. This includes the activities of the 35 working groups that have been established to coordinate regional projects and activities.</p> <p>In October 2012, USAID refined its approach by focusing on IMC initiatives related to adding jobs by expanding the private sector in the eight IMC areas, and re-organized the Project from five to three components. This year’s focus is on activities that are economically feasible, create jobs, increase business sector revenues, and help youth to become more competitive in the labor market.</p> <p>Achievements in 2012 related to EG Objective: A More Competitive Market Economy – Efforts of Local Stakeholders Better integrated to Improve Area-Based Development</p> <ul style="list-style-type: none"> • USAID equipped a multi-media laboratory in the Business Innovation Center in Kraljevo. This lab assists entrepreneurs from the Kraljevo-Čačak inter-municipal area to acquire new skills, reduce 	

production costs, and apply innovation in their production processes.

- USAID developed a Value Chain Analysis and Marketing Plan to improve dairy production and increase the regional competitiveness of Pester (Sandžak) companies within the Novi Pazar-led IMC area.
- USAID prepared a study on the diversification of agricultural production for the Subotica-led IMC area, recommending the introduction of new crop varieties and the revival of indigenous crop production.
- USAID prepared an architectural design for the Educational Training Centre for Professional and Working Skills in Novi Sad, which will train graduates in workforce skills currently in high demand.
- Through expert input for the development of main designs for the agriculture working zone in Kikinda and port in Novi Bečej, USAID enabled the Zrenjanin-led IMC area to receive \$120,000 from the GoS.
- USAID provided expert assistance and on-the-job training to the Leskovac RDA for the preparation of cross-border cooperation projects, which resulted in a \$235,000 award to improve the competitiveness of regional furniture manufacturers.
- USAID developed a Regional Solid Waste Management Plan covering 7 municipalities in South Serbia (Pčinja District). Civic participation was sufficient in public hearings to discuss the draft.
- USAID provided technical assistance to nine municipalities to improve the business enabling environment and assist them in obtaining Business Friendly Certification (BFC) from NALED. With USAID support, Novi Sad, Sombor, and Nova Varoš were awarded BFC certificates in 2012 and an improved BFC general guidebook was developed.
- USAID established a public-private partnership (PPP) with Lafarge and Beočin to create a new business park, attract investors, and help generate new jobs.
- USAID published and disseminated three municipal PPP toolkits for local infrastructure development, energy efficiency, and parking services.
- Through USAID support, 44 young entrepreneurs were matched with business mentors; 28 companies received 40 interns, with the possibility for long-term employment; and 209 youth were trained in business and social entrepreneurship skills.
- Together with the NES, USAID conducted a labor supply and demand analysis, surveying 5,500 companies in all partner IMC areas in order to improve local youth employment planning.

**Achievements in 2012 related to DG Objective: Democratic Structures in Serbia Strengthened
– Government Operations Improved**

- In cooperation with NALED, USAID identified the regulatory and administrative barriers to business growth in the Niš-led IMC area and provided 21 recommendations for overcoming them.
- USAID provided suggestions to relevant ministries for improving laws and regulations concerning:
 - utility services (resulting in the lifting of an administrative cap on utility tariffs);
 - public property (assisted the Ministry of Finance (through SCTM) in preparing the methodology for local property inventorying and preparing an action plan for property inventorying); and
 - public-private partnerships and concessions (provided technical assistance to a working group in the drafting of the bylaws; provided support to the Commission for Public-Private Partnerships).
- USAID supported the Ministry of Regional Development and Local Self-government in amending the Law on Local Self-administration and the Law on Local Government Finances.
- USAID supported the development of 10 Mobile Career Guidance teams, which deliver career guidance and counseling services to 175 youth in 10 municipalities. USAID also provided grant support to the Belgrade Open School, with the goal to improve efficiency of the mobile teams and further incorporate career guidance services on the IMC level in 2013.
- USAID trained 22 Youth Office Workers, who later received national certification.

Contributions from GoS Partners in 2012:

- In December 2012, USAID renewed collaboration with the new Minister of Regional Development and Local Self-government. A representative of the Project is a member of the working group on the Law on Local Self-government related to IMC.
- The Ministry of Youth and Sports and USAID collaborated with ERSTE bank, the NES, Smart Kolektiv, and Group 484 on youth entrepreneurship and internships. The Ministry also supported training and certification of youth office coordinators.
- The Ministry of Labor, Employment and Social Policy and its NES were among the most active partners, supporting the following activities:
 - labor supply and demand analysis;
 - internships and active employment measures;
 - support for social entrepreneurship; and
 - the creation of mobile teams for career development.
- The Ministry of Education, Science and Technological Development and USAID collaborated in the area of capacity building for secondary school career guidance teams.
- The Ministry of Agriculture, Forestry and Water Management incorporated several of USAID's recommended amendments to the Draft Law on Incentives in Agriculture and Rural Development in late December 2012 and submitted it to the National Assembly. USAID expects that the Law will be adopted in February 2013 and hopes to expand collaboration around the IMC projects that aim to expand exports of agriculture products.
- The Ministry of Finance and Economy and USAID collaborated on the provisions of the new Law on Public Enterprises, which was adopted in December 2012. The newly adopted law no longer ties tariffs to the inflation rate, which severely hampers utility companies' investment capacities and modernization efforts, but allows public utility companies full cost recovery.
- NARD and USAID established an ongoing cooperation, which includes a regular exchange of information and coordination of projects related to non-financial services to small- and medium-sized enterprises. This cooperation ensures that NARD and USAID activities do not overlap, so they can provide streamlined assistance to the RDAs that cover the Project's 32 municipalities.
- The Office for Cooperation with Civil Society participated in the development of the scope of work for grants for the USAID Sustainable Local Economic Development Project supported civil society focal point organizations that are active in the eight IMC areas.

Obstacles and proposed solutions:

Issue: The post-election formation of local governments has resulted in changes in local government staff. This has impacted USAID's network of IMC partners, representatives, and champions. As of December 31, out of the Project's thirty-two partner municipalities, twenty-one have newly appointed mayors, and some youth office staff have been replaced as well. However, it is noteworthy that no LED Office Staff have been replaced to date.

Risk: Institutional discontinuity.

Solution: After the election, USAID re-engaged with the existing and new IMC area mayors and municipalities. This was followed by another round of IMC area-based action planning and meetings between the mayors and the Project's new chief of party. During the election campaigns, USAID focused on delivering technical assistance to IMC local government (LG) mid-level technical staff, thereby strengthening the institutional capacity for LGs to lead IMC programming.

Issue: One of the lessons learned from USAID's assistance in inter-municipal programming has been that the promotion of IMC requires a conscious national policy, enabling legal environment and fiscal incentives that address legal and bureaucratic bottlenecks.

Risk: Inefficiency in inter-municipal programming.

Solution: USAID will continue to provide support to SCTM as needed to advocate for changes in sectoral legislation, including possible amendments to the Law on Local Self-government that will enable cities and municipalities to establish and maintain effective IMC.

Issue: Increased Project focus on IMC projects that create jobs and increase business revenues.

Risk: Discontinuity with USAID plans for supporting IMC projects that do not necessarily bring measurable economic results (e.g. infrastructure projects).

Solution: Along with the focused approach, USAID organized a smooth transition and paid special attention to commitments made by USAID in FY 2012. Since October 2012, USAID has worked intensively in the field, presenting the new approach supporting job creation and discussing specific opportunities with mayors, LED officers, and private sector representatives. By April 2013, USAID will develop eight inter-municipal economic development projects, based on international and regional market demand and business opportunities.

Table 1. Project indicators and cumulative targets

Indicator	Baseline	2011	2012 Target	2012 Actual	2013 Target	2014 Target	2015 Target
<i>Number of business friendly municipalities</i>	8	16	4	18	12	12	20
<i>Number or inter-municipal projects in SLAP system rated as fully prepared</i>	0	0	1	0	2	3	5
<p>Comment on the above indicator: In light of the refined project criteria, during this reporting period the Project team completed a review of the existing pool of possibly qualifying and already initiated infrastructure projects. Based on this review, the Project will support two infrastructure activities begun in 2012:</p> <p>(1) Geodetic and topographic technical documentation for the Bunusevac Industrial Zone (IZ) in Vranje-led IMC area.</p> <p>(2) Technical Design for expanding the Beocin Industrial Zone in Novi Sad-led IMC area.</p>							
<i>Number of public services in municipal clusters in support of business development</i>	N/a	0	5	9	10	15	20
<i>Number of PPPs in delivery of public services</i>	0	0	1	1	4	7	10
<i>Number of municipalities where users report improvements in local government services</i>	N/a	0	N/a	baseline survey conducted	N/a	N/a	30
<i>Number of partner municipalities implementing mechanisms to improve management practices</i>	N/a	0	2	7	9	15	21
<i>*Number of inter-municipal economic development projects implemented, which meet the critical path milestones</i>	-	-	-	-	8	16	20
<i>*Number of business-sector jobs created in participating municipalities as a result of Project's activities</i>	-	-	-	-	300	1,000	2,000
<i>*Increased increase in annual revenues of client companies in targeted regions</i>	-	-	-	-	1%	2%	3%

**Newly introduced project-level indicators to measure the Project's progress as a result of USAID's increased focus on inter-municipal economic development activities that create jobs and increase business revenues*