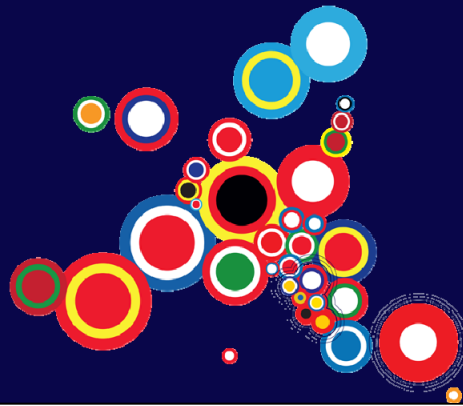




INSTRUMENT FOR PRE-ACCESSION ASSISTANCE (IPA II) 2014-2020

IPA II SERBIA

Sector Reform
Contract for Integrated
Border Management



Action Summary

The overall objective of this Sector Reform Contract is to assist the Government of Serbia to have borders that are open for the free movement of people and goods, but well controlled and secured from any illegal activities, in accordance with the European Union IBM Guidelines and Principles.

This goal will be achieved by supporting the Government of Serbia in implementing measures that are part of Serbia's Integrated Border Management Strategy and Action Plan. The total value of this sector reform contract is EUR 28 million, of which EUR 24 million will be disbursed via Sector Budget Support and EUR 4 million will ensure Complementary Support to the action.

Action Identification	
Action Programme Title	Annual Action Programme for Serbia 2016
Action Title	Sector Reform Contract for Integrated Border Management
Action ID	<i>IPA 2016/39803. 2/Serbia/SRC for Integrated Border Management</i>
Sector Information	
IPA II Sector	IPA II First pillar: Democracy and Rule of Law, Primary sector: Rule of Law
DAC Sector	<i>15110</i>
Budget	
Total cost	28 000 000 EUR
EU contribution	28 000 000EUR (24 000 000 EUR for sector budget support (SBS) and 4 000 000 EUR for complementary support)
Management and Implementation	
Method of implementation	Direct Management
<i>Direct management:</i> EU Delegation <i>Indirect management:</i> National authority or other implementing body	Direct management by the EU Delegation in the Republic of Serbia
Implementation responsibilities	Implementation responsibilities concerning the SBS and the complementary support are to be shared between several key institutions: Ministry of Interior (Border and Criminal Police Directorates); Ministry of Finance (Customs Administration) and the Ministry of Agriculture and Environmental Protection (Phytosanitary & Veterinary Directorates - Border Inspectorates). Financial execution of the SBS: Ministry of Finance
Location	
Zone benefiting from the action	Serbia
Timeline	
Final date for concluding Financing Agreement(s) with IPA II beneficiary	At the latest by 31 December 2017
Final date for concluding procurement and grant contracts	3 years following the date of conclusion of the Financing Agreement, with the exception of cases listed under Article 189(2) of the Financial Regulation
Final date for operational implementation	6 years following the conclusion of the Financing Agreement
Final date for implementing the Financing Agreement (date by which this programme should be de-committed and closed)	12 years following the conclusion of the Financing Agreement

Policy objectives / Markers (DAC form)			
General policy objective	Not targeted	Significant objective	Main objective
Participation development/good governance	<input type="checkbox"/>	X	<input type="checkbox"/>
Aid to environment	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Gender equality (including Women In Development)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Trade Development	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reproductive, Maternal, New born and child health	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
RIO Convention markers	Not targeted	Significant objective	Main objective
Biological diversity	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Combat desertification	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Climate change mitigation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Climate change adaptation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

1. RATIONALE

PROBLEM AND STAKEHOLDER ANALYSIS

The Balkan region is a transit region for illegal migration, smuggling of drugs, weapons and other commodities, combating these cross borders crimes needs to be further improved. Serbia has proposed measures to improve the protection of external borders through more intensive operational cooperation with its neighbors countries including through steps to effectively prevent cross-border traffic through alternative roads. In this framework, Serbia needs to establish effective border control, to develop a robust risk analysis capacity, to increase the use of technical surveillance means and to conduct joint surveillance and control activities with all its neighbours. Operational co-operation with FRONTEX needs to continue and to be intensified.

An Integrated Border Management (IBM) system is an essential requirement for internal security and the maintenance of the Rule of Law (RoL). As such, it is part of various ongoing sectoral reforms in Serbia and forms an important part of Serbia's European Union (EU) accession perspective. This vital role of IBM is strongly reiterated in the EC's Enlargement Strategy from October 2014, where RoL is explicitly referred to as one of the three fundamental pillars of the enlargement process.. It is identified as an area that needs to be systematically addressed early on in the accession process. IBM is an integral part of the acquis accession Chapter 24 which concerns the fields of justice, freedom and security. It is also closely linked and directly impacts specific accession negotiation chapters such as justice and fundamental rights (Chapter 23) and customs (Chapter 29). Focusing the Sector Reform Contract (SRC) on IBM is in line with the common challenges related to managing migration, which has been included in the EU agenda for the next five years as one of the ten political priorities of the Commission.

The IBM concept provides a model for border management which is important for safeguarding national security, for preventing irregular immigration, cross-border crime and for insuring smooth border crossings for legitimate travellers. The dimensions of border management are: border control including relevant risk analysis and crime intelligence, detection and investigation of cross border crime, inter-agency cooperation for border management and international cooperation.

The current Integrated Border Management (IBM) in Serbia is not yet entirely in line with the EU concept on IBM. Serbia needs to amend its IBM and to bring it in line with the EU concept (e.g. including the four-tier access control model and providing the Border Police's with adequate enforcement competences). Particular attention should be paid in ensuring smooth inter-agency cooperation at the border and to building institutional, operational, technical capacities along with adequate staff training.

Since 2006, Serbia has been implementing an IBM Strategy, which was revised in 2012. The Action Plan (AP) was drafted by June 2010 for Strategy implementation with timelines; however, it has not been adopted. The implementation of the IBM Strategy adopted in 2012 has left much to be desired, in particular with insufficient quality monitoring and evaluation (M&E), inadequate funding resources for the AP activities and insufficient coordination and reporting mechanisms. The establishment of a functioning coordination mechanism and the use of an efficient monitoring and evaluation mechanism to assess the impact and results of the reform will need to be ensured throughout the implementation of the strategy.

Starting from 2005, various reforms have been ongoing within the Ministry of Interior, including work to attain visa liberalisation and demilitarisation of border surveillance. Work towards harmonisation with EU acquis begun with the Law on Police, Law on state border protection, Law on foreigners, Asylum Law, Law on travel documents and Law on Identification cards.

By implementing the Strategy, the Republic of Serbia has made a significant progress in harmonising its national legislation with the EU acquis.

A revised strategy for the period 2016-2020 has been adopted in 2016, as well as the related action plan. The Strategy finds its basis in the Action plan for Chapter 24, which has been prepared by the

Government of Serbia in the course of 2015, and adopted on 27 April 2016. It is the key strategic document defining the priorities in this field. The action plan includes, differently from the previous one: clear deadlines for implementation of the activities in line with the deadlines included in the Action Plan for Chapter 24; a more realistic costing of the activities and related sources of funding; improved quality of indicators, including the targets to be achieved.

Four areas need particular attention in the implementation of the reform in the coming years: intra-agency, inter-agency and international cooperation; detection of Cross-border Crime; institutional, operational and technical capacities of the border agencies; and detection of irregular migration.

A) Intra-agency, Inter-agency and International cooperation

Through the implementation of the previous strategy, improvements of the institutional capacities of the ministries and authorities involved have been achieved. The institutional capacity was strengthened through the establishment of the Risk Analysis Unit, the Asylum Office and the Central mobile unit. Various trainings were conducted for border police staff. Furthermore, the border police level of technical equipment was to some extent increased (video surveillance system for some Border Crossing Points (BCPs), field vehicles for control of entry of irregular migrants). Work on risk analysis has been improved through the introduction of the software MODEL CIRAM 2. In the area of international cooperation, Common Contact Centres were established with all neighbouring countries, except with Romania. One trilateral Common Contact Centre was established in Trebinje, for Bosnia and Herzegovina, Montenegro and Serbia. Joint/Mixed patrols are conducted with all neighbouring countries except with Romania and Croatia. Joint location border crossing were opened between Hungary and Serbia (2 – Backi Vinogradi and Horgos 2).

As far as inter agencies cooperation is concerned, at local and regional level, regular meetings are held at monthly basis and ad hoc Operational working groups meetings are also held. However, the current IBM coordination mechanism is not functioning effectively, and there are no Standard Operating Procedures in place. Moreover the IBM Central Level Coordination Body (members are Ministers of IBM relevant authorities) does not meet on regular basis as planned, while the Operational Sector Working Group (SWG) for coordination (members are the heads of IBM related border services) is fully operational.

Despite all the steps done, a number of challenges still need to be addressed in order to have an efficient coordination at all levels: lack of clear management of responsibilities for BCP premises at the border (maintenance, heating, electricity etc.); lack of adequate resources for border agencies (proper premises, human resources (HR), equipment, training) if compared to their tasks and as an obstacle to sufficient development of IBM ; lack of procedures and adequate response to the corruption element, in the evidence of the existence of irregularities; unclear division of tasks between different border agencies; insufficient inter-agency cooperation concerning all fields of IBM (i.e. risk analysis, using databases and joint investigation groups, either specifying or delete etc etc.); lack of clear definition of of responsible authorities and supporting authorities concerning each task among the border agencies.

It is also especially important to establish procedures for dealing with all types of emergency situations (such as fires, floods, earthquakes, plants, animals and human health), especially when it comes to the need for joint action over the service and cooperation with border services of neighbouring countries.

These challenges will be tackled through the new IBM strategy and the SRC will contribute to it

B) Detection of Cross-border Crime

Serbia is geo-positioned on the so-called Balkan route, used by criminals for smuggling of drugs, weapons, explosives, ammunition, goods, animals, as well as hazardous chemical and biological substances across the borders and posing the risk for national and international security. More concretely, during the 2016 terrorist attack in Paris, some of the weapons used in that attack had been smuggled from the Balkans to the European Union.

The 2015 EC's Annual Report for Serbia indicates that Serbia made some progress in the fight against terrorism and drugs. The total amount of heroin seized in 2014 in Serbia (193 kg) was 3.4 times the

amount seized in 2013 (56.6 kg). However, Serbia still needs to establish a track record of proactive investigations against organised crime and smuggling of people, whilst a central criminal intelligence system is yet to be set up in order to fight crime more efficiently and effectively.

In 2015, the Serbian police filed 759 criminal complaints (277 in 2014) against 1.127 suspects relating to the commitment of 843 criminal offences of smuggling people (illegal crossing of the state border and smuggling of people in line with the article no. 350 of the Serbian Criminal Code). In comparison to 2014, there were 2.7 times more criminal offences compared to 2015. As regards criminal offences related to trafficking of human beings (THB), the Serbian Police filed 15 criminal complaints in 2015 which identified 32 victims.

Besides smuggling of irregular migrants and THB, the Serbian Police and other border authorities have been fighting other types of cross-border crime. . In this context, the so-called “Balkan route” via South-Eastern Europe is possibly the most important heroin trafficking route of all towards the EU. Opiate trafficking on the Balkan route works as a system exploiting the vulnerabilities of the countries composing the network, thus cooperation in law enforcement among the countries, counter-actions and data collection are a key factor in the fight against drug trafficking. The total value of illicit heroin and opium trafficked from Afghanistan to Western Europe through the Balkans amounts to approximately EUR 26 billion every year. In recent years, Serbia has achieved some significant results in fighting illicit drugs and other cross-border crimes, both by the detection and confiscation of illicit drugs at the Serbian borders, as well as in dismantling some notorious global criminal networks, engaged in smuggling drugs and other cross-border crime.

Combating cross border crime is a Serbian responsibility shared with the EU which is also calling for further action. More than ever, it is needed to face evolving security challenges, notably the threat raised by terrorism and violent radicalisation fuelled by conflicts and instability in the neighbourhood. In order to enhance suppression of cross border crime and irregular immigration, a mechanism for the efficient risk analysis has to be established, as well as a risk communication mechanism and an early warning system (intra-agency and inter-agency). The present SRC will be used for the achievement of this aim.

Fighting cross-border crime is a law enforcement activity connected with unpredictable crime trends. Thus, despite more effective and efficient detection of cross-border crime, this might not necessarily and automatically lead to an increase of detected cross-border crimes, seized amounts of drugs or goods. Nevertheless, Serbia will enhance its fight against cross-border crime through an increased cooperation with the partnering law enforcement agencies such as EUROPOL, FRONTEX, neighbouring countries and other national and international law enforcement agencies.

Whilst the Border Police is in charge for investigating trafficking in human beings (THB) and smuggling of irregular immigrants committed by individual perpetrators, the Criminal Police is in charge for investigating of THB and smuggling or irregular immigrants cases committed by organised criminal groups and for investigating other cross-border crimes. Furthermore, in the context of IBM, the Customs and Phytosanitary and Veterinary inspection is responsible for detection of specific crimes such as smuggling of goods, animals, hazardous chemical and biological substances which might be used for bio-terrorism and for the prevention of transmission of contagious diseases

The Sector Reform Contract will contribute to support Serbia in its efforts to address threats to the internal security, to enhance efforts to crack down on organised crime, corruption, terrorism and emerging threats, in order to help to protect its citizens and EU citizens while remaining open to the world.

C)) Institutional, operational and technical capacities of the border agencies

Currently, telecommunication infrastructure and equipment in the border area does not meet the real needs for the efficient operation of border services, terms of both in access to networks and transmission capacity. The existing radio-telephone systems are outdated and cannot work to support border security. Poor telecommunication infrastructure is a bottleneck and an obstacle to any serious IT modernization of border crossings. The existing technical capacities hamper more efficient border control.

One of the conditions for successful communication and exchange of information is the application of modern information and telecommunication equipment. The introduction of interconnected and compatible information systems of border services would ensure more efficient performance of tasks.

Infrastructure at border crossings on the old boundaries is generally in good condition and provides relatively good working conditions. Infrastructure at border crossing points (BCPs) on the borders of the former Yugoslav Republics is in unsatisfactory condition, and at a number of crossing points there is no infrastructure, electricity, telephone lines, water, sewage, etc.

The lack of adequate infrastructure at border crossings makes the work of border services difficult. However, despite this lack there are no clearly defined common infrastructure needs, maintenance plans, as well as solutions in terms of ownership. It is necessary to provide appropriate standardized infrastructure necessary for the operation of all services placed at the border.

The size and complexity of the tasks performed at the border have led to the fact that the procedures governing the operation of customs, border and criminal police, phytosanitary and veterinary control are numerous, complex and often insufficiently clear to people outside of these services. Border services staff is insufficiently trained in various border areas and there is lack of knowledge regarding specific kind of duties. The existing operational and technical capacities hamper more efficient border control, and their improvement will be supported through this SRC.

D) Detection of Irregular Migration

In recent period, Serbia faced the situation of the complex migration flow in which refugees and asylum seekers travelled together with economic migrants, trafficked persons, using the same routes and means of transportation. The volume of mixed migration increased dramatically in 2014 and 2015. In 2015, 599,033 irregular immigrants were detected in Serbia which is 25.6 times more as in 2014 (23,373 irregular immigrants). This posed an unprecedented challenge to the Serbian Authorities.

Most of the cases of illegal entry were detected at the common border with the Former Yugoslav Republic of Macedonia, where Serbian border guards detected 98 % of the total number of irregular entries. The main modus operandi of the irregular border crossing in 2015 was illegal trespassing of the state border between the BCPs, mostly at the green border where 35,530 irregular immigrants were detected.

Additionally, 1,068 irregular immigrants were detected at the BCPs using forged or falsified travel documents or evading border check at the BCPs (hidden in trucks, etc.). In order to perform border surveillance more efficiently, the Serbian Border Police aim to increase the community-based border management in order to build trust, cooperative behaviour, inclusiveness and openness with the borderland communities as well as to efficiently implement the readmission agreements.

Serbia is located on the route of secondary movements between EU Member States and between different areas of the Schengen space: given this peculiar situation Serbia needs to strengthen even more its cooperation on detecting irregular migration with the neighbouring countries and with the specialised EU authorities.

With the support of the SRC, Serbia envisages to better detect irregular migration and detect migration related cross-border crime such as smuggling of irregular migrants, trafficking of human beings and detection of counterfeit travel documents as well as ensure better-controlled borders, better profiling and better detection of suspicious persons presenting a potential threat to the national or international security. Nonetheless, the Border Police is to attempt to increase the number of detected irregular immigrants, cases of forged documents, drugs, imported stolen used motor vehicles, weapons, however, it should be noted that an increase or decrease also depends on the external factors beyond the Border Police (e.g. the unpredictable migration situation, decreased immigration flows due to measures undertaken in other countries, etc.).

Key stakeholders

The main stakeholders involved in the IBM reform implementation within the Government of Serbia (GoS) are the Ministry of Interior (MoI) - General Police Directorate as a whole (the Border (BPD) and Criminal (CPD) Police Directorates); Ministry of Finance (MoF) - the Customs Administration;

Ministry of Agriculture & Environmental Protection's (MAEP's) - Plant Protection Directorate (Department for Border Phyto-sanitary Inspection), and the Veterinary Directorate, Department of Border Veterinary Inspection.

All these entities have been involved in the drafting of the SRC and are the principal institutional stakeholders responsible for the management and implementation of this SRC. Involved also are the Serbian European Integration Office (SEIO). Independent bodies are also among the stakeholders, especially with regard to the objective of improving accountability and transparency of border management. Civil society organisations have been involved in the preparation of the SRC through the sector working groups coordinated by SEIO, and will be relevant in the phases of implementation, in particular concerning sensitive issues such as trafficking of human beings and support for persons victims of trafficking of migrants.

During the development of this document, the *Guidelines for IBM in European Commission External Cooperation* as well as the new **EC Regulation on the European Border and Coast Guard**, adopted on 21st June 2016 were taken into consideration.

RELEVANCE WITH THE IPA II STRATEGY PAPER AND OTHER KEY REFERENCES

The general objective and the expected results of this SRC are directly related to the priorities defined within the **EC Enlargement Strategy and Main Challenges 2014-2015**. It lists key issues under the Rule of Law, all of which are addressed under this programme. It states that the Rule of Law is a fundamental value of the EU and is at the heart of the accession process. Countries aspiring to join the EU need to establish and promote from an early stage the proper functioning of the core institutions necessary for securing the RoL.

The **EC Enlargement Strategy and Main Challenges 2014-2015** explicitly lists the following key issues, all of which are addressed under this programme: operational cooperation with the relevant European agencies - in particular EUROPOL (EU's Law Enforcement Agency), EUROJUST (EU's Judicial Cooperation Unit) and Frontex (the European Agency for the Management of Operational Cooperation at the External Borders of the Member States of the EU). Regional and international cooperation is also necessary to combat the cross-border nature of many criminal activities and organised crime groups. The Western Balkans have been seriously affected by the refugee crisis and increased cooperation with the wider region is urgently required to address this phenomenon, in order to identify people in need of protection, to provide assistance, to secure the EU's external borders and to dismantle criminal networks engaged in people smuggling.

According to the **IPA II Indicative Strategy Paper (ISP) for Serbia**, as listed under the RoL and Fundamental Rights section, assistance pertaining to the Home Affairs (HA) sub-sector via the SRC is to be focussed on:

- Integrated Border Management (IBM) – this approach is implemented with improved facilities and strengthened cross-border and inter-agency coordination between border and criminal police, customs, and phytosanitary and veterinary services, and improved risk assessment, data collection and databases systems;
- Migration - especially irregular migration, is efficiently managed, while regular migrants are integrated into the society, in line with EU requirements.

Furthermore, the **EC Annual Report for Serbia for 2015**, in the field of border management, notes that “Serbia continued to improve infrastructure and equipment at BCPs. In January a risk analysis unit was set up in the BPD with a total projected staff of 14 (currently 12). It remains to be adequately staffed to become operational. In March, a new head of the BPD was appointed, after an eight-month gap. Coordination between various border agencies needs to be improved. A new IBM Strategy, in line with the EU concept, remains to be adopted. Measures to prevent corruption include shift rotations of border police officers carrying out border checks and border surveillance.

Serbia intensified its regional cooperation on border management. However, these efforts were overshadowed by the very sharp increase in the flows of third country nationals transiting through the region.” As part of the dialogue on the implementation of the IBM protocol, Serbian authorities are cooperating on technical activities related to setting up the IBM system, but continuing and improved coordination, cooperation and liaison (CCL) is required with neighbouring countries and reported on regularly to the senior SWGs as an M&E process; current outstanding issues unknown. Importantly, “Serbia continues to cooperate actively with Frontex”.

The **Guidelines for IBM in European Commission External Cooperation** are the key reference for the development of support to IBM to third countries, explaining the concept of IBM as it is applied within the EU. Chapter 3 briefly introduces the three “pillars” of IBM: intraservice, inter-agency and international cooperation and coordination. Chapter 4 presents the main agencies in the field of IBM: agencies in charge of border surveillance, agencies in charge of border checks, customs agencies, and the agencies in charge of inspection of plants and plant products, inspection of live animals and products of animal origin and inspection of food and feed of non-animal origin respectively, as well as agencies in charge of human health checks. The essence of the Guidelines, i.e. the concept of IBM – cooperation and coordination in practice – is outlined in chapters 5, 6 and 7. Important cross-cutting issues have been included in the chapters following the three pillars. Chapters 8 and 9 illustrate asylum and visa management in the context of IBM. Risk analysis and information management, which are relevant to each of the three IBM pillars, are dealt with in Chapter 10, and Chapter 11 highlights connections between anti-corruption measures and IBM. The last part of the Guidelines, Chapter 12, describes how to develop a national IBM strategy and action plan for cooperation and it includes forms and templates. A subchapter on evaluation and review adds information on how best to monitor the implementation process. The key principles of the Guidelines are reflected in the IBM Strategy and AP of the Republic of Serbia, and are reflected in this Sector Reform Contract.

One of the key strategic documents of the GoS listing the accession negotiation priorities is the National Programme of Adoption of the EU acquis (**NPAA**) for period 2014-2018 that has been adopted in July 2014. The NPAA presents well -prepared information on planned reforms towards EU accession on a short and medium term basis. The document is revised every year, taking into account the EC Progress reports’ findings and possible updates of the EU acquis. The document outlines the detailed plan of normative and institution building activities and reform processes targeted by the term which will be set as the deadline for attaining full internal readiness for the accession.

These above-mentioned priorities are also duly reflected in the **Stabilisation and Association Agreement (SAA)** and the GoS Document on **National Priorities for International Assistance 2014 – 2017 with projections until 2020 – the Needs Assessment Document (NAD)**.

SECTOR BUDGET SUPPORT READINESS

Macro-Economic Stability

Serbia's economic situation remains stable. The fiscal deficit fell to 3.7% in 2015 (from 6.7% in 2014) and public debt (including guarantees) represented 75.5% of GDP as at December 2015 (71% as at December 2014). The GoS has since been struggling to re-establish macro-economic stability. Despite good performance in the manufacturing and service sectors, the current account deficit remains high at approximately 6% (2014), but is expected to decrease to approximately 4.3% on average in the 2016-18 period. The 2014 figure was largely as a consequence of a substantial downturn in remittances (-13%); Foreign Direct Investment financed two thirds of the current account deficit. However, in 2015, this deficit is expected to be lower due to a decreased trade deficit, and increased remittances and Foreign Direct Investment (FDI). Inflation remains under control (2% in 2014), and unemployment remains persistently high (18.8% Q4 2014) but with a decline in the unemployment rate.

For future forecasting, the GDP projections and related indicators have been adjusted downwards for the period 2015-2017. Economic growth is expected to be modest while ambitious fiscal consolidation and structural reforms are seen as contributing to reducing macroeconomic imbalances. The authorities have already taken important steps to start implementing recommended reforms. They have frontloaded strong fiscal consolidation measures, including pension and public sector wage cuts. In

this context, the International Monetary Fund (IMF) programme approved in February 2015 of €1.122billion and the negotiations undergoing within this context with the GoS provide useful information on possible new spending cuts and stronger fiscal consolidation. A number of austerity measures have been introduced: The GoS will no longer issue new guarantees to State Owned Enterprises (SOEs); and legislation was introduced in 2014 cutting salaries in the public sector (-10%) and pensions (-10%), establishing maxima for public salaries and limiting the number of contract employees to 10% of the total staff.

Public Financial Management

The entry point for the PFM eligibility has been met. Serbia adopted in November 2015 a PFM reform (PFMR) programme for the period 2016-20. The Commission services have closely supported the Serbian authorities in the process of preparing the programme in order to ensure that the final programme can be considered **relevant and credible**.

The process was part of the policy dialogue in preparation of the IPA 2015 Sector reform contract in the fields of Public administration reform and public finance management. The first report on implementation of the PFM reform programme covering the period December 2015 – June 2016 is expected to be adopted by the Government in October 2016.

The work on the PFM reform strategy, but also the 2015 Public Expenditures Framework Assessment (PEFA) and 2015 SIGMA Baseline assessments, showed that the government policy needs to be planned in a more co-ordinated manner and clearer links need to be established between the existing planning documents, e.g. the Government Annual Work Plan and the Fiscal Strategy. Medium-term planning needs to be strengthened so that revenue (and hence, expenditure) forecasts are more accurate and policy priorities linked to budgetary allocations. At present, there is no institutionalised mechanism for transforming political policy priorities into public expenditure priorities through strategic and policy-based budgeting. The strategic planning system requires greater coherence, at sector and sub-sector levels, where priorities are those of government rather than reflecting donor preferences. The recent PFM Reform Programme 2016-20, provides an overall framework for PFM reform, which attempts to link the various sub-systems, and covers medium term planning and forecasting, budget preparation, budget execution, financial control (PIFC and IA), accounting, monitoring and reporting and external scrutiny. The PFM programme links, therefore, several sub-sector strategies already in place or in the process of revision. These strategies include a tax administration policy, a debt management strategy, a new Public Internal Financial Controls (PIFC) strategy and an AP for 2015-2019 and the strategy and an AP for the development of the public procurement (PP) system for 2014-2018.

The PFM Reform Programme is a relevant response to the pressing reform needs of the PFM sector, as identified by IFI's, PEFA, SIGMA and other assessments, and addresses the key weaknesses within the system.

Budget oversight and transparency

The entry point for the eligibility on budget transparency and oversight is considered to be met. The Budget Law for 2016, with projections for 2017 and 2018, was produced through a substantive and lengthy consultation process involving all relevant stakeholders, and taking into account the priorities of the line institutions through the priority areas of action, defined in a programmatic manner. It is based on the previously adopted fiscal strategy for the mid-term period, which is also the product of extensive public consultations. The Budget Law is transparent and was published in December 2015 in the Official Gazette of Serbia on the Parliament and the Ministry of Finance web sites. The issues of budget transparency and openness are part of the recently adopted PFM reform programme, under the principles of responsibility, transparency and accountability. However, there is still room for improvement. In particular, enhancing the Parliament and the Supreme Audit Institution's (SAI's) work, and the Open Budget Index (OBI) shows the need to further pursue the programme-based budgeting and introduce Fiscal Impact Assessments. It is also indicative that the 2015 SIGMA baseline assessment gave a critical picture of budget transparency for Serbia. Improvement of budget transparency links to accountability of administration and is an important aspect of the future PFM reform programme.

In this context, it is indicative that Serbia has improved significantly in the **Open Budget Index (OBI)** rankings in the last two measurements: from a score of 39/100 in 2012, Serbia improved to 47/100 in 2015. Despite the not very high score, it compares favourably with the scores of countries in the region (Slovenia 68, Croatia 53, Bosnia and Herzegovina 43, and Albania 38 and the Former Yugoslav Republic of Macedonia 35). The results indicate that the government provides the public with minimal information on the national budget and financial activities during the course of the budget year. The GoS produces five (5) of the eight (8) required documents, and although the overall score has improved compared to 2012, the following elements are still of concern: the quality and comprehensiveness of the information contained in the documents produced; the consultative processes; and the quality of budget control by the legislature and weaknesses in multi-annual budget planning. The process of policy planning in PFM should lead to concrete improvements of these areas in the next mid-term period.

Sector Policy

In the area of border management, the Law on State Border Protection is being implemented and a Cooperation Agreement between the ministries involved in border management was signed in February 2009. Since 2006, Serbia has been implementing an IBM Strategy (revised in 2012) which was considered not in line with the EU IBM concept.

A new IBM strategy has been adopted in 2016. The strategy is in line with the EU IBM Concept from 2006 and takes into account the Guidelines for IBM in European Commission External Cooperation, and was built on the previous IBM strategy. The revision of the Strategy was done in close consultation with the relevant stakeholders including civil society.

The overall goal of the Strategy is to improve the efficiency and effectiveness of border management, to strengthen of cooperation at all levels and to enhance the administrative, infrastructural and technical capacity of the main agencies at the border. The specific goals of the strategy have been identified within the defined dimensions of integrated border management and they are aimed at ensuring comprehensive and efficient safety and security of movement of citizens and goods through the borders as well as securing efficient functioning of IBM, in line with EU standards and recommendations.

Areas of common interests to all border agencies will be developed and managed through capacity building, infrastructure, equipment and information technology and telecommunications systems. It is expected that the new strategy will establish a n improved coordination mechanisms, as well as a more robust performance assessment framework.

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

The new Strategy is in line with the priorities in both the Action plans for the achievement of the priorities under the acquis negotiation Chapter 24 and Chapter 23, which covers, among other issues, the area of fight against corruption. The issue of standard operating procedures and the prevention of corruption, but also the existence of repressive measures in the occurrence of corruption will be an important aspect tackled in the Action plan, and also supported through this Sector reform contract.

LESSONS LEARNED, LINK TO PREVIOUS/OTHER FINANCIAL ASSISTANCE AND INTERVENTIONS BY OTHER COOPERATION PARTNERS

Thanks to investments made through national funds and international assistance, Serbia improved infrastructure and equipment at BCPs. Within the MoI, an information system for the border control, with the use of the automatic document reading, has been developed and operates at the border crossings. All major BCPs are technically equipped (passport scanners, licence plates cameras, video surveillance and fingerprint scanners) but further modernisation of equipment at BCPs (including smaller BCPs), connection to the Interpol database and more training of staff is needed. Border traffic across alternative roads, in particular with Bosnia and Herzegovina, is an issue that needs to be urgently addressed while there are still needs to improve interconnectivity between the databases and biometric devices (in both directions) to support the operations of the Border Police.

The capacity development of the different institutions in IBM sub-sector have been strengthened through the application of national targeted funds, but also, to an important extent, through the institutional building strand under IPA I. Although administration is faced with the fluctuation of staff, low salaries, numerous institutional changes, lack of adequate regulation, important developments have been taking place in recent years, which will allow for a more stable environment. Capacities have also been developed in the past period for the implementation of EU assistance within the IBM relevant institutions, including establishment of staff for IPA management, which deal with the EU funded programmes.

As there have been a considerable number of interventions through development assistance in the respective sub-sector on IBM, there are several important key messages and lessons learnt for the more successful implementation of future sub-sector measures. They can be summarized as follows:

- given the complexity of the sub-sector scope and the underlying institutional setup – the number and the variety of border agencies which are the carriers of sub-sector policy - the success of any intervention is directly proportionate to the extent of readiness of institutions to cooperate, share and exchange information; and
- availability of up-to-date sub-sector assessments and targeted analyses is essential as well as the awareness of sector stakeholders of the data and statistics contained therein.

A number of evaluations were conducted which provided information on effectiveness of IPA and development assistance in relevant sectors in the past period and drawing conclusions and recommendations for the future planning of assistance. They include:

- EC funded evaluations of assistance implemented and financed by IPA programmes and other donors in the Republic of Serbia (RoS) per sector;
- IPA Interim Evaluations and meta- evaluation of IPA assistance, funded by the EC; and
- Evaluation of Effectiveness and Efficiency of Development Assistance to the RoS per sector in the period 2007- 2011, initiated by SEIO and implemented with the SIDA support.

Also, the EC has finalised a project titled “Monitoring and Evaluation Capacity Building in Western Balkans and Turkey”, implemented by the WB, in order to assist the beneficiary countries in strengthening capacities in monitoring and evaluation, with a focus on defining the performance indicators on the sector level. The inputs from this programme have been used in the context of the Public policies Secretariat, and the implementation of robust monitoring and reporting frameworks at central government level is one of the priorities under the IPA 2015 Public administration reform Sector reform contract.

In relation to SRCs, the first Sector Budget Support (SBS) intervention shall be provided through IPA 2015 funding in the sector of public administration reform (PAR) to improve efficiency, accountability and transparency of public administration and the quality of service delivery and management of public finances by supporting the implementation of a PAR strategy and AP and PFMR programme. Lessons learned and best practices during the PAR SRC preparation have been used in the process of preparation of the IBM SRC. Furthermore, results planned to be achieved through the PAR SBS intervention - particularly those related to: improvement of organisation and functions of the central government administration; improvement of public policy development and coordination; improvement of merit-based HR management (HRM) system within the public service; and improvement of the management of public finances - will significantly contribute to meeting SBS preconditions and then fulfilling requirements for fixed tranches for the IBM SRC. Finally, under the IPA 2016 programme, a second SRC for the sector of education will take place, in the same timeframe as the present one. The capacities of the Ministry of Finance to ensure the smooth implementation of all SRCs under IPA will be strengthened through the complementary assistance planned under the PAR sector SRC.

2. INTERVENTION LOGIC

DESCRIPTION OF OBJECTIVES, MAIN ACTIVITIES AND EXPECTED RESULTS

The **overall objective** of this Sector Reform Contract (SRC) is to assist the Government of Serbia (GoS) in its efforts to have borders open for free movement of people and goods, but well controlled and secured from any illegal activities.

The **specific objectives** of the programme are:

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

The implementation of this programme will contribute directly to meeting of the objectives defined in the new **IBM Strategy** and **IBM AP**.

At the **impact level**, the SRC will be contributing to the overall objective of the IBM strategy, of having borders open for free movement of people and goods, but well controlled and secured from any illegal activities. The Sector reform contract will also contribute to the alignment of the Serbian IBM system to the EU standards and the achievement of the Chapter 24 requirements in this area, the better detection and deterring of all types of cross-border crime, and the better management of migration flows.

At the **outcome level**, the SRC will be supporting the key pillars of the new IBM strategy which includes the above mentioned specific pillars related to better cooperation and exchange of information, improvement of detection of cross-border crime, tighter border controls, and improvement of detection of irregular migration at the borders.

At **induced output level**, the implementation of this programme will result in the amendment and harmonisation of some laws and regulations with the EU acquis, increased capacity building through performance of a number of specialised and joint IBM training courses, increased border surveillance at the land borders, increased number of joint intra-agency activities as well as improved inter-agency and international cooperation. In particular, the induced outputs are:

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

At the **direct output level** the programme introduces a strengthened framework for coordination and dialogue between the different stakeholders, as well as a system for reporting results and processes. This creates space for better engagement of sector expertise in the country and aims to enhance the functioning and accountability of the sector governance.

Under the variable tranches, the programme follows key indicators of the sector strategy. The first year indicators consist mostly of process and output level indicators, in preparation for measuring the outcomes. These indicators are introduced to follow progress with regard to improved professionalism and capacity of the IBM institutions/services and increase in inter-agency and international cooperation.

Details on the **specific objectives and results** of the programme:

1. Better intra-agency, inter-agency and international cooperation, coordination and liaison and exchange of information

- The IBM coordinating structures better able to implement the IBM Strategy and AP.

- The coordination mechanisms within each agency improved
- International cooperation in border management strengthened to better manage irregular migration and fight cross-border crime.

2. More effective detection of cross-border crime

- Better detection of smuggling of drugs, weapons, explosives, ammunition, goods, animals, as well as hazardous chemical and biological substances across the borders
- Investigating trafficking in human beings (THB) and smuggling of irregular immigrants committed by individual perpetrators and organised criminal groups strengthened.
- Investigating other cross-border crimes strengthened.

3. Increase in the institutional and operational (technical) capacity of the border agencies to perform border checks and border surveillance.

- More skilled and professional border staff in line with the EU standards and best practices facilitates the movement of goods and travellers across the borders.
- Adaptation of the training curricula and specialized training courses (risk analysis, EU acquis, etc.).
- Border facilities modernised contributing to the trade facilitation and facilitated movement across the borders.

4. More effective prevention of irregular migration

- Improved detection of irregular migration at the BCPs.
- Improved profiling of irregular migrants
- Alignment of the system of referral of irregular migrants stating intention to seek asylum in Serbia at the BCPs to the EU requirements

At the level of **direct outputs**, the Sector Reform Contract will directly contribute to:

- Improve the financial space of the Government in pursuing the objectives of the IBM reform and their implementation
- Enhance the policy dialogue with the Government of Serbia in the IBM reform in line with EU requirements
- Reinforce the Government's institutional capacities to implement the IBM reform
- Strengthen the dialogue with other donors and the Government of Serbia in view of streamlining the reporting duties of Serbia and avoid overlaps in the assistance provided
- Strengthen the monitoring and evaluation systems for the IBM sector

COMPLEMENTARY SUPPORT

With regard to complementary support, activities will largely focus upon strengthening the institutional and HR capacities of the principal stakeholders, the MOI (Border and Criminal Police, and internal entities supporting them), the MoF (limited to Customs, but including avoidance of any duplication or overlap with PAR/MOF) and the MAEP (in particular, the Border Inspectorates of Phytosanitary and Veterinary, and internal entities supporting them), to drive, coordinate and monitor the IBM system reform agenda. The details of these activities are provided in the later section, titled Implementation Methods and Types of Financing (Pg. 20), but the support will be strictly for institutional strengthening and capacity building (ISCB) related to driving the overall reform, including the changes that are required to the AP under the Strategy for IBM, its mid-term review (MTR) and revision, the improving of M&E frameworks, including the statistical and other data collection and analytical work for the development of better indicators and information, including cross-cutting aspects.

RISK MANAGEMENT FRAMEWORK

When assessed against the 44 questions in the Risk Management Framework Questionnaire, Serbia scores particularly well regarding Criterion 1: Political Risks (Universal values, fundamental rights, insecurity and conflict). That said, there are remaining concerns regarding the independence of the judiciary, and the risk of political interference and corruption. There are also question marks over the impartiality of the judges and prosecutors, the inconsistent application of “conflict of interest” rules and the Code of Ethics for the judiciary, and respect for the full exercise of freedom of expression, bloggers and journalists. The previous progress in tackling social exclusion and addressing the situation of the Roma, persons with disabilities, refugees and internally displaced persons (IDPs) needs to be continued. Mitigation measures in this field include the implementation of the AP for the EU acquis Chapter 23, where the GoS has stated the key priorities for the improvement of the situation and the achievement of EU standards in RoL, fight against corruption and fundamental rights. These measures will be closely monitored by the EC, and their achievement is the closing benchmark for this negotiation Chapter.

As noted previously, Serbia remains exposed to significant macro-economic risks. The GoS has embarked upon a series of structural reforms, taken steps toward fiscal consolidation, and committed itself to address the long-standing issue of underperforming State Owned Enterprises (SOEs). The risk assessment shows that the country’s public debt levels remain high and its gross financing needs are a challenge. Mitigation measures include the development and the implementation of the comprehensive national Economic Reform Programme (ERP) and its close monitoring by the EC. The ERP contains the mid-term framework for the reforms which need to take place. Furthermore, the implementation of the fiscal consolidation programme agreed with the IMF as part of the stand-by arrangement is an important mitigation measure, which is closely monitored through the IMF reports, and which has already been achieving important results in terms of the fiscal consolidation.

The assessment of the developmental risks, based on the Country Progress Report, Screening Reports, and OECD-SIGMA reports, is “moderate”. There is consensus that the country is firmly committed to EU accession. There are some criticisms of the accuracy of the medium-term fiscal framework (MTFF), the lack of progress in the areas of environment and climate change, and little movement with regard to social policy and employment issues. The process of the negotiations over the thirty-five (35) EU aquis negotiation chapters will be an important source of information on the development of Serbia, measurable through the process of the opening and closing of the chapters. Migration continues to be a source of possible risks, in particular the influx of migrants transiting the country on their way to EU member states. The present SRC will support the development of the appropriate capacities for the Serbian authorities to be able to handle the influx with efficiency and due attention to the observance of the international standards.

Serbia scores 50.24 on the Worldwide Governance Indicator, placing it in the “moderate risk” category. The GoS’s target, set out in the PAR Strategy and AP is to attain 50.24-52 in 2017 and 52-55 in 2020. These are realistic goals and ought to be achievable if the GoS implements the measures foreseen in the strategy and AP. The risk assessment of PFM was undertaken in advance of the results

of the PEFA 2015. The resultant rating is of low to moderate for all risks with the exception of tax assessment, collection and transfer, which are judged to be “substantial”. Risk mitigation includes the implementation of the PFMR programme, which has been drafted and will be adopted before the end of 2015, and which will address the shortcomings identified in the PEFA report. Technical Assistance (TA) provided as complementary measures to the 2015 Sector reform contract for Public administration reform will help the relevant institutions generate the required capacity to ensure the reform process is effective and sustainable. The Chapter 32 negotiations, but also other EU aquis chapters, will be an important source of policy dialogue and follow-up on these issues.

The perceived level of corruption in Serbia is “moderate”. Serbia scored 50.7 on the WB Governance Indicator on Corruption. Corruption in Serbia is prevalent in many areas of public life and continues to be a serious cause of concern. However, the general framework for the fight against corruption is broadly in place. The Anti-Corruption Strategy (2013) and AP, as well as the AP for Chapter 23 of the aquis, provide an adequate framework for addressing a number of these problems. This Sector reform contract will support the anticorruption prevention and repression measures related to IBM, in particular in the fields of standard operating procedures of the border control and customs.

3. IMPLEMENTATION ARRANGEMENTS

ROLES, RESPONSIBILITIES AND POLICY DIALOGUE

The sector lead institution for the Home Affairs sub-sector is the MoI; it has been at the forefront of the inclusion of relevant institutions and bodies in the elaboration of the sector policies on security and safety policies, crime prevention and protection, and it covers policies related to protection of citizens and the communities; fight against organised crime which includes cybercrime, drugs trafficking, money laundering and terrorism and financing terrorism; THB; border management and control including migration and asylum; and protection of the human rights of refugees and internally displaced persons (IDPs).

MoI is in charge of the EU negotiation preparations for Chapter 24. For the development of the AP for Chapter 24, a decision was made to appoint the Head of the Strategic Planning Bureau of the MoI as the Coordinator; coordinators for each sub-chapter were also appointed and it was decided that employees of the Strategic Planning Bureau, Finance and Budgeting Department, and the IPA-funded Projects Department in the MoI would provide expert assistance in the development of AP 24 for each sub-chapter. To date, the comprehensive AP for Chapter 24 has been developed but remains yet to be adopted by the GoS.

The BPD within the MoI is the main coordinating authority in the implementation of the current IBM Strategy. The Cooperation Agreement in the field of IBM was signed by the MoI (on behalf of the BPD and CPD), MoF (for Customs Administration), MAEP (for Phytosanitary & Veterinary Border Inspectorates) and the Ministry of Infrastructure (for Port Authorities) in February, 2009.

The new IBM Strategy stipulates the establishment of the Coordination Body and Operation Group by the Government for the purpose of implementation, monitoring and evaluation of the Strategy and the accompanying Action Plan.

The Coordination Body will be led by the Ministry of Interior - Border Police Directorate, while the heads of all main agencies at the border and representatives of the ministries responsible for foreign affairs, transportation and finance will participate in the work of this body. The task of the Coordination Body will be to monitor the implementation of the Strategy and to report thereon to the Government, as well as to propose the adoption of new and corrective measures through the annual revision of the Action Plan. The Coordination Body will meet at least twice a year.

The Operations Group will be headed by a representative of border police, and its participants are representatives of all main agencies at the border, as well as representatives of the ministries responsible for foreign affairs, transportation and finance. The task of the Operations Group is to systematically monitor the implementation of the Strategy and the Action Plan, and report there onto the Coordination Body on a quarterly basis. The Operations Group may establish regional or local sub-groups for the purpose of efficient implementation at all levels.

The Border Police Directorate provides administrative support to the Coordination Body and the Operations Group.

The Working Group for development of the IBM Strategy and Action plan has been set up (in line with the Action Plan for Chapter 24) on 5 May 2016 and it is inter-institutional Working Group.

When it comes to the Working Group for programming and implementation of the Sector Budget Support and Complementary assistance (Project group- PG), this has been established and started work. The PG includes representatives of the Ministry of Interior (Police Directorate- Border police and Criminal police, Sector for international cooperation, EU affairs and planning, Sector for material and financial affairs), Ministry of Finance (IPA unit, Customs), Ministry of Agriculture and Environmental protection (Veterinary, Phyto-sanitary, IPA), Serbian European Integration Office and it will function for 3 years with the possibility of extension.

The dialogue on RoL under the Stabilisation and Association Agreement (SAA) takes place regularly on the EU-Serbia SAA Parliamentary Committee (SAPC). Serbia has continued to build a track record in implementing the obligations of the SAA. The protocol on the adaptation of the SAA, to take account of Croatia's accession to the EU, was ratified by Serbia in October 2014. Visa liberalisation for citizens of Serbia travelling to the Schengen area has been in force since December 2009. As part of the monitoring mechanism in place since visa liberalisation, the EC has been regularly assessing the progress made by the country in implementing reforms introduced under the visa roadmap

Recommendation within the TAIEX report, concerning the establishment of a Coordination body for the smooth implementation of the IBM Strategy and AP, and secure their efficient coordination between border agencies involved in IBM shall be foreseen within the AP. This will pave the way to solving the identified weaknesses in the Screening Report (2015) on Chapter 24 related to inter-agency cooperation between the bodies operating at the borders and in the field of organised crime and terrorism.

Policy dialogue will follow up on the implementation of the EU migration standards by Serbia and its reception capacities, but also on its capacity to react to and tackle any sudden increases refugees/ migrant flows.

Coordination mechanisms for programming and monitoring of EU assistance were devised to secure a coherent approach and synergy within the sector. The National IPA Coordinator (NIPAC) and its Technical Secretariat (NIPAC TS), located within the SEIO, are leading and coordinating the overall planning and programming of international assistance (including the IPA II), which is organised in the frame of the sector approach. SEIO regularly organises the HA SWG. The SWG for programming is composed of representatives from relevant national authorities (authorized applicants), as well as of civil society organisations (CSOs), Standing Conference of Towns and Municipalities (representing the interest of the local self-government units), Vojvodina Provincial Government, donors and International Financing Institutions (IFIs). The SWG ensures that the preparation of projects and programmes for donor funding, including under IPA II, are transparent and based on an inclusive dialogue of all relevant stakeholders and on the development priorities for sector. The composition, functioning, management and organization of SWGs are regulated by the 'Rules of Procedures for SWGs' which identify the functions of the leading national institution and the lead donor in each SWG. They are responsible for sector and donor coordination, co-financing, analysis of project implementation and monitoring of implementation. In order to ensure better efficiency of the donor coordination, the work under the SWG for the HA sector is organised and led by task force comprised of NIPAC TS, Delegation of EU in Serbia as the lead donor and the MoI as the lead institution.

The SWG will also be used for the phases of elaboration of the SRC under IPA 2016, for the IBM sub-sector. This will allow for all relevant interested parties, including civil society, media and representatives of national minorities and vulnerable groups to have a say in the process of the definition of the key results and in the negotiation on indicators. The open and transparent process has already been used in the drafting of the IPA II SRC for PAR and PFM.

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

The Programme will be subject to direct management by the EU Delegation to the Republic of Serbia with a budget of EUR 28million allocated for this Action. The amount allocated for the SBS component is EUR 24 million, and for various actions under the complementary support EUR 4 million. The total amount is based on comprehensive discussions with the stakeholders and is reflective of: the financing needs of the partner country; the sums allocated by the GoS in the Annual Budget 2016 and the Fiscal Framework 2017-2018 to support the implementation of IBM reforms; the effectiveness, impact and added value that SBS will bring to the achievement of the partner country's policy objectives; and the incentive that it will provide to introduce a more policy-driven, results-oriented, information-based management approach in public institutions.

Disbursement of Sector Budget Support

The general conditions for disbursement of all tranches are as follows:

- satisfactory progress in the implementation of the IBM Strategy and Action Plan, and continued credibility and relevance thereof;
- implementation of a credible stability-oriented macro-economic policy;
- satisfactory progress in the implementation of the PFM Reform Programme (adopted in November 2015); and
- satisfactory progress with regard to the public availability of timely, comprehensive and sound budgetary information.

The specific conditions for disbursement that may be used for variable tranches are based on existing government commitments through the new IBM Strategy and Action Plan and annual benchmarks for tranche payments are based on achievements by the MoI/BPD & CPD, MoF/Customs Administration and MAEP/Phytosanitary and Veterinary Border Inspectorates.

Funds under the SBS component of this SRC will be channelled into the Single Treasury Account of the MoF through the Central Bank of Serbia. Foreign exchange transfers will be entered in the accounts under the value date of the notification of credit to the account of the Central Bank of Serbia, opened for this purpose, and an equivalent amount in Serbian dinar will be credited to the Single Treasury Account. The beneficiary shall apply its national foreign exchange regulations in a non-discriminatory manner to all disbursements of the SBS component. Once released, the funds will be used as all other normal budgetary resources of the GoS and managed in compliance with the laws and regulations of the GoS.

The chosen performance targets and indicators to be used for disbursements will apply for the duration of the programme. However, in duly justified circumstances, the Minister of Interior in coordination with the NIPAC may submit a request to the Commission for the targets and indicators to be changed. The changes agreed to the targets and indicators may be authorised by exchange of letters between the two parties.

The changes agreed to the targets and indicators may be authorised by an exchange of letters between the two parties. At all times during the implementation, due care will be taken that the overall IBM SRC, as the modality of IPA II implementation, complements the other implementing modalities under IPA II and, in particular, that capacities for indirect management are constantly built and their sustainability ensured.

In case of a significant deterioration of fundamental values, budget support disbursements may be formally suspended, temporarily suspended, reduced or cancelled, in accordance with the relevant provisions of the Financing Agreement (FA).

Budget Support Details

Budget support is provided as direct untargeted budget support to the National Treasury. The crediting of the euro transfers disbursed into Republic of Serbia Dinars (RSD) will be undertaken at the appropriate exchange rates in line with the relevant provisions of the Financing Agreement (FA).

Details on Complementary Support

The global budgetary envelope reserved for procurement under this SRC will be EUR 4 000 000, indicatively for one service contract and two twinings. The Service contract will be for support to strengthening of institutional capacity for supporting the border agencies. This includes, among other aspects, support to the entities of the border agencies (MOI's Border Police and Criminal Police Directorates; MOF's Customs Administration; and MAEP's Plant Protection Directorate and Department for Border Phytosanitary Inspection, and the Veterinary Directorate and Department of Border Veterinary Inspection) in the following areas: undertaking gap assessment analysis (GAA) that may be required as a prerequisite to implementing some activities; assessment and development of sector capacities for M&E and reporting, and setting up an efficient mechanism to undertake M&E for the implementation of sector strategies/APs. The service contract will include support to visibility and communication actions related to the IBM reform agendas in general and the SRC intervention in particular.

Two twinning contracts are also planned under the complementary assistance, including 1) Support to evaluation of necessary steps required to join the EUROSUR (Euro surveillance) network. The objectives and foreseen results include: to support the preparatory activities for the establishment of the Supplementary Information Request at National Entry (SIRENE) Bureau, with the aim of performing its role in the information data exchange with other EU member states 24/7; and in relation to the development of the Guidelines on International Operational Police Cooperation, and define operational procedures for data exchange.

The second twinning is 2) Support to evaluation of necessary steps required to participate EURODAC system. The objectives and foreseen results are: to support the preparatory activities for the establishment of the unified national database for storing fingerprints of asylum seekers. To support efforts to ensure that the national biometric database is fully compatible with 'Eurodac' (comparison of fingerprints), support for training of staff to operate the national infrastructure of the Eurodac system, once established.

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4. MONITORING AND EVALUATION

MONITORING AND REPORTING

The day-to-day technical and financial M&E 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 results (outputs and direct outcomes) as measured by corresponding indicators, using as reference the list of result indicators. The report shall be laid out in such a way as to allow monitoring of the means envisaged and employed and of the budget details for the action. The final report, narrative and financial, will cover the entire period of the action implementation.

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

The MoI shall be responsible for the preparation of the reports, their submission to the IBM Coordination Body (CB) and to the EU and for maintenance of comprehensive and accurate minutes of the policy dialogue between the GoS and the EU.

Review missions for the disbursement of fixed and variable tranches will take place in the last Quarter of the reference year or alternatively in the first quarter of the year following the reference year, at which point the beneficiaries will have prepared a self-assessment report, and will make available the materials/data defined as sources of verification in the policy matrix. The MoI will be responsible for the collection and collation of materials/data to be used in the review missions. Pre-assessment missions in the third or fourth quarter of the reference year may be deployed to provide advance information to the beneficiary and the EC on the state of play related to the achievement of targets.

With regards to coordination of activities related to the management of EU funds and other international assistance (donor coordination), the SWG for the HA sub-sector has been established but not yet functional as highlighted under “Problem and Stakeholder Analysis” above. The SWG is responsible for coordinating activities related to the programming and management of EU funds and other international assistance. Representatives of the donor community participate in the SWG meetings based on the needs and requirements of each SWG meeting and take part in consultation processes. The SWG also acts as the Sectorial Monitoring Sub-committee for IPA under the Decentralised Management. NIPAC/NIPAC TS is responsible for coordination and ensuring the efficient functioning of all activities of the SWG.

Monitoring the progress of the implementation of this action will be undertaken in accordance with the rules and procedures for monitoring under the direct management. IPA II monitoring process is organised and led by the NIPAC/SEIO as a NIPAC TS/ Body responsible for coordination of programming, monitoring and evaluation BCPME. NIPAC is the main interlocutor between the GoS and the EC regarding strategic planning, co-ordination of programming, monitoring of implementation, evaluation and reporting of the overall IPA assistance, and is responsible for ensuring the linkage of IPA assistance to the EU accession process. NIPAC monitors the process of programming, preparation and implementation as well as the sustainability and effects of sector programmes aiming to improve these processes, timely identification, remedying and alleviation of potential issues in the process of programming, and implementation of action documents (ADs).

Under the Direct Management procedures, monitoring and evaluation of actions will be undertaken by means of Reports stipulated in the IPA II Implementing Regulation¹.

EVALUATION AND AUDIT

Evaluations of the budget support component should be aligned with similar exercises of other budget support providers for accountability and learning purposes at various levels (including for policy revision) and undertaken via independent consultants.

For complementary support, the Commission may also carry out external evaluations [via independent consultants], as follows:

- (a) a mid-term evaluation mission;
- (b) a final evaluation, at the beginning of the closing phase; and
- (c) an ex-post evaluation.

The EC shall inform the implementing partner at least two (2) months in advance of the dates foreseen for the evaluation missions. The implementing partner shall collaborate efficiently and effectively with the evaluation experts and, inter alia, provide them with all necessary information and documentation as well as access to the project premises and activities.

The evaluation reports shall be shared with the partner country and other key stakeholders. The implementing partner and the EC shall analyse the conclusions and recommendations of the evaluations and, where appropriate, in agreement with the partner country, jointly decide on the

¹ REGULATION (EU) No 236/2014 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 11 March 2014 laying down common rules and procedures for the implementation of the Union's instruments for financing external action

follow-up actions to be taken and any adjustments necessary including, if indicated, the reorientation of the project.

The financing of the evaluation actions shall be covered by another measure.

5. CROSS-CUTTING ISSUES

GENDER MAINSTREAMING

Despite the fact that EU and the national commitments on gender equality are an integral part of Serbia's strategic and policy documents, implementation is lagging behind and the inequalities persist. The Serbian legal framework related to the prohibition of discrimination and anti-discriminatory policy is aligned with the relevant EU conventions and harmonised with the three key Directives of the European Union. When it comes to the relevant documents Serbia has adopted a Law on the Prohibition of Discrimination, the National Anti-Discrimination Strategy, Action Plan for the implementation of this strategy, supporting measures in a number of sectors of society, and the National strategy for improving gender equality 2016-2020 is presently being drafted.

The Evaluation of the National Action Plan for Gender Equality 2010-2015 identified that inequalities are mostly related to participation of women in decision making processes, economic status of women, education and women's health, forms of gender based violence and stereotypes in media, etc. Also, the evaluation reveals several challenges in effective implementation of laws and gender equality policies and measures: institutions and bodies for gender equality and the advancement of the position of women are understaffed and lack adequate human, technical and financial resources; and their visibility is insufficient and capacities in need of further strengthening to enable them to carry their functions effectively. In addition, there is a concern for the lack of systematic and continuous vertical and horizontal coordination between the national and gender equality mechanisms at provincial and local level which further prevent stronger impact of gender equality policies and measures. Consequently, the implementation of EU and national gender equality commitments in Serbia is not satisfactory; gender equality priorities and gender equality considerations are not part of funded sectorial strategies, plans and budgets, but are rather considered as a separate issue, usually as a part of the specific gender equality action plan. Finally, regular, precise and systematic monitoring of gender equality policies and measures and gender equality aspects of sector strategies, plans and budgets is not in place.

The Government of Serbia established Coordination Body for Gender Equality in 2014 through a Government Decision with a mandate to coordinate Government's actions in the area of gender equality. Law on Gender Equality stipulates that the Coordination Body for Gender Equality is the permanent Government body mandated to ensure the coordination of Government actions in the area of gender equality and stipulates the establishment of the Office for Gender Equality in the executive branch of government and requires ministries to nominate/employ Gender Equality Coordinators with specific duties and responsibilities for gender mainstreaming in their respective sectors.

To enhance efforts to support administrative structures and their capacities for sound implementation and oversight of EU Gender Equality *acquis* across sectors, Serbia is tabling European Integration Facility within the IPA 2016 programme and as a part of this Facility, the Action that shall ensure establishment of well-functioning gender mainstreaming mechanism. This Action is aimed at establishing and strengthening of both horizontal and vertical coordination mechanisms and capacities among relevant actors at national, provincial and local levels in order to secure implementation of Gender Equality *acquis*. Thus, the IPA II assistance will provide support to gender equality through creating preconditions for effective implementation of the National Action Plan for Gender Equality 2016-2018 and for integration of gender equality considerations in programming and implementation of sectors strategies, plans, budgets and EU assistance.

Any of the proposed IBM reform processes supported through this SBS intervention need to be consistent with the principles of non-discrimination and gender equality. A crucial aspect for the IBM reform will be the application of the gender disaggregation of statistical data, needed to both inform and guide the process, but also to measure and evaluate the impact of the measures upon the issue of

equality of men and women. The national border authorities will be encouraged to collect gender segregated data e.g. on THB and illegal border crossing in order to better identify the scope for gender targeted solutions.

EQUAL OPPORTUNITIES

According to Article 15 of the Constitution, the state shall guarantee the equality of women and men and shall develop the policy of equal opportunities. The protection of gender equality is also regulated in the Law on Gender Equality, the Law on the Prohibition of Discrimination, the Law on the Election of Deputies, the Law on Local Elections, the Law on National Councils of National Minorities.

According to the Action Plan for Chapter 23, in the forthcoming period, the RoS plans to pay due attention to the promotion of the principle of gender equality, including mainstreaming gender equality issues in relevant policy areas, both at strategic and legislative level, as well as to strengthen capacity of the institutions and their mutual coordination. In the forthcoming period, the RoS will develop a new strategic framework for the protection and promotion of gender equality, establishing in this way a new foundation to advance the exercise of gender equality in practice. New strategic framework will be aligned with gender dimension of the EU 2020 strategic framework, particularly focusing on economic empowerment of women, combating gender based violence, and participation of women in public life.

In addition to the adoption of new strategies in this field, the RoS shall endow the necessary efforts to align with the Istanbul Convention, in particular through analysis and the necessary amendments to the current legislative framework for the protection of women against violence.

Based on the fundamental principles of promoting equality and combating discrimination, participation in the SBS activities will be guaranteed on the basis of equal access regardless of racial or ethnic origin, religion or belief, disability, sex or sexual orientation. At the moment, men are over-represented among the border personnel. Gender specific recruitment practices and improvements of the working conditions might lead to an increase in the number of women among the border police personnel (currently 17.4%) and similar with other agencies. Thus, border authorities will pursue higher gender equality of the employed border staff and strive to establish appropriate facilities, ensuring anti-discriminatory conditions for border staff, passengers, and persons in border proceedings (e.g. separated toilets for men and women, etc.). The intervention will also have a positive impact on females, youth and other vulnerable groups through improved rule of law and border management.

ENVIRONMENT AND CLIMATE CHANGE (AND IF RELEVANT DISASTER RESILIENCE)

Serbia has a set of environmental policies in place, and a policy dialogue with the EU is under way in the context of the negotiations to take place related to Chapter 27 on Environment. Topics covered through the explanatory and bilateral screenings of this chapter include air quality, waste management, water quality, nature protection, industrial pollution control and risk management, chemicals, noise, civil protection and climate change. Important aspects are further covered under the Chapter 11 on Agriculture and Rural Development; Chapter 12 on Food Safety, Phytosanitary and Veterinary Policy; Chapter 13 on Fisheries and Chapter 15, which deals with Energy.

Overall, Serbia is engaged in an intensive process of transposing and implementing EU standards on environmental protection. As regards the environmental issues related to the specific field of IBM, the MAEP was included in the preparation of this document. It is envisaged that the SRC will also address and improve the waste management near main BCPs where truck drivers throw away garbage in the environment due to the insufficient waste capacities along the driving lanes e.g. BCP Batrovci – Bajakovo. At present, there is an institutional gap regarding the maintenance of the joint facilities at the BCPs. However, the new IBM strategy will define a Ministry or service, being in responsible for the maintenance of joint border facilities as well as for environmental issues at and in the vicinity of BCPs.

Furthermore, more efficient and facilitated border checks will contribute to the reduced waiting periods and, consequently, to the reduction of exhaust gases of the motor vehicles crossing the borders, both contributing to better protection of the environment.

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

Social partners and Civil Society Organizations (CSOs) have been consulted throughout the design, for this SRC intervention, through the Sectoral Civil Society Organization (SECO) mechanisms set up formally under the SEIO for civil society consultations.

CSOs are key partners in implementing all relevant policies in the Home Affairs sub-sector. This is especially, the case for policies directed towards migration issues which are heavily relying on the support continuously obtained by the CSOs. However, this partnership has not been institutionalized as yet, which hampers the effectiveness of the policies in the IBM sub-sector.

The GoS's Office for Cooperation with Civil Society (OCSO) is the main institutional mechanism for the support of developing the dialogue between the GoS and CSOs through offering support to its institutions in understanding and recognizing the role of CSOs in policy shaping and decision making processes. OCSO also established the mechanism that allows involvement of CSOs in negotiations on the accession of the RoS to the EU. During 2013 and 2014, OCSO in cooperation with the Negotiating Team for the accession and relevant institutions for different negotiation chapters included CSOs in negotiations. CSO participation in this process so far included monitoring of explanatory screenings, participation in the preparation of the bilateral screening for some negotiating chapters and participation in briefing meetings that followed bilateral screenings.

The platform for participation and monitoring the negotiation process with the EU, the National Convention on the EU (NCEU), has also been established as a permanent body for thematically structured debate on Serbian accession into the EU, between representatives of the governmental bodies, political parties, NGOs, experts, syndicates, private sector and representatives of professional organizations.

PAR SRC intervention envisaged within the IPA 2015 programme is strongly oriented towards improving the conditions in the field of the fifth specific objective of the PAR Strategy, namely increasing citizen participation, transparency, improvement of ethical standards and responsibilities in performance of public administration activities.

MINORITIES AND VULNERABLE GROUPS

With regards to socially vulnerable and disabled persons and principle of non-discrimination, the national legal framework is broadly in place and the relevant international conventions have been ratified. An Anti-discrimination Law prohibiting any kind of discrimination is in place since March 2009. A comprehensive anti-discrimination strategy (2014 – 2018) was adopted. Efforts are required to bring the antidiscrimination legislation fully in line with EU acquis.

In regard to fundamental rights, especially in terms of anti-discrimination policies, the Action Plan for Chapter 23 (AP for Ch. 23) envisages numerous activities in regard to prevention and protection from discrimination including, whereas Commissioner for Protection of Equality (hereinafter: CPE). Through dedicated work, the Commissioner for Protection of Equality, as a central national body specialized in combating all forms and types of discrimination and prevention of discrimination, led to a significant increase of awareness on discrimination.

Serbia has an extensive Constitutional and legal framework providing for the protection of minorities and is party to relevant international instruments such as the Council of Europe. The government's Office for Human and Minority Rights (OHMR) coordinates, implements and monitors minority related policies but its administrative capacity as well as its overall horizontal effective coordination of Governmental policies related to human rights and minority protection needs to be further enhanced. Namely, increased activities in this area and implementing strategic framework and its Action Plans (Action Plan on anti-discrimination and draft Action Plan on minority rights- expected for adoption in 2016) had led to establishing new monitoring mechanisms, which embraced all relevant stakeholders. The need for further improvement of coordination capacities of OHMR has been reiterated during 2015, despite the support provided with the IPA 2011.

According to the AP for Ch. 23, in the following period, the Republic of Serbia plans to achieve full alignment the Law on anti-discrimination with the EU *Acquis*. Through planned adoption of the Action Plan for the implementation of the Strategy of Prevention and Protection against Discrimination for the period from 2014 to 2018, and its consistent implementation and active monitoring, improvement of the position of the most vulnerable social groups will be achieved. In that respect, IPA 2016 National Programme, envisages further support to improving implementation of policies on anti-discrimination and national minorities protection through improvement of institutional and coordination capacities of both OHMR and CPE.

Screening Report on Chapter 23 identifies that the authorities need to enhance efforts to effectively protect the groups most discriminated, and in particular Roma. Serbian authorities should continue their efforts to facilitating access to personal documents and registration of undocumented people, including children. Efforts are being displayed to improve housing conditions, to enrol Roma children already at pre-school level and to improve their health situation.

As part of the efforts to improve the situation of the Roma minority, a new multi-annual strategy and action plan for improving the living conditions of Roma has been drafted and waiting for the adoption.

In January 2016, 55% of the irregular migrants arriving in the EU were women and minors which represents an increase of 34% compared to 2015.² Thus, particular attention will be given to certain categories of immigrants, such as unaccompanied minors and other vulnerable groups of migrants (possible victims of THB, women, etc.). As regards migration and asylum issues, the Law on Asylum stipulates that special care shall be taken in the asylum procedure of the specific situation of persons with special needs who seek asylum, such as minors, or persons completely or partially deprived of legal capacity, children separated from parents or guardians, handicapped persons, elderly people, pregnant women, single parents with minor children and persons who were subjected to torture, rape or other serious forms of psychological, physical or sexual violence.³ Furthermore, a guardian shall be appointed by the guardianship authority before the submission of an asylum application, in conformity with the law, for an unaccompanied minor or a person without legal capacity who does not have a legal representative. In pursuant with the Law on Foreigners, a foreigner may not be forcibly removed to a territory where he/she would be under threat of persecution on the grounds of his/her race, sex, religion, nationality, citizenship, membership of a particular social group or his/her political views.⁴ In addition to this, throughout the removal procedure, the competent authority shall take into consideration the specific situation of a foreigner belonging to a group of persons with special needs, such as: minors, persons fully or partially deprived of their legal capacity, children separated from their parents or legal guardians, persons with disabilities, elderly persons, pregnant women, single parents with underage children and persons who have been subjected to torture, rape or other grave forms of psychological, physical or sexual violence.

Moreover, the IBM strategy will have a positive impact on citizens and particularly on vulnerable groups through improved capacities of the administration to conduct border checks in line with the EU standards and best practices.

6. SUSTAINABILITY

Home Affairs is at the heart of the political debate in Europe and, for a few years now, a strategic priority in the EU's external action. There is an increasing demand on DG HOME to respond to the challenges facing the Western Balkan countries and the EU in an effective and comprehensive manner, to bring all HA priorities and objectives more systematically and concretely into EU external strategies and action.

² EUROPOL - Migrant Smuggling in the EU, February 2016

³ Law on Asylum, article no. 15 and 16 of the

⁴ Law on Foreigners, article no. 47 and 58

SBS herewith envisaged, sets a particular focus on IBM, based on clearly defined priorities which are embedded in the on-going work to facilitate the accession. Support applies to both the political and technical level to achieve real impact by committing to far-reaching reform of IBM and efficiently implementing the AP.

The sustainability of the SBS intervention will be ensured in several ways, primarily through the continuation of a comprehensive policy dialogue between the EU and the principal stakeholders. The dialogue will focus not only on reinforcing the need to develop and implement coherent IBM policies, but also on the allocation of sufficient funding in the annual and multi-annual budgets to ensure that the policy gains are sustained.

SBS will impact on the synergies with other Home Affairs policy areas and global processes to combat terrorism and address radicalization, corruption and organised crime such as THB, pursue policy dialogues and cooperation on drugs issues in a comprehensive and balanced manner, and seeking a more efficient management of borders and migration flows.

7. COMMUNICATION AND VISIBILITY

Communication and visibility are tools for implementation of sector reforms and will be given high importance during the implementation of the Action. There will be a dedicated communication and visibility plan for the sector strategy and the budget support programme.

All necessary measures will be taken to publicise the fact that the Action has received funding from the EU in line with the Communication and Visibility Manual for EU External Actions. Additional Visibility Guidelines developed by the Commission (DG NEAR) will have to be followed.

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

8. PRECONDITION

There are no preconditions to this action.

