



Municipal Infrastructure Support Programme

An EU – funded project



BUILDING TOGETHER FOR THE FUTURE

CHAPTER 9

ASSESSMENT OF PUBLIC COMPANIES



Municipal Infrastructure Support Programme

An EU – funded project



BUILDING TOGETHER FOR THE FUTURE

TABLE OF CONTENTS

ABBREVIATIONS AND ACRONYMS.....	9-3
9 ASSESSMENT OF SURDULICA PUC, LRCD AND TO.....	9-4
9.1 Introduction.....	9-4
9.2 PUC “JP Vodovod” – Surdulica.....	9-4
9.2.1 Organization of PUC Surdulica.....	9-5
9.2.2 Employee Skills	9-7
9.2.3 Management of Surdulica PUC.....	9-9
9.2.4 Current PUCs Operational Performance	9-10
9.3 PE Land and Roads Construction Directorate of Surdulica Municipality (Land Development Public Agency)	9-11
9.3.1 Directorate’s Management Board.....	9-12
9.3.2 Directorate’s Steering Committee.....	9-12
9.3.3 Internal Organization of the Directorate.....	9-13
9.4 Tourist Organization of Surdulica Municipality	9-16
9.4.1 Organizational Set Up.....	9-17
9.4.2 Management of Tourism Organisation	9-17
9.5 Recommended Arrangement for Project Implementation and Management.....	9-19
9.5.1 Project Implementation Unit.....	9-20
9.5.2 Tourism Advisory Monitoring Unit.....	9-22
9.6 Strengthening of PUC, LRCD and TO Human Resources capacity	9-23
9.7 Technical Assistance.....	9-27
9.8 Risks Matrix	9-27
9.9 List of Annexes	Error! Bookmark not defined.

LIST OF TABLES

Table 9.1: Education Level of PUC Surdulica 2008.....	9-8
Table 9.2: Operational indicators of Project PUC versus other countries	9-10
Table 9.3: Education Level of LRCD of Surdulica Municipality - 2008	9-15
Table 9.4: Education Level of TO Surdulica Municipality - 2008	9-18
Table 9.5: Unit “Vlasina” Suggested Staff.....	9-24
Table 9.6: Risks Matrix.....	9-27



Municipal Infrastructure Support Programme

An EU – funded project



BUILDING TOGETHER FOR THE FUTURE

LIST OF FIGURES

Figure 9.1: JP Vodovod Surdulica Organization Chart	9-6
Figure 9.2: Education Level of PUC Surdulica 2008	9-8
Figure 9.3: Organizational Chart of LRCD of Surdulica Municipality	9-14
Figure 9.4: Education Level of LRCD of Surdulica - 2008	9-15
Figure 9.5: Organizational Chart of Tourist Organisation	9-18
Figure 9.6: Recommended Structure for Project Implementation and Management	9-20

ABBREVIATIONS AND ACRONYMS

HR	Human Resources
HRM	Human Resources Management
IT	Information Technology
LRCD	Land and Road Construction Directorate
PIU	Project Implementation Unit
PUC	Public Utility Company
PE	Public Enterprise
TA	Technical Assistance
TAMU	Tourism Advisory Monitoring Unit
TIC	Tourism Information Centre
TO	Touristic Organization
TOR	Terms of Reference



9 ASSESSMENT OF SURDULICA PUC, LRCD AND TO

9.1 Introduction

In this chapter an assessment is made of the operational performance of the PUCs “JP Vodovod”, the PE “Land and Road Construction Directorate” and Tourist Organisation in Surdulica. In particular, the objective of the assessment is to investigate the capability of three organisations to adequately operate and maintain their assets and provide for the requested services to the consumers in the project area.

Furthermore, the consideration is made concerning their organizational structure and management capabilities. This among others, include a review of the number and skills of employees, the current systems of operational planning and control, administrative systems and procedures, accounting practices and record keeping, customer services and management information systems, as well as general human resources policies.

In order to provide broader understanding on the current situation within Surdulica PUC, a few operational indicators have been compared with international indicators from neighbouring countries.

Having in mind benefits of the investment project for the improvement of their service delivery, the recommendations regarding structural improvements in responsibilities of the organisations concerned have been formulated.

Detailed information on financial performance of the PUC “JP Vodovod”, the PE “Land and Road Construction Directorate” and Tourist Organisation in Surdulica are available in chapter 7.

9.2 PUC “JP Vodovod” – Surdulica

Public Utility Company JP Vodovod Surdulica ID No 07180101 was founded by the Municipality of Surdulica in 1965 and is 100% state owned. Therefore, the founder exercises its rights in line with those described in paragraph 6.2.1 section of the Law on Public Companies. The Treasury Department at local Level is in charge of controlling its performance on behalf of the Ministry of Finance.

The existing PUC is registered for the following main services:

1. Water production and distribution; processing and maintenance
2. Wastewater network distributing processing and maintenance
3. Additional services performed by the company are the construction works, design preparation services, sanitary protection, water and wastewater connections maintenance, waste water treatment plant management and maintenance, solid waste management.



9.2.1 Organization of PUC Surdulica

The management of the PUC has provided the organization chart as presented below (figure 9.1.) The PUC is managed by one General Director and one Deputy General Director who are responsible for three Departments:

- Legal Department
- Economic and IT Department
- Technical Department.

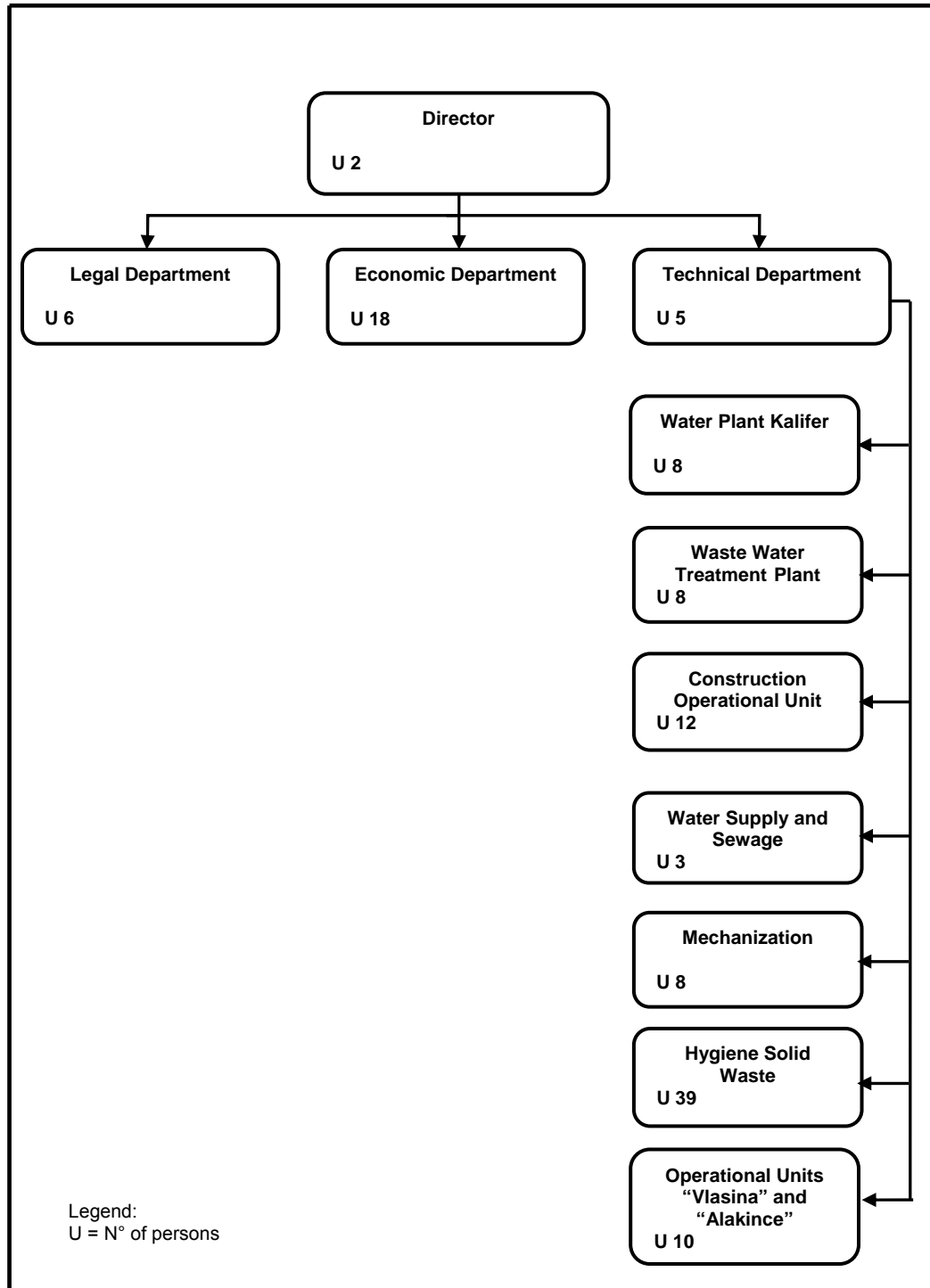
Legal and economic departments are under the responsibility of delegated Heads of departments, while the technical one is managed by entitled Technical Director.

Different PUC departments cover the following duties:

1. Legal and General Affairs Department has the following scope of work: preparing Contracts, based on Director's approval pleading Directorate before the Court, conducting administrative proceeding, writing decisions, monitoring execution of relevant norms, participating in public procurements, participating in organization and enforcement of HR policy, dealing with legal affairs associated other departments with activities and general human resource management. In total 6 persons are employed by the Legal and General Affairs Department, under direction of the Head of department.
2. The Economic and IT Department has the following scope of work: Accounting, administrative and financial affairs, Billing and collection, procurement, security and maintenance of property.
3. The Technical Department consists of seven units and is responsible for the distribution; delivery; treatment; control of quantity and quality of drinking and industrial water; repair and maintenance of water meters for domestic and industrial drinking water; collection, transport, discharge of domestic and industrial wastewater; for maintenance of the drinking water distribution network as well as the collection network for wastewater. Under the direction of the Technical Director, in total 110 persons are employed by the Technical Department divided over the following units:
 - Potable water Unit;
 - Wastewater Treatment Plant Unit;
 - Construction Operational Unit;
 - Water system and sewage Unit.
 - Mechanization Unit
 - Hygiene Unit
 - Vlasina and Alakince Operation Units



Figure 9.1: JP Vodovod Surdulica Organization Chart





Municipal Infrastructure Support Programme

An EU – funded project



BUILDING TOGETHER FOR THE FUTURE

4. Department for General, Legal and HR Affairs consist of 2 units and have the following scope of work: General legal and HR affairs, work safety, security and defence. In total, 37 persons are employed inside this department, out of which 17 in the Legal and HR Affairs Unit and 20 in the Work Safety Unit. The department are managed by Director of the General, Legal and HR Affairs.
5. Financial Department consists of 2 major units, Financial Operative and the Accountancy Unit and has the following scope of work: Accounting, administrative and financial affairs, and bill collection. The number of persons employed inside financial department is 24, out of which 13 are positioned within financial operative and 11 in the accountancy unit. This department is managed by Director of the Department for Financial Affairs.
6. Department for Commercial Planning Affairs consist of 3 main units: Procurement and Sales Unit, Plan Analysis and Insurance and Warehouse Unit. This department is in charge of procurement activities, water meters reading, warehouse planning and management. This Department employs 17 persons in total, out of which 14 are positioned inside Procurement and 3 in Warehouse Unit.
7. Technical Department consists of 8 Units and is accountable for water production and distribution, construction works, water meters' repair and maintenance, domestic and industrial drinking water and for the maintenance of potable water distribution network. Under the direction of the Director of the technical Affairs, 168 persons in total are employed by the PUC who are distributed over the following units:
 - Technical preparation (design) Unit, 6 persons;
 - Water production Unit, 27 persons;
 - Unit for the Distribution and maintenance of Water and Wastewater network, facilities and devices, 39 persons
 - Construction Unit, 40 persons.
 - Mechanisation Unit, 27 persons
 - Water meters calibration Unit, 19 persons
 - Electromechanical workshop Unit, 10 persons
 - Investment Unit (dam engineer), vacant position

9.2.2 Employee Skills

In order to assess the qualifications and structure of the PUC's workforce, the management of the PUC Surdulica made available the information given in the table and figure below.

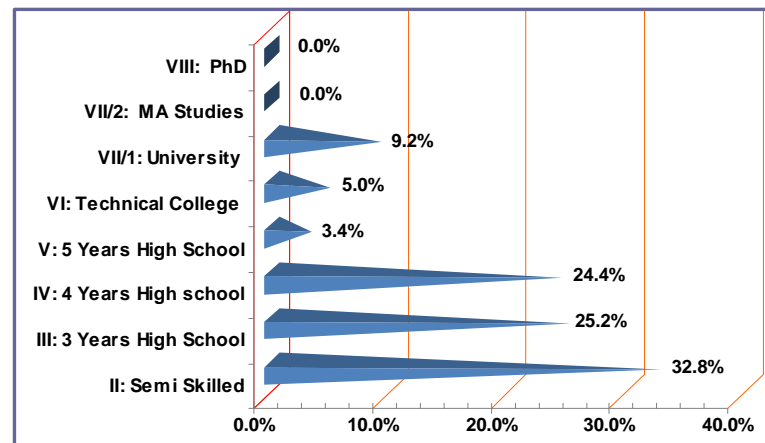


Table 9.1: Education Level of PUC Surdulica 2008

Education Level	I	II	III	IV	V	VI	VII/1	VII/2	VIII	Total
Number of persons	-	39	30	29	4	6	11	-	-	119

Legend: I: Primary school unskilled workers,
 II: Semi skilled
 III: 3 Years High school
 IV: 4 Years High school
 V: 5 Years High school
 VI: Technical College
 VII/1: University
 VII/2: MA Studies
 VIII: PhD

Figure 9.2: Education Level of PUC Surdulica 2008



A management team composed by one General Manager, one Deputy General Managers and 3 Heads of Unit, supervising 17 sub-units with a total of 119 staff members seems to be reasonable and capable to run the current activities. As matter of fact, an average of about 17 staff members per unit is a reasonable size for operational units.

Distribution of academic qualifications indicates that there is a percentage of about 14% with college or university degreed staff who are employed by the PUC. This percentage signifies that sufficient number of academically qualified staff has been available to run the actual operations and associated administrative issues.

In order to be properly equipped to serve planned services (i.e. water supply, waste water collection and treatment, solid waste, roads and tourism) envisaged by the project, the academic staff should be significantly expanded. This is particularly important as new staff will be expected to prepare and organise new procedures, new technologies and to overtake additional responsibilities. Moreover, frontal training and on-the-job training of the personnel should be also under the responsibility of the academically qualified staff.



9.2.3 Management of Surdulica PUC

At the moment, PUC is managed by the General Director, one Deputy General Director, 3 Unit Directors and supporting administrative staff. Departments of the PUC and their authorities are described in the previous section. So far, the PUC operates under direct responsibility of the Municipal Assembly (the Founder). The position of General Director is mainly executive and partly advisory to the Municipal Assembly. His position is linked to the governing political party in the Municipality.

Management bodies of PUC are Management Board, the Director (General Director), and the Supervisory Board. Overall management of the Company is ensured by the General Director and the Management Board (the Administration). Company's Statute is leading document which clearly defines the mandates of both, the General Director and the Management Board. Day-to-day management, including personnel management is handled by the General Director.

Among others, Management Board decides also on general policies, approves financial reports, budgets, investments, and tariffs, decides on the allocation of profits, takes care about losses coverage (considering the advice of Supervisory Board), and implement strategic planning (long term as well as medium term). Management Board comprises members nominated by the Municipality and could also includes nominated representative of the employees.

The General Director is appointed under the responsibility of the Municipal Assembly based on the procedures for the appointment of new staff (the rule book) including detailed terms of reference. Supervisory Board monitors on behalf of the Founders the general functioning of the Company and ensures that the Company operates according to the Law. The Board advises on the allocation of profits. The decision of the Management Board, however, is binding. Major decisions, i.e. annual report, budgets, and tariff revisions have to be ratified by the Municipality's Assembly.

General Director has the highest executive position in the PUC. He is usually supported by the Deputy General Director and together they are directing three Departments. Brief overview of executive management hierarchy is given below.

1. **General Manager:** is responsible for general management, external relations, corporate planning, and is appointed by the Municipal Assembly (and Mayor);
2. **Deputy General Managers:** is in charge for the daily operation of the four Sectors;
3. **Departments Directors:** are accountable for their respective departments and the units



9.2.4 Current PUCs Operational Performance

This section provides a brief assessment of operational performance of the Surdulica PUC¹, taking into account its actual situation, as well as an overview of the future position, once it acquire additional responsibilities. The Table 9.2 summarizes some standardised performance indicators for several South Eastern European countries, as well as comparable figures for the municipal PUC in charge of water and wastewater management in the project area.

Table 9.2: Operational indicators of Project PUC versus other countries

Item	Unit	Bosnia Herz.	Czech Rep.	Croatia	Hungary	Romania	Surdulica
Collection ratio (drinking water and wastewater)	%	n.a.	98	60	100	106	39
Drinking water coverage	%	72	91	93	99	93	69
Sewerage coverage	%	8	77	76	42	73	41
Non Revenue Water	%	62	20	19	20	40	
Residential water consumption	l./c./d.**	134	102	261	114	112	61
Staff/1000 DW&WW connections	N°	N/A	8,3	6,6	5,4	3,9	170

Data from website: ww.ib-net.org, the World Bank benchmarking programme, National averages 2004 and Surdulica Municipality

**Litres/capita/day

Comparing the indicators for the PUC in Surdulica, to the national indicators of the surrounding countries the following conclusions can be drawn:

- For the collection ratio the percentage is very poor;
- The connection rate to potable water and wastewater networks should be additionally extended, whether in the urban centre or in smaller villages and settlements in the Municipality;
- Non revenue water is very high: and needs to be strongly reduced;
- The average residential water consumption is at elevated level and amounts to 170 l/person/day;
- The number of staff per 1000 connection of drinking water and wastewater is relatively high, especially if it is taken into account that Surdulica does not have water and waste water treatment plant.

¹ For detailed information on PUC financial performance please refer to Chapter 7.



9.3 PE Land and Roads Construction Directorate of Surdulica Municipality (Land Development Public Agency)

The Public Enterprise (PE) Land and Roads Construction Directorate has been established according to Articles 94 and 442, Paragraph 3 of the Law on Enterprises (Official Gazette SRJ No 29/96, 33/96 - correction 29/97 and 59/98) (Official Gazette of the Pcinjski County No 4/96). The Directorate was founded by the decision of the Municipality of Surdulica No 023-4/96-01 brought on 23.03.1996; based on Decision on Amendments and Corrections, Decision on the Foundation of the Construction Land and Roads Directorate of the Municipality of Surdulica No 022-1 /2000 was brought on 30.06.2000.

On the basis of the Article 43, of the Law on Environment Protection, Government of Serbia brought the decision on the protection of Vlasina as the landscape of special features (Official Gazette RS, 30/2006 issued on April 11, 2006). By this decision Government of Serbia put under protection Vlasina area as the first degree protected nature area. By the Government decision the management of this site was transferred, to PE *Directorate for Construction Land and Roads* of Surdulica Municipality, who should further implement decisions on Vlasina area protection.

The PE is registered for the following main services:

- Pulling down and demolition of buildings; soil works
- Rough construction works and specific works related to low buildings
- Building of roads, airport runways and sports grounds
- Laying out and maintenance of parks and other green, recreational surfaces
- Buying and selling of real estate for its own interests
- Renting out of properties
- Spatial planning
- Projects of construction and other facilities
- Engineering
- Other architectural and engineering activities and technical advice
- Solid waste disposal, sanitary and similar activities
- Activities in the botanical and zoological sectors, gardens and other natural reserves monitoring and maintenance

On behalf of the Municipality of Surdulica the Directorate is in charge of investments related to the construction of the communal roads and other facilities, in accordance to the Municipal development program.

In the case of any extended activities, the founders' agreement is called for.

Regarding implementation of different activities inside the area of Vlasina, directorate (within scope of its work, i.e. protection of natural environment) closely collaborate with both PUC in and Local touristic organization of Surdulica.



9.3.1 Directorate's Management Board

Management Board is the Directorate's managing body and is consisted of the President (appointed by the Municipality) and 6 associated members. Management Board is usually consisted of experts in relevant areas and Directorate's employees.

The Directorate's employees constitute one third of the Managing Board's members and they are appointed on Director's suggestion. The members are elected on four-year mandates, but their appointments can equally be discontinued before the expiry of their mandate.

Managing Board is in charge for the following tasks:

- To establish business policy;
- To implement mid and long-term work and development plan, along with the Annual Operating Programme;
- To implement Statute and Book of Rules concerning the Organisation and Systematization of Posts within the PE Directorate;
- To take decisions on cuts and increases of the basic capital;
- To approve reports on enterprise's operations and annual financial performances;
- To take decision on profit distribution under Municipality's approval;
- To implement investment programmes, according to the regulation in force;
- To implement other general measures;
- To appoint members of permanent bodies-committees;
- To perform other duties, as prescribed by Law and the foundation act.

9.3.2 Directorate's Steering Committee

Steering Committee is consisted of three members who could be appointed and dismissed only by the Municipality. One of the members represents the employees and is appointed following the suggestion of the Directorate's Director. Steering Committees' members are appointed on four-year mandate basis, but their services can be discontinued before the expiry of the mandate. Steering Committee performs the following tasks:

- Monitors the legality of the work performed by the Directorate's managing bodies;
- Reviews periodic and annual reports and financial settlement of accounts;
- Performs other tasks as established by the Law and other regulations.

The Steering Committee submits written reports to Managing Board of the Directorate and the founders where it outlines the results of its monitoring duties.



9.3.3 Internal Organization of the Directorate

PE Directorate performs tasks within its field of activities and is organised through the following departments:

1. Department for investments, supervision, construction land and local roads;
2. Department for energy-related management and electro-technique;
3. Department for general and legal affairs;
4. Financial department;
5. Department for the protection of the landscape with special features 'Vlasina'.

Pertaining to tasks and activities to be performed, the internal organization is regulated through *Book of Rules* concerning the Organization and Systematization of Posts, as brought by the Managing Board, upon the Director's proposal. The Book of Rules regulates organisational aspects of the Directorate, types of activities to be performed, type and level of education and any other special conditions to be met in order to perform certain activities, and all this according to the Law.

Special attention is paid to the protection and enhancement of living environment, In order to protect and enhance living environment, the Managing Board has to bring all necessary decisions and measures, as to decide on the provision of funds required for this purpose, and to form relevant bodies and tasks for individual employees. A team of Rangers has been established within the Department for the protection of Vlasina area. Rangers' tasks are associated with monitoring, control and protection of the Vlasina lake environment.



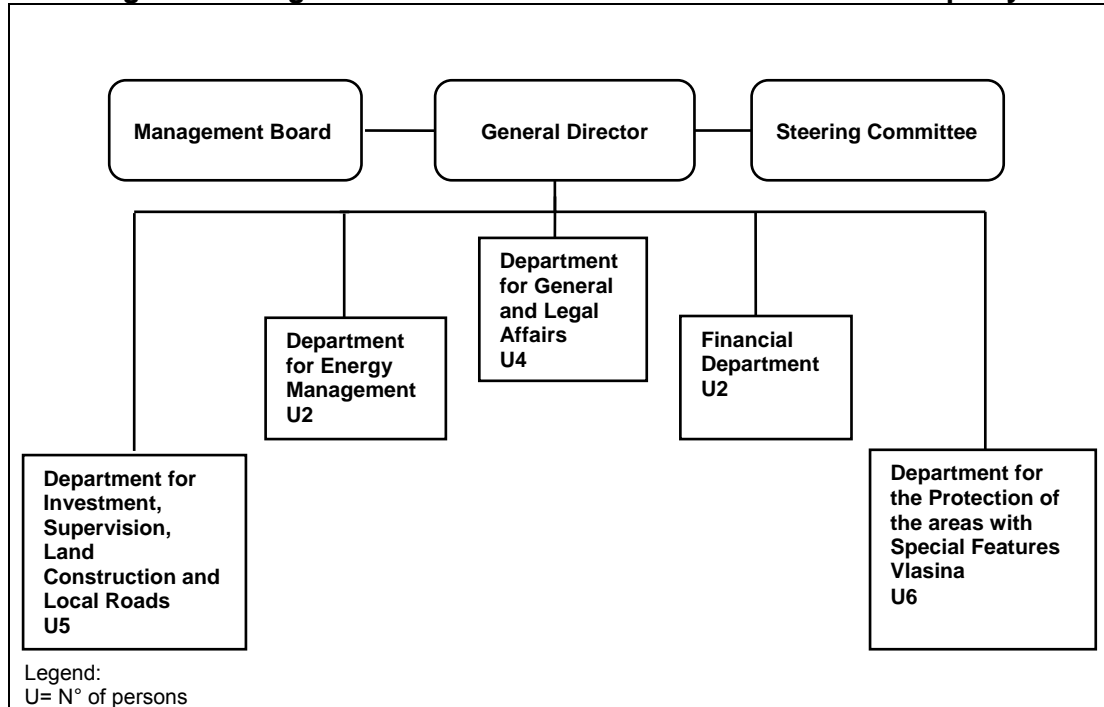
Municipal Infrastructure Support Programme

An EU – funded project



BUILDING TOGETHER FOR THE FUTURE

Figure 9.3: Organizational Chart of LRCD of Surdulica Municipality





Municipal Infrastructure Support Programme

An EU – funded project



BUILDING TOGETHER FOR THE FUTURE

Employee Skills

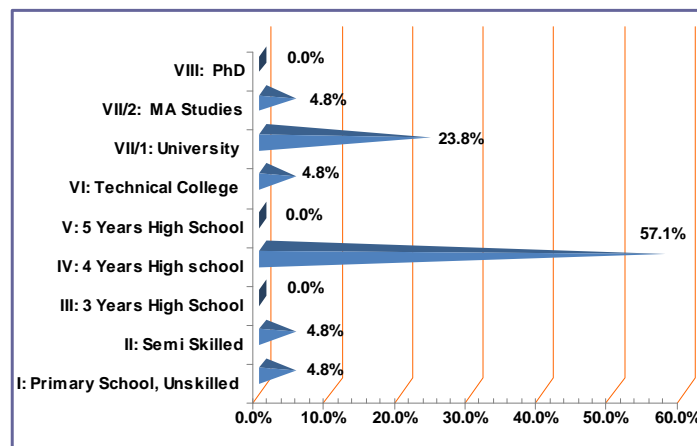
Concise overview of Directorate's workforce concerning educational background is provided in the table 9.3 and figure 9.4.

Table 9.3: Education Level of LRCD of Surdulica Municipality - 2008

Education Level	I	II	III	IV	V	VI	VII/1	VII/2	VIII	Total
Number of persons	1	1	-	12	-	1	5	1	-	21

Legend: I: Primary school unskilled workers,
II: Semi skilled
III: 3 Years High school
IV: 4 Years High school
V: 5 Years High school
VI: Technical college
VII/1: University
VII/2 :MA Studies
VIII: PhD

Figure 9.4: Education Level of LRCD of Surdulica - 2008



Director manages 5 Units, with only 21 staff members. This means an average of 4 persons per unit, which is a slightly small size for operational units.

Analyzing the distribution over academic qualifications, it can be observed that about 33,5% of the people employed by the Directorate have college or university degree. The ratio non graduated/graduated people are acceptable although Directorate in general seems to be under/staffed. It is consultant's opinion that the PE Land and Roads Construction Directorates should strongly increase its human resources in order to properly implement various project components.



9.4 Tourist Organization of Surdulica Municipality

Concerning that there are no regional tourism administrations in Serbia, municipalities undertake tourism functions at the local level and, in certain cases, establish specific tourism organizations. These tourism organizations are funded from the municipality budget and typically have a small office with one or two staff. Municipality tourism organizations undertake local marketing of attractions (generally by producing brochures), collect tourism statistics and set up tourist information centres (TICs). Municipalities and their tourism organizations also serve for categorization of accommodation type (but not hotels since they are dealt with at the national level) according to star rating and often refer visitors to them. Categorization is undertaken on the basis of available facilities, whether bathrooms are shared and room sizes small proportion of this money may actually be collected in the region (possibly not even 20%). Municipalities levy taxes on hotels per guest per night (typically RSD 70 per guest) with revenue going directly into the municipal funds. A corporate tax is also being considered on tourist-related businesses and this may be a more effective means of collecting revenue if deduction at source can be established. The effectiveness of revenue collection seems to vary from one municipality to another. Any taxes that are collected are not ring-fenced and therefore are not directly reinvested.

The Local Tourism Organization in Surdulica Municipality has been established in 2001. following the Decision on the foundation of Local Tourism Organization no 322-02/2002-01 issued by Surdulica Municipality in March 22, 2002 (Official Gazette of Pcinja Region No. 30/201 and 6/2002.) Statute is the main general act of tourist organization.

The scope of Local TO and its internal organization has been established in accordance to the general activity plan of the national TO. Therefore, Local TO in cooperation with national TO is in charge for the following activities.

- Implementation of tourism development program (generated by national TO) and control its compliance with urban plans designed for the municipal territory. In Vlasina this program predominantly refers to the promotion of Vlasina Lake, as the main tourist destination.
- According to Law on Tourism (Article 30) TO should foster development of touristic infrastructure program and urban planning.
- Supporting the improvement in general conditions for tourists' acceptance and stay within Surdulica territory.
- Cooperating with organizations which might have an influence on the tourism development.
- Organizing touristic informative and promotional activities: cultural, sport and other manifestations intended for tourism development within municipality
- Performing touristic activities in cooperation with other public companies



Tourism organization is registered to perform a range of activities related to touristic promotion, organization of fairs, organization of lodging service in hotels, motels, children resort and camps. In addition, TO might be in charge for Restaurant service and renting of leisure equipment (Sport equipment and associated facilities).

Tourism organization is obliged to deliver annual work plan and financial plan. Financial plan must be in accordance to planned activities. Also financial plan must cover distribution of financial means according to sources of income and the specified purpose.

9.4.1 Organizational Set Up

Internal organization of TO is established according to the special rule book on inner organization and the systematization of job placements, issued by TO's Management Board and approved by the Municipality.

Tourism Organization Statute is guiding legal document. Within the Statute it is envisaged that some organizational branches could be located outside TO main office.

Financing of the organizational set up is assured by the Founder (i.e. the Municipal Assembly) while additional financial means of TO are generated through:

- Residential fees in compliance to the relevant Law;
- Financial means of subjects interested in tourism development ;
- Income of other activities for which TO is registered for.

The report on financial performance is delivered through periodic and annual financial auditing.

9.4.2 Management of Tourism Organisation

As in other public companies, the major bodies of TO are:

- Management board
- Supervisory Board
- Director

Management board is in charge for overall operational performance of TO, and its members are appointed by the Municipal Assembly (the Founder): Management board is consisted of president and four members (One representative of the Founder, representatives of the employees within TO, and tourism sector experts). Management board reports to the Founder on the progress achieved in program implementation once per year. Management Board implements TO Statue, organizational guidelines and work assignment systematization, implements work programs, financial plans and decisions on TO operations, takes decisions on the



Municipal Infrastructure Support Programme

An EU – funded project

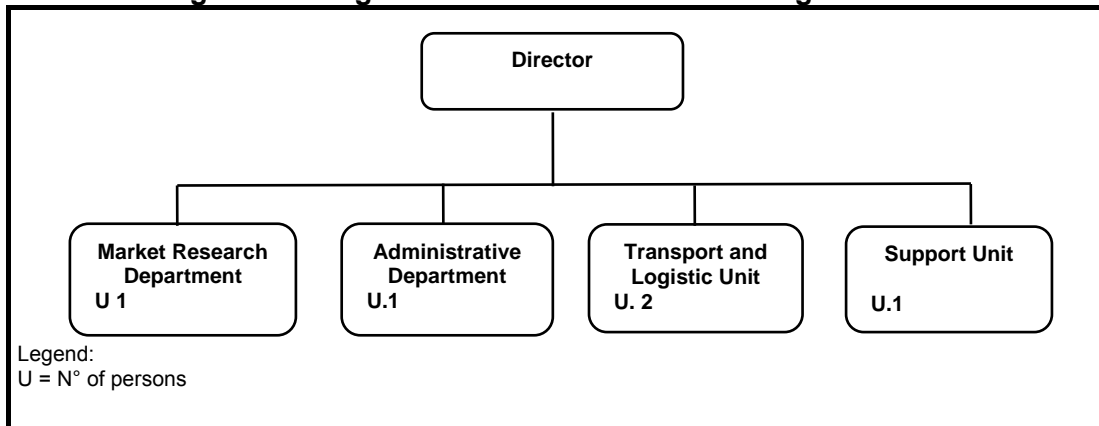


BUILDING TOGETHER FOR THE FUTURE

use of financial resources, according to relevant laws, approves reports on the works carried out and delivers annual financial auditing to the Founder.

Supervisory Board supervises legality of TO performance while TO Director, appointed by the Founder, coordinates and leads organizational works. Main requirements needed to be appointed as director are: secondary or high education completed, at least five years of experience, and organizational skills.

Figure 9.5: Organizational Chart of Tourist Organisation



Employee Skills

Distribution of the staff per academic qualifications in TO is presented in the table below:

Table 9.4: Education Level of TO Surdulica Municipality - 2008

Education Level	I	II	III	IV	V	VI	VII/1	VII/2	VIII	Total
Number of persons	-	1	1	1	-	2	1	-	-	6

Legend:

- I: Primary school unskilled workers,
- II: Semi skilled
- III: 3 Years High school
- IV: 4 Years High school
- V: 5 Years High school
- VI: Technical College
- VII/1: University
- VII/2: MA Studies
- VIII: PhD

Inside TO, Director manages 4 departments, with 6 staff members in total. This means in average 2 persons per unit. Such figure is a strong indicator of organizational weakness and shortfall pertaining to its mandate and responsibilities.

Furthermore, the analysis of educational distribution clearly demonstrates the lack of sufficiently qualified staff able to foster and guide complex form of sustainable tourism development in Vlasina area.



Municipal Infrastructure Support Programme

An EU – funded project



BUILDING TOGETHER FOR THE FUTURE

It is consultant's opinion that TO should strongly increase its human resources both in the quantity and the level of education. This improvement is the prerequisite for TO in order to implement on efficient way the project component related to sustainable tourism development.

9.5 Recommended Arrangement for Project Implementation and Management

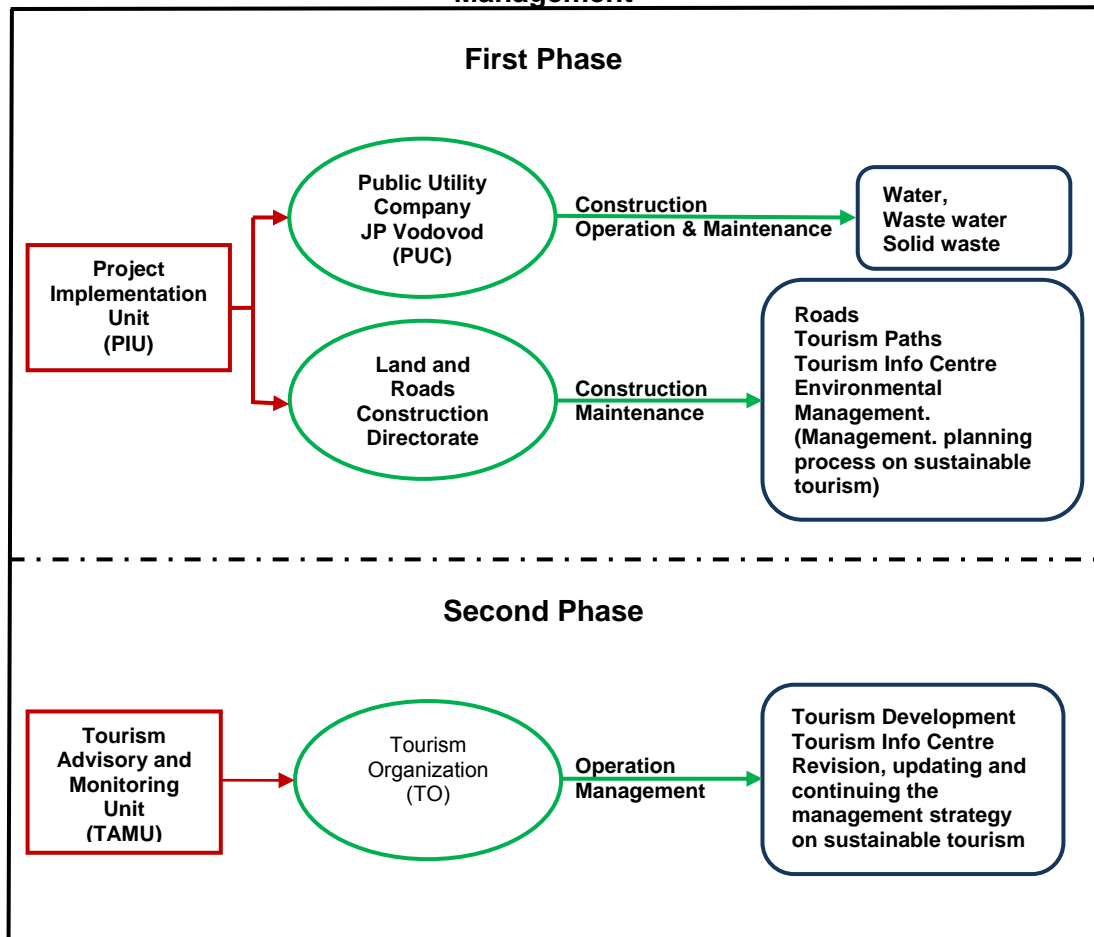
Given that every project component fall under the scope of activity of already existing implementing bodies (PUC, LRCD, TO) to the certain extent, and that all of them do not have adequate human resources and experience to put into practice and manage large and complex multi-component project like the present one, it is recommended to establish two separate structure i.e. Project Implementation Unit (PIU) and Tourism Monitoring and Advisory Unit.

These units would be linked to the Municipality and should take the responsibility over implementation and management of the construction works (PIU) and sustainable tourism development (PIU, TAMU).

The recommended structure is shown in the figure 9.6.



Figure 9.6: Recommended Structure for Project Implementation and Management



The establishment of PIU and TAMU will allow for the Municipality to improve its own services in support of infrastructure and tourism facilities development at Vlasina lake area.

9.5.1 Project Implementation Unit

Establishment of the Project Implementation Unit (PIU) is strongly recommended to follow up the implementation and management of different project components until their final technical acceptance.

Project Implementation Unit is planned to overtake full responsibility over the project execution and management, until final technical acceptance of the works of each project component.

The future management planning process on sustainable tourism will start at the same time as the implementation of technical infrastructure. The bases for works



Municipal Infrastructure Support Programme

An EU – funded project



BUILDING TOGETHER FOR THE FUTURE

to be developed are the principles and guidelines of the NATURA 2000/EMERALD programs as introduced in Chapter 6.

PIU will be supervised by a Management Board and managed by a project manager. The Management Board will be composed of 4 members: one appointed by the Municipality, one by PUC, LRCD and TO respectively. PIU will report to the Municipality/Mayor.

Under PIU's supervision and control, Surdulica PUC and LRCD will be responsible for implementation and management of the related project components. In particular,

- a) "JP Vodovod" should take care of the construction, in all their phases, of the:
 - Water distribution system
 - Waste water collection and treatment
 - Solid waste collection and disposal
- b) The Land and Road Construction Directorate should be in charge of the construction, in all their phases, of the:
 - Communal roads
 - Touristic paths
 - TIC

Furthermore starting from their technical acceptance, PUC's and LRCD's responsibility would be linked to execution and maintenance of the works. The Unit shall be responsible for the provision of technical assistance to the water/wastewater and solid waste departments/units within Surdulica PUC, as well as to Road and Building Construction Departments/Units of the LRCD. This kind of assistance would be required in order to build up their capacity and support them in implementation of different project components as to improve their efficiency in financial (i.e. accounting, billing, revenues collection etc.) and technical (i.e. procurement, contractors management, works supervision, operation and maintenance) management.

The Unit should report to Municipality/Mayor, lead and bring together project implementation (including coordination with relevant stakeholders and funding agencies). In particular, PIU will be in charge of the following activities:

- Procurement
- Handling finance and accounting
- Contract supervision (for infrastructure construction or equipment/material)
- Monitoring and reporting of progress
- Drawing terms of reference (TOR) and managing consultants
- Managing workshops, training courses
- Providing technical advice (not project management related) to PUC, LRCD and TO

Project Implementation Unit shall be staffed with qualified experts and technicians and directed by a project manager selected among these experts.

The PIU's staff should consist of:



Municipal Infrastructure Support Programme

An EU – funded project



BUILDING TOGETHER FOR THE FUTURE

- 1 Project Manager (civil/hydraulic engineer)
- 1 Financial manager (graduated in economics)
- 2 Engineers (civil/hydraulic)
- 1 Procurement expert
- 1 Qualified Tourism expert
- 1 Environment expert (university graduated)

- 1 Accountant
- 1 Secretary

PIU's project manager will report to the Management Board.

9.5.2 Tourism Advisory Monitoring Unit

The establishment of the Tourism Advisory Monitoring Unit (TAMU) is recommended to supervise the progress of the project activity and performance in the second phase of the project life, (see figure above).

The second phase of the project would commence immediately after the technical acceptance of the construction works had been carried out during the first phase, and would last for the period of entire project.

TAMU will substitute PIU, and will be mainly focused on sustainable tourism development matters.

TAMU will be supervised by Management Board and managed by entitled project manager. The Management Board will be composed of 4 members: appointed by the Municipality, PUC, and LRCD and TO respectively. TAMU will report to the Mayor.

Under TAMU's supervision and control, Local Tourism Organization will be responsible for the implementation and management of all operations related to tourism information dissemination together with the management of the TIC

In the TIC the following activities (as rough guide) will be carried out:

- Reviewing, updating und continuous development of the tourism management plan(s) in coordination with concerned bodies (NGOs, farmer, Institute for Nature Conservation);
- Tourism related training;
- Promotion and information dissemination;
- Educational activities related to Vlasina area tourism and environment.

Also the Unit will have the task to monitor development of tourism inside Vlasina area and whenever is necessary, to provide advice on how to redirect the project activities in order to foster sustainable tourism growth.



Municipal Infrastructure Support Programme

An EU – funded project



BUILDING TOGETHER FOR THE FUTURE

TAMU will also monitor PUC's and LRCD's performances in operating and maintenance of the relevant infrastructures (i.e. water, wastewater, solid waste and roads), which are expected to be built during the first project phase.

TAMU's activity should be continuous until the project operations are established, and once it happens, the Unit will operate only on a part time basis (one week in three months).

In addition, the Unit should be responsible for the provision of technical assistance to TO, in order to build up its overall organisational and technical capacity. It is expected technical assistance to serve as support in implementation of the tourism project component and to improve TO efficiency in tourism information dissemination, preparation of advertising campaigns on the project area, as well as in management of TIC and activities related to it.

In particular TAMU will be in charge of the following activities:

- Monitoring project activities and performances
- Advising on how to redirect the project when is needed
- Reporting on sustainable tourism development trend in Vlasina area
- Drawing terms of reference (TOR) and managing consultants
- Providing technical advice (not project management related) TO
- Managing workshops, training courses

Tourism Advisory and Monitory Unit shall be staffed with competent experts and leaded by a project manager selected between these experts.

The TAMU's staff should include:

- 1 Unit's Leader (Qualified Tourism expert)
- 1 Environment expert (university graduated)
- 1 Public relations / environmental education expert
- 1 Engineer (civil/hydraulic)
- 1 Secretary
- X Volunteers

The Unit Leader should report to the Management Board.

9.6 Strengthening of PUC, LRCD and TO Human Resources capacity

As mentioned before, the present structure of PUC, LRCD and TO allows for all of them to carry out the activities within their scope of competences even though the results achieved so far in some specific activities could not be estimated as efficient.

That is to say, collection rate which has been achieved by PUC up to now is very low (66%) and both, billing and collection procedures applied are very poor, while TO is not able to accomplish large number of very important tasks for the reason of deficient financial means and competent human resources.



As far as LRCD concerns, the main problem is the lack of personnel in the Department for the Protection of the areas with Special Features (Vlasina) and the small member of technicians in the Investment, Supervision, Land Construction and Local Roads Department.

Hence, it is needed to strengthen each organization to put them in the condition to implement and manage successfully the project.

Hereafter some recommendations on this subject are specified.

Surdulica PUC “JP Vodovod”

The project foresees that PUC will be responsible for the implementation, processing and management of the following water and solid waste utilities in Vlasina lake area:

1. Water supply system:
 - a. WTP – 50 l/s, or two WTP-s – 30+20 l/s
 - b. Distribution network – about 30km
 - c. Pumping stations – about 8 pieces
 - d. Water storage tanks – about 7 pieces
2. Sewerage system:
 - a. Collection network – up to 50km
 - b. Sewage pumping stations – 4 pieces
 - c. WWTP-s – two pieces 3.000 + 6.000 PE
3. Solid Waste:
 - a. Collection and disposal of approximately 35 ton/week of solid waste in the peak season

It is consultant’s opinion that the Operational Units “Vlasina” and “Alakince” (see figure 9.1 above) should strengthen its HR in order to be in the position to properly carry out the implementation, management, operation and maintenance of the above mentioned infrastructures.

In particular the Operational Unit “Vlasina” shall consist of:

Table 9.5: Unit “Vlasina” Suggested Staff

Title	Quantity N°	Education
Head of Unit	1	University Degree in Hydraulic / Sanitary engineering *
Chief Operator	3	Secondary school- Chemistry background
Lab Technician	2	Secondary school - Chemistry background
Lab Technician	2	Secondary school - Biology/Microbiology background
Maintenance/Operation Tec.	3	Secondary school - Electro/mechanical background
Maintenance Workers	3	Secondary/Primary school - plumbers/workers
Meter reading/invoicing	3	Secondary/Primary school



Municipal Infrastructure Support Programme

An EU – funded project



BUILDING TOGETHER FOR THE FUTURE

Guards/Security staff	5	Secondary/Primary school
Total Unit Staff	22	

* Preferably with educational background in water processing technology

Regarding solid waste component, there is no need to augment the number of unit's employees dealing with it, since it will be only necessary to increase the number of collections per week from 3 to 6 and double the number of field workers (street cleaners) in the peak season.

PUC is also requested to strengthen its capacity in procurement, since the construction of the relevant infrastructures shall be tendered. Capability in management and supervision of contractor's activities and performances should be also significantly improved. Therefore, the following professional profiles/experts should be engaged.

- a) 1 Senior procurement expert, university graduated in economic
- b) 1 Junior procurement expert, university graduated in economic
- c) 1 Senior project manager, university graduated in civil/hydraulic engineering
- d) 2 Junior project engineers, university graduated in civil/hydraulic engineering

Surdulica PE Land and Road Construction Directorate

The project foresees that LRCD will be responsible for the implementation, management and maintenance of the following infrastructure to be built in Vlasina lake area:

1. Communal Roads 5 km
2. TIC (roughly 600 m², two floors building)

It is consultant's opinion that the LRCD should strengthen its HR in order to carry out implementation, management and maintenance of the above mentioned infrastructures.

In particular, three Departments require new and experienced HR namely:

- a) Financial Department
- b) Department for Investment, Supervision, Land Construction and Local Roads
- c) Department for the Protection of the Areas with Special Features Vlasina

Financial Department shall employ Senior Procurement Expert, university graduated in economic which should be responsible for financial and economic issues concerning construction contracts tendering and awarding, as well as their follow up until the technical acceptance of the works carried out by the contractors.

Department for Investment, Supervision, Land Construction and Local Roads shall employ:



Municipal Infrastructure Support Programme

An EU – funded project



BUILDING TOGETHER FOR THE FUTURE

- 1 Senior project manager, university graduated in civil/transport engineering
- 1 Junior project engineer, university graduated in civil/transport engineering

Both engineers should be responsible for the entire technical issues including, contractors' management and works supervision from the contracts signing with construction companies until technical acceptance of the works.

Considering the expected growth in tourist flux the Department for the Protection of the Areas with Special Features Vlasina, should employ:

- 1 Senior project manager who coordinates the rangers daily operation, and
- stepwise duplicate the number of rangers from 4 to 8 in order to guarantee the full control of the protected areas.

Tourism Organisation

Comparing three organisations involved in the project from the financial and HR point of view TO is estimated as the weakest and has to be strongly strengthened as it has to develop and manage efficiently tourism activities in the area.

In particular TO shall manage the TIC and all the activities related to. To fulfil its tasks properly, TO will have necessity of the following personnel:

- 1 TIC Director, senior expert university graduated in tourism science
- 1 Senior expert in environment and nature protection
- 1 Senior IT / GIS expert
- 4 Junior experts in tourism and/or environmental education
- 1 Accountant
- 1 Secretary
- 2 Guards/Security staff
- X Volunteers

The TIC Director will be responsible of TIC management and of all the activities that the TIC will implement among which: training and educational courses, advertising, production distribution and editing of advertising material.

Senior expert in environment and nature protection will be responsible of spreading information on nature characteristics and features of Vlasina area to the visitors. He will also serve as responsible coordinator with scientific bodies like the Institute of Nature Conservation and corresponding universities for any monitoring and research activities.

The IT expert will be responsible of TIC media centre management and will cooperate in the production and editing of publication material. Facing the future challenges in land use changes/management, the expert should also have experiences in GIS based data management.

Four junior experts in tourism / environmental education will work in TIC reception and will take care about tourists coming to visit the site.



9.7 Technical Assistance

Provision of Technical Assistance (TA) to the main actors (PUC, LRCD, TO) involved in the project will be required. In particular TA shall be provided at 2 major levels: Legal and Institutional Level and Management Level.

TA at Legal and Institutional level is required to support:

1. Municipality, in the preparation and negotiation regarding financial agreement/s required for project funding
2. Municipal PUC and LRCD in the preparation of individual contracts concerning the construction of the relevant infrastructures

TA at Management level (provided by PIU and/or by TAMU) to support:

1. PUC and LRCD in the project implementation including coordination with stakeholders, funding agencies and construction companies
2. PUC, LRCD and TO in building their capacities for the project implementation, with aim to improve sustainable tourism development in the area of Vlasina lake

9.8 Risks Matrix

Table 9.6: Risks Matrix

Risk	Category Financial, Environmental, Operational, Institutional Socio-economic	Probability H: High M: Moderate L: Low	Adverse effect From: 1 (Severe) To: 5 (None)	Mitigation measures (for effects 1, 2 and 3 only)
OPERATION				
Limited WS/WWS/SW system management experience in Surdulica PUC	Institutional	M	3	Strengthen the institution; Include TA. and training in WS/WWS/SW systems management in tender documents;
Limited experience in management of Roads and buildings construction in Surdulica LRCD	Institutional	M	3	Strengthen the institution; Include TA and training in roads and buildings construction management in tender documents;
Limited experience in management of tourism projects in Surdulica TO	Institutional	M	3	Strengthen the institution; Include TA and training in Tourism development in tender documents;