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**COMMISSION IMPLEMENTING DECISION**

**of 6.12.2016**

**adopting a Country Action Programme for Serbia for the year 2016**

# COMMISSION IMPLEMENTING DECISION

of 6.12.2016

## adopting a Country Action Programme for Serbia for the year 2016

THE EUROPEAN COMMISSION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to Regulation (EU) No 236/2014 of the European Parliament and of the Council of 11 March 2014 laying down common rules and procedures of the implementation of the Union's instruments for financing external action<sup>1</sup> and in particular Article 2(1) thereof,

Having regard to Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council of 25 October 2012 on the financial rules applicable to the general budget of the Union and repealing Council Regulation (EC, Euratom) No 1605/2002<sup>2</sup> and in particular Article 84(2) thereof,

Whereas:

- (1) Regulation (EU) No 231/2014<sup>3</sup> lays down the objectives and main principles for pre-accession assistance to beneficiaries listed in Annex I to that Regulation.
- (2) In accordance with Article 7 of Regulation (EU) No 231/2014 the assistance should be implemented through annual or multi-annual, country-specific or multi-country programmes. These programmes should be drawn up in accordance with the framework for assistance referred to in Article 4 of Regulation (EU) No 231/2014 and the relevant country or multi-country indicative strategy papers referred to in Article 6 of that Regulation.
- (3) The Council established an Accession Partnership or a European Partnership for all beneficiaries listed in Annex I of Regulation (EU) No 231/2014. The Commission adopted an indicative strategy paper for Serbia for 2014 - 2020 on 19 August 2014 which provides indicative allocations for the sectors for pre-accession assistance.<sup>4</sup>
- (4) Considering the proposals for action submitted by the beneficiaries concerned, the Action Programme for Serbia for the year 2016 aims at providing assistance for actions in the following sectors: Democracy and Governance, Rule of Law and Fundamental rights, Competitiveness and Innovation, and Education,
- (5) It is necessary to adopt a financing decision, the detailed rules of which are set out in Article 94 of Commission Delegated Regulation (EU) No 1268/2012.<sup>5</sup>
- (6) The Commission should be able to entrust budget-implementation tasks under indirect management to the IPA II beneficiary specified in this Decision, subject to the

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<sup>1</sup> OJ L 77, 15.03.2014, p. 95.

<sup>2</sup> OJ L 298, 26.10.2012, p.1.

<sup>3</sup> Regulation (EU) No 231/2014 of the European Parliament and of the Council of 11 March 2014 establishing an Instrument for Pre-accession Assistance (OJ L 77, 15.03.2014, p. 11).

<sup>4</sup> C(2014) 5872 of 19.8.2014

<sup>5</sup> Commission Delegated Regulation (EU) No 1268/2012 of 29 October 2012 on the rules of application of Regulation No 966/2012 of the European Parliament and of the Council on the financial rules applicable to the general budget of the Union (OJ L 362, 31.12.2012, p. 1).

conclusion of a Financing Agreement. In accordance with Article 60(1) and (2) of Regulation (EU, Euratom) No 966/2012 and first subparagraph of Article 14(3) of the Commission Implementing Regulation (EU) No 447/2014<sup>6</sup> the authorising officer responsible needs to ensure that the entrusted entity guarantees a level of protection of the financial interests of the Union equivalent to that required under Regulation (EU, Euratom) No 966/2012, when the Commission manages Union funds.

The entrusted entity is currently undergoing a complementary assessment of its systems and procedures. In anticipation of the results of this review, the authorising officer responsible deems that, based on the entity's positive assessment under Council Regulation (EC, Euratom) No 1605/2002<sup>7</sup> and Commission Regulation (EC) No 718/2007<sup>8</sup> and the entity's present compliance with the requirements of points (a) to (d) of Article 60 (2) of the Regulation (EU, Euratom) No 966/2012, budget implementation tasks can be entrusted to this entity. In accordance with Article 60(1)(c) of Regulation (EC, Euratom) No 966/2012, the authorising officer responsible needs to ensure that measures are taken to supervise and support the implementation of the entrusted tasks. A description of these measures and the entrusted tasks are laid down in the Annex to this Decision.

- (7) The Commission should be able to entrust budget-implementation tasks under indirect management to the entities specified in this Decision, subject to the conclusion of a delegation agreement. In accordance with Article 60(1) and (2) of Regulation (EU, Euratom) No 966/2012, the authorising officer responsible needs to ensure that these entities guarantee a level of protection of the financial interests of the Union equivalent to that required under Regulation (EU, Euratom) No 966/2012, when the Commission manages Union funds.

These entities comply with the conditions of points (a) to (d) of the first subparagraph of Article 60(2) of Regulation (EU, Euratom) No 966/2012 and the supervisory and support measures are in place as necessary.

- (8) It is appropriate to authorise the award of grants without a call for proposals to the bodies identified in the Annex and for the reasons provided therein.
- (9) The maximum contribution of the European Union set by this Decision should cover any possible claims for interest due for late payment on the basis of Article 92 of Regulation (EU, Euratom) No 966/2012 and Article 111(4) of Delegated Regulation (EU) No 1268/2012.
- (10) Pursuant to Article 94(4) of Delegated Regulation (EU) No 1268/2012, the Commission should define changes to this Decision which are not substantial in order to ensure that any such changes can be adopted by the authorising officer responsible.
- (11) The action programme provided for by this Decision are in accordance with the opinion of the IPA II Committee set up by Article 13 of Regulation (EU) No 231/2014.

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<sup>6</sup> Commission Implementing Regulation (EU) No 447/2014 of 2 May 2014 on the specific rules for implementing Regulation (EU) No 231/2014 of the European Parliament and of the Council establishing an Instrument for Pre-accession assistance (IPA II) (OJ L 132, 3.5.2014, p. 32).

<sup>7</sup> Council Regulation (EC, Euratom) No 1605/2002 of 25 June 2002 on the Financial Regulation applicable to the general budget of the European Communities (OJ L 248, 16.9.2002, p.1).

<sup>8</sup> Commission Regulation (EC) No 718/2007 of 12 June 2007 implementing Council Regulation (EC) No 1085/2006 establishing an instrument for pre-accession assistance (IPA) (OJ L 170, 29.6.2007, p.1).

HAS DECIDED AS FOLLOWS:

*Article 1*

*Adoption of the programme*

The Action Programme under the Instrument for Pre-accession Assistance (IPA II) as set out in the Annex, is hereby approved.

*Article 2*

*Financial contribution*

The maximum amount of the European Union contribution for the implementation of the programme referred to in Article 1 is set at EUR 166.4 million and shall be financed as follows:

EUR 90.3 million from the budget line 22.02.01.01 of the general budget of the EU for year 2016 and

EUR 76.1 million from the budget line 22.02.01.02 of the general budget of the EU for year 2016

The financial contribution(s) referred to in the first sub-paragraph may also cover interest due for late payment.

*Article 3*

*Implementation modalities*

This programme shall be implemented by direct and indirect management.

The budget implementation tasks under indirect management may be entrusted to the entities identified in the Annex subject to the conclusion of the relevant agreements.

A Financing Agreement shall be concluded between the Commission and the Government of Serbia in conformity with the Framework Agreement concluded on 23 December 2014 between the same parties.

*Article 4*

*Grants without a call for proposals*

Grants may be awarded without a call for proposals to the bodies identified in the Annex, in accordance with the conditions specified therein.

*Article 5*

*Non-substantial changes*

The following changes shall not be considered substantial provided that they do not significantly affect the nature and objectives of the actions:

- (a) increases or decreases for not more than 20% of the maximum contribution set in the first paragraph of Article 2, and not exceeding EUR 10 million;
- (b) cumulated reassignments of funds between specific actions not exceeding 20% of the maximum contribution set in the first paragraph of Article 2;
- (c) extensions of the implementation and closure period;

- (d) within the limits of 20% referred to in points (a) and (b) above, up to 5% of the contribution referred to in the first paragraph of Article 2 of this financing decision may serve to finance actions which were not foreseeable at the time the present financing decision was adopted, provided that those actions are necessary to implement the objectives and the results set out in the programme.

The authorising officer responsible may adopt such non-substantial changes in accordance with the principles of sound financial management and proportionality.

Done at Brussels, 6.12.2016

*For the Commission*  
*Johannes HAHN*  
*Member of the Commission*

ANNEX 1

**COUNTRY ACTION PROGRAMME FOR SERBIA FOR THE YEAR 2016**

**1 IDENTIFICATION**

<b>Beneficiary</b>	<b>Serbia</b>
<p><b>CRIS/ABAC Commitment references</b></p> <p><b>Total cost</b></p> <p><b>EU Contribution</b></p> <p><b>Budget lines</b></p>	<p><b>2016/039-801</b></p> <p>Total cost: EUR 47,488,235.00</p> <p>EU contribution: EUR 46,400,000.00</p> <p>Budget line: 22.02 01 01</p> <p><b>2016/039-802</b></p> <p>Total cost: EUR 16,018,000.00</p> <p>EU contribution: EUR 15,900,000.00</p> <p>Budget line: 22.02 01 01</p> <p><b>2016/039-803</b></p> <p>Total cost: EUR 28,000,000.00</p> <p>EU contribution: EUR 28,000,000.00</p> <p>Budget line: 22.02 01 01</p> <p><b>2016/039-805</b></p> <p>Total cost: EUR 28,700,000.00</p> <p>EU contribution: EUR 28,700,000.00</p> <p>Budget line: 22.02 01 02</p> <p><b>2016/039-919</b></p> <p>Total cost: EUR 20,000,000.00</p> <p>EU contribution: EUR 20,000,000.00</p> <p>Budget line: 22.02 01 02</p> <p><b>2016/039-806</b></p> <p>Total cost: EUR 27,400,000.00</p> <p>EU contribution: EUR 27,400,000.00</p> <p>Budget line: 22.02 01 02</p>
<p><b>Management Mode/ Entrusted entities</b></p>	<p>Direct management by the European Commission for all activities with the following exceptions:</p> <p>Action 1 "European Integration facility" result 7, will be implemented through indirect management with UN Women.</p> <p>Action 2 "Communication Facility" result 2 will be implemented through indirect management with the</p>

	<p>Austrian Development Agency (ADA)</p> <p>Action 3 "Twinning Facility", will be implemented through Indirect Management with Serbia. The operating structure responsible for the execution of the actions, is:</p> <p>Department for Contracting and Financing of EU Funded projects (CFCU) at the Ministry of Finance</p> <p>Action 4 "EU Programmes", implementation will consist in the payment of the IPA part of the financial contribution to the programmes by the National Fund</p> <p>Action 5 "Support to the Justice Sector" will be implemented through indirect management with the Organisation for Security and Cooperation in Europe (OSCE).</p> <p>Action 10 "Support to the competitiveness sector through the Western Balkans Enterprise Development and Innovation Facility Guarantee Facility will be implemented through indirect management with the European Investment Fund (EIF).</p> <p>Action 8 "Local Development Programme" will be implemented through indirect management with UNOPS</p>
<b>Final date for concluding <u>Financing Agreements</u> with the IPA II beneficiary</b>	At the latest by 31 December 2017
<b>Final date for concluding <u>delegation agreements</u> under indirect management</b>	At the latest by 31 December 2017
<b>Final date for concluding <u>procurement and grant contracts</u></b>	3 years following the date of conclusion of the Financing Agreement, with the exception of the cases listed under Article 189(2) Financial Regulation
<b>Final date for operational implementation</b>	6 years following the date of conclusion of the Financing Agreement, except: Action 7 "Support to the competitiveness Sector", result 1: final date for operational implementation 31/12/2028
<b>Final date for implementing the Financing Agreement</b> (date by which this programme should be de-committed and closed)	12 years following the conclusion of the Financing Agreement, except: Action 10 ""Support to the competitiveness sector through the Western Balkans Enterprise Development and Innovation Facility Guarantee Facility : final date for implementing the Financing Agreement 31/12/2031
<b>Programming Unit</b>	<i>DG NEAR, Unit D2</i>

<b>Implementing Unit/ EU Delegation</b>	EU Delegation to Serbia  Action 10 "Support to the competitiveness sector through the Western Balkans Enterprise Development and Innovation Facility Guarantee Facility Serbia Window": DG NEAR D5 Western Balkans Regional Cooperation and Programmes. This activity will be incorporated into the existing Enterprise Development and Innovation Facility (EDIF) Guarantee Facility (GF)
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## **2 DESCRIPTION OF THE ACTION PROGRAMME**

The 2016 IPA II allocation for Serbia is EUR 189,400,000.00. Out of this amount, EUR 3,000,000.00 will be allocated for support to civil society under the IPA 2016 multi-country Action Programme, and EUR 20,000,000.00 will be allocated to IPARD. Consequently, the EU contribution to the present 2016 Action Programme for Serbia amounts to EUR 166,400,000.00.

### **2.1 SECTORS SELECTED UNDER THIS ACTION PROGRAMME**

- Rationale for the selection of the specific sectors under this programme:

The priorities of the action programme for Serbia are in line with the Indicative Strategy Paper for Serbia (the strategy paper)<sup>1</sup> which sets out the priorities for EU financial assistance for the period 2014-2020 to support Serbia on its path to EU accession based on two pillars: Democracy and Rule of Law, and Competitiveness and Growth.

The selection of the specific sectors to be financed under this programme was based on the consideration of the objectives and results included in the strategy paper; the priorities defined within the Enlargement Strategy and Main Challenges 2014-2015; the specific recommendations of the Commission Report for Serbia for 2015, as well as on relevant national strategic documents, mainly the National Programme for Approximation with the Acquis (NPAA) and the Document on National Priorities for International Assistance - Needs Assessment Document, (NAD). The present programme has been prepared in close cooperation with the Serbian European Integration Office and national institutions, as well as in close coordination with other donors including international financial institutions, and civil society organisations.

In view of moving further towards a sector approach, the actions under this programme have been selected based on their relevance and their contribution to national sector strategies as well their link to accession negotiations. In addition, actions have been assessed based on key principles of maturity, absorption capacity, adequate sequencing with previously programmed IPA and other donors' assistance.

Recommendations from sector evaluations of the IPA component I programmes were also taken into account.

This process led to the selection of the following three sectors for financing under the present programme: rule of law and fundamental rights (justice and home affairs), competitiveness and innovation, and education. The present programme also includes support for general capacity building to support accession negotiations, support for the preparation and implementation of investments and participation to EU programmes.

- Overview of past and on-going EU, other donors' and/or IPA II beneficiary's actions in the relevant sectors:

#### **Participation in EU Programmes**

Participation of Serbia in EU Programmes has been supported by IPA since 2007. Evaluations conducted highlighted the benefit of this participation and the need to

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<sup>1</sup> C(2014)5872 of 19.8.2014

strengthen the national coordination mechanism and capacities to maximise the benefits that Serbia can draw.

### **European integration facility**

Substantial IPA assistance has been provided under IPA I and IPA II to Serbia in order to support in particular the horizontal departments in charge of coordination of European integration process and the office for coordination of IPA. Support has proven to be instrumental in enhancing capacities for alignment and implementation of *acquis* requirements.

### **Rule of law and fundamental rights**

#### Sub-sector Justice

IPA support for the sub-sector justice contributed towards improvement of efficiency and transparency of the judicial system, the introduction of a case management system in the courts and prosecution, criminal asset confiscation, reform of the penitentiary system and strengthening of alternative sanctions, and the establishment of the Judicial Academy. The justice sector received substantial assistance from the international donor community over the period 2007-2013, and the EU has been the largest and most important donor in the sector with total disbursement within the IPA component I amounting to EUR 67.38 million in the period 2007-2013.

Several evaluations were performed aiming at providing information on effectiveness of IPA in the relevant sector, from which the recommendations for the planning of further assistance were drawn, in particular the need to strengthen the link between accession negotiations and financial assistance.

#### Sub-sector Home affairs

IPA support for the sub-sector home affairs focused on the fight against corruption, prevention and suppression of illegal migrations, improving border control standards, development of information system for border crossing control and strengthening of the Ministry of Interior's internal control. Several evaluations were performed aiming at providing information on effectiveness of IPA in the relevant sector, from which the recommendations for the planning of further assistance were drawn, in particular the need to strengthen the link between accession negotiations and financial assistance.

### **Competitiveness and innovation**

Over the period 2007-2013 the competitiveness and innovation sector has been one of the largest recipients of international assistance to Serbia. IPA support focused in particular on the effective operation of markets, improving the quality, range and availability of business support services, export innovation within small and medium size enterprises (SME) and technology transfer. Lessons learned were drawn from previous evaluations, which despite highlighting the improvement of the capacities of central institutions, stress that work in some areas still needs to be done. The evaluations emphasised in particular that - unstable legislative, political and institutional settings are diminishing positive effects of support interventions on Small and Medium Enterprises (SMEs). Low cooperation at national level (ministries responsible for economy,

education and science, and research and development institutions) together with lack of joint interventions in the field of innovation resulted in insufficient impact of delivered assistance, limited effectiveness and sustainability. The evaluations recommended further improvements in the system that will ensure access to finance for SMEs investments needed to ensure their competitiveness.

### **Education, employment and social policies**

The education, employment and social policies sector has received substantial assistance from the international donor community over the period 2007-2013. IPA support focused in particular on reinforcing the link between labour market and education system, supporting education reform starting with pre-school education and vocational education trainings. Support was also provided for social inclusion of most vulnerable groups, in particular Roma, refugees and internally displaced persons. Evaluations conducted on past assistance positively assessed the importance of this sector but highlighted the need to improve effectiveness, efficiency as well as impact and sustainability of activities. Coordination of the different institutions and donors has been improved in the framework of the sectorial working group in charge of this sector. The development of the Employment and Social Reform Programme has led to better strategic planning of actions.. A more comprehensive approach is also ensured by better coordination of donors, which should guarantee increased impact and sustainability.

#### ***List of Actions foreseen under the selected Sectors/Priorities:***

ACTION NO AND TITLE	INDIRECT MANAGEMENT WITH THE IPA II BENEFICIARY	OTHER IMPLEMENTATION ARRANGEMENTS	
<b>DEMOCRACY AND GOVERNANCE</b>			
Action 1 "European Integration Facility"	N/A	Direct management, IMDA	EUR 35,800,000.00
Action 2 "Visibility facility"	N/A	Direct management, IMDA	EUR 5,600,000.00
Action 3 "Twinning Facility"	EUR 5,000,000.00	N/A	N/A
Action 4 "Support to Participation in Union Programmes"	EUR 10,900,000.00	N/A	N/A
<b>TOTAL</b>	<b>EUR 15,900,000.00</b>	<b>TOTAL</b>	<b>41,400,000.00</b>
<b>RULE OF LAW AND FUNDAMENTAL RIGHTS</b>			
Action 5 "Support to the Justice Sector"	N/A	Direct management, IMDA	EUR 5,000,000.00
Action 6 "Sector Reform Contract on Integrated Border Management"	N/A	Direct management	EUR 28,000,000.00
<b>TOTAL</b>	<b>N/A</b>	<b>TOTAL</b>	<b>EUR 33,000,000.00</b>

<b>COMPETITIVENESS AND INNOVATION</b>			
Action 7 "Support to Competitiveness and Innovation"	N/A		Direct management EUR 3,700,000.00
Action 10 "Support to the Competitiveness sector through the Western Balkans Enterprise Development and Innovation Facility Guarantee Facility"	N/A		IMDA 20,000,000.00
Action 8 "Local Development Programme"	N/A		IMDA EUR 25,000,000.00
<b>TOTAL</b>	<b>N/A</b>		<b>TOTAL</b> EUR 48,700,000.00
<b>EDUCATION EMPLOYMENT, AND SOCIAL POLICIES</b>			
Action 9 "Sector Reform Contract: Education Reform in Serbia – strengthening links with employment and social Inclusion"	N/A		Direct management EUR 27,400,000.00
<b>TOTAL</b>	<b>EUR 15,900,000.00</b>		<b>TOTAL</b> EUR 150,500,000.00

## 2.2 DESCRIPTION AND IMPLEMENTATION OF THE ACTIONS

<b>SECTOR 1</b>	<b><i>Democracy and Governance</i></b>		<b><i>EUR 57,300,000.00</i></b>
<b>Action 1</b>	<b><i>European Integration Facility</i></b>	<b><i>Direct management and IMDA</i></b>	<b><i>EUR 35,800,000.00</i></b>

### ***Description of the Action, objective, expected results and key performance indicators***

The overall objective of this action under the democracy and governance sector is to contribute to the establishment of legislative and institutional capacities in line with the better regulation approach, for the efficient carrying out of accession negotiations and for fulfilling the requirements of EU membership

Specific objectives of the action are:

To support Serbian administration to effectively conduct accession negotiations and successfully manage overall EU integration and pre-accession assistance geared towards EU membership in the sectors of fundamental rights (rights of IDPs, refugees and returnees), food safety, veterinary and phytosanitary policy, statistics, transport, environment, energy and regional policy.

### Expected results:

- Serbia ensures access to legal aid, assistance and dissemination of information necessary for ensuring the protection and exercising of rights of IDPs, refugees from the wars of the 1990s and returnees under Readmission Agreements;
- Serbia strengthens its administrative capacities in implementing EU funded projects under indirect management system of EU pre-accession assistance;
- Serbia improves the capacities of its statistical system in line with the European Statistical System;
- Serbia improves the capacities of its veterinary services for reinforcement of animal welfare;
- The efficiency of the road safety system on national and local levels is improved and the Directive 2008/96/EC is implemented;
- Serbia identifies NATURA 2000 sites and establishes a management system for those sites;
- Serbia strengthens its administrative capacities for implementing gender equality and implements of EU and national gender equality commitments through gender mainstreaming;
- The position of the Roma population in local communities is strengthened through implementation of prioritised strategic measures in the Strategy for Social Inclusion of Roma for the period 2016-2025;
- Capacity of National institutions for implementation of EU requirements in energy policy strengthened and EU Acquis implemented;
- Prompt implementation of accession related actions in the sectors covered by the EU acquis and policy dialogue with the EU is ensured;
- Financially viable projects for financing by EU pre-accession assistance (and possibly by IFIs and /or other donors) are developed and ready for implementation.

### Key Performance Indicators:

- Rate of transposition of the EU acquis, as measured by the % of the implementation of the Serbian National Programme for Approximation with the Acquis.
- Speed of progress on the negotiation of a number of acquis chapters.

### *Assumptions and conditions*

The **main assumptions** that should be considered are: the continuous political support in Serbia to the European Integration process; the allocation by the government of

appropriate levels of human and financial resources; the non-increase of budgetary constraints; that the methodology for prioritisation and selection of infrastructure projects is widely and accurately followed by national institutions in the course of investments' planning and preparation; the National Investment Committee identifies a single pipeline of major priority investment projects .

***Implementation arrangements of the action:***

***Procurement: direct management by the EUD in Serbia***

The global budgetary envelope reserved for procurement will amount to EUR 27,600,000.00 with an indicative number of at least ten service, supplies, framework and works contracts to be tentatively launched in Q2 2017 after the signature of the Financing Agreement.

***Grant - Direct grant award Developing efficient and sustainable statistical systems in line with European Statistical System:***

a) Objectives and foreseen results:

The objective of the grant is to set up and conduct a Farm Structure Survey and dissemination of the results. The result will be the harmonization of the statistics of agriculture with the standards of the European Statistical System, by implementing the farm structure statistics (FSS).

b) Justification for the use of an exception to calls for proposals:

Pursuant to the Law on Official Statistics, the Statistical Office of the Republic of Serbia (SORS) is the mandated body for production and dissemination of data, thus representing the official statistics of the Republic of Serbia in the international statistical system. As such, SORS has a de jure monopoly in the subject matter of the contract (Art.128 FR/Art.190.1(c) RAP) and a de facto right and obligation to carry out the official statistics for the Republic of Serbia (specifically Census, National Accounts), playing its undoubtedly impartial role in all crucial statistical areas.

c) The name of the beneficiary: Statistical Office of the Republic of Serbia

d) Indicative amount of the grant: EUR 2,200,000.00

e) Maximum rate of EU co-financing: The maximum possible rate of EU co-financing for the direct grant is 85% of the eligible cost of the action.

f) Indicative date for signing the grant agreement: II Quarter of 2017

***Grant - Direct grant award: Position of Roma in local communities strengthened through implementation of prioritized strategic measures envisaged within the Strategy for Social Inclusion of Roma for the period 2016-2025***

a) Objectives and foreseen results:

The objective of the grant is to improve the position of Roma population in local communities. The foreseen results are: Establishment and improvement of local

strategic, financial and institutional mechanisms for planning and implementation of local Roma inclusion measures and increased awareness and knowledge on Roma inclusion at local level; the implementation of local measures for Roma Inclusion is supported; urban plans and regulatory frameworks for sustainable housing conditions of Roma communities and infrastructures of public interest in selected municipalities are prepared.

b) Justification for the use of an exception to calls for proposals:

The action will be implemented through a direct grant with the Standing Conference of Towns and Municipalities (SCTM). It has a long-standing record in supporting Local Self Governments in the area of human and minority rights, anti-discrimination and Roma inclusion issues. The key distinguishing feature of the SCTM is that it is the only such institution in Serbia which has the reach to all local level municipalities. It was selected on the basis of the conditions related to actions with specific characteristics that require a particular type of body on account of its technical competence, its high degree of specialisation or its administrative power, on condition that the actions concerned do not fall within the scope of a call for proposals - pursuant to Art.128 FR/Art.190.1(f) RAP.

- c) The name of the beneficiary: Standing Conference of Towns and Municipalities
- d) Indicative amount of the grant: EUR 4,000,000.00
- e) Maximum rate of EU co-financing: The maximum possible rate of EU co-financing for the direct grant is 95% of the eligible cost of the action.
- f) Indicative date for signing the grant agreement: II Quarter of 2017

**Result 7** will be implemented in indirect management by the UN Women

***Entity entrusted with budget implementation tasks***

UN Women has a long term experience in working on gender equality, both at institutional level and with civil society in Serbia. It has a demonstrated capacity to deliver complex projects supporting gender equality mechanisms at all levels, as well as women's civil society organisations in promoting gender equality and women's rights. In addition UN Women has extensive experience in the management of grant schemes to women's CSOs, regionally and in Serbia. In addition, it offers the benefit from the regional experience, since UN Women supported the comprehensive initiative of gender mainstreaming in other IPA II beneficiary countries.

***Short description of the tasks entrusted to the entity***

The action will support the establishment of the administrative and technical conditions necessary for the sound implementation of the National Strategy and Action Plan for Gender Equality, and will provide oversight of the introduction of EU Gender Equality acquis across sectors. It will support the mainstreaming of the gender perspective in the development of the national policy and strategic framework, the programming of national and EU funds as well as in the implementation and monitoring of programmes and projects. Finally, the action will support the implementation of activities from the

action plan for gender equality addressing inequalities between women and men. This action will be implemented among other activities, through the delivery of trainings for institutions and of grants through a grant scheme to civil society organisations which will act in terms of the implementation of the specific results of the action.

**Budget:** EUR 2,000,000.00

<b>SECTOR 1</b>	<b><i>Democracy and Governance</i></b>		<b><i>EUR 57,300,000.00</i></b>
<b>Action 2</b>	<b><i>Visibility Facility</i></b>	<b><i>Direct management and IMDA</i></b>	<b><i>EUR 5,600,000.00</i></b>

***Description of the Action, objective, expected results and key performance indicators***

The overall objective of this action is to increase the knowledge and understanding by Serbian citizens of the impact of IPA funding in the context of better recognition of EU policies and the accession process.

The specific objective of the action is to improve the visibility of IPA funding by implementing selected high visibility actions.

Expected results:

- Tangible benefit of EU assistance is promoted through implementation of the visibility intervention: improving access for persons with disability and reduced mobility to public facilities;
- Tangible benefit of EU assistance is promoted through implementation of the visibility interventions in the field of tourism and cultural heritage.

Key Performance Indicators:

- Trust in the EU index for Serbia.
- Results of opinion polls on EU funds / IPA visibility conducted for the needs of SEIO.

***Assumptions and conditions***

With regard to the activity related to improving accessibility for persons with disability and reduced mobility to public facilities, the condition is a successful completion of the preparatory intervention which will provide technical documentation for the reconstruction or adaptation of selected public buildings.



***Implementation arrangements for the action:***

**Result 1** will be implemented in direct management by the EU Delegation:

**Procurement**

The global budgetary envelope reserved for procurement will amount to EUR 3,500,000.00, with an indicative number of three contracts, two service and one works contracts to be tentatively launched in Q1 2017.

**Result 2** will be implemented in indirect management with the Austrian Development Agency (ADA)

***Entity entrusted with budget implementation tasks***

ADA has been selected to implement Result 2, which focusses on the rehabilitation of the medieval fortress in Golubac. A first phase of the rehabilitation, financed through IPA, has been implemented by ADA. ADA is familiar with the conditions in Serbia and is acquainted with its regulatory framework and the EU accession context. It has established excellent relationships with all relevant stakeholders at national, regional and local level. Following Art 58.1 and 60 of the Financial Regulation, ADA has been selected to perform the budgetary implementation tasks as an Entrusted Entity, as it can offer an integrated programme approach towards high impact and cost/benefit outcomes.

***Short description of the tasks entrusted to the entity***

This action will be implemented through in two parallel components: on the one hand, works will be implemented in order to finalise the reconstruction and adaptation of the Golubac fortress and the technical infrastructure in the zone of the Golubac fortress. This action will also include equipment for the fortress and the Visitors' centre to allow it to operate as a self-sustainable touristic destination. On the other hand, capacity building activities will focus on the professionalization of the public management company (PUC Golubacki Grad), training and capacity building for the staff and tourist guides of the enterprise.

<b>SECTOR 1</b>	<b><i>Democracy and Governance</i></b>		<b><i>EUR 57,300,000.00</i></b>
<b>Action 3</b>	<b><i>Twinning Facility</i></b>	<b><i>Indirect management with Beneficiary country</i></b>	<b><i>EUR 5,000,000.00</i></b>

***Description of the Action, objective, expected results and key performance indicators***

The overall objective of this action under the democracy and governance sector is to support the Serbian administration to effectively conduct accession negotiations and

successfully manage overall EU integration and pre-accession assistance geared towards EU membership.

The specific objective of the action is to support the establishment of legislative and institutional capacities for the efficient carrying out of accession negotiations and for fulfilling the requirements of EU membership in particular in the fields of home affairs, environment, and intellectual property rights (IPR).

Expected results:

- Strengthened capacities of the Serbian Commission for Refugees and Migration and other relevant institutions for the implementation of migration and asylum policy and procedures in line with the Acquis;
- A fully functional system for IPR protection is established;
- Increased alignment of Serbian legislation with the EU acquis in the area of water management;
- Harmonisation of Serbian legislation with the acquis in a number of sectors ensured.

Key Performance Indicators:

- Progress made towards meeting accession criteria.

*Assumptions and conditions*

There are no specific conditions for the implementation of various activities envisaged under this Action.

*Implementation arrangements for the action: indirect management with Serbia*

The entity which will act as the Responsible Unit or National Authority/Implementing Agency is the Central Finance and Contracting Unit (CFCU) - Ministry of Finance, Department for Contracting and Financing of EU Funded Projects. The CFCU shall be responsible for carrying out the tasks relating to the implementation of the Action. The entrusted entity shall be responsible for the overall administration of all the activities required to implement the Action, including preparation, implementation and conclusion of twinnings and twinning-lights, and management of corresponding expenditures.

<b>SECTOR 1</b>	<b>Democracy and Governance</b>		<b>EUR 57,300,000.00</b>
<i>Action 4</i>	<i>Support to participation in</i>	<i>Indirect management</i>	<i>EUR</i>

	<i>Union Programmes</i>	<i>with beneficiary country</i>	<b>10,090,000.00</b>
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***(1) Description of the Action, objective, expected results and key performance indicators***

The overall objective of this action is to support Serbia's preparation for accession through participation in EU programmes and agencies.

Expected results:

- Strengthened ownership and responsibility of the national administration and institutions, as well as enhanced overall participation in EU Programmes;

Key performance indicators:

- Number of EU Programmes in which Serbia is participating
- Number of institutions and organisations benefitting from EU Programmes and initiatives

***Assumptions and conditions***

The **main assumption** that should be considered is the commitment of the Serbian administration and institutions for preparation and participation to EU Programmes.

***Implementation arrangements of the action: indirect management with Serbia***

***Short description of the tasks entrusted to the entity***

Implementation will in particular consist in the payment of the IPA part of the financial contribution to the programmes by the National Fund within the Ministry of Finance after signature of International Agreements between the Commission and Serbia.

<b>SECTOR 2</b>	<b>Rule of Law and Fundamental Rights</b>		<b>EUR 33,000,000.00</b>
<i>Action 5</i>	<i>Support to the justice sector</i>	<i>Direct management and IMDA</i>	<i>EUR 5,000,000.00</i>

***Description of the Action, objective, expected results and key performance indicators***

The overall objective of this action under the rule of law and fundamental rights sector is to contribute to the advancement of Serbia's judicial system and Rule of Law in line with

the EU accession requirements, set in the Action Plan for the implementation of the negotiations acquis Chapter 23 "Judiciary and Fundamental Rights".

The specific objectives of the action are:

- To increase the exercise of rights of aggrieved parties based on the minimum international standards related to victims-witness support and assistance;
- To support the Supreme Court of Cassation (SCC) and courts in ensuring independent and efficient functioning of courts;
- To increase efficiency, accountability and transparency of the judicial system through support to High Judicial Council.

Main expected results are:

- Victims-witness support and protection network operational and established.
- Enhanced capacities of Supreme Court of Cassation and courts with reference to backlog and case law harmonisation.
- Improved administrative capacities of High Judicial Council in financial and operational planning, statistics and analytics, and the effective application of the rules on disciplinary responsibility.

Key Performance Indicators:

- Progress measured in relation to Chapter 23, in relation to implementation of EU Directive 2012/29 / EC.
- % of backlog cases resolved.
- Progress measured in relation to Chapter 23, on the transfer of responsibilities from Ministry of Justice to High Judicial Council.

### *Assumptions and conditions*

The main assumptions for the implementation of this action are: aspiration for progress leading towards opening of accession negotiations remains high; the recommendations stemming from IPA 2012 intervention on judicial efficiency are prepared and implemented.

### *Implementation arrangements for the action:*

**Result 1** will be implemented through indirect management with the Organisation for Security and Cooperation in Europe (OSCE).

### *Entity entrusted with budget implementation tasks*

The OSCE has extensive experience in the field of victims and witness support in Serbia, where it has been active for many years. The OSCE has in-house expertise to implement complex multi-stakeholder projects and has a long-standing experience providing in the criminal justice area. Currently, no other national or international organisation in the country/region brings the same experience and competence in the subject matter. Furthermore, OSCE has extensive working relations with the envisaged beneficiaries in government, judicial, prosecutorial, police and the civil society sectors. OSCE has proven to have the necessary in-house operational and financial expertise to implement complex multi-stakeholder projects. With its extensive experience in supporting legislative reform processes and institution and capacity building in Serbia, the OSCE, in a unique manner, combines the capacity to provide political advice and to effectively implement technical support projects.

***Short description of the tasks entrusted to the entity***

The key aim of the action is to establish a nation-wide network of victims and witness support and assistance. The action will support: the development of the National Strategy on Crime Victims’ Rights and Action Plan for its implementation; the policy dialogue among all stakeholders in order to ensure efficient development and establishment of the system at national level; the legal framework alignment with relevant EU Acquis; mainstreaming of existing support service providers into an overarching national system. It will provide capacity building assistance to the relevant institutions, including by developing the relevant database, and by establishing a monitoring and reporting mechanism. Finally, it will support awareness raising of the general public and legal professions. The Action will be implemented, among other activities, through the procurement of IT services, and procurement for the carrying out of an awareness raising campaign for the victims and witnesses on their rights. In the course of the implementation of the action, it may also be required to provide grant schemes to civil society organisations which will act as service providers for support to victims and witnesses.

**Budget:** EUR 1,500,000.00

**Result 2 and 3** will be implemented through direct management by the EU Delegation to Serbia.

**Procurement:**

The global budgetary envelope reserved for procurement will amount to EUR 3,500,000.00, with an indicative number of two service contracts to be tentatively launched in Q1-Q4 2017.

<b>SECTOR 2</b>	<b>Rule of Law and Fundamental Rights</b>		<b>EUR 33,000,000.00</b>
<i>Action 6</i>	<i>Sector Reform</i>	<i>Direct</i>	<i>EUR</i>

	<b><i>Contract for Integrated Border Management</i></b>	<b><i>management</i></b>	<b><i>28,000,000.00</i></b>
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### ***Sector Budget Support***

#### ***a) Eligibility for budget support***

- ***Public policy***

A new Integrated Border Management (IBM) strategy has been adopted in 2016, in the context of the Action plan for the implementation of the negotiations of Chapter 24. The strategy is in line with the EU IBM Concept from 2006 and takes into account the Guidelines for IBM in European Commission External Cooperation, and was built on the previous IBM strategy. The revision of the Strategy was done in close consultation with the relevant stakeholders including civil society. The overall goal of the Strategy is to improve the efficiency and effectiveness of border management, to strengthen of cooperation at all levels and to enhance the administrative, infrastructural and technical capacity of the main agencies at the border. The specific goals of the strategy aim at ensuring comprehensive and efficient safety and security of movement of citizens and goods through the borders as well as securing efficient functioning of IBM, in line with EU standards and recommendations.

The related action plan will be adopted by 31 December 2016, will include timelines, indicators and costs, and will define the responsible institutions for the implementation of each action.

- ***Macroeconomic policy***

Serbia's economic situation has stabilised and the government remains committed to implementing reforms needed to maintain macroeconomic stability. To anchor their reform programme, the authorities have requested a three-year precautionary Stand-By Arrangement with the IMF, which was approved on February 2015 and has been on track so far (4 revisions accomplished by June 2016). Despite the significant fiscal adjustment over the last 2 years, there are still risks which could lead to higher than planned fiscal deficit and further increased public debt.

- ***Public financial management***

The national (public financial management) PFM reform programme, which took into account the results of the latest Public Expenditure Financial Assessment (PEFA) assessment, was adopted in November 2015, and PFM reforms are currently being implemented. The implementation of the programme is being followed up in the context of the public administration reform (PAR) sector budget support (SBS), chapter 32 (financial control) negotiations and other policy dialogue fora such as PAR Special Group. Since the approval of the programme Serbia has started the implementation of the PFM reform programme in the areas of the development of an integrated framework for the planning, coordination, implementation and monitoring of progress related to macroeconomic stability (in particular the efficient and purposeful deployment and use of public resources for realization of the national priorities and for improving the services provided by the government administration).

- *Budget transparency and oversight of the budget*

Entry point for eligibility on budget transparency and oversight is considered to be met. Serbia has improved in the Open Budget Index rankings in the last two measurements: from a score of 39/100 in 2012, Serbia improved to 47/100 in 2015. Measures to improve budget transparency are addressed in the PFM reform programme which implementation is monitored as explained in point above.

#### *b) Objectives*

The specific objectives of the Budget support intervention are:

- Better intra-agency, inter-agency and international cooperation and exchange of information;
- More effective detection of cross-border crime;
- Increased institutional and operational capacity of the border agencies to perform border checks and border surveillance; and
- More effective detection of irregular migration.

#### *c) Expected results*

- Intra-agency, inter-agency and international cooperation is improved and in line with the EU best practices and IBM Guidelines.
- Detection of cross-border crime is improved.
- Border staff skills and technical capacities are enhanced and aligned with the EU best practices and EU training curricula.
- The Serbian border staff performs systemic detection of irregular migration according to EU standards.

#### *d) Main sector budget support activities*

The main activities to implement the budget support package are policy dialogue, financial transfer, performance assessment, reporting and capacity development.

Engagement in dialogue around conditions and government reform priorities, the verification of conditions and the payment of budget support.

#### *e) Complementary actions*

With regard to complementary actions, activities will largely focus upon strengthening the institutional and human resource capacities of the principal stakeholders to drive, coordinate and monitor the implementation of the integrated border management reform. Complementary support is also envisaged for the important field of improving visibility and communication. Therefore the complementary action envisages accompanying the reform process and communicating the developments to internal and external audiences.

***Essential elements of the action for direct management:***

**Procurement:**

The global budgetary envelope reserved for procurement will amount to EUR 2,000,000.00, with an indicative number of two service contracts to be tentatively launched in Q1 2017.

**Twinning – Call for proposal:**

a) Objectives and foreseen results:

- To support the preparatory activities for the establishment of the Supplementary Information Request at National Entry (SIRENE) Bureau, with the aim of performing its role in the information data exchange with other EU member states 24/7; and in relation to the development of the Guidelines on International Operational Police Cooperation, and define operational procedures for data exchange;
- To support the preparatory activities for the establishment of the unified national database for storing fingerprints of asylum seekers. To support efforts to ensure that the national biometric database is fully compatible with 'EURODAC' (comparison of fingerprints), support for training of staff to operate the national infrastructure of the EURODAC system, once established.

b) The essential eligibility criteria: applicants must be EU Member State administrations or mandated bodies.

c) The essential selection criterion is the operational capacity of the applicant.

d) The essential award criteria are technical expertise of the applicant, and the relevance, methodology and sustainability of the proposed action.

e) The maximum possible rate of EU financing may be up to 100% of the total cost of the action in accordance with Article 192 of Financial Regulation if full funding is essential for the action to be carried out. The necessity for full EU funding will be justified by the responsible authorising officer in the award decision, in respect of the principles of equal treatment and sound financial management.

f) Indicative total amount of two Twinning contracts: EUR 2,000,000.00

g) Indicative date for launching the selection procedure: I Q 2017

<b>SECTOR 6</b>	<b>Competitiveness and innovation</b>		<b>EUR 48,700,000.00</b>
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<b>Action 7</b>	<b>Support to competitiveness and innovation</b>	<b>Direct management</b>	<b>EUR 3,700,000.00</b>
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***Description of the Action, objective, expected results and key performance indicators***

The overall objective of action 7 under the competitiveness and innovation sector is to contribute to increasing the competitiveness and innovation of companies in Serbia.

The specific objectives of the action are:

- To strengthen local business advisory services for SMEs.
- To enhance the operating environment for high-tech and innovative companies in Serbia.

Main expected results are:

- Access to high value added business advice for SMEs is improved.
- The Science and Technology Park's (STP) Belgrade provides better services, though the improvement of its capacities.

Key Performance Indicators:

- Number of new stakeholders targeted by the advisory services.
- Number of new products developed by companies operating under the STP Belgrade.

***Assumptions and conditions***

The main assumptions for the implementation of this action are: SMEs are interested to use the funds for investing in new products and services; Government is committed in providing budget resources for the Science and Technology Park.

***Implementation arrangements for the action:***

**Result 1** will be implemented through a direct grant award to the European Bank for Reconstruction and Development (EBRD).

***Grant- Direct grant award: To improve access to high value added business advice for SMEs***

a) Objectives and foreseen results:

The action will: provide access to high-quality local and international advisory services to Serbian SMEs; improve the quality and supply of local business advisory services; support the transfer of the best practices under both previous activities to the public

institutions in Serbia which have an SME mandate; increase awareness of the value and benefit of external advice among SMEs.

b) Justification for the use of an exception to calls for proposals:

The action will be implemented through a direct grant with the EBRD. EBRD has been selected on the basis of the conditions related to actions with specific characteristics that require a particular type of body on account of its technical competence, its high degree of specialisation or its administrative power, on condition that the actions concerned do not fall within the scope of a call for proposals - pursuant to Art.128 FR/Art.190.1(f) RAP.

c) the name of the beneficiary: European Bank for Reconstruction and Development (EBRD)

d) indicative amount of the grant: 2,200,000.00 EUR

e) Maximum rate of EU co-financing:

The maximum possible rate of EU financing will be 100% of the total cost of the action. Full financing of the action is essential for the action to be carried out because the action is designed to complement ongoing activities at regional level, and assist Serbian SMEs by transferring industry knowledge and management skills.

f) Indicative date for signing the grant agreement: I Q 2017

**Result 2** will be implemented through direct management by the EU Delegation to Serbia.

**Procurement**

The global budgetary envelope reserved for procurement will amount to EUR 1,500,000, with at least one service contract to be tentatively launched in Q2 2017.

<b>SECTOR 6</b>	<b>Competitiveness and innovation</b>		<b>EUR 48,700,000.00</b>
<i>Action 10</i>	<i>Support to competitiveness sector through the Western Balkans Enterprise Development and Innovation Facility Guarantee Facility Serbia Window"</i>	<i>IMDA</i>	<i>EUR 20,000,000.00</i>

***Description of the Action, objective, expected results and key performance indicators***

The overall objective of action 10 under the competitiveness and innovation sector is to contribute to increasing the competitiveness and innovation of companies in Serbia.

The specific objectives of the action are:

- To improve access to finance for SMEs by fostering better conditions for lending by financial intermediaries, such as better loan maturities, lower costs for borrowing, reduction of collateral requirements and expansion of loans to riskier SMEs.

Main expected results are:

- Access to credit and transfer of a range of benefits to SMEs in Serbia are improved by providing guarantees to eligible financial intermediaries to encourage them to build up new portfolios of SME transactions.

Key Performance Indicators:

- Percentage of the new SME portfolios of the selected financial intermediaries that is absorbed in the timeframe of the programme.
- Percentage of SME loans in the overall loan structure.

#### ***Assumptions and conditions***

Financial institutions and Government committed to and actively promoting SMEs and facilitating conditions for their growth.

#### ***Implementation arrangements for the action:***

The action will be implemented through indirect management with the European Investment Fund (EIF).

#### ***Entity entrusted with budget implementation tasks***

The EIB Group (EIF) has significant experience in the design, establishment and management of the financial instruments and the development of methodological guidelines for the ex-ante assessment of such instruments. Although funds will be provided from national IPA, the implementing mechanism will remain the same as for the regional scheme under the Western Balkans Enterprise Development and Innovation Facility (WBEDIF). The Serbia EDIF window of the Guarantee Facility (GF) is fully complementary to the regional facility, and responds to the high demand which was generated by the first operation of the regional EDIF for Serbia.

#### ***Short description of the tasks entrusted to the entity***

The activity has been conceived within the scope of the WBEDIF GF but is dedicated solely to Serbia. The EIF will implement an EDIF Guarantee facility window for Serbia providing guarantees to eligible Financial Intermediaries to encourage them to build up new portfolios of SME transactions. The guarantee instrument envisaged for WBEDIF GF Serbia Window has the same features of the guarantee product already offered under the WBEDIF GF in the Region.

<b>SECTOR 6</b>	<b>Competitiveness and innovation</b>		<b>EUR 48,700,000.00</b>
<i>Action 8</i>	<i>Local Development Programme</i>	<i>IMDA</i>	<i>EUR 25,000,000.00</i>

***Description of the Action, objective, expected results and key performance indicators***

The overall objective of this action under the competitiveness and innovation sector is to contribute to more balanced socio - economic development in Serbia. The specific objective is to enhance competitiveness and social cohesion of the less developed areas by increasing the productivity of Small and Medium Enterprises (SMEs) and developing an environment conducive for business and better social standards.

Main expected results are:

- SMEs in the targeted municipalities have improved access to finance and local advisory services;
- Local administrations provide efficient administrative services and public infrastructures to the business sector;
- Public services and social cohesion in the targeted municipalities are improved.

Key Performance Indicators:

- Contribution of SMEs to overall export
- Number of newly employed persons in the targeted SMEs

***Assumptions and conditions***

The main assumptions for the implementation of this action are: Government remains committed to and is actively promoting SMEs and investments in economy; SMEs are committed to adoption of new technologies; municipalities are willing to undertake necessary changes and provide evidence based decision making.

***Implementation arrangements for the action:***

The action will be implemented through indirect management by UNOPS.

***Entity entrusted with budget implementation tasks***

UNOPS has been selected for this action through a Call for Expressions of Interest based on satisfying the criteria technical capacity, including having had experience in the preparation and implementation of joint capacity building and municipal infrastructure

projects in Serbia and in the region; experience in managing programmes or projects related to SME's development (including grant schemes) and experience in the application of public procurement rules. UNOPS satisfied the criteria related to adequate administrative and financial capacity, as well as criteria related to the quality of the Concept Note, including by having the required relevance; consistency with the objectives, results and activities of the Action, expected impact; sustainability and cost-effectiveness.

***Short description of the tasks entrusted to the entity***

The tasks entrusted to the entity are the organisation of a grant scheme for SMEs, with the aim to help Serbian SMEs improve their productivity and develop products of higher quality thus making their market and export position more competitive. The tasks also include the provision of support to Business Support Organisations and NGOs to strengthen their ability to provide specialised services to SMEs. The tasks also include the provision of support for the development of improved conditions for business operations, through more efficient administrative service provision, better land management and specific small scale infrastructure investments. The action will also require the procurement of construction works to support municipalities. It will support the implementation of small-scale infrastructure projects that address the needs of known investors to develop/extend business activities, as well as the improvement of public infrastructure and the improvement of social relations.

<b>SECTOR 7</b>	<b>Education Employment and Social policy</b>		<b>EUR 27,400,000.00</b>
<b><i>Action 9</i></b>	<b><i>Sector Reform Contract: Education Reform in Serbia – strengthening links with employment and social inclusion</i></b>	<b><i>Direct Management</i></b>	<b><i>EUR 27,400,000.00</i></b>

***Sector Budget Support***

**a) Eligibility for budget support**

- *Public policy*

The national strategy on education development 2020 was adopted in 2012 and the related action plan was adopted in early 2015. The strategy covers all types and levels of education and addresses the key issues within the education sector; Education is a key element of the fundamentals first approach in the enlargement context, related to competitiveness and it is also important as it is a key element of Europe 2020 strategy for smart, sustainable and inclusive growth.

Given the comprehensiveness and the long-term nature of the reform process in the education sector the Sector Reform Contract (SRC) will focus on only some aspects of the Action plan- i.e support process leading to improved teacher training, which will in turn lead to improved pupils achievement in primary and secondary school and establishing a system for definitions of skills relevant for the labour market – national qualifications framework. The national strategy on education development 2020 defines that Roma inclusion and minority education need to be improved. However, the action plan adopted in 2015 did not develop explicit measures in these areas. Strategies and action plans for both areas were developed in the context of Chapter 23 accession negotiations. The SRC will support both aspects, based on Serbia's commitments in EU accession negotiations.

- *Macroeconomic policy*

Serbia's economic situation has stabilised and the government remains committed to implementing reforms needed to maintain macroeconomic stability. To anchor their reform programme, the authorities have requested a three-year precautionary Stand-By Arrangement with the IMF, which was approved on February 2015 and has been on track so far (4 revisions accomplished by June 2016). Despite the significant fiscal adjustment over the last 2 years, there are still risks which could lead to higher than planned fiscal deficit and further increased public debt.

- *Public financial management*

The national PFM reform programme which took into account the results of the latest PEFA assessment was adopted in November 2015, and PFM reforms are currently being implemented. The implementation of the programme is being followed up in the context of the PAR SBS, chapter 32 negotiations and other policy dialogue fora such as PAR Special Group. Since the approval of the programme Serbia has started the implementation of the PFM reform programme in the areas of the development of an integrated framework for the planning, coordination, implementation and monitoring of progress related to macroeconomic stability (in particular the efficient and purposeful deployment and use of public resources for realization of the national priorities and for improving the services provided by the government administration).

- *Budget transparency and oversight of the budget*

Entry point for eligibility on budget transparency and oversight is considered to be met. Serbia has improved in the Open Budget Index rankings in the last two measurements: from a score of 39/100 in 2012, Serbia improved to 47/100 in 2015. Measures to improve budget transparency are addressed in the PFM reform programme which implementation is monitored as explained in point above.

#### *b) Objectives*

The Budget support intervention will support the specific objectives as defined in the Education reform strategy and further detailed in the corresponding Action Plan(s):

- To improve the quality of the teaching and learning processes in order to increase students' skills and competences.

- To improve the quality of minorities' education.
- To improve participation of Roma boys and girls in the education system
- To improve the relevance of the education system for the labour market by linking labour market needs with the education system.

#### c) Expected results

- Improved capacities of teachers in pre-university education for delivery of the learning outcome based curricula in order to improve skills and competences of pupils.
- Improved access to minority textbooks and improving minority teacher training.
- Improved conditions for Roma pupils (boys and girls) to participate in the pre-university education (including dropouts reduction).
- A social partnership linking education and labour market is operational, and the i.e. legislative and institutional framework for the implementation of the NQF system is fully operational.

#### d) Main sector budget support activities

The main activities to implement the budget support package are policy dialogue, financial transfer, performance assessment, reporting and capacity development.

Engagement in dialogue around conditions and government reform priorities, the verification of conditions and the payment of budget support.

#### e) Complementary actions

With regard to complementary actions, activities will largely focus upon strengthening the institutional and human resource capacities of the principal stakeholders to drive, coordinate and monitor the implementation of the integrated border management reform. Complementary support is also envisaged for the important field of improving visibility and communication. Therefore the complementary action envisages accompanying the reform process and communicating the developments to internal and external audiences.

#### ***Essential elements of the action for direct management:***

##### **Procurement:**

The global budgetary envelope reserved for procurement will amount to EUR 3,400,000.00, with an indicative number of two service contracts to be tentatively launched in Q1 2017.

### 3 BUDGET

#### 3.1. INDICATIVE BUDGET TABLE - COUNTRY ACTION PROGRAMME FOR SERBIA

		Indirect Management with the IPA II beneficiary			Other implementation arrangements				
Financing Agreements				Total expenditure			Total expenditure	MM	Total programme
		EU Contribution	IPA II beneficiary Co-financing		EU Contribution	IPA II beneficiary Co-financing			
<b>Sector 1 Democracy and Governance</b>		<b>15,900,000.00</b>	<b>118,000.00</b>	16,018,000.00	<b>41,400,000.00</b>	<b>1,088,235.00</b>	42,488,235.00	mixed	58,506,235.00
Financing agreement 1 Dec.039-801	Action 1 "European Integration facility"				35,800,000.00	588,235.00	36,388,235,000.00	Direct, IM IO	36,388,235.00
Financing agreement 1 Dec.039-801	Action 2 "Visibility Facility"				5,600,000.00	500,000.00	6,100,000.00	Direct, IM IO	6,100,000.00
Financing agreement 2 Dec.039-802	Action 3 "Twinning facility"	5,000,000.00		5,000,000.00				IMBC	5,000,000.00
Financing agreement 2 Dec.039-802	Action 4 "Support to the participation in Union programmes"	10,900,000.00	118,000.00	11,018,000.00				IMBC	11,018,000.00
<b>Sector 2 Rule of Law and Fundamental Rights</b>					<b>33,000,000.00</b>		33,000,000.00	Direct	33,000,000.00
Financing agreement 1 Dec.039-801	Action 5 "Support to the Justice Sector"				5,000,000.00		5,000,000.00	direct	5,000,000.00
Financing agreement 3 Dec.039-803	Action 6 "Sector reform contract on Integrated border management"				28,000,000.00		28,000,000.00	direct	28,000,000.00

Objective 1



Objective 2	<b>Sector 6 Competitiveness and Innovation</b>					<b>48,700,000.00</b>		48,700,000.00	mixed	48,700,000.00
	Financing agreement 1 Dec.039-805	Action 7 "Support to Competitiveness and Innovation "				3,700,000.00		3,700,000.00	Direct	3,700,000.00
	Financing agreement 1 Dec.039-919	Action 10 "Support to the competitiveness sector through the Western Balkans Enterprise Development and Innovation Facility Guarantee Facility"				20,000,000.00		20,000,000.00	IM IO	20,000,000.00
	Financing agreement 1 Dec.039-805	Action 8 "Local Development Programme"				25,000,000.00		25,000,000.00	IM IO	25,000,000.00
	<b>Sector 7 Education Employment and social policies</b>					<b>27,400,000.00</b>		27,400,000.00	direct	27,400,000.00
	Financing agreement 4 Dec.039-806	Action 9 "Sector reform contract : Education reform in Serbia – strengthening links with employment and social inclusion"				27,400,000.00		27,400,000.00	direct	27,400,000.00
<b>4 Financing Agreements in total</b>	<b>TOTALS</b>	<b>15,900,000.00</b>	<b>118,000.00</b>	<b>16,018,000.00</b>	<b>150,500,000.00</b>	<b>1,088,235.00</b>	<b>151,588,235.00</b>	<b>0</b>		<b>167,606,235.00</b>

#### **4 IMPLEMENTATION MODALITIES AND GENERAL RULES FOR PROCUREMENT AND GRANT AWARD PROCEDURES**

##### **DIRECT MANAGEMENT:**

Part of this programme shall be implemented by direct management by the Commission / by the Union Delegations in accordance with article 58(1)(a) of the Financial Regulation and the corresponding provisions of its Rules of Application.

Procurement shall follow the provisions of Part Two, Title IV Chapter 3 of the Financial Regulation No 966/2012 and Part Two, Title II, Chapter 3 of its Rules of Application.

Grant award procedures shall follow the provisions of Part Two Title IV Chapter 4 of the Financial Regulation No 966/2012 and Part Two Title II Chapter 4 of its Rules of Application.

Under the Financial Regulation, Parts One and Three of the Financial Regulation and its Rules of Application shall apply to external actions except as otherwise provided in Part Two, Title IV.

The Commission may also use services and supplies under its Framework Contracts concluded following Part One of the Financial Regulation.

##### **Twinning:**

Twinning projects shall be set up in the form of a grant agreement, whereby the selected Member State administrations agree to provide the requested public sector expertise against the reimbursement of the expenses thus incurred.

The contract may in particular provide for the long-term secondment of an official assigned to provide full-time advice to the administration of the IPA II beneficiary as resident twinning advisor.

The twinning grant agreement shall be established in accordance with relevant provisions of Part Two Title IV Chapter 4 of the Financial Regulation and Part Two Title II Chapter 4 of its Rules of Application. Parts One and Three of the Financial Regulation and its Rules of Application shall apply to external actions except as otherwise provided in Part Two, Title IV.

##### **INDIRECT MANAGEMENT:**

Part of this programme shall be implemented by indirect management by Serbia in accordance with Article 58(1)(c) of the Financial Regulation and the corresponding provisions of its Rules of Application.

Part of this programme shall be implemented by indirect management with entrusted entities other than the IPA II beneficiary in accordance with Article 58(1)(c) of the Financial Regulation and the corresponding provisions of its Rules of Application.

The general rules for procurement and grant award procedures shall be defined in the Financing Agreement and the relevant delegation agreements between the Commission and the entrusted entity implementing such action.

## **5 PERFORMANCE MONITORING ARRANGEMENTS**

As part of its performance measurement framework, the Commission shall monitor and assess progress towards achievement of the specific objectives set out in the IPA II Regulation on the basis of pre-defined, clear, transparent measurable indicators. The progress reports referred to in Article 4 of the IPA II Regulation shall be taken as a point of reference in the assessment of the results of IPA II assistance.

The Commission will collect performance data (process, output and outcome indicators) from all sources, which will be aggregated and analysed in terms of tracking the progress versus the targets and milestones established for each of the actions of this programme, as well as the Country Strategy Paper.

In the specific context of indirect management by IPA II beneficiaries, National IPA Coordinators (NIPACs) will collect information on the performance of the actions and programmes (process, output and outcome indicators) and coordinate the collection and production of indicators coming from national sources.

The overall progress will be monitored through the following means: a) Result Orientated Monitoring (ROM) system; b) IPA II Beneficiaries' own monitoring; c) self-monitoring performed by the EU Delegations; d) joint monitoring by DG Enlargement and the IPA II Beneficiaries, whereby the compliance, coherence, effectiveness, efficiency and coordination in implementation of financial assistance will be regularly monitored by an IPA II Monitoring committee, supported by Sectoral Monitoring committees, which will ensure a monitoring process at sector level.