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COMMISSION IMPLEMENTING DECISION

of 11.12.2014

adopting an Annual Country Action Programme for Serbia for the year 2014

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THE EUROPEAN COMMISSION,

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

Having regard to Regulation (EU) No 236/2014 of the European Parliament and of the Council of 11 March 2014 laying down common rules and procedures of the implementation of the Union's instruments for financing external action¹ and in particular Article 2(1) thereof,

Having regard to Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council of 25 October 2012 on the financial rules applicable to the general budget of the Union and repealing Council Regulation (EC, Euratom) No 1605/2002² and in particular Article 84(2) thereof,

Whereas:

- (1) Regulation (EU) No 231/2014³ lays down the objectives and main principles for pre-accession assistance to beneficiaries listed in Annex I to that Regulation.
- (2) In accordance with Article 7 of Regulation (EU) No 231/2014 the assistance should be implemented through annual or multi-annual, country-specific or multi-country programmes. These programmes should be drawn up in accordance with the framework for assistance referred to in Article 4 of Regulation (EU) No 231/2014 and the relevant country or multi-country indicative strategy papers referred to in Article 6 of that Regulation.
- (3) The Council established an Accession Partnership or a European Partnership for all beneficiaries listed in Annex I to Regulation (EU) No 231/2014. The Commission adopted an indicative strategy paper for Serbia for 2014 - 2020 on 19 August 2014⁴ which provides indicative allocations for the sectors for pre-accession assistance.
- (4) Considering the proposals for action submitted by the beneficiaries concerned, the Country Action Programme for 2014 aims at providing assistance for actions in the following sectors: Democracy and Rule of Law and Competitiveness and Growth.

¹ OJ L 77, 15.03.2014, p. 95

² OJ L 298, 26.10.2012, p.1

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

⁴ C(2014) 5872 of 19.8.2014

- (5) It is necessary to adopt a financing decision, the detailed rules of which are set out in Article 94 of Commission Delegated Regulation (EU) No 1268/2012⁵.
- (6) The Commission should be able to entrust budget-implementation tasks under indirect management to the IPA II beneficiary specified in this Decision, subject to the conclusion of a Financing Agreement. In accordance with Article 60(1) and (2) of Regulation (EU, Euratom) No 966/2012 and first subparagraph of Article 14(3) of the Commission Implementing Regulation (EU) No 447/2014 of 2 May 2014 on the specific rules for implementing Regulation (EU) No 231/2014 of the European Parliament and of the Council establishing an Instrument for Pre-accession assistance (IPA II) ⁶, the authorising officer responsible needs to ensure that the entrusted entity guarantees a level of protection of the financial interests of the Union equivalent to that required under Regulation (EU, Euratom) No 966/2012 when the Commission manages Union funds. The entrusted entity is currently undergoing a complementary assessment of its systems and procedures. In anticipation of the results of this review, the authorising officer responsible deems that, based on the entity's positive assessment under Council Regulation (EC, Euratom) No 1605/2002⁷ and Commission Regulation (EC) No 718/2007⁸ and the entity's present compliance with the requirements of points (a) to (d) of Article 60 (2) of the Regulation (EU, Euratom) No 966/2012, budget implementation tasks can be entrusted to this entity. In accordance with Article 60(1)(c) of Regulation (EC, Euratom) No 966/2012, the authorising officer responsible needs to ensure that measures are taken to supervise and support the implementation of the entrusted tasks. A description of these measures and the entrusted tasks are laid down in the Annex to this Decision.
- (7) The Commission should be able to entrust budget-implementation tasks under indirect management to the entities identified in this Decision, subject to the conclusion of a delegation agreement. In accordance with Article 60(1) and (2) of Regulation (EU, Euratom) No 966/2012, the authorising officer responsible needs to ensure that these entities guarantee a level of protection of the financial interests of the Union equivalent to that required when the Commission manages Union funds. The World Bank and UNOPS are currently undergoing the assessment under Regulation (EU, Euratom) No 966/2012. In anticipation of the results of this review, the authorising officer responsible deems that, based on the entities' positive assessment under Regulation (EU, Euratom) No 1605/2002 and on the long-standing and problem-free cooperation with them, budget-implementation tasks can be entrusted to these entities.

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

⁶ Commission Implementing Regulation (EU) No 447/2014 of 2 May 2014 on the specific rules for implementing Regulation (EU) No 231/2014 of the European Parliament and of the Council establishing an Instrument for Pre-accession assistance (IPA II)

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

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

- (8) The maximum contribution of the European Union set by this Decision should cover any possible claims for interest due for late payment on the basis of Article 92 of Regulation (EU, Euratom) No 966/2012 and Article 111(4) of Delegated Regulation (EU) No 1268/2012.
- (9) Pursuant to Article 94(4) of Delegated Regulation (EU) No 1268/2012, the Commission should define changes to this Decision which are not substantial in order to ensure that any such changes can be adopted by the authorising officer responsible.
- (10) The action programme or measures provided for by this Decision are in accordance with the opinion of the IPA II Committee set up by Article 13 of Regulation (EU) No 231/20

HAS DECIDED AS FOLLOWS:

Article 1

Adoption of the programme/measure

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

Article 2

Financial contribution

The maximum amount of the European Union contribution for the implementation of the programme referred to in Article 1 is set at EUR 115,090,000.00 and shall be financed as follows:

EUR 78,400,000.00 and shall be financed from the budget line 22 02 01 01 of the general budget of the EU for year 2014

EUR 36,690,000.00 and shall be financed from budget line 22 02 01 02 of the general budget of the EU for year 2014.

The financial contributions referred to in the first sub-paragraph may also cover interest due for late payment.

Article 3

Implementation modalities

This programme shall be implemented by direct and indirect management.

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

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

Article 4

Non-substantial changes

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

- a) increases or decreases for not more than 20% of the maximum contribution set in the first paragraph of Article 2, and not exceeding EUR 10 million;
- b) cumulated reassignments of funds between specific actions not exceeding 20% of the maximum contribution set in the first paragraph of Article 2;
- c) extensions of the implementation and closure period;
- d) within the limits of 20% referred to in points (a) and (b) above, up to 5% of the contribution referred to in the first paragraph of Article 2 of this financing decision may serve to finance actions which were not foreseeable at the time the present financing decision was adopted, provided that those actions are necessary to implement the objectives and the results set out in the programme.

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

Done at Brussels, 11.12.2014

For the Commission
Johannes HAHN
Member of the Commission

ANNEX 1

ACTION PROGRAMME FOR SERBIA UNDER IPA 2014

1 IDENTIFICATION

Beneficiary	Serbia
CRIS/ABAC Commitment references	2014/032-078
Total cost	Total cost: EUR 58,898,377.00
EU Contribution	EU contribution: EUR 51,600,000.00
Budget lines	Budget line: 22.02 01 01
	2014/037-840
	Total cost: EUR 26,800,000
	EU contribution: EUR 26,800,000
	Budget line: 22.02 01 01
	2014/032-799
	Total cost: EUR 38,670,000.00
	EU contribution: EUR 33,190,000.00
	Budget line: 22.02 01 02
	2014/037-773
	Total cost: EUR 4,500,000.00
	EU contribution: EUR 3,500,000.00
	Budget line: 22.02 01 02
Management Mode/ Entrusted entities	<p>Indirect Management with Serbia</p> <p>The Operating Structures responsible for the execution of the actions, are:</p> <p>Department for Contracting and Financing of EU Funded projects (CFCU) at the Ministry of Finance for all activities with the following exception:</p> <p>for Action Nr. 1 "Public Administration Reform", implementation will be entrusted to the World Bank, by indirect management/delegation agreement.</p> <p>for Action Nr. 4 "EU integration facility", will be directly managed by the Delegation of the EU to Serbia.</p> <p>for Action Nr. 5 "EU Programmes" the Component 1, implementation will consist in the payment of the IPA</p>

	<p>part of the financial contribution to the programmes by the National Fund.</p> <p>for Action Nr. 6 "Home Affairs", Component 4, implementation will be entrusted to the United Nations Operations and Services (UNOPS) by indirect management/delegation agreement. Component 2, Results 3 and 4 will be directly managed by the Delegation of the EU to Serbia.</p> <p>For Action Nr. 8 "Support to the competitiveness sector", the result 1 will be directly managed by the Delegation of the EU to Serbia.</p> <p>for Action Nr. 11 "Erasmus+ agency" to be cross-sub delegated to DG EAC</p>
Final date for concluding <u>Financing Agreements</u> with the IPA II beneficiary	At the latest by 31 December 2015
Final date for concluding <u>delegation agreements</u> under indirect management	At the latest by 31 December 2015
Final date for concluding <u>procurement and grant contracts</u>	3 years following the date of conclusion of the Financing Agreements, with the exception of the cases listed under Article 189(2) Financial Regulation
Final date for operational implementation	6 years following the date of conclusion of the Financing Agreements.
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 Agreements.
Programming Unit	DG Enlargement, Unit C2
Implementing Unit/ EU Delegation	Delegation of the European Union to the Republic of Serbia Action Nr 11 "Preparation for Erasmus+ agency": a cross-sub delegation will be given from DG Enlargement to DG EAC

2 DESCRIPTION OF THE ACTION PROGRAMME

The 2014 IPA II allocation for Serbia is EUR 179,090,000. Out of this amount, EUR 2,000,000 will be allocated for support to civil society under the IPA 2014 multi-country Action Programme. In addition EUR 62,000,000 will be allocated for support to recovery and reconstruction following the floods adopted under a specific Measure for floods recovery and reconstruction. Consequently, the present 2014 Action Programme for Serbia amounts to EUR 115,090,000.

2.1 SECTORS SELECTED UNDER THIS ACTION PROGRAMME

The priorities of the action programme for Serbia are in line with the Indicative Strategy Paper for Serbia (the Strategy Paper)⁹ which sets out the priorities for EU financial assistance for the period 2014-2020 to support Serbia on its path to EU accession following two pillars: Democracy and Rule of Law; and, Competitiveness and Growth.

The selection of the specific sectors to be financed under this programme was based on the consideration of the objectives and results included in the Strategy Paper; the priorities defined within the Enlargement Strategy and Main Challenges 2013-2014; the specific recommendations of the EC Progress Report for Serbia for 2013, as well as on relevant national strategic documents, mainly the National Programme for Approximation with the Acquis (NPAA) and the Document on National Priorities for International Assistance - Needs Assessment Document, (NAD). The present programme has been prepared in close cooperation with the Serbian European Integration Office and national institutions, as well as in close coordination with other donors including international financial institutions, and civil society organisations.

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

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

This process led to select the following sectors for financing under the present programme: democracy and governance, rule of law and fundamental rights (home affairs), energy, competitiveness and innovation; and, education, employment and social policies. The present programme also includes support for general capacity building to support accession negotiations, support preparation of investments and participation to EU programmes and agencies.

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

⁹ C(2014)5872 of 19.8.2014

Democracy and Governance

Sub-sector Public Administration Reform

The action selected is a continuation of the results of previous IPA interventions. It is aligned with on-going interventions by other donors, most notably the Swedish International Development Agency (SIDA) and the United States Agency for International Development (USAID), but also other projects tackling areas of public administration reform and business enabling environments, public sector financial management and fiscal policy making. The outputs of these projects have served as valuable elements in designing the analytical work for the first component of the IPA 2014 Action.

The action in this programme is also based on the consultations initiated by the World Bank with the Ministry of Public Administration and Local Self Government in regards to implementation of “Rightsizing” initiative. Likewise, within the EU Municipal Support Programme IPA 2007 a functional review was conducted in the pilot group of 15 local self-governments. Finally, various assessments made in 2013 by the Support for Improvement in Governance and Management (SIGMA) were also used for the design of the programme, including on issues such as the need to support programme budgeting.

Participation to EU Programmes

Participation of Serbia to EU Programmes is supported by IPA since 2007. Evaluations conducted highlighted the benefit of this participation and the need to strengthen the national coordination mechanism and capacities to maximise the benefits that Serbia can draw from participation to EU programmes.

European integration facility

Important IPA assistance has been provided under IPA I to Serbia in order to support in particular the horizontal departments in charge of coordination of European integration process and the office for coordination of IPA. Support has proven to be instrumental to enhancing capacities for alignment and implementation of *acquis* requirements. Substantial support to investments projects preparation has been also key to ensure sound technical preparation of mature investments. IPA also supported the elaboration of a single pipeline of investment projects in the fields of transport, energy, environment and business infrastructures based on criteria of strategic priority and maturity, to be adopted by Serbian Government. Based on this methodology, the single project pipeline

of strategic investments will be used as sole basis for EU financial support to infrastructure projects under IPA II.

Rule of law and fundamental rights

Sub-sector Home affairs

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

Energy

Support to the energy sector has been substantial over the period 2007-2013 both from EU funds and international donors. EU assistance in particular focused on reform of the energy sector in line with EU energy *acquis*, strategic planning, increased use of renewable energy, introducing new infrastructure related to the regional gas market and upgrading of environmental infrastructure related to industrial waste water from electricity production. A recent SIDA Report on "Evaluation of effectiveness and efficiency of development assistance to the Republic of Serbia" has found the relevance of the assistance to be very high. The evaluation report recommends that the strengthening of institutions responsible for policy, regulatory oversight and implementation (or reorganisation, in the case of energy liberalisation) should be synchronised with infrastructure development, given that the two are inextricably linked.

Competitiveness and innovation

Over the period 2007-2013 the competitiveness and innovation sector has been one of the largest recipients of international assistance to Serbia. IPA support focused in particular on the effective operation of markets; improving the quality, range and availability of business support services, export innovation within small and medium size enterprises (SME) and technology transfer. Lessons learned were drawn from a previous evaluation highlighting that the capacity of central institutions had increased.

However, the evaluations emphasised the issues of unstable legislative, political and institutional setting diminishing positive effects of support interventions on Small and Medium Enterprises (SMEs). Low cooperation at national level (ministries responsible for economy, education and science, and research and development institutions) together with lack of joint interventions in the field of innovation resulted in insufficient impact of delivered assistance, limited effectiveness and sustainability. The evaluations recommended further improvements in the system that will ensure access to finance for SMEs investments needed to ensure their competitiveness.

Education, employment and social policies

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

List of Actions foreseen under the selected Sectors

INDIRECT MANAGEMENT WITH THE IPA II beneficiary		OTHER IMPLEMENTATION ARRANGEMENTS		
DEMOCRACY AND GOVERNANCE				
1 – Support to the Public Administration Reform			IMIO WB	2,500,000.00
2 – Support to the local self-Governments	4,450,000.00			N/A
3 – Support to EU accession	11,574,160.00			N/A
4 – EU integration facility	N/A		DM EUD	24,300,000.00
5 - Support to participation to EU Programmes	8,063,840.00			N/A

TOTAL	24,088,000.00		TOTAL	26,800,000.00
RULE OF LAW AND FUNDAMENTAL RIGHTS				
6 - Support in the field of Home affairs	8,462,000.00		IMIO UNOPS DM EUD	13,000,000.00 6,050,000.00
TOTAL	8,462,000.00		TOTAL	19,050,000.00
ENERGY				
7 -Support to the Energy sector	12,650,000.00			N/A
TOTAL	12,650,000.00		TOTAL	0
COMPETITIVENESS AND INNOVATION				
8 - Support to the Competitiveness sector	4,850,000.00		DM EUD	150,000.00
TOTAL	4,850,000.00		TOTAL	150,000.00
EDUCATION, EMPLOYMENT AND SOCIAL POLICIES				
9 - Youth employability and Active Inclusion	9,790,000.00			N/A
10 - Towards lifelong learning	5,750,000.00			N/A
11 – Erasmus+ agency	N/A		DM/DG EAC	3,500,000.00
TOTAL	15,540,000.00		TOTAL	3,500,000.00
TOTAL	65,590,000.00		TOTAL	49,500,000.00

2.2 DESCRIPTION AND IMPLEMENTATION OF THE ACTIONS

SECTOR 1	Democracy and Governance	and	EUR 50,888,000.00
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<i>Action 1</i>	<i>Support to the public administration reform</i>	<i>EUR 2,500,000.00</i>
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(1) Description of the Action, objective, expected results and key performance indicators

The overall objective of Action 1 under the democracy and governance sector is to support ongoing public administration reform efforts in order to establish professional, accountable and fiscally responsible administration which provides efficient services to citizens and businesses.

Specific objectives of the Action are:

- To improve organisational and functional structures of the public administration system and provide the basis for sustainability of the restructuring efforts

Expected results:

- Implemented rightsizing exercise in several sub-systems of public administration as a complementary measure to the substantial downsizing effort across public administration
- Change of management and communications strategy implemented as a complementary measure to the rightsizing exercise

Key Performance Indicators:

- World Bank Governance Effectiveness indicator for Serbia (index)
- Targeted saving achieved within the selected sectors
- Public administration reform action plan implemented in accordance with the planned timeframe and including relevant indicators

(2) Assumptions and conditions

The **main assumptions** that should be considered are the political commitment and support for the implementation of public administration reforms, as well as good cooperation between central and local administrations. The following condition is of particular importance: Government decision/act on headcount reduction in the public administration adopted and under implementation.

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 arrangements of the action: indirect management with the World Bank

Entity entrusted with budget implementation tasks

The World Bank has participated in the previous period in the assessments of the public administration system in Serbia. A close cooperation has been established with the Ministry of Finance, and preparatory analyses and reports have been developed, according to which a plan for the activities of this Component has been elaborated. The engagement of the World Bank in this activity is of crucial importance given its knowledge of the public administration system in Serbia as well as that of other neighbouring countries, new Member States and countries with traditionally similar systems. The World Bank possesses wide experience in development and implementation of rightsizing programs and is therefore recognised as the most suitable implementing partner for the activities envisaged under Component 1.

Short description of the tasks entrusted to the entity

The World Bank will provide expertise to national authorities, in particular the Ministry of Public Administration and Local Self Government. The World Bank will be responsible for tendering the selection of services in order to achieve the objectives set. It will also be responsible for supervising the implementation on the ground, for reporting to the EU Delegation, and for monitoring the activities.

SECTOR 1	Democracy and Governance	EUR 50,888,000.00
<i>Action 2</i>	<i>Support to the local self-Governments</i>	<i>EUR 4,450,000.00</i>

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

The overall objective of the Action is to foster local self-government administration in smooth implementation of regulatory and budgetary reforms

Expected results:

- Established full property inventory and database as a support to the registration and management of public property of local self-governments units
- Established efficient support system for application of the programme budgeting methodology by local self-governments

Key Performance Indicators:

- Increase in percentage of local self-governments successfully managing the public property and local budget

(2) Assumptions and conditions

The **main assumptions** that should be considered are the political commitment and support for the implementation of public administration reforms, as well as good cooperation between central and local administrations. The following conditions are of particular importance:

- Law regulating salaries and wages in the public administration adopted;
- Action Plan for implementation of public administration strategy 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 arrangements of the action: indirect management with Serbia

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

SECTOR 1	Democracy and Governance	and	EUR 50,888,000.00
<i>Action 3</i>	<i>Support to accession</i>	<i>to EU</i>	<i>EUR 11,574,160.00</i>

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

The overall objective of the Action is to support Serbian administration to effectively conduct accession negotiations and implement related *acquis* requirements.

Expected results:

- Implementation of technical support for the implementation of activities linked to the accession process, in particular through twinnings

Key Performance indicators:

- Progress made on political, economic and *acquis* criteria in view of EU accession
- Achievement in closing negotiations chapters

(2) Assumptions and conditions

The **main assumptions** that should be considered are the continuous support of the Government to European Integration process and sufficient allocation of human and financial resources for this purpose.

(3) Implementation arrangement of the action: indirect management with Serbia

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

SECTOR 1	Democracy and Governance	EUR 50,888,000.00
Action 4	EU integration facility	EUR 24,300,000.00

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

The overall objective of this Action is to support Serbian authorities in the general coordination of the EU accession and ensure preparation and implementation of investments projects in line with the single project pipeline methodology.

Specific objectives of the Action are:

- Support legislative and institutional capacities for implementation of the *acquis* and capacity building for accession negotiations (Component 1)
- Support the technical preparation of key and strategic investments in environment, transport, energy and competitiveness sectors (Component 2).

Expected results:

Component 1

- Further alignment with the EU *acquis* and implementation
- Capacities of the national structures further improved for accession negotiations

Component 2

- Implementation of the methodology for selection and preparation of investments projects under the national single project pipeline for investments
- Technical preparation for investment projects under the national single project pipeline

Key performance indicators

- Establishment and functioning of a National Investment Committee in charge of the implementation of investments projects under the national single project pipeline
- Number of projects in the single project pipeline considered mature for financial support

(2) Assumptions and conditions

The **main assumptions** that should be considered are the continuous support of the Government to European Integration process and sufficient allocation of human and financial resources for this purpose; as well as implementation of the methodology for prioritisation and selection of infrastructure projects by national institutions in the course of investments' planning and preparation.

(3) Implementation arrangements of the action: direct management by EUD Serbia

The global budgetary envelope reserved for procurement will amount to EUR 24,300,000, with an indicative number of 10 contracts through framework, service and supply contracts to be tentatively launched in Q3 2015 after the signature of the Financing Agreement.

SECTOR 1	Democracy and Governance	EUR 50,888,000.00
<i>Action 5</i>	<i>Participation to the EU Programmes</i>	<i>EUR 8,063,840.00</i>

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

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

Expected results:

- Strengthened ownership and responsibility as well as enhanced participation in EU Programmes
- Strengthened capacities of national administration and institutions for participation in EU Programmes

Key performance indicators:

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

(2) Assumptions and conditions

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

(3) Implementation arrangements of the action: indirect management with Serbia

Short description of the tasks entrusted to the entity

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

SECTOR 2	Rule of Law and fundamental Rights	EUR 27,512,000.00
<i>Action 6</i>	<i>Support in the field of Home Affairs</i>	<i>EUR 27,512,000.00</i>

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

The overall objective of the Action is to contribute to the improvement of the rule of law sector by strengthening the migration and border control management.

The specific objectives are:

- To address trafficking in human beings by improving overall prevention and detection (Component 1)
- To enhance efficiency in the management of migration flows (Component 2)
- To support functioning of border management and controls between Serbia and Bosnia and Herzegovina (Component 3)
- To increase the efficiency and level of control of movement by improving common crossing points in line with the Agreements reached within the Dialogue between Serbia and Kosovo* (Component 4)

Expected results:

Component 1

- Increased identification of cases of trafficking in human beings and better protection of victims; national referral mechanism institutionalised and more efficient

Component 2

- Enhancing border controls (Result 1)
- Existing capacities to accommodate asylum seekers expanded (Result 2)
- Living conditions of IDPs and returnees from the readmission process in Serbia improved (Result 3)
- Support sustainable return to Kosovo (Result 4)

Component 3

- To upgrade priority border facilities and infrastructure at Kotroman border - crossing point, thus ensuring modernised interoperability with customs authorities at the bordering space.

Component 4

* This designation is without prejudice to positions on status, and is in line with UNSCR 1244/1999 and the ICJ Opinion on the Kosovo declaration of independence.

- Completion of reconstruction at the three common crossing points (Mucibabe, Jarinje, Konculj)

Key Performance indicators:

- Increased detection rate of all forms of traffic in human being (THB)
- Number of cases of THB related to high-technology crime detected
- Number of recorded illegal border crossings
- Number of irregular migrants received based on the readmission agreements with neighbouring countries
- Adequacy of capacities for accommodation of asylum seekers
- Progress in providing housing solutions for IDPs and returnees from readmission
- Decrease in average time for customs clearance on Serbian side at Kotroman border
- Increased number of people and vehicles passing through the newly constructed common crossing points with Kosovo

(2) Assumptions and conditions

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

- Police reform, and fight against organised crime, remain a high priority for the Government and are implemented without delays;
- Willingness and capacity of customs high-level management to introduce innovation into practical management;
- Commitment to implementation of the agreements reached in the high level political dialogue between Serbia and Kosovo maintained.

The following conditions are of particular importance:

Serbian authorities will carry out all necessary actions to acquire land, prepare the relevant documentations, ensure that all necessary permits are obtained on time and that projects are timely implemented.

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 IPA funding.

(3) Implementation arrangement of the action:

Component 1, 2 (Results 1 and 2) and 3: indirect management with Serbia

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

required to implement the Action, including preparation, implementation and conclusion of grant and procurement contracts, and management of corresponding expenditures.

Component 2, results 3 and 4: *direct management by EUD Serbia*

Procurement:

The global budgetary envelope reserved for procurement will amount to EUR 400.000,00 with indicatively 1 service contract to be tentatively launched in Q1 2015 after the signature of the Financing Agreement.

Grant – Call for Proposal:

a) Objectives and foreseen results

Result 3 will achieve the following: provide a number of housing solutions for IDPs and returnees from readmission; support that a number of IDPs and returnees from readmission start up, or extend business activities.

Result 4 will achieve the following: minimum 220 families returned to Kosovo and minimum 20 returnees' communities supported through grants for income generation activities (starting up a small business or agriculture-oriented income generation)

b) Essential eligibility criteria

For result 3 the targeted grant contractors are municipalities with adopted Local Action Plans with foreseen activities in line with national strategic documents, especially in the field of employment and housing, demonstrating implementation know how and sustainable actions.

For Result 4 the targeted grant contractors are organisations, responsible for supporting returnees' relocation administrative issues, provision of grants for income generation activities for returnees' communities and assistance kits to returnee's families, as well as for planning and implementation of outreach campaign.

c) Essential selection and award criteria

The essential selection criteria are financial and operational capacity of the applicant. The award criteria are relevance, effectiveness and feasibility, sustainability and cost-effectiveness of the action.

d) Maximum rate of EU-co-financing

The maximum possible rate of EU co-financing for grants under this call is 95% of the eligible costs of the action.

e) Indicative amount of the call

EUR 5.650.000,00

f) Indicative date for the launch of the call for proposals.

Q3 of 2015

Component 4: indirect management with UNOPS (EUR 13,000,000)

Entity entrusted with budget implementation tasks

UNOPS has been selected in particular for its substantive experience related to delivering works contracts, in particular in sensitive fields. UNOPS has been also present in both Serbia and Kosovo since 2000 and is able to mobilise specific international expertise and the required operational capacity to deliver the results expected.

Short description of the tasks entrusted to the entity

UNOPS will be responsible for the implementation and construction of common crossing-points. This will include design preparation, finalisation of tender documents, award and completion of works contracts. UNOPS will also be responsible for supervising the implementation on the ground, reporting to the EU Delegation, and monitoring the activities.

SECTOR 5	Energy	EUR 12,650,000.00
<i>Action 7</i>	<i>Support to the Energy sector</i>	<i>EUR 12,650,000.00</i>

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

The overall objective of the Action is to contribute to the security of supply, more competitive energy market and sustainable energy development.

The specific objectives are:

- To improve policy enforcement, monitoring and harmonisation of national legislation in line with the EU energy *acquis* (Component 1)
- To develop strategically relevant energy infrastructure (Component 2)

Expected results:

Component 1:

- Regulatory policies, mechanisms and operational practices implemented in compliance with the EU 3rd Energy package
- EU *acquis* in the field of energy efficiency and renewable energy resources implemented

Component 2

- Implementation of emission reduction at the thermal power plant Nikola Tesla A4 for cleaner energy production

Key performance indicators:

- Energy legislation aligned with the *acquis* and effectively implemented
- Share of renewable energy sources increased

(2) Assumptions and conditions

The **main assumptions** that should be considered are the political commitment in meeting energy saving targets, transposition and implementation of 2nd and 3rd energy packages, timely preparation and implementation of infrastructure construction.

For the implementation of the Action, the following pre-condition has to be met: availability of agreed co-financing.

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 arrangement of the action: indirect management with Serbia

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

SECTOR 6	Competitiveness and Innovation	EUR 5,000,000.00
<i>Action 8</i>	<i>Support to the Competitiveness sector</i>	<i>EUR 5,000,000.00</i>

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

The overall objective of the Action is to increase the competitiveness and innovation of companies within a well-functioning market.

The specific objectives are:

- To improve access to finance and high value added service for companies
- To improve market integrity and environment conducive to market operators.

Expected results:

- Proper management and funding system for the implementation of financial instrument identified (result 1)
- Business incubators to provide high value services to SMEs (result 2)
- New products and services developed by SMEs through research commercialisation (result 3)
- Improved capacities of market operators and regulators to reduce the number of breaches of competition rules (result 4)

Key performance indicators:

- Number of new products or services developed by SMEs
- Number of decisions issued by the commission for the protection of competition

(2) Assumptions and conditions

The **main assumptions** that should be considered are the political commitment of the Government on development and support to innovative high quality products and services as well as commercialisation of research.

(3) Implementation arrangement of the action:

Result 1: direct management by the EUD in Serbia

a) Objectives and foreseen results

The objective is to prepare an ex-ante assessment for the implementation of financial instruments.

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

The specificity of the action and the unique position justify the direct grant award, on the basis of article 125(7) of the Financial Regulation.

c) Name of the beneficiary

European Investment Bank (EIB)

d) The essential selection criteria

The essential selection criteria are financial and operational capacity of the applicant. The award criteria are relevance, effectiveness and feasibility, sustainability and cost-effectiveness of the action.

e) Indicative amount of the grant:

EUR 150,000

f) Indicative date for signing the grant agreement

Q3 of 2015

Results 2 to 4: indirect management with Serbia

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

SECTOR 7	Education, Employment and Social Policies	EUR 19,040,000.00
<i>Action 9</i>	<i>Youth Employability and Active Inclusion</i>	<i>EUR 9,790,000.00</i>

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

The overall objective of the Action 7 is to contribute to the Government's efforts to foster a high employment economy cohesion through the implementation of employment and social reform programme (ERSP) priorities.

The specific objectives are:

- To increase employability especially of youth through enhancing youth activity, early acquisition of work experience and entrepreneurship practices (Component 1)
- To improve the social inclusion of Roma through further investment in sustainable housing solutions, better access of Roma pupils to the education system and strengthening of national Roma inclusion mechanisms at local level (Component 2)
- To enforce the implementation of the legislation and regulations for occupational safety and health (OSH) (Component 3)

Expected results:

Component 1:

- Innovative, integrated youth tailored services focusing on entrepreneurial skills development and active inclusion models and packages established and operational through local partnerships

Component 2

- Socio-economic conditions of Roma enhanced through: 100 sub standardised Roma settlements improved, capacities of state mechanisms for Roma inclusion at local level increased and scholarships implemented for secondary education Roma students

Component 3

OSH legislation harmonised with the EU *acquis* and increased capacity of the Directorate for Safety and Health and the Labour Inspectorate built at all appropriate level

Key performance indicators:

Component 1

- Youth employment and activity rate increased
- Activity rate increased attributable to this Action

Component 2

- Number of informal Roma settlements (with over 100 people) legalised and provided with access to water and electricity
- 60% of Roma pupils will have reached the average academic achievement of students of the educational institution

Component 3

- Legislation on occupational safety and health aligned with the *acquis* and effectively implemented

(2) Assumptions and conditions

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

- Sufficient budget resources are allocated to the implementation of the action plan of the employment strategy of the Government in particular the support to actions for youth employment diversified services at local level;

- Government of Serbia will remain committed to the enhancement of social inclusion, notably of Roma;
- National Council for the Improvement of the Position of Roma will remain functional;
- Local self-governments supportive for active inclusion, employment and legalisation of Roma settlements during the implementation of the action.

(3) Implementation arrangements of the action: indirect management with Serbia

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

SECTOR 7	Education, Employment and Social Policies	EUR 19,040,000.00
<i>Action 10</i>	<i>Towards Lifelong Learning</i>	<i>EUR 5,750,000.00</i>

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

The overall objective of the Action is to support the ongoing education and training reforms, including in the area of preschool education and lifelong learning process, and align education system to labour market needs.

Expected results:

- Integrated national qualification system for lifelong learning established
- Preschool education systems reforms continued
- Enhanced social infrastructure through reconstruction, refurbishment and improved conditions of hosting structures for children

Key performance indicators:

- Increased part of population covered by adult education and lifelong learning programmes
- Proportion of children attending preschool education increased

- Percentage population aged 30-34 having completed tertiary education increased
- Percentage of youth aged 20-24 having attained at least upper secondary level education increased

(2) Assumptions and conditions

The **main assumptions** that should be considered are the implementation of action plan for the education strategy; and local self-government support to broaden the development of preschool education.

At the level of results:

- Active participation of all 3 education councils;
- Continuous political and financial support from the government;
- Continuous commitment and cooperation between national and local institutions in planning and implementation of the project.

(3) Implementation arrangements of the action: indirect management with Serbia

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

SECTOR 7	Education, Employment and Social Policies	EUR 19,040,000.00
<i>Action 11</i>	<i>Erasmus+ agency</i>	<i>EUR 3,500,000.00</i>

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

Full participation in the Erasmus+ programme is conditional on the fulfilment by the candidate countries of requirements concerning the capacity of a national structure – called the National Agency – to ensure sound financial management of the programme. The objective of this project is to assist Serbia in the fulfilment of these requirements.

The preparatory measures will consist of a range of activities which will be implemented according to a work plan to be agreed between the body designated by the Serbian authorities to become the future National Agency and the Commission Directorate General responsible for this programme (DG Education, Culture, Youth and Citizenship), such as equipment, recruitment and training of staff, study visits and job shadowing in the other programme countries, information campaigns for the potential beneficiaries and participation in some pilot activities to test on a small scale the capacity of the future National Agency to manage the programme.

Expected results:

- Capacity of Serbia's future National Agency to manage the programme in a satisfactory way built and tested on a sufficient scale before Serbia's full participation in the Erasmus+ programme.
- Awareness of Serbia's potential beneficiaries on the different actions of the Erasmus+ programme and way to apply.

Key performance indicators:

- Staff recruited and trained, adequate premises, relevant equipment and software
- Manual of procedures in place in accordance with EU rules on Erasmus+
- Number of promotional material, info days, seminars for potential participants.
- Pilot projects managed by the future National Agency according to the programme rules

(2) Assumptions and conditions

The **main assumptions** that should be considered are commitment of Serbian administration and institutions for preparation and participation to EU Programmes, including the timely designation of the future National Agency, a retention policy for the future National Agency staff, and continuous political and financial support from the government,

(3) Implementation arrangements of the action: direct management by DG Education, Culture, Youth and Citizenship

It is planned that 2 successive annual direct grant agreements without call for proposals will be concluded with the body designated by the Serbian authorities to become the future National Agency. The body designated by the national authorities has a de facto monopoly in the area of intervention (article 190 (c) of the COMMISSION DELEGATED REGULATION (EU) No 1268/2012 of 29 October 2012 on the rules of application of Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council on the financial rules applicable to the general budget of the Union).

3 BUDGET

3.1 INDICATIVE BUDGET TABLE - COUNTRY ACTION PROGRAMME FOR SERBIA

		Indirect management with the IPA II beneficiary			Other Implementation arrangements					
	Titles	EU Contribution	IPA II Beneficiary co-financing	Total expenditure	EU Contribution	IPA II Beneficiary co-financing	Total expenditure	MM	Total programme	Total EU Contribution
Democracy and Rule of Law 2014/032-078 and 2014/037-840	Democracy and Governance	24,088,000.00	6,360,377.00	30,448,377.00	26,800,000.00	0.00	26,800,000.00		57,248,377	50,888,000
	AD 1 - Public Administration Reform	0.00	0.00	0.00	2,500,000.00	0.00	2,500,000.00	IM/IO	2,500,000	2,500,000
	AD 2 - Support to local self-Governments	4,450,000.00	300,000.00	4,750,000.00	0.00	0.00	0.00		4,750,000	4,450,000
	AD 3 – Support to EU accession	11,574,160.00	0.00	11,574,160.00	0.00	0.00	0.00		11,574,160	11,574,160
	AD 4 - EU integration facility	0.00	0.00	0.00	24,300,000.00	0.00	24,300,000.00	DM	24,300,000	24,300,000
	AD 5 - EU Programmes	8,063,840.00	6,060,377.00	14,124,217.00	0.00	0.00	0.00		14,124,217	8,063,840
	Rule of law and fundamental rights	8,462,000.00	938,000.00	9,400,000.00	19,050,000.00	0.00	19,050,000.00		28,450,000	27,512,000
	AD 6 - Home Affairs	8,462,000.00	938,000.00	9,400,000.00	19,050,000.00	0.00	19,050,000.00	IM/IO/DM	28,450,000	27,512,000
	TOTAL	32,550,000.00	7,298,377.00	39,848,377.00	45,850,000.00	0.00	45,850,000.00		85,698,377	78,400,000
Competitiveness and Growth 2014/032-799 and 2014/037-	Energy	12,650,000.00	2,520,000.00	15,170,000.00	0.00	0.00	0.00		15,170,000	12,650,000
	AD 7 - Energy	12,650,000.00	2,520,000.00	15,170,000.00	0.00	0.00	0.00		15,170,000	12,650,000

Competitiveness and innovation	4,850,000.00	2,150,000.00	7,000,000.00	150,000.00	0.00	150,000.00		7,150,000	5,000,000
AD 8 - Competitiveness	4,850,000.00	2,150,000.00	7,000,000.00	150,000.00	0.00	150,000.00	IM/IO	7,150,000	5,000,000
Education Employment and social policies	15,540,000.00	810,000.00	16,350,000.00	3,500,000.00	1,000,000.00	4,500,000.00		20,850,000	19,040,000
AD 9 - Youth employment and active inclusion	9,790,000.00	810,000.00	10,600,000.00	0.00	0.00	0.00		10,600,000	9,790,000
AD 10 - Action Towards Lifelong learning	5,750,000.00	0.00	5,750,000.00	0.00	0.00	0.00		5,750,000	5,750,000
AD 11 - Erasmus+	0.00	0.00	0.00	3,500,000.00	1,000,000.00	4,500,000.00	DM	4,500,000	3,500,000
TOTAL	33,040,000.00	5,480,000.00	38,520,000.00	3,650,000.00	1,000,000.00	4,650,000.00		43,170,000	36,690,000
TOTALS	65,590,000.00	12,778,377.00	78,368,377.00	49,500,000.00	1,000,000.00	50,500,000.00		128,868,377	115,090,000

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

DIRECT MANAGEMENT:

Part of this programme shall be implemented by direct management by the European Union Delegation and by DG Education, Culture, Youth and Citizenship in accordance with article 58(1)(a) of the Financial Regulation and the corresponding provisions of its Rules of Application.

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

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

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

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

INDIRECT MANAGEMENT

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

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

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

5 PERFORMANCE MONITORING ARRANGEMENTS

As part of its performance measurement framework, the Commission shall monitor and assess progress towards achievement of the specific objectives set out in the IPA II Regulation on the basis of pre-defined, clear, transparent measurable indicators. The progress reports

referred to in Article 4 of the IPA II Regulation shall be taken as a point of reference in the assessment of the results of IPA II assistance.

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

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

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