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**THIS ACTION IS FUNDED BY THE EUROPEAN UNION**

**ANNEX IV**

to the Commission Implementing Decision on the financing of the annual action plan in favour of the Republic of Serbia for 2024

**Action Document for EU for Green Economic Development**

**ANNUAL ACTION PLAN**

This document constitutes the annual work programme in the sense of Article 110(2) of the Financial Regulation, and annual and multiannual action plans and measures in the sense of Article 9 of IPA III Regulation and Article 23 of NDICI - Global Europe Regulation.

**SYNOPSIS**

**1.1. Action Summary Table**

<b>Title</b>	<b>EU for Green Economic Development</b> Annual action plan in favour of Serbia for 2024
<b>OPSYS</b>	OPSYS business reference: ACT-62419
<b>ABAC</b>	ABAC Commitment level 1 number: JAD.1398284
<b>Basic Act</b>	Financed under the Instrument for Pre-accession Assistance (IPA III)
<b>Economic and Investment Plan (EIP)</b>	Yes Economic development/ Environment and climate resilience 80% Agriculture, food security and rural development 20%
<b>EIP Flagship</b>	No Priorities: “Green Agenda”, “Digital Transition”, “Private Sector Support” Flagships: “IX Support Competitiveness”
<b>Team Europe</b>	No
<b>Beneficiary(y)/(ies) of the action</b>	The action shall be carried out in the Republic of Serbia
<b>Programming document</b>	IPA III Programming Framework
<b>PRIORITY AREAS AND SECTOR INFORMATION</b>	
<b>Window and thematic priority</b>	Window 4 Competitiveness and Inclusive Growth Thematic Priority: 2: Private sector development, trade, research and innovation (75%) Thematic Priority 3: Agriculture and rural development (25%)

<b>Sustainable Development Goals (SDGs)</b>	Main SDG (1 only):8 Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all Other significant SDGs (up to 9) and where appropriate, targets: SDG 2 End hunger, achieve food security and improved nutrition and promote sustainable agriculture SDG 11: Ensure sustainable consumption and production patterns SDG13: Take urgent action to combat climate change and its impacts SDG 15: Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss			
<b>DAC code(s)</b>	250 – Business & Other Services-80% 311– Agriculture-20%			
<b>Main Delivery Channel</b>	12001 – Central Government			
<b>Targets</b>	<input checked="" type="checkbox"/> Climate <input type="checkbox"/> Gender <input type="checkbox"/> Biodiversity			
<b>Markers (from DAC form)</b>	<b>General policy objective</b>	<b>Not targeted</b>	<b>Significant objective</b>	<b>Principal objective</b>
	Participation development/good governance	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	Aid to environment	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Gender equality and women’s and girl’s empowerment	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Reproductive, maternal, new-born and child health	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Disaster Risk Reduction	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Inclusion of persons with Disabilities	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Nutrition	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	<b>RIO Convention markers</b>	<b>Not targeted</b>	<b>Significant objective</b>	<b>Principal objective</b>
	Biological diversity	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Combat desertification	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change mitigation	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change adaptation	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	<b>Internal markers and Tags</b>	<b>Policy objectives</b>	<b>Not targeted</b>	<b>Significant objective</b>
EIP		<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
EIP Flagship		YES X		NO <input type="checkbox"/>

Tags:	YES	NO	
Transport	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
Energy	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
Environment and climate resilience	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
Digital	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
Economic development (incl. private sector, trade and macroeconomic support)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
Human Development (incl. human capital and youth)	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
Health resilience	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
Migration and mobility	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
Agriculture, food security and rural development	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
Rule of law, governance and Public Administration reform	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
Other	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
Digitalisation	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Tags	YES	NO	
digital connectivity	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
digital governance	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
digital entrepreneurship	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
digital skills/literacy	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
digital services	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
Connectivity	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Tags	YES	NO	
digital connectivity	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
energy	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
transport	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
health	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
education and research	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
Migration	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reduction of Inequalities	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
COVID-19	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<b>BUDGET INFORMATION</b>			
<b>Amounts concerned</b>	Budget line: 15.020201 Total estimated cost: EUR 22 500 000 Total amount of EU budget contribution EUR 12 500 000		

	<p>This action is co-financed in joint co-financing by:</p> <ul style="list-style-type: none"> <li>- Government of the Republic of Serbia for an amount of EUR 10 000 000</li> </ul>
<b>MANAGEMENT AND IMPLEMENTATION</b>	
<b>Implementation modalities (management mode and delivery methods)</b>	<p><b>Direct management</b> through:</p> <ul style="list-style-type: none"> <li>- Grants</li> <li>- Procurement</li> </ul> <p><b>Indirect management</b> with FAO</p>
<b>Final Date for conclusion of Financing Agreement</b>	At the latest by 31 December 2025
<b>Final date for concluding contribution / delegation agreements, procurement and grant contracts</b>	3 years following the date of conclusion of the Financing Agreement, with the exception of cases listed under Article 114(2) of the Financial Regulation
<b>Indicative operational implementation period</b>	72 months following the conclusion of the Financing Agreement
<b>Final date for implementing the Financing Agreement</b>	12 years following the conclusion of the Financing Agreement

## 1.2. Summary of the Action

The Action is designed to improve the efficiency of production processes of Serbian MSMEs (micro, small, medium size enterprises and entrepreneurs) and their ability to move towards business transformation, thus increasing their resilience and competitiveness and ultimately contributing to Green Agenda targets. It is focused on providing access to financing for purchase of equipment and increasing capacities necessary for technological modernisation and digitalisation thus promoting EU standards and green transformation, with further focus on reduction of energy consumption and waste generation. The grant support will be considered as De minimis aid, in line with the [Regulation on Rules and Conditions for Granting of De Minimis Aid](#) (Official Gazette, 23/21) and its Article 11<sup>1</sup>, with the Ministry of Economy mandated to ensure the vetting processes, and ensuring the rules and conditions for awarding such aid are met. The Action is also designed to reinforce the implementation of legislation in the field of plant protection products and integrated pest management, as well as to upgrade the technical and working conditions of the border veterinary and phytosanitary control.

The overall objective of this Action is to strengthen economic development, bringing about sustainable growth in line with the existing policy framework and requirements in the EU acquis. The Action's specific objective 1 is focused on strengthening private sector development, trade and innovation, while the specific objective 2 is enabling the strategic focus of Serbian agriculture and rural development policy to be aligned with CAP objectives and specific EU targets set in the Farm to Fork and Biodiversity strategies.

The Action will contribute to Sustainable Development Goal 8: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all, as well as to Sustainable Development Goal 2: End hunger, achieve food security and improved nutrition and promote sustainable agriculture.

## 1.3 Beneficiaries of the Action

The action shall be carried out in the Republic of Serbia.

## 2. RATIONALE

### 2.1. Context

The Action is linked with priorities identified in the **Strategic Response** under Window 4 **Thematic priorities 2 and 3**. The Outcome 1 of the Action is targeting issues under Thematic priority 2. More precisely, SME development and, as in the Strategic Response, includes access to finance for purchase of equipment and capacities necessary for technological modernisation, industrial, green with further focus on reduction of energy consumption and waste generation. The Action will address the lack of access to finance for micro, small and medium-sized enterprises (MSMEs) as identified under **Window 4 Programming Framework**.

The Action is designed to contribute to the achievement of the specific objective of the IPA III Programming Framework **Window 4 Competitiveness and Inclusive Growth, thematic priority 3: Agriculture and Rural Development**, which is concretised in the gradual construction of an agricultural sector capable of competing with market forces while progressively aligning with the EU legal framework in the field of agriculture and rural development and the relevant veterinary, food safety and phytosanitary standards.

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<sup>1</sup>the Ministry is obliged to:

- “before awarding new de minimis aid, obtain from the beneficiary of de minimis aid a written statement as to whether he has already been awarded de minimis aid in the current and in the previous two fiscal years in accordance with this regulation or another regulation governing the awarding of de minimis aid, or any other state aid, specifying the amount, the provider of state or de minimis aid and the purpose, that is, the type of state aid
- before awarding new de minimis aid, it performs cumulation and determines the fulfillment of the rules and conditions for awarding de minimis aid from this regulation.”

The Action is complementary to the Green Deal, as well as **the Green Agenda of the Western Balkans and the Economic and Investment Plan for the Western Balkans and the Western Balkans Agenda on Innovation, Research, Education, Culture, Youth and Sport**. More precisely, the action is linked to Circular economy pillar of the Plan. Outcome 1 will contribute to the plan by investing in MSMEs access to finance that in turn will increase productivity and resource and energy efficiency by using modern equipment and technology. The Action will build capacities of Serbian stakeholders for the EU's **Circular Economy Action Plan**, that wants to establish a strong and coherent product policy framework that will make sustainable products, services and business models the norm.<sup>2</sup> The Action is in line with number of EC initiatives aiming to ensure that products sold to EU consumers are fit for the Green Deal objectives. In addition, the Action supports the implementation one of the cornerstone documents of **the EU Green Deal the "Farm to Fork" strategy**<sup>3</sup> and the Biodiversity Strategy which present targets to reduce the overall use and risk of chemical pesticides by 50% and the use of more hazardous pesticides also by 50%. The EU is also establishing a Harmonised Risk Indicator to quantify the progress in reducing the risks linked to pesticides and intends to revise the sustainable use of pesticides directive, enhance provisions on integrated pest management (IPM) and promote greater use of safe alternative ways of protecting harvests from pests and diseases.

The interventions under SO1 are also in line with the European Commission's updated **Industrial Strategy** to support the transformation to a more sustainable, digital, resilient and globally competitive economy, notably in the post-COVID-19 recovery context. The interventions under this SO are corresponding to the EU SME Strategy for a sustainable and digital Europe. The action is coherent with the **EU Green Action Plan for SMEs** and its approach towards resource efficiency improvements in SMEs and the potential of the circular economy for productivity, competitiveness and business opportunities. The Action will allow the coherent implementation of the key sector strategies. It is linked to the **Industrial Policy Strategy of the Republic of Serbia (2021-2030)** by addressing the issues of "Traditional industries dependence on outdated technology, import inputs, high share of often unproductive work and energy-intensive equipment". It will do so by establishing the ground for investment in higher levels of production and better quality of products and services under Outcome 1. It will support implementation of the Strategy's measures towards promotion and investments into efficient use of resources and energy efficiency. The Action is corresponding to the Strategy for SMEE 2023-2027 and its action plan that are in the finalisation phase, and are focused on green transformation of SMEs.

The Action is directly implementing **Smart Specialisation Strategy Serbia 2020-2027 (4S)** and will take into account the EC's review results of the S4. The S4 objective of "Directed development of the Republic of Serbia towards a highly competitive economy through research, development, innovation, and entrepreneurial initiatives in the 4S areas". The Strategy has identified that "In general, MSMEs in the manufacturing industry is characterized by unfavourable technological structure and low competitiveness of domestic industry. The manufacturing industry is dominated by products of low technological complexity that create products of low added value, low differentiation, and weak competitive positions in the market." Therefore, the Action is linked with 4S strategy since it will help Serbian SMEs to improve their technological capacity and ability to produce more competitive products.

The Action is in line with one of the strategic objectives of the existing **National long-term strategy for agriculture (2014-2024)**, which stipulates that the agriculture and rural development policies should foster sustainable resource management and protection of the environment. Actions in the field of plant protection products and integrated pest management will address Serbia's commitment stemming from the **Nationally Determined Contribution (NDC) of the Republic of Serbia for the 2021–2030 period**<sup>4</sup> focusing on the introduction of agro-technical measures, increasing the quality of soil and rational use of fertilisers, and adapting crop rotation. The defined actions are based on the **draft Strategy of the Republic of Serbia for the transposition, implementation, and enforcement of the European Union acquis in Chapter 12 on food safety, veterinary, and phytosanitary policy**, which proposes equipping of the border veterinary and phytosanitary control posts.

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<sup>2</sup>COM(2020)98

<sup>3</sup>[https://ec.europa.eu/info/sites/default/files/communication-annex-farm-fork-green-deal\\_en.pdf](https://ec.europa.eu/info/sites/default/files/communication-annex-farm-fork-green-deal_en.pdf)

<sup>4</sup>[https://unfccc.int/sites/default/files/NDC/2022-08/NDC%20Final\\_Serbia%20English.pdf](https://unfccc.int/sites/default/files/NDC/2022-08/NDC%20Final_Serbia%20English.pdf)

**The Communication "A credible enlargement perspective for and enhanced EU engagement with the Western Balkans"** (COM(2018)65), states that the levels of investment and growth rates are insufficient to significantly reduce the gap with the EU. The Action is directed towards supporting MSMEs, that should catalyse private sector development and economic growth. Also, this Action supports enhanced border control, through measures aiming at removing administrative bottlenecks and barriers, in particular shipments of the animal and plant origin.

The proposed Action will contribute as well to achieving the objectives of the **Economic and Investment Plan (EIP) for the Western Balkans** (COM (2020) 641 final). The action will promote the facilitation of the trade in farm products in line with the EU veterinary, sanitary and phytosanitary requirements and assist integration into the relevant EU systems. The Action is within the Flagship 9-Investing in the competitiveness of the private sector (mobilise assistance for sustainable transformation of agri-food systems and rural development in the region. It will also complement the Western Balkans Agenda on Innovation, Research, Education, Culture, Youth and Sport<sup>5</sup> by emphasizing innovation, which will bolster the competitiveness of the private sector.

The Action's outcomes are contributing to resolving the issues identified in the **Serbia 2022 Report** stating that "Favourable loans and guarantees for SMEs are provided by the Ministry of economy and the development fund through joint programmes with commercial banks. These programmes provide financial support for the purchase of equipment, financial support to start-ups, and financial support for development projects. Nevertheless, access to finance by start-ups remain an impediment to their growth."

The Action supports the preparatory activities of the Republic of Serbia for the "Internal Market" cluster of negotiation chapter 12. In **Chapter 12: Food safety, veterinary and phytosanitary policy**, the Action will improve the application of the risk-based approach to official controls for imports, through modernised official veterinary and phytosanitary controls at the border posts.

According to the **Economic Reform Programme 2022-2024 (ERP)**, access to finance for SMEs has been improving steadily. The Action is a step in that direction with taking a particular interest in green transformation and digitalisation in the SME sector. The Action also follows the reforms in the agriculture sector, which underlined that Serbia will, as in the case of EU Member States, implement the provisions and postulates of the European Green Deal, namely the structural reforms identified in ERP and recognised challenges related to the control in the process of managing plant protection products, primarily due to the lack of specific knowledge and poor training of the farmers as well as overall low awareness and understanding of issues related to use and management of plant protection products and its impact to health and environment.

The Action is in line with **Common Regional Market Action Plan 2021-2024** and its creation of Regional Trade Area by strengthening the capacity of Serbian SMEs for the "Regional Industrial and Innovation Area". The interventions will help Serbia to transform its industrial sectors and to prepare them for the realities of today and challenges of tomorrow.

The Action is also in line with the Conclusions and Recommendations of the following **Stabilisation and Association Sub-Committees**: (i) **Agriculture and Fisheries** from the fifth meeting held in February 2022, which emphasized the need for updating the Action plan for Chapter 11 and alignment of the Serbian policy in agriculture and rural development with the EU Green Deal, the Farm to Fork Strategy and the Biodiversity Strategy. Also, the Action will address the implementation of the risk assessment strategy concerning the official controls of the consignments of animal and plant origin at the border posts.

## **2.2. Problem Analysis**

### *Short problem analysis*

#### **AREA OF SUPPORT: MSME development**

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<sup>5</sup>[https://research-and-innovation.ec.europa.eu/system/files/2021-10/ec\\_rtd\\_western-balkans-agenda-overview.pdf](https://research-and-innovation.ec.europa.eu/system/files/2021-10/ec_rtd_western-balkans-agenda-overview.pdf)

Serbian SME sector is dominated by entrepreneurs and micro-enterprises making 96.31% of the sector. The number of employees in the SME sector increased by 2.3% in 2020 compared to 2019, but the average number of employees is 2.4 compared to 3.66 in the EU. Serbian industry has experienced growth of export value but without a significant change in its qualitative structure towards products with a higher added value. The participation of sectors of high and medium high technological complexity in the structure of MSMEEs is only 8.5% in the total number of SMEs, 15.5% in employment and 20.2% in GVA of the MSMEE industrial sector<sup>6</sup>.

Domestic MSMEEs from high and medium-high technology areas have a smaller share in terms of number of enterprises, employment and GVA in the SME sector compared to EU 27 average. In 2020, compared to 2015, the participation of SMEs from high and medium-high technology areas in terms of number of companies, employment, turnover and GVA decreased, but increased in exports and imports. Industrial production in the country is predominantly based on older technologies that is inefficient and energy intensive<sup>7</sup>. Such technologies are characterised with higher energy consumption and waste production per unit of product (with a significant occurrence of losses in material flows). Companies are not intensively included in the international value chains due to obsolescence of the existing technology and the lack of large-scale investments for transformation. In addition, they are unable to comply with number of EU standards thus preventing them to enter the Single Market. Traditional industries dependent on outdated technology, import inputs, high share of often unproductive work and energy-intensive equipment and overcome corporate governance models, which result in the low export competitiveness production / low level of added value.<sup>8</sup>The root cause is aging, outdated equipment used by Serbian MSMEEs that is inefficient and is preventing the private sector to catch up with their European peers. In the near future, companies will be obliged to consider stricter environmental export standards. For example, Serbian SMEs are not as mature as large companies in terms of GHG emissions tracking, with 45% not tracking emissions at all, 18 % sporadically tracking emissions and 36 % continuously tracking emissions<sup>9</sup> showing their low capacity for addressing the ESG issues. To comply with the harmonised legislation, Serbian companies will need to produce at the lowest cost, to invest efficiently, to innovate and adopt more energy-efficient technologies. This particularly affects MSMEEs. In addition, the MSMEEs were hit by the COVID 19 pandemic. Small firms have suffered the most: one-fifth of all micro-enterprises earned 70 percent less than in the same month of 2019. Companies managed by women (mainly in services sectors) have on average reported somewhat greater revenue losses than other businesses<sup>10</sup>.

Access to finance remains a key constraint of Serbian MSMEEs to grow and green their business. Lack of affordable financing is still preventing Serbian enterprises to modernise their production and to invest in innovation for the sake of efficiency and productivity gains. Access to finance has eased thanks to impactful regulatory measures to address legacy obstacles in the financial industry, including foreign-indexed loans and high levels of impaired loans. Ministry of Economy, in cooperation with the Development Fund and Development Agency of Serbia (RAS) have been providing access to funds. Bank offer, due to participation in various EU programs, has grown and diversified. Amid the COVID-19 pandemic, several steps have been taken to ensure liquidity, and two sovereign credit guarantee funds have been established, which have seen good uptake. Nevertheless, access to credit continues to be disproportionately costly for smaller companies and due to changes in the financial markets from mid-2022, access to loans is getting more difficult, and prices are rising.

Although some progress has been achieved in the design of its framework for environmental policies targeting SMEs, Serbia needs to ensure effective implementation of greening policies and scale up its incentives and instruments for SME greening in line with EU Green Deal Agenda. Serbian, as much as EU companies need to become more environmentally, socially and economically sustainable if they want to sustain the increasing competitiveness in the decades to come. The urgency of this transition has been underlined by the COVID-19

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<sup>6</sup>Report on SMEs, Ministry of Economy 2022

<sup>7</sup> Report on SMEs 2022, Ministry of Economy

<sup>8</sup> Industrial Policy Strategy of the Republic of Serbia (2021-2030)

<sup>9</sup>Kearney survey, 2023: <https://www.kenney.com/service/sustainability/article/-/insights/esg-matters-serbian-large-enterprises-embrace-environmental-responsibility-but-is-the-sme-sector-catching-up>

<sup>10</sup> „Overcoming the crisis together“ survey, assessing the impact of the COVID -19 on doing business, USAID June 2020



pandemic, which has had a devastating effect on businesses across Europe, and worldwide, with the impact likely to continue to be felt over the medium- term. As foreseen by the EU Green Deal, a large set of policy initiatives have been put forward.<sup>11</sup> It will require substantial adjustments of the Serbian MSMEs and policy makers to be able to compete on the European market. Equally, Serbian institutions in charge of MSME policy development and implementation will need to raise their capacities on this fast evolving and vast policy and legal framework, to be able to properly respond to the needs of domestic companies.

More than one-half of all Serbian companies are planning to streamline and modernize processes and/or enhance the quality and safety of their products. Although the emergency has made businesses focus on surviving and avoiding a liquidity crunch, some firms have kept an eye on sustainable growth, with one-fifth planning to introduce smart technologies and 15 percent looking to apply green growth and/or circular economy models<sup>12</sup>. However, financial support available to MSMEs for their greening projects, including in their post-COVID-19 recovery, has remained limited.<sup>13</sup>

The Action will be part of the long-term initiatives for implementation of the national MSME policy. It has been continuously funded from the national budget since 2013. During the 2015-2020 period, 47,7 million EUR was disbursed through the Programme. The total investment was over 230 million EUR and in total, 2695 MSMEs received support. The specific objectives of the Programme entail profit increase, job creation, internationalisation, technological improvement of production processes, **increase of competitiveness, support to protection of environment and access to finance** for MSME as iterated in the last [Regulation on the Programme for small enterprises for purchase of equipment in 2023](#). This Action will increase the scope of the Programme to encompass the medium size companies too, whose green transition will significantly contribute to Serbia's path to circular economy.

#### ***AREA OF SUPPORT: Agriculture and rural development***

The excessive use of pesticides can threaten food safety, reduce crop yields, have negative effects on biodiversity and contaminate soils and waterways. Control of chemicals, such as persistent organic pollutants and agri-pesticides, is a crucial aspect of EU accession and requires full adoption of EU law. Many EU acts regulate the "lifecycle" of pesticides, including their introduction, production, packing, storage, transportation, sale and use, marking, promotion, sample collection for quality control of pesticides and nitrate residues in food.

There are 1263 registered pesticides in Serbia<sup>14</sup> and farmers extensively use pesticide in production practice. All imported food products must also comply with domestic rules on pesticides and other contaminants. Farm applications are monitored by the Plant Protection Directorate and Agricultural Inspection within the Ministry of Agriculture, Forestry and Water Management (MAFWM). MAFWM, through its Advisory Services provide farmers with free services of licensed plant protection engineers and encourage them to keep a "diary of crop spraying". Even so, most farmers still get their pesticide advice from local agricultural pharmacies or are following traditional and often outdated practice. A comprehensive approach to the sustainable management of pesticides is included in the process of harmonisation with the acquis in this area. The Serbian Law on Plant Protection Products contains some provisions of Directive 2009/128/EC on the sustainable use of pesticides, and the ultimate goal of the accession process is full harmonisation with the acquis in this field, which will result in the use of only EU-registered pesticides on the Serbian market.

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<sup>11</sup> Such as „Fit for 55 Package“, Corporate Sustainability Due Diligence Directive, updated its Industrial Strategy, Council Recommendation on ensuring a fair transition towards climate neutrality, etc.

<sup>12</sup> „Overcoming the crisis together“ survey, assessing the impact of the COVID -19 on doing business, USAID June 2020

<sup>13</sup> SME POLICY INDEX: WESTERN BALKANS AND TURKEY 2022 © OECD 2022

<sup>14</sup> <https://www.oecd-ilibrary.org/docserver/b47d15f0-en.pdf?expires=1666163375&id=id&accname=guest&checksum=3D1C9C69EF54B1084775B22578EDB1C6>

<sup>14</sup> <http://www.minpolj.gov.rs/download/lista-sredstava-za-zastitu-bilja-na-osnovu-izdatih-resenja-o-registraciji-sredstava-za-zastitu-bilja/#>

The Plant Protection Prognostic and Reporting Service<sup>15</sup> in Serbia also provides assistance to agricultural producers when making decisions on the application of pesticides to control diseases and pests but requires major overhaul and technical advancement in order to make its more user friendly and more adjusted to the needs of farmers. EU compliant Laws on plant health, pesticides and fertilisers were adopted in Serbia in 2009<sup>16</sup> and since 2018 rulebooks and ordinances have been developed. These include “on measures to protect the health of plants”<sup>17</sup>, “on approved list of approved substances for plant protection”<sup>18</sup> and on the maximum permissible quantities of residues of plant protection products in food and animal food.”<sup>19</sup>

In the EU, Member States’ national monitoring programmes are based on the risk associated with individual products. Residues are strictly controlled and the maximum permitted amounts of pesticides for over 500 pesticides and for 370 products or groups of products are regularly controlled. The EU regulation governing this area<sup>20</sup> stipulates that a limit of 0.01 mg / kg applies automatically to any product not listed in these 500 pesticides. There is a need in Serbia to introduce a risk-based monitoring system and to improve transparent reporting and where strong penalties are applied for non-conformity.

In Serbia tests are carried out of food of plant and animal origin to detect the presence and level of residues of plant protection products within the “annual programme”<sup>21</sup>. The annual programme controls overuse and compliance with the prescribed maximum permitted quantities (MPQ) of residues from plant protection products. According to the rulebook, the annual programme should provide the data for risk analysis for certain categories of food. Producers, distributors, importers, and consumers should be informed about identified irregularities and when MPQ is exceeded products removed from circulation. However, there are no publicly available data with reports on the implemented annual programme. An official report on the work of the phytosanitary inspection for 2021 states that from an analysis of 1498 samples for pesticide residues, 48 (3.2%) did not meet the defined MPQ limits. No other data is available. Harmonised Risk Indicator 1<sup>22</sup> as a key indicator for measuring the sustainable use of pesticides in EU is not calculated by the competent authorities in Serbia.

The lack of adequate control by the responsible authorities and the lack of specific knowledge and poor training of farmers in pesticide applications raises the question of the proper and rational choice and use of pesticides. There is still much work to be done to assess, effectively control and monitor applications. The key focus now should be on education, training and communication campaigns to enable farmers and service providers to fully understand the legislation and to improve pesticide management and applications.

Official controls of plant protection residues on the internal market are performed to assess the level of pesticide residues on the internal market and at border crossings. According to the official reports of the Phytosanitary Inspection of the Plant Protection Directorate, a total of 2,956 official controls for residues were conducted in 2022, and 88 samples exceeded the legally prescribed limits.<sup>23</sup> Application of the scientifically risk-based approach to control pesticide residues in food products, as it is conducted in the European Union, is not yet fully developed in this field. This approach is intended to ensure the safety of consumers while permitting the responsible use of pesticides in agriculture. Even a smaller number of controls would be able to provide greater market coverage by applying this approach. The provisions of the Law on Plant Protection Products, which refer to the sustainable use of plant protection products, entered into force on January 1, 2022. year and refer to mandatory training for users, distributors, and service providers of plant protection products (advisory and operational). These provisions of the Law provide the issuance of certification for all professional users of pesticides and other plant protection products. It implies the implementation of an increased number of environmental protection measures related to good agricultural practices and the

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<sup>15</sup>Dissemination of data on what is necessary and justified to be undertaken in plant protection is done through the service portal [www.pisvojvodina.com](http://www.pisvojvodina.com) or [www.pissrbija.com](http://www.pissrbija.com)

<sup>16</sup> Chemical Legislation in Serbia: An Overview Alja Livio Torkhani (January 2021)

<sup>17</sup> Official Gazette” of the Republic of Serbia No.31/18

<sup>18</sup> Official Gazette of the Republic of Serbia No.43/18

<sup>19</sup>Official Gazette of Republic of Serbia No 132/2020

<sup>20</sup> Regulation (EC) No 396/2005

<sup>21</sup> Prescribed in the Rulebook “on determining the Annual Programme of Post-Registration Control of Plant Protection Products”

<sup>22</sup>This indicator is based on statistics on the quantities of active substances placed on the market in plant protection products under Regulation (EC) No 1107/2009, provided to the Commission (Eurostat) in accordance with the COMMISSION DIRECTIVE (EU) 2019/782 of 15 May 201

<sup>23</sup> <http://fitosanitarna.inspektor.gov.rs/inspections/17>

integration of EU policies in line with the principles of sustainable development. The provisions of the Law are also regulating inspections on the technical accuracy of plant protection equipment. However, the implementing of the Law hasn't started yet, due to the overall complexity of the process and need for additional support in organisation and implementation of trainings for all professional users of pesticides and other plant protection products.

Another aspect of this action needs to address the outdated equipment for the Border Inspection Posts in order for them to be fully aligned with the Rulebook on hygienic-technical and working conditions that must be met by border crossings with organized veterinary-sanitary control<sup>24</sup>.

*Identification of main stakeholders and corresponding institutional and/or organisational issues (mandates, potential roles, and capacities) to be covered by the action*

The main stakeholders for the MSMEE development area of support are the Development Agency of Serbia (RAS) and the Ministry of Economy (MoE).

RAS was established by the Law on Investments in 2016 and is given mandate to facilitate and endorse direct economic investments, promote export, improve competitiveness of Serbian economy and support economic and regional development of the Republic of Serbia. Accordingly, it implements national level competitiveness development programs based on grant element. RAS has developed financing mechanisms, including setting up programs, implementation of the grant scheme programs, evaluation of applications, monitoring of projects selected for financing, project management, information, publicity and visibility.

The Ministry of Economy is covering the following competitiveness areas: economy and economic development, legal status of companies and other forms of organising, privatisation, quality infrastructure, regional development, competitiveness development and business registers administration and monitoring. The Ministry of Economy's competences are related to structural adjustments for large companies, investment promotion, craftsmanship, MSME and entrepreneurship, competitiveness improvement, standardisation, technical directives and accreditation. Other stakeholders include relevant organisations such as Chamber of Commerce and MSME associations.

The main stakeholder for the agriculture and rural development interventions is the Ministry of Agriculture, Forestry and Water Management (MAFWM) and its competent authorities for phytosanitary and veterinary matters. The Plant Health Directorate and its two departments: the Border Phytosanitary Inspection and the Phytosanitary Inspection Department which are enforcing the Law on Plant Health in its part pertaining to residues, also implement and enforce legislation from other fields encompassing the phytosanitary system, such as legislation in the field of seed and propagation material of agricultural plants, plant health, plant protection products, plant nutrition products, recognition of varieties of agricultural plants, protection of plant breeders' rights, genetically modified organisms, tobacco and agricultural incentives. In addition, the Phytosanitary Inspection also enforces legislation in the field of food safety, in the part pertaining to the food and feed of plant and mixed origin. The Border Phytosanitary Inspection is responsible for the control of goods subject of phytosanitary import controls and partly for the food safety checks. The Border Veterinary Inspection of the Republic of Serbia is a department in the Veterinary Directorate of the Ministry of Agriculture, Forestry and Water Management, and inspects consignments of animals; products, food and by-products of animal origin; feed and other consignments subject to veterinary-sanitary control. Other stakeholders include faculties, institutes, agriculture advisory services, agricultural pharmacies and farmers organisations, etc.

### **2.3. Lessons Learned**

The past and ongoing support focused on strengthening the ability of the economic policy makers to implement policies and legislation complying with EU acquis.

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<sup>24</sup> The "Official Gazette of RS", no. 30/10 and the Commission Regulation (EU) 2019/1014 lay down detailed rules on minimum requirements for border inspection posts, including inspection centres, as well as for the format, categories and abbreviations used for the list of border inspection posts and checkpoints Regulation (EU) 2019/1014) by providing adequate equipment, and hygienic-technical and working conditions that must be met by border post where there is organized veterinary-sanitary control and phytosanitary controls.

In the last evaluation<sup>25</sup>, it is recommended that the EU ensures that interventions designed to build institutional capacities place the locus of control in managing reforms firmly with government institutions and agencies so that they lead their own reforms, and not with the EU and contractors. It is important that EU-supported capacity development interventions shift from trying to deliver reform and instead focus on building national authorities' capacities for designing and managing reform itself".

In that sense good progress was made with the implementation of the IPA 2019 Direct Grant to the Development Agency of Serbia- Scaled up and technologically improved production capacity solutions among micro and small enterprises and entrepreneurs. It entailed entrusting significant funds to national institutions for direct implementation thus strengthening their capacities to implement and manage SME development projects under strict conditions. It is an example of good practice that needs to be continued.

Funds from IPA have been continually used in the previous period to support the alignment of the national legislation and strengthening of the institutions in the field of phytosanitary and veterinary matters through several projects:

- CARDS 2005 Twinning project "Institutional Capacity building within the Plant Health Directorate"
- Twinning Project "Implementation of sustainable use of plant protection products and establishing systems for regular technical inspection of pesticide application equipment" (IPA 2012)
- "Enhancing the capacities of Serbian authorities in zoonoses and food-borne disease control" (SR-13-IB-AG-01)
- "Harmonisation of national legislation with EU legislation for placing on the market and control of Plant Protection Products and implementation of new legal provisions" (IPA 2008 Project)
- "Further capacity building in the field of plant protection products and pesticide residues in the Republic of Serbia" (Project IPA 2013).
- "Strengthening capacities for implementation and further development of the legislative framework in the field of organic production and food quality policy" (Project 2014)

"Capacity building for the alignment with the *acquis* in the areas of agriculture, rural development, food safety, veterinary and phytosanitary policy" (Project IPA 2015)The focus of this Action is responding to the need to expand the scope of the support to the wider audience and contribute to the sustainability of the interventions by enhancing the capacities of the end beneficiaries: advisory services, farmers (professional users of plant protection products), agricultural pharmacies, students and teachers in agricultural schools and citizens. Also, through modernisation of the equipment at the border control posts it is expected to improve the efficiency of the inspection procedures and contribute to the improved flows of goods.

Other flagship projects for this field include BIO4 campus project which will ensure further sustainable growth in the field of modern technologies. BIO4 campus will focus on four key areas: biomedicine, biotechnology, bioinformatics and biodiversity and will represent is a unique multidisciplinary project in the wider region, and it is planned to house scientific institutions and faculties.

Also project of significance for the agriculture sector and sustainable use of pesticides is ANTARES project<sup>26</sup> funded under Horizon 2020 which aims to aims to evolve BioSense Institute into a European Centre of Excellence for advanced technologies in sustainable agriculture.

### **3. DESCRIPTION OF THE ACTION**

#### **3.1. Intervention Logic**

The Overall Objective (Impact) of this action is to strengthen Serbia's green growth.

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<sup>25</sup>Strategic, country-level evaluation of the European Union's cooperation with Serbia over the period 2012-2018; March 2021: evaluation was commissioned by the MFF, Programming and Evaluation Unit of the DG NEAR, European Commission

<sup>26</sup><https://antaresproject.eu/about-us/>

The Specific(s) Objective(s) (Outcomes) of this action are:

1. Strengthened greening of Serbian MSMEs for more competitiveness and sustainability
2. Strategic focus of the Serbian agriculture and rural development policy aligned with CAP objectives and specific EU targets set in the Farm to Fork and Biodiversity Strategies

The Outputs to be delivered by this action contributing to the corresponding Specific Objectives (Outcomes) are:

Output 1.1 contributing to Outcome 1 (or Specific Objective 1):

Scaled up and technologically improved production capacities among Serbian MSMEs with focus on greening solutions

Output 1.2 contributing to Outcome 1 (or Specific Objective 1):

Increased capacities of the key national stakeholders and MSMEs to adapt to green transformation

Output 2.1 contributing to Outcome 2 (or Specific Objective 2):

Reinforced implementation of the legislation in the field of plant protection products and integrated pest management

Output 2.2 contributing to Outcome 2 (or Specific Objective 2):

Technical and working conditions of the border veterinary and phytosanitary control is upgraded

*IF* production capacities among Serbian MSMEs with focus on green solutions are scaled up and technologically improved *AND* there is demand for high quality products and services, *THEN* private sector development, trade and innovation will be strengthened *BECAUSE* improving efficiency of production processes and ability to innovate products and business models will increase market competitiveness and strengthen export possibilities of Serbian MSMEs on Single Market.

*IF* capacities of the key national MSME support institutions and MSMEs to adapt to the market requests and there is commitment of the financial institutions to support the MSME sector, *THEN* greening of SMEs for more competitiveness and sustainability will be strengthened *BECAUSE* collaborative efforts in the MSME ecosystem enable green transformation and creation of competitive MSMEs able to meet the demands of changing markets.

*IF* greening of SMEs for more competitiveness and sustainability is strengthened *AND* macroeconomic and fiscal stability is ensured, Government incentives for private sector and private investments remain at its current level or increase and the shift towards green policies remains high on Government agenda, *THEN* the action will contribute to the desired Impact. This is *BECAUSE* enabling SMEs to technologically improve their production that will be energy efficient and sustainable can help countries address the issues of greenhouse emission, since MSMEs have a considerable impact on Serbia's green growth.

*IF* professional users of pesticides and other plant protection products (farmers) and other stakeholders (agricultural advisors, agricultural students, agricultural pharmacies) are trained on the sustainable use of plant protection products *AND* citizens are aware of the negative effects of the plant protection products including their maximum levels *AND* if farmers are better informed about the use of plant protection products in control of diseases and pests through the user-friendly Plant Protection Prognostic and Reporting Service *THEN* implementation of the legislation in the field of plant protection products and integrated pest management will be reinforced.

*IF* preparatory work for the delivery of the equipment is completed by the national authorities including agreement regarding the scope of the upgrade and there is technical expertise and knowledge to plan, implement, and oversee the upgrade effectively on the future EU Border Control Posts *THEN* technical and working conditions of the border post for the veterinary and phytosanitary control will be upgraded.

*IF* reinforced implementation of the legislation in the field of plant protection products and integrated pest management *AND* technical and working conditions of the border veterinary and phytosanitary control is upgraded *THEN* Serbian agriculture and rural development policy will be aligned with CAP objectives and

specific EU targets set in the Farm to Fork and Biodiversity Strategies *BECAUSE* targets set in the EU Green Agenda concerning sustainable use of pesticides will be in the focus of the Government and the citizens.

*IF* Serbian agriculture and rural development policy is aligned with CAP objectives and specific EU targets set in the Farm to Fork and Biodiversity Strategies *THEN* the Impact will be achieved.

### **3.2. Indicative Activities**

The Action will be implemented through the following main activities:

#### **Output 1.1 Outcome 1**

- Grant scheme for MSMEs to purchase the equipment that facilitates sustainable production capacities and processes. The grant aims to support MSMEs in their transition to environmentally friendly practices of using the resources more efficiently, thus lowering the costs, becoming more competitive and moving in the direction of circular economy.

#### **Output 1.2 Outcome 1**

- Technical assistance to MSMEs to introduce greening and practices in their operations.
- Technical assistance to the Ministry of Economy and RAS for outreach, promotion and smooth implementation of the Program and to strengthen capacities related to Green Agenda in a form of trainings, seminars, on the job support. The focus will be on equipping the Ministry and RAS with the capacity to provide guidance and advice to MSME sector on Green Deal policy initiatives and up-to-date requirements for green transition for the benefit of entering Single Market.

#### **Output 2.1 Outcome 2**

- Training programmes for certification of the professional users of plant protection products and other stakeholders (agricultural advisors, agricultural pharmacies) prepared and executed.
- Improved education and training at agricultural high schools in Serbia related to plant protection and integrated pest management
- Raising awareness of the citizens on the importance of the plant protection products and maximum residues
- Technical upgrade of the Plant Protection Prognostic and Reporting Service to control diseases and pests (user friendly and more adjusted to the needs of farmers)

#### **Output 2.2 Outcome 2**

- Delivery of equipment for the border crossings as border control posts where phytosanitary and veterinary checks will take place in the future EU Border Control Posts.

### **3.3. Mainstreaming**

#### **Environmental Protection, Climate Change and Biodiversity**

The action would contribute to more resource efficient and successful business sector that is aiming towards improving enforcement of circular and environmental standards. The action would also improve energy efficiency in the private sector, contributing to lowering energy demand in the economy. The purchase of equipment will be based on green procurement principles of purchasing goods with a reduced environmental impact throughout their life cycle. In this regard, the criteria for awarding grants will be defined through the description of the action and will take into account all relevant factors, including the principles of green procurement. In this regard, the criteria for awarding grants will be defined through the description of the action and will take into account all relevant factors, including the principles of green procurement. The intention to apply the circular economy principles - emphasising environmental sustainability and low carbon/climate friendly approaches will be clearly communicated to the beneficiaries that will be encouraged to include in their proposals options which facilitate waste minimisation, a longer equipment use and cost-effective material recovery. The grant scheme programme for MSME will especially emphasise those

principles to be implemented by medium size companies that have more capacity to comply with the requirements.

The grant scheme will also contribute to increased level of digitalisation of the participating SMEs through procurement of more advanced and technologically developed production solutions. This will specifically be evident in the case of medium enterprises to be supported by the programme, which possess higher capacity for introduction of technologically advanced equipment, its integration into the overall manufacturing process and additional digitalisation. Greener and more digital production solutions will contribute to the overall efficiency of the production process as well as competitiveness of the companies on the Serbian and European markets. When defining the Description of the action and further specifying the conditions of the grant scheme, special attention will be paid to the aspect of digitalisation in relation to the size of the company, its capacity and other characteristics. The procurement of the equipment for the phytosanitary and veterinary inspections on the border control posts will be made in according to the PRAG rules and the green procurement principles will be taken into account by the contracting authority.

### Gender equality and empowerment of women and girls

As per OECD Gender DAC codes identified in section 1.1, this action is labelled as G0. This implies that proposed Action has been screened against the markers, but it is identified that Action objectives (outcomes) and results (outputs) are not specifically designed to target gender equality. Although the Action is not recognising specific gender related intervention, it will take into consideration the requirements of the Law on Gender Equality<sup>27</sup> and priorities defined by the Gender Equality Strategy 2021-2030. Consequently, gender perspective will be promoted in interventions financed through IPA III and thereby better serve the needs of citizens, both women and men. Whenever relevant, the particular needs of women and girls will especially be taken into consideration, through gender disaggregated statistics and indicators and/or gender responsible budgets in line with the requirements of the EU gender equality strategy 2020-2025. The interventions financed through this Action will aspire to promote non-discriminatory practices and procedures and to prohibit any form of gender-based violence, unlawful discrimination including race, colour, religion, national -origin, political affiliation, sex, age, marital status, or disability; economic and social rights and empowering girls and women; equal participation and leadership. Finally, the action will also build on the needs for addressing the challenges and harnessing the opportunities offered by the green transition and the digital transformation.

### 3.4. Risks and Assumptions

Category	Risks	Likelihood (High/Medium/Low)	Impact (High/Medium/Low)	Mitigating measures
1-external environment	Global trends on financial markets force changes related to interest rate	Medium	High	MoE and RAS will be in constant communication with the banks and LCs in Serbia and, if needed, introduce minor alterations in order to make the programme more attractive to the banks.
1-external environment	Global food security issues	Medium	High	Global crises affect the goals of the EU's Green Deal in redefining European agricultural policy to focus on environmental objectives. Raising

<sup>27</sup>Official Gazette RS, No. 52/2021

				awareness on EU's Green Deal objectives among population will affects that Government measures related to the stability of the internal market regarding main agricultural crops and inputs consider environmental objectives.
2-planning, processes and systems	Lack of interest of sub beneficiaries	<b>Medium</b>	<b>High</b>	Since the beginning of the programme in 2013 there was strong interest of the beneficiaries, even in 2020 during pandemic. New programmes on the market didn't affect the high demand. During the planning process MoE will avoid overlapping with other national programmes and programmes implemented with development partners. Intensive outreach campaign will be implemented to reach all potential applicants.
2-planning, processes and systems	Lack of interest of the financial intermediaries	<b>Low</b>	<b>High</b>	Since the beginning of the programme in 2013 interest of the financial intermediaries was huge. New programmes on the market didn't affect the popularity of this Programme which is the flagship programme of the MoE. MoE and RAS will be in constant communication with the banks and LCs in Serbiaand, if needed, introduce minor alterationsin order to make the programme more attractive to the banks.
2-planning, processes and systems	Dedication of authorities to enforcement of legislation in the area of phytosanitary and veterinary matters	<b>Low</b>	<b>High</b>	Increasing the knowledge and the awareness of the different stakeholders on the usage of the sustainable use of pesticides will place these issues higher on the political agenda. Pressure from the private sector on the efficiency of the phytosanitary and veterinary matters will affect the focus of the national authorities to speed up the border checks.

## External Assumptions

### Assumptions at the level of the Specific Objective(s)

#### SO1

Macroeconomic and fiscal stability is ensured

Government incentives for private sector and private investments remain at its current level or increase

Shift towards green policies remains high on Government agenda

#### SO2

Willingness to start fulfilling the Green Agenda targets in the Agriculture and Rural development sector



Sustainable use of pesticides take place higher on the agenda of the wider population

**Assumptions at the level of the Outputs**

*Output 1.1*

There is market demand for higher quality MSMEE products and services

*Output 1.2*

Financial institutions (selected commercial banks) have sufficient interest in supporting MSMEs

*Output 2.1*

Willingness of farmers and agricultural advisors, students, and pharmacies to take part in the raising awareness and trainings campaign

*Output 2.2*

Preparatory work for the delivery of the equipment is completed by the national authorities.

### 3.5. Indicative Logical Framework Matrix

Results	Results chain: Main expected results	Indicators	Baselines (values and years)	Targets (values and years)	Sources of data	Assumptions
<b>Impact</b>	To strengthen Serbia's green growth	Resource productivity <sup>28</sup>	0,40 (2021)	≥ 1,5% (2030)	Eurostat <sup>29</sup>	
		Progress in the area of phytosanitary policy	Limited progress (2022)	Good progress(2030)	Annual EU Progress Report	
<b>Outcome 1</b>	1. Strengthened greening of Serbian MSMEs for more competitiveness and sustainability	Number of MSMEs applying Sustainable Consumption and Production practices with EU support	0 (2022)	≥50(2029)	RAS Final Report	Macroeconomic and fiscal stability is ensured Government incentives for private sector and private investments remain at its current level or increase Shift towards green policies remains high on Government agenda

<sup>28</sup> Eurostat: "Resource productivity quantifies the relation between economic activity - expressed by [gross domestic product \(GDP\)](#) - and the consumption of material resources - measured as [domestic material consumption \(DMC\)](#) which is an indicator derived from [economy-wide material flow accounts \(EW-MFA\)](#)." It is an important indicator for circular economy.

<sup>29</sup> [https://ec.europa.eu/eurostat/databrowser/view/ENV\\_AC\\_RP/default/table?lang=en](https://ec.europa.eu/eurostat/databrowser/view/ENV_AC_RP/default/table?lang=en) or ENV\_AC\_RP

<b>Outcome 2</b>	2. Strategic focus of the Serbian agriculture and rural development policy aligned with CAP objectives and specific EU targets set in the Farm to Fork and Biodiversity Strategies	Level of alignment with EU acquis related to the Chapter 12 requirements	Not fully aligned (2022)	Fully aligned (2028)	Annual EU progress report	Willingness to start fulfilling the Green Agenda targets in the Agriculture and Rural development sector Sustainable use of pesticides take place higher on the agenda of the wider population
<b>Output 1 related to Outcome 1</b>	1.1.Scaled up and technologically improved production capacities among Serbian MSMEEs with focus on green solutions	Value of equipment purchased	0 (2023)	?≥60 m Eur (2029)	Project Final Report by RAS	There is market demand for higher quality MSMEE products and services
<b>Output 2 related to Outcome 1</b>	1.2.Strengthened capacities of the key national institutions and MSMEEs for green transformation	Number of enterprises supported with tailor made consulting for greening	0 (2023)	≥ 15 (2029)	Project Final Report by RAS	Financial institutions have sufficient interest in supporting MSMEEs
		Number of staff members in RAS and the Ministry of Economy using their acquired skills	0 (2023)	≥ 20 (2029)	Survey conducted by RAS	
<b>Output 1 related to Outcome 2</b>	2.1 Reinforced implementation of the legislation in the field of plant protection products and integrated pest management	Number of official controls of the plant protection residues on internal market	2956 (2022)	≥ 4000 (2028)	Annual Report of the Phytosanitary Inspection Department	Willingness of farmers, agricultural advisors and agricultural pharmacies to take part in the raising awareness and trainings campaigns
		Number of training sessions for the stakeholders in the field of plant protection products	0 (2023)	≥ 60 (2028)	Project Final Report by FAO	
	2.2.Technical and working conditions of the border veterinary and	Number of border posts with phytosanitary control equipment in place	0 (2022)	9 (2028)	Supply contract provisional acceptance certificate	Preparatory work for the delivery of the equipment is completed by the

<b>Output 2 related to Outcome 2</b>	phytosanitary control is upgraded	according to Strategy for Chapter 12				national authorities including agreement regarding the scope of the upgrade and there is technical expertise and knowledge to plan, implement, and oversee the upgrade effectively
		Number of border posts with new veterinary control equipment in place according to Strategy for Chapter 12	0 (2022)	9 (2028)	Supply contract provisional acceptance certificate	Preparatory work for the delivery of the equipment is completed by the national authorities including agreement regarding the scope of the upgrade and there is technical expertise and knowledge to plan, implement, and oversee the upgrade effectively

## **4. IMPLEMENTATION ARRANGEMENTS**

### **4.1. Financing Agreement**

In order to implement this action, it is envisaged to conclude a financing agreement with the Republic of Serbia.

### **4.2. Indicative Implementation Period**

The indicative operational implementation period of this action, during which the activities described in section 3 will be carried out and the corresponding contracts and agreements implemented, is 72 months from the date of conclusion of the financing agreement.

Extensions of the implementation period may be agreed by the Commission's responsible authorising officer by amending this Financing Decision and the relevant contracts and agreements.

### **4.3. Implementation of the Budget Support Component**

N/A

### **4.4. Implementation Modalities**

The Commission will ensure that the EU appropriate rules and procedures for providing financing to third parties are respected, including review procedures, where appropriate, and compliance of the action with EU restrictive measures.

#### **4.4.1. Direct Management (Grants)**

##### **4.4.1.1. Grants**

###### **(a) Purpose of the grant(s)**

The grant will contribute achieving **Output 1.1 and Output 1.2 under Outcome 1** with comprehensive approach of combining financial support for companies and capacity building for relevant stakeholders in the MSME ecosystem. The grant will give necessary access to finance for new, technologically improved equipment for MSMEs aiming for better resource efficiency. Equally the grant will give access to better knowledge and skills for policy makers and implementors, and MSMEs on up to date developments in EU's green and digital transition policies and regulations and their implications on the MSME sector in Serbia.

###### **(b) Type of applicants targeted**

N/A

###### **(c) Justification of a direct grant**

#### **Output 1.1 and Output 1.2 under Outcome 1**

Under the responsibility of the Commission's authorising officer responsible, the grant may be awarded without a call for proposals to the Regional Development Agency of Serbia (RAS).

The selection of RAS is justified because part of the action has specific characteristics that require a particular type of technically competent body, high degree of specialisation or administrative power, on condition that the actions concerned do not fall within the scope of a call for proposals pursuant to Art.195 f) of the Financial Regulation. RAS was established by the Law on Investments in 2016 and is given mandate to facilitate and endorse direct economic investments, promote export, improve competitiveness of Serbian economy and

support economic and regional development of the Republic of Serbia. Accordingly, it implements national level competitiveness development programs based on grant element, which do not include public support in the form of debt financing. RAS has already developed financing mechanisms, including setting up programs, implementation of the grant scheme programs, evaluation of applications, monitoring of projects selected for financing, project management, information, publicity and visibility.

RAS has developed its capacities and gained experience in setting up development programs, and its implementation and monitoring. It is involved in the implementation of the Programme for purchasing of equipment from its launch in 2015. This Action will be part of that programme that is being launch annually with modifications in line with MSMEE needs. The funds provided by IPA are mobilising 70% of the investment in the form of a commercial loan and additional 5% in the form of MSMEE own resources. Other programmes that RAS implements independently or in partnership with other national institutions include Support Programme for SMEs Internationalisation through individual participation in International fairs, Support Programme for processing industry sectors, Support Programme for companies to join the supply chains of multinational companies, Support Programme for SME digital transformation in 2019 and Programme for standardised set of services for micro, small and medium-sized enterprises and entrepreneurs. RAS has experience in international cooperation and implementation of donor projects.

In almost all occasions, when institution has specific objective(s) and tasks defined and certain level of knowledge achieved, the Grant is more efficient than Service Contract, both in financial and time availability aspect. It is very important that the RAS has an overview and control over all work processes as this project envisages the implementation of surveys, as well as creating and maintaining registers and web portals.

#### **4.4.1.2. Twinning Grants**

N/A

#### **4.4.1.3. Grants (Participation to EU programmes)**

N/A

#### **4.4.2. Direct Management (Prize(s))**

N/A

#### **4.4.3. Direct Management (Procurement)**

Procurement will be used for achieving Outcome 2, Output 2.2 Technical and working conditions of the border veterinary and phytosanitary control is upgraded.

#### **4.4.4. Indirect Management with a pillar-assessed entity**

A part of this action may be implemented in indirect management with the Food and Agriculture Organization (FAO) of the United Nations (UN). This implementation entails implementation of Outcome 2 Output 2.1.

The envisaged entity has been selected using the following criteria:

- Specialization in Food and Agriculture
- Comprehensive Approach in policy implementation
- Existence of the institution strategic framework
- Partnership with the beneficiary country and its institutions
- Proven expertise in the field and established mechanisms for cooperation
- Proven expertise in the field of Procurement and Project Management

- Possibility to achieve synergy and knowledge transfer with other interventions in the field.

FAO is a specialised technical agency in the area of food and agriculture, with worldwide reputation concerning the knowledge, experience and references as well as the high project management standards necessary to provide support for the reinforcement of the legislation in the field of phytosanitary matters. The FAO's Strategic Framework 2022-31 is dedicated to have more efficient, inclusive, resilient and sustainable agri-food systems for better production, better nutrition, a better environment and a better life, leaving no one behind worldwide. In particular, FAO addresses pesticide management in a holistic manner by considering all the required regulatory and technical measures in the lifecycle of pesticides to ensure their safety and efficacy with no adverse effects on health and the environment, including humans, animals, plants, and ecosystems. 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 to 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. In this regard, FAO is well established in Serbia and successfully implements diverse portfolio of projects in the area of sustainable agriculture, food systems, pesticides and fertilizer management, natural resource management, forestry, etc. in close cooperation with national partners. FAO's work includes policy and legislation improvements, development of technical capacities of the national partners as well as targeted capacity building activities at national and local level. FAO has well developed cooperation with MAFWM, agricultural advisory system in Serbia as well as with agricultural education system and directly with local communities and farmers, which is a prerequisite for the successful implementation of the action.

FAO will be able to rapidly mobilise efficient procurement and project management procedures as Serbia which are necessary to cover such a wide range and number of the local stakeholders. In the last two years, in partnership with Agricultural Advisory Service in Užice and other partners, FAO implemented series of activities related to use of pesticides and its impact on soil and water pollution in the targeted area. The experience and results of the pilot project will be of significant importance for proper implementation of the action. Furthermore, as support to the overall goal of the action, FAO will launch series of additional and preparatory activities (research, baseline assessment, initial trainings of farmers and decision makers) by mobilizing internal funding. This will significantly contribute to successful implementation of the action and achievements of planned results.

Finally, the FAO aims to ensure synergy with the activities within its current portfolio, particularly on-going projects implemented in Serbia (such as Increasing national capacities to assess the risk of diffuse agricultural soil pollution, Support to organic agriculture, Strengthening resilience in agriculture, Support to the implementation of National Pathway for Sustainable Food System transformation), but also regionally implemented projects, which will bring lot of benefits through transferring knowledge and lessons learned to Serbia (such as Lifecycle management of pesticides and disposal of POPs pesticides, Enhancement of the national phytosanitary system, National Action Plan on sustainable use of plant protection products in Albania, Implementation of Integrated Pest Management (IPM) in Abkhazia through Farmer Field Schools, Strengthening regional collaboration and national capacities for management of wheat rust diseases, and others).

In case the envisaged entity would need to be replaced, the Commission's services may select another replacement entity using the same criteria. If the entity is replaced, the decision to replace it needs to be justified.

#### **4.4.5. Indirect Management with an IPAIII beneficiary**

N/A

#### 4.4.6. Contribution to <name of the relevant Regional Investment Platform>

N/A

#### 4.4.7. EFSD+ operations covered by budgetary guarantees

N/A

#### 4.4.8. Changes from indirect to direct management (and vice versa) mode due to exceptional circumstances

In case of exceptional circumstances the feasibility of the intervention will be assessed and decision on future steps made, including possibility of changing the direct management into indirect management with IPA III beneficiary.

#### 4.4.9. Other actions or expenditure

N/A

### 4.5. 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 services in the markets of the countries or territories concerned, or in other duly substantiated cases where application of the eligibility rules would make the realisation of this action impossible or exceedingly difficult (Article 28(10) NDICI-Global Europe Regulation).

### 4.6. Indicative Budget

<b>Indicative Budget components</b>	<b>EU contribution (amount in EUR)</b>	<b>Indicative third-party contribution, in currency identified</b>
<b>Methods of implementation</b> – cf. section 4.4		
<b>Outcome 1 Strengthened private sector development, trade and innovation</b> composed of:	10 000 000	10 000 000
Grants (direct management) – cf. section 4.4.1	10 000 000	10 000 000
<b>Outcome 2 Strategic focus of the Serbian agriculture and rural development policy aligned with CAP objectives and specific EU targets set in the Farm to Fork and Biodiversity Strategies</b> , composed of:	2 500 000	N.A.
Indirect management with FAO – cf. section 4.4.4	1 000 000	N.A.
Procurement (direct management) – cf. section 4.4.3	1 500 000	N.A.
<b>Grants</b> – total envelope under section 4.4.1	10 000 000	10 000 000



<b>Procurement</b> – total envelope under section 4.4.3	1 500 000	N.A.
<b>Evaluation</b> – cf. section 5.2 <b>Audit</b> – cf. section 5.3	will be covered by another Decision	N.A.
<b>Strategic Communication and Public Diplomacy</b> – cf. section 6	will be covered by another Decision	N.A.
<b>Contingencies</b>	N.A.	N.A.
<b>Total</b>	<b>12 500 000</b>	<b>10 000 000</b>

#### 4.7. Organisational Set-up and Responsibilities

##### *Output 1.1 and 1.2 Outcome 1*

Project Steering Committee will be established to perform overall monitoring and steering of the implementation of the part of the Action. PSC meetings will be organized on quarterly basis. Members of the PSC will be the representatives of:

- Ministry of Economy
- RAS
- Ministry for European Integration
- The Contracting Authority
- Chamber of Commerce (as observers).

The definite composition of the PSC, in terms of appointed persons will be discussed and agreed within the three months from the effectiveness date of the Direct Grant Contract between RAS and the Contracting Authority. The PSC meetings will be organised by RAS.

##### *Output 2.1 and 2.2 under Outcome 2*

Project Steering Committee (PSC) will be established to assure national ownership and achievement of project objectives through the strategic level steering and informed decision-making process. Therefore, the overall progress, milestones and mitigation measures to potential difficulties and risks shall be agreed. The PSC will consist of representatives of: EU Delegation, Ministry in charge of agriculture, Ministry of Health, Ministry of European Integration and FAO. The final composition of the PSC, in terms of appointed persons will be discussed and agreed at the beginning of implementation of the Action. The PSC will take strategic decisions and supervise the proper implementation of the Action. Meetings should be held semi-annually unless further ad hoc meetings are necessary.

As part of its prerogative of budget implementation and to safeguard the financial interests of the Union, the Commission may participate in the above governance structures set up for governing the implementation of the action.

#### 4.8. Pre-conditions

N/A

### 5. PERFORMANCE MEASUREMENT

#### 5.1. Monitoring and Reporting

The day-to-day technical and financial monitoring of the implementation of this action will be a continuous process, and part of the implementing partner's responsibilities. To this aim, the implementing partner shall establish a permanent internal, technical and financial monitoring system for the action and elaborate regular

progress reports (not less than annual) and final reports. Every report shall provide an accurate account of implementation of the action, difficulties encountered, changes introduced, as well as the degree of achievement of its Outputs and contribution to the achievement of its Outcomes, and if possible at the time of reporting, contribution to the achievement of its Impacts, as measured by corresponding indicators, using as reference the logframe matrix.

The Commission may undertake additional project monitoring visits both through its own staff and through independent consultants recruited directly by the Commission for independent monitoring reviews (or recruited by the responsible agent contracted by the Commission for implementing such reviews).

Arrangements for monitoring and reporting, including roles and responsibilities for data collection, analysis and monitoring:

- The European Commission (EC) will monitor the Action using Result Oriented Monitoring (ROM), which includes site visits, data collection, and analysis. During these visits, independent consultants retained by the EC will meet with Action Beneficiaries and the NIPAC TS to discuss the implementation of the intervention. Beneficiaries would assist ROM consultants, upon request from the NIPAC TS, including the provision of data and documentation, participation in interviews and meetings, and commentary on monitoring reports. This shall provide an impartial assessment of the ongoing or post-action performance of the Action, as required.
- The NIPAC, with the assistance of the NIPAC TS, is responsible for the overall coordination of IPA III assistance in the Republic of Serbia, including the supervision of IPA III programme implementation, as well as the establishment, coordination, and participation of stakeholders in monitoring committees (MCs). Beneficiaries of the Action will report their progress to Steering Committees and Sector Monitoring Committees (SMCs), while the NIPAC TS will manage data collection and analysis for monitoring the Action's implementation, including the collection of information from Beneficiaries reports for monitoring committees.
- In accordance with the respective committees' rules of procedure, the EC will attend monitoring committee meetings and co-chair IPA MC. Through these activities, the EC will be kept informed of the entire IPA III progress and will participate in high-level monitoring discussions, thereby endorsing crucial decisions resulting from monitoring. Upon request, the EC will provide the NIPAC TS with information regarding the implementation of interventions managed under direct management. This information will be used for reporting to SMCs, the IPA MC, and for preparing the Annual Report on the implementation of financial assistance. Through the SMC reports and Annual IPA Report on Implementation of Financial Assistance, the EC will also monitor the implementation of the Action.

The statistical and monitoring systems as well as the quality of official data in the policy field covered have been assessed. This assessment has fed into the design of the action as follows: the logframe indicators were developed on the basis of available data that is regularly monitored.

## **5.2. Evaluation**

Having regard to the importance of the action, a mid-term or final and/or ex-post evaluation may be carried out for this Action or its components via independent consultants contracted by the Commission.

Mid-term evaluation may be carried out for learning purposes, in particular with respect that it contains numerous components pertaining to the accession process and in terms of assessing effectiveness, sustainability, and impact. It will also serve as a basis for revising implementation strategies and activities, if necessary, and for planning potential future activities in the sectors in Serbia under IPA III.

In case a final or ex-post evaluation is envisaged, it will be carried out for accountability and learning purposes at various levels (including for policy revision).

If the Commission decide to carry out evaluations, the Commission shall form a Reference Group (RG) composed by representatives from the main stakeholders at both EU and national (representatives from the government, from civil society organisations (private sector, NGOs, etc.), etc.) levels. If deemed necessary, other donors will be invited to join. The Commission shall inform the implementing partner at least 6 months

in advance of the dates envisaged for the evaluation exercise and 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 partner country and other key stakeholders following the best practice of evaluation dissemination. The implementing partner and the Commission shall analyse the conclusions and recommendations of the evaluations and, where appropriate, in agreement with the partner country, jointly decide on the follow-up actions to be taken and any adjustments necessary, including, if indicated, the reorientation of the project.

Evaluation services may be contracted under a framework contract.

### **5.3. Audit and Verifications**

Without prejudice to the obligations applicable to contracts concluded for the implementation of this action, the Commission may, on the basis of a risk assessment, contract independent audit or verification assignments for one or several contracts or agreements.

## **6. STRATEGIC COMMUNICATION AND PUBLIC DIPLOMACY**

All entities implementing EU-funded external actions have the contractual obligation to inform the relevant audiences of the Union's support for their work by displaying the EU emblem and a short funding statement as appropriate on all communication materials related to the actions concerned. To that end they must comply with the instructions given in the 2022 guidance document [\*Communicating and raising EU visibility: Guidance for external actions\*](#) (or any successor document).

This obligation will apply equally, regardless of whether the actions concerned are implemented by the Commission, the partner country, service providers, grant beneficiaries or entrusted or delegated entities such as UN agencies, international financial institutions and agencies of EU Member States. In each case, a reference to the relevant contractual obligations must be included in the respective financing agreement, procurement and grant contracts, and contribution agreements.

## **7. SUSTAINABILITY**

The key to ensuring the sustainability of the Action lies in maintaining a stringent focus on the areas addressed, which are incorporated into Serbia's sector policies, plans, and programs. The outputs of the Action are linked to national strategies and policies, demonstrating the government's commitment to addressing the problems tackled by this Action. The Beneficiaries of the Action will prioritize sustainability when approving the final outputs of the contracts financed under this Action and will ensure that the results are preserved beyond the implementation period. The Beneficiaries will confirm their dedication to respecting the objectives and utilizing the results for the intended purpose, ensuring that the results persist after the implementation period has concluded. They will make use of the tangible and intangible outputs from the contracts for the purposes specified in the contracts and will assess the results using the relevant indicators. Moreover, the Beneficiaries will ensure adherence to sustainability conditions, starting from the provisional acceptance of assets, whereby the use of tangible and intangible assets procured under IPA III programs will be granted permanently. The NIPAC and the Commission will jointly monitor the sustainability of IPA III assistance through Sectoral Monitoring Committees and within the IPA Monitoring Committee.

The proposed Programme is one of the long-term initiatives for implementation of the national MSME policy. It has been continuously funded from the national budget since 2013 proving the financial sustainability and political commitment.. The total investment was over 230 million EUR and in total, 2695 MSMEs received support. Evaluations from previous years show that in the two years after grant allocation, supported MSMEs experience annual growth rate of turnover and employment of at least 6%, and export of

up to 10% as a direct consequence of utilising purchased equipment. Sustainability of support to RAS and national institutions will be ensured through their enhanced institutional capacities to respond to MSMEE needs at policy and implementation level.

The sustainability of agricultural production will be achieved through transfer of knowledge and implementation of the environmentally friendly production techniques and high environmental standards thereby contributing to the sustainability of farming systems. Since there will be a rise of the consumer concerns on the food that is being produced is safe and reliable in terms of the protection of the set standards, but also greener products will find better position on the market in particular retailers which are going even step further with internationally accepted foods standards such as GlobalGap, which are rooted in the integrated agricultural production.

## Appendix 1: IDENTIFICATION OF THE PRIMARY INTERVENTION LEVEL FOR REPORTING IN OPSYS

A Primary intervention<sup>30</sup> (project/programme) is a coherent set of results structured in a logical framework aiming at delivering development change or progress. Identifying the level of the primary intervention will allow for:

- ✓ Differentiating these Actions or Contracts from those that do not produce direct reportable development results, defined as support entities (i.e. audits, evaluations);
- ✓ Articulating Actions and/or Contracts according to an expected common chain of results and therefore allowing them to ensure a more efficient and aggregated monitoring and reporting of performance;
- ✓ Having a complete and exhaustive mapping of all results-bearing Actions and Contracts.

The present Action identifies as

<b>Group of contracts level</b> (i.e: i) series of programme estimates, ii) cases in which an Action Document foresees many foreseen individual legal commitments (for instance four contracts and one of them being a Technical Assistance) and two of them, a technical assistance contract and a contribution agreement, aim at the same objectives and complement each other, iii) follow up contracts that share the same log frame of the original contract)		
<input type="checkbox"/>	Group of contracts	Contract 1: Direct Grant to Regional Development Agency of Serbia Contract 2: Contribution agreement with FAO Contract 3: Supply contract

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<sup>30</sup> For the purpose of consistency between terms in OPSYS, DG INTPA, DG NEAR and FPI have harmonised 5 key terms, including ‘Action’ and ‘Intervention’ where an ‘Action’ is the content (or part of the content) of a Commission financing Decision and ‘Intervention’ is a coherent set of activities and results which constitutes an effective level for the operational follow-up by the EC of its operations on the ground. See more on the [concept of intervention\[to access the link an EU Login is needed\]](#).