

3 PROJECT ANALYSIS

The two projects, SSMIRP and REP, were originally conceived as two aspects of the same programme. The longer-term development goals were to be dealt with by SSMIRP, a sensitive capacity-building programme that addressed issues of social development, participatory planning and good governance. However, because of the immediate conflict-dominated situation, there was a need for rapid results in visible and practical terms, to overcome popular mistrust of the international community and of government, and mistrust between different government bodies, allowing the more far-reaching component to gradually begin operating effectively.

The rapid results part was REP's role. It was not supposed that, for example, the provision of infrastructure in itself constituted development, but that it would form a vehicle for processes that could do so, and could contribute to an enabling environment for other development initiatives.

The main overall objectives were thus twofold: facilitating the peace, and longer-term social and institutional capacity building. We shall in the following examine each of the two programmes in the light of the questions asked in the evaluation TOR, and then revert under 'conclusions' to the results of each component and their interplay, with recommendations for the future programme.

3.1 South Serbia Municipal Improvement and Recovery Programme (SSMIRP)

3.1.1 Results in relation to the Programme Document

The programme is implemented by UNDP in partnership with the World Bank. It is funded by a WB post-conflict grant of 1 million USD and is implemented in an 18-month period ending 30 June 2003, with a possible extension of 6 months for MDF disbursement. UNDP has contributed 200,000 USD as a preparatory phase, and attracted 500,000 USD from Sida, 200,000 from the Netherlands and 300,000 USD from Luxemburg.

The World Bank provided not only funding but considerable technical assistance. A number of monitoring reports are available, and illustrate the close support and interest from WB side. Inputs have been made to assist with the following areas:

- mobilizing a post-conflict grant as a generator of interest and commitment from other donors
- design of the project document and advice on generating multi-donor participation and beneficiary participatory methodology
- flexibility given to the use of post-conflict grant allowing experimentation and initiative
- inputs in strategy and planning
- the MDF-concept – local management, ownership and emerging basis for self-sustainable development
- the design and development of the OM
- providing support to the program arm of the Coordination Body in function of the SSMIRP program – creating conditions to work at multi-municipal level
- making participation and multi-ethnic representation at all levels and in a Regional Steering Committee a condition for further disbursement
- recognizing and validating the achievements in processes and institutional capacity building and introduction of the PRSP as a relevant topic of concern for Southern Serbia.

The development objective for the programme is:

"Peace, prevention of conflict and increased livelihoods in multi-ethnic and minority regions in Serbia consolidated through the promotion of non-discriminatory governance tied to economic and social recovery initiatives".

The results observed by the Mission related to the tasks mentioned in the TOR (stated in bold letters) are given below:

Assess which types of projects/sub-projects/their outputs have had a greater effect on contributing towards progress in consolidating peace; e.g. has human rights advocacy, employment and a steady income, or participation in decision-making had a greater impact in appeasing individual and/or group inter-ethnic enmities?

Assess which elements, if any, may be beyond UNDP's control in its contribution toward achieving progress on consolidation of peace

Assess the degree to which IASO has ensured coordination/complementarity of internationally funded and run programmes/projects/sub-projects and/or in creating partnerships in the same (see report on IASO and on the institutional issues).

Assess, based on the UNDP Country Office's Strategic Results Framework (SRF), how the SSMIRP contributed to obtaining elements of SFR

The Mission visited a large number of projects related to all three components of the SSMIRP: municipal development, social rehabilitation and economic recovery in all six municipalities: Leskovac, Medvedja, Lebane, Presevo, Bujanovac and Vranje (see the programme visit schedule in Annex).

It is no easy task to determine what factors best promote peace and inter-ethnic reconciliation. Some projects have a direct effect on stimulation of inter-ethnic co-ordination and co-operation. Almost all projects have an indirect contribution to the overall objective by facilitating a gradual reduction of traditional confrontational values.

Major Programme issues	Contributions to Programme objective
Broad based emphasis on social rehabilitation including multi-ethnic interventions	Awareness of legal and human rights, inter-ethnic co-operation, attention to fragile public service delivery also for minorities, environmental interventions, inter-ethnic cultural activities and strengthened information and communication capacities promote social cohesion and confidence building as major ingredients in the consolidation of peace
Capacity building	A pre-condition for introduction of good practices in local government, including mayors, assembly members, municipal staff and civil society organisations
Good practices in local government including a participatory and inclusive project cycle	More efficient and effective delivery of municipal services will lead to increased trust between citizens and local government. This situation will promote value-sets among the citizens that are conducive to longer term development. The contributions - in the 6 municipalities through the Programme - appear potentially to be considerable, not least because the innovative approach tested in the initial municipalities can be replicated in the "new" 7-8 municipalities
Significant short term employment generation	A major component in a process to substitute confrontational values with values related to survival issues
Facilitation of economic development	The peace process has reached a stage where further political stabilisation to an increasing extent will depend on the economic development in the region. The contribution in this area through the project has so far been limited

The different components of SSMIRP should be considered complementary in the context of contributions to the development objective.

The TOR requests the Mission to assess results with reference to the UNDP Strategic Results Framework (SRF).

UNDP has contributed in important ways to the introduction of Results-Based Management, and the SRF for Yugoslavia appears an important step in the direction of improving transparency and accountability in programme and project management. The SSMIRP and REP have just passed through a first phase with an emphasis on establishing networks and a momentum in sub-project facilitation. Elements of SRF, however, can be identified, but relate mainly to inputs, activities and outputs with no focus on accountability to outcomes i.e. on the longer-term effect of the programmes. There appears to be an urgent need to train the staff in RBM and to assist the programme in developing a simple RBM system: establishing accountability to results – indicators – at all LFA levels. With reference to the reform agenda of the government the mission also suggests that the SSMIRP assist the municipalities in developing an awareness above output level. But first, the SSMIRP staff need to understand the meaning and practical issues involved in RBM. Two annexes have been attached to the report providing examples of outcome indicators.

Considering that the municipal budgets everywhere give priority to infrastructure projects, and the limited funds available to the Programme, there appears to be a good argument for financing all good social development and rehabilitation projects that can be generated through the demand-driven project identification process. A minimum budget for SSMIRP-type human development projects may prevent programme creep towards heavy infrastructure, as the pressure to use up the funds progresses.

So far, SSMIRP management has primarily been involved in very concrete issues linked to the subproject cycle. Issues related to the regulatory environment for economic development and NGO promotion, the PRSP process and overall resource transfer from central to local government – which in the longer term will be influenced by the PRSP process – have been given limited attention. These issues, however, may play a crucial role for the sustained achievement of the Programme objective.

The Regional Steering Committee (RSC), the Coordination Body (CB) and the Standing Conference of Towns and Municipalities (SCTMY) are suitable organs for regional coordination and for promotion of shared regional concerns vis-à-vis the national government. A study of minutes from the RSC indicate that the Committee has so far mainly been used for exchange of information. At recent meetings, however, issues of a regional significance have been on the agenda which also may lead to a situation where the RSC may start functioning as an instrument for promotion of an inter-ministerial dialogue and, most importantly, of locally-driven regional development. The RSC appears not yet to have debated the progress of the UNDP programme at regular intervals. Some mayors seem frustrated about the lack of focus of the RSC.

The UNDP Programme-supported process of developing the Regional Development Plan is clearly another issue for the RSC. During the next phase, it is important that the Programme stimulate the RSC to take a leading role. The tasks outlined in the MIR document for the CB appear all relevant for CB as a secretariat to the RSC, although this function is yet to be developed. It would however represent a magnificent achievement in terms of movement from 'donor-driven' to 'demand-driven', were the driving initiative to be assured by the RSC (a local, inter-municipal body) supported by the CB (a republican government organ) with time-limited support from international donors and implementing organisations.

The mission proposes that an exit-strategy rapidly be designed (e.g. by an appropriate consultant) for a UNDP (or any other foreign-based) program monitoring cell within the two-year time frame of the MIR, and still ensuring sustainability of the longer-term institutional arrangements for the region and the municipalities

A major achievement of the RSC is that it provides a unique forum where Albanian and Serb mayors can meet and discuss issues of mutual interest and gradually build trust in each other, and also in a regional development approach. (The latter suffers from bad precedents, in that 'regional' funds from central government have in the past stopped in the 'regional' capitals: an expression of authoritarian centralisation being mirrored at local level.)

It is proposed that the UNDP Programme ensure that the above issues are presented in the regional development plan in a way that enables the plan to be used as a tool in the dialogue with central government. It is assumed that the programme-supported municipal development plans will be major inputs to the regional plan.

Component 1. Institutional Capacity Building for Implementation of the SSMIRP

Objective: sufficient institutional capacity is established in a local project office to facilitate management of SSMIRP and implementation of subsequent objectives

This objective is dealt with in the report on IASO and on the institutional set-up of the UNDP Programme.

Component 2. Municipal Development Component

Assess to what degree SSMIRP contributes to strengthen institutional municipal capacity, and to what degree have public services become more efficient.

Assess the establishment and functional efficiency of the Municipal Development Fund.

Assess the degree to which the programs/projects/sub-projects have been designed by the communities to promote inter-ethnic collaboration and understanding.

Assess whether a basis framework for good governance has been established.

Objective: participatory, non-discriminatory, transparent and technically efficient practices in municipal government planning, decision making and implementation in place.

The municipal development component aims at

- General strengthening of the competence of municipal structures
- Building a transparent and accountable subproject cycle for SSMIRP projects

The diagram in annex shows the subproject cycle for SSMIRP. Major issues in this cycle appear to be:

- A demand driven identification of subproject ideas
- Support to subproject formulation by the MTUs and pre-appraisal by MTUs
- MDC shortlisting, appraisal and approval
- Submission for financing by the Municipal Development Fund
- Procurement and implementation.

Six MDFs - established to finance projects identified by communities and appraised and approved by the MDCs - were all in place by June 2002. The funds were provided with an initial allocation of 100,000 USD from SSMIRP and agreements were in place for providing matching funds from the CB or municipal budgets. In Leskovac the MTU and the MDF have been merged into a legally established para-statal organization reporting to the municipal assembly, spearheading a development in which MDFs could be used as instruments to channel all donor financing into municipal donor-supported projects. The MDF is not merely a financing mechanism. MDFs have also created a transparent means of increasing the capacity of the municipalities to deliver services to the public. Municipalities have to account for the disbursements made through the MDF. UNDP undertakes regular audits and advises the municipal staff how to establish better systems to manage the accounts. This increases accountability among the staff. It also helps to increase the ownership of the municipality in the whole process.

A typical subproject is brought forward by a sector-specific group formed as the result of a workshop originally held by UNDP in each municipality. This process appears to operate smoothly, but the following problems have been observed in relation to the initial steps in the cycle:

- The number of subproject ideas appears limited.
- The pre-appraisal process does not appear to follow established criteria, or is insufficiently documented.

The Mission understands that the SSMIRP Programme can be considered a pilot project with a considerable scope for replication in other parts of Serbia. The choice of procedure for the cooperation between municipalities and the programme, therefore, is important. Three main alternatives could have been considered:

- (1) to use the existing municipal system directly
- (2) to establish a parallel system or
- (3) to develop a system in between.

The first two alternatives would not have been relevant considering the programme objective. The system is a parallel system with the following important links to the municipal system: the costs of the MTUs have now been taken over by the municipalities, the reconstituted MDCs have members selected by the mayors and approved by the municipal assemblies. To this can be added that the chairman is usually one of the members selected by the mayor. The staff of the MTU is nominated by the mayor. There appears furthermore to be a development whereby the MDF and MTU merge, and where all donor funds will be routed via the MDFs. In Leskovac the MDF is already actively working to attract additional donor funds.

The Mission finds that the system established satisfies the criteria of being participatory, non-discriminatory and transparent. The question, however, is if the system now in place promotes the Programme objective effectively by being well suited to promoting good practices in municipal government planning, decision-making and implementation. The answer is perhaps that some modifications are required, as also envisaged in the MIR document.

Recent Serbian legislation ensures that public service provision will increasingly be decentralised. Assistance to installing good governance at the municipal level, and ensuring that the spirit of decentralisation does not stop in the mayor's office, is becoming increasingly important.

The main question is whether the good governance practices advocated by the Programme through the SSMIRP procedures are sustainable, and the Programme thus effective. The experience from the initial six municipalities in the first phase seems to indicate that there is an emerging openness in municipal thinking that may ensure that the organisational set-up is acceptable to the municipalities.

The Mission, however, sees a need for more clarity about some of the principles of the system that is expected to take over from 1 July 2003. Some key issues related to longer term effectiveness are the following.

- The need for an acceleration of the process of developing municipal accountability to **all** subprojects jointly financed by UNDP and the municipalities. To achieve this all subprojects should go through MDCs that are accountable to the municipal assemblies.
- It appears a step backward if the PIU (as suggested in the MIR document) unlike the MDF only handles subprojects with UNDP Programme participation. Some municipalities consider it a major achievement that the current MDF increasingly handles funds from all donors. MIR should be careful not to question this development.

The Mission is aware that the MIR document speaks of the role of the PMU as increasingly being auditing, monitoring and evaluation. The question is when *facilitation* is no longer required, especially in the new municipalities.

A number of the observations of the Mission shall be seen in the context of ensuring that the MIR effectively stimulates good governance within municipal structures. USAID is currently working in Presevo on good governance issues in financial management, but now plans to expand to other MIR municipalities. Coordination with USAID / DAI, therefore, should be intensified to ensure that systems development follows similar lines.

Whether the plans and not least the time schedule for MIR will be adequate for establishing good governance practices in the "new" municipalities seems to a large extent to depend on external factors including the progress of national reforms and economic development in South Serbia. The substantial and proven experience from the learning process in the first six municipalities should ensure that cooperation with the new municipalities can be highly focused from the beginning. The Mission assumes that initial cooperation with the new municipalities will focus on REP-type projects to gain some early momentum in cooperation. The Mission further assumes that a an

effective sharing of the experience from the first six with the new five municipalities will be advanced by arranging workshops and visits by the new municipalities in the first ones.

Placing municipal facilitators in each MIR-municipality is likely to strengthen cooperation between the municipalities and the Programme.

Direct procurement of goods follows normal UNDP rules. The Mission has observed that the limits governing the use of different contracting procedures, and the principles underlying them, are not clear to all within UNDP.

SSMIRP has established a practical system for implementation, monitoring and quality control by municipalities. A technical supervisor – made available by the municipality – receives a small extra payment for the additional workload. No problems appear to have been encountered and this appears a reasonable and effective arrangement.

One of the more interesting interventions by the programme is the financing of the preparation of municipal development plans for the 6 municipalities. The Mission has not had access to an English language version of the existing drafts nor to the TOR. An international consultant is expected in June to assist in drawing up the TOR for the elaboration of a Regional Development Plan. We revert to this issue below.

Output 2.1. Municipal Development Committees established

Activity 1. Provide training and technical support to the MDC

Activity 2. Support the Committee to define procedures for sub-project review, evaluation and to support recommendations

Activity 3. Provide technical assistance for preparation of municipal development plans

MDCs exist in all 6 municipalities. At first it was a problem that mayors and municipal authorities were only marginally involved in SSMIRP-type sub-projects. The fact that the MDCs are now appointed by municipal assemblies has the following consequences: the municipal ownership of the SSMIRP programme has been strengthened and the discipline among the members of the MDCs improved. The price may be a more limited independence of the MDCs. The conclusion, however, is that the composition of the MDCs is well defined and representative, and that the committees function as an effective link to the communities. All the MDCs met have made a favourable impression on the Mission. The achievements in this area may represent a lasting and important contribution to municipal good governance.

Training of the MDCs (carried out by an NGO) in project design was undertaken at one large municipal workshop at the beginning of SSMIRP to define procedures for project reviews, evaluation and recommendations. This led to the formation of the working groups that proposed the first generation of SSMIRP projects, which appears to have been an effective and pragmatic approach to start operations.

After the change of members of the MDCs, the new members have received some basic instruction by SSMIRP staff. In addition SSMIRP staff continue to provide TA throughout the project cycle.

A technical unit (MTU) was established by SSMIRP in all municipalities as focal points for international agencies to support communities and MDCs, and to build the implementation capacity of the municipality. The MTUs were staffed with young graduates with computer knowledge. UNDP supported them during the first nine months of the programme after which the municipalities absorbed them into their payroll. UNDP paid low wages to facilitate the transfer of the staff to the municipalities, with the result that there has been a high staff turnover. Currently the MTU is not staffed in Vranje for this reason. This has been the subject of some debate: it would be easy to assure good programme cooperation through high salary, but at the risk of low sustainability. The Mission agrees with the UNDP leadership that high turnover is a necessary price to pay for sustainability, but that this aspect needs continuous review.

In each municipality, pre-appraisals for SSMIRP and REP respectively have been undertaken by two persons who do not appear to have been cooperating a great deal. The programmes even have

oddly differing names for them (SSMIRP – MTU representative; REP – municipal focal point). This seems unfortunately to be linked to internal organisational disagreements.

The MDCs were formed at community consultative workshops in 2001/2002 as a parallel structure to the municipal system, with no municipal assembly representation. This situation was not acceptable to the municipalities and all MDCs were reconstituted by January 2003. The present composition is in most cases: 2 municipal staff (one functions often as chairman), 2 community members and 2 MZ members. The mayors have proposed the members and the municipal assemblies approved the membership. The reconstituted MDCs have so far only held 1-2 meetings. This appears to have improved the relationship between the MDCs and the municipal structures significantly. The Programme has provided the MDCs with a set of appraisal guidelines, but the MDCs need further training in project appraisal. No formal appraisal document was observed. The MDCs seem ready for additional workloads. The limitations in the number of good project proposals coming forward could indicate that the MDCs should have a broadened mandate, including information and communication with local communities.

Assistance for preparation of municipal development plans has been provided through a specific project with an NGO, "Educational Centre" based in Leskovac. It appears that Leskovac has made significant progress, and the NGO representative indicated that it was now coordinating this planning in the other municipalities. It was not however clear how this process related to the RSC, which ought to be given a central role as part of its developing significance. The municipal development plan is an opportunity to add a longer-term strategic framework to the cooperation with and between local governments and MDCs. It is important that this work be continued based on a revision of the TOR and that the UNDP Programme follow the progress closely.

As foreseen in the Project Document, the SSMIRP staff appear regularly to monitor the work of the MDCs for transparency and adhesion to agreed procedures, though dedicated monitoring reports and a monitoring strategy were not observed..

Output 2.2. Increased technical capacity of the municipality to carry out assessments, planning and oversight functions in place

Activity 1. undertake a technical survey of resources, capacities and needs within the municipal government

Activity 2. support the technical upgrading of the municipality

Activity 3: provide equipment to support the planning functions of the municipalities

Activity 4: provide or organise training and technical assistance for municipal staff

Activity 5: support development of transparent local tendering processes with reference to the new Law on Public Procurement from mid 2002.

In all municipalities a Municipal Technical Unit (MTU) was established by SSMIRP as a focal point for international agencies to support communities as well as to build the capacity of the Municipality to implement programme activities. The MTUs have been staffed with young graduates with computer knowledge and an enthusiastic attitude towards change and development. UNDP supported these professional staff for the first six to nine months of the programme and after this initial period municipalities absorbed them into their payrolls. Because of the low wages paid by UNDP to facilitate the transfer of the staff to the municipalities, there has been a high turnover of the MTU professional staff.. For example, the MTU in Vranje is not currently staffed, because the MTU manager was able to find another employment with an International organization at three times the municipal salary.

A management survey has been carried out in the six municipalities identifying immediate capacity building needs, ICT and other needs such as municipal building rehabilitation. This Survey has formed the basis for a number of sub-projects. The planned updating of the TNA should involve departmental heads to reduce the risks for non-cooperation in training for municipal staff by senior management. It has to be stressed, however, that until municipal staff salaries can be raised to levels which encourage greater motivation, and even more importantly, the recruitment and retention of better qualified staff, training programmes alone are unlikely to achieve the long term

effects needed. They can however be combined with other projects to make them a more integrated part of the overall programme.

The Mission finds that results-based management (RBM) should be added to the training areas. There has been no follow-up of the initial staff training to verify results at outcome levels nor to continue the learning process, and RBM could usefully be introduced both as training and in practice – first within the programme and secondly as applied to the municipal role. When the training activities are continued and increased in volume in the MIR Programme, follow-up and the cyclic approach will be even more important.

Some departmental heads appear to have actively resisted their staff participating in training. This problem may have been partially overcome by the election of new mayors - during the Mission all mayors confirmed a strong interest in future training. However, they had expressed the same willingness before, without this resulting in good attendance. This is a clear indication that more intense preparatory work should be conducted with heads of department and utility company directors to involve them closer in the process, and that training could be linked to concrete projects rather than being a stand-alone activity.

Other training carried out before the start of SSMIRP includes:

- Internal staff training in communication, facilitation and presentation at the beginning of SSMIRP which appears highly relevant to the programme.
- The training in tendering procedures for contractors (dealt with below under the chapter for REP).

Findings with regard to additional training needs are provided below.

In sum, considerable experience has been gained through the training already carried out which will be highly relevant to the larger training volume in the MIR Programme if the right consequences are taken.

The Programme has in addition provided much appreciated IT equipment to the municipalities. The Programme staff has assisted municipalities in tendering. Together with the REP Programme, SSMIRP has undertaken training of contractors, but there is a need to review tendering issues in the future.

The Mission has undertaken the following very brief TNA.

1. Several mayors have expressed an interest in being trained in good governance issues: community participation, the role of government in a market economy, ICT, interpretation of the large volumes of new legislation, information and communication.
2. Training of department heads could include: management for transparency and accountability, strategies for maintenance, PPP, ICT, interpretation of specific new legislation into the directorates.
3. Training of municipal technical staff should cover: public finance, public utility management, physical planning, tendering, ICT, and Results Based Management.
4. Training of MDC members might include project appraisal, information and communication, and group dynamics.
5. Training of Members of Municipal assemblies (perhaps with OSCE as lead agency) could focus on good governance issues including RBM, community participation, the role of government in a market economy.
6. Training of NGOs might be useful in project design, RBM, project monitoring and financial management.

Output 2.3. a local Development Fund (called Municipal Development Fund – MDF) established to finance projects identified by communities and appraised and approved by the MDCs.

Activity 1. Prepare an Operational Manual for the MDF

Activity 2. Provide training of MDCs and municipal staff in MDF regulations

Activity 3. Establish a municipal system for monitoring and quality control of investment projects

Six MDFs - established to finance projects appraised and approved by the MDCs - were all in place by June 2002. The funds were provided with an initial allocation of 25,000 USD from SSMIRP, and agreements are in place for providing matching funds from the CB or municipal budgets. The system for transfer of funds aims at ensuring transparency and accountability. The principles are: tranching releases of 25,000 USD - first time by the CB and subsequently by the municipalities up to a maximum of 100,000 USD matched by Programme funds.

There have been problems: some municipalities (Bujanovac, Presevo and Leskovac) have initially transferred 50,000 or 75,000 USD which makes it more difficult to monitor the flow of money with Programme auditing when a tranche of only 25,000 USD from the Programme has been spent. A simple accounting solution should be possible.

Lebane, due to financial mismanagement by previous local governments is a bankrupt municipality and has been unable to pay the tranches of 25,000 USD. It successfully requested the CB for financial assistance, leading to delays of up to 3 months in paying the agreed funds but showing resolve in participating in the program and thus reflecting the MDFs attraction.

The MDFs have been put into place by the SSMIRP with workable procedures, and are on the point of outgrowing the SSMIRP nursery by taking on more global roles. The Mission considers this development very encouraging and an impressive result, considering that the programme has been under implementation for little more than a year.

In Leskovac the MTU and the MDF have been merged, spearheading a development in which MDFs will be used as instruments to channel donor financing into municipal projects. This is a clear indication that the MDFs are being integrated into the municipal structure. This Leskovac model may not suit the smaller municipalities, but can be viewed as an experiment which will require tinkering to adapt to the smaller economic entities.

Cooperation between MDFs and the MDCs appears to function well. However, the newly constituted MDCs have held only 1-2 meetings. Municipalities have to account for the disbursements made through the MDF, and UNDP undertakes regular audits and advises the municipal staff how to establish better systems to manage the accounts.

The Operations Manual – which has been redefined to include a broadened target group - is almost complete and will be used in MIR. The manual is subdivided into 4 Volumes. The main aim of the manual is to present the very comprehensive “rules of the game” for the operations of the SSMIRP Programme. Target groups for volumes 1&2 are policymakers at the local and regional level, and coordination authorities and donors. Volume 3 spells out processes and procedures in the daily management by the various stakeholders. Volume 4 targets the end beneficiaries and public at large. The draft looks useful, although coming towards the end of the project one may observe that considerable resources must have been involved to present information that is already available. The manual may be an effective instrument within SSMIRP’s overall information and communication, but it should be revised with reference to some of the recommendations of this mission, not least with regard to the need to differentiate between outcome and output, and to document the following of procedures in a standardised form so that project files are identifiably similar.

Unfortunately the sections about M&E (Monitoring and Evaluation) and the planned MIS were not available to the Mission. However the TOR for the MIS seem to indicate a fairly traditional database rather than a management information system.

Approval of subprojects by the MDCs and later by the MDFs requires a number of signatures. Recently a mayor in one of the municipalities declined to sign. This problem, which is a threat to the SSMIRP project, should be addressed urgently by SSMIRP management, but not on a case by case basis, rather with a view to procedural development that would make sure that unreasonable or authoritarian actions do not pay. Peer pressure and the role of the RSC are essential elements here if long-term improvement is to be made.

Figures for MDF disbursements and commitments indicate at present that fund utilization in the municipalities ranges from 66% to 94%. This could be an indication that, in spite of highly positive results in terms of what could have been expected at the outset of the programme in 2001, some of the municipalities may have difficulties disbursing all the funds before the end of the 6-month extension for MDF disbursement. The overview shows that Medvedja has not yet paid even the first municipal instalment. It also indicates that the rules for payment of matching funds are not evenly being followed.

The overall situation with regard to Component 2 appears to be that a basic framework for further development of good governance has been established.

Component 3: Economic Recovery Component

Output 1:

Objective: employment opportunities increased, entrepreneurship and small business initiatives promoted in Southern Serbia

Output 3.1. and 3.2. A micro-credit facility established (has not materialised)

Output 3.3. non-discriminatory local development forums for SMEs established in each district to promote enabling environment issues, public-private dialogue, enterprise development, access to training, TA and promotion services

Activity 1. Carry out survey of existing economic development institutions and associations to determine obstacles and opportunities

Activity 2. Organise workshops and other events

Activity 3. Assess the viability of establishing a local economic development institution.

Since the design of the Programme Document this component has undergone a number of changes.

Assess to what degree the SSMIRP contributed to creating an environment propitious for economic recovery, including among other, micro-economic development

SSMIRP is involved in a few very interesting projects that contribute to economic development.

SSMIRP management decided to concentrate its resources on peace-building, community participation and local governance to create an environment for economic development. Advanced negotiations to implement the micro finance objectives of SSMIRP with an INGO and DFID broke down when DFID decided that the legal environment did not yet exist in Serbia for micro-finance. Consequently, the programme has not been able to make much progress with this component, also considering that SSMIRP staff have very limited experience in enterprise facilitation. But access to credit and training are only two components of business facilitation. Other major factors will be access to proven hands-on experience in profitable business operations and international networking. As mentioned in Chapter 2, Programme Context, the peace process has now reached a stage where significant further progress depends on economic development. The potential contribution of the UNDP programme on the overall development objective, therefore, could benefit from progress being made in this area. We will revert to this issue under the recommendations of the mission.

Since January, SSMIRP has supported 7 REP-type subprojects in Lebane and Leskovac where REP has not been operating, thereby creating 195 short term jobs for between 2 and 5 months. The projects included river-cleaning (2 projects), children's playgrounds, urban dwelling areas and renovating public parks. Direct implementation was used, contractors were not involved. The REP criteria for a labour content of 55% was applied and was met. For most of these projects municipalities appear ready to provide maintenance.

Three Business Centres have been established with UNDP Programme support in Leskovac, Vranje and Presevo working closely with the Chamber of Economy. On a visit to the Leskovac centre, the Mission was told that cooperation had been curtailed for reasons that were not clear.

No systematic survey of existing economic development institutions and associations has been carried out, and activity 3 never materialised.

SSMIRP, however, has undertaken a number of interesting subprojects linked to economic development including the following.

The UNDP/CHF Agricultural Co-operative Programme implemented by GOAL Ireland

In cooperation with FAO and CHF this project seems to be making significant progress. Major features of the programme include formation of a number of producer societies focusing on profitability within specific agricultural crops, support to overcome the numerous legal difficulties involved in establishing agricultural co-operatives and visits by participants to existing successful societies, including a visit to Hungary.

Training of entrepreneurs in business planning (Leskovac and Lebane Municipalities)

This subproject is relevant and probably could be worth repeating in the other municipalities. The Mission met one of the participants who appreciated the course. However, enterprises already in business are looking for support which SSMIRP currently cannot provide. Potential entrepreneurs with an under-financed business idea often find it impossible to take off in the current economic environment. The Leskovac project has developed a pamphlet and a CD-ROM on the steps required to set up a business, for distribution through the Chamber of Economy in Leskovac and Vranje.

Computer / Internet courses in a number of municipalities

Internet sub-projects are run in all 6 municipalities attached to schools, cultural centres and NGOs. Examples include Lebane municipality where the NGO implementing the course in business planning (see above) runs an internet/ICT facility that was established with UNDP support before the SSMIRP project became operational. In Bujanovac, programme-financed IT courses are run at the Cultural Centre. Indications are that some of the projects will be turned into commercial internet cafés when the programme financing ends. However, the Mission was told that 3 internet cafes went out of business in Bujanovac, not being commercially viable.

Computer literacy courses are evidently very popular indeed, and the absorption capacity seems far greater than the supply. These courses have multiple effects: they enhance participants' productivity, encourage the learning of English, give access to the internet and generally open minds.

The major interest (which is also reflected in all of the project documents observed) is for basic skills: word processing, spreadsheets, e-mail and internet access. For this reason the Mission questions the policy of always providing the latest new computers. For the same cost the programme could purchase about four times the number of good quality used machines (a year or two old) that would be fully up to the task in hand and could go a long way towards fulfilling the huge unmet needs.

Education of young Agriculturists (Bujanovac municipality)

This project has a dual objective.

- Training of young agriculturists who are already involved in commercial horticulture by national experts from other parts of Serbia.
- Establishment of a commercially viable demonstration project for production of early vegetables in polythene tubes.

This project appears to be highly successful. All around the demonstration project trainees have started similar activities on a smaller scale. The group plans to start larger-scale marketing and joint procurement of inputs.