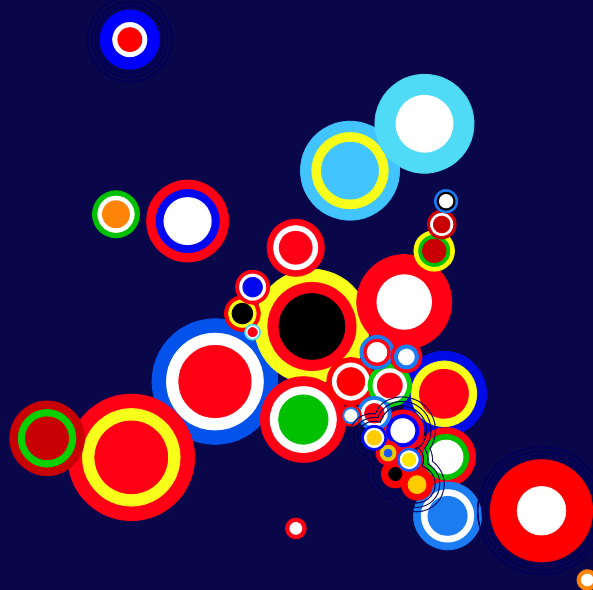




**INSTRUMENT FOR PRE-ACCESSION ASSISTANCE (IPA II)
2014-2020**

SERBIA

**Support to Public
Administration Reform at
the local level**



Action Summary

The overall objective of IPA 2014 for PAR sector is to support ongoing public administration reform efforts in order to establish a professional, accountable and fiscally responsible administration which provides efficient services to citizens and businesses. Specific objective of IPA 2014 PAR Action is:

- to foster LSG administration in smooth implementation of regulatory and budgetary reforms.*

IPA 2014 Action is therefore designed to back up the Indicative Strategy Paper 2014-2020 for Serbia (hereinafter: Strategy Paper) general determination to support the implementation of the new PAR strategy towards increasing the government effectiveness at all levels. It aims at ensuring coordinated interaction with the local administration and stakeholders in implementing reform activities in programme budgeting and property management.

Action Identification	
Programme Title	Annual Action Programme for Serbia (2014)
Action Title	Support to Public Administration Reform at the local level
Action Reference	
Sector Information	
ELARG Sectors	
DAC Sector	15110
Budget	
Total cost (VAT excluded) ¹	4 750 000 EUR
EU contribution	4 450 000 EUR
Management and Implementation	
Method of implementation	Indirect management
<i>Indirect management:</i> Responsible Unit or National Authority/Implementing Agency	Central Finance and Contracting Unit (CFCU) - Ministry of Finance, Department for Contracting and Financing of EU Funded Projects
Implementation responsibilities	Result 1: Ministry in charge of Public Administration and Local Self-Government
Location	
Zone benefiting from the action	Republic of Serbia
Specific implementation area(s)	<i>n/a</i>
Timeline	
Deadline for conclusion of the Financing Agreement	31 December 2015
Contracting deadline	3 years after the signature of the Financing Agreement
End of operational implementation period	6 years after the signature of the Financing Agreement

¹ The total action cost should be net of VAT and/or of other taxes. Should this not be the case, clearly indicate the amount of VAT and the reasons why it is considered eligible.

1. RATIONALE

PROBLEM AND STAKEHOLDER ANALYSIS

The new Public Administration Reform Strategy (hereinafter: PAR Strategy) adopted in January 2014 defines the overall objective of the reform as further improvement of public administration (PA) in accordance with the principles of European Administrative Space and the provision of high quality services to citizens and businesses, as well as the creation of the PA in Serbia such will significantly contribute to economic stability and raising living standards. Taking the EU principles of good governance² as starting points for the operation of the modern PA, further public administration process in Serbia will rely on already proven concrete principles such as: decentralisation, depolitisation, professionalisation, rationalisation and modernisation.

Although the PAR Strategy does not elaborate in great detail tasks to be undertaken by the local PA in the upcoming period, the vision on the level of objectives is clear and the expectations that the local level administration will have to cope with are implicit but strong. Practically all major courses of reforms are to be mirrored on the local level and this is implied with dedicated sections of the Strategy. However, many of the reform aspects for the local level administration are already under implementation or in the pipeline. Therefore, the envisaged assistance under IPA 2014 Action is narrowed down to a couple of outstanding topics, i.e. property management and programme budgeting, where concrete pieces of legislation envisage punctual and demanding competences to be performed by LSG units and which fit the implementation timeline of IPA 2014. Namely, programme budgeting framework has been largely completed and the methodology extended explicitly towards the local level administration. The methodology and first budgeting cycles in line with it are yet to be tested/implemented. Property management remains a hurdle particularly accentuated for the local administration where capacities proved to be weak even in fulfilling the basic formal requirements in registering and respecting prescribed deadlines.

Local self-governments shall face a number of challenges deriving from the Law on public property, Budget System Law and the underlying requirements of methodology for program budget preparation. Three years after the adoption of the Law on public property which regulates the transfer of ownership of public property, the majority of local self-governments have not started the process of property inventory. Furthermore, based on the Budget System Law stipulating the obligation of local governments to implement the Law and introduce programme budgeting as of 2015, local self-governments will go through the process of reform and improving their public financial management system. It is expected that in the first years of implementation of the programme budgeting LSGs will strive to satisfy the provisions of the legal framework, while the quality of their programmes, full compliance with the methodology on program budgeting, and linkages to the national, regional and local strategic documents, will be the issue to address with this Action.

The proposed Action is addressing the outlined challenges and directly concerns the implementation of respective PA reforms in Serbia by ensuring support for strengthening of local capacities and by providing the assistance to local authorities both in recording and transferring of public property and in creating conditions for the proper management of transferred public ownership and the property already on disposal of LSGs and its use for local development and improvement of local services; likewise, assistance shall be delivered for proper introduction and implementation of programme budgeting and establishing its structure. This support is to be coordinated through the Ministry in charge for local self-government, facilitated through the Standing Conference of Towns and Municipalities (SCTM) as the direct implementing partner and channelled towards LSG units as the final beneficiaries of the support in the form of technical assistance (encompassed within the direct grant to SCTM) and a grant scheme.

² EU principles include: reliability and predictability and/or legal dependability; openness and transparency of the administrative system and promotion of the participation of citizens and social entities in the decision-making processes; accountability; and efficiency and effectiveness

RELEVANCE WITH THE IPA II STRATEGY PAPER AND OTHER KEY REFERENCES

The **Strategy Paper** notes that “EU assistance aims to support Serbia's ongoing public administration reform efforts in order to establish a more professional, depoliticised, accountable and fiscally responsible administration, which provides services to citizens and businesses. It also aims to support Serbia becoming a functioning market economy by enhancing Serbia's economic policy and its governance”. The Strategy Paper makes also an assessment that the needs for the assistance suitable for IPA II exist particularly with regards to implementation of PAR strategy, but also for enhancement of the economic policy and its governance and for the implementation of Public Finance Management (PFM) reforms. It provides also a further precision on the expected results of such support, which justify the relevance of the proposed Action for IPA 2014, such as: putting the emphasis on policy-coordination, enabling prioritisation and budgetary planning and monitoring; enhancing macro-economic stability; etc.

In the document on **National priorities for international assistance (NAD) 2014-2017 with projections until 2020** (hereinafter: NAD), section B 3.2. Strategic framework - defines five priorities for the Public administration sector. One of the priorities therein emphasizes: “Improvement of Public Finance Management”, with the purpose of “enhancing efficiency and effectiveness of public finance by establishing connection to the system of strategic planning and preparation, coordination and implementation of public policies; development and introduction of programme budgeting; improved transparency, efficiency and effectiveness of the public procurement system, improvement of regulatory framework of financial management and control”.

National Plan for Adoption of the Acquis 2014-18 (NPAA) highlights the importance of adoption of Strategy for public administration reform and it recognizes that that will ensure implementation of comprehensive PAR reform thus creating favourable conditions for implementation of many activities and measures in different areas of public interest. Overall objective of the reform as further improvement of public administration (PA) in accordance with the principles of European Administrative Space and the provision of high quality services to citizens and businesses, as well as the creation of the PA in Serbia such will significantly contribute to economic stability and raising living standards.

According to the **Public Administration Reform Strategy of the Republic of Serbia** (adopted in January 2014), five specific objectives of the reform are identified, two of which are directly related to the proposed action: “Improving public financial management and public procurement” and “Increasing legal certainty and improving business environment and quality of public services provision”. Furthermore, in the section *Provincial autonomy and local self-government* due attention is given to the importance of the Budget System Law which it is stated provides a legal framework for the preparation and execution of the autonomous province budget and local self-government budget as well. This law provides novelties in terms of planning, preparation, adoption, execution and control of local self-government budgets. For the period of reforms 2013-2016, achievement of the following actions or results is particularly important: preparation of the budget based on the programming model as of 2015, linking strategic planning and process of development and implementation of the budget, increasing capacities of civil servants for the preparation and implementation of the budget.

Fiscal Strategy of the Republic of Serbia for year 2014 with projections for years 2015 and 2016 recognizes the fact that in order to establish long-term sustainability of public finances, the implementation of the structural reforms of public sector should be speeded up, referring primarily to the public administration system, the public finances management, and local public finances management. *Within the PFM* in the next three years, in addition to restrictive indexation of wages and pensions, significant effects are expected from the enhancement of the system of control of wages and number of employees on the basis of a single Registry and centralized accounting of earnings of all employees in the PA that is established and managed by the Treasury Administration. The goal is to achieve significant budget savings and to increase the efficiency of the PA and public services through the reform of the policy of salaries and other incomes in public sector in 2014, based on analysis data from single Registry. Furthermore, during 2014 it has envisaged comprehensive preparation of the PA at all levels for the introduction of program budgeting for the budget year 2015.

The Law on Public Property, adopted in September 2011, provides the legal basis for establishing jurisdiction and control over LSGs public property in their possession. Adoption of this Law provides the conditions for local governments to obtain ownership of the property and the establishment of property management, in the best interest of the whole community. The process of property management that is essential precondition for investments and overall local-economic development is going slowly due to outdated records, inconsistent regulation at the local level and the lack of professional capacity. Specific challenges are the inventory of assets and the establishment of a database as a condition for all other activities and the efficient and effective property management.

The Law on Budgetary System prescribes the general obligation to introduce programme budgeting starting from the 2015 budgetary process, including for the LSGs in accordance with their budget calendar. In February 2014, the Ministry of Finance published the **Programme Budgeting Instruction**, which concerns all the levels of the government. In accordance with the Programme Budgeting Instruction, LSGs should establish their programme structure based on the list of programmes and programme activities uniform for all LSGs, which is being developed by the SCTM. By the same instruction, Standing Conference of Towns and Municipalities (SCTM) is also tasked with creating the list of uniform indicators, the implementation of which is to provide data on general accomplishments of uniform programmes and programme activities, as well as statistical data on uniform programmes and programme activities. SCTM should also provide additional instructions to LSGs on linking strategic planning and programme budgeting. Finally, in accordance with the Instruction, SCTM should provide support to the introduction of programme budgeting, establishment of programme structure of budget and development of local capacities.

SECTOR APPROACH ASSESSMENT

Strategic Framework

PAR Sector covers a wide range of public sector institutions, together with the executive power branch at the central level (ministries, special organisations, and public agencies), autonomous provinces, local government authorities and public utilities and services. Also covered are independent state bodies (e.g. state audit), parliamentary competences, central monetary policy and banking, and the relevant reform aspects concerning anti-corruption, protection of citizens' rights, access to information of public importance. The most important horizontal administrative functions are: strategic planning, creation, coordination and implementation of public policies; the management and development of human resources and administrative decision making. Moreover, the PAR Strategy particularly highlights the importance of the following (additional) horizontal administrative functions: public finance and public procurement, e-Government.

Public Administration Reform is an important prerequisite for the effectiveness of reform in all socially-relevant areas and it is closely related to it. Accordingly, public administration reform continues to be the most significant element of the overall development, not only in this country, but also in the majority of European countries. There are eight strategies within scope of the PAR sector, including PAR Strategy which has been adopted at the beginning of the year and e-Government which will be replaced in the forthcoming period, and two (spatial data and official statistics) which were designed to run until end 2012, but whose objectives remain relevant. The analysis of strategic challenges, looking at the whole sector, is naturally less reliant on hard data than others, the exceptions being public debt management (which is naturally data-rich) and regulatory reform (which needs to measure the number of unnecessary and excessive regulations and their impact).

A newly adopted PAR Strategy envisages broad scope for public administration reform process in accordance with EU standards (by introduction of areas such as public finance management and fight against corruption etc.) and commits special attention to harmonisation of PAR process with EU integration process. Also, it envisages line of concrete measures which should be implemented in different areas of PAR. The Action Plan 2013-16 is under preparation and should be finalized in the second half of 2014.

New strategy for public administration covers broader field known as public administration – state administration, local self-government and other forms of exercising public authority, while keeping continuity with the previously adopted principles of public administration reform. An attempt is being

made that main reform directions, currently outlined in various strategies, are brought together within the scope of new PAR Strategy.

In the perspective, with the view of consolidating the strategic framework, in the case of the PAR sector the aim will be and the tendency is to maintain the PAR Strategy as the overarching sector framework strategy, with several focused vertical sub-sector strategies and action plans covering:

- Better governance - policy-making and coordination, impact assessment, regulatory reform, spatial data and official statistics;
- Public finance management - revenue collection, programme budgeting and execution, public procurement, control of state aids, PIFC and public debt management;
- Decentralisation – which will seek to determine the most appropriate level of the Government for the execution of competencies with the aim of providing the services as close as possible to the citizens and businesses with an optimal balance of quality, efficiency, costs and capacities;
- Accountable administration – Parliament and independent regulatory bodies;
- Professional training (as a cross-cutting theme).

The NAD 2014-2017 (with projections until 2020) presents basic document for applying the sector approach allowing for channelling of available external assistance funds through a comprehensive framework for each sector. The national objective identified in NAD for this sector is to achieve standards of "Good Governance" by creating efficient, effective, transparent and professional public administration that fits the needs of the citizens and business and contributes to sustainable social and economic development of Serbia. It indicates that one of the priorities for PAR is "Enhancement of Efficiency and Effectiveness of Public Administration" aimed at organisational measures to improve the processes within the administration, stepping-up of decentralisation process, reducing public expenditure for administration, as well as the reduction of administrative burden for citizens and business.

Sector Lead Institution and Capacity

The sector lead institution (SLI) for the public administration reform sector (PAR) is the Ministry of Public Administration and Local Self-Government (MPALSG). Although the sector is extremely diversified by nature, such role of a single institution – ministry in charge for PA stems out of its competences in coordinating preparation, implementation and monitoring of the PAR Strategy. However, where the assistance actions are clearly within the mandate of different line ministries/institutions, the SLI relies substantially on respective line institutions in all practical elements of planning, identification, formulation, contract management, reporting, etc., but maintains the coordinative role on the (PAR) sector level.

Sector budget and medium term perspective

A well-functioning public finance management (PFM) system should provide the basis for sustainable structural socio-economic reforms. In this sense, the Strategy Paper explains that the legal basis for a well-functioning public finance management system is generally in place, but implementation is lagging behind. The Law on the 2013 Budget of the Republic of Serbia introduced for the first time three-year capital expenditures budgeting, which will ensure better development project planning. In December 2013 the Parliament adopted a set of 11 financial Laws which follows the Budget for 2014 and the changes in the Budget System Law. The Strategy Paper states that there is a need for improvement a medium-term expenditure framework based on well-founded assumptions and targets. Performance indicators are not widely used. Move to programme-based budgeting is ongoing, but substantial efforts are needed in implementation over the coming years. Systems and structures for public internal financial control (PIFC), including internal audit, are largely in place, but practical implementation of the concept of managerial accountability is weak. There is a need also to prepare a PFM action plan, which commits Serbia to address identified weaknesses in its overall PFM system, especially in policy-based budgeting, public procurement, accounting, internal control systems and external audit.

The introduction of programme budgeting is of major importance for the improvement of PFM, as it enables continuous multi-year financing of priority policies, programmes and projects. By the end of 2013, fourteen (14) Serbian institutions have adopted programme based budget. During 2014, the preparation of institutions for the introduction of programme budgeting is continuing, as it is planned for the 2015 budget year according to the Budget System Law.

The Methodology on Programme based budget was published by the Ministry of finance in the beginning of 2014. In contrast to the linear and the existing program budget in pilot ministries, this methodology, among other things, will enable monitoring of programs, projects and program activities as well as the associated funding by sectors, corresponding to the division within the sector approach for the planning of EU assistance. In addition, the monitoring of the funds invested in the implementation of activities in the negotiation process with the EU, under chapter 35, will be provided.

Sector and donor coordination

Inter-institutional cooperation and coordination as well as increased efficiency and effectiveness of international assistance in the PAR sector have been improved through establishing Sector Working Groups (SWGs) for all assistance sectors (8). PAR SWG includes representatives of the national sector institutions (ministries in charge for: public administration, finances, regional development, local self-government, telecommunications, economy and defence; also representatives of the National Assembly, National bank of Serbia, State Audit Institution, General Secretariat, Legislation Secretariat, Public procurement Office, the Review Commission and Body for Centralized procurement, Anti-corruption Agency, Gender Equality Administration, Republic Geodetic Authority, Statistical Office and the Human Resources Management Service; the representatives of the National Fund and the CFCU, the Standing Conference of Towns and Municipalities (as representative organisation of LSG), and the Lead Donor (EU)). In forthcoming period SWG will also include representatives of newly established Republic Secretariat for Public Policies. The Lead Donor represents the interests of all donors active in the PAR sector at the SWG meetings and takes part in consultation processes for analysing sector priority goals, measures and operations supported by EU funds and other international assistance.

According to the SWG's Rules of Procedure, SEIO is responsible for coordination and ensuring the efficient functioning of all activities of the SWG. Coordination and leadership of the SWG is supported by a Task force made up of representatives from the Sector Lead Institution, Lead donor and SEIO. The SWG is acting as Sectorial Monitoring Subcommittee. As a monitoring tool, the EU Delegation and NIPAC have also created monthly 'bottleneck meetings' between DEU, NIPAC and line ministries to discuss the progress of IPA funded projects and to ensure their smooth implementation.

In order to enable more inclusive and transparent dialogue, consultation and communication with all relevant stakeholders in the PAR sectors, SEIO established a consultation mechanism with the Civil Society Organisations (CSOs). This mechanism is based on the consultative process with Sectorial Civil Society Organisations (SECOs) and serves as a platform that enables exchange of information and contribution of CSOs in relation to planning development assistance, particularly programming and monitoring of the Instrument for Pre-Accession Assistance (IPA).

LESSONS LEARNED AND LINK TO PREVIOUS FINANCIAL ASSISTANCE

The following projects implemented or launched in the previous period are of particular pertinence for the Action envisaged herewith targeting the local level of public administration in Serbia:

Within the EU Municipal Support Programme IPA 2007 - Good Governance, planning & service delivery (7 700 000 EUR) functional review was conducted in the pilot group of 15 LSG units with the aim to analyse whether the functions performed correspond to the requirements set out in the legal framework and the defined development goals of the LSGs, as well as to analyse if the existing structures and organisation of LSG units and their internal procedures and processes ensure the most effective and efficient performance of the necessary functions.

USAID Business Enabling Project (2011-2015) is assisting reforms in public sector financial management and fiscal policy making in ways that are relevant for business growth and competitiveness, within its component “Macroeconomic Policy and Public Financial Management”. Notably, the output of this project is actually the establishing of a documentary framework for program budgeting (the methodology and the instruction prepared in the scope of support provided to the Ministry of Finance) and initial capacity building for the central level administration. For the local level - strong link has been established with this regards with the ongoing Exchange 4 program (IPA 2012).

Within the project “Strengthening local self-government in Serbia, phase 2” (funded under IPA 2007) which was implemented through direct grant to the Council of Europe (started in May 2009 and lasted until the end of 2012) the *Methodology of Inventory and Registration of Property of Local Self-Government Units* was prepared. The practical application of the Methodology was planned within Exchange 4 programme (started in May 2013 and will last until May 2015) through a grant scheme which provided support amounting to 1 600 000 EUR for 12 projects (about 35 municipalities). The foreseen assistance by number already is obviously insufficient, but even more so, by the feedback from the LSG units during the preparation of the support and by the interest expressed (approximately 4 times more than the resources finally allowed to be supported).

A valuable good practice, exercised under Exchange 4 Program, pertains to functioning of the sector focus groups (SFG). The establishment of the SFGs represents a new coordinating mechanism, a sustainable collaboration process that provides opportunity for the sector ministries and other relevant institutions to be engaged as active participants in a learning experience, instead of being only passive recipients of information from SCTM regarding implementation of program activities. The aim is to promote Exchange as a support instrument to individual line ministries to better design and implement legislation/sector strategies and policies at local level.

According to SIDA’s evaluation of effectiveness and efficiency of development assistance: "The strong centre of Government (CoG) is also a prerequisite for the successful Government-wide introduction of programme budgeting from 2015. In the words of the IMF’s study of lessons from global practice, “An effective programme budgeting system cannot be developed centrally by the Ministry of finance alone. Programme budgeting is not simply about changing the way a budget is presented, but about changing the way policy officials, the public and government staff think of the government, how they plan, manage and budget”. To be successful, programme budgeting will need to be married to better strategy development, a clearer division of functions and dialogue across institutions (including between central and local levels), and the introduction of a culture of monitoring and evaluation with underpinning systems."

The various SIGMA Assessments in 2013 find out there is not enough awareness of the need to support the programme budgeting with other public management reforms and that the costing of capital projects still remains weak. They point out the insufficient capacity for budget preparation and forecasting. They stress that there is not enough time in the current budgetary procedure for the National Assembly to properly review the budget submission, nor is their sufficient technical capacity to do so. Overall, SIGMA emphasizes the need for improvement of the coherence between different strategies and policies.

2. INTERVENTION LOGIC

LOGICAL FRAMEWORK MATRIX

OVERALL OBJECTIVE	OBJECTIVELY VERIFIABLE INDICATORS	SOURCES OF VERIFICATION	
To support ongoing public administration reform efforts in order to establish an efficient, professional, accountable and fiscally responsible administration which provides high quality services to citizens and businesses.	- Positive evaluation of progress in implementation of Public Administration Reform process (NAD indicator);	- EC Progress Report; - Conclusions of the Special group for PAR in the scope of monitoring SAA implementation; - Reports on implementation of the NPAA.	
SPECIFIC OBJECTIVE	OBJECTIVELY VERIFIABLE INDICATORS	SOURCES OF VERIFICATION	ASSUMPTIONS
1. To foster LSG administration in smooth implementation of regulatory and budgetary reforms.	- Increase in % of LSGs successfully managing the property and local budget	- Final Report on implementation of the Action	- Good coordination, and responsiveness of the central level institutions towards interests of the LSG units as well as adequate appreciation of the role of the local level administration in accession process of Serbia into the EU - Predictability of changes in legislative environment affecting LSGs (including possible amendments to the Law on Public Property, adoption of related by-laws, amendments to the legislation concerning taxation, etc.)
RESULTS	OBJECTIVELY VERIFIABLE INDICATORS	SOURCES OF VERIFICATION	ASSUMPTIONS
<p>Result 1: Established full property inventory and database as a support to the registration and management of public property of LSG units</p> <p>Result 2: Established efficient support system for application of the Programme budgeting methodology by local government</p>	<p>- Number of supported LSGs with property inventory, property database and framework for effective and transparent property management established (Result 2.1); <i>Process indicators for result 2.1:</i></p> <p>- Municipal Support Packages (MSP) developed and delivered under this Action; - Grant scheme projects successfully implemented in line with EU procedures - % of LSGs preparing budget for 2017 in full compliance with the Programme budgeting methodology (Result 2.2); <i>Process indicators for result 2.2:</i></p> <p>- Trainings, manual and guidelines for capacity building in program budgeting in LSGs developed and delivered; - Advisory support to LSGs in programme budgeting functional and continuously available</p>	<p>- Property Directorate data, LSG data bases, and other relevant LSG documentation;</p> <p>- Report on implementation of the Action - External evaluation report on compliance of LSGs programme budgeting with the prescribed methodology; Report on implementation of the Action;</p> <p>Report on implementation of the Action</p>	
ACTIVITIES	MEANS	OVERALL COST	ASSUMPTIONS
<p>Activities to achieve Result 1:</p> <ul style="list-style-type: none"> - Support to establishing inventory, classification and recording of assets per LSG units - Support to consolidation of LSGs' property management (regarding: legal aspects; institutional and organisational aspects; general capacity building) 	<p>1. Direct grant to SCTM (3 years duration) – for provision of technical assistance to LSGs for the implementation of the</p>	<p>Total cost for the entire Action: 4 750 000 EUR IPA financing: 4 450 000 EUR</p>	<p>- Existence and sustainability of institutional capacities to implement activities envisaged under this Action;</p>

<ul style="list-style-type: none"> - Support to ensuring transparency in property management - Capacity building (trainings and manual) and provision of advisory support to LSGs in public property management (including tailored instructions) - Provision of Municipal Support Packages (MSP) to selected underdeveloped LSG units, <p>Activities to achieve Result 2:</p> <ul style="list-style-type: none"> - Capacity building assistance to LSGs for implementation and improvement of the program budgeting including linking strategic planning and budget preparation (trainings, manual, guidelines, etc.). - Provision of advisory support to LSGs linked to programme budgeting (including tailored instructions, Q&A) - Improving of coordination between local and central levels in programme budgeting implementation and networking of LSGs local finance professionals through SCTM local finances network (exchange of know-how, best practices and experiences around selected topics) 	<p>activities under Results 2.1 and 2.2 and for provision of technical assistance for implementation/management of Grant Scheme;</p> <p>2. Grant scheme - committed to provision of support for addressing LSG units' priority needs related to strengthening organisational, administrative and technical capacities (with the focus on area of property management in LSG units and on long-term sanitation of floods consequences). LSGs shall apply for grants upon a call for proposals.</p>		<ul style="list-style-type: none"> - Availability of relevant information and data related to implementation of activities. - Close coordination, regular exchange of information and synchronisation in planning of activities between interlinked projects; - Involved LSGs possess necessary financial means and absorption capacities.
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ADDITIONAL DESCRIPTION

The overall objective of IPA 2014 for PAR sector is to support ongoing public administration reform efforts in order to establish professional, accountable and fiscally responsible administration which provides efficient services to citizens and businesses.

Specific objective of IPA 2014 PAR Action is:

- *To foster LSG administration in smooth implementation of regulatory and budgetary reforms;*

Achievement of these objectives is in line particularly with the following objectives of the Strategy Paper in PAR sector:

- To support Serbia's ongoing public administration reform efforts in order to establish a more professional, depoliticised, accountable and fiscally responsible administration, which provides services to citizens and businesses;
- To support Serbia becoming a functioning market economy by enhancing Serbia's economic policy and its governance;
- To support Serbia with a comprehensive public finance management (PFM) reform, in order to have a sound basis for socio-economic and structural reforms, and to support Serbia meeting the EU requirements.

Result 1: Established full property inventory and database as a support to the registration and management of public property of LSG units

Support envisaged herewith concerns the registration and management of public property of LSG units - establishment of full property inventory, classification of LSG property and its valuation (without repetition in developing something "new" – for the part of support on registration and transfer of property, the methodology developed under CoE IPA 2007 project will be further used and if necessary institutionalised in appropriate manner. This support will be covered by the Grant scheme (together with other areas for which support will be provided through Grant scheme), where during drafting of the Guidelines for applicant experience from the on-going Exchange 4 project will be taken in consideration. As a targeted measure under this result, technical support in the form of Municipal Support Packages shall be channelled towards the most underdeveloped LSGs (IV-fourth development level group according to the Decree determining the unique list of development of regions and LSGs in force).

Presently, only relatively small number of LSGs is capable of fulfilling legislative provisions and formal requirements to firstly obtain full-fledged ownership over the property and to subsequently manage it in an accountable, transparent and efficient manner. This includes building necessary capacities of local administration to conduct the separation of property per sector purposes, to timely plan the usage and allocation of the property, to adequately assess maintenance and future investment costs inevitably and closely-knit to property, also to understand and calculate the market value of the property and how best to use it for the benefit of the local economic development. Property valuation has to be understood and practiced by LSGs as an integrative element of the property management, so the assistance to be provided under this result of the Action would address some of the deficiencies observed in practice (e.g. the point made by external audit on inadequate presentation of the value of property in balance sheets of LSG units). After a long period of delay the Decree on methodology for classification of property was adopted in July 2014, which gives the framework and impetus for creation of proper property inventory by LSG units. Further support is needed for implementation of the Decree.

Result 2.: Established efficient support system for application of the Programme budgeting methodology by local government

According to the Law on budget system, starting from the year 2015 LSG units are obliged to adjust their budget processes to the mentioned Law, meaning that from 2015 they shall have to present their budgets based on programs and through program classification. The basis for the introduction of the

program budgeting at local level is contained in the Methodology for program budgeting adopted by the Ministry of finance. SCTM as the partner of the Ministry of finance on one hand, and as the Association of towns and municipalities on the other is further elaborating in close cooperation with the Ministry of finance the methodology in order to reflect the specificities of the LSGs, so that the LSGs can comply with this legal obligation. It is not exaggerated to say that the comprehensive implementation of this process shall imply the most substantial reforms of the public finances management on the local level. The support shall consist of technical assistance and capacity building for local authorities regarding the introduction of program budgeting and implementation of the Guidelines and Methodology for program budgeting, linking strategic planning and budget development. At the same time the Network of local finance officers, created within the SCTM will be further strengthened in order to create more sustainable support mechanism to LSG units for programme budgeting. Developing and implementing trainings, advisory support and strengthening of the Network of local finance officers will secure efficient support system within the SCTM for application of the Program budgeting methodology by local governments. Proper introduction of program budgeting does not affect only LSGs but also all budget users such as public institutions founded by LSGs as well (direct and indirect budget recipients). It is also expected that links with - and purposefulness of the strategic planning (supported for a number of years on the local level) will become clearer and more understandable and obvious for the local stakeholders and that the two planning processes (strategic and budget) will mutually reinforce and improve. As an additional support, and as the source of verification of the success in implementation of this measure an independent external evaluation report on compliance of LSGs program budgeting with the prescribed methodology is foreseen.

Component 2 of this Action also covers activities related to provision of technical assistance for implementation of the Grant scheme for LSG units, further elaborated in the sections Implementation arrangements and Implementation method(s) and type(s) of financing of this Action.

MAIN ASSUMPTIONS AND PRECONDITIONS

The **main assumptions** that should be considered are:

- Comprehensive political commitment and support for the implementation of the PAR Strategy;
- Good coordination and responsiveness of the central level institutions towards interests of the LSG units as well as adequate appreciation of the role of the local level administration in accession process of Serbia into the EU;
- Predictability of changes in legislative environment affecting LSGs (including possible amendments to the Law on Public Property, adoption of related by-laws, amendments to the legislation concerning taxation, etc.);
- Existence and sustainability of institutional capacities to implement activities envisaged under this Action;
- Availability of relevant information and data related to implementation of activities.
- Close coordination, regular exchange of information and synchronisation in planning of activities between interlinked projects;
- Involved LSGs possess necessary financial means and absorption capacities.

There are no specific pre-conditions for the implementation of the Action.

3. IMPLEMENTATION ARRANGEMENTS

ROLES AND RESPONSIBILITIES

This Action Document under IPA II assistance was prepared and will be implemented and managed in accordance with provision of respective legislation, implementing and operating agreements and procedures.

In the context of the institutional framework for Public administration reform sector, the following institutions have been responsible for programming, implementation, monitoring and evaluation of the

interventions foreseen under this actions document: the Ministry in charge of public administration and local self-government, Ministry of finance as well as SEIO as a NIPAC TS/Body responsible for coordination of programming, monitoring and evaluation (BCPME).

Other bodies and actors such as the CFCU as a Contracting Authority, NAO SO, NF, and EU Delegation have specific roles in the programming and implementation process in line with respective legislation and procedures and depending on the determined modality of implementation (Direct vs. Indirect).

The Ministry of Public Administration and Local Self-Government (MPALSG) is final beneficiary of this intervention of support and will be directly responsible as the main institutional stakeholder for the implementation of all results under the proposed Action. MPALSG, MoF and SCTM (as implementing partner for the Action), will establish close coordination concerning the implementation of all underlying activities. Ministry of Finance will also have responsibility for the implementation of activities related to results 1 and 2, in active participation in preparation and endorsement of Description of Action for Direct Agreement and Guidelines for applicants for Grant scheme, participation in implementation structures, consideration and approval of outputs and deliverables in accordance with the procedures.

To ensure smooth implementation of the Action, steering committee shall be established in line with monitoring provisions and requirements under indirect management. Committee is expected to be of a broader nature and can include as appropriate the representatives of all stakeholders who are deemed to have capacity and competences to contribute to the realisation of activities.

Local self-governments represent end recipient of the support foreseen under this intervention. Standing Conference of Towns and Municipalities is recipient of this support since in case of this intervention the implementation is delegated to it by Direct grant agreement.

Likewise, the Sector Working Group (SWG) for PAR sector is entitled to propose relevant measures and activities in the sector.

IMPLEMENTATION METHOD(S) AND TYPE(S) OF FINANCING

Ministry in charge of public administration and local self-government is responsible for the implementation of activities to achieve the project results. Results 1 and 2 will be implemented through direct grant to the SCTM for technical assistance to the LSGs and, via grants to LSG authorities. Direct grant to SCTM will cover technical assistance to LSGs in implementation of programme budgeting and for ensuring the compliance with the prescribed methodology, but this TA will also have resources dedicated to facilitate implementation/management of the Grant scheme.

Additionally, as a targeted measure under this Result 1, technical support (assistance within the scope of the direct grant to SCTM) in the form of Municipal Support Packages shall be channelled towards the most underdeveloped LSGs (IV-fourth development level group as stipulated by the Decree on determining the unique list of development of regions and LSGs in force). Namely, there is a matching between the evidenced low capacities of those LSGs to successfully apply for the assistance through grant schemes (such is the ongoing Exchange 4 program) and their inability to deal with property management. Consequently, they remain unsupported by whatever external assistance and static vis-à-vis fulfilling requirements of the Law on public property. It is of utmost importance therefore that exactly LSGs from this group, which fail to obtain assistance in property management through the Exchange 5 grant scheme (and which are not previously awarded support within the scope of Exchange 4), are supported through targeted technical assistance.

Grant scheme is committed to provision of support for addressing LSG unit's priority needs related to strengthening organisational, administrative and technical capacities (with the focus on area of property management in LSG units and on long-term sanitation of floods consequences). Grant scheme will be managed by the MPALSG with technical support for its implementation provided under Direct grant arrangement with SCTM. LSGs shall apply for grants upon a call for proposals and the successful applicants shall sign grant contracts with the CFCU. Applicants (LSG units) provide for at least 10% of co-financing of the value of the grant. The scope

and eligible costs under Grant scheme will be defined during the drafting of the Guidelines for applicants. Property management in LSG units, as a topic to be supported with Grant scheme, will be fine-tuned and narrowed down to specific eligible actions on the basis of lessons learned and experience from the on-going Exchange 4 project. Long term sanitation of floods consequences will be further elaborated according to the procedures applied and the results of flood damage assessments³.

Co-financing envisaged under this Action is linked exactly with the implementation of the above grant scheme. 300 000 EUR represent the contribution which will be ensured by LSGs awarded with contracts under the grant scheme. Namely, minimum of 10% of obligatory co-financing is envisaged as the contribution by each grant beneficiary.

4. PERFORMANCE MEASUREMENT

METHODOLOGY FOR MONITORING (AND EVALUATION)

Monitoring of the progress in implementation of actions will be done in accordance with the respective rules and procedures for monitoring under indirect management mode. Manuals of procedures include detailed procedure for monitoring on different levels with clear responsibilities and deadlines in the monitoring process.

IPA II monitoring process is organised and led by the NIPAC/ Serbian European Integration Office (SEIO) as a NIPAC TS/BCPME. National IPA Coordinator (NIPAC) is the main interlocutor between the Serbian government and the EC regarding strategic planning, co-ordination of programming, monitoring of implementation, evaluation and reporting of the overall IPA assistance and is responsible for ensuring the linkage of IPA assistance to the EU accession process. NIPAC monitors the process of programming, preparation and implementation as well as the sustainability and effects of actions aiming to improve these processes, timely identification, remediation and alleviation of potential problems and issues in the process of programming and implementation of Action documents.

Through the support of the NIPAC TS/BCPME (SEIO), the NIPAC is responsible to establish the monitoring procedure and roles and responsibilities of the institutions in the programming and monitoring process. Furthermore, with the support of NIPAC TS/BCPME (SEIO), NIPAC is responsible to establish, chair and organise the work of the IPA Monitoring Committee (IPA – MC) and submits to the EC annual and final reports on the overall IPA implementation. In addition, NIPAC establish, chair and organise the work of the IPA Sectorial Monitoring Committees (SMCs), prepare regular monitoring reports for the Government and the EC based on the reports drawn up by the final beneficiaries responsible for implementation, it reports on the formulation and implementation of Action Documents, monitor the fulfilment of preconditions for the initiation of public procurement procedures and organise the process of evaluation of IPA support. The NIPAC prepares regular reports for the IPA Monitoring Committee that includes information on status and progress in implementation of all relevant actions. In addition, NIPAC prepares reports to be examined by the NAP Sector Monitoring Committees. Monitoring process envisages participation of various stakeholders such as EC/EUD, NIPAC/NIPAC TS/BCPME, final beneficiaries, CFCU, NF, AA and other institutions and civil society organisations.

In line with institutional set up in Public administration reform sector, monitoring and reporting on activities foreseen under this Action document will be organised and performed within the monitoring framework elaborated above and through the structure and roles described under sections 2. Roles and responsibilities and 3. Implementation method and type of financing.

³ Having in mind limited financial (international donor support and national budget), personnel and organisational resources and capacities of the LSGs for flood recovery, further assessment of the priority needs, in close cooperation with the newly established Office of the Government for help and recovery of the flooded areas, SCTM, line ministries, as well as the Delegation of the European Union to the Republic of Serbia and SEIO will inform the priorities to be addressed during the drafting of the Guidelines for applicants.

So as to avoid duplication of monitoring systems, the system of NAD indicators and indicators of Strategy/Action plan for public administration reform were used for the preparation of the Action, thus allowing harmonization of PAF with the monitoring provisions defined by the procedures.

INDICATOR MEASUREMENT

Indicator	Description	Baseline (year)	Last (year)	Milestone 2017	Target 2020	Source of information
STRATEGY PAPER indicators						
Action outcome indicator1 Positive evaluation of progress in implementation of Public Administration Reform Process	Indicator used in the NAD	N/A	N/A	YES	YES	- EC Progress Report; - Conclusions of the Special group for PAR in the scope of monitoring SAA implementation; - Reports on implementation of the NPAA.
Action outcome indicator2 Increase in % of LSGs successfully managing the property and local budget	This a composite indicator calculated as an average of 2 following elements: - % of LSGs applying programme budgeting methodology - % LSGs establishing the property inventory in respect to the target number of LSGs by 2020. The indicator is thus expressed as the average of the 2 above mentioned elements.	0%	10%	47%	100%	Final report on implementation of the Action
Action output indicator 1 Number of supported LSGs with property inventory, property database and framework for effective and transparent property management established	Minimal number of total LSGs that established property inventory, property database and framework for effective and transparent property management	0 LSGs (2010)	30 LSGs (2014) ⁴	50 LSGs	145 LSGs	-Property Directorate data, LSG data bases and other relevant LSG documentation
Action output indicator 2 % of LSGs preparing budget for 2017 in full compliance with the Programme budgeting methodology	Minimal percentage of total LSGs that prepared budget plan in compliance with the Methodology of the MF	0% (2010)	0% (2013)	60%	100%	-External evaluation report on compliance of LSGs programme budgeting with the prescribed methodology
Process indicators for results 1 and 2 - Municipal Support Packages (MSP) developed and delivered under this Action - Grant scheme projects successfully implemented in the line with EU procedures - Trainings, manual and guidelines for capacity building in program budgeting in LSGs developed and delivered; - Advisory support to LSGs in programme	<u>Process indicators are based on the activities envisaged for the achievement of results 1 and 2</u>	N/A	N/A	YES	YES	Report on implementation of the Action
		N/A	N/A	In progress	YES	
		N/A	N/A	YES	YES	

⁴This number represents estimation of LSGs that have started with establishing of property inventory, property database and framework for effective and transparent property management (based on information from Exchange 4 and from the LSGs, since official data is not yet available)

Indicator	Description	Baseline (year)	Last (year)	Milestone 2017	Target 2020	Source of information
budgeting functional and continuously available		<i>N/A</i>	<i>N/A</i>	<i>In progress</i>	<i>YES</i>	

The European Commission may carry out a mid-term, a final or an ex-post evaluation for this Action or its components via independent consultants, through a joint mission or via an implementing partner. In case a mid-term or final evaluation is not foreseen, the European Commission may, during implementation, decide to undertake such an evaluation for duly justified reasons either on its own decision or on the initiative of the partner. The evaluations will be carried out as prescribed by the DG NEAR guidelines for evaluations. In addition, the Action might be subject to external monitoring in line with the European Commission rules and procedures set in the Financing Agreement.

5. CROSS-CUTTING ISSUES

Cross-cutting issues will be addressed throughout the Action, so to ensure that those horizontal issues are appropriately mainstreamed whenever applicable in the envisaged activities. For the reference, best practices and EU standards would be used, but also the national strategies and legislation reflecting such standards and requirements as incorporated into domestic system.

ENVIRONMENT AND CLIMATE CHANGE (AND IF RELEVANT DISASTER RESILIENCE)

By their nature the activities envisaged for the PAR Action do not imply direct and major impact to environmental issues, but will however be implemented in a manner which is environmentally friendly e.g. to insist on reduction of the paperwork whenever possible and use electronic communication tools. As a standard in the calls for proposals, as well as for the award of municipal support packages the applicants shall be invited and encouraged to present the environmental considerations of the proposed activities and this aspect would be looked into during the evaluation process.

ENGAGEMENT WITH CIVIL SOCIETY (AND IF RELEVANT OTHER NON-STATE STAKEHOLDERS)

According to already established practice, the concept of work within PAR Sector working group allowed for verification on the usefulness and timeliness of the action by relevant stakeholders from the Government, Donor Community and CSO's. In particular, when it comes to CSOs, their direct association is ensured via the mechanism of representation through Sectorial Civic Society Organisations (SECOs or SCSOs) while also the involvement of the Government Office for Cooperation with civil society in the work of the PAR SWG contributed to verification of the relevance of proposed Action. Therefore, the inputs have been provided on the ongoing consultations with civil society concerning the drafting of the National Strategy for an Enabling Environment for Civil Society Development in the Republic of Serbia, in which e.g. a more accountable and socially responsible management of public property is anticipated as a priority and perceived as a measure of financial sustainability of the civil sector (link with the result 1). Moreover, in the implementation of the activities under result 1, both with the grant scheme and with the technical assistance, the LSGs shall be supported in incorporating principles of participative and transparent management of public property, whereby inclusion of relevant stakeholders and CSOs in drafting plans and regulations for managing public property shall be promoted as well as taking into account needs and specificities of local communities when deciding on purposes and criteria for using available public spaces and properties.

Envisaged result 2 on program budgeting, as one of the underlying intentions of introducing new budget structure and models, is adhering to best practices in terms of transparency and control of public spending and is expected to contribute to greater involvement of the CSOs in the process. Such ratio is clearly stated with the text of the Methodology/Program Budgeting Instructions. To this end, this methodology also entails a particular Sector (No. 10 on: Human rights and civil society) to which budget beneficiaries would associate "programs and projects aimed at strengthening civil society, community participation and development, support to civic initiatives designed to prevent conflict, and capacity-building and enhancing dialogue".

EQUAL OPPORTUNITIES AND GENDER MAINSTREAMING

Observance of equal opportunities and non-discrimination is promoted in the majority of strategic documents defining the PAR sector. This principle is to be applied throughout action plans and activities undertaken by public administration at all levels. Enforcement of those principles is ensured through specific administrative procedures applied in accordance with the Law on non-discrimination. In the implementation of activities under this Action, the same principles shall apply, so that participation in the envisaged activities will be guaranteed on the basis of equal access regardless of sex, ethnic origin, religion or belief, disability, age, etc. Gender equality incentives will be incorporated particularly in activities concerning capacity building. Likewise, on the basis of Article 39 of the Gender Equality Law, permanent working parties are established in the authorities of local

self-governments or officers for gender equality designated in them to perform activities towards exercise of equal opportunities. Currently, in the Republic of Serbia, there are over 100 local bodies for gender equality (councils, committees, etc.), and 20 officers – employed persons – for gender equality. In certain LSGs there are bodies for gender equality and officers responsible for gender issues. Although no formal requirement can be imposed for the involvement of the mentioned groups directly in the implementation of activities, as by nature this Action is not dominantly about gender equality, it shall be advised to the partners from the local level administration to inform local bodies and/or officers for gender equality about the support activities financed through this Action. They should be invited to contribute with their recommendations on how best to ensure that public administration reform activities to be undertaken within the scope of this Action, match the requirements of gender equality.

MINORITIES AND VULNERABLE GROUPS

One of the aspects where the benefit for minorities and vulnerable groups might be anticipated with the implementation of this Action is related to the result 2 on program budgeting where budget beneficiaries are going to be supported, among others, in envisaging and associating projects and programs also to the Sector on human rights and civil society and clearly presenting these in the structure of their budgets. The Methodology/Program Budgeting Instructions prescribe that this sector should include activities aimed at improving the position of vulnerable groups, including women, children, disabled persons, the elderly, Roma, LGBT persons, refugees, internally displaced persons, etc.

6. SUSTAINABILITY

The sustainability of the PAR Action objectives and results for IPA 2014 support is given by the fact that all envisaged activities are deeply rooted within the mainstream of the overall PA reform currently undergoing in the country, and are backed up by the relevant legislation which implies the commitment of the Government.

Having in mind the scope of the support to be provided to the LSGs within this Action, that this support is directed to most important competences of LSGs and component expected results (such as property management and programme budgeting) it is expected that reforms on LSG levels, supported by IPA 2014 will be not only sustainable, but will contribute significantly to better public finance management, which will on the other hand sustain effective, measurable and transparent usage of public funds, properties and capacities. However, under coordination with the ministries in charge for LSG and finance, SCTM will additionally provide sustainable mechanisms and arrangements for the continuation of support in these areas, after the completion of support from IPA 2014. Namely, during implementation of support provided through IPA 2014, SCTM will improve existing and create new internal capacities to provide sustainable support to municipalities. Support will be continued primarily through advisory support and training of local administration as well as the exchange of knowledge and best practices through specialized networks of LSG professionals that operate within the SCTM (the heads of local administration network, the local finance network, the local tax administration network, etc.).

7. COMMUNICATION AND VISIBILITY

Communication and visibility will be given high importance during the implementation of the Action.

The implementation of the communication activities shall be the responsibility of the beneficiary, and shall be funded from the amounts allocated to the Action.

All necessary measures will be taken to publicise the fact that the Action has received funding from the EU in line with the Communication and Visibility Manual for EU External Actions.

Visibility and communication actions shall demonstrate how the intervention contributes to the agreed programme objectives and the accession process. Actions shall be aimed at strengthening general public awareness and support of interventions financed and the objectives pursued. The actions shall aim at highlighting to the relevant target audiences the added value and impact of the EU's

interventions. Visibility actions should also promote transparency and accountability on the use of funds.

It is the responsibility of the beneficiary to keep the EU Delegation fully informed of the planning and implementation of the specific visibility and communication activities.

The beneficiary shall report on its visibility and communication actions in the report submitted to the IPA monitoring committee and the sectoral monitoring committees.

Implementation of each result within the scope of this Action shall be designed taking into consideration the applicable rules on the visibility of external action laid down and published in the “EU guidelines on visibility” available on: http://ec.europa.eu/europeaid/work/visibility/index_en.htm. Likewise, notably for the implementing arrangements which are supposed to take place under indirect management, communication shall be aligned with requirements of the relevant manual of procedures concerning communication.

Standard formats will be used in press conferences (presentations or similar events), workshops, invitation for the events, etc., in a manner to ensure communicating to a broader public the fact that the sector support is funded by the EU and to promote best practices and achieved results. The potential outreach of the Action is very extensive, given the involvement of both central and local government levels. All materials for the participants of trainings, presentations and workshops will contain designed promotional features and the same will be presented on posters on the occasion of such events.

During the implementation of the Action, all the beneficiary institutions shall upload at their respective web-sites background information on advancement of activities, again marked with the standard EU visibility signs and adjusted as per the poster design solution. The SEIO Aid Matters newsletter (<http://www.evropa.gov.rs/Evropa/PublicSite/TrainingsAndPublications.aspx>) shall also inform the public on major developments and on examples of good practices obtained through the IPA 2014 PAR Action.