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CHAPTER 2

EXISTING CONDITIONS



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ABBREVIATIONS AND ACRONYMS

GDP	Gross Domestic Product
GNI	Gross National Income
LRCD	Land and Roads Construction Directorate
MW	Mega Watt
NGO	Non-governmental Organization
PUC	Public Utility Company
RDA	Regional Development Agency
RSD	Republic of Serbia Dinar
SME	Small and Medium Enterprises
SWOT	Strengths, Weaknesses, Opportunities and Threats
TIC	Tourism Information Centre
TO	Tourism Organization
UNDP	United Nation Development Program
VAT	Value Added Tax
WWRF	Waste Water Refinement Facility



2 EXISTING CONDITIONS

2.1 Socio-Economic Overview of the Project Region¹

Pčinja District (expands to the southern parts of Serbia, bordering Bulgaria, Kosovo and the Republic of Macedonia. It has a population of 243.529 and the capital is the city of Vranje. This District is the least developed district in the Republic of Serbia, which has been lagging behind for the last fifteen years in practically all economic and social development indicators.

As other underdeveloped areas, this area also has the same common characteristics of long underdevelopment history, as well as rising transition poverty due to accumulated economic (lack of industrial capacities, major systems in collapse, undeveloped entrepreneurial sector, slow privatization process), structural (high unemployment rate), social and demographic problems.

Figure 2.1: Overview of the region



Source: Pčinja District Master plan

The Regional Development Strategy for the Republic of Serbia, in the part "Balanced Regional Development Policy/Underdeveloped Areas", see Ref 2.1, clearly states that two districts in the Southern Serbia, Jablanica and Pčinja, are in the least favorable situation, since the majority of the municipalities (10 out of 13), inside this districts, are categorized as underdeveloped municipality.

¹ Southern Serbia region has been considered as socio-economic area consisting of two districts Pčinja and Jablanica



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Table 2.1: Overview of the Region (estimate 2007)

Districts/ Municipalities	Area (km ²)	Number of inhabitants	National Income p.c. RSD ²	Employ.	Unempl.	Unempl. rate
Rep. Serbia	88.361	7.381.579	123.473	2.002.344	785.099	28,2%
Pcinja District	3.520	229.200	61.232	44.207	31.369	41,5%
Surdulica	628	20.957	47.025	5.318	4.047	43,2%

Source: Republic Bureau of Statistic

Considering the data on employment and unemployment shown in the Table 2.1, it can be seen that the current situation is worrying, as in Serbia the total unemployment rate is 28,2%, calculated on the overall labor force, while in Pcinja district and Surdulica rate is thirteen and fifteen points respectively, higher than the national one. The rate of 43,2% is among the highest in the country.

Regarding infrastructural background, organizational disconnectedness and poor informational support are considered³ as the most important regional weakness.

2.1.1 Geography

Table 2.2: Geographic Indicators

Indicator	Unit	Serbia	Pcinja District	Surdulica
Total Surface	sq Km	88.361	3250	628
Total Surface %	%	100%	4,0%	0,7%
Agricultural Area % of Tot. Surf.	%	66%	56%	54%
Population Density 2005	p/sq Km	84	65	34
Population Density 2006	p/sq Km	84	65	34
Population Density 2007	p/sq Km	83	65	33

Source: Statistical Office of Republic of Serbia

Table 2.2. sets out the main indicators regarding the project area geography. The municipality of Surdulica occupies approximately 0,7% of the total area of Serbia, but with an high share of agricultural land if compared with the total surface of the municipality. The population's density in Surdulica records 34 persons per km², which is largely below both, the national value (84 persons/km²) and regional one (65 persons/km²).

² The data actually available are the one of the year 2005

³ Regional Socio economic Plan for Development of South Serbia. Infrastructure Development Consultant Report Robert Špendl
UNDP March 2008



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2.1.2 Socio-economic Structure

Table 2.3: National/District/Municipality Data on Salaries

Municipality	Number of households	Average size of household	Salaries and wages per employee RSD/month			Salaries growth rate	
			2005	2006	2007	2006	2007
Serbia	2.521.190	2,97	17.443	21.707	27.759	24,45%	27,88%
Pcinja District	64.136	3,55	12.820	15.959	20.540	24,45%	28,70%
Surdulica	6.976	3,18	15.194	17.489	22.894	15,16%	30,90%

Source: Statistical Yearbook 2007-Republic Bureau of Statistic

The table 2.3 shows that the level of salaries in Surdulica have reached the national and district ones only in 2007, while during the same year there was opposite trend in growth rate of the number of inhabitants per physician as it is shown in the table below.

Table 2.4: National / Municipality Health Care Handling Capacity

	Number of inhabitants per physician			Growth rate	
	2005	2006	2007	2006	2007
Serbia	378	377	368	-0,26%	-2,44%
Pcinja District	429	438	422	2,0%	-3,8%
Surdulica	261	268	262	2,6%	-2,3%

Source: Statistical Yearbook 2007-Republic Bureau of Statistic

2.1.3 Demography

Table 2.5: National, District and Municipal Demographic Data (1991-2007)

Population		Census 1991	Census 2002	2005 (estimate)	2006 (estimate)	2007 (estimate)	Annual growth 1991-2002	Annual growth 2002-2007
Serbia	total	7.576.837	7.498.001	7.440.769	7.411.569	7.381.579	-0,10%	-0,26%
	urban	4.126.728	4.226.896	n.a.	n.a.	n.a.	0,22%	
	other	3.450.109	3.272.105	n.a.	n.a.	n.a.	-0,48%	
Pcinja District	total	237.399	227.690	229.707	229.596	229.200	-0,38%	0,17%
	urban	78.634	78.648	n.a.	n.a.	n.a.	0,00%	
	other	158.765	149.042	n.a.	n.a.	n.a.	-0,57%	
Surdulica	total	24.489	22.190	21.487	21.248	20.957	-0,89%	-0,99%
	urban	561	545	n.a.	n.a.	n.a.	-0,26%	
	other	23.928	21.645	n.a.	n.a.	n.a.	-0,91%	

Source: Statistical Office of Republic of Serbia

Total population of Surdulica is 20.957 according to official 2007 estimate. Population data on urban and rural repartition are not available for the year 2007.



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The population growth during the period 2002-2007 shows stronger decline at the national level ranging from -0,10% to -0,26% while in Pcinja district the growth demonstrates positive trend (0,29%), in Surdulica the trend is negative (-0,99%) and higher than the national one.

Table 2.6: National/District/Municipal Data on Active population & Life expectancy (2005-2007)

Indicator	Active Population (age 15-64) 2005	Active Population (age 15-64) 2006	Active Population (age 15-64) 2007	Active pop./ Total pop. 2005	Active pop./ Total pop. 2006	Active pop./ Total pop. 2007	Life expectancy (years)
Serbia	4.994.139	4.978.407	4.967.517	67,12%	67,17%	67,30%	73,12
Pcinja District	148.583	149.037	149.525	64,68%	64,91%	65,24%	73,14
Surdulica	14.267	14.098	13.922	66,40%	66,35%	66,43%	72,47

Source: Statistical Office of Republic of Serbia

The data in Table 2.6 highlight that the number of active population is slightly growing at national and district level, while in Surdulica municipality the trend is almost stable.

2.1.4 Employment

Table 2.7 shows that the total number of employed people in Serbia decreased by 3.3% from 2005 to 2007. The fall in the Pcinja District and Surdulica Municipality was much sharper i.e. 12,3% and 11,6% respectively.

Table 2.7: Employment Data - 2005, 2006, 2007

Indicator	Year	Total Population	Total employed persons	Total unemployed persons	Total employed/ Total population %	Total unemployed/ Total population %	N° of adults with social welfare
Serbia	2005	7.440.769	2.068.964	895.697	27,8%	12,0%	n.a.
	2006	7.411.569	2.025.627	916.257	27,3%	12,4%	220.262
	2007	7.381.579	2.002.344	785.099	27,1%	10,6%	n.a.
Pcinja District	2005	229.707	49.666	33.926	21,6%	14,8%	n.a.
	2006	229.596	46.728	36.179	20,4%	15,8%	11.631
	2007	229.200	44.207	31.369	19,3%	13,7%	n.a.
Surdulica	2005	21.487	5.933	4.047	27,6%	18,8%	n.a.
	2006	21.248	6.020	4.590	28,3%	21,6%	522
	2007	20.957	5.318	4.473	25,4%	21,3%	n.a.

Source: Statistical Office of Republic of Serbia



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Table 2.8: Employment typology per Municipality and District (2005/2007)

Municipality		Employees		Employees in enterprises, institutions, cooperatives and other organizations No.	Entrepreneurs, sole proprietors including Employees No.	No. of employees per 1000 inhabitants	
		Total No.	Women %			Total No.	Employees in enterprises, institutions, cooperatives and other organizations No.
	Year						
Pcinja District	2005	49.666	37,4	39.114	10.552	216	170
	2006	46.728	36,4	36.495	10.233	204	159
	2007	44.207	36,7	34.411	9.797	193	150
Surdulica	2005	5.933	35,4	3.747	2.187	276	174
	2006	6.020	32,7	3.613	2.407	283	170
	2007	5.318	37,8	3.255	2.064	254	155

Source: Regional Development Strategy of Pcinja District

According to Table 2.8 the figures on employees/1000 inhabitants demonstrate that the trend of this indicator is negative with a sharp fall in 2007 (-29 unit) in Surdulica municipality. The same indicator at District level had also negative trend, although less aggravating then the municipal one.

The following table presents comparative data on employment by sectors.

Table 2.9: Employment by Sector

Indicator	Serbia	Pcinja District	Surdulica
Agriculture, Fisheries & Forestry	65.058	916	183
Manufacturing, Processing Industry	490.502	17.265	1.466
Energy & other utilities	45.554	995	253
Construction	88.063	1.802	206
Trade	204.730	4.260	278
Tourism	26.964	861	77
Logistics	115.961	2.112	106
Commercial services	92.206	583	51
Public Administration & Social sector	417.433	10.319	1.126
Entrepreneurs & sole proprietors	522.493	10.553	2.187
Total	2.068.964	49.666	5.933

Source: Statistical Office of Republic of Serbia



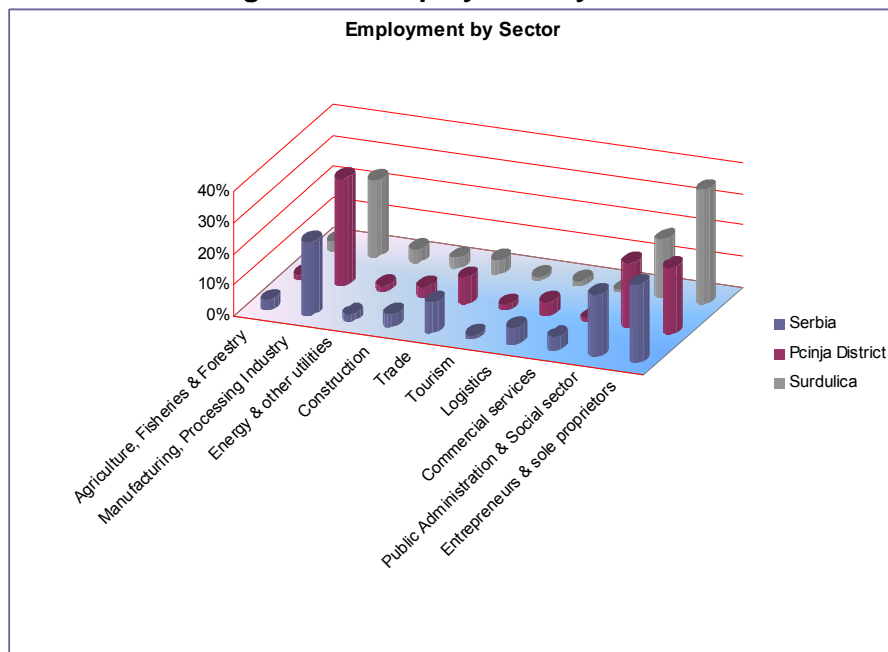
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Figure 2.2: Employment by Sector



The most striking feature highlighted in the table and figure above is the size of the Entrepreneurs & Sole Proprietors and Manufacturing sectors, reaching the percentage of 36,9% and 24,7% respectively, while the percentage of the same sectors at national level is 25,3%, 23,7%.

Due to the underdevelopment of the region Surdulica municipality has a very large social sector meaning that the municipality has to support a large number of people, so as it happens in many other municipalities of southern Serbia.

Sectors related to Energy and Utilities in Surdulica municipality is significantly above the National and the District area value since the four hydroelectric power plants, located on the Vlasina Lake, are a big source of job.

The labor market is rather dependent on the manufacturing and private sectors, since, a fair number of industries and SMEs still employ the majority of the labor force available in spite of the difficult economic situation.

2.1.5 Contribution to National Income⁴

Table 2.10: Contribution to the National Income

Indicator	Serbia	Pcinja District	Surdulica
National income (in '000 CSD, nominal)	918.732.972	14.065.459	1.010.416
% of total	100,0%	1,5%	0,1%
National income per capita	123.473	61.232	47.025

Source: Statistical Office of Republic of Serbia

⁴ The data actually available are the one of the year 2005



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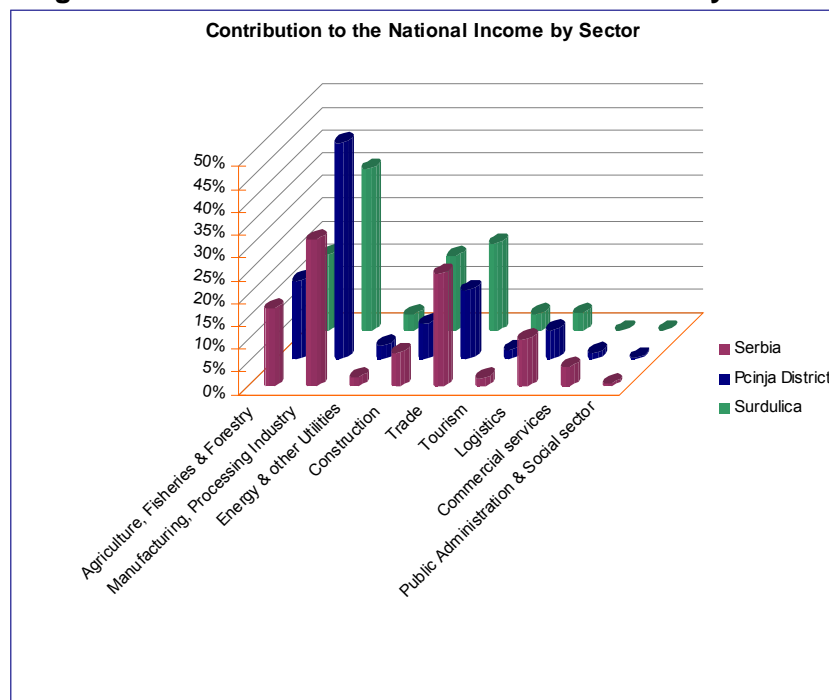
The 2005 income in Pcinja District was 1,5 % of Serbia's total national income. Surdulica municipality contribution to the national income was very small (0,1%).

Table 2.11: Contribution to the National Income by Sector

Indicator	Serbia		Pcinja District		Surdulica	
	Total RSD	%	Total RSD	%	Total RSD	%
Agriculture, Fisheries & Forestry	156.437.867	17,0	2.407.919	17,1	168.616	16,7
Manufacturing, Processing Industry	294.890.188	32,1	6.649.358	47,3	360.025	35,6
Energy & other Utilities	17.710.789	1,9	424.177	3,0	37.170	3,7
Construction	67.323.353	7,3	1.088.511	7,7	166.804	16,5
Trade	226.919.194	24,7	2.106.427	15,0	193.816	19,2
Tourism	16.602.919	1,8	266.523	1,9	39.027	3,9
Logistics	95.716.030	10,4	890.340	6,3	40.829	4,0
Commercial services	38.916.575	4,2	191.677	1,4	2.028	0,2
Public Administration & Social sector	4.216.057	0,6	40.527	0,3	2.101	0,2
Total	918.732.972	100,00	14.065.459	100,0	1.010.416	100,0

Source: Statistical Office of Republic of Serbia

Figure 2.3: Contribution to the National Income by Sector



In the figure above it is shown that the manufacturing sector, in the District, still provides the largest share to the national income with a value of 47,3%. Agriculture, fishery and forestry are at the second place with a share of 17,1%. The construction sector of Surdulica gave a contribution to the national income higher than the



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national and district ones, while contribution of the manufacturing sector, even if lower than the district one, exceeded the national one.

Thus, the economy in the municipality is dominated by the manufacturing sector closely followed by the trade and construction ones, while the contribution of the tourist sector has been very small, even though the area surrounding Surdulica is proclaimed to be one of the most important touristic attraction.

Memorandum on 2008 Budget and economic status of the Municipalities

The Serbian Government has issued the Budget Memorandum for 2008, (see Ref. 2.3) according to the Budget system law, (see Ref 2.4) and government policy on Public financing. In this Memorandum it is stated budget that, the local governments are entitled to share 1,7% of total non-categorical transfers of the GDP, according to the budget forecast for the years 2008 and 2009.

The transfers to the local governments have been increased in 2007 compared to the one in 2006 because even if the GDP did not increase in real terms, it was virtually increased by the income tax reduction (from 14% to 12%), introduction of a non-taxable part of income (up to RSD 5.000 per month) and VAT (2006).

Based on the Memorandum sharing of the 2008 transfers is in line with the Law on finance of local government (into force as of June 2007) see Ref 2.5.

According to the provisions of the new Law on local government finance, the transfers foreseen for 2008 are lower than the ones for 2007.

As matter of fact, by this new Law local governments have overtaken a part of the collection of central taxes in order to fully control this revenue.

The tax on passing absolute rights is reduced from 5% to 2,5%. Diminishing of the tax rate doesn't mean that the local governments will be less motivated to collect this revenue.

The establishment of a local tax administration it is considered a very important change that might generally increase fiscal collection capacity of local governments in Serbia.

Total of non-categorical transfers for the year 2008 in absolute figures are apportioned at RSD 36,1 billion (Republic of Serbia is divided into 141 municipality and 4 cities, and according to this subdivision municipalities are apportioned RSD 22,2 billion and the share for the 4 cities is RSD 13,9 billion).

Local communities are also entitled to a share of RSD 2,0 billion of categorical transfers to finance investments in healthcare and the management and operation of the tax authorities.

Based on the above provisions the share of non-categorical transfer for the municipalities of the Pcinja region for the year 2008 is in total RSD 1,1 billion (€ 13,4



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million) or 122% increase if compared to the total transfers apportioned for that region in 2006 (2006 = RSD 884 million or € 11 million).

Table 2.12: Budget transfers (000'RSD)

Municipality 1	2006 2	2007 3	2008 4	Index 5(3/2)	Index 6(4/3)
Vranje	108.034	285.311	339.089	264,1	118,8
Bosilegrad	36.065	58.623	68.232		116,4
Vladicin Han	33.658	106.530	119.972	316,5	112,6
Surdulica	38.575	77.046	95.342	199,7	123,7
Presevo	66.329	149.140	190.362	224,8	127,6
Bujanovac	62.609	172.052	215.250	274,8	125,1
Trgoviste	18.130	35.326	45.659	194,8	129,3
Total	363.400	884.028	1.073.906	243,3	121,5

Source: Serbian Bureau of Statistics

2.2 Vlasina Lake and Surroundings

2.2.1 Geography

Vlasina Lake (in Serbian: Власинско језеро, Vlasinsko jezero) is an area of high natural values. It is a semi-artificial lake, extending over 16 km². Located at an altitude of about 1200 m, it is the highest and largest artificial lake in Serbia. It was created in 1947–51, when the peat bog called Vlasinsko blato (Vlasina mud) was closed by a dam and submerged by waters of incoming rivers and streams, chiefly the Vlasina.

This area is shared among the municipalities of Surdulica and (to a minor extend) Crna Trava. The plateau is surrounded by the mountain chains of Čemernik, Vardenik and Gramada.

The lake stretches in a North-South direction, with a length of about 9,5 km and a maximal width of approximately 3,5 km. Its average depth is 10,5 m, while the maximum depth is 34 m, near the dam. The central part of the lake is wide, and about 10-15 m deep. Its eastern coastline is jagged, with two bays: the larger Biljanina bara and the smaller Murin zaliv, separated by the Tarajia / Janskolovica peninsula. The southern part of the Lake, between the Bratanov del peninsula and the mouth of Božićki kanal is shallower (2–6 m), with swampy coasts and remaining peat bogs.

The dam is located in the northern part of the lake. It is an embankment dam, made of a concrete core and earth-filled cover. It was built from 1946 to 1948, when the water was first accumulated. It is 239 m long, 139 m wide at the base and 5,5 m at the top, and 34 m high (of which 25,7 m is above the ground).

The accumulation it creates has around 1,65 km³ in volume. Of those, 1,05 km³ is viable for hydroelectric exploitation. The system of 4 hydroelectric plants called Vrla (I-IV) lies downstream the lake, on the Vlasina River, with the total capacity of 125 MW. A part of the hydroelectric system is the pump station "Lisina", which pumps in the water from the nearby Lisina Lake, chiefly in summer months. The Vlasina Lake



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is also fed by numerous creeks, descending from the surrounding mountains. The water level varies, depending on the water influx and drainage of the dam. Two artificial canals enter the lake near the dam: the Čemernički Kanal from the West and the Strvna Kanal from the East.

The lake is most easily accessible from the south-western side, by a 19 km long section of a 2-lane, so-called '*magistral*' road from Surdulica. Surdulica itself lies 10 km east of the important Niš-Skopje (planned) motorway, the so-called Corridor X, the E75 European Route. The road extends west, towards the Bulgarian border crossing at Strezimirovci, some 20 km away. Along the west shore, the regional road R122 leads across the dam towards Crna Trava in the North.

There are two permanent islands on the lake, along its eastern coast: Dugi del (7,84 ha) and Stratorija (1,82 ha). Along with those islands, one of the lake's most famous features are the **floating islands**, occurring when the water during high levels breaks off the loose chunks of peat off the shores, 0,5–2 m thick. Driven by the wind, they float from one shore of the lake to another, carrying the flora and fauna, and serving as the shelter and food source for the fish underneath. For that reason, they are an attractive location for fishermen. The largest floating island has a surface of about 8 hectares, and is referred to as "Moby-Dick" by the local population. It is overgrown with dense vegetation, including birch trees. However, most of the time it is pushed against the shores by the prevailing winds.

In order to protect the unique habitat of these floating islands, while still allowing tourist to experience this unique sensation there are plans for the artificial creation of a number of such islands, chained to the lake floor.

The temperature of the water reaches 21-23 °C in the summer months, making for refreshing swimming. It freezes in the winter, and the ice crust can be as much as 2 meters thick. The temperature also varies with location and depth. In the village of Topli Do, South of the lake, there is a water factory "Vlasinka", producing the high-quality oligo-mineral water "Vlasinska Rosa", a renowned brand in Serbia. It was purchased (from the Simco Company) by the Coca Cola Company in 2005.



2.2.2 Nature Characteristics and Environment Protection Status

Figure 2.4: Vlasina Lake Autumn Views



The Vlasina lake flora and fauna are rich, and includes several endemic species. It features over 850 species of flora, 180 species of vertebrates, including rare species of mammals, reptiles and amphibians. The lake's surroundings are a mixture of meadows and high-altitude forests, especially birch, beech, pine and juniper (the former two indigenous, and the latter chiefly introduced by forestation projects of the western shore).

By the decision of the Government of Serbia, the Vlasina region is protected as a so-called 'landscape of outstanding beauty' (ПРЕДЕО ИЗУЗЕТНИХ ОДЛИКА: 'landscape of outstanding qualities'), since 2006. The total protected area is 12,741 hectares, of which 9.6 ha. under the 1st level of protection (islands of Dugi Del and Stratorija), 4,354 under the 2nd level and 8,377 under the 3rd level of protection.

The region of the Lake Vlasina and its surrounding was put under protection at the end of 2005, being designated as the "Vlasina" region of exceptional features and the Serbian national asset of great value. The boundaries of the protected region cover a total surface area of 12.741 hectares, spread mostly into the territory of the Surdulica municipality and partly in the one of Crna Trava. The general concept of protection and preservation of the protected areas having exceptional characteristics is based on the conservation of the natural and man-made values and their rational exploitation with the purpose of keeping under control the development in the region. In this sense surfaces and sites falling into a category of level 1, 2 and 3 of the protection regime were determined.

The areas under level 1 of protection covers an area of 10 hectares and encompass the islands of Dugi Del and Stratorija, where the exploitation of the natural resources is forbidden as well as all the other activities, with the exception of the scientific researches and controlled education.

The areas under level 2 encompass the isolated surfaces of special value and the habitats of natural rarities as well. However the protection measures need to be strengthened in order to better preserve the natural values from the great influence of the humankind.



The part of the natural asset that was put under the level 3 protection regime imposes limited use of the national resources whereas the activities concerning the traditional settlements and economy are allowed as well as a controlled and ecologically oriented development of tourism. The overall uniqueness and rarities exceeding the national significance have made Vlasina a locality of extreme value for Europe so that at the beginning of 2007 it was proposed for nomination as a candidate for Ramsar sites protected natural Assets Ramsar sites/Ramsar Convention (signed by 157 countries) on conservation and sustainable exploitation of the habitats of international importance, such as habitats of the swamp birds), being the specific and unique Balkans habitat of the wet meadows and grasslands which ensure the survival of significant number of vulnerable and endangered species of flora and fauna and endangered ecosystems⁵. On January 29, 2008, Vlasina area has been declared one of 1678 areas internationally recognized as important “Wetland areas” by Ramsar International Convention Secretariat.

2.2.3 Population

The population around Vlasina lake is distributed inside three areas characterized by a number of scattered small settlements, so called “mahala”. The four areas are Vlasina Rid, Vlasina Okruglica, Vlasina Stojkovicewa. The distribution and number of Vlasina people per “mahalas” is presented in the following table.

Table 2.13 Vlasina Population

	Mahalas N°	Permanent Population	Impermanent Population	Total Population
Vlasina Rid	28	228	1372	1600
Vlasina Okruglica	31	90	399	489
Vlasina Stojkovicewa	19	138	593	731
Total	78	456	2364	2820

Source: Surdulica Municipality

It is important to note that out of the overall population less than 50% has been living permanently in the project area. The rest of the people are rather spending their time in Vlasina area only during weekends or holidays (vikendasi).

2.2.4 Economy

The economy in Vlasina area has not been developed yet. Namely, overall economic activity is directed towards occasional tourism and very low level of agricultural activity, which is mainly targeted at individual household’s need.

⁵ Source “Region of exceptional features” Serbian Institute for Preservation of Natural Environment



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2.3 Surdulica Municipality

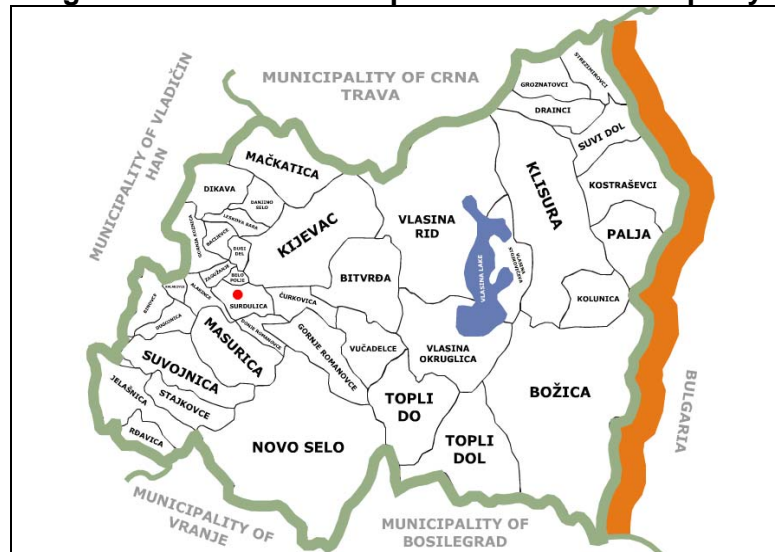
2.3.1 Geography

Municipality of Surdulica is located in the south Serbia region (upper south-east part with the following geographic coordinates $\varphi = 42^{\circ}41' \text{ H.E.}$, $\lambda = 22^{\circ}11' \text{ E.}$). It is situated in Pcinja district along the state border with neighboring Republic of Bulgaria. On the south there are municipalities of Vranje and Bosilegrad, on the west side there is Vladicin Han municipality from Pcinja district and Crna Trava municipality from Jablanica district on the north.

Some of the main state roads [M 1-13, R 122, R 124 (a) and R 124 (b)] are passing through its territory.

The area covered by the municipality is 628 sq.km of river valleys and the Vlasina plateau area, where much of it is mountainous with Mount Vardenik (1,876 m) and Cemernik (1,721m) being the highest points. Vlasina Lake is the largest water area in the region.

Figure 2.5: Schematic map of Surdulica Municipality



2.3.2 Population

The municipality population is just over 21.000 (21.487 according to estimation of 2007) spread amongst 41 settlements. Out of this figure 49% live in town of Surdulica, whilst 51% live in rural areas. Regarding ethnic composition Serbs represent the majority (82%) and the minorities are Roma (9%), Bulgarians (5%) and others (4%). Gender structure is characterized by higher presence of women (50,70%) comparing to men (49,30%).

The main demographic trend within population is migration from rural to urban areas. On the other hand, there is a constant trend of people living in the



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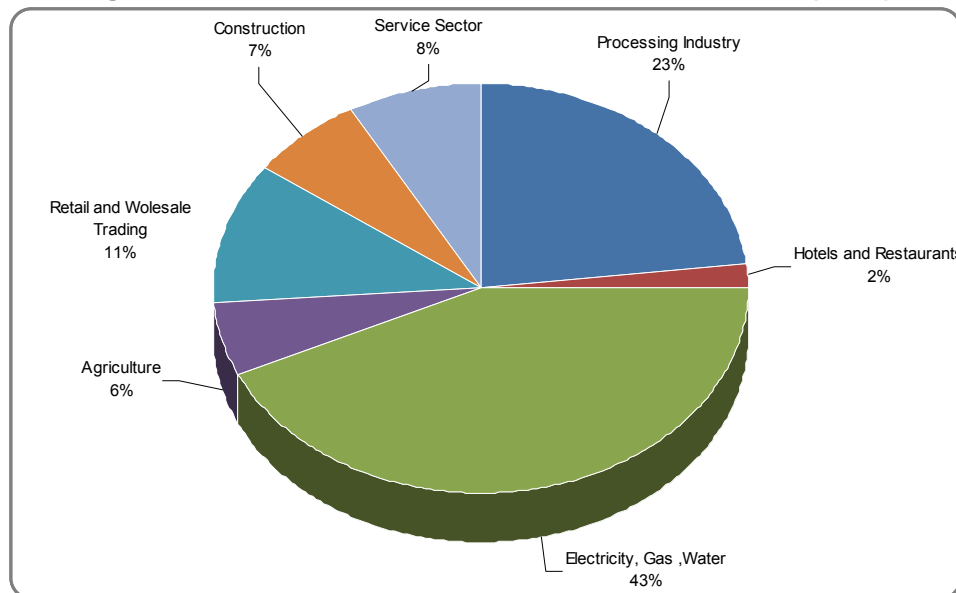
Municipality moving towards bigger regional centers (from 1953 to the day the population has been practically halved) Nowadays, almost 50% of the population are older than 40 years of age (influence of de-population), which means that there are on average only 17% of work active people living in various settlements outside of the town of Surdulica itself, which is very low.

The absence of universities within the Municipality results in the majority of the population having completed only primary and secondary schools.

2.3.3 Municipal Economy

Handicrafts used to be the main commercial activity in the old days. Prosperity of Surdulica is the result of industrial development which began after the World War II, in 1948. when stone quarry "Vardenik" was opened. New industrial facilities had been constructed in the following years. In 2003, 854 economic entities were registered in the Municipality of Surdulica, out of which 734 were inside tertiary and quaternary sectors and 120 in primary and secondary sectors. Based on the Republic of Serbia Statistics Bureau's data, the biggest contribution to the national product in 2004 was made by the production of electric energy with share of 42%, followed by the processing industry with 23% and trade with 11% In 2004, hotels' and restaurants' share was only 2%.

Figure 2.6: Domestic Product Structure in Surdulica (2004)



Source: Municipalities in Serbia in 2005

Vlasina hydroelectric power stations, which are in fact an unique system of power stations in Vrla river valley, have been using water from the accumulation at Vlasinsko lake. They were constructed in period 1947-56. Four power stations use capacities of Vlasinsko and Lisinsko lakes with 109 million m³ of water. With their



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ten generators of 129 MW they produce around 170 million KWh per year. Industry and mining include metal complex, nonmetal refining, and lumber industry, production of textile goods, leather footwear, leather goods and food industry.

The most important commercial complex of Surdulica consist of the Construction company "TONČEV GRADNJA", Factory for manufacturing of whetstone panes for machines and steel foundry A.D."MACKATICA", Factory for manufacturing mineral isolation stone wool, D.D. "VUNIZOL", Automobile parts factory and automobile service "ZASTAVA-PES" d.o.o Surdulica, D.O.O. "EUROPA TRADE", Woodwork factory for stylish furniture, a part of "SIMPO" from Vranje, Section of textile factory "YUMCO" from Vranje, Section HK DD "KOŠTANA" from Vranje, Public factory "Narodna radinost", Factory for production of drinking water "Vlasinka" Topli Do (more known as "Rosa"), a part of "SIMPO", Sheep farm and peat factory on Vlasina, which belongs to "SIMPO" system. As well there are DP "Masurica", DP "Zvezda", Public factory "Factory for Bread and Milk", ZZ "Jelašnica", Construction company "Zidar", Handicraft and construction collectives "Vlasinac" and "Pobeda" and Hotelkeeping company "EVROPA".

Factory of stone wool in Surdulica, operates within the system of company "Knauf insulation" since 2004 and it is good example of environmental friendly industry. This company started recently to operate in compliance to ecological rules therefore; contemporary equipment for reduced emission of harmful gases has been built in the new line for production of stone wool. According to official data, the emission is now within the allowed limits.

Today, in total income of Surdulica apart from industry, mixed sector has a share of 29%, private about 20% and collective (agricultural) about 1%. Trade and in keeping constitute the largest part of private sector (87,7%).

Southern Serbia, along with the Municipality of Surdulica, have suffered over the last 15 years major economic damage in terms of closing down and over- indebtedness of the ten existing companies seen as pillars of the creation of the population well-being. This situation caused the major moving of the population (de-population of the work active) towards bigger urban centers resulting in high unemployment rates.

2.3.4 Municipality Infrastructures

- Water supply

Municipality of Surdulica has not completely resolved the issue of water supply and sewerage systems. Within municipal territory there are two facilities for the treatment of shallow water (Kalifer and Vlasina). The Kalifer plant is processing the water collected from Masuricka river and distributes the water treated to the city, the city suburbs and to the villages (Masurica, Binovce, Kalabovce, Alakince and Suvojnica). Jelašnica village does not have resolved water supply problem even if it lies on two rivers.



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Concerning Vlasina Lake, according to the Master Plan only one settlement, i.e. Vlasina Rid, has been provided with potable water through public water supply system. This settlement has been using water from spring water treatment plant "Tubeghije" which has the capacity of 15 l/s.

Other settlements and "mahalas" are using mostly co-opted water from springs or from private wells. The percentage of water supply system with satisfactorily water quality is 75 %.

In general, the water supply system has enough water supply capacity, though it suffers from three main problems which should be resolved: irregular water supply, unsatisfactory water quality and losses.

Water supply sector in Surdulica municipality is not financially independent. At the moment, incomes obtained from the services do not cover operational expenses. Low communal service tariffs, small municipal budget and low level of remunerated invoices do not provide any space for investments directed toward the improvement and maintenance of the systems itself.

In cooperation with international organizations „CHF International Serbia" and UNDP the first phase for modernization of the drinking water refinement facility has been completed (officially launched: "Flokulator" settling basin). In 2005, with UNDP assistance equipping and modernization of chemistry laboratory was done and microbiological laboratory was opened and equipped. Completion of the second phase of reconstruction and mechanization of drinking water treatment facility has been in the process.

During 2005 the following works have been executed in Vlasina area: water capture revitalization, road to water capture location has been reconstructed, restoration and reconstruction of power supply installations on water treatment facility have been completed, filter field sand has been replaced, equipment for the facility has been provided and power plugged.

- Water pollution

The biggest water polluters are existing settlements around Vlasina Lake. Sanitary waste water from the settlements and waste water from commercial objects affect water in the area to the certain extent and cause decrease of quality. None of the village settlements has been connected to the sewage network, nor do they have collective septic tanks, but every household has its own septic tank.

Discharges of not purified waste water into the recipients have been the main cause of water pollution. Pollution of ground water is first of all a consequence of use of fertilizers, pesticides and herbicides in agriculture, than drainage from uncultivated waste depots, as well as inadequate treatment of septic tanks in the village settlements.



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- Sewerage system

Sewerage system covers the city area. The waste waters are treated in Alakince WWRF (waste water refinement facility). The final recipient is Vrla river. The facility has been constructed in 1980 and partially renewed in 1997. In Vlasina Lake area (Vlasina Rid, Vlasina Stojkovceva, Vlasina Okruglica), the sewage system is under construction but it is not operational yet, and the main collector is partially damaged. Waste waters are uncontrollably disposed below the dam into the Vlasina river basin. Septic tanks are used in village habitations, but the majority of them are not properly built, and have outpourings very often. The only system that is regularly controlled is the waste water treatment plant in the water factory – “Vlasinska Rosa” located in Topli Do village. The industrial zone does not have separate facility for the treatment of the waste waters so that a part of them is disposed directly to the Vrla river and the rest is disposed through the sewerage system of the city and the final recipient is Vrla river.

- Solid waste

Garbage disposal system is only covering the city area with 90% of the total municipal coverage, while the village areas (except Masurica and Vlasina) do not have organized garbage disposal process. Due to that reason in rural areas garbage is mostly disposed next to the roads or in some artificial dump-sites. Garbage from the city area is transported to the city landfill facility located in Zagluzanje place called » Bubavica« Average garbage disposal quantity for this landfill facility is 7500m³ of waste per year. This facility belongs to K3 category group of landfill facilities (official landfill facility – garbage disposal location that could be used for another 5 years if the rehabilitation with minimum safety measures is previously done). Rehabilitation procedure is in process. As two regional landfills will be created inside this region (one in Vranje, and other in Leskovac,) in the near future, the decision will be made soon about where to dispose solid waste from Vlasina and Surdulica.

During 2004 and 2005 Public Utility Company “Vodovod” Surdulica has eliminated or rehabilitated a huge number of dump-sites within the city and in habitations close to the city. In total 1200 m³ of waste has been disposed to the city landfill facility from these dump-sites. The following sites have been completely cleaned: 6 km of river flow beds, 25 km of the side-walk area next to the Surdulica – Vlasina road, around 1000 m of sewerage network have been constructed and 100 containers installed (1,1 m³ volume) that are covering the city, Masurica village and partially Vlasina. City landfill facility has also been rehabilitated (access and fire escape routes have been built, water reservoirs for fire extinction have been placed, certain facility spaces have been cleaned and fence has partially been installed, part of the landfill facility has been re-cultivated, contract for maintenance of the facility has been signed and elaboration of the project for closure and re-cultivation of the facility, in cooperation with the Ministry in charge has been in progress).

- Road network

The area of Surdulica municipality is situated within the road network ranked in Serbia system as primarily highway network of strategic importance, since some trans-European character roads are intersecting it. These roads are providing



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connection between western-Europe and Alpine area with southern-east Europe: Greece and Bulgaria.

The primary road network in the municipality is offering good traffic connection with surrounding municipal and regional centers.

Table 2.14: Roads (in km) data of 2003.

Road type Nat./ Districts/ Municipality	Highway		Regional		Local	
	Total km	Modern km	Total km	Modern km	Total km	Modern km
Republic of Serbia	37.981	23.709	10.401	8.818	22.824	10.288
South Serbia	4.528	1.609	1.002	654	3.203	684
Pcinja district	2.745	847	584	358	1.981	361
Surdulica	206	148	70	60	89	41

The most important roads are:

- Highway M113 (Vladicin Han - Surdulica - Klisura - Strezimirovci - Bulgarian border);
- Regional highway R122 (Svoce - Crna Trava - Vlasina - Bosilegrad – Ribarci Bulgarian border);
- Regional highway R124a (Surdulica - Suvojnica - Bojkinska Mahala - M1);
- Regional highway R124b (Žitoradje - Danjino selo - Mackatica).

Railway transportation has not been present within Surdulica, and the nearest railway station is positioned in Vladicin Han (30 km far away). In addition in Surdulica there is no airport and the nearest airports are in Nis and Sophia both of them 110 km far away and Skopje 120 km. The distance between Vlasina and these airports still makes possible for tourists to reach the lake quite easily.

2.4 Municipal Infrastructure Developed or Planned in the Sector Surdulica Municipality.

List of Recent/Ongoing Project undertaken by the municipality in the area of water facilities (water supply and sewerage):

In this paragraph, brief overview of the projects that have been carried out in the municipality of Surdulica since 2000 in the sectors of water supply, sewerage and wastewater, solid waste, communal roads and tourism are presented.

- Communal water supply upgrade – replacement of asbestos-cement pipes with contemporary and safe pipe materials, construction of a new clear water storage tank of 1.000 m³ – works completed;
- Introduction of a remote monitoring and control system + SCADA into the communal potable water supply system – accomplished
- Construction of main sewers – length app. 22km – technical design and permits are being finalized, implementation pending provision of sufficient funds;



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- Sewerage collection network in sub-urban settlements – app 5km. – implementation related to budget availability;
- Extension of water supply network in suburban areas – accomplished;
- Upgrade of the potable water treatment plant – process technology improvements – accomplished

In 2008 Sewerage & Wastewater Master Plan for the Southern Morava Region was issued, covering Surdulica. Also, a regional spatial plan for the Jablanica and Pcinja Districts is under preparation (draft issued in January 2009) covering major aspects of water-related infrastructure in these municipalities.

Projects implemented by TO up to now.

A project for the creation of one tourist educational centre in Surdulica and two Tourist Information Center (TICs) in Vlasina have been developed, but not implemented yet, due to the lack of financial resources. The main four urban plans which should define the urban layout, typology and characteristics of touristic infrastructure haven't been implemented yet. This situation makes impossible for TO to participate more actively in development of actions to broaden and strongly promote tourist offer of Vlasina area. Ongoing projects managed by TO are:

- Marking out pedestrian paths and resorts
- Marking out bicycle tracks
- Marking out mountain paths with resorts
- Organizing beaches.

2.5 References

- Ref.2.1 The Regional Development Strategy for the Republic of Serbia 2007-2012 "Balanced Regional Development Policy/Underdeveloped Areas" The Government of the Republic of Serbia adopted on Jan 11 2007.
- Ref 2.2 The Development Strategy for the Jablanica and Pcinja 2008-2012, [www.centarzarazvoj.org/.../138_8_Regional_Development_Strategy_for_the_Jablanica_and_Pcinja_Districts_\(2008-2012\)Regional_Programm](http://www.centarzarazvoj.org/.../138_8_Regional_Development_Strategy_for_the_Jablanica_and_Pcinja_Districts_(2008-2012)Regional_Programm)
- Ref 2.3 Budget Memorandum 2008 The Government of the Republic of Serbia. <http://www.mfin.sr.gov.yu/eng/2742/>
- Ref 2.4 The Budget System Law ("OGRS No. 9/02, 87/02, 61/07)
- Ref.2.5 (June 2007) Official Gazette of the Republic of Serbia" No. 62/06, /0
- Ref.2.6 Development Strategy of Surdulica Municipality, Surdulica 2007.
- Ref. 2.8 National Environmental Action Plan (NEAP), Directorate for Environmental Protection Ministry for Science, 17 June 2005.
- Ref 2.10 Official censuses between 1948 and 2002 Bureau for Statistic Republic of Serbia