



Final Evaluation of the PRO 2 Project

Evaluation team

Rupinder Singh, Bill Sterland, Goran Zivkov¹

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¹ This is an independent evaluation for the UNDP Serbia office although the target audience includes other stakeholders including donors and the GoS.

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List of Abbreviations

CAC	Citizens' Assistance Centre
CBO	Community-Based Organisation
CBC	Cross-Border Cooperation
CfP	Call for Proposals
CIF	Citizens Involvement Fund
CSO	Civil Society Organisation
DAC	Development Assistance Committee of the OECD
DEX	Direct Execution
DG ELARG	EC Directorate General for Enlargement
DG REGIO	EC Directorate General for Regional Policy
DIS	Decentralisation Implementation System
EAR	European Agency for Reconstruction
EBRD	European Bank for Reconstruction and Development
EC	European Commission
EIB	European Investment Bank
ESC	Economic and Social Cohesion
EU	European Union
FA	Financing Agreement
FAFA	EC/UN Financial and Administrative Framework Agreement
FE	Final Evaluation
FP	Focal Point
GoS	Government of Serbia
IFI	International Financial Institutions
IPA	Instrument for Pre-accession Assistance
ISPA	Instrument of Structural Policies for Pre-Accession
LED	Local Economic Development
LSG	Local Self-Government
MEGA	Municipal Economic Growth Activity
MIR	Municipal Improvement and Revival Programme
MISP	Municipal Infrastructure Support Programme
MIU	Municipal Implementation Unit
MoERD	Ministry of Economics and Regional Development
MS	Member State (of European Union)
MSP	Municipal Support Programme
MTR	Mid-Term Review
MWG	Municipal Working Group
NEX	National Execution
NIP	National Investment Programme
NGO	Non-Government Organization
OO	Overall Objective
OVI	Objectively Verifiable Indicator

NUTS	Nomenclature of Territorial Units for Statistics
PCM	Project Cycle Management
PDU	Project Development Unit
PEFA	Public Expenditure Financial Accountability Review
PFM	Public Finance Management
PIU	Project Implementation Unit
PRO	Municipal Development in SW Serbia project
PRSP	Poverty Reduction Strategy Paper
PSP	Private Sector Partnership
PUC	Public Utility Company
RDA	Regional Development Agency
RSEDP	Regional Socio-Economic Development Project
SDC	Swiss Agency for Development and Cooperation
SNV	Netherlands Development Organisation
SoV	Sources of Verification
SS	South Serbia
TA	Technical Assistance
TL	Team Leader
ToR	Terms of Reference
UNDP	United Nations Development Programme
USAID	United States Assistance for International Development

Executive Summary

I. Scope and objectives

The scope of the assignment is a Final Evaluation (FE) of the Municipal Development in SW Serbia project PRO. The project is a follow-up of PRO1 and hence is referred to as PRO2. The PRO2 project was co-financed by the EC through the European Agency for Reconstruction (EAR) with support from Swiss Agency for Development and Cooperation (SDC) and Serbian co-finance. The UNDP was the Implementing body under the aegis of the EC/UN Financial and Administrative Framework Agreement (FAFA) although implementation was in reality de-concentrated to the project implementation unit (PIU) through direct execution (DEX).

The objectives of the review were defined in the Terms of Reference (ToR) that were consultant-specific. This is a Final Evaluation report and the evaluation team proposed a standard approach that covered all the 5 key Development Assistance Criteria (DAC): Relevance, Efficiency, Effectiveness, Impact and Sustainability but with particular focus on Impact and Sustainability which are the key evaluation criteria generally for Final and ex-post evaluations.

Although the evaluation mandate is through the UNDP, the evaluation methodology used is that of the EC for external assistance, which is consistent with the evaluation methodology of the UNDP and of Swiss Aid – both of which were reviewed.

The FE is set out as follows: Section 1 outlines a detailed background that reviews the intervention logic and context in SW Serbia, Section 2 sets out the Evaluation Results per DAC criterion and Section 3 sets out the Conclusions and Recommendations. Annexes include the list of meetings and references.

II. Key findings and Lessons Learned

The fundamental finding of the FE is that the PRO2, despite some positive aspects, was weak both in design and execution. The assessment for every DAC criteria assessed is less-than-satisfactory including value-for-money, impact and sustainability. The overall rating of PRO2 of this FE is therefore Unsatisfactory.

The intervention logic of external aid was relevant, but the design was weak. Notwithstanding, recalibration of the intervention logic to ensure relevance and feasibility should have been carried out during the Inception phase and periodically thereafter to ensure that needs and gaps for external intervention were clearly benchmarked and reflected in a coherent logframe.

Intervention in SW Serbia remains relevant, but a fundamental and independent re-appraisal is required during Formulation for the follow-up intervention to build on the positive aspects of the PRO2 legacy and to avoid the critical errors in the current project.

Tangibility and visibility of donor presence in SW Serbia were the key joint goals for the EC and the Government of Serbia (GoS) through the Development and Aid Coordinating Unit (DACU). In this context the choice of small-scale infrastructure from PRO1 was successful and visible, but limited to two municipalities added to the PRO1 group; a modest amount of €100k allocated to civic society through the CIF shows positive impact, but at a very high marginal cost. However, the true *modus operandi* of the project to finance large-scale infrastructure was a failure of purpose– 34% the total budget was spent on a flawed idea that is unlikely to realise any funding. The FE's review of project finance against outturn shows that, at core, only 19% of funds can be argued to have any real impact.

The opportunity cost of the approach taken and the cost thereof confirms that wrong strategic decisions were made. Put simply, the selection of a large number of smaller projects as per PRO1 would have been more visible, at lower marginal cost and with greater impact – particularly if funding was tied to incentive-based governance reform, which although part of the project purpose, was not piloted nor feasible for the project without pre-commitments from the beneficiaries.

Governance issues tied to decentralisation, particularly fiscal decentralisation, were not assessed in any detail, if at all, and this remains perhaps the key issue going forward for Local Self Governments (LSGs) – both as regards Public Finance Management (PFM) at municipality level and the generation of bankable large infrastructure projects that meet conditions for aid or debt-financing.

Alternative options for development through scale-up of budgetary transfers or through implementing arrangements based on Regional Development Agencies (RDAs) were not effectively diagnosed or understood and these are key in an ex-ante evaluation context going forward. The RDAs remain shells and were excluded from the PRO decision-making (a negative aspect of the DEX model) whilst the ownership from LSGs for the RDA interface remains immature and will depend on funding. The FE finds fundamental concerns on the value-for-money on the €400k expenditure for RDAs under, in particular, efficiency and effectiveness as well as the value-added of the role and cost of the deputy Team Leader – and allied management issues.

Although capacity in project development has been enhanced through focal points, the overall strategy for capacity building was not pursued with rigour and nor was it fully feasible given on-going political volatility in the municipalities and high staff turnover. Capacity enhancement was therefore a by-product spillover but without any detailed metrics to gauge or follow up. There is little evidence of positive externalities in the form of knowledge-transfer garnered and therefore impact through, for instance, a rise in project bids from other financing sources (as was for instance the case for the MIR2 project). Neither is there evidence that the new strategic plans adopted by municipalities through PRO2 have had any meaningful effect.

Absorption Capacity

The FE's brief overview of demand and supply of funding shows that the amount of aggregate funding available to the SW Serbia will be minimal until 2012-13 and that the scale-up of EU aid monies is predicated on significant structural and procedural pre-conditions. Significant debt-finance availability remains conditional on sound credit fundamentals and borrowing capacity by LSGs tied to *de facto* sovereign guarantees from the MoF. Given IMF concerns about the transparency of the General Budget and contingent liabilities tied to soft budget constraints for Public Utility Companies (PUCs), scale-up of debt finance will not be feasible – both due to lenders' own requirements and from a Serbian budgetary perspective already facing deficit and deficit financing constraints.

Structural reform of the corporate sector remains a necessary pre-condition for large scale access to external finance – debt or aid: including reform of land law, tariff setting, debt arrears at PUCs etc. This is an exogenous factor effecting the entire EU/IFI aid and outside the narrow remit of a given project such as PRO2.

The Economics of a Project pipeline

Feasibility studies as a rule have limited life-span before becoming redundant - they must comply with EU requirements that exceed current Serbian law, including liability for Cost-benefit analysis and compliance with strenuous Environmental Impact Assessments. The current set of feasibilities within the PRO2 is but a step in the process and their quality cannot be validated.

The key point is that none of the feasibilities under PRO2 is mature, technical maturation was beyond the PRO2 acumen whilst future financial flows, as noted above, are subject to binding constraints and exogenous risks. The FE calculates the approximate amount from all sources that will be available to the SW Serbian region in the period to 2012 to be at most €3m against the €147m-€200m provisional targeted cost of PRO2 feasibilities – in other words the amount will be too small to finance even a single project bid, even if such a proposal is feasible which at present is not the case.

The high gross cost of over 47% - direct and indirect expenditure – on this core project output, was in effect mis-expenditure and without any short- or medium-term impact: in fact the elasticity of impact to cost shows an increasing decline to rising cost allocated during the project life.

Although the decision-making was formally collegiate the key responsibility for intellectual guidance and strategic assessment lies with the PIU and the TL, particularly given the side-lined role of the UNDP as a contracting body. Strong UNDP competence in Area Based Development and Governance was not genuinely tested. This is partly because the PRO2 team lacked credible experience, qualifications or operational experience in these areas or of pre-accession experience in Economic and Social Cohesion to gauge the experience and scenarios and to credibly deal with the duality of governance and developmental as a project purpose, or the range of measures tested in the EU's Phare model for creating an enabling environment for Civic Society development.

Management and role of UNDP

In terms of management, the FE found a range of opinion but highly critical feedback from the project's own staff, close to 100% negative feedback from municipalities and from the UNDP. Particular concern was made of insufficient proportion of time spent in Novi Pazar by both the TL and the deputy who was based in Kraljevo.

Overall, the UNDP/PRO2 model had a very high transaction cost (36%-60%, depending on the definition) and a negative return on donor funds at both marginal and aggregate terms.

Given the modality of the PRO2 the value-added of UN involvement through the UNDP is questionable due both to the very high transaction cost and the *de facto* use of the agency as a contractor rather than a knowledge provider. Its knowledge in Area-Based Development and Governance were not utilised and Civil Society development is better handled by Serbian entities in the field with greater comparative advantage.

The role of UNDP remains relevant so long as it is given clear operational independence to carry out its mandate as a UN Agency and not simply as a contractor.

Ex-ante Implications

Looking forward, in the context of the current fiscal difficulties facing Serbia and the budgetary constraints facing LSGs, the least-cost solution for rapid disbursement, ownership and incentive-compatibility for governance reform, including necessary reforms for Public Utility Companies (PUCs) is targeted sector-based budget support with applied conditionality for LSGs that could be tied to governance and developmental benchmarks and involving existing Treasury channels. This is the conventional approach to scale up for donor funding and would meet the target of effective absorption and ownership, and would also internalise the co-finance requirements under IPA Component 3, but also 4-5. The emerging EU-financing under the current or future EU Financial Perspective from 2013 could be anchored around this model.

From a bottom-up perspective, reforms in PFM and linking strategic plans at LSGs for both current and capital expenditure remain putative. Public Administrative Reform (PAR) is a current concern for Serbian

LSGs given budget cuts for municipalities. Linking this to the strategic plans and in turn to the budget process should be the broad goal as it ties into governance, PFM, institutional reform for current expenditure and capital expenditure funding. Moreover, this fits the programming terms for IPA Component 1. Incentive-based funding to advance this and in turn to create ownership for intra-municipal financing is the *sin qua non* for the true Area-Based or subsidiarity-based model for the resultant absorption capacity. The funding could therefore be a grant scheme and/or co-funding of small infrastructure projects (*de-facto* budget support) and tied to PAR reform.

Future intervention could have synergies with other EC projects focussing on regional development. However, possible synergies with PFM initiatives including the current CARDS NIP project on PFM could be re-assessed. DACU should consider using the Project Preparation Facility to undertake detailed re-formulation of the followup intervention to ensure that the programme design meets the needs of the beneficiaries and simultaneously ensures maximum value-for-money, impact and sustainability.

The FE finds that potential absorption capacity for civic society is strong and the amounts targetting this can be scaled up. Direct links to more cost-effective and sustainable links to NGOs is advised and assessed to be feasible given the maturity of the sector in Serbia. Annex V undertakes a brief overview for the sector.

Background

III. Introduction

This chapter sets out the context of external aid support to SW Serbia during the life of the PRO project. Although not strictly required, the evaluation team sets out the broader socio-economic and political context that allows for both a macro developmental view and a narrower and complementary link to the particular programmatic or project-approach of aid. This approach is particularly useful given the multi-donor and governmental financing and the differing strategic and funding priorities that may co-exist. For SW Serbia, the intervention logic is scoped out in terms of a review of the needs and demand both in terms of economic support and against the political context of a region with a heterogeneous ethnic mix and the related need to support political and economic cohesion.

Whilst this is not a formal ex-ante evaluation there was interest from, in particular, the SDC, for particular focus on forward-looking implications. This is part of all donor methodologies for Final Evaluations and this issue is addressed under Impact and Sustainability.

III.1. Historical Context

SW Serbia is considered as a historical area that has a specific inter-ethnic history and legacy. A brief political-historical overview is necessary to grasp the current day legacies. The Sandžak region (named after the Sandžak of Novi Pazar) was part of the Ottoman province of Bosnia. From the Congress of Berlin in 1878 until 1908 the Sandžak was garrisoned by both Ottoman and Austro-Hungarian troops. Following the Balkan Wars of 1912-13, the territory was divided between Serbia and Montenegro although occupied by the Italians and then German forces during the Second World War. At the end of the War, Sandžak was divided between Serbia and Montenegro, according to the initial division agreement between the two states from 1913.

In the immediate aftermath of the Second World War, the presence of a variety of armed groups resistant to the new order triggered an often indiscriminate campaign of violent suppression by the communist Yugoslav state security services, particularly in Muslim communities. Over time, the policy of “brotherhood and unity,” bolstered by the full secularisation of the state and the threat of violence against any form of nationalism or secessionism led to increasing integration of Muslims into economic and political life. With the recognition of Muslim Slavs as a constituent “nation” of Yugoslavia, the Muslim population in the Sandžak became particularly loyal to the Tito’s regime.

According to the last official censuses in Serbia and Montenegro from 2002 and 2003, the total population of Sandžak is 420,259 people. The population of the Serbian part of Sandžak is 235,567 people, while the population of the Montenegrin part of Sandžak is 184,692 people. According to the 2002/2003 censuses, Bosniaks (Muslim Slavs) numbered 220,065 people, and participated with 52.36% in the population of Sandžak. Current population figures for the six municipalities of the Serbian Sandžak suggest that Bosniaks make up around 40% of the total. Bosniaks are in absolute majorities in the three most southern municipalities (Novi Pazar – 77%, Tutin – 94% and Sjenica – 73%) and comprise minority populations in the remaining territories to a lesser or greater degree (Prijepolje – 41%, Priboj – 23% and Nova Varos -7.7%)

With the dissolution of Yugoslavia in the 1990s amidst rising nationalist rhetoric and then violent conflict in neighbouring Bosnia and Herzegovina (and later Kosovo), the Sandžak Bosniaks became largely alienated from Serbian state institutions and increasingly associated with Bosniak nationalism in Bosnia. Under Milosević's regime, the Bosniaks were subjected to official discrimination and repression, including many acts of state terror such as, kidnappings, murders, arbitrary arrests and beatings.

Over the last nine years, Serbian governments have made slow, but increasing steps to re-integrate the Bosniak population and reduce tensions between Serbs and Bosniaks, and there have been few serious cases of inter-ethnic violence.

At the time of project design intra-ethnic tensions within the Bosniak community, particularly in the Bosniak majority communities were more in evidence. During the 90s two deeply opposed Bosniak political streams emerged around two highly charismatic leaders and one-time political colleagues: Sulejman Ugljanin and his List for Sandžak and Rasim Ljajic and his Sandžak Democratic Party. Traditionally, Ugljanin had dominated local politics, but in the local elections of 2004 his supremacy was broken, leading to an antagonistic stand-off between the factions, in Novi Pazar in particular, which split communities apart and often spilled over into violence in the streets.

The situation was exacerbated by an effective schism in the Islamic Community, which traditionally has often held more influence over the Bosniak population than formal politics. For most of the post-Yugoslav period, the Islamic Community in the Sandžak has been dominated by the radical Mufti of Sandžak, Muamer Zukorlic, and opponent of Ugljanin, who has broadly-speaking aligned himself with the political and spiritual Muslim leadership in Sarajevo. In early 2007 this authority was seriously undermined by the formation by Ugljanin ally, Adem Ziklic, of a rival Islamic Community of Serbia. Conflict between the two communities has led to violence over the control of mosques and even attempted assassinations.

Much of the heat has been taken out of the situation recently, with the incorporation of both Ugljanin and Ljajic into the current republican government in 2008, which has seen a marked softening of "national" policies by both political factions. Although divisions in the Islamic Community remain a potential flash-point, the Sandžak is peaceful and overall tensions are lower than they have been for many years.

III.2. Developmental Profile of SW Serbia

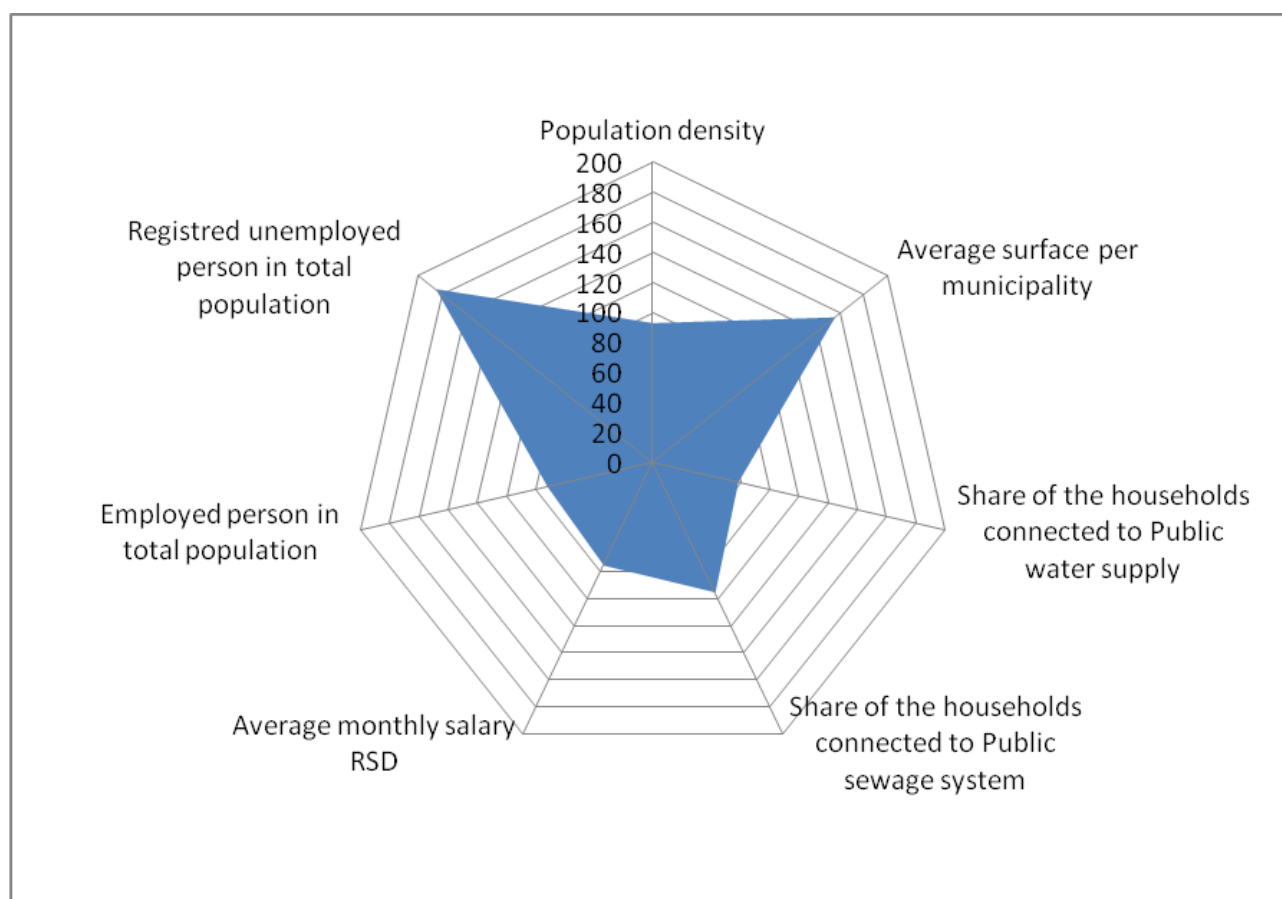
Table 1 displays indicators for the 8 municipalities under PRO2 that include population density, access to basic services including water and public sewage, incomes and labour market data. The data is normalised and displayed in Figure 1. Table 1 and Figure 1 show that SW Serbia is worse off in terms of development against the Serbian average.² A question often arises about the reliability of data in transition economies: in practice, data on provision of basic services is likely to be correct although information of salaries is likely to be an underestimate given the larger shadow sector in SW Serbia.

² The actual gap in nominal terms is higher since calculation of the Serbian average is reduced by the inclusion of lower values attributing to SW Serbia.

Table 1. Development Profile for SW Serbia

	Serbia	PRO area	Difference (Serbia = 100)	Novi Pazar*	Tutin*	Sjenica*	Priboj	Prijepolje	Nova Varoš	Raška	Ivanjica
Population density:	40,438	37,531	93	93,859	31,595	27,959	28,603	39,869	18,678	25,809	33,878
Average surface per municipality in km	502	783	155	742	742	1,059	553	827	581	670	1,090
Share of the households connected to Public water supply	24.12%	14.06%	58.2	4.99%	10.44%	16.45%	19.26%	13.85%	19.06%	16.27%	12.14%
Share of the households connected to Public sewage system	11.92%	11.39%	95.5	4.10%	7.30%	10.71%	19.26%	6.40%	15.42%	20.15%	7.78%
Average salary RSD per month	43,577	32,990	75.7	33,708	33,231	33,831	26,854	32,172	37,564	37,576	28,980
Employment as a share of total population	26.22%	18.93%	72.1	20.67%	9.58%	11.60%	22.84%	17.37%	18.69%	24.31%	26.38%
Unemployment rate (% of Labour Force)	9.41%	17.43%	185.3	21.73%	19.50%	16.88%	21.99%	15.70%	14.82%	14.48%	14.36%

Source: Serbian statistical office, Employment office of Serbia.

Figure 1: Selected development indicators

Source: Authors' Derivations from data in Table 1.

On balance, the data confirms that the SW Serbian region is underdeveloped in terms of a mix of indicators. The pattern is confirmed in terms of provision of funding – both in terms of transfers and

budget provision per municipality and in terms of the amount and proportion of lending to households and firms in the PRO region although there is no formal separation of lending by regional allocation in the National Bank of Serbia’s monetary data.

III.3. Governance

Governance is a broad term that in effect relates to how a country is governed but focussing on transition, institutions and processes. As such governance is a term that applies both to central government and local government and is given as a baseline for the project purpose for PRO2. There are no data or ratings that cover municipalities, but an overview at a country level is available.

Figure 2: Governance in Serbia: 1998-2008

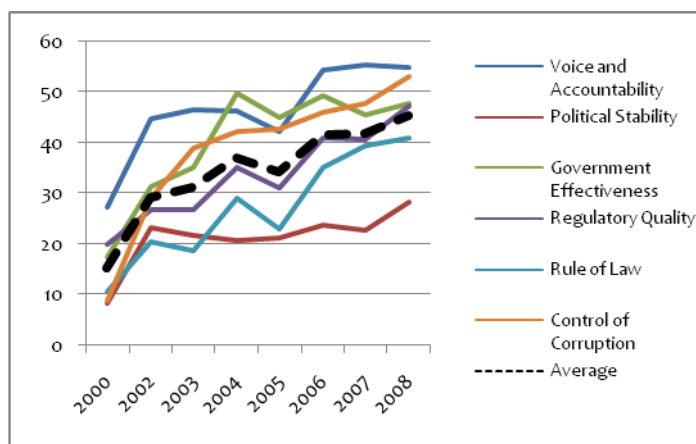
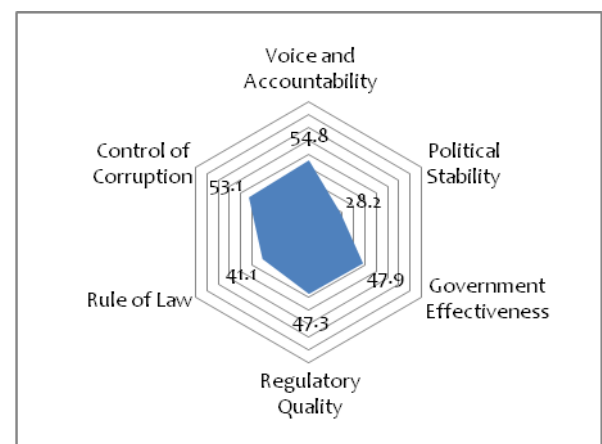


Figure 3: Governance in Serbia 2008



Source: World Bank’s World-wide Governance indicators

Figure 2 sets out the Governance pillars for Serbia using the World Bank’s World-wide Governance indicators for the period since 1998 and encompassing the period covering the PRO1-PRO2 lifecycle since 2006. The data incorporates a number of source data and country risk assessments to provide a *de facto* single synthetic indicator per pillar and which allows for both assessments over time and between countries. Figure 2 shows the time series relating to the Governance pillars and Figure 3 shows the snapshot assessments for 2008.

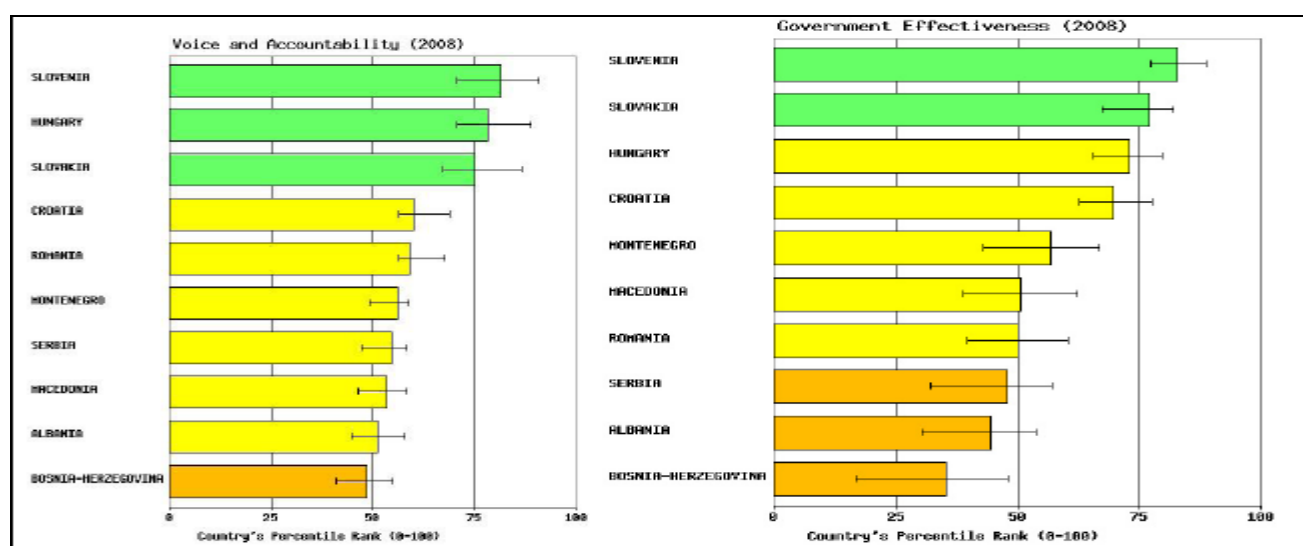
Figure 4 shows two graphics for the two pillars where external aid was relevant and potentially feasible, if in fact Governance was the genuine target. The review of data shows that:

All dimensions have shown improvement for Serbia over time but the rate and speed of change has varied per indicator

Regulatory quality or oversight and control of corruption indicators show the largest relative improvement although from the starting point in 1998 Serbia remains the worst performer in the Western Balkans and in comparison to the new MS.

Voice & accountability and Government Effectiveness has plateaued or reversed.

Serbia is in the bottom 25% of the world countries assessed and worst performer in the Western Balkans for Rule of Law and Regulator quality

Figure 4: Accountability and Government Effectiveness: Cross-country Comparison

Source: Derived from World Bank's World-wide Governance indicators

Moreover, governance also covers Public Finance Management (PFM) which focuses on budget planning, execution and oversight functions including those relating to local and national assemblies. A PFM Public Expenditure Financial Accountability Review (PEFA) was carried and showed that budget planning was stronger than execution and financial reporting with significant weaknesses in predictability and control, public procurement and external audit. World Bank work in decentralisation with local municipalities as well as experience from donor-financed projects such as MIR2 has shows that the issues of effective budget programming and execution and the link of local budgets to affect local or regional aggregate demand through current and capital expenditure remain challenges.

The analysis shows that the intervention logic in 2007 validated an approach to focus on Governance but that this was never properly set out, neither during the programming phase nor during the early project phase. A brief review of Governance indicators for Serbia shows that a targeted approach that focussed on issues within the sphere of decentralisation – administrative and fiscal if not political – would have been relevant although feasibility would have required a more detailed formulation phase including potential pre-conditions.

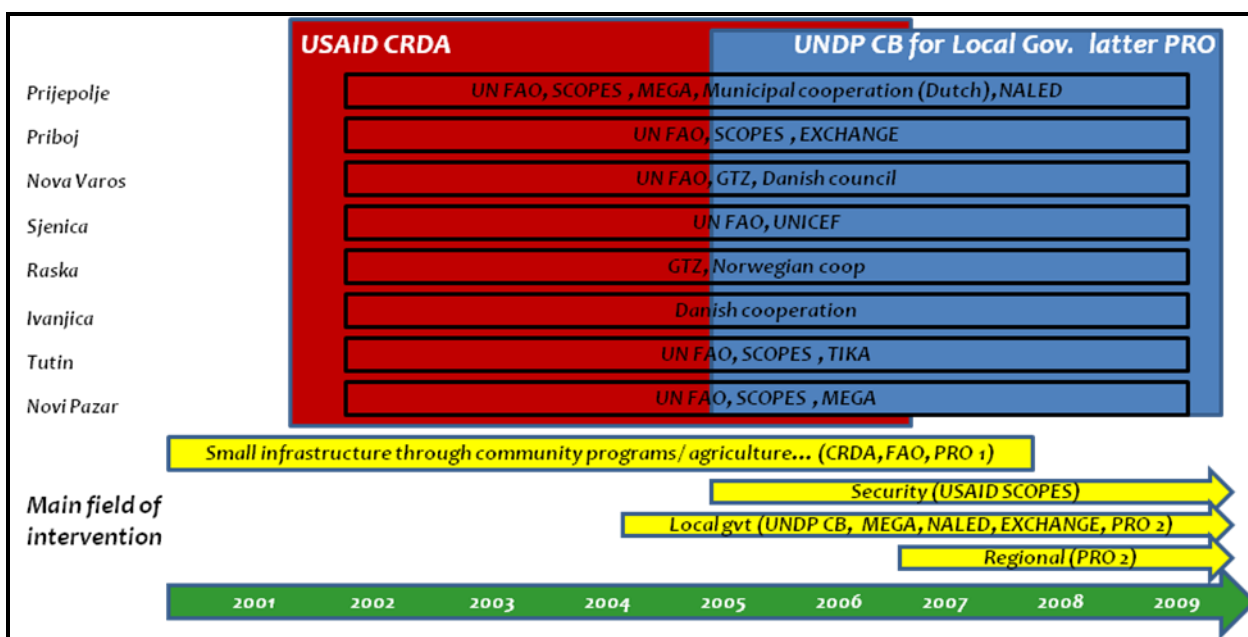
Of the five pillars of Governance, those affecting Voice and Accountability and Government Effectiveness should have been the focus. This could then have been used as a link to create a clearer pathway and involvement of both line ministries in Belgrade and the emerging notion of an interim-level structure to facilitate inter-municipal approaches toward infrastructure development, borrowing and co-finance. International experience – including that through the UNDP's programmes in transition economies – shows that slightly differing paths are possible that reflect heterogeneity of starting conditions.

In the context of the Sandžak region, PRO1 allowed donors and the project team to ascertain the baseline. Whilst the UNDP undertook an identification exercise that highlighted the Governance aspect and linked it to the work being carried out by the UNDP Governance Centre in Oslo this opportunity was eschewed in the final formulation. Moreover, the value-added of UNDP experience with community and area-based development that have been shown to be very successful particularly in the context of ethnic divisions has been amiss.

III.4. Donor Co-ordination

Figure 5 maps out the donor intervention in the target region and by municipality. Although firm data on commitments and disbursements is not available, the emerging picture is one where donors – partly through the drive by DACU at the Ministry of Finance (MoF) – have been increasingly active in SW Serbia. In terms of scale of funding the PRO projects have been the largest in nominal terms and in percentage of the total envelope (a more thorough coverage would include transfers from the centre and debt finance).

Figure 5: Mapping of Donor Intervention in SW Serbia (2001-09)



Source: Authors' assessment based on public information about donor financing.

III.5. Corrective actions already undertaken

The MTR made a total of 52 recommendations. The scale and number of the recommendations is too large to repeat here and the full list is given in Annex 6. As outlined by the Monitoring report and highlighted by both the project team and the UNDP, many of these are well-meaning but general and lack precision. Nonetheless the MTR's main critique and the explanation for such a large number of recommendations was the assessment that the overall ambit of the PRO project lacked focus.

There is no real evidence that the recommendations led to any noticeable change although to be fair some of the recommendations were not clear in terms of clarity or feasibility aside from the introduction of the Exit Strategy which has been undertaken although it is weak in substance.

There was an EC Monitoring Report undertaken in March 2009 that has been reviewed as part of this evaluation.

Evaluation Results

IV. Relevance

The Relevance criterion was covered in detail in the Mid-Term Review (MTR) in August 2008. A wide body of evidence from evaluations for all donors confirms the existence of a strong positive correlation between the quality of design and the success of implementation, as well between the quality of design and the actual impact of the intervention of a project or programme. This includes evaluations undertaken by DG ELARG and DG REGIO for both experience under pre-accession and since accession for the new EU Member States.

Typically there are two aspects of Relevance that are pertinent for the FE. The first relates to a review of the design phase during the programming phase to assess the intervention logic and the elaboration of the project to meet the identified demand and need for external aid. A related and often as important is the “real time” relevance to ensure that often-delayed implementation schedules remain relevant to the needs and priorities of the target beneficiary, set against the context of the available contracting and disbursement schedules.

As regards the first dimension, the MTR reviewed in detail the programming for PRO2 and which followed broadly the PRO approach in substance. The original PRO project was modelled on the MIR programme in South Serbia, a project also implemented by UNDP and which had also evolved against a similar set of circumstances in terms of a background of inter-ethnic and political tensions and a transition of aid from rehabilitation in the late 90s to measures aimed at job creation, local and regional development and social cohesion. In addition to lessons from MIR, the original PRO design took into account experience from other assistance in the SW Serbia including the objectives of other former programmes: the “Local Sustainable Development programme for South-Western Serbia and Northern Montenegro” implemented by UNDP in 2003-2004, (the UNDP/SNV programme) as well as the MSP II (SDC) programme implemented in central Serbia.

In short, the FE confirms that intervention in the target region was relevant. Formally, the programming process should cover Identification and Formulation based on both relevance and feasibility as per PCM Guidelines to ensure that there is a clear link between needs, gaps and the justification for external support. Here the assessment is more negative in its appraisal.

Access to EC files was requested but the mission was informed that EAR files related to the project design have been transferred to Brussels. Notwithstanding, the FE confirmed that the governance stance in the early drafts was proposed by the UNDP and hence the Identification process was carried out. However, the formulation and final outturn of the fiche and logframe was extremely weak with a poorly designed logframe and no evidence of a formal problem tree analysis or any credible link to the original UNDP-Identification assessment. The evidence therefore shows that the programming process was flawed and incoherent in that the final proposed intervention was not in fact clearly and logically tied to Identification.

In hindsight, a carefully calibrated approach to programming following the UNDP proposal was more in line with EC PCM requirements than the final version, set against the needs to stimulate and incentivise governance at local self-governments. Moreover, it would have allowed for a clearer link to the UNDP's core expertise in development and successful initiatives in both transition economies and elsewhere of

genuine area-based and community-based approaches that have been shown to be extremely successful in bringing together inter-ethnic communities around shared aims and values.³

The final logframe that emerged for PRO2 was very poor, weakly formulated and with a number of internal inconsistencies. It also lacked any reference to the pre-accession experience from new Member States and the challenges they faced, both under the Economic and Social Cohesion (ESC) projects and the ISPA instrument that was based on the Cohesion Fund for Member States or for soft intervention aimed at the “third sector” of civic society such as the ACCESS programme under pre-Accession.⁴ This experience mirrors the infrastructure-dimension of the PRO2 that is the main *de facto* project focus or the wide degree of soft interventions for developing and deepening civic society.

Interviews with a range of stakeholders suggest that the EAR pushed the view that there is a need for infrastructure projects to absorb EU funds and secondly to push for the creation of Regional Development Agencies (RDA). There is no evidence that DG REGIO was consulted at this stage or that there was any reference made in the analysis to the pre-accession context highlighted above. On the other hand, there is a perception and confirmed by the donor, that the Swiss Development Cooperation (SDC) wanted to focus on the soft side and which ultimately led to the continuation of the Citizens Involvement Fund (CIF) as under the original PRO project. Capacity building was therefore not the core goal of the EAR intervention.

The above description highlights a number of evaluation questions and in turn on the validity of the programming process:

1. Why were the PCM Guidelines not followed both in scope and in substance and who is responsible for the final design decision?
2. Was the focus on infrastructure and RDAs correct in terms of intervention, opportunity cost of funding and value for money and did it meet the broader needs and priorities for SW Serbia?
3. What were the implications for the architecture of project deliverables, implementation and eventual impact and sustainability?

Re 1

The EAR as an agency of the EC operated under a slightly different operational model with programming based on a sectoral approach. In an ex-post context of a review of the FE the comparison with EC process under IPA is irrelevant. All EU Aid is subject to value-for-money and accountability in the EU’s Financial Regulation and the EAR followed the same broad approach for PCM.

Whilst there is a collegiate responsibility in the eventual design of the fiche for PRO2, discussions with the stakeholders confirmed the evaluators’ null hypothesis - that this was essentially an EAR decision, developed in close collaboration with the project team in PRO1 and who had the obvious incentive to lock-in a continuation of the project and linked jobs and fees.

³ For instance in the Crimea, Ukraine where inter-ethnic tensions between Russians and Muslim Tartars followed a similar trajectory of assistance that began with diffusion of inter-communal tensions and has since evolved into a major bottom-up initiative and now replicated across Ukraine including substantial EC support.

⁴ ACCESS was an “institution building” programme aimed at strengthening the civil society and preparing the ten candidate countries in Central and Eastern Europe for accession.

A key difference between the design of PRO and PRO2 was the process undertaken. As noted by the MTR, the design of PRO was more inclusive as regards local municipalities whereas this was not the case for PRO2. There are two views that came across during interviews about the relevance and context of PRO2 design:

1. Programming was rushed and based around the context of the need to rapidly absorb funds under CARDS 2004 so as not to lose funds and the quickest route was via a direct contract with the UNDP. The extension of PRO fits this requirement, as well as the general aim of continued donor presence in the SW Serbia region.
2. A UNDP-led initiative to shift toward a more Governance-oriented platform was repudiated by the EAR and/or the existing project team so that the final version of the logframe mentions Governance but is bereft of credible indicators related to Governance.

The two views are not necessarily mutually exclusive. The FE cannot fully confirm the first view although this may have happened and is not unusual in itself when the EAR possibly faced pressure to commit funds. Continued intervention in the region was not explicitly foreseen by the EAR in the context of the Country Strategy for Serbia and Montenegro 2002-06, although in reality both the EC and the GoS were committed to continuing operations and potential follow-up intervention given the inter-ethnic sensitivities and the need to ensure international visibility there.

Re 2

Interview data highlighted close to 100% negative assessment from final beneficiaries of the approach and the incorporation of needs. This is a damning indictment and suggests a colonial and donor-led approach to development although with the strong caveat that municipality leadership is subject to change. The SDC approach and focus was on, the other hand, correct and more could and should have been done in this area (see under Sustainability a brief scoping of the “third sector” in SW Serbia).

The programming and outturn evidence shows that there were serious flaws in thinking as regards the then-emerging concept of regional development, the notion of a project pipeline and the potential absorption capacity. Moreover, there was a simple confusion about the political dimension of donors – in particular the EU – to be seen to be visible in Sandžak and to pilot initiatives or structures that could in future be the basis of scale-up funding through aid and/or debt finance.

In simple terms, if the aim was visibility, the approach taken under PRO to target small scale infrastructure projects would have been the preferred option. LSGs confirmed that they had and retain a number of ideas and mature projects that lack funding. In fact €418k or 6.2% of the total PRO2 financial envelope went to this, allocated to Raska and Ivanjica, the two new members of the target area in PRO2. The approach could have been linked with a carefully adapted capacity building component with incentive-based funding options.

Equally, there was no evidence of a scoping– either during the project design or in the project’s inception phase – of the potential demand and absorption capacity for this component. This is a serious failure and missed opportunity, particularly in the context of the cohesion aspect to build trust and involve inclusion of local communities across lines of faith and LSG boundaries. The evaluation team undertook a basic scoping that confirms that the CIF component could have easily absorbed double its allocation and up to even €400k in a rolling facility with an open call for proposals (see Table 1 for a further review).

The focus on RDAs may have been valid if properly elaborated. In practice, the programming flaw meant that critical and killer-preconditions were not set out or clearly understood and lessons from other

projects – not least MIR2 – were not internalised. Ignoring the issue of whether the RDA should have been at a local (NUTS 3) or regional (NUTS 2) level, the nature and potential role of an RDA was fundamentally misunderstood both as regards the demand-side from LSGs and the potential supply side of funding available.

- a) The difficult but necessary engagement of LSG heads and their ownership of the RDAs is a *sin qua non* for their effective role. The evidence is that there is almost no ownership of the RDAs that have been financed and the PRO2 project did not include the RDAs in decision making to ensure transfer of know-how and capacity enhancement. A total of €400k was allocated for RDAs, but including the deputy TL and STE expertise used, the total outlay is expected to be over €500k or approx 7.4% of the total budget. The ex-post value of this funding is highly questionable in terms of value-for-money and goes back to lack of clear programming to address the strategic programming.
- b) On the supply side, there is a general misunderstanding pervading about the size of EU funding that will be available. In the context of relevance there are two points to be made: (i) expectations for the final beneficiaries have been created and at substantial transaction cost, (ii) no analysis has been done to scope out the potential funding or the pre-conditions required – some of which (see Background chapter) are elements of structural reform outside the control of the project.

The corollary of point (b) above therefore is that a clear-sighted present value assessment at both design stage and at during the Inception phase should have led to a more careful assessment of the best use of the external (and domestic) financing. In particular, if the supply of scale-up is subject to risks then these should have been flagged. Risk-assessment would in turn have led to a re-assessment of the deliverables.

The focus on the supply side is examined in more detail in this report (see Impact and Sustainability) and show expectations were flawed. Whilst the situation in 2007 could not anticipate the evolution of discussions the intellectual input and leadership would have been expected from the project team of consultants.

Without outlining a critical path and assessment of alternative options, the choice of spending a significant proportion of the overall financial envelope on large infrastructure financing feasibility studies (€2.5m or approximately 40%) is highly questionable. Basic understanding of both the process and economics of infrastructure financing was lacking in both design and in the project team.

Re 3

At a practical level the real-time relevance implies on-going reference for assessing performance against the logframe and to modify it if required. Concurrently, this would require work plans to be modified to ensure synchrony and conformity with the logframe at any moment in the life-cycle of the project.

There is no clear logic between the intervention logic of the project to wider impact indicators and a general absence of Objectively Verifiable Indicators (OVIs) and Sources of Verification (SoVs) at any level in the logframe

The project purpose is general and to some extent repeats the overall objective, underscoring a lack of intellectual rigour and reference to basic PCM frame.

Results 1 and 2 were ex-ante unachievable without strong pre-conditions although linked to the achievement of governance whilst results 3-4 have little connection to the project purpose.

The project reports include the logframe as an Annex and they acknowledge that achievement of results 1 and 2 is not likely. Moreover, the project team confirmed that the logframe was weak. A key question in this context is why the logframe was not corrected and updated in the Inception phase. As a general rule, the responsibility for doing this rests with all the stakeholders, but in reality delegated responsibility rests with the project management. It is the PIU on the ground through the key experts that should have the necessary acumen and responsibility to review the intervention logic and to validate the logframe – and if necessary to propose modifications.

Real-time relevance requires that the logframe is modified to make it more targeted to need and to in turn justify the allocation and distribution of donor and national co-financing, as well as to ensure that it remains the key management tool and in turn allows for effective oversight. No request for an Addendum or exchange of letters to modify the original FA was made.

Interviews confirmed that the UNDP was seen and saw itself as a *de facto* contractor. The TL and the EC, and to a lesser extent the SDC, were the key players to address the possible limitations in design and to introduce corrective actions. On the other hand, the transition from the EAR to the EC and the often limited capacities of Delegations mean that in practice the lead responsibility and intellectual leadership is embodied in the key experts and principally the TL.

The broad essence of PRO2 therefore was a tool for continuing to have a focus on infrastructure with some soft intervention for capacity building (results 1 and 2). Whilst there a good deal of analysis work was done in the project around assessments of municipalities, the value-for-money for such commitment is questionable in the context of something that was unachievable at the outset.

There is a broader question under relevance as to the value-added of UNDP involvement for financing infrastructure projects given the high transaction costs associated with using its services. Interviewees confirmed that the UN's reputation and flag was a valuable element to act as an interlocutor.

On the other hand, UN agencies in general have no comparative advantage in EC-centric regional development or grant schemes – particularly when related to civic society and NGOs.

In this context the formal evaluation concludes that the relevance criteria are unsatisfactory.

V. Efficiency

Efficiency refers to the extent to which the project results have been achieved at reasonable cost. In the context of PCM and the logframe, it concerns the link between results and the activities or inputs that lead to the achievement of each result. This section takes note of the limitations of the design set out under Relevance, but the focus is on actual use of funds within the prescribed logframe.

The section is separated into two parts. Section V.1. reviews financial data and section V.2. presents findings.

V.1. Review of Financial Data

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Reference source not found.6 sets out the breakdown of costs for PRO2 and

shows the planned budgetary expenditure in nominal terms and as percentage of the overall financing envelope of €6.4m. Table 2. displays expenditure related to infrastructure.

As shown in Error! Reference source not found.6, the overall transaction cost of using the PRO2/UNDP vehicle was 36% taking into account both the 6.5% overhead by the UNDP and also the other ancillary costs that are *de facto* transaction costs unrelated to the final disbursement of funding to final beneficiaries. Source: Derivations from budget provided by PRO2.

Figure 6: Breakdown of PRO2 Expenditure

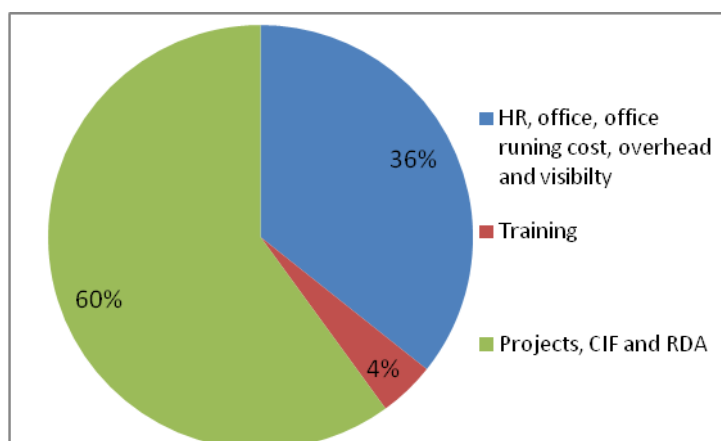


Table 2. Planned Budget by Activity

Distribution of the budget line by activity type	Expenditure (Euros)	Share (%)
Project cost (HR + office + equipment + travel..)	1,664,490	26.0%
Training + Study tour	275,000	4.3%
Infrastructure projects in Ivanjica & Raska + CAC Ivanjica	518,606	8.1%
CIF	100,000	1.6%
Technical documentation and development plans	2,831,394	44.1%
RDA operational grants	400,000	6.2%
Overhead	419,563	6.5%
Other (visibility + translation + evaluation + meetings...)	204,265	3.2%
Total	6,413,318	100%

Source: Derivations from budget provided by PRO2.

The evaluation team reviewed the budget in detail as well reviewing the value-for-money of the final use of funds to the degree possible. Moreover

€447k or approximately 7% of the total budget for PRO2 budget was allocated to activities that were in effect additional transaction costs. This means that the total remaining funds was 53% and includes the cost for feasibilities, development plans and infrastructure building that can be considered to be tangible results.

Further decomposition is possible. The argument made in this FE is that the value-for-money of, in particular, the feasibilities for large infrastructure projects – costing €1.3m approximately or 20% of the total budget – is highly dubious and if this is further excluded, the intervention funding is 33%.⁵

Additionally, €911k or 14% of the budget was committed to development plans and pre-feasibilities and tourism and flood-protection measures. These remain wish-lists that lack coherence, strategic fit and requiring substantial further work – not excluding the as-yet missing dimension of source financing or assessment of project bankability.

Table 1: Budget Expenditure on Budget line "Sub-contracting for Goods and Services (infrastructure)"

Distribution of the budget line by activity type	Expenditure (Euros)	Share (%)
Technical documentation (Feasibility studies..)	1,291,640	38.8%
Development plans	911,317	27.4%
Preparation of Studies for Regional plan for Zlatiborski district	119,121	3.6%
TA for all municipalities and RDA for development infrastructure planning	219,468	6.6%
Small environmental grants (conference, purchase cans, lights in NP...)	150,390	4.5%
Ivanjica and Raska infrastructure projects	418,511	12.6%
Other (contingency, consultancy and advertisement)	218,490	6.6%
Total	3,328,935	100%

Source: Derivations from budget provided by PRO2.

The overall conclusion of this exercise is that whilst funding has been absorbed, the true end-value and purpose of aid is significantly lower, with the worst case assessment being that the true value was 19%, depending on the definition used. The latter lower-bound amount is simply the visible output for both citizens in the region – which translated is simply the training, CIF and infrastructure in Ivanjica and Raska and for CACs.

Costs spent on capacity-building events could have been reduced significantly through more efficient organisation or seminars and encouraging participants to contribute to their own transport costs.

The total of over 400.000 Euro support to the RDAs was spent mainly on operations. This could have been put to much better use in funding activities in the RDAs which would have made founding members (municipalities) to be more active and willing to cooperate in the RDA initiatives. In addition to the costs detailed above we should add 72.000 Euro for three capacity-building experts and a further 61.000 Euro total salary for the deputy project manager responsible for RDAs.

⁵ The underlying assumption of the likelihood of a pipeline is elaborated in the sections for Impact and Sustainability. In short, the amount of funding from various sources in the period to 2013 will be limited in amount – a probability term applied to the potential present value does not materially change the analysis herein.

Figure 7: Cost Distribution of RDAs by location

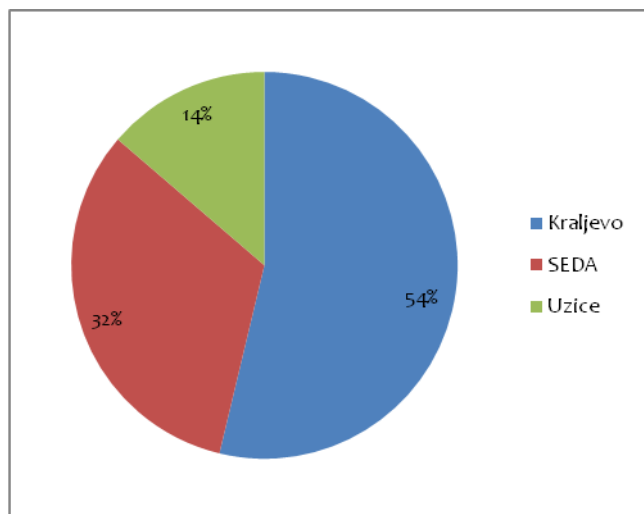
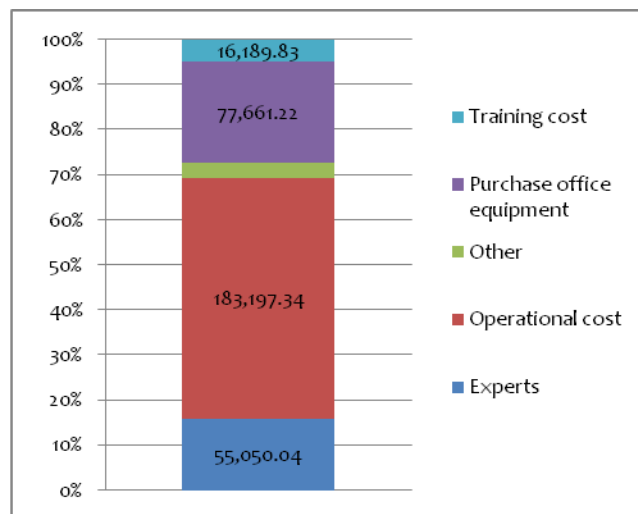


Figure 8: Distribution of cost per activity at RDAs



Source for Figures 7&8: Derivations from budget provided by PRO2.

Differences in the money allocated to the three RDAs are understandable due to their differing capacities at the outset. For example, RDA Uzice has considerably more capacity for project implementation than either RDA Kraljevo or RDA Novi Pazar.

Exchange Rate Issues

An issue that has been mentioned by the project concerns exchange rate volatility and the direct impact on the project. Whilst SDC transfers in USD, the EAR financing was in Euros. This meant that there was a direct transmission of exchange rate volatility in the Euro-USD exchange rate to the project directly. Although local staff for the UNDP projects in Serbia is paid in Euro, foreign staff are paid in USD, whilst procurement is in Dinars – meaning dual currency risks between the Euro-USD and USD-dinar rates. There is therefore a potential that the total resource envelope in local currency terms differs in purchasing power from the committed amount. However, the UNDP confirmed that any downside risks are borne by the UNDP although formal confirmation of outturn is an audit aspect beyond the remit of this exercise.

Data on salaries show widely gyrating salaries for foreign staff and for goods and services. It also meant that potential financial control could in principal be compromised by hiding behind the explanation of exchange rate volatility. Again this quasi audit aspect is beyond the scope and mandate of the FE. The mission noted that there was a spike in the TL’s salary which was not recorded in any documentation. The explanation was a change and rise in his position and secondly due to exchange rate dynamics. According to the UNDP this rise in cost is borne by the project’s TL budget line but this means that there is a distinction between the budget agreed with donors and the operational budget.

Figure 9: Example of impact of exchange rate volatility for planning of salary received in RSD

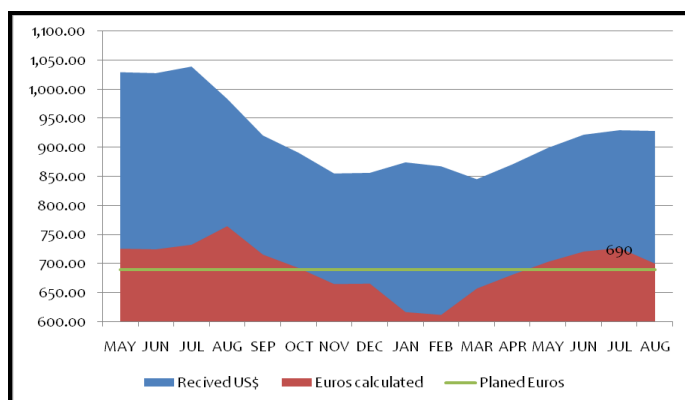
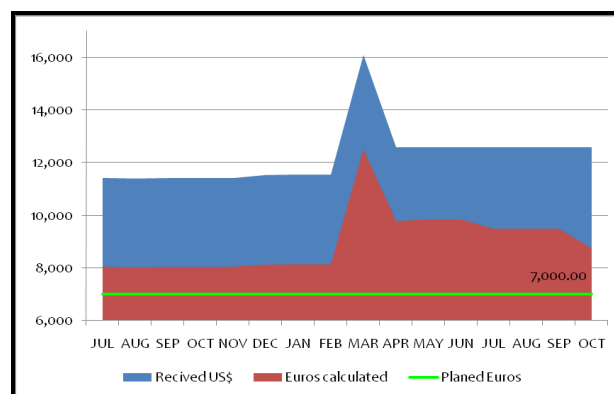


Figure 10: Increased cost for TL



Source for Figures 9&10: Derivations from budget provided by PRO2.

BOX 1: MANAGEMENT ISSUES

Effective management is a key part of both efficiency and effectiveness of the available funds.

Given the limitations of project design and related concerns, effective management is often a key driving force to scope out the true position for intervention and to identify corrective measures. In the context of the specificity of intervention in SW Serbia and the dual objective to focus on governance issues and potential development of the region, the need for clear sighted intellectual leadership was particularly sought.

At an operational level the project was implemented in the framework of a management system referred to as Direct Execution or DEX as opposed to National Execution or NEX that was the management system used for the MIR2 project. Put another way, MIR2 was decentralized where beneficiaries had ex-ante inputs, control and ownership but in PRO2 it was de-concentrated but with full ex-ante control with the PRO2 team.

Under the DEX system, key management decisions were mandated to the project team even though formally there was a visa system for decision-making through a Steering Committee process. This system has advantages in terms of speed of decision that was clearly a requisite for the short implementation period for PRO2. On the other hand by its very nature it changes the dynamics of project management from an inclusive nature and owned by beneficiaries and with critical input from the UNDP but potentially slower in execution to one which is supply-driven and with main responsibility endowed to the PIU.

In the context of PRO2 outturn and the side-lined role of the UNDP to one of contracting agent, the key interlocutors were the EAR/ECD and the PIU. In practical terms this meant that the PIU was the key point for both process and decision making process. In turn, and in the context of the DEX system, the PIU is more responsible for the strategic direction proposed and the success or fallacy of policy decisions.

The FE did not delve into systems and procedures. However the following points came across from interviews and review of efficiency and effectiveness:

1. The PRO2 structure is highly labour-intensive and expensive

2. Strategic leadership was criticized by a number of stakeholders including those within the project team. Whilst the TL's presence in Belgrade may have been justified on occasion, social and political inclusion requires – as successfully piloted by the MIR project – that the key experts invest time to build relationships and to undertake people-to-people dialogue.

3. Moreover, the deputy TL was stationed at Kraljevo. Justification for this is questionable in terms of cost, commitment to the cause of social cohesion in the municipalities with large Bosniak populations.

4. Capacity development: data on numbers of trainees was requested but not provided. There is evidence of capacity building both for project staff and at municipalities although the issue of equality of access to positions and sustainability was a challenge: more could have been done to have positive discrimination and hire more Bosniaks and to underwrite commitment to local capacity development. The hiring of a large swathe of former MIR staff was positive on the one hand by bringing in know-how but does nothing to build local capacity and in fact most of the staff will leave when the successor to MIR2 commences in 2010. By way of example it is somewhat disingenuous to hire the front-line secretary to come from South Serbia when the aim of the project is to nourish and develop local know-how and capacity.

V.2 Review of efficiency

	Intervention Logic	Verifiable Indicators	Sources of Verification	Assumptions
Result 1	1. Organizational effectiveness and efficiency improved and capacities to fulfil assigned functions and to deliver services to citizens in municipalities in South West Serbia increased	<p>Municipal capacities and capabilities to fulfil assigned functions improved for between month 3 and 27 (based on capacity assessments and functional reviews)</p> <p>Citizen satisfaction with services provided by municipalities appreciably increased from the first survey to the final)</p> <p>Results oriented budgeting enabled municipalities to allocate more resources for developmental priorities (based on survey from the beginning and the end of the process)</p>	<p>Functional review reports</p> <p>Capacity and training needs assessment reports</p> <p>Results of the citizen satisfaction surveys from month 3 and month 33;</p> <p>Capacity development programs, training materials and training evaluation reports</p> <p>Municipal budgets and other relevant municipal documents</p> <p>Other foundation documents</p>	<p>Municipalities in South West Serbia decided to embark on reform processes and are ready to improve delivery of services and consolidate work of CACs</p> <p>Municipalities in South West Serbia are able and ready to adopt new and improved budgeting procedures</p> <p>Staff working in municipalities are willing to learn and improve its capacities and skills</p>
ACTIVITY 1.				
Activity 1.1	1.1 Provide direct guidelines and facilitate reform of municipal administrations in South West Serbia	<u>Means:</u>	<u>Costs:</u>	<p>Municipal leaders are willing to participate in the PRO II related activities</p> <p>Municipal officials and other partners are willing to take part in the process of capacity development</p> <p>Municipal officials willing to</p>
Analysis of activity 1.1	The activity is linked to the result	<p>There is no evidence that this has been carried out. There are no documents setting out agreed objectives for municipal reforms and guidelines for their achievement. Functional reviews provide comprehensive situational analyses, highlighting the main challenges to be addressed, which might have formed the basis for developing individual agendas for municipal change.</p> <p>MWGs (intended to manage targeted municipal reforms) were</p>		

		<p>not established as envisaged in the project document. Owing to the protracted political disruption in the region arising from the 2008 elections, the project delayed this activity, holding single one-day needs assessment workshops with relevant municipal officers and heads (legal framework, financial management, spatial and urban planning) in month 24.</p> <p>The intended timeframe of 18 months for this activity was highly ambitious given the challenges (identified in the project documents and functional reviews) for effecting change within municipal structures and practice. With delays of almost one year, the reform objective became unrealistic.</p> <p>The possible success for this activity was <i>a priori</i> not feasible in the context of direct execution of infrastructure projects from the project office.</p> <p>Insufficient guidance was provided in the field municipal heads for facilitating and leading reform. The project's main point of influence was through the gathering of mayors at steering committee meetings. Focal points lacked the necessary authority and capacities to undertake this role in the municipalities.</p>		<p>participate in intensive municipal reform process through establishment of municipal Working groups</p> <p>Municipal officials willing to participate in the inter-municipal and regional development activities and projects</p> <p>Municipalities in South West Serbia feel ownership and genuinely support establishment of the Regional Development Agency</p> <p>Municipal officials, civil society organizations and business sector are ready to work together on further strengthening of Municipal Development Committees</p> <p>Municipal leaders willing to dedicate staff time to capacity development efforts</p> <p>Municipalities want to improve delivery of services and to improve quality of services through further strengthening of the Citizens Assistance Centres</p> <p>Municipalities are ready to implement results oriented budgeting processes</p> <p>Municipalities from South West Serbia (Sandžak region) successfully implement</p>
Activity 1.2	1.2. Prepare and deliver a comprehensive capacity development programme to municipalities in South West Serbia	<u>Means:</u>	<u>Costs:</u>	
Analysis of activity 1.2 and its implementation	The activity is linked to the result	<p>A comprehensive capacity development programme was not delivered to municipalities:</p> <ul style="list-style-type: none"> ➤ Capacity building rested almost entirely (except in the case of assistance to CACs) on technical trainings. Other more action-oriented activities specified in the training consultant's ToR and intended to create practical learning and change behaviours did not take place. These included: action learning through the setting of practical tasks, on-the-job coaching and management consultancy 	For training, study tours, seminars and conference was allocated 4.3% of the total budget or 275.000 Euros from which is spend until 15 November around 78%	

		<ul style="list-style-type: none"> ➤ Trainings specified in the training consultant's ToR with the purpose of addressing issues of organisational culture, such as organisational development, leadership, and management, were not delivered. ➤ Training executed devoted insufficient time (one or two days only) to often highly complex theoretical or legal issues. <p>Implementation of trainings was highly efficient from the point of view of adapting to the time lost due to political disruption. 18 trainings seminars on different subjects over the final 5 months of the project were delivered. On the other hand, the training schedule was consequently too tight, excluding the possibility of applying practice and consolidating knowledge into learning.</p> <p>No follow-up visits by were carried out by the training consultants, so participants have been given little guidance in applying new knowledge</p> <p>According to participants:</p> <ul style="list-style-type: none"> ➤ trainings were well organised; ➤ the programme met their needs; ➤ the participatory methodology used was appropriate; ➤ the training documentation was comprehensive and well prepared. <p>Achieving the participation of appropriate staff members in some municipalities was problematic due to:</p> <ul style="list-style-type: none"> ➤ Over-crowded work schedules; ➤ Lack of interest or motivation; ➤ Insufficient numbers of eligible staff ; ➤ Poor section or departmental management. <p>Training sessions of one – two days was rational given the high cost in terms of time and money.</p> <p>The use of MIROS company from Belgrade to provide transport to training participants and the project more generally, as well as</p>	<p>MIROS company until November was paid in total 141.000 Euros for performed service to the project which include 42% seminar organisation, 30% Study tour organisation and 28% transport.</p>	<p>infrastructure projects</p>
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		to organise some events, was highly expensive and not cost effective. A more effective option would have been to hire part-time drivers from the project region upon need. This would also have had the benefit of contributing to the local economy.		
Activity 1.3	1.3. Support development of capacities for municipal budgeting and budgeting processes at the local level	<u>Means:</u>	<u>Costs:</u>	
Analysis of 1.3 activity and its implementation	The activity is linked to the result	<p>Trainings have been delivered in Budget accounting and Transparent accounting. This alone will not achieve the full implementation of the activity.</p> <p>Planned assistance to municipalities towards introducing Results-based budgeting has not been offered. This was a reasonable adaptation as achieving results-based budgeting is currently not feasible in Serbia.</p>		
Activity 1.4	Consolidate work of the Citizen Assistance Centres in the South West Serbia	<u>Means:</u>	<u>Costs:</u>	
Analysis of 1.4 activity and its implementation	The activity is linked to the result	<p>All CACs were provided with computers and other technical equipment to upgrade existing IT systems and reduce technological differences between municipalities. Advice was given to all CACs on selection of software systems available for the networking of CACs with PUCs and for the issuing of building permits. A comprehensive package of capacity building measures was provided, based on individualised objective-oriented plans, which included study tours, mentoring, inter-municipal exchange (round tables) and training.</p> <p>The whole activity was performed efficiently with timely and well-sequenced delivery of events in a cost-efficient way.</p> <p>Participants were satisfied with the training and other forms of</p>		

		<p>assistance received.</p> <p>Internal monitoring and evaluation was well planned and well organised, by means of simple “before” and “after” reports (CAC assessments and final assessments) detailing achievement or progress towards targeted improvements in CAC functions.</p>		
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	Intervention Logic	Verifiable Indicators	Sources of Verification	Assumptions
Result 2	2. Capacities and capabilities for implementation of municipal sustainable development strategies strengthened and system for monitoring of progress established	<ul style="list-style-type: none"> • Capacities of Municipal Implementation Units for project management increased based on capacity assessments from the beginning and at the end of the project • Capacities of the Municipal Development Committees for monitoring of implementation of local sustainable development strategies increased between month 4 and month 28 (assessment report) • Understanding of importance of citizen participation in local development processes increased based on survey among municipal officials and members of municipal assemblies 	<p>Capacity assessment report from the beginning and at the end of the project</p> <p>Capacity assessment report of the Municipal Development Committees Study tours reports,</p> <p>Capacity development programs and training materials</p> <p>Operations Manual for municipal implementation units</p> <p>Other foundation documents</p>	<p>Municipal administration is supporting further development of capacities of the Municipal Implementation Units</p> <p>Municipal leaders and politicians are ready to communicate with citizens on regular basis and committed to support establishment and functioning of Municipal Development Committees</p> <p>Willingness of municipal officials to consult with civil society is genuine. CSO and business community has capacities and interest to monitor</p> <p>Municipal stakeholders perceive gender equality as prerequisite for sustainable development</p>
ACTIVITY 2				
Activity 2.1	2.1 Facilitate organizational and functional strengthening of the Municipal Implementation Units (MIU)	<p>Continuity with PRO1 was achieved by working with the 6 Project Development Units (PDUs or MIUs) previously established. This maximized potential for capacity building in these municipalities.</p> <p>2 PDUs were efficiently established in the municipalities new to</p>		<p>Municipal leaders are willing to participate in the PRO II related activities</p> <p>Municipal officials and other</p>

		<p>the project, Ivanjica and Raška.</p> <p>PCM training provided was timely and cost effective.</p> <p>Setting up focal points in each municipality was an efficient and effective way to support project activities in municipalities. Awarding FP's salaries that were not too much higher than those received by municipal staff with whom they worked was sensible decision from the perspective of efficiency and potential sustainability. However, it did result in a certain level tension between FPs and project coordinators owing to difference in salary. Although coordinators' salaries were 2.5 times higher, there were relatively few differences between their respective ToRs and qualification requirements. In addition, FPs were reluctant to confront municipal heads over any contentious issues during implementation, owing to their hope for employment in the municipality at project end.</p> <p>The strategy of integrating PDUs into municipal LED offices was appropriate for building sustainable planning capacity in the municipalities.</p> <p>In a number of municipalities there is considerable overlap between different projects, including MEGA and Exchange 2. Consequently it is sometimes unclear which project had contributed to what and to what extent.</p> <p>In addition there is overlap between these projects in training provided to PRO2 PDUs. Evaluation showed that on average LED office staff attend around 30 days a year on training activities from different organisations.</p> <p>The exit strategy determined that FPs would not receive a salary in the last months of the project, but would continue to work on a reduced allowance equivalent to 5 days work at \$500. This was lower than their previous salary by 30% This was a sensible course of action to phase out this component gradually, maximise the chances for employment of FPs and maintain some sort of working wage.</p>		<p>partners are willing to take part in the process of capacity development</p> <p>Municipal officials willing to participate in intensive municipal reform process through establishment of municipal Working groups</p> <p>Municipal officials willing to participate in the inter-municipal and regional development activities and projects</p> <p>Municipalities in South West Serbia feel ownership and genuinely support establishment of the Regional Development Agency</p> <p>Municipal officials, civil society organizations and business sector are ready to work together on further strengthening of Municipal Development Committees</p> <p>Municipal leaders willing to dedicate staff time to capacity development efforts</p> <p>Municipalities want to improve delivery of services and to improve quality of services through further strengthening of the Citizens Assistance Centres</p> <p>Municipalities are ready to implement results oriented</p>
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		The component could have been improved by appointing of a project counterpart to the FP from the municipality as a means of coordinating project activities from within the municipality.		budgeting processes
Activity 2.3	2.3. Enhance citizen participation in local decision making and developmental processes	Means:		Municipalities from South West Serbia (Sandžak region) successfully implement infrastructure projects
Analysis of activity 2.3 and its implementation		<p>The Strategies are prepared and adopted on a very efficient and cost effective way with full support of the municipality officials using participative approach for the first time. We cannot say that participation was done following all recommendations for good practice.</p> <p>Decision to take members of LEGs to the Study tour to EU country (Slovenia) as award after finishing Strategy was not good practice. Better approach will be to use study tour as a learning process for participative approach in developing Strategic document.</p> <p>Apart of the legal requirement there is no any evident that monitoring progress in implementation of municipal sustainable socio-economic development plans is taking place, especially not with civil participation</p> <p>CIF is value for money due to the involvement of civil associations</p> <p>The process of linking municipalities with civil sector could be even more enhanced if is used same approach used in CIF 1, when local actors are involved in decision making process about grant receiver. Instead this approach project hired company to evaluate project proposals.</p>		

	Intervention Logic	Verifiable Indicators	Sources of Verification	Assumptions
Result 3	3. Infrastructure projects based on identified socio-economic priorities for municipalities in South West Serbia selected and implemented	<ul style="list-style-type: none"> • At least one infrastructure project selected in each SWS municipality based on socio-economic priorities and in line with the adopted evaluation criteria • At least one inter-municipal project proposal identified and support to preparation of the full-fledged project document provided • Selected infrastructure projects implemented timely and successfully (as per evaluation reports) between month 10 and 30 of the project lifetime 	<ul style="list-style-type: none"> • Municipal Assemblies record; • Evaluation and selection guidelines (municipal and inter-municipal level) • Available documents for infrastructure projects • Project/ infrastructure plans and projects • Evaluation reports 	<p>No political conflicts and other negative impact occur and economic and political stability continues</p> <p>Municipalities in South West Serbia are ready to work together on capital infrastructure projects and programs</p> <p>Transparent, accountable and efficient mechanism for selection of projects and programs adopted by all stakeholders and municipalities</p> <p>Infrastructure projects are recognized as priority by all stakeholders and have broader interest and supported from municipalities ensured</p>
ACTIVITY 3				
Activity 3.1	3.1. Select infrastructure projects based on socio-economic priorities	The selection process for inter-municipal projects was carried out through PRO in a transparent and efficient way. In the most of the cases of inter-municipal projects selection was according to strategic priorities. Small infrastructure projects in Ivanjica and Raška, however were selected through a consultative process before strategic planning had taken place. Owing to time constraints this was the only feasible way to ensure construction	<p>Contribution from the State level on to projects implemented cooperating with PRO 2 = 170.000 Euros</p> <p>See distribution of cost for infrastructure project</p>	<p>Municipal leaders are willing to participate in the PRO II related activities</p> <p>Municipal officials and other partners are willing to take part in the process of capacity</p>

		<p>was completed before project end.</p> <p>Selected projects for infrastructure documentation, mainly feasibility studies, are not in accordance with the possible “pipeline” of the money for funding infrastructure in the coming few years. This means that the majority of the feasibility studies will not come to completion and project investment may have been better redeployed.</p> <p>Small projects, including the funding of street lighting in Novi Pazar, furniture in the Urban Planning office in Sjenica, and works to the park in Nova Varos etc. were approved by the Steering Committee, based on discretionary assessment without any obvious rationale or strategic purpose.</p> <p>The efforts made by the project to establish tripartite relations between the project, municipalities and central government ministries in order to establish co-funding was a good approach to aligning projects with national priorities and to building trust between project partners</p> <p>Conditionality of co-funding by municipalities for all infrastructure projects was the right approach to increase their engagement in the process and increase a sense of local ownership.</p>	<p>on page Error! Reference source not found.</p>	<p>development</p> <p>Municipal officials willing to participate in intensive municipal reform process through establishment of municipal Working groups</p> <p>Municipal officials willing to participate in the inter-municipal and regional development activities and projects</p> <p>Municipalities in South West Serbia feel ownership and genuinely support establishment of the Regional Development Agency</p> <p>Municipal officials, civil society organizations and business sector are ready to work together on further strengthening of Municipal Development Committees</p>
<p>Analysis of activity 3.2 and its implementation</p>	<p>3.2. Implement infrastructure projects</p>	<p>Implementation of the infrastructural project was done following UNDP procedures in a transparent and efficient way.</p> <p>The direct execution approach applied to project implementation by PRO was counterproductive to the project’s capacity-building objectives</p> <p>Construction works and procurement implemented in Ivanjica and Raska were carried out efficiently, with the full cooperation of the municipalities.</p>		<p>Municipal leaders willing to dedicate staff time to capacity development efforts</p> <p>Municipalities want to improve delivery of services and to improve quality of services through further strengthening of the Citizens Assistance Centres</p> <p>Municipalities are ready to implement results oriented budgeting processes</p>

				Municipalities from South West Serbia (Sandžak region) successfully implement infrastructure projects
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	Intervention Logic	Verifiable Indicators	Sources of Verification	Assumptions
Result 4	4. Support intermunicipal cooperation and facilitate the establishment of sustainable regional development partnerships	<ul style="list-style-type: none"> • Feasibility study for establishment of an RDA prepared between month 4 and 18 of the project timeframe • Knowledge and understanding of inter-municipal cooperation and the role of the RDA in the SWS increased based on developed monitoring indicators • Regional Development Agency established and support for further institutional strengthening provided between months 18 and 30 	<ul style="list-style-type: none"> • Feasibility study for establishment of an RDA • TOR for the RDA management and staff • Strategic plan for the RDA; • RDA organizational procedure, including Human Resource Development strategy • Public awareness campaign and other foundations of documents 	<p>Municipalities in South West Serbia understand importance of EU integration and genuinely support integration processed</p> <p>Municipalities in South West Serbia and other stakeholders are aware of the role and importance of the RDA and are committed to support establishment of the RDAs</p> <p>Municipalities in South West Serbia feel ownership over the Regional Development Agency</p> <p>Regional Development Agency operates on sustainable (financial and operational) basis</p>
ACTIVITY 4				

Activity 4.1	4.1. Prepare a feasibility study for the establishment of a Regional Development Agency	<u>Means:</u>	<u>Cost:</u>	Municipal leaders are willing to participate in the PRO II related activities
Analysis of activity 4.1		The feasibility study was prepared for the RDA and in a timely fashion.		Municipal officials and other partners are willing to take part in the process of capacity development
Activity 4.2	4.2. Increase knowledge and understanding within the region of intermunicipal cooperation, regional development and the role of Regional Development Agencies	<u>Means:</u>	<u>Cost:</u>	Municipal officials willing to participate in intensive municipal reform process through establishment of municipal Working groups
Analysis of activity 4.2 and its implementation		The appointment of a deputy project manager with responsibility for inter-municipal cooperation who remained based outside the project region (Kragujevac) reduced efficiency in this area. And possibly reduced the potential for project success by reducing time available. For empowering RDAs and advancing regional development, best practice would have been to coordinate inter-municipal coordination through the RDAs . As RDAs were still in the process of being formed when inter-municipal projects were being discussed, this process took place in the Steering Committee.	Cost of the Deputy project manager responsible for Inter municipal cooperation until 15 November = 61, 879 Euros	Municipal officials willing to participate in the inter-municipal and regional development activities and projects Municipalities in South West Serbia feel ownership and genuinely support establishment of the Regional Development Agency Municipal officials, civil society organizations and business sector are ready to work together on further strengthening of Municipal Development Committees
Activity 4.3	4.3. Facilitate establishment of the Regional Development Agency	<u>Means:</u>		Municipal leaders willing to dedicate staff time to capacity development efforts
Analysis of activity 4.3 and its implementation		PRO 2 is covering 100% of the operational cost of RDA Kraljevo, without meaningful contributions from founder members. This is poor practice, as it reduces the potential commitment of RDA members and also increases the chances of donor dependency at the RDA. It also reduces the members' (municipalities') stake in the organisation, thus reducing their ability to influence and	See distribution of cost related RDAs on page 22	Municipalities want to improve delivery of services and to improve quality of services

		<p>shape strategy and policy.</p> <p>Establishing and initial support of SEDA, and linking them by agreement with RDA Kraljevo was a strategically shrewd decision. In this way the project ensured that the three founding municipalities of SEDA were provided with an institutional solution to their reluctance to be included in the regions covered by the other two RDAs, but also ensured that the position of RDA Kraljevo was not weakened.</p>		<p>through further strengthening of the Citizens Assistance Centres</p> <p>Municipalities are ready to implement results oriented budgeting processes</p> <p>Municipalities from South West Serbia (Sandžak region) successfully implement infrastructure projects</p>
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Whilst many activities were achieved and the costing is traceable and linked to results, there are concerns about the way in which these activities were undertaken. Overall the rating of this FE is that Efficiency is unsatisfactory.

VI. Effectiveness

Effectiveness is a measure of the contribution made by the results of the project to its specific objective; that is, progress towards the achievement of the project purpose. This is essentially a qualitative measure of immediate and observable change in the target groups as a direct result of project activities and the delivery of outputs. This includes an assessment of the appropriateness of objectively verifiable indicators (OVIs), whether planned benefits have been delivered and received, the extent of behavioural and organisational change among beneficiary groups and target institutions, whether assumptions at the results level were relevant and adequate in explaining the achievement of the project purpose and whether any unplanned results have affected the benefits received.

Over ambition in the statement of the project purpose with a concomitant weakening of the causal linkage to project results, compounded by poorly formulated OVIs throughout the logframe, makes formal verification of effectiveness impossible. However, consultations with project staff, as well as the project designer made it clear that the project's *de facto* objective, which has remained constant from the time of project conception is to build municipal capacities – individual, organisational and institutional – in order to strengthen local governance, understood as improvements in municipal performance in terms of efficiency, quality and responsiveness of service delivery, transparency and cost-effectiveness in the management of municipal finances and public resources, and democratic and broad-based participatory decision-making and strategic planning.

Review of Effectiveness

	Intervention Logic	Verifiable Indicators	Sources of Verification	Assumptions
Project purpose	To achieve two interdependent goals - (1) To enhance good local governance in all municipalities in South West Serbia (at the same time to) (2) To improve overall socio-economic situation through implementation of strategic priorities on the municipal and inter-municipal (regional) level financed by municipalities and other direct (foreign and domestic) investments	1. Improvement of good local governance in the region of South West Serbia between month 3 and 27 based on adopted governance indicators 2. Improvement of the overall socio-economic situation for between the end of the PRO I and the end of the PRO II	1. Results on good local governance based on adopted governance indicators from month 3 and 27 2. Socio-economic survey (baseline survey) including analysis of investments in the region from month 3 and 27 (end of PRO I and PRO II)	Political stability of the region of North East Serbia (<i>sic</i>) and of the country as a whole continues Municipalities (municipal officials and municipal administration) are willing to embark on reform processes Reform of national and regional economy continues towards market economy
Analysis of project purpose and its verification	There are in effect two PPs, as indicated above. Project purpose 1. is linked to the overall objective. The core of project purpose 2. (improve overall socio-economic situation) is effectively a repetition of the overall objective. The implementation period of 27 months is unrealistic for achieving the PP 2. At the same time, PP 2's second part concerning implementation of strategic priorities is a reformulation of result 3. Therefore PP 2 cannot be validated. In practice, the PRO 2 team's objective here has been to raise municipal capacities (individual, organisational and institutional) for undertaking development planning (at the municipality and at the regional level) and to strengthen governance.	The OVIs for both PPs are re-statements of the PPs. Thus the achievement of project purpose cannot be ascertained and formally the project's effectiveness cannot be verified. However, the evaluation allows for validation from qualitative or synthetic indicators based upon consultation with the PRO2 project team regarding <i>de facto</i> objectives and indicators applied during implementation. - OVI 1 has been implicitly understood as embracing the following: <ul style="list-style-type: none"> • Improvements in municipal service delivery via CACs; • Increased transparency of municipalities towards citizens; • Improved relations with civil society organisations. Confirmation of these informal indicators is rendered inexact owing to their lack of specificity.	1. – As no governance indicators have been adopted, formally there are no sources of verification; - SoV here is a re-statement of PP1 and OVI1. 2. – Socio-economic survey (carried out as part of the Citizens' Satisfaction Survey - CSS) is based upon citizens' perceptions of their living standards and changes in the socio-economic standing of the municipality. As such, it provides a proxy means of validating the OVI which, although applicable, is insufficient to confirm the OVI. Moreover, this is an incorrect yardstick since it assesses perception rather than referencing any economic or developmental indicator.	No comment: Assumptions refers to Overall Objective

			- CSS does not include analysis of investments in region	
Validation of project purpose from evaluation evidence	Result 1 - Project purpose 1	<p>1.1 All municipalities are delivering faster, more user-friendly services to citizens via CACs and neighbourhood offices.</p> <ul style="list-style-type: none"> ➤ Citizens can access a wider range of services in one place ➤ Citizens expressing satisfaction with services offered by municipalities has risen from 45% - 64% over the project period. ➤ Positive assessments of the CACs have risen from 59% to 82%. <p>1.2 There are modest improvements in citizens' satisfaction with their local administrations generally. This is not a reliable indicator of the project purpose as ascription is uncertain.</p> <ul style="list-style-type: none"> ➤ The percentage of citizens perceiving improvements in local government over the last year has risen from 21% to 29% during the project. Those seeing no change have remained the same (45%-46%). ➤ The percentage of citizens who believe that municipalities are not responsive to their needs has dropped from 61% to 54% <p>1.3 There is no evidence of increased transparency, efficiency, or changes in professional practice in areas of financial management, urban planning and legal affairs on the basis of project activities. As mentioned below, R1 pt. 1.6, effectiveness was improbable owing to shortfalls in the timing of training, over-reliance on training for capacity building, and poor integration with other PRO2 activities in local administrations.</p>	<p>1.1- CSS surveys, observation by PRO 2 staff, municipal websites, PRO2 monitoring reports.</p> <p>1,2- CSS surveys</p> <p>1.3 - PRO monitoring reports, - Evaluation visits and interviews</p>	

	<p>Result 2 to project purpose 1</p>	<p>2.1 Anecdotal evidence suggests that, overall, capacity gains here are largely restricted to raising awareness within key areas of the public administration of governance issues and their link to the promotion of development at the local level.</p> <p>Evaluators noted the presence of <i>a number</i> of key administrative personnel (incl. some mayors, deputy mayors, heads of administration and LED members and PRO focal points) who are beginning to think strategically and developmentally. Although the principle of serving the community is understood, the need for increased participation of citizens via civil society is remains poorly appreciated.</p> <p>2.2 There is scant evidence of increased municipal capacity to promote and implement strategy as a result of the integration of the 8 PDUs into municipalities as new or enlarged LED offices. As mentioned below under result 2 pt 2.1 & 2.2, LEDs are functioning poorly and operate under a number of constraints including, irrational and inefficient structures, lack of, or poorly designed systems for coordinating administration, and most fundamentally, organisational culture at variance with the values and practices of good governance and efficient public administration. The project has not been able to influence this situation effectively.</p> <p>Reallocation of LED members (PDU units from PRO 1) owing to systematisation represents a net loss of capacity available to municipalities for implementation of strategy, regardless of efforts to offer trainings to other LED members.</p> <p>However, formal incorporation of LEDs indicates acceptance at least by local administrations and their assemblies of the need for a dedicated facility for implementing strategy and developing projects.</p> <p>2.3 The process of developing strategic plans in Ivanjica and Raška has certainly introduced the concept of objective-oriented development planning to the municipalities for the first time.</p>	<p>2.1 - PRO team members - PRO monitoring reports - Evaluation interviews and field visits</p> <p>2.2 – LED consultant reports - Municipal function reviews - CBC consultant reports - PRO monitoring reports - Evaluation field visits and interviews</p> <p>2.3 - Evaluation field visits and interviews - PRO monitoring reports</p>	
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		<p>One assessment from the field was that the plans are more a 'wish list' of projects, rather than a strategy, but that the planning process had increased intra-municipal communication and exchange of information between departments and PUCs.</p> <p>2.4 The process of strategic planning, through local action groups (LAGs), in theory provided broad-based community participation in municipal planning through the inclusion of CSOs and private businessmen. In practice this participation was relatively small and unimportant. (Raška: 4 businessmen, 2 NGOs out of 23 LAG + 4 LED offices. Ivanjica: 1 businessman, 2 NGOs out of 20 LAG). Project participants advised that the LAG system was a poor means of raising citizens' participation, as 1. those outside the public administration proved hard to mobilise and 2. most found the technical side of the planning beyond them, owing to lack of specific technical expertise. Another approach would have been to form an executive working group from within the municipality, guided by a steering committee of municipal representatives and relevant sector experts. The WG would conduct strategic planning on the basis of wide-ranging consultations with all local stakeholders, including neighbourhoods, schools, businesses, institutions, NGOs etc.</p> <p>2.5 Substantive participation by citizens in the decision-making process in all municipalities has not been achieved.</p> <ul style="list-style-type: none"> ➤ LAGs established in PRO1 have not survived. The project was unsuccessful at converting these into vehicles for the monitoring of strategic plans ➤ Well organised and well advertised public consultations on draft strategic plans did not raise much public engagement in Ivanjica and Raška ➤ Almost 100% of citizens in the 8 municipalities respond that they have not been involved in or consulted on strategic planning in their municipalities. <p>2.6 CIF grants have been effective in a very limited way in:</p> <ul style="list-style-type: none"> ➤ Facilitating rudimentary partnerships between civil society and municipalities, often for the first time. All agreements included one or more of complementary 	<p>2.4 - PRO monitoring reports - Evaluation visits and interviews</p> <p>2.5 – PRO monitoring reports - Evaluation field visits and interviews - Citizens satisfaction surveys</p> <p>2.6 – PRO monitoring reports - Evaluation interviews</p>	
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		<p>activities, resource sharing, some form of material or financial support by municipalities;</p> <ul style="list-style-type: none"> ➤ By targeting community-based organisations (CBOs), many of which represent minority interests and the vulnerable (such as the disabled, Roma, rural youth), CIF promoted greater social inclusion and community participation in the municipality. ➤ Local ownership of the intervention was ensured by the “hands-off” policy used in the CIF implementation. <p>The overall effect of CIF is modest owing to its limited scope over a very large geographical area, the small-scale of interventions supported, particularly in terms of time and numbers of direct stakeholders reached, and the overall investment of around 100,000 Euro in project activities.</p>		
	<p>Result 3 to project purpose 2</p>	<p>As result 3 is essentially PP 2, its contribution to PP 2 cannot be verified. The evaluation suggests that this area concerns provision of infrastructure in line with strategic planning and priorities, establishing a pipeline of projects for completion in the foreseeable future, as well as raising capacities for inter-municipal development cooperation.</p> <p>Effectiveness in this result area is not proven:</p> <p>3.1 Selection of 14 small-scale infrastructure projects in Ivanjica and Raška prior to undertaking strategic planning means that their strategic importance is not confirmed. Local ownership was ensured by clear consultation in the selection process with municipalities and enhanced by considerable matching funding from both municipalities (see below result 3 pt 3.1)</p> <p>This component achieved high visibility for the project in the community and also raised support from the local administration for project activities.</p> <p>3.2 Delivery of 20 infrastructure documentation projects has been largely ineffective.</p> <p>All studies, except the project for a visitors centre at Uvac lake remain at a very early stage requiring considerable development. Owing to changes in the</p>	<p>3.1 - PRO monitoring reports - Evaluation visits and interviews</p> <p>3.2 – PRO monitoring reports - Evaluation visits and interviews</p>	

		<p>economic environment and expected changes in regulations and legal frameworks governing infrastructure, the maximum “shelf life” of feasibility studies is three years, after which they would need to be carried out once more. Therefore there is pressure to complete the full documentation within this period to bring them to the implementation stage. It is estimated that this will cost a total of between 3 – 4 M Euro.</p> <p>To carry out the practical work to bring the projects to completion will cost an estimated total of 147 M Euro although this may well be up to €200m. A realistic assessment of the possible finance available in the next 3-4 years for large infrastructure projects in SW Serbia produces suggests that this is highly unlikely in the period to 2012 and without first some fundamental structural reforms outlined in the forthcoming IFI-financed report on PUC reform (See section Impact and Sustainability)</p> <p>3.3 The project’s method of direct execution by which the project design and contracting for feasibility studies (and also infrastructure projects) was carried out by UNDP PRO2 team means that there have been few capacity gains to local administrations. These are limited to increased cooperation between municipal heads at planning meetings and promotion of the advantages inter-municipal and regional approaches to solving local development challenges.</p> <p>Close coordination by the PRO 2 team with republican ministries has facilitated modest financial support for selected projects from the Ministry of Economic and Regional Development and the Ministry for the Environment and Spatial Planning for plans regarding tourism and environmental protection, on the basis of a correlation between PRO2 projects and priorities in national sector strategies. These institutional links, have not been built upon to include active participation of the PRO 2 municipalities. Whilst positive, the MoERD, for instance, confirmed that their involvement and attention to several aid-financed projects is partial due to time and capacity constraints.</p>	<p>3.3 - PRO monitoring reports - Steering committee reports, - Evaluation visits and interviews</p>	
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		A negative outcome to the direct execution approach is a sense among municipal mayors and other heads of loss of control and ownership of project activities in their municipality. A majority of those spoken to expressed their disappointment with PRO2, owing to the lack of tangible benefits delivered to the municipality.		
	Result 4 to project purpose 2	<p>There are no indicators of effectiveness in this result area.</p> <p>The limited results of the RDAs to date remain paper studies which do not contribute to the project purpose. The completion of the integrated development plan for Zlatibor district, by RDA Užice will provide the strategic framework for progress towards the PP.</p> <p>The assessment above on feasibility studies in result area 3 – concerning lack of realistic chances of project completion in the near future - applies also to the 2 feasibility studies achieved by RDA Užice.</p>		

	Intervention Logic	Verifiable Indicators	Sources of Verification	Assumptions
Result 1	Organizational effectiveness and efficiency improved and capacities to fulfil assigned functions and to deliver services to citizens in municipalities in South West Serbia increased	<ul style="list-style-type: none"> • Municipal capacities and capabilities to fulfil assigned functions improved for between month 3 and 27 (based on capacity assessments and functional reviews) • Citizen satisfaction with services provided by municipalities appreciably increased from the first survey to the final) • Results oriented budgeting enabled municipalities to allocate more resources for developmental priorities (based on survey from the beginning and the end of the process) 	<ul style="list-style-type: none"> • Functional review reports • Capacity and training needs assessment reports • Results of the citizen satisfaction surveys from month 3 and month 30; • Capacity development programs, training materials and training evaluation reports • Municipal budgets and other relevant municipal documents • Other foundation documents 	<p>Municipalities in South West Serbia decided to embark on reform processes and are ready to improve delivery of services and consolidate work of CACs</p> <p>Municipalities in South West Serbia are able and ready to adopt new and improved budgeting procedures Staff working in municipalities are willing to learn and improve its capacities and skills</p>

<p>Analysis of project purpose and its verification</p>	<p>Result 1 is linked to the achievement of PP 1</p>	<p>OVI 1 is insufficiently specific with regard to capacities to be assessed and their measurement by means of functional reviews and capacity-building (training) self-assessments do not provide a suitable basis for identifying capacity building needs.</p> <p>OVI 2 is valid, but is insufficiently precise – “appreciably increased” - to be used with confidence.</p> <p>OVI 3 is mis-specified and over ambitious. A more suitable indicator would be that</p> <ul style="list-style-type: none"> - 1. municipalities have all introduced results-based budgeting and - 2. linked the budgetary process to strategic planning process and the associated action plans. 	<p>SoV are not indexed but are appropriate for the stated OVI</p>	<p>Assumption 1 is poorly worded, as it confuses two separate processes which are not necessarily linked. The assumption of municipal preparedness to reform is flawed and in the Serbian context probably unachievable</p> <p>Assumption 2 is a killer assumption, which was borne out in the project. The inability of municipalities to fulfil this assumption led to the abandonment of activities in this area.</p> <p>Assumptions 3 is a conditions for achieving the result rather than the PP. 1</p>
<p>Validation of result from evaluation evidence</p>		<p>1.1 All CACs have increased the number of services offered to citizens. All CACs have introduced a counter for property tax collection, and counters for urbanism, business services, and social activities have been added variously.</p> <p>1.2 All CACS have made improvements in efficiency, including increasing access, faster delivery and integration of municipal depts.</p> <ul style="list-style-type: none"> ➤ All CACs are in the process of digitalising registry books or extending digitalisation to neighbourhood offices. ➤ All CACs have launched or upgraded municipal websites where registry requests can be submitted and online forms accessed. ➤ All CACs have upgraded IT systems and purchased other electronic equipment with PRO2 support. ➤ 4 CACs have networked the municipal administration with PUCs. <p>1.3 Citizens from the whole project area assess municipal services considerably more positively now than at project</p>	<p>1.1 - CAC consultant’s assessment reports - Project monitoring reports - Evaluation interviews</p> <p>1.2 – CAC consultant’s reports - Project monitoring reports - Evaluation interviews</p> <p>1.3 – Citizens satisfaction surveys</p>	

		<p>start.</p> <ul style="list-style-type: none"> ➤ Satisfaction with municipal services generally has increased from 45% (2007) to 64% (2009) ➤ The percentage of citizens expressing satisfaction with CAC performance has risen from 59% to 81.9% ➤ The percentage of those finding the accessing of services from the municipality easy has risen from 89% to 93% <p>1.4 Municipal staff from finance departments have received training in Transparent budgeting, Local tax administration, Budget accounting, Role of local ombudsman and Role of internal financial auditing. These trainings are highly relevant in assisting the implementation of the Law on Local Finances 2007 and in promoting good governance. Workshop-based needs assessment prior to delivery and the adaptation of curricula according to participant demand contributed to their relevance.⁶</p> <p>Training and other assistance has not been provided in Results-based budgeting to aid municipal reform as planned. In light of the failure of central ministries to introduce results-based budgeting, this is a reasonable adaptation.⁷</p> <p>1.5 Municipal workers received trainings in subjects related to urban planning and local legal issues. These trainings, in that they relate to new laws or areas of practice demanded under Serbian law, are relevant</p> <p>1.6 There is no evidence available suggesting positive change resulting from training activities in any training field. This is to be expected, as all trainings were delivered recently between the end of June to the end of October 2009, with a break in August. The schedule allows no opportunity for measured uptake and practical application of learning. No back-up visits have taken place. It is not clear how these trainings are integrated into other project</p>	<p>1.4 – Project monitoring reports</p> <ul style="list-style-type: none"> - Evaluation interviews - Training consultant’s inception and interim reports - Training curricula <p>1.5 – Project monitoring reports</p> <ul style="list-style-type: none"> - Evaluation interviews - Training consultant’s inception and interim reports - Training curricula - <p>1.6 – Evaluation interviews</p> <ul style="list-style-type: none"> - Project monitoring reports - Consultant’s interim report and training 	
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⁶ Full evaluation data concerning training events has not been provided to the evaluation team as requested.

⁷ ibid

		activities. There is the suggestion of back-loading of inputs to complete project activities on time and disburse project funds.	timetables.	
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	Intervention Logic	Verifiable Indicators	Sources of Verification	Assumptions
Result 2	Capacities and capabilities for implementation of municipal sustainable development strategies strengthened and system for monitoring of progress established	<ul style="list-style-type: none"> • Capacities of Municipal Implementation Units for project management increased [based on capacity assessments from the beginning and at the end of the project]. • Capacities of the Municipal Development Committees for monitoring of implementation of local sustainable development strategies increased between month 4 and month 28 (assessment report) • Understanding of importance of citizen participation in local development processes increased based on survey among municipal officials and members of municipal assemblies 	<ul style="list-style-type: none"> • Capacity assessment report from the beginning and at the end of the project • Capacity assessment report of the Municipal Development Committees Study tours reports, • Capacity development programs and training materials • Operations Manual for municipal implementation units • Other foundation documents 	<p>Municipal administration is supporting further development of capacities of the Municipal Implementation Units</p> <p>Municipal leaders and politicians are ready to communicate with citizens on regular basis and committed to support establishment and functioning of Municipal Development Committees</p> <p>Willingness of municipal officials to consult with civil society is genuine. CSO and business community has capacities and interest to monitor</p> <p>Municipal stakeholders perceive gender equality as prerequisite for sustainable development</p>
Analysis of project purpose and its verification	<p>Result 2 is linked to the achievement of PP 1.</p> <p>Activities listed in the logframe, as well as indicators for result 2, suggest that this result is poorly formulated and should embrace</p>	<p>OVI 1 is appropriate, but has been superseded by project adaptations designed to integrate MIUs (PDUs) into municipal LEDs, and should have been updated accordingly.</p> <p>OVI 2. With amendments to the Law on Self-Government in early 2008 MDCs (Committees for Development and</p>	<p>SoVs are not indexed but it remains fairly clear as to which OVI they refer to.</p> <p>SoV 1 is appropriate to assess capacity gains. Quantitative and qualitative assessments</p>	<p>Assumption 1 is poorly articulated. Municipal support to the process is a pre-condition for result 2, while further support would suggest a link to PP (1 & 2).</p>

	<p>increased participation of citizens in municipal life and greater civil society – municipality interaction and cooperation.</p>	<p>Protection for LSG) were dissolved and this indicator became redundant. OVI 2 should have been adapted accordingly.</p> <p>OVI 3 Is partly irrelevant as the project has not worked directly with assemblies. Strictly speaking the indicator is also not directly linked to municipal capacity for strategic planning. It is unverifiable as no baseline survey was conducted.</p>	<p>of LED outputs would have contributed to verifying the indicator.</p> <p>SoV 3: Capacity development / training materials are inappropriate means of verification, being part of the activity.</p> <p>SoV 4. No operations manual for LEDs has been developed.</p> <p>SoV 5. It is not clear what these are and to which OVI they refer.</p>	<p>Assumption 2 is largely irrelevant owing to its focus on the now redundant MDC structures.</p> <p>The presupposition that municipal-civic dialogue and the participation of citizens in strategic planning and the monitoring of its implementation via their representative organisations is a pre-condition (according to the ProDoc methodology) for the result.</p> <p>Assumption 3 is a pre-condition for the achievement of the result, rather than a condition of achieving the PP. It is in essence a repetition of Assumption 2</p> <p>Assumption 4 is only a suitable assumption for achieving the PP within a gender-equity and rights-based approach to development planning. It is not clear to what extent this approach is present in the project methodology.</p>
<p>Validation of result from evaluation evidence</p>		<p>2.1 8 PDUs are integrated formally into municipal structures as either newly formed or expanded LEDs in all municipalities. Notionally this has incorporated PCM expertise and strategic thinking gained by PDU members from PRO2 trainings. In reality LEDs are functioning poorly, and there is no evidence that municipal capacity for implementing strategy is enhanced:</p> <ul style="list-style-type: none"> ➤ LEDs are often understaffed; ➤ Officers previously trained by PRO2 have often been 	<p>2.1 - LED consultant reports</p> <ul style="list-style-type: none"> - CBC consultant reports - PRO monitoring reports - Evaluation field visits 	

		<p>lost to LEDs and reassigned to different departments during Systematisation;</p> <ul style="list-style-type: none"> ➤ LEDs are poorly integrated with other relevant municipal departments, especially concerning data exchange; ➤ LEDs labour under generally poor management and leadership – LED heads are often under-qualified, appointed politically and less competent than staff; direction from higher level management is frequently absent; ➤ Job descriptions are poorly developed; implementation of strategy is generally understood to mean project preparation alone; <p>2.2 There is little evidence that LEDs develop projects with proper regard to strategic concerns and possible future funding sources. Evaluation interviews suggest that projects are not developed in a timely manner; they are written as a hurried response to calls for proposal, or they are developed <i>en masse</i> without regard to priority or real opportunity (LED in Novi Pazar reported writing 55 proposals this year).</p> <p>A generally low level of response, both late and poorly prepared, to the EC CBC CfP indicates the low level of LED capacity. 8 proposals were received from only 3 municipalities (5 Novi Pazar), of which only 4 were written by LEDs. Strategic plans were not referred to during identification, while project design skills were assessed as extremely low.</p> <p>2.3 Only 2 of the 8 project FPs have been awarded permanent positions in their local administrations and integrated into the LED offices. A further five continue to work on an unofficial basis in the municipality with uncertain prospects of being eventually formally employed.⁸</p> <p>2.3 Strategic plans have been achieved and formally</p>	<p>2.2 - CBC consultant reports -LED consultant reports - PRO monitoring reports - Evaluation field visits - Evaluation interviews</p> <p>2.3 - Strategic documents - PRO monitoring reports - Evaluation field visits</p>	
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⁸ The Novi Pazar FP has been employed by PRO2 as the coordinator of the team implementing the separate migration project funded by SDC, while a former PRO2 programme coordinator has been appointed head of the Novi Pazar LED office.

		<p>adopted in Ivanjica and Raška municipalities. Little progress have been made on revision of existing strategic plans developed under PRO1. Revision of strategic plans has been achieved in Sjenica and Nova Varoš, facilitated by the Exchange 2 process.</p> <p>2.4 There is no evidence that formal systems for monitoring strategy implementation have been achieved. In most PRO2 municipalities this task is assigned to LEDs (in one it lies formally with the Assembly), but no evaluation informants listed monitoring as a function of their LED</p> <p>2.5 14 small civil society projects, covering a range of self-help and service-delivery activities to members and the local community, have been implemented by community-based organisations, funded under the CIF. This facility was originally not foreseen in the project document.. All projects were carried out in cooperation with local institutions administered by the municipality. This represents a small, but significant innovation in a region in which civil society organisations have been largely viewed by municipalities as antagonists rather than potential partners.</p> <p>A number of CIF projects are reported to be included in municipal strategic plans</p>	<p>2.4 – PRO monitoring reports - Evaluation interviews and field visits</p> <p>2.5 - PRO monitoring reports - Evaluation interviews</p>	
	Intervention Logic	Verifiable Indicators	Sources of Verification	Assumptions
Result 3	Infrastructure projects based on identified socio-economic priorities for municipalities in South West Serbia selected and implemented	<ul style="list-style-type: none"> • At least one infrastructure project selected in each SWS municipality based on socio-economic priorities and in line with the adopted evaluation criteria • At least one inter-municipal project proposal identified and support to preparation of the full-fledged project document provided • Selected infrastructure projects implemented timely and successfully (as per evaluation reports) between month 10 and 30 of the project lifetime 	<ul style="list-style-type: none"> • Municipal Assemblies record; • Evaluation and selection guidelines (municipal and inter-municipal level) • Available documents for infrastructure projects • Project/ infrastructure plans and projects • Evaluation reports 	<p>No political conflicts and other negative impact occur and economic and political stability continues</p> <p>Municipalities in South West Serbia are ready to work together on capital infrastructure projects and programs</p> <p>Transparent, accountable and efficient mechanism for selection of projects and</p>

				<p>programs adopted by all stakeholders and municipalities</p> <p>Infrastructure projects are recognized as priority by all stakeholders and have broader interest and supported from municipalities ensured</p>
<p>Analysis of project purpose and its verification</p>	<p>Result 3 is essentially the PP 2 to whose achievement it is intended to contribute.</p>	<p>OVI 1 is appropriate in the context of a continuation of capacity gains from PRO 1. With reference to infrastructure development in Raška and Ivanjica municipalities, it seriously undershoots, as planned project investments were clearly sufficient to support a considerable number of small-scale projects.</p> <p>OVI 2 is similarly under-specified: project scope (8 municipalities) and planned investments were sufficient to support multiple inter-municipal initiatives. On the other hand, limited project duration (27 months) would make support to the achievement of full project documentation for a single major project unlikely.</p> <p>OVI 3 loses power owing to lack of specificity. It appears to overlap with OVI 1.</p>	<p>SoVs are not indexed, but are probably applicable to all OVIs.</p> <p>SoVs are broadly appropriate means of verifying the OVIs</p>	<p>Assumption 1 applies to not only all result areas, but also all levels of the logframe. Against the backdrop of existing political instability in the region (intra-municipal conflict or stalemate) at the time of project design, the assumption is unrealistic.</p> <p>The project document's risk analysis identified the both the high likelihood and the dangers to project delivery from continued political conflict and additional instability in the aftermath of upcoming municipal elections in 2008.</p> <p>Assumptions 2, 3 and 4 are all pre-conditions or part of the process for achieving result 2, rather than reasonable assumptions for achieving the PP.</p>

<p>Validation of result from evaluation evidence</p>		<p>3.1 A total of 14 small-scale infrastructure projects have been completed in Ivanjica (5) and Raška (9) municipalities. Selection of these projects was undertaken by consultation with municipal leaders and relevant heads of department, and verified with broader consultation in the community, thus contributing to local ownership. This was further enhanced by total contributions from municipalities of 38% (R) and 37% (Iv) towards the respective total costs of 301,086 Euro (R) and 342,715 Euro (Iv).</p> <p>The process preceded strategic planning and so was not linked to identified socio-economic priorities.</p> <p>3.2 A number of small-scale infrastructure and procurement projects were carried out during the project. These include the provision of street lighting for Novi Pazar and litter bins for all 8 municipalities. These were not reported on in the project documentation and it is not clear on what basis they were selected.</p> <p>3.3. A total of 20 projects for the preparation of documentation for inter-municipal infrastructure are completed or due for completion now. Apart from the project for building a visitors centre at Uvac lake, which is ready to tender for construction, all projects are still at a very early stage (pre-feasibility or feasibility) and require considerable development.. They do not constitute an indicator of the result therefore.</p>		
	<p>Intervention Logic</p>	<p>Verifiable Indicators</p>	<p>Sources of Verification</p>	<p>Assumptions</p>
<p>Result 4</p>	<p>Support inter-municipal cooperation and facilitate the establishment of sustainable regional development partnerships</p>	<ul style="list-style-type: none"> • Feasibility study for establishment of an RDA prepared between month 4 and 18 of the project timeframe. • Knowledge and understanding of inter-municipal cooperation and the role of the RDA in the SWS increased based on developed monitoring indicators. • Regional Development Agency established and support for further institutional strengthening provided between months 18 and 30. 	<ul style="list-style-type: none"> • Feasibility study for establishment of an RDA • TOR for the RDA management and staff • Strategic plan for the RDA; • RDA organizational procedure, including Human Resource 	<p>Municipalities in South West Serbia understand importance of EU integration and genuinely support integration processed (sic)</p> <p>Municipalities in South West Serbia and other stakeholders are aware of the role and importance of the RDA and are committed to support establishment of</p>

			<p>Development strategy</p> <ul style="list-style-type: none"> Public awareness campaign and other foundations of documents 	<p>the RDAs</p> <p>Municipalities in South West Serbia feel ownership over the Regional Development Agency Regional Development Agency operates on sustainable (financial and operational) basis</p>
<p>Analysis of project purpose and its verification</p>	<p>Result 4 is linked to the achievement of the PP 2.</p> <p>There is considerable overlap with result 3 owing to the latter's verification through inter-municipal project identification and development. Greater clarity might be obtained by simplifying this to the development of sustainable RDAs.</p>	<p>The OVIs are broadly appropriate for verifying the result.</p> <p>The OVIs are outdated, as early changes to project design and subsequent adaptations determined that the project has assisted the establishment of 3 RDAs.</p> <p>OVI 2 is vague and poorly specified. It is also a confusingly circuitous indicator in being referenced to further non-specified monitoring indicators.</p> <p>OVI 3. As an indicator of a <i>sustainable</i> partnership, the OVI is under-specified. Its second part referring to institutional strengthening remains a project activity rather than a measurable result.</p>	<p>SoVs are not indexed. It appears that there is no means of verifying OVI 2. Otherwise SoVs are appropriate means of ascertaining the existence of an RDA / RDAs</p>	<p>Assumptions 1 and 2 are a pre-condition for achievement of the result.</p> <p>Assumptions 3 and 4 are indicators of the achievement of the result (see below verification).</p>
		<p>4.1 (Pre) feasibility study for the establishment of 2 RDAs was achieved by month 7.</p> <p>4.2 3 RDAs are established and functioning - Užice (month 11), Kraljevo (month 21) and Novi Pazar (month 23). All 3 have secured short to mid-term financial security with EC operational grants (Užice – 2011, Kr and N.P – 2012). It is doubtful whether any of them have developed technical, organisational or institutional capacity to carry out their mandates to the full and also achieve longer-term sustainability.</p> <p>Užice RDA is built upon the foundation of a well-established SME agency operating in more or less the same region. It possesses fairly well developed implementation capacity. However, it has not yet managed to make the cultural shift</p>	<p>4.1 - Feasibility study document - PRO monitoring reports</p> <p>4.2 – Evaluation interviews and visits to RDAs - RDA promotional material - RDA websites</p>	

		<p>– and hence the organisational and functional transformation – from an SME-orientation to regional development. There are signs that only very limited organisational change has taken place. Regional development remains poorly promoted in the RDA. Programmatic focus (backed up by considerable foreign donor funds) still rests largely on support to SMEs and there is no effective separation of SME operations from those tied to regional development, as the RDA is still lacking in understanding of regional development and also needs to acquire specialist professional expertise and analytical capacity associated with regional development. It appears to prefer to buy in consultancy expertise rather than develop in-house capacity.</p> <p><u>Kraljevo RDA</u>, newly founded and with a young inexperienced staff lacking in most of the technical skills necessary to carry out its mandate. The director confirmed that training needs include further inputs into such basic areas such as PCM and regional development, as well as specialist trainings according to development sector. Although it has a business plan, the RDA has not developed a strategic direction, neither is it sure of its future role. Its 9 specific goals relating to a diversity of fields of operation are incoherent and wildly ambitious. It remains poorly networked to LEDs offices. It has yet to carry out any meaningful activities.</p> <p><u>SEDA</u> in Novi Pazar is also newly founded. It builds upon a previous SME agency, which was however more or less moribund, so that little is left of the old organisation. A youthful, but competent director brings vision to the organisation. It too is inexperienced and lacking many basic human resources. It has made a good start in organising a number of coordination events and providing capacity building assistance to municipalities and business interests. Although it has legitimacy in the area it represents, arising out of the reluctance of local municipalities to support the other two RDAs, its small base of stakeholder support – 3 municipalities and 2 business interests – poses an immediate problem for gathering viable revenue from member organisations.</p>	<p>4.3 - PRO monitoring reports - Evaluation interviews and visits to RDA - RDA website</p> <p>4.4 – Steering committee minutes - PRO monitoring reports - Evaluation interviews and visits to RDAs</p>	
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		<p>All three RDAs have been officially formed by a majority of the municipalities in the areas in which they operate. The active support of municipalities and their ability and willingness to provide strategic direction to their respective RDAs is in doubt. The vast majority of municipalities are represented on RDA assemblies by mid-management planners from the LED offices.</p> <p>4.3 Integrated development plan for Zlatibor district completed (draft stage) and 2 feasibility studies for business parks completed on the basis of mappings of 15 sites in Zlatibor and Raška districts carried out under official auspices of Užice RDA. RDA coordinated field exercises and consultations for the former, but both projects were directly managed by PRO.</p> <p>4.4. Direct regional cooperation between municipal mayors, and other policy makers, has been initiated through PRO project meetings for infrastructure documentation initiatives (R.3 area). This has been supplemented by regular attendance of mayors at PRO steering committee meetings. This process bypasses the strategic decision-making process in RDAs – which is largely carried out by mid-management level municipal officers in the RDA assemblies. The sense of ownership by municipalities of the RDAs is clearly in doubt and it is uncertain whether and to what extent the municipalities will support the RDAs in the future - both financially and also with the committed participation of representatives with decision-making powers.</p>		
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The project’s own reports confirm that results 1-2 are not likely to be achieved although it is disappointing that the logframe was not modified, somewhat defeating its value as an operational tool. Nonetheless, the above matrix has reviewed the various permutations between the dual project purpose and the 4 results including any qualitative or external evidence available. Although there are positive elements, the transmission and correlation between the results to the PPs is partial at best. Overall the rating of this FE is that is Effectiveness is less-than-satisfactory.

VII. Impact

Formally, Impact can only be assessed after the end of the project. However, it is increasingly common in interim and final evaluations to anticipate or forecast both impact and sustainability. This section focuses on Impact in the short- and medium-term after the end of the project.

Impact measures the effect of the project in meeting the overall objective (OO). By definition, the latter is beyond the scope of a particular project but a positive impact results if the project purpose is achieved, thus contributing to the realisation of the wider objective. Sustainability on the other hand is a measure of the degree to which the project has a lasting effect or durability after the life of the project. Both these measures should ideally be premised on a period of between two to five years after the life of the project.

The discussion in the section on Relevance equally applies here. Robust programming is the foundation for lasting impact. However, it is possible for a revision of the project's terms during implementation to ensure that the variance between actual and weakly designed need is minimized to ensure that programming remains sound at project start and during the project life-cycle.

The detailed review for Impact is outlined in the table below. The key issues addressed are: (i), is there a clear mapping between the project purpose as set out and its throughput to positively affect the overall objective and (ii), at the level of the OO what is the evidence for its achievement from the OVIs and their verification by the Sources of Verification (SoV)?

Unfortunately, the link between the PP and the OO is spurious and mis-specified. In simple terms, the PP, subject to the assumptions made, should lead in some way to meeting the OO, which should then be measurable. *Ceteris paribus*, assessment of impact cannot formally be done since there is a tautology or circularity where the OO in some ways is the same as the 2nd part of the PP.

Even taking a benign approach and ignoring the 2nd part of the PP (which was not achieved), the correlation between governance and the OO is redundant since the project's results have not focused genuinely on governance. Hence, measuring impact on the basis of the logframe is not valid. The impact indicator given is sound in scope but time inconsistent - the developmental measures require passage of time for the impact to be realised with the norm being 2-5 years after the expiration of the intervention.

The evaluators have therefore assessed Impact by going back to the real basis of the intervention logic. The project was in essence about

- i) Small-scale infrastructure
- ii) Potential large-scale infrastructure through preparatory work via feasibilities and assisting Institution Building of RDAs to be interlocutors for intra-municipal funnels of future region-wide financing of EU funding
- iii) Modest focus on civic society engagement – determined after the project start

The short-term impact of financing small-scale infrastructure is high. It meets the donors' goal of visibility of the international presence in the region. The impact in the medium-term will dilute, since it is simply the provision of an asset which goes on the LSG balance sheet.

The short-term impact of funding for the civic society component (CIF) and indeed for the CAC part has been positive. It is expected to have longer-term impact through the knowledge transfer to NGOs which may target other funding channels and, in turn, both deepen and widen their scope in the region. Equally,

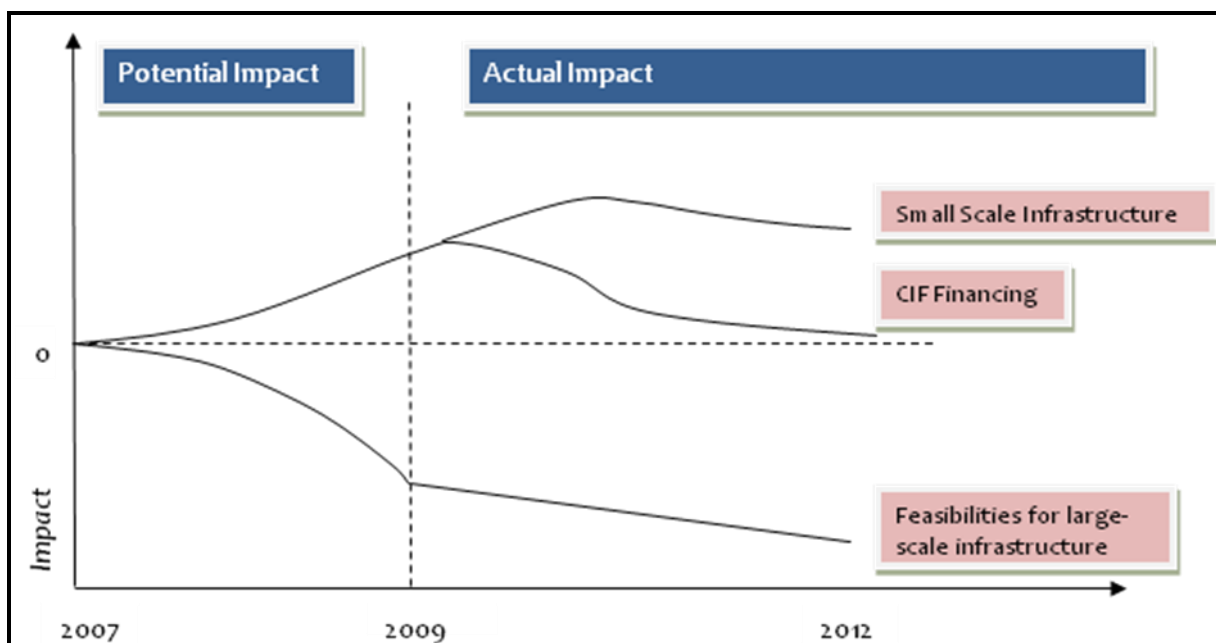
the positive assessment by citizen users about CACs raises transparency and improves service provision which is unlikely to reverse.

On the other hand, the FE has fundamental concerns about the large provision of financing and its impact for large scale infrastructure, the process and the modus operandi. The impact is negative both in the short- and medium-terms.

- a) At the end of the PRO project not one of the feasibilities is mature for financing. The programming for PRO2 is not programmatic and there is neither a pre-condition that the GoS or the LSGs are responsible for future financing nor is there a guarantee for future follow-up financing, impact by definition is zero: the output is a set of documentation. If impact is zero, in present value terms it is negative.
- b) The possible counter-argument that one or more of the feasibilities will be realised is wishful thinking at best and bordering on financial irregularity at worst. Continued financing is akin to “throwing good money after bad” as things stand, unless a clear case for a targeted selection of one or two feasibilities can be made, which will itself be extremely challenging. Since guaranteeing the end-financing for any feasibility beyond the project’s control, the ex-ante basis of programming this avenue for expending a large proportion of the project’s total envelope was extremely flawed. In terms of impact, it means that there will be no impact or outcome.

Moreover, the FE argues that internalising the opportunity cost of funds, the proportional fall in potential impact was higher the more feasibilities were selected (see Figure 6). Put another way, an average feasibility is equivalent to 1 small-scale project or triple the additional envelope for the CIF and every additional feasibility equates in opportunity-cost terms to one less small-scale project. Since the latter are visible and with an immediate impact – particularly in the context of the political-economy of the Sandžak region - the project’s choice of targeting 20 feasibilities is extremely poor judgement, bad economics and a failure of purpose.

Figure 11: Projections for Impact



Source: FE projections

Figure 11 above shows pictorially the FE's Impact assessment. Funding for small scale infrastructure and for CIF financing during the project life meant that potential impact at and after the project-end would be positive. The impact (and indeed sustainability) is expected to deviate for these two measures after the end of the project:

The greater visibility for small-scale infrastructure will mean greater durability of impact.

Impact will remain positive but erode faster for CIF financing (without further financing). Impact will remain positive because the knowledge-transfer is expected to have a lasting effect on the "third sector" both in terms of the impact of the discrete financing (total envelope €100k but actual amount disbursed after transaction costs circa €60-70k) and the likelihood of the beneficiaries being able to roll-over financing from other channels, thereby also positively affecting sustainability

The marginal potential impact per feasibility was negative at the outset and this applied for each and every feasibility. In this context, an additional feasibility was a wrong choice and added to the gross negative impact. The potential impact in Figure 6 displays increasing scale economy; i.e. the negative impact accelerates with time and funding. The latter is because of opportunity cost and present value of money targeted for feasibilities; i.e. the cost of the decision to have more feasibilities increased the value of lost funds. Since the funds will be spent by the end of the project, impact becomes a linear line thereafter.

Although not raised in Figure 6, impact is affected by the very high proportion of funding absorbed by transaction costs. The expenditure of up to 36% in financial amount and the lack of a clearly elaborated strategy of "positive discrimination" to involve and hire local experts – particularly those from the Bosniak community – inhibited potential impact and sustainability.

The overall impact is negative as the total amount spent on the feasibilities crowded out net expenditure (after transaction costs) for the other two components.

The FE rates Impact to be **Highly Unsatisfactory**.

VIII. Sustainability

The fifth and final - and often most important - criterion, sustainability, relates to whether the positive outcomes of the project at purpose level are likely to continue after external funding ends, and also whether its longer-term impact on the wider development process can also be sustained at the level of the sector, region or country. This means that there is a strong correlation between impact and sustainability since the explanatory variables are often the same for explaining impact and/or sustainability. In the context of ex-ante or mid-term evaluations they are often assessed in conjunction and indeed the MTR did it in conjunction.

As noted also for Impact, outcome indicators in the logframe are weakly formulated and hence formally sustainability cannot be forecast. On the other hand, since impact and sustainability are positively correlated (or that in economics terms they exhibit positive cross-elasticity), if overall impact is negative then so is sustainability. On the other hand, a review along each of the three impact trajectories set out in **Error! Reference source not found.** is informative in providing a segmented assessment. This is set out below.

VIII.1. Inter-municipal Projects and the Pipeline Fallacy

In discussions with the PRO2 management and as outlined in the project reports, the centrepiece of PRO2 outputs is a list of potential intra-municipal projects that builds upon the narrower small-scale infrastructure provided in PRO1 (although still provided in PRO2 for 2 municipalities not in the PRO1 group). Although laudable as an aim, it confused decentralisation and governance with absorption capacity of a scale-up of EU monies.

Decentralisation was not touched upon in substance in the PRO2 project and whilst it remains a catchword to side-step difficult questions, the issue of fiscal competences and fiscal-decentralisation if not fiscal federalism was potentially feasible. LSGs have revenue-raising competence for property taxes and shared funding with the centre for current expenditure for schools and hospitals where the LMs in Belgrade are responsible for capital expenditure. In fact, PFM reform of LSGs was provisioned through references to programme budgets but without pre-conditions to incentivise LSGs this was unlikely in practice. Sustainability for future projects will necessitate key PFM reforms both in terms of matching budgets to strategic needs and to maximise revenue collection.

Moreover, if LSGs are to bid unilaterally or jointly for large infrastructure projects in future then credit-worthiness is a key pre-requisite for sustainability. This issue is a core concern both in terms of policy and the modalities to set the architecture to set up projects of sufficient scale and financial scope:

- a) It pre-supposes that that demand is effective i.e. it is backed by detailed project analysis that meets both economic, financial and technical requirements for EU or IFI financing.
- b) That supply of funding or scale-up financing is credible in the near term to justify investment into preparatory work
- c) Key structural reforms for Public Utility Companies (PUCs) are undertaken before large-scale financing
- d) The delivery mechanism is determined either through the Treasury Budgeting system or through some intermediate implementing arrangements such as RDAs

These points are briefly assessed below:

Supply Side

Tables below show the demand-supply schedule for the “pipeline financing”. Table 6 shows the supply side and shows that, *ceteris paribus*, the total amount feasible will be limited to a few million Euros at best for the target region until 2012, at the earliest –when IPA Components 3-5 come on stream, with Component 3 on Regional Development the key potential source of EU aid - and this assumes that Serbia is granted candidate status and has the systems and procedures in place (itself subject to risk factors). In fact, pre-accession experience shows that the take-up of funding exhibits an increasing rate of return over time – which in short translates to a conclusion that in reality the outturn tends to be at least another 2-3 years after the target date.

Feasibility studies in general tend to be valid for 12-18 months – especially in a transition setting - before requiring revision and updating.

Therefore is important that preparation of the Feasibility studies is followed with financing otherwise money invested into preparation at large extend will be wasted.

Table 2: Pipeline of possible financing for infrastructure projects developed by PRO2

Source	Possible allocation	Limitation
IPA component 1	<p>Although function of the IPA component 1 is primarily institutional development it can be used in by potential EU Candidates for local and regional development – and is being used through different projects such as the current MSP, MISP, RSEDP that have grants components involved</p> <p>The total allocation under IPA 2007, 08, 09 for grants component is around 19m (RESPD 9 million Euros, MISP 10, TA for implementation of infrastructural projects). Taking an average of €10m per annum to 2011 means a total of €39m available, of which on average 30% will be used in transaction costs and related TA activities meaning approx €27m.</p> <p><u>Average Annual available from EU approx €10-12m per annum given contracting and disbursement terms.</u></p>	<p>Some of the project grants are not covering infrastructure (RESPD – employment creation, MISP – project preparation etc)</p> <p>Mainly TA projects</p> <p><u>Expected allocation for PRO 2 project area and further development of PRO 2 infrastructure projects assuming mature bid: €1.5m.</u></p>
IFIs (EBRD, EIB, World Bank ...)	<p>EBRD has ongoing projects inc. One in SW Serbia at Duboko (Uzice).</p> <p>EIB has a large €800m funding line that is not being used due to lack of effective take-up.</p> <p>World Bank has untapped financing due to lack of bankable projects.</p> <p><u>In principle up to €2bn available on a range of financing terms ranging from concessionary to commercial terms.</u></p>	<p>Big infrastructure project (minimum 5 million Euros),</p> <p>EU IPF project preparing Feasibility studies for these purposes but subject to stringent EU rules on Cost-Benefit Analysis and Environmental Impact Assessments plus bankability.</p> <p>On infrastructural projects working with the Government not municipalities and where with municipalities e.g. EBRD, de facto sovereign guarantee or contingent liability to budget</p> <p>Municipalities not developed system of crediting</p> <p><u>Approximate allocation for PRO 2 project area and</u></p>

		further development of PRO 2 infrastructure projects: €0: too small in terms of scale, financing, bankability, maturity of feasibilities
Ministries (Infrastructure, Economy, Environment, NIP)	Total budget for these activities are set up on a yearly basis due to the no long term programming budget process	Mainly financed roads reparation and other highly politically visible projects Government priority is big infrastructure projects like Corridor 10, Belgrade ring, Clinic centre etc. Possible budget cut due to the increase of the depts. repayment as well as financing budget deficit. Approximate allocation for PRO 2 project area and further development of PRO 2 infrastructure projects: (€400k-€1m) range.
Bilateral donors	Turkey promises allocation of means to the area of South West Serbia Possible involvement of other bilateral donors like Swiss - under the SDC development programme for 2010 – 2014 SW Serbia will be a target region although the scope will shift away from infrastructure, not least given comparative advantage and larger scale from EU financing. Total Allocation from Turkish Aid likely to be direct financing for road-building in the Bosniak municipalities, other financing unlikely for infrastructure.	Turkey will focus on roads development and primarily in three municipality NP, SJ, and TU ⁹ SDC will focus more on capacity building, migration, civil society development and TA not financing big infrastructural projects Approximate allocation for PRO 2 project area and further development of PRO 2 infrastructure projects: €0.
Municipalities	Total allocation of the municipality for capital investment in 2008 was 40.1 billion dinars or €4bn from total 183 billion municipal expenditure. Around 1/3 is Belgrade budget, 1/3 budget of the cities and 1/3 of municipalities. Distribution of expenditure under Capital investment is different and much higher in Belgrade. ¹⁰ The budget of municipalities of SW Serbia is limited including transfers from central government. Distribution is as such that very limited is for capital investment, very often even without any.	Municipality can maybe contribute in some of the projects with certain small amounts but never implement big infrastructure project alone. Priority is to maintain existing infrastructure for which municipality is responsible Current Budget Constraints means that financing is constrained and budget cuts are being introduced for LSGs with those in SW Serbia region reporting cuts in staff and in current expenditure by up to 50%. National Investment Agency (NIP) has opaque allocating mechanism more political than economic. Budget in 2008 of RSD 47bn or approx €470m but expected to be under significantly cut to under €150m in 2010.
Total	Over €2bn available	Pro2 region likelihood = €2.5m

Table 5 shows that a realistic expectation for supply of funding until 2012 to SW Serbia is at most 2-3 million Euros (Supply side). Much of the same reasoning would apply for the next EU Financial Framework from 2013-20.

⁹ Information was collected from secondary sources, including newspapers and key informants on SW Serbia region, but without direct communication with representatives of Turkish Aid.

¹⁰ Bilten javnih finansija – Avgust 2009

Demand Side

Table 6 sets out the demand side taking into account the estimations drawn from the PRO2 analysis. In addition to the expenditure incurred under PRO2, an additional €4.1 is estimated as a need to comply for design work, but this is likely still to be non-compliant with the full set of EU-centric financing criteria and a further €137m of financing in current terms.

Table 3: PRO2 project pipeline: demand side

	PRO contribution	Design next phase	Implementation
Lim river protection	551,250	288,750	16,386,250
Ibar river protection	362,500	217,500	11,570,000
Raska river protection	290,000	515,666	23,350,000
Golia mountain	606,250	2,187,500	74,512,500
Uvac National park	175,000	200,000	na
Kopaonik national park	150,000	na	na
Industrial zones	302,193	700,000	11,250,000
Total	2,437,193	4,109,416	137,068,750

Source: PRO2 project data

Taking the full stock of expenditures (and excluding any co-financing by beneficiaries), demand exceeds supply of funding by approximately 98%. In practice, since the minimum size of funding is €5m, supply of funding is expected to be targeted to small scale infrastructure, meaning expected new financing for new large infrastructure projects will be very low to 2012.

The position beyond 2012 is subject to higher risk. It will also depend on other binding constraints as outlined below.

VIII.2. Key Structural Reforms for PUCs

Serbian structural reform process has ossified in recent years and resembles the discussion in the Background chapter on Governance profile for the country.

A forthcoming multi-donor report argues that a number of key steps are required for PUCs to meet structural reforms required as part of IFI conditionalities to improve PUC performance and to reduce *de facto* actual or contingent liability to the budget:

Transformation of the corporate Structure of PUCs: the report argues that asset ownership should be transferred to municipalities so that they and PUCs can decide the structure of ownership, that PUCs should be reorganized as commercial law companies so that ownership is clearly established and to provide greater flexibility in regionalization and private sector participation. Regionalisation in certain sectors such as water and solid waste management should be encouraged to achieve economies of scale and more rational planning.

Define Relationship between Municipalities and PUCs: PUCs should operate on an arm's length basis without political influence. Relations between municipalities and their PUCs and private companies providing municipal services should be governed by Service Agreements

Improve Operational Performance of PUCs: The Government and municipalities should support efforts by PUCs to introduce multi-year business planning, evaluate assets and increase maintenance budgets, where necessary, to protect them and thereby reduce operational costs

Introduce a new Methodology for Tariff-setting and Regulation: PUCs should be able to set tariffs to achieve full cost recovery

Improve and Increase Levels of Capital Investments: PUCs should be responsible for developing and implementing multi-year capital investment plans, which would form part of the Business Plan process.

Enable Private Sector Participation (PSP): The private sector can be an important source of capital investment and transfer of technical and operational know-how. But PSP should be implemented on using a “pilot approach” and not on a wholesale basis. The Government needs to ensure that the legal and regulatory conditions are conducive to encouraging private sector investment, e.g. by establishing a tariff-setting methodology and transfer of ownership.

VIII.3. Delivery Mechanism

A major goal of the PRO2 project was to create the possible means for creating a multi-LSG framework that would eventually emerge into something akin to regional policy on the one-hand and a means to be either an Implementing Body or Intermediate Body reporting to the Managing Authority in Belgrade but accountable to LSGs for a sequence of projects. The RDA model was envisaged and the project has helped launch this.

In practice the NEX model meant that it was difficult to have the local municipalities feel any genuine ownership toward RDAs without the latter having funds to attract their attention. On the other hand the project appears to have made little success in involving the RDAs to participate in the decision-making process. An effective focus on sustainability would have required that the RDAs are brought into the PRO2 framework as observers and to create a clearer Exit Strategy with a specific focus on Sustainability.

Some successes are noted including the legacy of facilitators left. On the other hand, the policy of hiring staff from outside the area and from the MIR2 project was not consistent with sustainability. The TL’s feedback that this was due to criteria to hire the best candidate and particularly against the context of 6 months needed to train staff to run UNDP rules may be true but is not consistent with the spirit or substance for sustainability or social inclusion – which is the fundamental basis of intervention in the region.

Conclusions and Recommendations

Evaluation criterion	Conclusions	Recommendation
Relevance	<p>Relevance was high but the intervention logic was confused, mixing governance with development. Intervention remains highly relevant but needs to be better programmed.</p> <p>There was a lack of re-appraisal during the project life – particularly during the Inception phase.</p> <p>Undue attention was given to feasibilities for intra-municipal projects underscoring a lack of the broader economics of funding, pre-accession experience within both the project and the EAR. Whilst this led to absorption of funds it had little value for the project purpose or overall objective and hence no impact.</p> <p>An in ex-ante context, future funding requires brutal re-examination to limit the risk of mis-allocation of funds and a repeat of what in essence is a conclusion of project failure for PRO2.</p>	<p>PCM Guidelines need to be strictly followed to ensure need and gap assessment is the basis for intervention logic through effective Identification and Formulation.</p> <p>Effective management oversight requires on-going review of need and the modification of the logframe to validate this and the concurrent modification of workplans to meet such change.</p> <p>DACU's emerging role under the EC's Decentralised Implementation System (DIS) means that the monitoring function will need to become more active. At a practical level this means the effective use of indicators for monitoring projects and in turn sectoral and programme indicators to the level of the Joint Monitoring Committee (JMC). By corollary, this emerging system requires critical focus on logframes at a project level – both at design and on an ongoing basis.</p> <p>Future financing should avoid “white elephant” project ideas and focus on what is achievable and ensures visibility, impact and a programming approach to ensure sustainability. Financing for small-scale projects remains valid but should be linked to governance and/or Area Based Development.</p> <p>Absorption capacity for civic society development is high with strong Serbian capacity to implement and at a lower cost than through the UNDP. A rolling call-for-proposal model is one idea that should be considered.</p>
Efficiency	<p>Transaction costs accounted for between 30-60% of the total financial envelope which is excessive.</p> <p>Whilst many activities were achieved and the costing is traceable and linked to results, there are concerns about the way in which</p>	<p>Ensure realistic logframe more linked with activities. Logframes need to be carefully developed and represent the project. At the level of efficiency it means that the quotient between activities and results needs to be carefully set out.</p> <p>Decide what is feasible using DEX methodology Direct execution (DEX) was the wrong</p>

Evaluation criterion	Conclusions	Recommendation
	<p>these activities were undertaken. Overall the rating of this FE is that is Efficiency is unsatisfactory.</p> <p>In the case of component CIF, CAC and small infrastructure project results are linked with activity and done on efficient and cost effective way</p> <p>The timeframe of 18 months for some of the activity was ambitious (Capacity building of municipalities and RDAs) especially knowing that elections will take place during project implementation period. Therefore the reform objective became unrealistic.</p> <p>Capacity building component was <i>a priori</i> not feasible in the context of direct execution of infrastructure projects from the project office.</p> <p>Expenditure on Feasibility studies for large infrastructure projects is a sunk cost and lacking matching supply and demand</p> <p>The project has plenty of management and programme decision which are not presenting good practice (deputy working away from project implementation area, study tour done after strategies are prepared, training are not followed up, non-efficient was of organising transport etc.)</p>	<p>choice as it deferred key decisions and responsibility to the PIU and should not be followed for future intervention..</p> <p>Ensure that the TL and deputy TL have relevant and strong academic background, operational experience in pre-accession and management capacity .</p>
Effectiveness	<p>The project has been largely ineffective in achieving its project purpose. Poor formulation of the project logframe, including over ambition of the project purpose and concomitant weak causal linkages between results and the purpose, imprecision of OVI and inappropriate SoVs, makes formal validation of the effectiveness impossible. The logframe has not been updated to take into account changes in the working context and consequent project</p>	<p>The logframe should be properly designed, with greater regard to the internal logic of causation. It should also be updated in accordance with changes in the external context and project adaptations</p> <p>Project design should be aligned more closely to the time scales and methodologies necessary for achieving results, and should be adapted to minimise the impact of likely risks.</p>

Evaluation criterion	Conclusions	Recommendation
	<p>adaptations.</p> <p>Effectiveness has been constrained by shortfalls in project design and external factors beyond the control of the project, many of which were accurately identified as probable risks and were not taken into consideration sufficiently at the design stage.</p> <p>The implementation period of 30 months was too short to achieve the project's ambitious capacity-building objectives</p> <p>The use of the direct implementation model for producing outputs deliverables has undermined capacity-building, reducing opportunities for practical learning and the generation of local ownership</p> <p>The delays caused to execution by political disruption surrounding local elections and negotiating new local administrations should have been predicted and factored in to the project design accordingly</p> <p>Capacity building gains within municipalities are extremely limited.</p> <p>CACs are providing a greater range of, as well as faster and more efficient services</p> <p>Advances in municipal strategic capacity are small. Strategic plans have been achieved in Ivanjica and Raška, but there is no evidence that municipalities more generally develop projects with regard to strategic concerns and possible future funding sources. The project has been ineffective in establishing formal systems for monitoring municipal strategic plans.</p> <p>There is no observable effect arising from the execution of</p>	

Evaluation criterion	Conclusions	Recommendation
	<p>infrastructure feasibility studies.</p> <p>Three RDAs have been successfully established in Užice, Kraljevo and Novi Pazar. All three have serious shortfalls in the technical, organisational or institutional capacities necessary to facilitate and coordinate regional development, as well as secure longer-term sustainability. Active support for and ownership of the RDAs by member municipalities remains at a low level. Inter-municipal cooperation established by the project for infrastructure projects has been developed outside the RDAs and has been dependent on project facilitation.</p> <p>The Citizen's Involvement Fund has have been effective in a very limited way in facilitating rudimentary partnerships between civil society and municipalities. The project has not been effective in increasing civic participation in the decision-making process.</p>	

Evaluation criterion	Conclusions	Recommendation
<p>Impact</p>	<p>Formally impact cannot be validated due to lack of benchmarks. However, the FE reviewed the outputs and made an assessment:</p> <ul style="list-style-type: none"> • Impact was overall negative and assessed to be Highly Unsatisfactory. This was in due to the crowding out effect of the large proportion of expenditure on feasibilities and transaction costs. • Short-term impact will be positive for CIF and small scale infrastructure components. <p>Design of projects should elaborate the impact out outcome desired with direct link to the solution-tree analysis that should be the backdrop to clearly elaborate cause-effect relationships.</p> <p>There remains a valid role for Area Based initiatives and UNDP value-added, particularly given the projected funding constraints.</p>	<p>The follow-up project should be formulated to ensure positive impact. If impact forecast is negative then a project should not be financed.</p> <p>The FE concludes that future impact and sustainability can be guaranteed by focussing on governance elements, deepening and extending the CIF component.</p> <p>Focus on small-scale infrastructure will continue have short-term positive impact but sustainability requires that the measure does not lead to aid-dependency and should therefore be done through incentive-based co-financing.</p> <p>The role of UNDP remains relevant so long as it is given clear operational independence to carry out its mandate as a UN Agency and not simply as a contractor.</p>
<p>Sustainability</p>	<p>In line with impact, sustainability is assessed as Highly Unsatisfactory.</p> <p>The areas where the project had any visibility and some impact are the ones where sustainability is feasible.</p> <p>The project's focus on trying to identify itself with a project pipeline has been a failure of purpose with limited competence in the intricacies of finance and project economics. The intervention from this strand has no sustainability.</p> <p>Focus on the 3rd sector is required and sustainable but not cost-effective through the UNDP/PRO model and comparative advantage lies with specialized Serbian providers and local NGOs.</p>	

Annexes

Annex 1: Feedback and Consultants' Response

Annex 2 Terms of Reference

Annex3: References

Annex 4: Development of Civic Society in SW Serbia

Annex 5: Final Evaluation Inception Report

Annex I: Feedback and Consultants' Response

The Evaluation Team would like to thank the UNDP for facilitating the feedback process and to the stakeholders who provided comments. This is an independent evaluation for the UNDP and this final version incorporates amendments to the draft process. This annex sets out all comments and the team's extensive response/s. This includes feedback from the EC, SDC, UNDP and GOS – both via DACU and the MoERD at the level of Minister and State Secretary. Additional feedback was received from EBRD. Following a general response, specific retorts are given in the table below – much of it from the PRO team and SDC.

Although no comment was received from the EC Delegation the report was presented to DG ELARG in Brussels in 15th January 2010. Recipients included the entire Serbia team, the head of Audit and Evaluation Department and representatives of the units dealing with General and Financial Instruments (D3) and for Administrative Capacity (D4). The EC agreed that the change from EAR to EC financing should lead to more robust programming and that continued financing in SW Serbia remains important but that the precise locus of future intervention may need to be reviewed to ensure the key lessons are picked up. Moreover, the feedback suggested that the overall context of Regional Policy, funding mechanisms and likely scale of infrastructure financing generally and specifically for municipalities has been often misunderstood or misinterpreted in Serbia. More particularly, it was noted that it was very positive to see the context of EC intervention outlined and in particular to see a review of transaction costs.

At a general level, the FE was assessed positively by the EC and the implications are already being addressed including the need for an independent Formulation for follow-up EC intervention in SW Serbia and a transformation in the approach and of key personnel. The ex-ante impact of the dissemination and feedback consultation process has therefore been very good and DG REGIO has requested a copy also. Secondly, the UNDP Evaluation node has reviewed the report in terms of methodology, structure and content although the question of gender responsiveness – of importance to UNDP – and editorial modifications is noted.

The EC's feedback confirmed the ex-ante evaluation finding for future programming – that intervention logic needs to be more robust, particularly where it concerns large-scale investments in the context of regional development generally and for Sandžak region in particular. The Financial Instruments section in DG ELARG co-ordinates engagement with the EBRD, EIB and the World Bank for large-scale financing of projects in Western Balkans and is interested to try and find possible solutions, taking account of excess-supply of funding on the lending side. The EBRD's feedback confirmed the preconditions for financing municipal projects including minimum scale, cost and rate of return.

Feedback from DACU noted the key points in the feedback related to Inter-municipal projects. The FE supports further analysis on this issue and in the context of the PRO project it reinforces a key point that this was supposed to be an integral part of the project's know-how and competence. Nonetheless, the ex-ante implication is to learn from the experience and to critically assess probabilistic scenarios of funding, absorption, debt-financing with allied sovereign or municipal guarantees, including issuance of T-bills, as well as structural pre-conditions mentioned in the report and subject of a recent joint report by international lenders. The issues of absorption capacity and correct strategic choices are in fact the mandate of DACU to undertake as part of its programming of external aid. The current debate in the EU donor community with the EC about the shift toward a sectoral wide approach (SWAp) is something that DACU is well prepared to meet given the groundwork done under the aegis of the Programme and Project Preparation Facility financed by the EC and such a shift may have implications for SWAp-consistent infrastructure policy.

DACU's role itself is changing under the frames of the DIS system and the real driver and owner of regional policy will be the MoERD. The DACU feedback is complemented by high-level positive feedback

from the State Secretary at the Ministry of Economy and Regional Development that endorses the findings of this report.

On the other hand, the SDC feedback was less positive but raised interesting points. Issues regarding future EC financing under IPA3 – the core of many specific feedback – was discussed directly with the EC and the team have high-level operational knowledge of cohesion policy and financing in the Enlargement context. We have taken note of issues regarding need for softer language in parts and agree that the EAR should take responsibility for the disbursement pressure. On the other hand, the disbursement pressure is a constant in external aid and effective oversight and value-for-money is required to ensure that opportunity costs are always assessed so as to make optimal choices and to avoid costly and/or infeasible options.

This is an issue which has been picked up by assessing transaction cost on different measures to derive effective disbursement. A more active UNDP involvement from Belgrade anchored around governance-based reform would have modified this moral-hazard to spend for the sake of meeting disbursement targets, and the Court of Auditors may pick this up as far as EAR programming was involved. Given the *de facto* externalisation of the UNDP HQ, the implicit, if not delegated, authority rested with the project and its TL to highlight these concerns. Regarding the SDC point on Steering Committee endorsement of decisions, this is not a panacea and does not remove final accountability or responsibility for EU funding until and unless there is full decentralisation of financial management – under the Financing Agreement with the EC the latter can seek reclaim of funds and so accountability will continue to rest with the EC until it confers the sanction on the GoS to take over full management of EU Aid and the waiver of its *ex-ante* control function.

For exhaustive coverage, each comment received has been given a response in the tables below. Many of these comments were received from the PRO team. Some of the comments show a lack of understanding of what Evaluation is and how it fits into PCM more generally but the FE team have addressed each and every point. The information set is not prescribed and Outcome evaluations for the UNDP are even wider in scope; hence, reference to other projects including MIR2 and others in Serbia, local and area based successes in Moldova and Ukraine or pre-accession experience are relevant as cross-references.

A basic point worth emphasis is that regional policy is simply a subset of general economic policy. As such domestic expenditure remains key. Co-finance is already an issue to meet IPA requirements and future scale-up of development aid for infrastructure will mean that complexity will increase and the share of EU funding in the overall aid envelope rise further. In this context the role of bilateral – in particular non-EU donors – and other donors including the UNDP will continue to evolve.

Comments	Evaluation team comments
<p>Consolidated response to the PRO2 Final Evaluation Draft Report</p> <p>The PRO2 Final Evaluation (FE) Draft report was submitted on Dec 3, 2009.</p> <p>Further to a joint agreement between the EC Delegation in Serbia, SDC Office in Serbia, the Government through MoF/DACU and UNDP CO in Belgrade, comments to the FE are submitted today. These comments address the deficiencies of the FE Draft report and are meant to enable the authors to elaborate the FE Final report. Once this Final report is received, all parties will provide a management response to the FE.</p>	<p>Clear feedback was received on January 12th 2010. Consultants response by end-January was agreed. The EC sees the process as complete but the related Workshop will be designed as a complementary follow-up.</p>
<p>Initial Impressions of the PRO2 FE Draft Report</p> <p>The Draft PRO2 FE Report at first reading shows:</p> <ul style="list-style-type: none"> • Well written and in terms of clear language sets high standards. • Identified what worked and why and what not in terms of implementation modality addressed. • Basic DAC Evaluation methodology observed to a certain extent. • Somewhat too aggressive wording in general and particularly towards PRO TL, that opens a space to be interpreted as biased and opens the question of validity • Assessment of the gender responsiveness not presented. Maybe it would be worth clarifying whether data was not available (as inception report suggested) or some other factors influenced it and why the FE Team did not address it in the final draft? 	<p>No data was available concerning the application or otherwise of a gender-responsive approach to project implementation. Reference to gender is largely absent from all documents regarding project methodology and project monitoring; for example, ToRs for training companies and capacity-building consultants, training curricula, PRO Monitoring Systems (November 2007), and project quarterly reports. On the other hand, it is fair to state that the funding for small-scale investment was gender-neutral as it is for the feasibilities; for the narrow CIF in principle a pro-gender sub-allocation could have been designed but there is no evidence of such analysis which should have been done ideally in the Inception Phase.</p> <p>There is an impression that the FE has something against the TL. The FE is not an evaluation of the TL but of the project and reference is made to the TL as the head of the <i>de facto</i> PMU and given the in-effect limited role of UNDP HQ that meant significant autonomy and responsibility for actions taken.</p>
<p>However, the FE methodology and the ensuing Draft report are disappointing, as: the donors have been interviewed only late in the process, the TORs have not been followed completely and there are many deficiencies -both in content and form- in the FE Draft report. These deficiencies are addressed in the following paragraphs.</p>	<p>This comment is from SD . The criticism regarding methodology is unclear – it was set out in the Inception Report, supported by the EC and UN Evaluation points and is generic to all donors.</p> <p>By contrast, no SDC evaluation has taken place, nor was there any programming information available. Instead, the SIDA intervention was additional to EAR programming.</p> <p>Methodologically, there are no obvious advantages to consulting with donors early on in the evaluation process nor any such stipulation.</p>
<p>Feasibilities > Funding perspectives for the area</p> <p>One of the main arguments -if not the main argument- for a very critical assessment of PRO is the large amount of money spent on feasibilities of which so far none has materialized. Even if it can be accepted that PRO 2 was biased on planning, the rationale needs to be substantiated. The calculations showing only a few millions</p>	<p>This comment is sourced to the SDC although from the content it appears to be from the PRO TL for a number of the comments.</p> <p>See General Comments above – the economics of funding for infrastructure and regional allocation is the remit of the EC and it has been discussed at length.</p> <p>Moreover, the point is understood by senior staff at MoE and the NIPAC, particularly when</p>

<p>available for the area up to 2012 are not credible. Alone donor funded projects of which by far not all are listed in table 5, p. 61 are likely to make up for more significant amounts. The FE doesn't seem to take sufficiently into account that inter-municipal cooperation is a relatively new concept to Serbia. Therefore quick wins can hardly be expected and the fact of having brought inter municipal cooperation to the agenda would deserve some credit per se. Moreover, it is doubtful to blame the TL for this bias, while the EAR/EC should have best known at which point in time which amounts will be available under pre-accession funding.</p>	<p>taken in the context of domestic expenditure appropriations that will remain the mainstay of capital expenditure. Of course discount factors could modify the precise future expected flows but the broad thrust of logic remains unaffected.</p> <p>The comment is somewhat circular. It implicitly acknowledges lack of outturn by referring to difficulty of "quick wins". The possible development of social inclusion, solidarity and real subsidiarity could indeed have been fostered but only if there was a real intent on genuine Area or Community Based development or with direct responsibility of funding. The DEX model restricted this possibility and in turn the real value of real value-added of the project in the impact is questionable.</p> <p>It is true that inter-municipal cooperation is a long-term process but the problem is that the shelf-life of FS is very short, therefore the question is: How did the project expect to resolve this situation?</p> <p>As outlined in the General Comments, the EAR is ultimately accountable for the management of EC funding. Notwithstanding, the comment regarding the TL is extraordinarily disingenuous – the TL was in charge of leading the TA that should have the competence in the particular area of intervention. Possible mis-expenditure is close to financial irregularity but disbursement pressure could simply have been met by funding genuine domestic absorption by financing works.</p>
<p>SDC: Debatable assessments of relevance, efficiency, effectiveness and sustainability criteria</p> <p>The conclusions in particular with regard to efficiency and effectiveness appear to be very harsh and at least debatable. There exists a certain impression of the reviewers deliberately wanting to see the cup half empty rather than half full. Inconsistencies abound within similar chapters, as, e.g:</p> <p>Relevance: <i>"The FE confirms that intervention in the target region was relevant" (p.15) vs "... concludes that therelevance criteria as unsatisfactory" (sic!) (p. 19)</i></p> <p>Efficiency: <i>"Whilst many activities were achieved and the costing is traceable and linked to results, there are concerns about the way in which these activities were undertaken. Overall the rating of this FE is that is (sic!)</i></p> <p><i>Efficiency is unsatisfactory" (p. 36) – this is also to be seen as lacking substantiation.</i></p> <p>Impact: the jump from <i>"short term impact of financing small-scale infrastructure is high... the short-term impact of funding for civic society component... has been positive" (p. 57)</i> and <i>"the FE rates Impact to be highly Unsatisfactory" (p. 59)</i> is quite huge and very surprising. In addition, it is stated in the report that certain data are not provided although there is a full trace of documents sent to the FE Team. Again, for specific details, please refer to the Annex I.</p>	<p>The harshness of the evaluation has been accepted by the EC as has the applied EC methodology and the content remains unaffected.</p> <p>Some of the comments attest to lack of thorough understanding of PCM and Evaluation.</p> <p>Both sentences are correct. The first refers to the logic of targeting aid finance to the region and assesses the decision to do as correct based on need and demand. That said, the actual rating for the criteria of Relevance for the DAC Evaluation is rated as unsatisfactory given the lack of proper planning and design before implementation and the lack of real-time relevance checks thereafter.</p> <p>The same applies for each of the DAC criterions. Efficiency and Effectiveness are based on project information and budget use.</p> <p>There is no contradiction in the Impact references. Had a decision tree process been undertaken and potential impacts benchmarked during the planning stages – even accounting for disbursement pressure – the analysis would have shown then, as now, that the political objective of the EC in particular of being seen to be active would be more quickly achieved if a greater proportion of funding was allocated to small-scale infrastructure. Economic analysis would have highlighted the microeconomic spillages on local Aggregate Demand and the creation of jobs, incomes, taxes and visibility. Yet the decision to focus on large-scale potential projects meant that the proportion of funding allocated crowded out small-scale infrastructure development whilst the CIF component had a very modest budget in any case. Given the failure of the selection and lack of an anchoring base of analysis, the overall expected impact is unsatisfactory.</p>

<p>General lack of substantiation</p> <p>The general lack of substantiation of a series of statements – sometimes very strong – take out part of the FE’s credibility. A. The statement that “<i>Interview data highlighted close to 100% negative assessment from final beneficiaries</i>” (p. 17) not only is not exemplified/substantiated but it is in contradiction to 7 (Deputy) Mayors expressing themselves (freely) at the SC meeting on 10.12, sometimes with quite precise (substantiated!) details on the benefits derived from the Project. This is also in direct contradiction to the Training participants’ assessments given in the FE (p. 27), namely “<i>training well organized,... meet their needs, ...methodology appropriate, ... documentation comprehensive and well prepared</i>”... timing “<i>was rational</i>”.</p> <p>B. Another substantiation problem is the use of the same argumentation for assessing different criteria. This is the case with the assessments of the Impact and Sustainability criteria, both rated as highly unsatisfactory on grounds of feasibility studies. Note that the feasibility studies argument is used a 3rd time, in the assessment of the Relevance criterion.</p> <p>C. Yet another such problem is the assertion that “<i>almost 100% of citizens in the 8 municipalities respond that they have not been involved in or consulted on strategic planning in their municipalities</i>” (p. 41): what is the sample’s size on which this assertion relies?</p> <p>The statement that “<i>the project was in essence about: (i) small scale infrastructure; (ii) potential large-scale infrastructure...; (iii) modest focus on civic society engagement – determined after the project start</i>” is disturbing in that it leads one to think that the evaluators didn’t acknowledge the project’s essential aims of municipal services improvement, municipal capacities enhancement, inter-municipal cooperation and regional development!</p>	<p>A. This refers to point 2 (p.15) concerning the focus of on the development of (large-scale) infrastructure projects and RDAs. Mayors, their deputies and other high ranking public administration officials interviewed were disappointed that</p> <ul style="list-style-type: none"> - 1. the project concentrated on the preparation of large inter-municipal infrastructure projects rather than continue with the full execution of small-scale works (with those in Raska and Ivanica expressing a strong preference for the latter). Small-scale works were considered preferable as they resulted in tangible results meeting direct needs which were appreciated by the general public. - 2. the DEX method of project implementation reduced the influence and control (i.e. ownership) over the delivery of project inputs. <p>C. This is a finding of the Citizens Satisfaction Survey conducted by Ipsos Strategic Marketing (Oct. 2009) for PRO2. The total sample was 1,770 over the 8 project municipalities.</p> <p>The statement remains standing. If the soft Institution Building was a core aim then it would have required a different approach to ensure incentive-compatibility. Interviews confirmed that this was seen as a core objective and the project reports acknowledged lags in meeting the target results. In fact, PAR reforms in Serbia - especially in the municipalities – is an enormous exogeneity and genuine PAR reforms can only be based on a bottom-up process involving local communities around a Community-based development model and/or where there is strong pre-conditionality.</p>
<p>Financial Analysis</p> <p>The above stated remarks on lack of substantiation are valid for the financial analysis as well. The FE report should show more evidence based analysis and should explain the logic applied in the financial analysis as some of the references made are (at least) disputable.</p> <p>Please provide explanations for the table of calculations that show significant discrepancies in figures and methods used to analyse the efficiency of the project in terms of double counting and incorrect calculations (table on page 20).</p>	<p>This comment is from the UN CO and is unclear in precision. The table on p20 is the officially planned budget grouped on slightly different way.</p>
<p>SDC Comment: Recommendations on alternative implementation set up rudimentary</p> <p>Following such severe analyses and conclusions, the recommendations were expected to be much more elaborated. To a large extent recommendations are simply missing, especially concerning alternative implementation set ups (pp. 65-69). This is disappointing, hence to be corrected, as the TORs insist on the learning character of the FE, in order to apply lessons learnt to the elaboration of the PRO-successor programme. A. An appropriate recommendation is made on improving municipal</p>	<p>The format is consistent with EC norms. On the other hand, the team concurs that the issue of lessons learned should be reinforced through the planned Workshop. The chaotic nature of the project conception and its flawed implementation makes it very difficult to make clear, coherent and concrete recommendations, as this would in effect necessitate providing a template for (a) new project (s). The EC Serbia team is reviewing the matter and the FE has recommended that a Formulation exercise be undertaken as part of the programming and independently of the current PRO team given the clear conflicts-of-interest.</p>

<p>services, in that “another approach would have been to form an executive working group from within the municipality, guided by a steering committee... The WG would conduct strategic planning on the basis of wide-ranging consultations...” (p. 41) Was this actually never done?</p>	<p>Methodological recommendations within specific areas of project design and implementation are given within the text as below A.</p> <p>A. No, the LAG model, was more or less self-contained – aiming to embrace community participation through the putative participation of civil society and business partners.</p> <p>Wider consultation with communities was attempted in Ivanica and Raska <i>after</i> the development of strategic plans – seeking comments and inputs. This was in the main a passive process, demanding citizens to submit comments, although a small number of presentations were also organised.</p>
<p>Plea for a more systemic approach versus very rigid understanding of log-frames</p> <p>The FE rightly pleads for more systemic approaches and more weight for governance issues and has some strong arguments against direct implementation in parallel systems. This, however, somehow contradicts with a very rigid and mechanical understanding of log-frames underpinned by an attribution logic which at best works in theory, but hardly in practice</p>	<p>The FE cannot comment on the requirements for SDC but logframes are integral to EU PCM in both project and programme planning and are consistent with the current debate in the EU and Brussels about a switch to a sector-wide approach to aid management as well as with fundamentals of sound Public Finance Management and sectoral budget provisions to Line Ministries or to lower levels of government under a frame of fiscal decentralisation or fiscal federalism. Moreover a very basic point was misunderstood – namely the real-time value of Logframes and which should be the basis of project-specific or wider monitoring model (something DACU will need to engage under current DIS reforms). A logframe is legally binding if part of the Financing Agreement and formally the evaluation is legitimate if it is not met. They have therefore to be dynamic instruments and this allows for disbursement pressure to be compensated by re-calibration of current or contemporaneous need to ensure time-consistency of aid intervention.</p> <p>There is no contradiction in the area of intervention – governance – and the means of implementation with the use of a Logframe, which is simply a management tool and as such subject to alteration. Without it monitoring and evaluation become difficult and possibilities of financial irregularity emerge even with a notional audit trail.</p> <p>In the context of regional development, use of indicators and benchmarking as well as overarching logframes is a basic premise for cohesion and regional aid in the EU.</p>
<p>Inception phase not properly used</p> <p>We share this assessment. However, the inception report was approved by the steering committee and proof of this has been submitted to the FE mission along with every other steering committee meeting reports/minutes that clearly show the line of decision making.</p>	<p>See General Comment – SC sanction is not legally binding and does not limit ultimate responsibility of EC under current system of EC Aid Management. Whilst a procedural explanation, the actual key responsibility (given DEX and exclusion of UNDP) for strategic direction was delegated to the team and the TL. The Inception Phase is a notional period but redress and redesign could have taken longer or a re-calibration proposed on the basis of genuine understanding of need, demand and provision of TA and investment.</p>
<p>SDC: Overall EAR/EU-frame conditions for funding not properly taken into account</p> <p>The FE-report completely ignores overall frame conditions of EAR/EU funding in this particular case. While SDC showed a big deal of flexibility and accepted 2 running</p>	<p>See General Comment: This is an issue which has been picked up by assessing transaction cost on different measures to derive effective disbursement. A more active UNDP involvement from Belgrade anchored around governance-based reform would have modified this moral-</p>

<p>phases in parallel during a couple month this was not the case with EU/EAR which created high pressure for disbursement for which the TL is not to be blamed.</p>	<p>hazard to spend for sake of meeting disbursement targets and the Court of Auditors may pick this up as far as EAR programming was involved. Given the <i>de facto</i> externalisation of the UNDP HQ, the implicit, if not delegated, authority rested with the TL to highlight these concerns.</p> <p>As per previous comments, the lack of a cohesive understanding of the economics of investment was a symptom of overall lack of credible competence at the PIU. Disbursement pressure does not excuse poor decision-making process. The EAR is not under evaluation here but contra-evidence exists from the MIR2 project also under the EAR and the then same TM where there was evidence of significant tension with the PIU and the UNDP HQ because in that instance, MIR2 took more robust stance based on coherent analysis and decision-making – despite the same level of disbursement pressure.</p>
<p>MIR2-benchmarks not asked for in TOR, if provided anyway substantiate them more MIR2- benchmarking is present throughout the whole report despite not being asked for in the ToRs. If this is maintained, it needs to be substantiated much more in order to be credible. The report has several comparisons with the MIR2 programme (p6, p13, p18, p23, p24). While some comparisons can be instructive, it would be more helpful to make comparisons with a wider range of area based and municipal support programmes, both in Serbia and further afield. Focusing only on comparisons between MIR2 and PRO2 (which are, after all, very different in conception, time-frame and nature) without fully explaining and identifying differences and relevant similarities provokes unnecessary competitiveness, and can be misleading.</p>	<p>As for the above point, the comparison with MIR2 where made is relevant as it is in effect an exemplar of an Alternative Hypothesis in Statistical terms – with similar frame but subtle differences.</p>
<p>CIF over-estimated Despite being an SDC promoted idea, CIF seems to be over-estimated by the review team. There exists a need to think much beyond CIF in order to properly tackle civil society involvement issues in a systemic way.</p>	<p>The CIF absorption could have been higher but the FE agrees with the point. Please refer to the effectiveness finding, p41 / 42: - CIF grants have been effective in a <i>very limited way</i> in:</p> <ul style="list-style-type: none"> Facilitating <i>rudimentary partnerships</i> between civil society and municipalities... <p>The <i>overall effect of CIF is modest</i> owing to its limited scope over a very large geographical area, the small scale of interventions supported [...] and the overall investment of around 100,000 Euro in project activities.</p> <p>Yes, there is a need to think beyond CIF for civil society development, but this evaluation was not about civil society development and the issue cannot be dealt with effectively within the framework of this kind of project. For an up-to-date assessment of civil society needs in Serbia, see the TACSO project (EC Civil Society Facility) – info.sr@tacso.org (about to go online at www.tacso.org).</p>
<p>Respect of the TORs We also failed to have the Evaluators facilitate a <i>workshop where PRO stakeholders could reflect on their positive and negative experiences, lessons learned and indications</i></p>	<p>The issue was discussed with the UNDP, SDC and the ECD. The ECD agreed to stick to conventional Evaluation format by agreeing to the process culminating with the Evaluation Report and feedback. The Workshop will be undertaken and the team have developed ideas that will need to be discussed with the UNDP on matters of organisation and logistics. The</p>

<p>towards an eventual future programme.</p> <p>Recommendations of this workshop will be used as an integral part of the Evaluation Report. This workshop is a necessary piece of the FE, whose results have to be included in the FE Final report.</p> <p>Finally, minutes of presentations and workshops, analysis cannot be found in the annexes, as required in the TORs.</p>	<p>Workshop presentations and any feedback will be annexed to the Evaluation Report.</p>
<p>Wording</p> <p>While the report in many instances convinces with analytical clarity and stringency, at times inappropriate wording threatens to discredit the reviewers. Especially, the statement on p. 17, “... this is a damning indictment and suggests a colonial and donor-led approach...” is not only politically incorrect, but also very close to an insult. Another example of inappropriate wording is given on p. 58: “extremely poor judgement, bad economics and a failure of purpose”. Such wording does not have its place within a serious piece of scientific work, as is expected from this FE.</p>	<p>We note the point about language and the sentence has been moderated. However, we have significant concerns about the overall value-for-money and retain the second reference since it is in effect project failure.</p>
<p>Errors</p> <p>SDA (p. 9) => SDC?;</p> <p>Error, reference source not found (3x) (p. 20);</p> <p>Deputy TL (“one”, not “the” deputy) at Karljevo (p. 24), not Kragujevac (p. 35)...</p> <p>Please correct all spelling and grammar mistakes.</p>	<p>Noted</p>

Specific feedback and comments by PRO2 FE Draft Report structure

<p>Summary</p> <p>P5 II. Key Findings and Lessons Learned: ‘a modest amount of €100k was allocated to civic society through the CIF shows positive impact, but at a very high marginal cost’. There is no evidence provided to show what this ‘marginal cost’ might be. Later, the report (p 31) says ‘CIF is value for money due to the involvement of civil associations’. Either provide evidence to show that there is high marginal cost, or delete.</p> <p>P 14 III.4 Donor Coordination. This should mention the substantial investments from the Government of Luxembourg in Novi Pazar, and also the coordinating role of the ‘Friends of Sandžak’ group of ambassadors. This group has the potential to mobilise additional donor support for SW Serbia, and needs to be brought into the funding mix.</p>	<p>There is no contradiction. The data on efficiency and effectiveness showed that approx 80% of the US100k was net funding but the impact of the net funding was regarded positively, thus positive impact and value-for-money. Of course, the FE argues that the marginal and overall cost could be lower for future intervention by going to specialist providers outside the UNDP and possibly direct to Serbian NGOs.</p> <p>Re second point, noted.</p>
<p>Relevance</p> <p>P18: <i>“the nature and potential role of an RDA was fundamentally misunderstood both as regards the demand side from LSGs and the potential supply side of funding available”</i>. Please provide additional explanation with i) a description of what was the understanding of the nature and potential role of an RDA within the PRO team and among its stakeholders, and ii) a discussion with some evidence to explain why this understanding is in fact a misunderstanding. As it stands, it is an assertion with no evidence to support it.</p> <p>P19: <i>“There is a broader question under relevance as to the value-added of UNDP involvement for financing infrastructure projects given the high transaction costs associated with using its services”</i>. The report asserts that UNDP transaction costs are ‘high’ without any supporting evidence. This statement should be supported with figures to compare the cost of UNDP transaction costs with that of alternative providers of similar services for similar projects (e.g. consulting firms), or else deleted.</p>	<p>The supply side issue has been exhaustively outlined in the text and previous explanations. Expected flow of funding will be limited and subject to a number of preconditions, both on lending and co-finance whilst absorption capacity concerns will gravitate funding preferences toward classic ISPA/Cohesion Fund type interventions – large scale in nature.</p> <p>On the demand side, there is a sense at the EC that even today there is a misunderstanding and misrepresentation of what and how funding will work and therefore the role of the RDAs. Ignoring the issue of NUTS, an RDA is what its constituent partners want of it. In this context demand was and remains a general demand for budgetary intervention given the region’s relative backwardness. EU aid is simply additional, as it will always be.</p> <p>Re second comment – see section on Efficiency and raft of data. Put simply, the cost of a huge administrative PIU coupled with the UNDP management fee 8% absorbed higher amount than is typical for a private sector service provider.</p>
<p>Efficiency</p> <p>P21. <i>“Further decomposition is possible. The argument made in this FE is that the value-for-money of, in particular, the feasibilities for large infrastructure projects – costing €1.3m approximately or 20% of the total budget – is highly dubious and if this is further excluded, the intervention funding is 33%.”</i></p> <p>The section is about project efficiency, not about relevance or effectiveness. The judgement that the ‘feasibilities for large infrastructure projects’ should be excluded is a judgement about the appropriateness of the intervention, and not about the efficiency of project implementation. Therefore it is not appropriate to argue that the cost of these projects should be excluded from the total value of intervention funding.</p> <p>P23. The graphs on this page are highly misleading. They use the same Y-axis scale for US dollars and Euros, which gives the impression that 700 Euro is worth less than</p>	<p>The FE team disagrees. The argument on Efficiency is not diluted in any way and the data used provides a range.</p> <p>The purpose of this graph is to see trends and ration between Euro and US\$ and discrepancies in planned and delivered salaries therefore graph as it is presenting exactly that. The use of a single axis is immaterial since the distinction between the currencies is clear.</p>

<p>1000 dollars, even though they are in fact worth the same (from this data). These different units should be represented on separate scales, or as % variances from the original budget value.</p>	
<p>Effectiveness</p> <p>P41. Reference should be made to the standardised strategic planning process developed by Exchange I and II, and the Standing Conference, and assessment of the PRO methodology made against this standard.</p> <p>p.55 <i>“The active support of municipalities and their ability and willingness to provide strategic direction to their respective RDAs is in doubt”</i>. This statement needs to have some evidence to support it. Since only one of the eight mayors of the PRO region was interviewed (Raška), and none of the mayors from municipalities supported by either SEDA or the Užice RDA, it is hard to see where this information came from. This is especially the case since, later on, the report says: <i>“It is unclear to what extent municipalities feel ownership of the RDAs and whether they will support them fully in the future”</i>. If it is unclear, how can it also be in doubt?</p>	<p>The evaluators were not referred to the approach taken by Exchange I & II by the project team and this is not referred to in the documentation. Effectiveness is measured under evaluations as the direct correlation between results and specific objective/s or a similar relation thereto for the UNDP and other donors.</p> <p>The FE team was given a revision of a strategic plan facilitated by Exchange II in Sjenica and on cursory reading the document was of good quality. Revisions of strategic plans were achieved under Exchange II in Sjenica and Nova Varos. PRO 2 however, made no meaningful progress towards revising strategic plans in the other 4 municipalities.</p>
<p>Impact</p> <p>The FE condensed the programme into three components: <i>“The project was in essence about</i> i) <i>Small-scale infrastructure</i> ii) <i>Potential large-scale infrastructure through preparatory work via feasibilities and assisting Institution Building of RDAs to be interlocutors for intra-municipal funnels of future region-wide financing of EU funding</i> iii) <i>Modest focus on civic society engagement – determined after the project start”</i> (p. 57)</p> <p>This ignores the work on municipal service delivery improvement which was one of the main objectives of the programme. The improvements of services have been shown to be quite substantial, according to the perceptions of citizens, and as acknowledged by this report (p46). The report should more explicitly recognise that improvements to service delivery was one of the objectives of the programme, and not only that it has been achieved, but that there is solid evidence (in the form of citizen satisfaction surveys) to show that it has been achieved.</p> <p>The assessment of impact for feasibilities as shown in the graph on p 58 (fig 11) is highly misleading. The FE team should indicate what are the units on the Y-axis which infer impact. Has such a quantitative analysis of impact been performed, and if so, how was it calculated?</p>	<p>p.57: <i>The short-term impact of funding for the civil society component (CIF) and indeed for the CAC part has been positive</i></p> <p>CAC is only a very small part of the project investment. Capacity inputs here built upon already existing facilities in all 8 municipalities, so overall impact in this area is less important.</p> <p>CSSs provide indicators of improved CAC provision, although these are hardly solid evidence, as there is no means of ascribing the changes in public perception to 1. changes in CAC practice and then 2. to project activities. It should also be noted that the CSS’s only record <i>modest improvements</i> in citizen’s satisfaction with services.</p> <p>Figure 11 is a projection and as such qualitative. It is not clear what is misleading as it clearly depicts impact schedules. There is no value or purpose of elaborating non-linear equations to represent this or in the value of any empirical assessment.</p>
<p>Sustainability (pp60-64)</p> <p>This section addresses only the sustainability of the inter-municipal projects, and not</p>	<p>RDAs – are clearly not sustainable. Short to medium-term financial security is assured by the</p>

<p>any other aspect of the programme. Sustainability of key institutions supported by PRO should have been considered. Are the RDAs sustainable? What about the LED offices? CACs? Strategies? Do these institutions continue to have a relevant and useful role in the context of SW Serbia? These are questions the evaluators could usefully have addressed, and would provide very valuable learning for the design of the follow-up programme.</p>	<p>EC operating grants, but low organisational and institutional capacities, including the low level of municipal ownership of the RDAs indicates that long-term sustainability is very uncertain.</p> <p>LEDs are sustainable in the sense that they institutionally incorporated into municipal structures. However, the capacity constraints under which they operate (see Effectiveness) raises serious doubts as to what exactly municipal support will be sustaining in the long-term.</p> <p>CACs are more purposefully integrated into the municipalities and are clearly sustainable.</p> <p>Strategies exist but the link to budget plan and appropriation is poor and poorer than in the MIR2 region where the process was longer and more inclusive.</p> <p>The Formulation exercise should delve into issue in more detail as detailed assessment is outside the time constraints of the FE.</p>
<p>Inter-municipal Projects and the Pipeline Fallacy</p> <p>The main finding of the whole report is that of concentrating too much on feasibility studies which are unlikely to be funded. This is highly important not only for PRO2 but for all other similar Area Based Development Actions that work on preparation of infrastructure projects for financing, including the Municipal Infrastructure Support Programme (MISP), the Exchange II grant scheme, and the investments into the SLAP pipeline, as well as any possible future project of a similar nature. Therefore it warrants a very careful study – perhaps a study by itself. There are three basic assumptions given in the evaluation in this regard:</p> <ul style="list-style-type: none"> ● That the majority of PRO supported regional projects were feasibility studies (p32, p58) ● That the expected lifespan of a feasibility study is 12-18 months (p61) ● That the amount of capital finance available for infrastructure during the next 12-18 months is ‘at most 2-3 million Euros’ (p62) <p>Since this finding is so serious, and under-pins the whole tone of the report, it needs to be carefully validated. However, the report does not contain sufficient evidence to validate these assumptions.</p> <p>Therefore, please provide:</p> <ul style="list-style-type: none"> ● A list of all PRO supported projects in the annex, together with type of project, to see exactly how many were feasibility studies, and how many were other types of infrastructure design preparation and TA work (e.g. spatial plans, designs, actual implementation, etc), together with cost breakdowns, and likely life spans of their validity ● A source reference or other basis for the finding that the expected lifespan of a feasibility study is 12-18 months ● An independent verification of the table on pp61-62 i.e. how it is possible to show 	<p>The comment is coherent, except these are all facts except bullet 3 which is a qualified expectation.</p> <p>The reason why the FE concentrates on FS is because project spent 33% of the money for that purpose.</p> <p>Re comment para 1: agreed but perhaps it should be rephrased thus: <i>“important not only for PRO2 but for all other similar Area Based Development Actions that work on preparation of infrastructure projects for financing, including the Municipal Infrastructure Support Programme (MISP), the Exchange II grant scheme, and the investments into the SLAP pipeline”</i> but not for municipalities in South Western Serbia if this will never be funded.</p> <p>Re lifespan off the FS: We got information from engineers from PRO 2 project, from engineers from IPF, from everyone we asked. The team then did an additional check with Ministry of NIP and Ministry of infrastructure we got the same answer – the feasibility study is making when you know that project will likely to be financed due to the fact that each feasibility study have limited lifespan, especially in transition countries (process of adoption of legislation with EU and non stable economic situation as well as significant inflation) . Finally, in the EU, feasibilities and Cost-Benefit Analysis require liability form the authors which applies for 2-3 years and this ruling will apply under EU Procurement rules.</p>

<p>that of over €2 billion available through the IPA mechanism only, only €2-3 million is available for SW Serbia. Not to mention the contradiction in statements in the same table, where World Bank and EBRD funding is described as limited because of the very lack of mature projects and feasibilities (sic!) Please provide sufficient references or arguments to substantively support these findings and provide sources of verification for the assumptions outlined in the table in addition to the independent verification or delete the table.</p> <p>It is essential that there is some consensus view on how much capital financing is likely to be available in the coming years, and what is needed to enable its investment into less developed regions. For future planning and programming, the recommendations should show a consensus view on the likely volumes of capital finance that will become available for regional and municipal investments in Serbia, from all sources of finance, including grants, loans, and PPPs.</p>	
<p>Key Structural Reforms for PUCs</p> <p>It is not clear why this section is included in a review of the PRO programme's sustainability. It may be relevant as Background, or in the context of future programming. It does not serve to add to our understanding of the sustainability of the PRO programme's achieved results.</p>	<p>Its inclusion is relevant, its placement not appropriate in any other section and is fundamental to a forward looking arena. In effect, it makes the point of cross-elasticity of sustainability vis-a-vis structural reforms.</p>

Page-by-page corrections and comments on the Draft Final Evaluation Report of the PRO2 Project

<p>1. Page 5: “However, the true <i>modus operandi</i> of the project to finance large-scale infrastructure was a failure of purpose– 34% the total budget was spent on a flawed idea that is unlikely to realize any funding.”</p> <p>Comment: Please provide more substance to this statement as there is space left to interpret this statement as personal guessing without facts. Have the evaluators interviewed the relevant Ministries and persons within ministries? Are there any different relevant data. Also, have all persons from the contact list provided to the FE team been interviewed?</p>	<p>Executive summary – see text for elaboration</p> <p>The data is clearly sourced. The assessment was based on existing documents such as the Budget of Republic of Serbia, IPA planning documents for 2007, 2008, 2009 and 2010, and various institutional strategies - Government EBRD, WB, EC, donors etc, as well as interviews with all relevant stakeholders - Ministry of finance, Economy, EBRD, EC Delegation different EC project (which are programming IPA, working of 3 IPA component or Regional development), and others. In addition, recourse was made to the combined knowledge and experience of evaluators in this field.</p>
<p>2. Page 6: “Put simply, the selection of a large number of smaller projects as per PRO1 would have been more visible, at lower marginal cost and with greater impact”</p> <p>Comment: From the theory on development widely accepted and from the experience world wide it is clear that small “quick impact” infrastructure projects have very small or no mid or long term impact on development and that they have no sustainability since there is no development process built around them. Please provide more substance on the logic used to make this statement.</p>	<p>See reference to earlier response on this point also.</p> <p>The experience referred to depends on the macroeconomic or structural contexts of a country’s transition and development. Keynesian-style works had a major impact in the world economy in the 1940s-60s and is in the vanguard today in developed economies. The key however is the impact on productivity. For a country like Serbia the context and starting point is different. That said, the issue for PRO2 was the opportunity cost of choosing feasibilities over small-scale infrastructure. If the imperative of the EAR/EC was to be seen to be visible then quick results would have the rational choice. In fact impacts, as argued earlier, would have been wider in the sense of investment, jobs, incomes that could have fostered greater demand and interest for soft intervention ideas such as capacity enhancement.</p>
<p>3. Page 6: “The RDAs remain shells and were excluded from the PRO decision-making (a negative aspect of the DEX model) whilst the ownership from LSGs for the RDA interface remains immature and will depend on funding. The FE finds fundamental concerns on the value-for-money on the €400k expenditure for RDAs under, in particular, efficiency and effectiveness as well as the value-added of the role and cost of the deputy Team Leader – and allied management issues.”</p> <p>Comment: Experience in the most developed and advanced countries regarding regional development and RDAs such is in the UK and in countries in transition show that processes of development of the proper functioning RDA needs to last at least 5 years with different technical and financial support. So, taking in count current results of RDAs in PRO AoR it can not be stated that they are shells. Even Minister of Economy and Regional Development Mr. Mladjan Dinkic officially gave the statement on National TV station RTS1 that currently most advanced RDA in Serbia is the one in Kragujevac and that most promising one is the one in Kraljevo (August 2009).</p>	<p>The comment regarding the word “shells” is accepted and has been altered accordingly in the text. However, the basic conclusion that the RDAs have so far achieved little apart from registration as legal entities and that the capacity-building process they have undergone has delivered so-far disappointing results. The conclusion for Effectiveness still stands, but see also the evaluation of Effectiveness pp.55 & 56 for further detail:</p> <p>Three RDAs have been successfully established in Užice, Kraljevo and Novi Pazar. All three have serious shortfalls in the technical, organisational or institutional capacities necessary to facilitate and coordinate regional development, as well as secure longer-term sustainability. Active support for and ownership of the RDAs by member municipalities remains at a low level. Inter-municipal cooperation established by the project for infrastructure projects has been developed outside the RDAs and has been dependent on project facilitation.</p>

<p>Regarding ownership of LSGs over RDAs it is clear that LSGs and RDAs will have to work on their relationships and trust but even if we only consider 1 fact; that LSGs made their Assembly Decisions to put RDAs in the budget for 2010 confirms that LSGs take seriously their ownership for RDAs. See minutes of Assemblies. Actually, the expenditure of 400.000 EUR for building up 3 agencies is the lowest expenditure in Serbia this activity. Furthermore, if outputs and outcomes of this activity were taken in count (level of technical equipment, trainings and consultancy, established and functional IN DOC Centers within RDAs, plus one year of operational costs) expenditure of 400.000 EUR is extremely low.</p> <p>On similar actions/projects with same or similar activities regarding RDAs in Serbia, the teams of at least 4 people have been or are working on the development of a single RDA, whereas the PRO's DPM was the only one dedicated full time for this activity and with the support of Project office, this one person has covered 3 RDAs and 19 municipalities. There were no additional costs for this position since DPM was using offices and office supplies within RDAs as they were established and was based at various times in Novi Pazar, Uzice, Kraljevo and travelling some 1,500 to 2,000 km a months at the peak with numerous travels to Belgrade and the 19 municipalities.</p> <p>Again the practice in other similar projects was and is to have separate operational office in each municipality where RDA is formed. All this can be supported by reports and relevant documentation of RDAs, so the FE TL is most kindly asked to provide more substance and explain the line of logic to the statement that costs were high without examining procedures and processes of forming similar agencies.</p>	<p>A five-year time-scale for capacity building is probably quite correct, but this only points up the unrealistic optimism of PRO2's expected result (i.e. an output which project management, given access to all necessary resources, should be able to guarantee) to be achieved in 18 months:</p> <p>- ... facilitate the establishment of sustainable regional development partnerships.</p> <p>The TL said (17.11.09) that PRO 2 exit strategy regarding the RDAs was to secure EU operational grants for all three, rather than secure continued capacity building. It was reported that the project assumed that RSEDP II would also provide extra assistance for capacity development in the foreseeable future.</p> <p>Regarding project inputs into to RDAs, the comment has accurately identified a shortfall in the amount of time and human resources (rather than just cash) dedicated to facilitating the establishment and the capacity building of the RDAs.</p> <p>The DPM was clearly overburdened. If he travelled 2,000 km / month, this means that, at a generous assessment, at least 40 hours a month, or one week in four, was lost to travel (assuming an average speed of 50km / hour).</p> <p>Another more cost effective approach would be to have a capacity builder operating within the organisation in its early stages.</p>
<p>4. Page 7: "The FE calculates the approximate amount from all sources that will be available to the SW Serbian region in the period to 2012 to be at most €3m against the €147m-€200m provisional targeted cost of PRO2 feasibilities – in other words the amount will be too small to finance even a single project bid, even if such a proposal is feasible which at present is not the case."</p> <p>Comment: Please provide more substance, and evidence based logic as there is a number of questions arising:</p> <p>First, for the period to 2012, cost of PRO project pipeline not 147m – 200m but much less based on PCM experience and would be spread out over 5 -8 years and this is made is clear in pipeline calculations.</p> <p>Second, calculation that the FE made regarding supply side is not within their ToR and is lacking evidence based approach, since it is not based on economic analysis and supported by background documents or ministerial policy statements.</p>	<p>The comment confirms basic lack of competence in macroeconomics and aid finance and turn about investment funding. The exercise should have been the contextual underpinning during the first few months. The FE undertook this basic demand-supply schedule on the basis of existing and expected flows and the evidence is clearly flagged both in terms of domestic expenditure assignment including NIP and external finance – both aid and debt-based.</p> <p>Comment 2 confirms lack of clear understanding on project and infrastructure finance as well as the reality of transition economies where anything beyond 3 years is irrelevant unless bound in present value terms, studies have short shelf-lives, inflation changes drastically the compounded cost made today.</p> <p>This comment shows lack of understanding about Evaluation. All information is pertinent whether for EC or UNDP Evaluations. The TL is a strategic advisor to NIPAC and to the MoF and has developed these scenarios and cross-checked with the EC and with IFIs – whilst the</p>

<p>The mere mentioning of current EU funded programs as the only available supply side cannot be seen as a serious analysis and does not take into account Government, non-IPA EU funds or other funding agencies' policy statements.</p>	<p>basic formulation can have degrees of freedom statistically, the overall calculation and resultant implications are clear. More worryingly, the comment from the team reveals a shocking lack of appreciation that investment projects cannot be undertaken without a clear understanding of funding channels.</p>
<p>5. Page 8: "The funding could therefore be a grant-scheme and/or co-funding of small infrastructure projects (<i>de-facto</i> budget support) and tied to PAR reform." Comment: Simplistic, please provide relevant references and analysis at the local or national level. Simple budget support and the creation of developmental process are not always compatible unless based on a full national model. Again, grant schemes and small infrastructure projects have no real or long term impact on sustainable development processes. This has been proved through many projects in Serbia and globally before PRO.</p>	<p>Within a nationally executed framework, backed up by capacity building support and funding according to quality and competition, the suggested approach provides clear incentives for learning by doing and instituting new practices and local-level reforms. This is approach, in its simplest form was attempted by MIR II. More generally, the comment shows lack of competence as regards regional development and EU modalities, both pre-accession and for EU MS. All EU pre-accession assistance for Economic and Social Cohesion was under Grant Schemes which at the limit for Poland were for €100+ per grant for large infrastructure whilst the introduction of ISPA funding was the precursor for Cohesion funding thereafter. There is a large body of evidence on this through the Commission including the lead work done for a review for DG ELARG for all Phare Countries in 2004 by one the present TL of the FE. EIB and EBRD funding has been instrumental in providing additional finance and helped to bridge funding gaps at a fiscal level for cofinance and or deepening of capital markets in the new emerging economies. Given that the project's core aim was to be provide a conveyor belt of projects then the EU model – legitimate or not by the EAR – knowledge of the above was a <i>sin qua non</i> for defining the future framework for capital investment projects in the region. Conversely, and outside the EU model, there is a legitimate argument that alternative models from international experience should have been tested. The UNDP is the one agency that has the mandate, experience and operational knowledge both through its Bratislava node and SE Asia. Whether the Belgrade HQ could have undertaken this task effectively is a hypothetical and second-order question – the evidence is that this body of knowledge was not tapped effectively and as such the real value-added of UNDP knowledge in the context of Serbia being as yet a potential candidate (particularly in 2005-07) is a missed opportunity.</p>
<p>6. Page 10: Factual mistake: PRO is covering directly 8 municipalities not 9.</p>	<p>Noted</p>
<p>7. Page 14: "There is no real evidence that the recommendations led to any noticeable change although to be fair some of the recommendations were not clear in terms of clarity or feasibility aside from the introduction of the Exit Strategy which has been undertaken although it is weak in substance." Comment: Please provide substantive explanation as from SC meetings minutes and QRs it is visible that MTE report and Monitoring report are fully taken in consideration.</p>	<p>The evaluation reviewed the MTR and its 52 recommendations (see Annex 6) itself so significantly numerous as to highlight fundamental concerns about the design and implementation risks at hand. The FE assessed what if any was the resultant outcome of the MTR. Clearly the list was too exhaustive to be implemented. However, a fundamental recalibration was not undertaken, including possible replacement of key personnel. And aside from the Exit Strategy – a weak document in itself given the lack of any genuine exit – there was no significant change. Reference to SC meetings is noted but irrelevant in the context of an evaluation where the review is on results and outputs that are part of the legal mandate. Moreover there is a rather poor understanding about the legal implications of Financing Agreements and the legal basis</p>

	of SC decisions – they are necessary but not sufficient – and cannot be used as an excuse for malpractice , incompetence or non-compliance with programmed benchmarks.
<p>8. Page 16: “Whilst there is a collegiate responsibility in the eventual design of the fiche for PRO2, discussions with the stakeholders confirmed the evaluators’ null hypothesis - that this was essentially an EAR decision, developed in close collaboration with the project team in PRO1 and who had the obvious incentive to lock-in a continuation of the project and linked jobs and fees.”</p> <p>Comment: Please provide more evidence based analysis related to this statement.</p>	This is based on interviews and confirmed by the UNDP, EC and head of DACU.
<p>9. Page 17: “A key difference between the design of PRO and PRO2 was the process undertaken. As noted by the MTR, the design of PRO was more inclusive as regards local municipalities whereas this was not the case for PRO2.”</p> <p>Comment: PRO2 was developed during the implementation of PRO1 so there was no need for separate discussion just on this topic but all municipalities were consulted about their needs and opinions for the next stage of the project during constant daily contacts and during formal discussion.</p> <p>Unfortunately, in all municipalities leadership has changed after last local elections, national and presidential elections in May 2008 so municipal officials that were consulted are not in the position any more to counter for this argument – did evaluators meet anyone outside the current municipality structures in this regard.</p>	This is a fair point. On the other hand, the centralised but deconcentrated system that was PRO2 meant that the legitimacy and de-politicisation of commitments (as again in the MIR1,2 model) was not feasible, something non-DEX system would have forced through but with the obvious danger of stalemates if there was lack of genuine ownership, backed perhaps by cofinance from the municipalities.
<p>10. Page 17: “Interview data highlighted close to 100% negative assessment from final beneficiaries of the approach and the incorporation of needs. This is a damning indictment and suggests a colonial and donor-led approach to development although with the strong caveat that municipality leadership is subject to change.”</p> <p>Comment: Please provide sample size for these interviews and overall more substance for this statement. Also, please explain the use of the inappropriate (at least!) wording!</p>	See comments earlier and the interview list in Annexes, although the previous comment referring to political change may partly but not totally explain the finding.
<p>11. Page 17: “LSGs confirmed that they had and retain a number of ideas and mature projects that lack funding.”</p> <p>Comment: Please provide evidence for this statement as municipalities have lot of ideas for small local projects but when it comes to mature projects, small or large, the situation is quite different. Most of them are less mature than projects that PRO supported.</p>	The comment may or may not be true. General experience in public finance is that demand for capital investment exceeds supply of funding so at a general level the conjecture does not hold. More specifically, the very notion of small scale projects is the short project-cycles involved including procurement thresholds. The real issue is not demand for small projects but the strategic decision by PRO2 to focus on potential large scale intervention.
<p>12. Page 17: “Equally, there was no evidence of a scoping– either during the project design or in the project’s inception phase – of the potential demand and absorption capacity for this component. This is a serious failure and missed opportunity, particularly in the context of the cohesion aspect to build trust and involve inclusion of local communities across lines of faith and LSG boundaries.”</p> <p>Comment: Please provide more evidence based logic and substance as PRO2 is not a separate project but rather a continuation phase of PRO1 and documents from the</p>	<p>Programming documents supplied were reviewed. The FE notes that the project was a <i>de facto</i> continuation of the PRO1 intervention and in part the outcome of initial commitment and subsequently disbursement pressure at the EAR. The short period undertaken from idea to contract seems positive at first hand but was at the cost of poor programming. The fact that the existing PRO team was in effect asked to re-design the follow-up was clear breach of EC PCM Guidelines and is something for The EU Court of Auditors to follow-up.</p> <p>Interview data confirmed that the CIF idea was in fact as a result not of scoping but rather</p>

<p>first phase have full record of scoping. This was done within the first phase of the project. CIF came out as the result of scoping. In the PRO1 project document this does not exist and it is an additional activity, based on the findings during the implementation of PRO 1. As this fact has been provided to the FE, for some reason it is not visible in the draft findings. Please provide more logic and explanation.</p>	<p>donor pressure from SDC to have a non-infrastructure focus. The FE assesses this avenue to be correct.</p>
<p>13. Page 17: "Interview data highlighted close to 100% negative assessment from final beneficiaries of the approach and the incorporation of needs". Comment: Please provide exact sample size and number of interviewed final beneficiaries. Having in mind that a full Training Needs Assessment was done in the early stage of PRO2 and that later on fine tunings were performed in order to ensure full observation of the requests from municipal staff it is strange that such a negative percentage was obtained.</p>	<p>See feedback to comment 10 above. Further, the feedback from the project team itself confirmed that the focus on PAR was not seen as a priority. As highlighted in Effectiveness and Impact the outturn was negligible. In fact, PAR reforms are extraordinarily difficult and cannot be undertaken without clear preconditions and ownership for allied governance reforms. In essence, capacity building and PAR reform was <i>a priori</i> not feasible. One impact indicator that can be used to measure a positive externality is the extent to which the beneficiaries exhibit use of know-how transferred such as bids for other projects (without involvement of the PRO project), review or reform of budget planning, strategic plans etc. No significant evidence emerged.</p>
<p>14. Page 17 -18: The focus on RDAs may have been valid if properly elaborated. In practice, the programming flaw meant that critical and killer-preconditions were not set out or clearly understood and lessons from other projects – not least MIR2 – were not internalized. Ignoring the issue of whether the RDA should have been at a local (NUTS 3) or regional (NUTS 2) level, the nature and potential role of an RDA was fundamentally misunderstood both as regards the demand-side from LSGs and the potential supply side of funding available. a) The difficult but necessary engagement of LSG heads and their ownership of the RDAs is a <i>sin qua non</i> for their effective role. The evidence is that there is almost no ownership of the RDAs that have been financed and the PRO2 project did not include the RDAs in decision making to ensure transfer of knowhow and capacity enhancement. A total of €400k was allocated for RDAs, but including the deputy TL and STE expertise used, the total outlay is expected to be over €500k or approx 7.4% of the total budget. The ex-post value of this funding is highly questionable in terms of value-for-money and goes back to lack of clear programming to address the strategic programming” b) On the supply side, there is a general misunderstand pervading about the size of EU funding that will be available. In the context of relevance there are two points to be made: (i) expectations for the final beneficiaries have been created and at substantial transaction cost, (ii) no analysis has been done to scope out the potential funding or the pre-conditions required – some of which (see Background chapter) are elements of structural reform outside the control of the project” Comment: Please explain the logic applied and provide more substance as the facts are: a) RDAs (Regional Development Associations) at NUTS 3 are formed and their functions defined in accordance with practice gained throughout Europe collected in</p>	<p>This is exactly the point. Project did not use best experience in setting up the RDAs and rather go for easy donor approach creating shelf then hard work with local stakeholders involvement The comment is unclear. The quoted text is self-explanatory. The issue of NUTS level is an exogenous factor although conversations with DG Regio should have been carried out. As it happens the MoERD has priority at NUTS 2 level and so there is a real issue about sustainability of NUTS 3 level RDAs. The issue addressed in the text is more germane. RDAs only work and exist if their role, function, mandate and funding is clear and in the putative Serbian context and the heterogeneous nature of inter-ethnic LSGs in SW Serbia meant that the context was more convoluted. Sustainability of funding but also the modus operandi and operational independence of RDAs cannot be guaranteed without ownership by LSGs or without having involved the RDAs in the PRO2 work, possibly through coaching or delegated assignment. Involving LSGs would have been slow, tedious and possibly impossible but experience elsewhere shows that mutual interest and needs – in this case for inter-municipal infrastructure – is what works to create the basis for social inclusion and co-operation across communities separated by ideology, religion or other differences. The MIR 2 experience shows that it can work across Serb and Albanian LSGs but the FE for MIR2 also showed that the post MIR support for the RDAs was not factored in.</p>

<p>EURADA and in accordance with at that time, knowledge of the incoming Law on Regional Development. All of this was done in consultation with MoERD and other relevant stakeholders.</p> <p>b) The Pre Feasibility Study on RDAs and other documents from PROs archive such as background to Regional Development and RDAs in Serbia, state that all of the FE concerns have been seriously analyzed and taken in consideration and that experience from Serbia and other eastern European countries was used.</p>	
<p>15. Page 18: “Without outlining a critical path and assessment of alternative options, the choice of spending a significant proportion of the overall financial envelope on large infrastructure financing feasibility studies (€2.5m or approximately 40%) is highly questionable. Basic understanding of both the process and economics of infrastructure financing was lacking in both design and in the project team.”</p> <p>Comment: Please provide logic of analysis and substance for this statement. Criticizing national policy developed by the EU with the government of Serbia – without a full analysis of this national model questions the validity of such statements.</p>	<p>There is no policy paper developed by the EC or any national policy paper that supports the notion that projects are prepared based on unrealistic feasibilities or without first having understood the funding context.</p>
<p>16. Page 19: “Whilst there is a good deal of and analysis work done in the project around assessments of municipalities, the value-for-money for such commitment is questionable in the context of something that was unachievable at the outset.”</p> <p>Comment: Although PRO it self couldn’t achieve this alone this was the part of coordination with other projects and programs present in the area such are MSP, MEGA, etc. for the synergy effect. In that sense, please provide more evidence based logic and substance for this statement.</p>	<p>As above. The issues of absorption and funding apply for all project pipelines. The FE is about the outturn and use of funds by PRO2.</p>
<p>17. Page 21: “Further decomposition is possible. The argument made in this FE is that the value-for-money of, in particular, the feasibilities for large infrastructure projects – costing €1.3m approximately or 20% of the total budget – is highly dubious and if this is further excluded, the intervention funding is 33%.”</p> <p>Comment: An analysis of the developmental planning, projects, spatial planning, design projects and pre feasibility and finally feasibility studies is required. This opinion is superficial without proper analysis!</p>	<p>The comment reinforces the point. These steps are time-consuming and costly and therefore raise the risk premium for any decision for a given infrastructure project. The €1.3 spent is fact and the comment suggests that this could in the end by higher.</p>
<p>18. Page 21: “The total of over 400.000 Euro support to the RDAs was spent mainly on operations. This could have been put too much better use in funding activities in the RDAs which would have made founding members (municipalities) to be more active and willing to cooperate in the RDA initiatives. In addition to the costs detailed above we should add 72.000 Euro for three capacity-building experts and a further 61.000 Euro total salary for the deputy project manager responsible for RDAs.”</p> <p>Comment: Please provide more evidence for this analysis and statement as accounts were available and are clear – see RDA business plans and a whole host of supporting documentation.</p>	<p>Evidence on expenditure is taken from the project budget. Evidence related to value for money is explained in the Evaluation report based on, in particular, the 3 DAC criteria of Efficiency, Effectiveness and Impact but also Sustainability where put simply the question is whether the expenditure left anything sustainable that will continue without the external assistance.</p>
<p>19. Page 21: “Costs spent on capacity-building events could have been reduced significantly through more efficient organisation or seminars and encouraging</p>	<p>There is no contradiction. See the section on Efficiency which highlights one example regarding the use of an expensive firm from Belgrade which is counter-intuitive and displays</p>

<p>participants to contribute to their own transport costs"</p> <p>Comment: Contradiction in findings and recommendations. While on one side the FE has a strong opinion that the LSG have significant financial difficulties and are therefore not able to provide cofunding for any current or future project implementation, on the other side the FE recommends that municipal staff contributes to their own transportation costs for seminars and workshops (sic!). This is even more paradoxical considering the PRO AoR average municipal budget for travel or staff salaries. In addition, please provide more substance and clarity for the reference "more efficient organization". Does this mean that the seminars were not efficient or effective or logisticly badly organized...?</p>	<p>poor judgement given the logic of intervention to facilitate local development.</p> <p>The issue of fiscal constraints does not mean across-the-board guillotine on expenditure assignments. The same is currently the case at a central level in Serbia where EU-centric administrative capacity has been ring-fenced despite on-going budget and staff cuts generally in the Administration. The amounts in question for the LSGs for staff travel are not a large cost item but there is always a trade-off between provision of external aid and aid-dependency. In principle, commitment by beneficiary is a key test of ownership to "buy in" and highlight ownership and so provide incentive for meaningful participation holds true for training and capacity building as it does for infrastructure projects. More simply, one can posit if the fact that a LSG is not able or willing to provide transport costs is consistent with its possible provision of higher capital for cofinance and other pre-commitments related to large scale infrastructure including maintenance costs.</p>
<p>20. Page 24: "Capacity development: data on numbers of trainees was requested but not provided."</p> <p>Comment: Not True!!! Please explain this statement as on 24th of November the following documentations were sent to Mr. Bill Sterland by email: Workshops done – All in One (Jun-Nov'09). Data that the list contains are: List of all workshops contracted and conducted by MSP related to the municipalities, Trainings related to the RDAs and Municipalities delivered by LIR SMC during my engagement in the programme implementation and all CAC Round Tables. The list contains also: Target group for trainings, Place, Month, Workshop held (dates), Duration in days, Number of participants & attendance – Invited, attended and attendance in %, etc.</p> <p>CAC achievements. Contains all the CAC achievements by each municipality. Strengthen local governments (wv). Working version of the list of all trainings conducted by MSP with all expected/achieved outcomes for each of the training.</p>	<p>Full details of all training events and their breakdown were not delivered. However, information from 24th November points to a total of 30.5 days trainings delivered between June and November 2009, attended by 432 participants.</p>
<p>21. Page 24: "2. Strategic leadership was criticized by a number of stakeholders including those within the project team. Whilst the TL's presence in Belgrade may have been justified on occasion, social and political inclusion at the local level requires – as successfully piloted by the MIR project – that the key experts invest time to build relationships and to undertake people-to-people dialogue. This is even more the case given the inter-ethnic legacy issues facing SW Serbia and the challenges to foster meaningful inter-municipal co-operation generally and for large-scale infrastructure projects that require committing scarce municipal budgetary funds. "</p> <p>"3. Moreover, the deputy TL was stationed at Kraljevo. Justification for this is questionable in terms of cost, commitment to the cause of social cohesion in the municipalities with large Bosniak populations"</p> <p>Comment: Please provide more substance and evidence to support this statement as time sheets verify that the TL was all the time based in Novi Pazar and just from time to time spending one or two days in Belgrade mostly because of the obligations</p>	<p>The information is based on feedback including clarification sought from the UNDP CO who responded on Dec 2nd on the point. The FE is not able to make statement about presence of team leader in the region without getting this information from the members of the project. Several of them pointed that TL was mainly coming in Monday or Tuesday and very often going back to Belgrade in Thursday or Friday morning time. In addition the FE can confirm the experience when the Evaluation team spent time (first week) in project area TL had " more important business in Belgrade" then to meet evaluators.</p> <p>As we stated before Evaluation team believe that this is not at all good practice especially when DTL have to cover three RDAs.</p>

<p>towards UNDP CO, Government or Donors or other official meetings or events regarding project!</p> <p>In addition, if we take in consideration the simple fact that RDAs were supported in Kraljevo, Uzice and Novi Pazar and that they all needed regular presence of DPM just from the point of logistics and the fact that Kraljevo started from the beginning it is clear why Kraljevo was chosen for station of DPM mostly, with much travel throughout the whole region.</p> <p>Furthermore, a SECOND DPM - Organization, was based fulltime in Novi Pazar as was the project headquarters – org charts were given to FE team.</p>	
<p>22. Page 27: "The use of MIROS Company from Belgrade to provide transport to training participants and the project more generally, as well as to organize some events, was highly expensive and not cost effective. A more effective option would have been to hire part-time drivers from the project region upon need. "</p> <p>Comment: MIROS company from Belgrade is not chosen by PRO, but rather by UNDP CO in Belgrade to provide their services under a standard LTA after a very transparent competitive process and the use of MIROS services is recommended by the CO. Please provide more substance and a deeper economic analysis for the statement that 'more effective option is to hire part-time drivers from the region'".</p>	<p>Cost of the MIROS company for car transport BG-NP is 235 EURO</p> <p>Cost of the part time driver is for 4 hours is around 20 EUROS + fuel cost around 50 EUROS + car amortization 20 EUROS</p>
<p>23. Page 32: Selected projects for infrastructure documentation, mainly feasibility studies, are not in accordance with the possible "pipeline" of the money for funding infrastructure in the coming few years. This means that the majority of the feasibility studies will not come to completion and project investment may have been better redeployed.</p> <p>Comment: Please explain in more details and elaborate the logic of analysis. As already commented, not all TA related sub-projects were Feasibility studies and the listing of only one potential funding source distorts the validity of the FE finding.</p>	<p>Commented at length above. Feasibilities for EU funding or for IFIs need to meet strict pre-conditions including structural benchmarks (see Section on PUCs) under Sustainability. The probability of mature and bankable projects is therefore outside the control of the project.</p>
<p>24. Page 35: The appointment of a deputy project manager with responsibility for inter-municipal cooperation who remained based outside the project region (Kragujevac) reduced efficiency in this area. And possibly reduced the potential for project success by reducing time available.</p> <p>Comment: Factual mistake - DPM was based in Kraljevo (not Kragujevac), with frequent travel to Uzice, NP and Belgrade as required. Also, please provide more substance and evidence based analysis, as all planned activities have been performed, even some that were not planed as the FE report admits. Furthermore, only one person performed the job that in other similar projects entire teams are created for (example : MSPNE has a full team in Pozarevac to support just one RDA, the same was within RSEDP1 where project has offices in Zrenjanin, Kragujevac and Leskovac composed by 3 to 4 persons).</p>	<p>This refers to the fact the DTL is actually resident in Kragujevac, from which he traveled to Kraljevo, Uzice, and NP, and also to BG whenever necessary.</p> <p>Regarding capacity support to RDA's outside the project, this is irrelevant</p>
<p>25. Page 35: PRO 2 is covering 100% of the operational cost of RDA Kraljevo, without meaningful contributions from founder members. This is poor practice, as it reduces</p>	<p>"experience with other RDAs in Serbia was (and is) in some respects, a simple ad hoc manner of getting small amounts of funds from municipalities without a systematic approach to</p>

<p>the potential commitment of RDA members and also increases the chances of donor dependency at the RDA. It also reduces the members' (municipalities') stake in the organisation, thus reducing their ability to influence and shape strategy and policy.</p> <p>Comment: As mentioned above, experience with other RDAs in Serbia was (and is) in some respects, a simple ad hoc manner of getting small amounts of funds from municipalities without a systematic approach to programme budgeting which is not sustainable and that it will live only while the external project team is there. Fully different approach was used for RDAs in PRO AoR that they will be supported by project just for the first year and that during that period founders will develop sound system of financing of operational costs of RDAs and to put it officially through their Assemblies. This was done and full record exists in RDAs documentation. The "good practice" mentioned by the FE Team is not functioning in any of RDAs in Serbia and that is why they are having now issues with matching funds for EU grant support.</p>	<p>programme budgeting which is not sustainable and that it will live only while the external project team is there."</p> <p>We don't know is it true but we know from previous evaluation that in South Serbia RDA all municipalities are paying membership fees from day one and all majors are participating in decision making process as a member of Executive board.</p>
<p>26. Page 41: LAGs established in PRO1 have not survived. The project was unsuccessful at converting these into vehicles for the monitoring of strategic plans</p> <p>Comment: Simple explanation - The Law on Local Self Government has been changed and LAGs as the advisory bodies lost their meaning, the same goes for LDCs.</p>	<p>Changes in the Law eliminated the multi-stakeholder Municipal Development Committees (MDCs) as legally defined entities which were intended to monitor municipal strategy.</p> <p>LAGs, as broader-based and larger multi-stakeholder bodies, were innovations under PRO 1 and, although based on World Bank methodology, were not established in the same way in each municipality. PRO 2 monitoring reports make it clear that an attempt was made to re-animate LAGs with the intention of providing a sustainable, community-owned alternative to the MDCs for monitoring the implementation of municipal development strategies.</p>
<p>27. Page 42: All studies, except the project for a visitors centre at Uvac Lake remain at a very early stage requiring considerable development. Owing to changes in the economic environment and expected changes in regulations and legal frameworks governing infrastructure, the maximum "shelf life" of feasibility studies is three years, after which they would need to be carried out once more. Therefore there is pressure to complete the full documentation within this period to bring them to the implementation stage. It is estimated that this will cost a total of between 3 – 4 M Euro.</p> <p>Comment: Please provide explanation re: "very early stage" and provide exact data regarding this finding (number of such projects, name, value, exact state of projects)</p>	<p>The majority of these studies are either pre-feasibility or feasibility studies. By definition, therefore, the projects they refer to remain at an early stage of development.</p> <p>Please see also Sustainability pp.60-63</p> <p>You can find this data in the project office due since these were the words given by the PRO 2 engineers, PRO 2 programme assistant in Nova Varos and as well deputy mayor n Nova Varos.</p>
<p>28. Page 44: The limited results of the RDAs to date remain paper studies which do not contribute to the project purpose. The completion of the integrated development plan for Zlatibor district, by RDA Užice will provide the strategic framework for progress towards the PP.</p> <p>Comment: Please provide more substance and evidence based analysis as the results of RDAs even in this early stage of their existence are not just "paper studies". All of them, SEDA, RDA Kraljevo and RDA Uzice have already some results according to their functions. Just to mention 9 projects submitted for CBC that municipalities prepared with support of RDA Kraljevo and the same number supported by SEDA.</p>	<p>This section is based upon the reporting of results by the RDAs themselves.</p>

<p>All other results can be easily checked in RDAs documentation i.e. contacts with MoERD, USAID etc etc.</p>	
<p>29. Page 54: It is doubtful whether any of them have developed technical, organisational or institutional capacity to carry out their mandates to the full and also achieve longer-term sustainability.</p> <p>Comment: Please explain this statement as the mandate of PROs was to support creation or transformation of RDAs, to technically and organizationally equip them and to make basis for capacitating them to fulfill their functions. In cooperation and coordination with other programmes present in the field such as RSEDP2 further capacity building of RDAs is guaranteed. Synergy is something that is useful much more than overlapping.</p>	<p>The statement is self-explanatory. The first sentence of the comment was in effect a failure; synergy means that there are economies of scope and scale (or put simply 1+1=3 effect) – there is little evidence of economies at play.</p>
<p>30. Page 55: The active support of municipalities and their ability and willingness to provide strategic direction to their respective RDAs is in doubt.</p> <p>Comment: Please provide verifiable source and substantive evidence for this statement.</p>	<p>For Uzice and Kraljevo RDAs, only one mayor from the member municipalities actively participates in their respective RDA assembly meetings. All other municipalities send lower level planning staff (from the LEDs) with little or no decision-making powers to assembly meetings.</p> <p>SEDA and Kraljevo RDA were established on the basis of full funding by PRO2, with the exception of very small contributions of around 500 Euro each by member municipalities and organisations to cover registration costs. Both have taken decisions to introduce a system of membership subscriptions for 2010, based on the size and financial capacity of municipalities. Willingness of municipalities to contribute will be test of the ownership of municipalities and their understanding of the need to participate in it.</p> <p>RDA Uzice has already instituted a system for support by municipalities, which notionally accounts for only 20% of its operating costs. However, the RDA has not achieved the agreed level of municipal support, with some municipalities not paying at all and some only paying a part of their subscription.</p>
<p>31. Page 55: It is unclear to what extent municipalities feel ownership of the RDAs and whether they will support them fully in the future, both financially and also with the committed participation of representatives with decision-making powers.</p> <p>Comment: The same as above.</p>	<p>See above</p>
<p>32. Page 59: Figure 11 above shows pictorially the FE’s Impact assessment. Funding for small scale infrastructure and for CIF financing during the project life meant that potential impact at and after the project-end would be positive. The impact (and indeed sustainability) is expected to deviate for these two measures after the end of the project: The greater visibility for small-scale infrastructure will mean greater durability of impact.</p> <p>Comment: Please explain the logic for this statement, knowing that small scale projects have their life expenses during their life expectance so if there is no systematic development approach their sustainability and impact are extremely limited.</p>	<p>The comment is broadly correct and consistent with the diagram. Since visibility was a core goal for the EAR and the EC the short-term impact is highest for small scale infrastructure but its erosion would deplete in the medium-term. In the short-term the legacy of completed works and spillovers into the local economy would emphasise the short-term nature although the exact rate of depreciation and indeed the point of inflexion would depend on the type of projects – for instance those that improve productivity would imply that the point of inflexion is later and the rate of change slower.</p>
<p>33. Page 65: Whilst many activities were achieved and the costing is traceable and</p>	<p>There is no inconsistency or incongruity. The section under Efficiency reviewed inputs and</p>

<p>linked to results, there are concerns about the way in which these activities were undertaken. Overall the rating of this FE is that is Efficiency is unsatisfactory</p> <p>Comment: Contradictory statement, please provide explanation to support this statement. On one side " activities were achieved and the costing is traceable and linked to results", but based on "concerns" the overall Efficiency is unsatisfactory (sic!!!)</p>	<p>outputs in detail but concluded that there was evidence of gross inefficiency and poor value-for-money. If tracing was not feasible then the FE would have pointed out potential fraud, which is not the case.</p>
<p>34. Page 66: The project has plenty of management and programme decision which are not presenting good practice (deputy working away from project implementation area, study tour done after strategies are prepared, training are not followed up, non-efficient was of organizing transport etc.)</p> <p>Factual mistake: Not true.</p> <p>Most is already commented, but the comment about study tour it is simply not true. Study tour was organized during the process of development of the development plans – there are evidence proving this very visible from PRO2 Quarterly Reports.</p>	<p>The interviewed members of LAGs in both municipalities which participate in the development strategies told to the Evaluation team that project management informed them “if you did good job in the preparation of strategy you will be awarded”. At the early stage they did not know what constituted “the award” and later on found out that this is trip to one of the EU countries. They told to the ET that this was a good incentive for them.</p> <p>ET found out that this was good practice. Comment is partly true because strategies are not fully prepared but majority of the LAG job was already performed before study tour was organised. Information received during interview with LAG members.</p>
<p>35. Page 77 (Annex2: List of meetings and persons met):</p> <p>Milan Milanovic, representative of mayor, Priboj Municipality Hajdarevic Predrag Perunovic, Operations Manager, MIR2, Vranje Radule Ristovic, Training and Development Advisor, MIR2, Vranje Elvis Abazi, Logistics and Finance, MIR2, Vranje Vladimir Stamenov, IT Assistant, MIR2, Vranje</p> <p>Corrections: Milan Filipovic, Deputy Mayor, Municipality of Priboj; Predrag Perunovic, Operations Manager, MIR2, Vranje</p> <p>Also, Radule Ristovic and Vladimir Stamenov are PRO2 staff, located in Novi Pazar</p> <p>Comment: please provide evidence that the FE Team has interviewed Predrag Perunovic and Elvis Abazi and for what purposes. If yes, please provide additional explanation regarding the relevance, if not please delete.</p>	<p>Radule Ristovic, Training and Development Advisor, PRO project Vladimir Stamenov, IT Assistant, MIR2, PRO project</p> <p>We did not interview Predrag and Elvis – error corrected.</p>

Annex 2 Terms of Reference¹¹

Title:	PRO2 Final Evaluation Team Leader - International
Cluster:	Sustainable Local Development (SLD) Cluster
Project:	PRO2 Programme
Reporting to:	UNDP Programme Officer
Duty Station:	Belgrade and South-West Serbia
Duration:	up to 25 working days (October-November 2009)
Type of Contract:	SSA

Background of the assignment

Purpose - The purpose of this ToR is to undertake the Final Evaluation of the PRO programme for south west Serbia.

Objective - The immediate objective of this final evaluation will be to:

- a) Assess the efficiency and effectiveness of the programme implementation to date based on the initial project design;
- b) Assess the success of the delivery of the programme log frame activities and results as well as achievements of the project outputs/impacts;
- c) Assess gender responsiveness of the outputs;
- d) Facilitate a participatory knowledge sharing and learning session amongst key stakeholders such as, municipal authorities and civil society members through exchange of their experiences gained in the formulation, budgeting and implementation of municipal / inter-municipal strategic development plans and their role in the delivery of services to citizens supported by PRO;
- e) Provide clear key recommendations on future activities in the area that would benefit from further development support.

Background Information

Since 2006, the European Union through the Delegation of the European Commission in Serbia and the Government of Switzerland, through the Swiss Agency for Development and Cooperation, with contributions from participating municipalities (Novi Pazar, Sjenica, Tutin, Nova Varos, Prijepolje, Priboj, Raska and Ivanjica) funded the PRO programme.

PRO is implemented by UNDP in partnership with the Government of Serbia and eight municipalities in South West Serbia. The first phase, PRO1, was completed in mid 2008 while the EC and SDC support to PRO2 will end in December 2009 and April 2010 respectively.

The overall objective of the second phase of PRO2 is to strengthen local governments in facilitating socio-economic development and improvement of living standards of population in Southwest Serbia. Problems addressed are:

establishment of good local governance

¹¹ The ToRs for the 3 evaluators were unique per expert but the scope broadly consistent. The Inception Report proposed consistency through a common approach focused on the 5 DAC criteria.

infrastructure and socio-economic development according to local, inter-municipal and regional priorities
inter-municipal cooperation and regional development

The programme is expected to deliver the following results:

Improved organizational effectiveness and efficiency and increased capacities to fulfil assigned functions to deliver services to citizens in municipalities in South West Serbia

Strengthened capacities and capabilities for the implementation of municipal sustainable development strategies and established system for monitoring of progress

Selected and implemented infrastructure projects based on identified socio-economic priorities for municipalities in South West Serbia

Support to inter municipal cooperation through establishing Regional Development Agencies (RDAs) and facilitate establishment of sustainable regional development partnerships

A mid-term evaluation which covered Phase 1 and the early phase 2 of the programme was conducted in 2008. Further, a Citizen Satisfaction Survey was undertaken during PRO1 while the same Survey is scheduled for September 2009.

Further information regarding the PRO Programme may be found at the website: www.pro.undp.org.rs

Description of Responsibilities

Scope of Work

The PRO programme is seeking three consultants (two international and one national) to conduct final evaluation of the programme. The evaluation is expected to take place in October/November 2009 and must be completed by the end of November 2009. The Evaluation Team Leader will have the overall responsibility for the delivery of the below mentioned services.

Description of Services Required

Given the time constraints and large amount of work as well as geographical area that need to be covered the evaluation will be based upon review of documentation and discussion with programme staff and key stakeholders, complemented with field visits to a selected number of projects sites. It is proposed that the work plan and methodology are presented in the Inception Report, where the work plan should consist of the following steps:

Manage, guide, and facilitate the work of 1 national and 1 international evaluation team members

Review of programme documentation and monitoring records as well as the inception and quarterly reports and mid-term review.

Interview key staff in the Programme Team including the Programme Manager, Deputy Programme Managers, Coordinators and Operations Manager

Identification of a sample of Project Implementation Units (PIU's) out of the total eight where an in depth look at the functioning and efficiency of that PIU will take place

Hold discussions with members of the PRO team to assess effectiveness of project implementation, take note of project team perceptions of project sustainability and provide early suggestions for management response to evaluation findings

Review municipal records on the municipal strategic planning process and the sub projects selected

Meetings with municipal and ministerial representatives

Review of the learning material and methodologies employed and meetings with participants from some of the learning programmes

Meetings with other key stakeholders including several of the municipal mayors, certain key municipal staff and other members of the Steering Committee

Meetings with the staff of the three Development Agencies that the programme has supported

Lead, organize and facilitate a workshop with key stakeholders on knowledge sharing

Presentation of draft report and findings with key stakeholders

Prepare and submit the final report

Deliverables/Timeline

The measurable output upon which the final payment will be a detailed Final Evaluation Report. The Report outline is provided in annex 1, which is an integral part of this Terms of Reference. Final format will be agreed upon commencement of the assignment but will have to conform with UNDP standards and the attached Annex 1.

Evaluation Inception Report (with proposed methodology and Work Plan)

Facilitate a workshop where PRO stakeholders could reflect on their positive and negative experiences, lessons learned and indications for future programming. Recommendations of this workshop will be used as an integral part of the Final Evaluation Report.

Draft report and present evaluation findings to the Government of Serbia, representatives of participating Municipalities, contributing parties and UNDP

Writing and delivering detailed Final Evaluation Report 7 days after receiving of consolidated comments from UNDP and other counterparts, which are due no longer than 7 days after presentation of the draft.

Outputs	Duration	Deadline
Inception report that incorporates the proposed methodology and work plan	5 days	Early October 2009 – 5 working days after contract commencement
Facilitated workshop where PRO stakeholders reflected on their positive and negative experiences, lessons learned and indications towards an eventual future programme	1-2 days	Mid October 2009
Presentation of the Draft Report and evaluation findings to the Government of Serbia, representatives of participating Municipalities, contributing parties and UNDP	½ day	18 working days after contract commencement
Final Evaluation Report within 7 days after receiving of consolidated comments from UNDP and other counterparts – not later than 30 th November 2009	7 days	not later than 30 th November 2009

The performance indicator for evaluation of the report will be:

Written in clear language

Well documented with evidence based findings

Provides concrete, sufficient and implementable recommendations

Acceptance by the contributing development partners

Acceptance by the Ministries with which the programme cooperates

Acceptance by the PRO Steering Committee

Formal approval for the payment will be given by the UNDP SLD Team Leader upon acceptance of the Evaluation Report by all above mentioned parties.

Evaluation Ethics

The evaluations in UNDP will be conducted in accordance with the principles outlined in the Ethical Guidelines for Evaluation (UNEG 2007). Code of conduct for Evaluators will be provided at the mission's outset.

Competencies

Displays cultural, gender, religion, race, nationality and age sensitivity and adaptability

Focuses on result for the client and responds positively to feedback

Consistently approaches work with energy and a positive, constructive attitude

Remains calm, in control and good humored even under pressure

Qualifications

Education

Post graduate degree in social science, public administration, economics, finance or other relevant subject.

Experience

A minimum of 10 years experience in the following areas is sought:

evaluations of large and complex area based development projects

public administration reform at local levels

implementation of municipal infrastructure projects

local economic development (LED) and the role of local authorities in LED

citizen participation in decision making at the local level

regional development within a European Union perspective

EU NUTS regulation

Familiarity with the socio-economic and political context and situation in Serbia.

Language Requirements

Excellent written and spoken English required. Knowledge of Serbian language is a preferred asset.

Application Procedure:

The following are steps for on-line application:

Submit the application through the UNDP Serbia Jobs website:
<http://www.undp.org.rs/?event=public.jobs>

Upload completed and signed **P11 form** in the required resume field. The P11 form can be downloaded from: http://www.undp.org.rs/download/P11_SC_SSA.doc;

Kindly send separately to following e-mail: hrbelgrade.rs@undp.org a **letter of interest including a price quotation** indicating the lump sum (in USD¹²) requested for the work and travel envisaged in the section "Duties and Responsibilities".

TOR Annex I:

Report Outline and Minimum Report Requirements

Note: Final Report Outline is to be agreed upon submission of the Evaluation Inception Report

Table of Contents

List of Abbreviations

Preamble

The **preamble** should describe:

Principal features of the programme as at the time of the mid-term review (incl. objectives, components, location commitments/disbursements, important dates, and timetable).

Objectives and plan of work of the review itself (names of the evaluators, dates and principal methods used).

Executive Summary

The executive summary should be self-contained and cover the contents of chapters, including scope, objectives and key findings

Main Report

The main report should address the following areas and topics:

Programme Preparation and Design

Sector Background and scope of review – including at least policy and strategic framework, starting conditions, corrective actions. This assesses the planning and design phases of the programme (origin of project proposals, involvement of beneficiaries and interest groups etc.) and the coherence and realism of the programme design.

Relevance of the Programme

This assesses the problems to be solved and the programme objectives against their physical and policy environment.

Efficiency

¹² Payments to National Consultants will be incurred in the local currency at the prevailing UN rate of exchange during the month of payment.

This relates to what is known as the relationship between the activities and the results of the programme in the logical framework terminology (this will require an assessment of the following factors that affect efficiency: means and costs; organization, management and monitoring; intervention methods; monitoring and evaluation by programme supervisor)

Effectiveness

This relates to the relationship between the results of the programme and the programme purpose referred to in the “logical framework” terminology. It gives an assessment of the extent to which the programme results have contributed towards the achievement of the programme purpose.

Impact

This assesses the contribution of the programme in a broader context (relationship between the programme purpose and the overall objectives).

Economic and Financial Analysis

Where relevant and possible the consultants should present their findings from the economic and financial analysis in terms of a (social) cost/benefit analysis. The consultants should at least present an analysis of the cost-effectiveness of the supported projects.

Gender responsiveness

Where relevant and possible the consultants should present their findings from the gender responsiveness perspective.

Sustainability/Replicability

This assesses the sustainability/replicability of the programme. The evaluators should present an analysis for all supported projects under the programme in terms of their sustainability prospects.

Visibility

Assessment of visibility of the engagement of the partners in the project implementation process

Conclusions and Recommendations

The evaluators should draw conclusions, summarize the overall outcome and formulate recommendations for any potential follow up programmes.

Annexes

Including ToR, lists of meetings, references, minutes of presentations and workshops, analysis. Presentation PPP

Lists of figures and tables

Should include municipality details, analysis of GDP, labour conditions, budget disbursements and expenditures, impact assessments, multiplier effects, etc

Annex 3: List of Meetings and Persons met

30 October 2009

- Tom Thorogood, Consultant Pro 2 project

9 November 2009

- Dobrivoje Stančić, Programme Officer Local Development, UNDP, Belgrade
- Radojka Savić, Director RDA Raški and Moravački Districts, Kraljevo
- Dragan Roganović, Director IDA, Kraljevo

10 November 2009

- Edin Kalać, Head of LED Novi Pazar Municipality, Novi Pazar
- Ivana Milić, Deputy Mayor, Novi Pazar
- Vinko Dobrić, Advisor to the Mayor on the work of public utilities, Novi Pazar
- Rasko Arsenović, Head of CAC, Novi Pazar
- Selma Ikić, Department for Local Economic Development, Novi Pazar
- Amela Eminović, Department for Local Economic Development,
- Melisa Šahović, Department for Local Economic Development,
- Milan Kolašinac, Civil Engineer, PRO2, Novi Pazar,
- Jasmina Ilić, Civil Engineer, PRO2, Novi Pazar,
- Zoran Simović, Environmental Club “Zeleni Putokazi,” Raška
- Sead Reč, Association of Diabetics “Sahor,” Tutin
- Almir Ćosović, MHD “Merhamet – Sanžak,” Novi Pazar
- Samir Kačapor, Director of SEDA, Novi Pazar

11 November 2009

- Radenko Cvetkić, Mayor, Raška
- Danica Pavlović, PRO2 Municipal Focal Point / Office for Local Economic Development, Raška
- Nenad Ostračanin, Office for Local Economic Development, Raška
- Živana Živković, Office for Local Economic Development, Raška
- Svetlana Stosanović, Office for Local Economic Development, Raška
- Dobrila Filipović, Office for Property and Legal Affairs, Raška
- Zorica Zdravković, Office for Property and Legal Affairs, Raška
- Zoran Simović, Environmental Club “Zeleni Putokazi,” Local Action Group, Raška
- Slobodan Ristic, Local Action Group, Raška
- Mirko Premovic, Local Action Group, Raška
- Sead Ramičević, Office for Local Economic Development, Tutin
- Alma, Lesković, Office for Local Economic Development, Tutin

- Mersadin Elesković, Office for Local Economic Development, Tutin
- Marko Vujačić, PRO2 Communications Officer, Novi Pazar

12 November 2009

- Rijad Hodžić, Assistant to the Mayor, Municipality of Sjenica
- [Muriz Hasić](#) Head of Administration, Municipality of Sjenica
- Enesa Ramadani, PRO2 Municipal Focal Point, Municipality of Sjenica
- Sead Bukvić, Office for Local Economic Development, Sjenica
- Nenad Todorović, Deputy Mayor, Nova Varoš
- Živko Kalačinac, PRO2 Municipal Focal Point / Office for Local Economic Development, Nova Varoš
- Milinko Saponjić, Office for Local Economic Development, Nova Varoš
- Hanka Hajdarević, Head of Administration, Municipality of Prijepolje,
- Svetlana Savić, Office for Local Economic Development, Municipality of Prijepolje
- Milan Milanović, representative of the Mayor, Municipality of Priboj
- Radule Ristović, Training and Development Advisor, MIR II, Vranje
- Vladimir Stamenov, IT Assistant, MIR II, Vranje

13 November 2009

- Milomir Zorić, Deputy Mayor, Municipality of Ivanjica
- Vera Jovanović, Programme Assistant, Ivanjica
- Dejan Manojlović, Head of Office for Local Economic Development, Municipality of Ivanjica
- Lidija Ristić, LAG Member and Head of Environmental Inspection, Municipality of Ivanjica
- Miljko Glavinić, LAG member and Head of Urban Planning, Municipality of Ivanjica
- Miloš Radojević, Marketing and Public Relations, RDA Zlatiborski District, Užice

14 November 2009

- Graeme Tyndall, PRO2 Programme Manager, Belgrade

16 November 2009

- Dušan Čukić, PRO2 Deputy Project Manager / RDA Coordinator, Belgrade
- Richard Allen, PRO2 Consultant, Belgrade
- Robin Slyk, PRO Consultant, Novi Pazar
- Tatjana Stahinjić-Nikolić, PRO2 Deputy Programme Manager, Vranje (telephone interview)
- Tomislav Novović, Decentralisation and Local Development Advisor, UNDP, Belgrade
- Gordana Lazarević, Assistant Minister, Ministry of Finance, Sector for Programming, Management of EU Funds and Development Assistance, Belgrade

17 November 2009

- Rini Reza, Deputy Country Representative, UNDP, Belgrade
- Graeme Tyndall, PRO2 Programme Manager, Novi Pazar

18 November 2009

- Aleksandra Radivojević, PRO2 Programme Coordinator, Novi Pazar
- Nermin Hasanović, PRO2 Social Programmes Coordinator and CIF, Novi Pazar
- Alesksandra Radetić, PRO2 Communications Consultant, Novi Pazar
- Radulje Ristović, PRO2 Capacity Development Coordinator, Novi Pazar
- Edis Mehić, PRO2 Programme Assistant, Novi Pazar
- Venelin Rangelov, PRO2 Operations Manager, Novi Pazar
- Milan Kolasinac, PRO2 Engineer, Novi Pazar
- Jasmina Ilić, PRO Engineer, Novi Pazar
- Božidar Radivojević, PRO Operation Assistant
- Beatrice Meyer, Country Director, Swiss Agency for Development and Cooperation, Novi Pazar

22 November 2009

- Pierre Dzbman, Second Secretary, Head of Section – Operations, Delegation of EC to Serbia, Belgrade
- Ana Stanković, Project Manager – Operations, Delegation of EC to Serbia, Belgrade
- Marija Jovičić, Junior Advisor, Ministry of Economy and Regional Development, Belgrade

23 November 2009

- Miljenko Dereta, Executive Director, Civic Initiatives, Belgrade
- Dubravka Velat, Programmes Development Director, Civic Initiatives, Belgrade
- Olivier Bovet, Deputy Country Director, Swiss Agency for Development and Cooperation, Belgrade

24 November 2009

- Rini Reza, Rini Reza, Deputy Country Representative, UNDP, Belgrade
- Dobrivoje Stančić, Programme Officer Local Development, UNDP, Belgrade

25 November 2009

- Dejan Jovanović, State secretary in the Ministry of Economy and Regional Development
- John Gallagher, RSEDP project

27 November 2009

- Marija Marinkovic, Ministry of Finance, DACU unit
- Valentina Mileusnic Vucic, Infrastructure project facility for Western Balkan

Annex 4: References

Project documents

- 2009, Citizens Satisfaction Surveys, Ipsos Strategic Marketing, October 2009
- 2009, LED Evaluation of LED Offices and Recommendation, August 2009
- 2009, Final Report of CACs Assessment, Recommendations and Activities 2008-2009, prepared by Jovica Damnjanović, July 2009, Niš
- 2009, Report on Consultancy on Proposal Development for Cross-Border Cooperation, Robin Sluzk, 28 August 2009
- 2009, PRO2 Project Team Organigram, July 2009
- 2009, Local Government Trainings First Interim Report, MSP Consulting Ltd, 30 July 2009, Kraljevo
- 2009, Local Government Trainings Inception Report, MSP Consulting Ltd, 15 June 2009, Kraljevo
- 2009, Municipal Strategic Plans – Ivanjica and Raška
- 2009, SEDA Business Plan, May 2009
- 2009, Regional Agency for Spatial and Economic Development of Raški and Morovački Districts Business Plan 2009 - 2012
- 2009, Decentralisation in SW Serbia, progress report, written by Richard Allen, 29 January 2009
- 2009, PRO2 Exit Strategy Progress Report, January 2009
- 2009, Annual Report 2008, Zlatibor Region RDA, Užice
- 2008, PRO Programme Mid-term Evaluation, written by Nebojša Vukadinović (Team leader) and Dragiša Mijačić (local development specialist – local consultant), July 2008
- 2008, PRO2 Exit Strategy, June 2008.
- 2008, Municipal Socio-Economic Analyses – Ivanjica, Nova Varos, Novi Pazar, Priboj , Prijepolje, Raška,Sjenica, Tutin
- 2008, Municipal Functional Reviews - Ivanjica, Nova Varos, Novi Pazar, Priboj , Prijepolje, Raška,Sjenica, Tutin
- 2008, Draft Addendum to Programme Document on Migration, July 2008
- 2008 Citizens Assistance Centres Assessment Report, prepared by Jovica Damnjanović, July 2008, Novi Pazar
- 2007, Pre-Feasibility Study for Establishment of Regional Development in SW Serbia, RDA Šumadija and Pomoravlje, December 2007
- 2007, PRO2 Revised Inception and Quarterly Report, 30 November 2007
- 2007, PRO2 Project Team Organigram
- 2007, Project Document: “Municipal Development in South West Serbia, second phase”
- 2006, Project Document: “Municipal Development in South West Serbia“ (first phase)
- Undated – Project Pipeline for SW Serbia – based on achievements of PRO2

- Undated – CIF second call for proposals
- Undated – CAC actions plans
- Undated – Action Plan for Kraljevo RDA October 2008 – September 2009
- Undated – Situation Analysis for the provision of implementation of local government trainings of PRO2
- Undated - ToR for the provision of implementation of local government trainings of PRO2 Quarterly Reports – May 2007 – August 2009
- Minutes of PRO2 Project Steering Committee – May 2007 – October 2009

External documents

- EC (2009) IPA 2010 Project Fiche,
- EC (2009) Serbia 2009 Progress Report, 14 October 2009, Brussels
- EC (2008) Serbia 2008 Progress Report, 5 November 2008, Brussels
- EC (2008) Multi-annual Indicative Planning Document for the Republic of Serbia 2008-2010
- EC (2007) Serbia 2007 Progress Report, 6 November 2007, Brussels
- EC (2007) Serbia Multi-annual Indicative Planning Document for the Republic of Serbia 2007-9, 18 June 2007
- Ex Post Evaluation of the ERDF in Objectives 1 & 2 (2000-2006) , DG Regio, European Commission
- European Court of Auditors (2009) Verification Mission Draft Report, 20 July 2009
- EU Monitoring Report, Nr 118040.01, April 2009
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- Mijatović, B ed. (2008) Reforms in Serbia: Achievements and Challenges, Centre for Liberal-Democratic Studies, Belgrade
- Phare Grant Scheme Review, Interim Evaluation of Phare Support Allocated in 1999-2002 and Implemented until November 2003, DG ELARG
- Republic of Serbia (2007) Law on Local Finances
- Republic of Serbia (2006) Strategy for Regional Development 2007 – 2012
- Republic of Serbia (2004) The Strategy for Public Administration Reform, Government of Serbia, November 2004
- Republic of Serbia (2002) Law on Local Self-Government, Official Gazette of the Republic of Serbia, No.9, 26 February 2002
- Strategy for Restructuring the Local Public Utility Companies in Serbia (draft), BRD, EU-MISP, KfW, USAID-MEGA, and World Bank/LGID, October 2009
- World Bank (2008) Serbia: Decentralisation and Local Service Delivery, Report No. 42154-YF, March 2008,

Websites

<http://www.worldbank.org> - World Bank

<http://www.prsp.sr.gov.yu/engleski/dokumenta.jsp> - Government of Serbia PRSP site and national strategy / policy documents

<http://www.seio.gov.rs/code/navigate.asp?Id=2> - Government of Serbia National Programme for European Integration

<http://www.kv-rda.org/> - RDA Kraljevo (Raški and Moravički Districts)

<http://www.rrazlatibor.co.rs/> - RDA Užice (Zlatibor District)

<http://www.seda.org.rs/> - SEDA (RDA South Sandžak)

<http://www.novipazar.rs/> - Municipality of Novi Pazar

<http://www.ivanjica.rs/> - Municipality of Ivanjica

<http://www.priboj.rs/> - Municipality of Priboj

<http://www.opstinaprijepolje.rs/> - Municipality of Prijepolje

<http://www.raska.org.rs/> - Municipality of Raška

<http://www.novavaros.com/> - Municipality of Nova Varoš

<http://www.tutin.rs/> - Municipality of Tutin

Annex 5: Development of Civic Society in SW Serbia

This annex outlines in more detail the development and deepening of civic society or the third pillar that is a key element of a free and democratic society. The table below sets out the pros and cons of using the PRO/UNDP infrastructure to underwrite sustainability. The CIF, by providing financial incentive for community-based organisations (CBOs), has been an effective mechanism for mobilising citizens around shared community or special interests and raising their profile within the municipality. As grants were targeted at the implementation of practical self-help activities or services to the wider community to be carried out in cooperation with local administrations, the facility's results largely concern the delivery of tangible benefits to community members and the establishment of the principle of cooperation between municipal authorities and civil society. The scheme has been limited in scope, reaching a relatively small number of participants and municipal offices and delivering a fairly narrow set of benefits over a short period of time. Potential impact of the current scheme is consequently restricted, but it lies in greater inclusion and integration of citizens into the wider municipal community with concomitant increased social cohesion.

In an environment in which, traditionally, local government has viewed civil society with suspicion, principally on the grounds of competition for (foreign) donor resources, but also because the majority of NGOs and CBOs have been viewed as politically antagonistic to local political authority, the CIF has provided an effective means of establishing a limited set of opportunities for a wider rapprochement based on mutual support, which raises the question of whether further similar grant support to civil society in might open the door to broader and more substantive local partnerships between local government and CBOs.

It is not clear to what extent CIF has contributed to furthering its objective of enhancing local governance in the sense of greater civil participation in the municipal decision-making process.

Table 4: Sustainability issues for Civic Society Development

CIF future option	Advantages	Disadvantages
Expand existing scheme with UNDP PRO approach	<ul style="list-style-type: none"> - continuity with model that works - increased scope, potential impact 	<ul style="list-style-type: none"> - high transaction costs - externally delivered, reducing responsiveness and acceptability in community - difficult to monitor higher number of grants
Focus on participation in decision-making process. Expand scheme. UNDP PRO approach.	<ul style="list-style-type: none"> - continuity of grant-making model that works - increased scope, potential impact - governance enhanced 	<ul style="list-style-type: none"> - high transaction costs - large capacity building element required – UNDP not in a position to deliver effectively and efficiently - externally delivered, reducing responsiveness and acceptability in community
Grant scheme with greater local authority involvement	<ul style="list-style-type: none"> - capacity gains for local administration 	<ul style="list-style-type: none"> - threat to CBO /NGO independence - possible political bias in grant-making - facilitation to be provided to LA.

<p>Expand existing scheme, with national NGO implementer</p> <p>OR Focus on participation in decision-making OR all in one.</p>	<ul style="list-style-type: none"> - grant management capacity and experience already exists - lower transaction costs - knowledge of local civil society - presence on ground – work through local partner - commitment to a multi-year approach - political and social acceptability - capacity building skills usually in-house - potential to network civil society across region or to centre - ability to monitor more closely 	
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Source: FE Assessment and projections.

Review of CIF and future directions

CIF purpose inferred from project documentation:

- Promote citizens’ participation in the decision-making process – good governance

Focus of implemented grants:

- Self-help or services to the community via community-based organisations (CBOs)
- Operational cooperation with / support from municipal administration

Effect – subject to limited scope of facility:

- Mobilisation of citizens around community or special interests
- Raising profile of CBOs and their members in the community
- Cooperation with municipal-run institutions
- Increased capacity of CBOs

Potential Impact:

- Raised visibility and acceptance of community and minority interests
- Increased inclusion and integration of citizens into wider municipal community
- Increased social cohesion

Follow-up to CIF

- 1) Multi-annual continuation of community activities - practical cooperation with municipalities – scaling up of small grants to increase scope. Facilitation of matching funds with municipalities or

similar? Capacity building element to be introduced: basic training, mentoring and facilitation of organisational processes, community dialogue and mobilisation; networking.

- 2) Focus on raising citizens' voice – training and facilitation of CBOs to participate in municipal processes (monitoring assembly and municipal services, participation in budgetary process, dialogue to influence policy), inclusion of NGOs, facilitation and capacity building of municipality, small grants for project activities + basic training, mentoring and facilitation of organisational processes, community dialogue and mobilisation; networking.

Annex 6:PRO2 Final Evaluation Inception Report

The UNDP office in Serbia has commissioned a Final Evaluation (FE) Report for the PRO2 programme that it implements in SW Serbia. A Terms of Reference (ToR) was issued and a team of three experts selected for the assignment by October. The evaluation assignment commenced at the end of October with a planned completion by end-November 2009. A FE Inception Report is formally required by the Consultants' ToR within the first week of the mission. The report briefly sets out the scope of the assignment, sets out the methodology and the key planning and output milestones the team will be following. In addition any immediate observations regarding the ToR or data from the first week's review is set out.

Methodology and Approach

The FE will follow the three classical phases of:

Data collection, analysis and review

Field mission to Belgrade and to the PRO target region and final beneficiaries

Write-up, finalisation and dissemination

Phase 1 commenced upon signatures with the three-man team at the final week of October of whom one is a Serbian expert. The Team Leader (TL) commenced desk review at the beginning of November. A staggered approach will therefore be partially followed, in part given the higher manday allocation to the TL and to allow for a synchronised finalised of the three phases.

Phase 1 has gone ahead smoothly and the team accords its gratitude to the UNDP management for providing access to a raft of programme information and reports. This has been uploaded to a website to allow for a common database that can be further aggregated as and when new data is obtained by one or more experts. A caveat to this economy of scale for information gathering is that some information will only be gleaned by a review of files at the project office/s, especially w.r.t. specific questions that may arise in the context of efficiency and effectiveness evaluation criteria. Hence the information set collected and reviewed in phase 1 may not be exhaustive. Nonetheless, the team will document information reviewed and/or used so that the baseline of information used is referenced.

Phase 2 commences in weeks 2-3 of the assignment. The team will maximise competence and focus by undertaking a mix of individual, 2-man or 3-man meetings. Two of the experts will focus on the two DAC criteria of Efficiency and Effectiveness and hence will take the lead in holding meetings in municipalities and in visiting final beneficiaries, noting in particular the greater focus on civic society under PRO than for instance under the former UNDP MIR2 Programme in South Serbia. The TL will focus on the strategic aspects and the other 3 DAC criteria and will therefore take the lead for meetings with donors and line ministries in Belgrade and with the PRO management team.

Phase 3 will involve a write-up and the presentation of a Final FE to the UNDP initially and thereafter through the UNDP to the stakeholders invited for the dissemination. In line with best practice, the Consultants will respond to any feedback.

Five DAC Criteria

The FE will follow the standard model followed by all donors including the EC and UNDP¹³ and follow the 5-set of evaluation criteria:

- I. Relevance
- II. Efficiency
- III. Effectiveness
- IV. Impact
- V. Sustainability

Moreover, a Final or ex-post evaluation focus is on, in particular criteria i, iii and v as opposed to interim evaluations that typically have a focus on criteria i, ii and iii. Formally, an ex-post evaluation is not feasible until at least 2-3 years after the end of the programme to validate the impact and sustainability of the intervention undertaken. A FE, on the other hand, allows evaluators to anticipate impact and sustainability and this approach will be followed.

In the current PRO2 context, the ToR are clear in scope and objectivity, the implicit specific objective is an Evaluation Report that is based on the above DAC-5 criteria and as set out in the proposed structure in the ToR.

Clarifications on the Deliverables as set out in the ToR

The ToR sets out the deliverables and is a proxy structure of the FE report. However, since the FE is an independent process, the team may veer away from the proposed structure although the standard blueprint for an evaluation report will be followed. This includes review of the five DAC criteria as set out in the ToR. The FE allows for a strategic dimension to ascertain the lessons learned and recommendations for future intervention and this will be provided.

On the other hand the inclusion of gender responsiveness (immediate objective c, section under structure of Final Report) is not a specific evaluation criteria *per se* for any of the co-financing donor agencies nor in fact covered by the UNDP's guidelines but is internalised under relevance and possibly impact and sustainability. However, the pertinent point is valid in that the focus should be to assess broad human rights and equality of access of funding and opportunity. Hence, the FE will review this broader dimension – not least given the import of the ethnicity question given the mix in SW Serbia – and incorporate the gender aspects where data is available although the FE structure will not have a specific section dedicated to gender aspects.

Immediate objective d to: *“Facilitate a participatory knowledge sharing and learning session amongst key stakeholders such as, municipal authorities and civil society members through exchange of their experiences gained in the formulation, budgeting and implementation of municipal / inter-municipal strategic development plans and their role in the delivery of services to citizens supported by PRO”* is a non-standard requirement that is beyond the scope of an evaluation. The evaluation team will undertake interviews with a sample of the underlying statistical population in the field. The UNDP may of course wish to achieve the objective through a post-FE initiative.

¹³ Handbook on Planning, Monitoring and Evaluation for Development Results, UNDP, 2009.

Detailed Financial and Economic Analysis is not a separate section in an evaluation report but part of the analysis under Efficiency for input-output calculations at the level of activities-to-results and for Effectiveness at the level of results-to-specific objectives. Validation will depend on available quantitative data and the approach will be the one taken for the MIR2 Evaluation where the level of detail on financial analysis was in excess of the conventional overview – in part to counter *a priori* negative claims by donors as regards value for money.

Finally, visibility is not a separate section in any evaluation report and has a different connotation to donors on the supply-side and to final beneficiaries on the demand-side of any external aid intervention. Valid assessment will be internalised under the relevant DAC criterion analysed.

Workplan

The workplan will follow the programme set out in the three-phase approach. The planned mission by the TL has been delayed due to extenuating circumstances but does not materially change the outturn since experts 2-3 planned to concentrate mantime in the field. Tables 1 and 2 outline the broad timeplan for the team and the current working timetable. Phase 2 meetings are planned to be completed in the week commencing November 16th.

The dissemination is planned for Friday November 27th. Any earlier will not be feasible given the relatively tight time for write-up whilst any later will equally be beyond the mantime allocated to two of the three experts.

Table 1: FE Timetable

Month	Day	Date	Rupinder	Description	Bill	Description	Goran	Description
Oct	Monday	26th						
Oct	Tuesday	27th						
Oct	Wednesday	28th					1	
Oct	Thursday	29th					1	
Oct	Friday	30th						
Oct	Saturday	31st						
Nov	Sunday	1st						
Nov	Monday	2nd	1	Desk Review of docs and methodological review	1	Desk Review of docs and organisation into clusters	1	Desk Review of docs and organisation into clusters
Nov	Tuesday	3rd	1		1		1	
Nov	Wednesday	4th	1		1		1	
Nov	Thursday	5th	1		1		1	
Nov	Friday	6th	1					
Nov	Saturday	7th						
Nov	Sunday	8th						
Nov	Monday	9th	1	Template, questionnaire, relevance assessment	1	Regional interviews	1	Regional interviews
Nov	Tuesday	10th	1		1		1	
Nov	Wednesday	11th	1		1		1	
Nov	Thursday	12th	1		1		1	
Nov	Friday	13th	1		1		1	
Nov	Saturday	14th			1	1		
Nov	Sunday	15th						
Nov	Monday	16th	1	Interviews with stakeholders in Belgrade and region	1	Interviews with stakeholders in Belgrade and region	1	Interviews with stakeholders in Belgrade and region
Nov	Tuesday	17th	1		1		1	
Nov	Wednesday	18th	1		1		1	
Nov	Thursday	19th	1		1		1	
Nov	Friday	20th	1		1		1	
Nov	Saturday	21st	1					
Nov	Sunday	22nd	1					
Nov	Monday	23rd	1	Interviews and Writeup Draft Report	1	Writeup	1	Writeup
Nov	Tuesday	24th	1		1		1	
Nov	Wednesday	25th	1		1		1	
Nov	Thursday	26th	1		1		1	
Nov	Friday	27th	1		Presentation		1	
Total Mandays				22	20		20	

Table 2: Schedule Phase 2¹⁴

Date	Place	Meeting
09/11/09	Belgrade	UNDP
		MERD
	Kraljevo	RDA
10/09/09	Novi Pazar	Municipal reps & staff
		SEDA
		CIF recipients
11/09/09	Raska	Municipal reps & departments
		LAG members
	Tutin	Mayor and LED office
12/11/09	Sjenica	Municipal reps & staff
	Nova Varos	Municipal reps & staff
		CIF recipients
13/11/09	Ivanjica	Municipal reps & staff
		PRO prog. Assistant
		LAG members
	Uzice	RDA Zlatibor
14/11/09	Belgrade	International consultants
15/11/09	Belgrade	
16/11/09	Novi Pazar	PRO team
17/11/09	Novi Pazar	Final meetings in field
18/11/09	Belgrade	Donors & ministries
19/11/09	Belgrade	Donors & ministries
20/11/2009	Belgrade	Donors & ministries
21/11/2009	Belgrade	Writing
22/11/2009	Belgrade	
23/11/2009	Belgrade	Writing
24/11/2009	Belgrade	Writing
25/11/2009	Belgrade	Writing
26/11/2009	Belgrade	Writing and draft report
27/11/2009	Belgrade	Evaluation presentation

¹⁴ This draft schedule was modified in light of feedback on availability of stakeholders and on the modalities of the workflow to split the Workshop as a post-evaluation output.