



**EU**  
**PRO** EUROPEAN UNION SUPPORT  
TO MUNICIPAL DEVELOPMENT

# MINUTES OF THE SIXTH PROGRAMME STEERING COMMITTEE

Belgrade, 16 September  
2019



Republic of Serbia



Implementing partner

## Agenda

- Welcome speech and opening statements
- Adoption of the previous Programme Steering Committee Minutes
- Quarterly Report presentation and discussion
- Presentation of requests for approval:
  - Results of the Call for Proposals for Business Support Organisations
  - Second Call for Micro and Small Enterprises (MSE)
- Voting
- AOB

## I. Welcome Speech and Opening Statements

**Branko Budimir, Acting Assistant Minister of European Integration of the Republic of Serbia and the Chairperson of the EU PRO Programme Steering Committee (PSC)**, welcomed the participants and announced that, as agreed at the previous meeting, and in line with the mandate of the PSC, a public meeting of the PSC would be held on 19 September with representatives of local self-governments and regional development agencies in addition to the Programme beneficiaries.

## II. Adoption of the Previous Programme Steering Committee Minutes

**Budimir** confirmed that the previous PSC minutes were unanimously adopted and that future minutes of the meeting would be adopted at the end of the meeting when other items on the agenda are also voted on.

## III. Quarterly Report Presentation and Discussion

**Olivera Kostić, EU PRO Programme Manger** presented the Quarterly Report for the period April - June 2019.

**Zoran Lakićević, Secretary of State, Ministry of Construction, Transport and Infrastructure (MCTI)** asked about the value of the projects being implemented and whether there were any delays in implementation, to which **Kostić** replied that it was about nine million euros. The total value of infrastructure projects is 14 million EUR, of which the largest amount is allocated for economic infrastructure projects, where six out of nine projects have been contracted.

**Kostić** added that the Programme had a total of 96 infrastructure projects, including 37 local infrastructure projects and nine economic infrastructure projects, 12 projects for the development of technical documentation, 19 projects for the development of planning documentation and 19 GIS projects. In three local self-governments - Sjenica, Priboj and Prijepolje, the public procurement process is delayed due to complaints filed to Republic Commission for Protection of Rights in Public Procurement Procedures. Failure to be contracted by the end of September 2019 will jeopardize the timely implementation of the projects. The Programme is following the course of the proceedings, and, where justified, it will propose to the PSC to take over the implementation of the aforementioned projects.

The agreement at the Programme level is to conduct an audit and assessment of the most realistic continuation of implementation for all projects not contracted by September – for projects to be implemented by local self-governments or directly through the Programme.

**Lakićević** also asked what the process of taking over meant, so **Kostić** explained that in that case, the grant contract would be terminated and the Program would take over the direct contracting, i.e. open a Call under UNOPS procedures. Such a process is more certain, more efficient and UNOPS has the capacity to implement the project even in case of a complaint.

**Marko Vujačić, UNOPS Head of Programme** confirmed that the Programme generally applied the grant methodology because it contributes to strengthening of the capacity of local self-governments, including the use of donor funds. **Vujačić** added that the Programme would propose a change of methodology only in situations where a local self-government has fulfilled its obligations and the implementation of the project is still problematic.

**Kostić** added that a number of these contracts were signed at the end of 2018 with duration until March 2020. In several cases, such as Bosilegrad, which was late in contracting, contracts were annexed to allow works to be carried out for the duration of the Programme.

**Budimir** reminded about the dynamics of implementation, i.e. that the Programme would last until the end of next year, which leaves little time for direct activities. Moreover, the reallocation of funds should be considered if there are some savings based on exchange rate differences or project cancellation, especially by small entrepreneurs, which seems to be certain by previous statistics. A possible, limited extension of the Programme should be considered as well, to ensure that all projects are properly implemented.

**Budimir** mentioned the example of 22 grants for social cohesion projects implemented by civil society organizations, which were approved at the previous PSC meeting, out of which 21 contracts were signed during the reporting period, since one organisation - the Association of Healthcare Professionals from Vranje cancelled the project.<sup>1</sup>

**Kostić** informed the PSC that the list of all projects was put on the Programme website and that the activities related to communication and visibility achieved good results in terms of positive media coverage and appearances in national media. Local self-governments have been supported in promoting activities carried out within the Programme in terms of commencement and completion of works. The first edition of the EU PRO Newsletter was published, which will become a practice in the following period.

In terms of sustainability and risk management, the Programme has adopted the Monitoring and Evaluation Plan that defines a systematic approach for monitoring the implementation of projects and their results.

The cooperation with representatives of national institutions continued in the implementation of the Calls - the Ministry of Economy (ME) was an observer in the evaluation of the Call for BSOs.

The social component of projects is increasingly visible and incorporates elements of gender equality and social inclusion through the selection of beneficiaries, as well as through corporate social responsibility activities of beneficiary enterprises.

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<sup>1</sup> The Association of Healthcare Professionals cancelled the implementation of the project due to a change in management which did not submit the required documentation in the clarification process within the given two month deadline.

As per the priorities for the end of the year, according to the final decision of the PSC, contracting of projects for BSOs will be planned, GIS and social cohesion projects will be continued and the second Call for Enterprises and Entrepreneurs will be open.

**Ana Stanković, Project Manager at the Delegation of the European Union to Serbia** requested a more detailed review of the 11 enterprises, i.e. of the contracts that were terminated, in terms of their value and the reason for termination.

**Kostić** said that the value of those projects was just over 200,000 EUR, while **Enis Ujkanović, Sector Manager for SME and BSO**, explained that majority did not even sign the contract because they estimated that they would not be able to fulfil the contractual obligations. The most common cases are change of business priorities, insufficient funds for participation, i.e. the results of market analysis that showed that used equipment is a better choice.

**Katarina Obradović-Jovanović, Assistant Minister of Economy** asked which sectors of the economy were in question, whether there was geographical division, as well as what the time period from the submission of the application to contract signing was.

**Ujkanović** said that the time period from the submission of the application to contract signing was ten months, but that the Programme had clearly communicated with potential beneficiaries during the info sessions that business plans should take into account that the investment could be realized only at the end of 2019 or early 2020.

**Obradović Jovanović** pointed out that it was a lesson for the future, because ten months is a long period in which the business plan of an enterprise can change.

**Milica Korać, Associate for SME and BSO** added that, among others, the enterprises that requested the equipment used to cancel the projects, in cases where such equipment could easily be found on the market, including used ones, while the enterprises that applied for specialised machines did not cancel their activities.

**Vujačić** said that the Programme had lessons learned and that the forthcoming Call recommended a one-step process, although in the first Call, the two-step process seemed absolutely justified. A strong impression regarding 96 beneficiary enterprises that implement the projects is that they are here to stay as success stories in support of the fact that more than 50 enterprises have completed the procurement process before the deadline.

## Presentation of the Request for Adoption of the Results of the Call for Business Support Organisations

**Enis Ujkanović, Sector Manager for SME and BSO** gave a brief overview of the process and results of the Call for Business Support Organisations (BSO). The criterion that a BSO must have at least one employee hired in 2018 to ensure that the organization is active and self-sustaining has excluded many potential applicants who have been active from project to project. The Committee consisted of five members of diverse, relevant expertise - project management, SME support or direct cooperation with

BSO, etc. All applications were evaluated by each of the five members independently, after which all evaluations were analysed at sessions held by the entire Evaluation Committee. Applications not proposed for funding did not exceed the threshold of any evaluator, except in one case where the grade point average was below the threshold. After three meetings of the Evaluation Committee, 20 projects were proposed for funding. The criteria were focused on the outcome and impact of the project itself, which was awarded with 40 points, sustainability with 15 points, operational capacity with 15 points, and relevance, methodology and cost-effectiveness with ten points.

A relatively even geographical representation was noticed in 43 applications, given that the Programme, following the advice of the PSC, paid more attention to the organisation of info sessions and promotion of the Call in Eastern Serbia, which gave results. Most applications were from Niš and Kragujevac, as well as the largest number of approved projects.

**Lakićević** noted that applications came from large cities, not from smaller municipalities, and Ujkanović explained that there were not many SMEs in the smaller municipalities that would justify the existence of BSO, but stressed that although those BSO are registered in larger cities, some of them would deal with specific regions according to project proposals and would include smaller communities.

**Obradović-Jovanović** suggested that, in future calls, it should be considered whether the priority was the location where the organisation is registered or where the project is being implemented, because the possible involvement of organisations from Belgrade or Novi Sad could contribute to the improvement of the quality of projects.

**Budimir** recalled that this would cause another problem because, given their stronger resources, these organisations would divert funding, and during the Call preparation, it was emphasised that these organisations could be partners but not the lead in the project.

**Kostić** suggested that in future, those who have subsidiaries in the Programme area could participate, but that one component of the Call is the strengthening of the organisations themselves, and the Programme considers that in this sense, the value is greater if the BSO is located in the Programme area. However, one of the challenges for these BSOs was that they did not have the references requested by the Programme.

**Branko Budimir** suggested that the “Norway for You” project, which is also being implemented by UNOPS and which has a similar activity, could take into account these findings.

**Stanković** added that a broader analysis with some recommendations would benefit all future programmes.

**Budimir** asked what the most common reasons why applications that were just below the threshold were not recommended for funding were.

**Enis Ujkanović** explained that, although the reasons were various, most often the application was not sufficiently elaborated in terms of defining beneficiaries and the impact of the project. More specifically, the focus was not on what the economy needed, but what the organisation could do, so the projects themselves were written in line with what they had already done or what would be easy

to implement. This was not complementary to the purpose of the Call, so their contribution would be limited and would not justify the investment. The cost of human resources was not limited as the projects were different and required more or less human resources depending on the proposed activities.

**Jovanović-Obradović** asked how many BSO relied on external human resources.

**Enis Ujkanović** explained that such engagement was a part of the Programme cost and that the BSOs also included the hiring of external experts.

**Jovanović-Obradović** suggested that the presentation of projects included a brief description of the project. An insight into the findings of the Evaluation Committee is important, but the PSC needs to understand what the project is dealing with and what the expected results are. **Budimir** suggested that in future, a short overview could also be given for projects not recommended for funding in order to gain insight into how the Evaluation Committee made decisions without the intention of reviewing them.

**Enis Ujkanović** then said that 14 projects from the first and six projects from the second round or partnership projects were recommended for funding, the total of 26 BSOs. The most successful were regional development agencies - out of ten that applied, seven project proposals were recommended for funding, followed by business incubators (five out of seven), while the success level of clusters and faculties was 50%.

The total requested budget for all applications is 1.5 million USD, i.e. 1.6 million EUR with the co-funding, and the Programme expects the total budget to be approximately 660,000 EUR upon revision.

On **Budimir's** question on the currency in which projects are contracted, **Vujačić and Stanković** explained that the funds and the exchange rates were calculated through a transparent and documented process.

**Jovanović-Obradović** reiterated her concern regarding the quality of the implementation of the activities.

**Enis Ujkanović** said the Programme shared that concern but that was why it paid particular attention to the methodology, so sustainability and operational capacity were awarded with 15 points in the evaluation, and applications that failed the test were not even recommended for funding. The second aspect is monitoring the implementation of the project, in the sense that the experts conduct trainings within the given timeframe, which meets the needs and motivate the SMEs themselves to participate in the activities.

On **Budimir's** question whether there was a recommendation for specifically designed activities for BSO or SME, **Jovanović Obradović** said that BSOs should conduct activities, but with narrowing the space for them to finance themselves, in order for them to rely more on networking, expertise and be focused on providing the right service and quality rather than securing self-funding.

**Budimir** said that was why direct or indirect costs were defined when preparing the Call, and that they could procure expertise, and his question was whether it was necessary to single out specific sectors.

**Jovanović-Obradović** confirmed that future calls should be more sector-oriented, by industry, with as narrow a target group as possible, which would specifically define services, while the standards to be introduced would be more technical.

**Milica Korać** said that in general, recommended projects targeted only enterprises with narrower target groups and one type of service, and that among the proposed projects were those BSOs that identified which activities they could not carry out on their own and they hired external experts or had partner organisations. Recognising the proposals as valid, she confirmed that there was a difference between expectations and reality when it came to project proposals.

**Jovanović-Obradović** said that the Call certainly reflected the progress because focus was established, i.e. the purpose and direction were clear, but that the descriptions did not specify what the project would actually do. It should be considered in future that funds, in the absence of focused projects, are not shared to stimulate the creation of sector-oriented, thematically focused projects with a clear indication of external expertise that will benefit these new, narrowly specialised profiles.

**Vujačić** said that, based on the recommendation of the Ministry of Economy, it was considered whether human resources for realisation were foreseen, and that the applications received were properly addressed in such terms.

**Enis Ujkanović** said that Call criteria were the first step and that in the coming period the focus should be on implementation, i.e. monitoring the quality of implementation itself, in relation to the specifications for all activities, from training to procurement of equipment, since it is a pragmatic mechanism for monitoring implementation.

**Kostić** requested that all recommendations and experiences, as well as risks, be shared with the Programme to further focus on monitoring implementation.

## Presentation of the Request for Adoption of the Draft of the Second Call for Entrepreneurs, Micro and Small Enterprises

**Enis Ujkanović, EU PRO Sector Manager for SME and BSO**, presented the draft of the second Call for Entrepreneurs, Micro and Small Enterprises, which was modified in accordance with the lessons learned, as well as with recommendations provided by relevant stakeholders, especially the Ministry of Economy. The objective and subject matter of the Call remained the same as in the first call, while the target group was slightly changed to include entrepreneurs, micro and small enterprises registered only for manufacturing activities between 2014 and 2018 and located in the Programme area. An analysis showed that there were about 10,000 enterprises in the Programme area that meet these basic criteria. Enterprises will be able to apply for funding in the amount between 10,000 EUR and 30,000 EUR with co-financing of at least 20 %, while in the second lot, fast-growing or export-oriented enterprises can apply for a maximum amount of 70,000 EUR with co-financing of at least 30%. The indicative budget is 2.5 million EUR. Based on the evaluation in the First Call, it is proposed to exclude anything that is not relevant or critical to the decision making process in order to reduce the timeframe from the business idea to funding, while the deadline for project activities is reduced from 12 to nine months.



**Budimir** asked whether the Call which exceeded the Programme duration could be formally adopted, and **Kostić** suggested that the results be in February and the contract signed in March 2020.

**Vujačić** said that it was feasible, but that it was not good practice to plan activities that lasted until the last day of the Programme, and suggested that it should be put in the minutes that, in principle, the PSC saw the need to extend the Programme for a few months.

**Budimir** asked about the application process, whether the application form would be further simplified in order to be stimulating enough.

**Ujkanović** said that the application form had already been simplified, which was just a part of their administrative responsibilities, a part of the selection process, as it requires a minimum of data for evaluation.

**Vujačić** said that the Programme was already recognised in the field, so that the risk in implementation was reduced, while **Stanković** stated that in contact with the beneficiary enterprises from Novi Pazar, Sjenica and Raška, she got the impression that their implementation was not difficult and that they knew who to seek assistance from, with particular emphasis on the presence of EU PRO and UNOPS in the field in support of enterprises, and she concluded that a tailored, one-step process would meet the needs.

**Kostić** also stressed the importance of the RDA in the second round of support, with the addition that companies are now not obliged to submit in advance all certificates, but that this will only be part of the verification before signing the contract. Entrepreneurs will sign a statement that they are not in criminal proceedings and that there are no reputational risks, and in fact, the verification will be done after the approval of the project.

**Budimir** expressed concerns that the PSC would make decisions only on the basis of a statement of potential beneficiaries, but **Obradović-Jovanović** said that this was a step further in comparison to the Ministry and other state programmes, who in their calls only conduct a tax audit and request beneficiary statements.

**Budimir** noted the risk that there could be unallocated funds without additional time, to which **Obradović-Jovanović** suggested that a list of backup projects with a threshold lower than the proposed 70 points should be formed.

**Milena Radomirović, Project Manager at the Standing Conference of Towns and Municipalities (SCTM)** indicated that more detailed instructions should be provided for filling the form, as well as the language in which it should be submitted. It was, therefore, proposed to emphasise that only those applicants whose projects have been approved, i.e. those invited to sign the contracts should translate the application form into English.

**Enis Ujkanović** warned that lowering the threshold would certainly achieve greater coverage and placement of larger funds, but it would also increase the risk of inadequate implementation and delays.

**Obradović-Jovanović** expressed reservations regarding the scoring system, especially in terms of innovation and the value chain, and that they would not be wrong in funding financially stable

enterprises, since some applications are rejected because entrepreneurs are not able to adequately explain their, otherwise, good ideas.

The second proposal of the Ministry relates to the expansion of activities to include greenhouses and machinery, which would relate to agricultural production, because a large part of the Programme territory is rural.

**Budimir** stated that IPARD also existed, although it does not target small producers. He added that the PSC agreed in principle with the conditions and criteria of the second Call for Entrepreneurs, Micro and Small Enterprises, and that the Programme would check with the Ministry of Agriculture, Forestry and Water Management what the possibilities were for including primary agricultural production in the Call without having overlaps with the support provided by IPARD.

Moreover, the PSC also agreed that the threshold should be 60 points, but, in consultation with the PSC, the right to modify or lower the threshold should be retained, and that enterprises that had already been granted support under EU PRO and other projects implemented by UNOPS should not be eligible to apply.

As an argument for ineligibility to participate, **Enis Ujkanović** said that the grants were still being implemented and that the existing business plan has now been proven, and **Milica Korać** added, in favour of economic justification, that the results could be seen in three years after the business plan was set up and that there were no two balances as the financial statements would be submitted at the end of 2019.

**Radmanović** pointed out the selection per the development category, which had not been updated for a long time, while **Obradović Jovanović** said that there were no major changes and that it was, in some way, a positive discrimination.

Furthermore, the enterprises are bound by the UNOPS contract, and, after the completion of EU PRO Programme, they would be monitored at the UNOPS level, which is why it is especially important to create a base of beneficiaries.

## IV. Voting

**By voting, the PSC adopted the following:**

- Minutes of the previous PSC meeting
- EU PRO Quarterly Report for the period from 1 April to 31 June 2019
- Results of the CFP for the Provision of Support for Business Support Organisations, with a note that recommendations be forwarded to Norway for You Programme in order to be incorporated into their call
- Draft of the second Call for Entrepreneurs, Micro and Small Enterprises

**And it was agreed that:**

- The threshold shall be 60 points, but, in consultation with the PSC, the right to modify or lower the threshold shall be retained, and enterprises that have already been granted support under the EU PRO and other projects implemented by UNOPS shall not be eligible to apply
- EU PRO shall consult the Ministry of Agriculture, Forestry and Water Management on the possibilities for including primary agricultural production in the Call without having overlaps with the support provided by IPARD

<b>LIST OF PARTICIPANTS</b>		
<b>Organisation</b>	<b>Name</b>	<b>Position</b>
<b>PSC MEMBERS</b>		
Delegation of the European Union to Serbia (DEU)	Ana Stanković	Project Manager
Ministry of European Integration (MEI)	Branko Budimir	Assistant Minister
Ministry of European Integration	Luka Pivljanin	Senior Advisor
Ministry of Construction, Transport and Infrastructure (MCTI)	Zoran Lakićević	Secretary of State
Ministry of Economy (ME)	Katarina Obradović Jovanović	Assistant Minister
Ministry of Economy	Miona Popović Majkić	Head of the Unit for IPA Project Planning and Preparation
Public Investment Management Office (PIMO)	Violeta Sretenović	Donor Coordination Officer
Standing Conference of Towns and Municipalities	Milena Radomirović	Project Manager
<b>PROGRAMME</b>		
EU PRO	Olivera Kostić	EU PRO Project Manager
EU PRO	Enis Ujkanović	Sector Manager for SME and BSO
EU PRO	Biljana Kerić	Programme Associate for Social Cohesion
EU PRO	Viktor Veljović	Programme Associate for Geographic Information Systems and Urban Plans
EU PRO	Milica Korać	Programme Associate for SMEs and BSOs
EU PRO	Ivana Popović	Communications Manager
EU PRO	Marija Radulović	Communications Associate
EU PRO	Milica Radović	Programme and Communications Assistant
UNOPS	Marko Vujačić	Head of Programme
<b>LIST OF COMMON ABBREVIATIONS</b>		
AOR	Area of Responsibility	
BSO	Business Support Organisations	
CFP	Call for Proposals	
DEU	Delegation of the European Union	
DOA	Description of Action	
DRP	Detailed Regulation Plan	
LSG	Local Self-Government	
RAS	Development Agency of Serbia ( <i>Razvojna agencija Srbije</i> )	
EBPS	Electronic Building Permitting System	
GIS	Geographic Information System	

LED	Local Economic Development
LSG	Local Self-Government
MCTI	Ministry of Construction, Transport and Infrastructure
ME	Ministry of Economy
PSC	Programme Steering Committee
PIMO	Public Investment Management Office
RDA	Regional Development Agency
RGA	Republic Geodetic Authority
SME	Small and Medium Enterprises
SCTM	Standing Conference of Towns and Municipalities
UNOPS	United Nations Office for Project Services