ANNEX

to the Commission Implementing Decision adopting
an Annual Action Programme for the Republic of Serbia for the year 2019

1 IDENTIFICATION

<table>
<thead>
<tr>
<th>Beneficiary</th>
<th>Republic of Serbia</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Basic act:</strong> CRIS/ABAC Commitment references and budget line(s):**</td>
<td>Instrument for Pre-accession Assistance (IPA-II) <strong>2019/042-261</strong></td>
</tr>
<tr>
<td><strong>Total cost:</strong></td>
<td>Total cost: EUR 74,753,459.00</td>
</tr>
<tr>
<td><strong>EU Contribution:</strong></td>
<td>EU contribution: EUR 62,050,000.00</td>
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<tr>
<td><strong>Budget line:</strong></td>
<td>Budget line: 22.02 01 01</td>
</tr>
<tr>
<td><strong>Method of implementation</strong></td>
<td><strong>2019/041-259</strong></td>
</tr>
<tr>
<td><strong>Total cost:</strong></td>
<td>Total cost: EUR 193,000,000.00</td>
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<tr>
<td><strong>EU contribution:</strong></td>
<td>EU contribution: EUR 76,500,000.00</td>
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<tr>
<td><strong>Budget line:</strong></td>
<td>Budget line: 22.02 01 02</td>
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| **Final date for concluding Financing Agreement(s) with the IPA II beneficiary** | At the latest by 31 December 2020 |

Method of implementation:
- Direct management by the European Commission for all activities with the following exceptions:
  - Action 1. "EU Integration Facility Direct Management"
  - Result 5 will be implemented by indirect management with UN Women.
  - Action 2. "Support for the Participation in EU Programmes", will be implemented through indirect management by the beneficiary country and consists in the co-financing through IPA of entry tickets for the EU programmes to the National Fund.
  - Action 3. "EU for the Rule of Law" will be implemented by indirect management with entrusted entities.
  - Action 4. "EU for Civil Protection and Disaster Resilience Strengthening" will be implemented by indirect management with United Nations Development Programme and Food and Agriculture Organisation.
  - Action 5. "EU for Competitiveness, Research and Development and Innovation" Results 1, 4 and 5 will be implemented through indirect management with the World Bank, while Result 3 will be implemented through indirect management with the IPA II beneficiary. The operating structure responsible for the execution of the actions is: Department for Contracting and Financing of EU Funded projects (CFCU) at the Ministry of Finance.
| **Final date for contracting, including the conclusion of contribution/delegation agreements** | 3 years following the date of conclusion of the Financing Agreement |
| **Indicative operational implementation period** | 6 years following the date of conclusion of the Financing Agreement. |
| **Final date for implementing the Financing Agreement** (date by which this programme should be de-committed and closed) | 12 years following the conclusion of the Financing Agreement. |
2 DESCRIPTION OF THE ACTION PROGRAMME

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 Revised Indicative Strategy Paper for Serbia (the strategy paper)\(^1\) 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 revised strategy paper; the priorities defined within the strategy for 'A credible enlargement perspective for and enhanced EU engagement with the Western Balkans'\(^2\); the specific recommendations of the Commission Report for Serbia for 2019, as well as on relevant national strategic documents, mainly the National Programme for Adoption of the Acquis (NPAA) and the Situation Analysis documents which make part of the draft Multi-Annual Planning Document for International Financial Assistance for the period 2019-2025 - Needs Assessment Document (NAD). The present programme has been prepared in close cooperation with the Ministry of European Integration and the national institutions, as well as in close coordination with other donors including international financial institutions. In view of consolidating 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 II programmes were also taken into account. This process led to the selection of the following sectors for financing under the present programme: rule of law (including disaster risk reduction and civil protection) and competitiveness and innovation. The present programme also includes support for general capacity building to support accession negotiations and support for the participation to EU programmes under sector Democracy and Governance.

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

European integration facility
Substantial IPA assistance has been provided under IPA II to Serbia in order to support the horizontal departments in charge of coordination of European integration process. Previous facilities have proved essential for supporting Serbia to tackle the challenges of the accession process, by providing targeted support in key sectors. Support has also proven to be instrumental in enhancing capacities for alignment and implementation of EU acquis requirements. The dynamics and tempo of the accession process have increasingly required that Serbia improves the capacity of public administration, both in terms of developing adequate institutional structures, but also in terms of ensuring the sufficient number of qualified experts and competent civil servants to work on the

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\(^1\) C(2018) 5064 of 10.08.2018
\(^2\) COM(2018) 65 of 06.02.2018
harmonisation of the national legislation with the EU acquis, as well as on the implementation of legislation and standards.

**Participation in EU Programmes**
Participation of Serbia in EU Programmes has been supported by IPA since 2007. Evaluations highlighted the benefit of this participation and the need to strengthen the national coordination mechanisms and capacities to maximise the benefits that Serbia can draw.

**Rule of law and fundamental rights**
The IPA II support for the sub-sectors of justice reform, fight against corruption and fundamental rights has contributed towards the process of implementation of the national Action Plan for Chapter 23 (Judiciary and Fundamental Rights). IPA assistance has focused on the legal and institutional alignment with EU standards, practices and EU acquis, with the aim to establish an independent and efficient judiciary. Actions have supported the impartiality, integrity, skills and competences of the judiciary, as well as its transparency and accessibility, and have tackled areas crucial for the safeguarding of the rule of law. Support to infrastructure improvements such as in the field of information communication technology (ICT) have gone hand in hand with capacity building and institutional development. Support has also been geared towards providing tools and capacities to Serbia to fight corruption effectively. The aim of the programmes has been to develop an effective legal framework and reliable institutions which can develop and implement a coherent policy of prevention and deterrence of corruption. Finally, substantial assistance has been allocated toward the strengthening of mechanisms in support to fundamental rights. An evaluation has been performed aiming at providing information on the effectiveness of the IPA II assistance in this 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.

The IPA II support for the sub-sector of home affairs has focused on improving the implementation of the national Action Plan for Chapter 24 (Justice, Freedom and Security). The areas of specific assistance include integrated border management, which benefitted from sector budget support; asylum and migration policies; the fight against organised crime; capacity improvements in the field of combating drugs; support to the internal capacities of the Ministry of Interior, among others. The focus has been on developing the administrative capacity within the law enforcement institutions and other relevant bodies. IPA assistance also took into account the need for the administration to be properly equipped to adequately implement the policies and standards in this Chapter.

**Competitiveness and innovation**
The competitiveness and innovation sector has been one of the largest recipients of international assistance to Serbia. IPA support focused in particular on strengthening the ability of the economic policy makers to implement policies and legislation complying with EU acquis; increasing financial and advisory support to help small and medium enterprises and entrepreneurs as well as increasing investments in knowledge and innovation. Lessons learned were drawn from previous evaluations, which despite highlighting the improvement of the national and local level capacities, stress that continued support for both the overall business environment as well as to small and medium enterprises and entrepreneurs, coupled with an improved access to finance are
still needed. Analyses and evaluations emphasised the need for improvements in the legislative and institutional settings, including an improvement of inter-institutional coordination in order to harness positive effects of support interventions.

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

<table>
<thead>
<tr>
<th>Sector/Priority/Action</th>
<th>Direct management</th>
<th>Indirect management</th>
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<tbody>
<tr>
<td></td>
<td>With entrusted entity</td>
<td>With IPA II beneficiary</td>
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<tr>
<td><strong>Democracy and Governance</strong></td>
<td></td>
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<tr>
<td>Action 1 - EU Integration Facility Direct Management</td>
<td>EUR 16,173,897.00</td>
<td>EUR 2,000,000.00</td>
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<tr>
<td>Action 2 – Support to the Participation in Union Programmes</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>EUR 16,173,897.00</td>
<td>EUR 2,000,000.00</td>
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<tr>
<td><strong>Rule of Law and Fundamental Rights</strong></td>
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<tr>
<td>Action 3 – EU for the Rule of Law</td>
<td>n/a</td>
<td>EUR 18,000,000.00</td>
</tr>
<tr>
<td>Action 4 – EU for Civil Protection and Disaster Resilience Strengthening</td>
<td>n/a</td>
<td>EUR 10,000,000.00</td>
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<tr>
<td><strong>TOTAL</strong></td>
<td>EUR 28,000,000.00</td>
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<td><strong>Competitiveness and Innovation, Agriculture and Rural Development</strong></td>
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<tr>
<td>Action 5 - EU for Competitiveness, Research and Development and Innovation</td>
<td>EUR 11,000,000.00</td>
<td>EUR 49,500,000.00</td>
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<tr>
<td><strong>TOTAL</strong></td>
<td>EUR 11,000,000.00</td>
<td>EUR 49,500,000.00</td>
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<tr>
<td><strong>TOTAL</strong></td>
<td>EUR 27,173,897.00</td>
<td>EUR 79,500,000.00</td>
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a. **DESCRIPTION AND IMPLEMENTATION OF THE ACTIONS**

The envisaged assistance is deemed to follow the conditions and procedures set out by the restrictive measures adopted pursuant to Article 215 TFEU.

<table>
<thead>
<tr>
<th>SECTOR</th>
<th>Democracy and Governance</th>
<th>EUR 34,050,000.00</th>
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<tr>
<td>Action 1</td>
<td><strong>European Integration Facility - Direct Management</strong></td>
<td>EUR 18,173,897.00</td>
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</tbody>
</table>

(1) **Description of the Action, objectives, expected results and key performance indicators**

- **Description of the action and objectives**

The overall objective of this action is to contribute to strengthening the legislative framework and institutional and administrative capacities for the efficient carrying out of accession negotiations and fulfilling the requirements of EU membership.

The specific objectives of the action are to ensure a successful management of overall EU integration and pre-accession assistance geared towards EU membership focusing on public administration reform and justice areas; to ensure further harmonisation, implementation and enforcement of the EU *acquis* and a proper follow-up and monitoring of the implementation of the new legislation.

- **Expected results and key performance indicators**

The expected results are:

- Result 1: A prompt implementation of a number of accession related actions in the sectors covered by the EU *acquis* and policy dialogue with EU is ensured;
- Result 2: Capacity of senior civil servants is increased;
- Result 3: Planning and financial management processes at the local level in Serbia are improved;
- Result 4: Legal Aid assistance in protection of property rights of internally displaced persons is provided;
- Result 5: Serbian public administration capacities are strengthened for integrating and implementing EU and national gender equality commitments in strategies, plans, budgets and EU funds management.

The key performance indicators are:

- Rate of alignment with the EU *acquis*, as measured by the % of the implementation of the Serbian National Programme for Approximation with the EU *acquis*;

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3 www.sanctionsmap.eu Please note that the sanctions map is an IT tool for identifying the sanctions regimes. The source of the sanctions stems from legal acts published in the Official Journal (OJ). In case of discrepancy between the published legal acts and the updates on the website it is the OJ version that prevails.
- Number of negotiations Chapters of the acquis opened;
- Number of negotiations Chapters of the acquis closed.

(2) Assumptions and conditions

The assumptions that should be considered are: continuous commitment of the Government of Serbia to the European integration process; annual budget allocation by the Government of appropriate levels of human and financial resources; sufficiently dedicated and qualified staff available at beneficiary institutions; methodologies and instructions to accompany the normative framework on the planning system are elaborated for the local level governments; a new approach on local self-governments programme budgets for budgeting cycles after 2020 with respective guidelines is introduced; rulebooks envisaged by the Decree on capital projects are adopted and the database of capital projects is established and legislative, personnel and administrative frameworks for gender equality are in place while political commitment for gender equality remains strong.

The following conditions apply: the beneficiary institutions for each result are responsible to ensure the compatibility of any newly developed systems with the existing national systems, in particular in software and hardware development. In the implementation of any supply components related to this Action, no items can be procured for which compatibility of technical specifications needs to be ensured with the existing systems of the beneficiary, requiring restricted procurement procedures or affecting open competition.

Specifically, for the activities related to Result 1, and concerning the establishment of a monitoring and evaluation system on the central level for all aspects of the human resources management (HMR) system, the condition is the establishment of the HRM information system. With regard to the Result 2: Professional development of senior civil servants, the condition is that the professional development and training programme for the senior civil servants within the project „Supporting professional development of senior civil servants (SCS) in Serbia through elaboration of the training programme for SCS (with National Academy for Public Administration)” supported by SIGMA is developed by the second half of 2019. Finally, for the Result 3, related to the activity on improved planning and financial management processes at the local level in Serbia, the condition is that the provision of direct technical support on public internal financial controls at the local level (municipal packages) is to be awarded only to local self-governments demonstrating sufficient human capacities in respective departments to avoid overloading of the current staff. Operational management and monitoring structure, involving relevant representatives of all beneficiary institutions to be established and operating arrangements and individual responsibilities need to be defined in a commonly agreed document.

Failure to comply with the requirements set out above may lead to a recovery of funds under this programme and/or the re-allocation of future funding.

(3) Implementation modalities:

(3)(a) Indirect management with an international organisation

A part of this action may be implemented in indirect management with United Nations Women (UN Women). This implementation entails the achievement of the Result 5 of the Action - Serbian public administration strengthened its capacities for integrating and
implementing EU and national gender equality commitments in strategies, plans, budgets and EU funds management.

The envisaged entity has been selected using the following criteria: their proven experience, reputation and high project management standards in performing various technical assistance projects; a demonstrated firm commitment to supporting gender equality mechanisms at all levels, as well as women’s civil society organizations (CSOs) in promoting gender equality and women’s rights; extensive experience in the management of grant schemes to women’s CSOs, regionally and in Serbia.

UN Women office in Serbia is currently implementing two EU funded initiatives, the Regional programme Ending violence against women in the Western Balkan Countries and Turkey and the project Support to Priority Actions for Gender Equality in Serbia (Gender Equality Facility - GEF) funded under IPA II programme (IPA 2016). The proposed Action is a continuation of the GEF project implemented in partnership with the Coordination Body for Gender Equality and the Ministry of European Integration of the Government of the Republic of Serbia

(3)(b) Direct management (project approach)

Procurement:
Procurement procedures will contribute to achieving the following results / activities:

- Result 1: Sustainable administrative and institutional capacities are developed in order to ensure further harmonisation, implementation and enforcement of the EU acquis and successful accomplishment of the accession negotiations in public administration reform and access to justice areas;
- Result 4: Legal Aid assistance in protection of property rights of internally displaced persons is provided.

The global budgetary envelope reserved for procurement: EUR 13,223,897.00

Grants:

a) Purpose of the grants: The following results will be achieved through grants:

- Result 2: Capacity of senior civil servants is increased;
- Result 3: Planning and financial management processes at the local level in Serbia are improved.

b) Direct grant award:
Under the responsibility of the Commission’s authorising officer responsible, the grant for the accomplishment of the Result 2 of the Action may be awarded without a call for proposals to the National Academy for Public Administration (NAPA). The recourse to an award of a grant without a call for proposals is justified in accordance with article 195 (f) FR due to the administrative powers given to NAPA as a mandated body by the Government of Serbia to provide professional development to the public administration. The intervention will focus on the substantial enhancement of professional competencies of senior officials in Serbia.
Furthermore, under the responsibility of the Commission’s authorising officer, a grant for the accomplishment of the Result 3 of the Action may be awarded without a call for proposals to the Standing Conference for Towns and Municipalities (SCTM). In accordance with the article 195 (f) FR the direct award will be provided to the SCTM, due to its technical competence and high degree of specialisation for this type of action.

As the sole national association representing all Local Self Governments (LSGs) in Serbia, in line with the Statute, the SCTM works towards development, promotion and protection of the local self-government in Serbia in accordance with the principles of the European Charter of Local Self-Government, realisation of common interests of municipalities and towns and improvement of their capacities to exercise authority and provide services to citizens. In the past few years, SCTM has additionally fostered cooperation with the national level, especially with line Ministries and government bodies relevant for local planning and financial management processes. SCTM participates in EU Negotiating Groups for Chapters 5, 19, 22 and 27 and is a recognised service provider to LSGs. The result focuses on improvement of public financial management practices at local level.

The global budgetary envelope reserved for grants: **EUR 2,950,000.00**

(4) **Scope of geographical eligibility for procurement and grants**

The geographical eligibility in terms of place of establishment for participating in procurement and grant award procedures and in terms of origin of supplies purchased as established in the basic act and set out in the relevant contractual documents shall apply, subject to the following provisions.

The Commission’s authorising officer responsible may extend the geographical eligibility on the basis of urgency or of unavailability of products and services in the markets of the countries concerned, or in other duly substantiated cases where the eligibility rules would make the realisation of this action impossible or exceedingly difficult.

<table>
<thead>
<tr>
<th>Action 2</th>
<th>Support to the Participation in Union Programmes</th>
<th>EUR 15,876,103.00</th>
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</table>

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

- Description of the action and objectives

The overall objective of this action is to ensure the participation of the Republic of Serbia in the Union Programmes by co-financing the costs of the entry-tickets/participation fees to be paid in areas such as: education, youth, culture, customs, tax, employment, social sector activities and innovation, SMEs, research and innovation, health, civil protection and justice.

The specific objectives of the action are:
• Enhanced participation of the Republic of Serbia in the Union Programmes, including an increased exchanges with EU Member States;
• Strengthened ownership and responsibility of the Republic of Serbia (including in financial terms) for participation in the Union Programmes.

• Expected results and indicators:
The expected results are:
• Serbia participates in the EU Programmes listed in the section 3 of the Action Document.
The key performance indicators are:
• Number of programmes for which an International Agreement has been concluded in 2020
• Serbia's participation rates in the different Union Programmes

(2) Assumptions and conditions
The main assumption that should be considered is the commitment of the Serbian administration and institutions for preparation and participation in EU Programmes.

(3) Implementation modalities
(3)(a) Indirect management with the IPA II Beneficiary
This action will be implemented under indirect management by the Republic of Serbia, which shall be responsible for carrying out all the tasks related to the implementation of the action.

The Operating Structure responsible for the execution of the actions is the Ministry of Finance, Department for Contracting and Financing European Union Funded Programs. Implementation will consist in the payment of the IPA part of the financial contribution to the programmes by the National Fund.

In particular, the beneficiary country shall be responsible for the contracting, implementation, information and visibility, monitoring and reporting of IPA II activities, and the evaluation thereof whenever relevant, in accordance with the principle of sound financial management, and for ensuring the legality and regularity of the expenditure incurred in the implementation of the programme.

<table>
<thead>
<tr>
<th>SECTOR</th>
<th>Rule of Law and Fundamental Rights</th>
<th>EUR</th>
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<tr>
<td>Action 3</td>
<td>EU for Rule of Law</td>
<td>28,000,000.00</td>
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</table>

(1) Description of the Action, objective, expected results and key performance indicators
• Description of the action and objectives
The overall objective of this action is to contribute to strengthening the rule of law in line with European standards and best practices.

The specific objectives of the action are to contribute to the achievement of the obligations stemming from Chapter 23 “judiciary and fundamental rights” and Chapter 24 “justice, freedom and security” in line with the EU acquis.

- Expected results and key performance indicators

The expected results are:

- **Result 1:** The independence, accountability and professionalism of the judiciary is enhanced in line with European standards;
- **Result 2:** The performance of all stakeholders in the key areas of Chapter 23 is improved, in particular in the areas of fight against corruption and fundamental rights protection;
- **Result 3:** The performance of all stakeholders in the key areas of Chapter 24 is improved, in particular in the areas where technical assistance is required;
- **Result 4:** Technical capacities of the authorities for the implementation of the Action Plans for Chapters 23 and 24 are strengthened.

The key performance indicators are:

- Ranking in the World Justice Project on Rule of Law;
- Progress made toward meeting accession criteria in the Chapter 23;
- Progress made toward meeting accession criteria in the Chapter 24;

(2) **Assumptions and conditions**

The assumptions that should be considered are: the strategic framework in the judiciary subsector is finalised; there is continuing political commitment to EU accession and full alignment with the Chapter 23 acquis; there is continued political support for the implementation of Chapter 24; the National Judicial Development Strategy is prepared and adopted; the Supreme Court of Cassation is determined to continue the reduction of the backlog and improvement of court efficiency; laws and by-laws related to career and transfer of budget competences to both judicial councils are adopted; there are sufficient human resources provided by the both judicial councils and they are assigned financial and human resource management functions; the revised Action plans for Chapters 23 and 24 are adopted; there is support and commitment of relevant beneficiaries and available necessary human and technical resources.

The conditions for this action are that the beneficiary institutions are able to assure the compatibility of any newly developed systems with the existent national systems, in particular in software and hardware development. In the implementation of any supply components related to this Action, no items can be procured for which compatibility of technical specifications needs to be ensured with the existent systems of the beneficiary, requiring restricted procurement procedures or affecting open competition.

Failure to comply with the requirements set out above may lead to a recovery of funds under this programme and/or the re-allocation of future funding.

(3) **Implementation modalities**

(3)(a) *Indirect management with an international organisation*
This action may be implemented in indirect management with entities which will be selected by the Commission services using the following criteria: financial and operational capacity of the entity; years of experience and active involvement in the reform process in the area of good governance in Serbia or the region; in depth expertise in the field of EU negotiations (particularly related to Chapters 23 and 24) and relevant networks in Serbia, the Western Balkans and EU Member States. The award criteria include relevance, effectiveness, feasibility, sustainability and cost-effectiveness of the action.

Indicatively, implementation by International Organisation entails the following results:

- **Result 1:** The independence, accountability and professionalism of the judiciary is enhanced in line with EU requirements;
- **Result 4:** Technical capacities of the authorities for the implementation of the Action Plans for Chapters 23 and 24 are strengthened.

Indicatively, implementation by Member State organisation entails the following results:

- **Result 2:** The performance of all stakeholders in the key areas of Chapter 23 is improved, in particular in the areas of fight against corruption and fundamental rights protection;
- **Result 3:** The performance of all stakeholders in the key areas of Chapter 24 is improved, in particular in the areas where technical assistance is required.

If negotiations with the above-mentioned entrusted entity(ies) fail, that part of this action may be implemented in direct management through procurement.

<table>
<thead>
<tr>
<th>Action 4</th>
<th>EU for Civil Protection and Disaster Resilience Strengthening</th>
<th>EUR 10,000,000.00</th>
</tr>
</thead>
</table>

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

- **Description of the action and objectives**

The overall objective of this action is to contribute to the reducing vulnerability to disasters and to increase the country resilience to climate change.

The specific objective of the action is to support capacity building of the authorities at national and local level in emergency management and disaster risk resilience. The action will be complementary to the regional IPA Programme on flood prevention and forest fires risk management. Programme will managed by DG ECHO and the contract will be signed by the end of 2019.

- **Expected results and key performance indicators**

The expected results are:

- **Result 1:** The central building for the Sector for Emergency Management is rehabilitated and the fire protection and rescue units and emergency situation-related national health care system is improved;
• Result 2: The capacities for civil protection are improved and the Education Centre with demonstration polygon in Kraljevo is reconstructed;
• Result 3: The capacities at national and local level for disaster risk reduction and climate resilient agriculture are improved.

The key performance indicators are:

• Degree of compliance with EU requirements and practices in the area of prevention, preparedness and response to disasters;
• National disaster management system is established and functional in municipalities;

(2) Assumptions and conditions

The assumptions that should be considered are: the Government remains committed to the implementation of the Sendai Framework; adequate social, economic and political stability is maintained; adequate and appropriate human, technical and financial resources are ensured; there is stability of local self-government administration and leadership, there is no frequent staff turnover; there are established local administration units for disaster risk reduction; there are local civil protection units of general purpose; the line ministry is committed to strengthen its capacity in disaster risk reduction and climate smart agriculture and there is an adequate level of local self-governments commitment to implement disaster risk reduction and climate smart agriculture practices; farmers are interested and willing to participate in the demonstration of disaster risk reduction and climate smart agriculture good practices; there is an adequate level of agriculture schools, institutes, faculties, advisory services committed to take up training and sustain in their institutions.

A condition for the implementation of Result 2 Activity 2.7 the establishment of the Disaster Risk Register at the Republic Geodetic Authority is that a by-law is adopted defining the structure of the Risk Register.

Failure to comply with the requirements set out above may lead to a recovery of funds under this programme and/or the re-allocation of future funding.

(3) Implementation modalities

(3)(a) Indirect management with an international organisation

Parts of this action may be implemented in indirect management with the following organisations: United Nations Development Programme (UNDP) and United Nations Food and Agriculture Organisation (FAO).

With regard to UNDP, this implementation entails:
• Result 1: The central building for the Sector for Emergency Management is rehabilitated and the fire protection and rescue units and emergency situation-related national health care system is improved;
• Result 2: The capacities for civil protection are improved and the Education Centre with demonstration polygon in Kraljevo is reconstructed.

With regard to FAO, the implementation entails:

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4 Sendai Framework for Disaster Risk Reduction 2015-2030 adopted at the Third UN World Conference on Disaster Risk Reduction in Sendai, Japan, on March 18, 2015.
- Result 3: The capacities at national and local level for disaster risk reduction and climate resilient agriculture are improved.

UNDP has been selected using the following criteria: proven experience, reputation and high project management standards in performing tasks related to strengthen risk governance capacities and build resilience in the Republic of Serbia; experience and efficiency that is worldwide recognised in disaster risk reduction (DRR), and is of key importance for the successful implementation of the Action. The UNDP Office in Serbia works on DRR since 2010. This work centred on policy and advocacy, in line with the principles of the Hyogo Framework for Action - before 2015, and in line with the Sendai Framework for DRR, from 2015 onwards. Thus far, the UNDP supported the drafting of the National Strategy for Protection and Rescue in Emergencies (2011); National Disaster Risk Management Programme (in 2014); National Action Plan to Implement the National Disaster Risk Management Programme (2015); first draft of the Law on DRR and emergency management (2015); Law on Volunteer Firefighting (2017) and coordination of post-disaster needs assessment in 2014 (jointly with EU and World Bank).

UNDP has to be able to rapidly mobilise efficient procurement and project management procedures as Serbia has limited expertise or specialised resources available in the field and needs support to raise its capacities. Finally, the UNDP aims to ensure synergy with the activities within their Climate Change Portfolio.

FAO was selected based on the fact that it has a worldwide reputation in advancing DRR in agriculture and follows high project management standards necessary to provide support to the introduction of a DRR Programme. The FAO provides strategic direction for countries frequently exposed to natural hazards. In line with the priorities set out in the Hyogo and Sendai Framework for Action. The FAO is in particular selected since the partnership between Serbia and FAO is outlined through the Country Programming Framework (CPF), which sets out government priority areas to guide FAO partnership and support with the Government of the Republic of Serbia. Finally, the implementation of the result will require close cooperation and communication with local level actors as well as a tailored assistance which requires a responsive expert team of people able to dedicate time and resources and act on an ad hoc basis, whenever the need occurs.

If negotiations with the above-mentioned entrusted entity(ies) fail, that part of this action may be implemented in direct management through procurement.

<table>
<thead>
<tr>
<th>SECTOR</th>
<th>Competitiveness and Innovation, Agriculture and Rural Development</th>
<th>EUR 76,500,000.00</th>
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<tr>
<td>Action 5</td>
<td>EU for Competitiveness, Research and Development and Innovation</td>
<td>EUR 76,500,000.00</td>
</tr>
</tbody>
</table>

(1) Description of the Action, objectives, expected results and key performance indicators
Description of the action and objectives

The overall objective of this action is to contribute to an increased competitiveness of Serbian economy.

The specific objectives of the action are to increase business efficiency of Serbian small and medium enterprises (SMEs) and to enhance the eco-system for research and development.

Expected results and key performance indicators

The expected results are:

- **Result 1:** Increased coordination of reforms in the area of business environment and optimisation of administrative environment for enterprises;
- **Result 2:** Scaled up and technologically improved production capacity solutions among micro and small enterprises and entrepreneurs;
- **Result 3:** Increased innovation capacity and growth of SMEs;
- **Result 4:** Established system for SME growth acceleration;
- **Result 5:** Improved excellence of scientific research.

The key performance indicators are:

- World Bank Doing Business Report - Distance to frontier (score);
- Global Competitiveness Index (score);
- Share of SMEs in the total turnover/Gross Domestic Product/profit of economy;
- Ratio between institutional and competitive funding of Public Research Institutions;

(2) Assumptions and conditions

The assumptions that should be considered are: macroeconomic and fiscal stability is ensured; steady government support to improving business environment; government incentives for private sector and private investments remain at its current level; optimisation of administrative requests is embedded in the business environment reform; financial institutions have sufficient interest in participating in the Government programme for SMEs; SMEs are willing to invest in development of innovative products/services; companies participating in the acceleration program will be interested in receiving dilutive private equity; there is a pool of private investors interested in investing into participating firm who lack adequate investment facilitation or information; strong interest by faculties and research and development institutions in Science Fund grant programs.

The following conditions apply: for result 2: concluded agreements with commercial banks; for result 3: approval secured for additional Innovation Fund staff position, based on a workload analysis, to ensure operational capacity for managing the grant schemes; for result 4: approval secured for additional Innovation Fund staff position, based on a workload analysis, to ensure operational capacity to manage the co-financing facility and for result 5: the Science Fund is functional (with ensured operational, financial and implementation capabilities), there is an adopted Law on Science and Research, a Research infrastructure Road map adopted and a Research and Innovation Strategy for Smart Specialisation adopted.
Failure to comply with the requirements set out above may lead to a recovery of funds under this programme and/or the re-allocation of future funding.

(3) Implementation modalities:

(3)(a) Indirect management with an international organisation

A part of this action may be implemented in indirect management with the World Bank (WB). This implementation entails:

- Result 1: Increased coordination of reforms in the area of business environment and optimisation of administrative environment for enterprises;
- Result 4: Established system for SME growth acceleration;
- Result 5: Improved excellence of scientific research.

The envisaged entity has been selected using the following criteria: excellent results in similar initiatives implemented in the previous period (such as within the framework of the Competitiveness and Jobs Project); the strong role of the WB in monitoring the implementation of policies and economic growth through tools such as the Doing Business Index of Competitiveness and others; the complementarity with the WB Country Strategy 2020-23 related to a new growth agenda that focuses more on sustainable economic growth with competitiveness as one of its pillars and the fact that the WB Group is already involved in the regulatory reform in Serbia through support for improving the business environment from the Global Good Governance Fund. The WB has a good record in managing IPA projects in Serbia. There is a successful cooperation record among various entities and the WB and the WB’s country office well established.

(3)(a) Indirect management with IPA II beneficiary

Result 3: Increased innovation capacity of SMEs will be implemented under indirect management by the Republic of Serbia, which shall be responsible for carrying out all the tasks related to the implementation of the action.

The Operating Structure responsible for the execution of the actions is the Ministry of Finance, Department for Contracting and Financing European Union Funded Programs.

The Result 3 will be implemented by the beneficiary through a direct grant with the Innovation Fund (IF). The IF was exclusively established by the Law on Innovation Activity to provide funding for innovation in enterprises and supporting the implementation of research and development and innovation policy which is in line with the article 195 (f) FR, since the it is mandated for activities with specific characteristics that require a particular type of body on account of its technical competence, its high degree of specialisation or its administrative powers. The IF has exclusive competence in the field of activity and/or geographical area to which the grant relates pursuant to any applicable law; or is the only organisation (i) operating or (ii) capable of operating in the field of activity and/or geographical area to which the grant relates by virtue of all considerations of fact and law.” The Grant will include financial assistance to third parties.

The specific information from the Beneficiary has been provided in a separate annex concerning the following: persons or categories of persons which may receive financial support from the above mentioned action and the criteria for providing it (as per Article 204 FR 2018); a fixed and exhaustive list of different types of activities for which a third
party may receive financial support (as per Article 204 FR 2018) for each of the three types of grants; the maximum amount of financial support that can be paid to a third party and the criteria for determining the exact amount; assurance provided that the Beneficiary has offered adequate guarantees as regard the recovery of funds and the criteria for awarding financial support to third parties should be explained.

In particular, the beneficiary country shall be responsible for the contracting, implementation, information and visibility, monitoring and reporting of IPA II activities, and the evaluation thereof whenever relevant, in accordance with the principle of sound financial management, and for ensuring the legality and regularity of the expenditure incurred in the implementation of the programme.

(3)(b) Direct management (project approach)

Grants:

Purpose of the grants: the achievement of the Result 2 of the action (Implementation of the Program for supporting micro and small enterprises and entrepreneurs (MSEE) for equipment) will be supported through a Direct Grant to the Development Agency of Serbia (DAS). The activity supports the Ministry in charge of Economy in implementing a programme in cooperation with the Development Agency of Serbia and selected business banks and leasing companies.

Under the responsibility of the Commission’s authorising officer responsible, the grant may be awarded without a call for proposals to the Development Agency of Serbia (DAS). The recourse to an award of a grant without a call for proposals is justified because the DAS was established by the Law on Investments in 2016, and has legal jurisdiction to facilitate and implement direct investments, promote and increase exports, improve the competitiveness of Serbian economy, as well as reputation, and economic and regional development of the Republic of Serbia. Accordingly, it implements all national level programs of competitiveness development, which do not include public support in the form of debt financing. The Strategy for development of MSEE and the EU Negotiating Chapter 20 "enterprise and industrial policy" recognises DAS as the implementing body. These fact are in line with the article 195 (f) FR, since the DAS is mandated for activities with specific characteristics that require a particular type of body on account of its technical competence, its high degree of specialisation or its administrative powers.

The global budgetary envelope reserved for grants: EUR 11,000,000.00

(2) Scope of geographical eligibility for procurement and grants

The geographical eligibility in terms of place of establishment for participating in procurement and grant award procedures and in terms of origin of supplies purchased as established in the basic act and set out in the relevant contractual documents shall apply, subject to the following provisions.

The Commission’s authorising officer responsible may extend the geographical eligibility on the basis of urgency or of unavailability of products and services in the markets of the countries concerned, or in other duly substantiated cases where the
eligibility rules would make the realisation of this action impossible or exceedingly difficult.
### Indicative Budget Table - Annual Action Programme for the Republic of Serbia

<table>
<thead>
<tr>
<th>Objective 1</th>
<th>1 Democracy and Governance</th>
<th>2 Rule of Law and Fundamental Rights</th>
<th>Objective 2</th>
<th>6 Competitiveness and Innovation</th>
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<tbody>
<tr>
<td></td>
<td>Indirect management</td>
<td></td>
<td>Total</td>
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<tr>
<td></td>
<td>with IPA-II beneficiary</td>
<td>with entrusted entity</td>
<td>Total EU</td>
<td></td>
</tr>
<tr>
<td></td>
<td>with IPA-II beneficiary</td>
<td>with entrusted entity</td>
<td>contribution</td>
<td></td>
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<tr>
<td></td>
<td>EU contribution (EUR)</td>
<td>EU contribution (EUR)</td>
<td>(EUR)</td>
<td></td>
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<td>Action 1 EU Integration Facility Direct Management</td>
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<td>34,050,000.00</td>
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<td>Action 2 Support to the Participation in Union Programmes</td>
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<td>18,173,897.00</td>
<td>18,173,897.00</td>
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<td>28,000,000.00</td>
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<tr>
<td>Action 4 EU for Civil Protection and Disaster Resilience Strengthening</td>
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<td>11,000,000.00</td>
<td>76,500,000.00</td>
<td>116,500,000.00</td>
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<tr>
<td>Action 5 EU for Competitiveness, Research and Development and Innovation</td>
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<td>49,500,000.00</td>
<td>11,000,000.00</td>
<td>76,500,000.00</td>
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<tr>
<td><strong>TOTAL</strong></td>
<td><strong>31,876,103.00</strong></td>
<td><strong>79,500,000.00</strong></td>
<td><strong>27,173,897.00</strong></td>
<td><strong>138,550,000.00</strong></td>
</tr>
</tbody>
</table>
- 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 Indicative 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 the European Commission (DG NEAR) 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.

- EVALUATION

The financing of the evaluation shall be covered by another financing decision.

Having regard to the importance of the action mid-term, final or ex-post evaluation(s) will be carried out for this action or its components via independent consultants, or contracted by the Commission, or via an implementing partner. The midterm evaluation will carried out for learning purposes, in particular with respect to intention to launch further phases of the actions. The final or ex-post evaluation will be carried out for accountability and learning purposes at various levels (including for policy revision), taking into account in particular the fact that Serbia needs lessons learned for future use of EU funding.

The Commission shall inform the implementing partner at least six months in advance of the dates foreseen for the evaluation missions. The implementing partner shall collaborate efficiently and effectively with the evaluation experts, and inter alia provide them with all necessary information and documentation, as well as access to the project premises and activities. The evaluation reports shall be shared with the IPA II beneficiary and other key stakeholders. The implementing partner and the Commission shall analyse the conclusions and recommendations of the evaluations and, where appropriate, in agreement with the IPA II beneficiary, jointly decide on the follow-up actions to be taken and any adjustments necessary, including, if indicated, the reorientation of the project.