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ANNEX I

to the Commission Implementing Decision on the financing
of the annual action plan in favour of the Republic of Serbia for 2021

ACTION DOCUMENT “EUROPEAN INTEGRATION FACILITY”

1. SYNOPSIS

1.1. Action Summary Table

Title	Annual Action Plan in favour of the Republic of Serbia for 2021 Action Document for the European Integration Facility			
OPSYS number	CRIS 2021/043-652			
Basic Act	Financed under the Instrument for Pre-accession Assistance (IPA III)			
Team Europe Initiative	No			
Zone benefiting from the action	The action shall be carried out in the Republic of Serbia			
Programming document	IPA III Programming Framework			
PRIORITY AREAS AND SECTOR INFORMATION				
Window and thematic priority	Window 2: Good governance, EU <i>acquis</i> alignment, good neighbourly relations and strategic communication Thematic priority 1: Good governance Thematic priority 2: Administrative capacity and EU <i>acquis</i> alignment			
Sustainable Development Goals (SDGs)	Main SDG (1 only): Goal 8. - Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all Other significant SDGs (up to 9) and where appropriate, targets: Goal 9.1. - Develop quality, reliable, sustainable and resilient infrastructure, including regional and transborder infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all Goal 16.5. - Substantially reduce corruption and bribery in all their forms Goal 16.6. - Develop effective, accountable and transparent institutions at all levels Goal 16.7. - Ensure responsive, inclusive, participatory and representative decision-making at all levels Goal 16.10. - Ensure public access to information and protect fundamental freedoms, in accordance with national legislation and international agreements			
DAC code(s)	Main DAC code – 15110			
Main Delivery Channel @	Government of the Republic of Serbia			
Markers ¹	General policy objective @	Not targeted	Significant objective	Principal objective

(from DAC form)	Participation development/good governance	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	Aid to environment	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Gender equality and women's and girl's empowerment	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Trade development	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Reproductive, maternal, new-born and child health	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Disaster Risk Reduction	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Inclusion of persons with Disabilities	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Nutrition ²	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	RIO Convention markers @	Not targeted	Significant objective	Principal objective
	Biological diversity	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Combat desertification	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change mitigation	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change adaptation	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Internal markers³	Policy objectives	Not targeted	Significant objective
Digitalisation		<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Migration ⁴		<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
COVID-19		<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
BUDGET INFORMATION				
Amounts concerned	Budget line: 15.020101.01 Total estimated cost: EUR 31,500,000 Total amount of EU budget contribution EUR 31,300,000 of which EUR 1,500,000 for indirect management with IPA III beneficiary.			
MANAGEMENT AND IMPLEMENTATION				
Type of financing and method(s) of implementation	Project Modality Direct management through: - Procurement. Indirect management with the United Nations Development Programme for the output 1.6. Indirect management with the Republic of Serbia			
Relevant priorities and flagships from Economic and Investment Plan for the Western Balkans	Priorities: "Governance, Rule of Law, PAR"			

Final Date for conclusion of Financing Agreement	At the latest by 31 December 2022
Final date for concluding contribution / delegation agreements, procurement and grant contracts	3 years following the date of conclusion of the Financing Agreement, with the exception of cases listed under Article 114(2) of the Financial Regulation
Indicative operational implementation period	72 months following the conclusion of the Financing Agreement
Final date for implementing the Financing Agreement	12 years following the conclusion of the Financing Agreement

1.2. Summary of the Action

The Action is designed to strengthen the capacity and accountability of the Serbian public administration to assist the Government in the preparation for EU membership. Consequently, the support will be instrumental for alignment with the EU *acquis*, and the development and implementation of relevant reforms and strategies. Specifically, the Action will assist the Government to align with the EU *acquis*, fulfil requirements of the EU standards in several key sectors and achieve progress in reform areas related to the EU accession process, such as public administration reform and public finance management. This objective will be achieved by providing targeted support to already identified priorities, and securing flexible assistance for legislative alignment, enforcement of the legislation and institutional capacity building needs.

The proposed Action is part of Serbian efforts to apply the revised EU enlargement methodology⁵ and prepare for EU membership, through strengthening of the administrative capacity, credibility, and accountability of the Serbian public administration. The support will also be instrumental to improvement of the planning, implementation and monitoring of national strategies, sector programmes and projects.

The Action will also secure the support to priority needs unforeseen throughout the programming process, but that would later appear relevant to the accession negotiations, *acquis* alignment and institution building in various sectors, by allowing a faster response to the priority needs.

2. RATIONALE

2.1. Context Analysis

Serbia was granted the status of candidate country in 2012. The Stabilisation and Association Agreement (SAA) between Serbia and the EU entered into force in September 2013. Accession negotiations were launched in January 2014. The analytical examination of the EU *acquis* (screening process) started in

⁵ Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions Enhancing the accession process -A credible EU perspective for the Western Balkans (5.2.2020 COM(2020) 57).

September 2013 and has been completed for all 35 chapters in March 2015. The European Commission assessed that Serbia should be capable of assuming the membership obligations provided that the alignment and adoption of legislation is accompanied by its effective implementation and enforcement. Serbia has opened 18 negotiation chapters of the *acquis* (Chapters: 4, 5, 6, 7, 9, 13, 17, 18, 20, 23, 24, 25, 26, 29, 30, 32, 33, 35), out of which two chapters have been provisionally closed (Chapters 25 and 26). However, there are many chapters which are either ready or are in an advanced stage of preparation for the opening.

The revised EU enlargement methodology is designed to make the process of accession to the European Union more credible, more predictable, more dynamic and politically driven. Grouping of negotiating chapters in clusters shall allow for a stronger focus on key sectoral reforms and improve strategic planning of sectoral policies. Serbia opened the “Fundamentals” Chapters 23 "Judiciary and fundamental rights" and 24 "Justice, freedom and security" in July 2016, which remain at the heart of accession process. Focusing on political criteria and democratic institutions, economic criteria, public administration reform, as well as chapters related to the rule of law, public procurement, financial control and statistics, this cluster will have a special role in the further course of accession negotiations, because the overall course of negotiations will depend on the fulfilment of the undertaken obligations in this cluster.

Accession negotiations will increasingly require that Serbia improves the capacity of public administration for taking over the EU membership obligations. Capacity development is needed both in terms of developing adequate institutional structures, but also in terms of ensuring the sufficient number of qualified experts and competent civil servants with knowledge to work on the harmonisation of the national legislation with the *acquis*, including the improving the quality of policy and legal drafting processes, effective enforcement of harmonised legislation and management of EU and public funds. Increasing accountability and professionalism of administration, de-politicisation and transparency, more transparent management of public finances, and better services for citizens on all government levels is the main horizontal precondition for addressing reforms. The new strategic framework for public administration reform streamlines the efforts towards development of an efficient recruitment process and career management system applied in practice and a functional and innovative system of professional development in public administration in order to ensure the improvement of the work of public administration and the quality of policy making in accordance with European Principles of Public Administration and establishment.

The Republic of Serbia participates in Union Programmes from 2005 and since then uses this financial instrument to strengthen its cooperation with EU Member States in different areas, such as: SMEs, education, research and innovation, entrepreneurship, competitiveness, culture, customs, etc. In order to increase the cost benefit ratio of Serbia's expenditures related to participation in Union Programmes Serbian authorities needs to continue investing efforts in overcoming shortcomings and bottlenecks identified during participation in Union Programmes in the financial perspective 2014-2020, such as lack of capacities of both coordinating institutions and potential applicants, including the weak position of National Contact Points (NCPs) within relevant ministry structures, timely execution of the annual entry ticket for programme, quality of applications, etc.

Despite the pandemic and the unprecedented global economic downturn, Serbia managed to avoid more serious consequences for the economy, and to preserve full macroeconomic and financial stability by timely taking and efficiently implementing a robust package of fiscal measures. Improving public financial management is necessary not only as support for fiscal consolidation measures and structural reforms, but also as a process that raises the quality of public administration and provides an environment that is an attractive and desirable ground for investors. New strategic documents are under preparation

currently in PAR and PFM areas and will create the environment for ensuring well-run, professional, motivated and efficient public administration, which is an attractive employer who promotes merit and innovation while at the same time pertaining fiscal sustainability and sound management of public finances as applicable in the EU.

2.2. Problem analysis by areas of support

The interventions of this Action have been identified according to the identified problems in the following areas of support:

AREA OF SUPPORT #1: *Administrative capacity and EU acquis alignment*

Short problem analysis

Serbia still needs to deliver on their commitment to implement the fundamental reforms essential for success on the EU path. The rule of law, fundamental rights and functioning of democratic institutions together with good governance must be strengthened significantly. The preparation for the transition to the revised EU enlargement methodology started and will require investment of considerable efforts to catch up with the enlargement process requirements and effective implementation of reforms and legislation from all clusters. Assuming the membership obligations in almost all areas of the *acquis*, implies that the alignment and adoption of legislation is accompanied by its effective implementation and enforcement.

The fulfilment of the requirements arising from the EU negotiation process requires specific capacities, knowledge and expertise in a number of areas for ensuring compatibility of national legislation with EU legislation. On the other side efficient implementation and enforcement of legislation remains a challenge in a number of sectors due to current weaknesses in the policy and legislative processes that do not fully ensure an inclusive and evidence-based approach. It is evident that in the majority of cases, the *acquis* cannot be simply transposed without elaboration of accompanying by-laws, instructions and other interpretative materials. For the effective implementation, roll-out and phased plans need to be developed and capacities of institutions adequately built up. Follow-up and monitoring of the implementation of the new legislation has to be given particular attention, which in turn requires additional resources and additional skills and competences.

Serbia needs to strengthen its capacities to fulfil the requirements set by the enhanced methodology for EU enlargement. The capacity implies the ability of public administration to manage a credible reform process, engage in negotiation at the top political level and identify opportunities for early alignment and integration into EU policies.

A broad range of Union Programmes will be open for Serbia, during the new financial perspective in meeting EU requirements with new modalities, administration and rules. Regulatory framework for Union Programmes is still not adopted. Although most of the new Union Programmes are the successors of the previous ones, changes such as discontinuation of certain programmes (COSME), introduction of new rules for implementation, monitoring and reporting, eligibility criteria, etc. will be introduced. Capacities of NIPAC TS responsible for overall coordination and NCPs responsible for coordination of individual Union Programmes, as well as capacities of final beneficiaries who are involved in implementation of specific Union Programme needs to be strengthened in this regard. There is a need to continue strengthening the NCPs position within the implementation and monitoring structures, timely execution of the annual entry ticket for programme participation, and improvement of knowledge of potential applicants related to project preparation and project management. Better promotion of the Union Programmes in the country is needed, along with stimulating, activating, and preparing the national actors for participation. Enhancing the existing networks is essential to improve participation

rate. Analyses show that the beneficiaries lack administrative capacity to prepare applications and ensure contract management.

Finally, in line with recommendations from the European Court of Auditors, an evaluation budget is planned within the action to conduct evaluations of interventions in a number of sectors. The purpose of the evaluations will be to assess interventions implemented through EU national assistance, based on the principles derived from the DG NEAR Guidelines⁶, with the aim to improve future programming of EU funding to the respective sectors in Serbia.

Main stakeholders

In terms of the institutional framework, Serbia has established structures to coordinate and carry out the process of accession negotiations. The Chief Negotiator has been appointed and is supported by the Negotiation Team. National line institutions have a key role in the accession negotiations, in accordance with their respective competences. The Coordination Body for the accession process has been established to deliberate on the most important issues and streamline accession-related tasks. In total, 35 negotiation groups will be functional during the accession process, while the ministry in charge of European integration provides operational support to the Negotiation Team.

The overall coordination of Union Programmes in Serbia lies within the mandate of the National IPA Coordinator Technical Secretariat (NIPAC TS) whose responsibilities include: programming of IPA assistance to cover parts of entry tickets, reporting to the Government and informing the public about international development assistance including Union Programmes, communication with the EC as the main interlocutor concerning programmes, coordination and organisation of the meetings with line ministries. Individual programmes are coordinated by the responsible line ministries in accordance with EC rules. National Contact Points (NCPs), within the ministries, are responsible for coordination of individual Union programmes in Serbia.

Complementarity with national strategies

The planning and assessment of necessary capacities for the harmonisation with the *acquis* is done through the preparation of the National Plan for Adoption of the *Acquis* (NPAA), which represents a plan for the alignment of the national legal system with the *acquis*. It provides some inputs in relation to the capacity building required to implement legislation, even though it does not address all relevant capacity building requirements beyond technical capacity needs, such as administrative capacity that hinder *acquis* alignment and eventual implementation, data/statistics; strategic planning; capacity for regulatory impact assessments; potential institutional overlaps, and other issues. Having in mind the enhanced EU enlargement methodology Serbia will need adequate expertise and resources and targeted advice and guidance to the national administration, to fulfil all requirements.

AREA OF SUPPORT # 2: *Public financial management*

Short problem analysis

Besides good progress in implementation of reforms in the areas of public procurement, public internal financial control and budget execution, further achievements are necessary to increase efficiency and close negotiations chapters in the PFM areas. In this regard further strengthening of the **external audit** administrative capacities is needed to carry out strategically oriented audits, and to develop audit recommendation and effect measuring system, as well as to increase involvement of the Parliament. The State Audit Institution is responsible for auditing of public funds and presenting audit reports, conclusions, finding and recommendations to the Parliamentary Committee and Subcommittee.

⁶ DG NEAR Guidelines on linking planning/programming, monitoring and evaluation July 2016 (updated October 2019).

However, the mechanism for handling the recommendations by the National Assembly needs to be further improved to be more effective.

With regard to the **PIFC**, main challenges are to improve the implementation of managerial accountability and the management and control system, better implementation of selected FMC elements (e.g. risk management), development of the internal audit function in accordance with international standards and principles and strengthening the role of the CHU in monitoring internal control. Recommendations from the Commission Serbia annual report for chapter 32 are aimed to further addressing of managerial accountability, strengthening the functioning of internal control and internal audit and the implementation of quality reviews on internal control

The new Law on **Public Procurements** establishes systematic monitoring and one of its outputs is directly devoted to monitoring corruption throughout complete PP procedure. Electronic public procurement and effectiveness of prevention and fight against irregularities and corruption need to be improved to accelerate modernisation of the public procurement system. The capacities of economic operators and practical researching tools on Public Procurement Portal are insufficient. The perception of irregularities, fraud and corruption in public procurement is high.

Strengthening of administrative capacities in the area of budget execution is needed through development of the information exchange and management systems to meet EU admission requirements. As regards computerisation in the field of VAT, Serbia will need to adapt its IT systems to allow interoperability and interconnectivity with the EU systems (VIES and related systems). Serbia also needs to ensure that the exchange of information among EU Member States related to the special scheme for electronic services, telecommunications and broadcasting provided by non-established traders to non-taxable persons is in place and inter-connected with EU systems. Improvement and modernisation of the customs administration ICT systems and their interconnections with EU systems is the one of the key negotiation issue of negotiating Chapter 29 – Customs Union. This area of the negotiating position underlines the necessity of further continuous development and implementation of Customs' E-Systems required for proper enactment of EU policies. In line with the new PFM reform programme, additional ad hoc support in the PFM area might be needed to reply to urgent reform needs.

Main stakeholders

The key stakeholders for interventions in the area of budget execution are the Tax and Custom administrations of the ministry in charge of finance, as well as the Public Procurement Office. The CHU Department of the ministry in charge of finance is a key stakeholder in the process of the further development of the PIFC and managerial accountability, while State Audit Institution has a main role in strengthening of the external scrutiny, in partnership with the Parliament.

Complementarity with national strategies

The outputs of this action are aligned with Economic Reform Programme 2021-2023, the sectoral strategic framework set by the PAR Strategy 2021-2030 and draft of the PFM Reform Program 2021-2025, as well as with sub-sectoral and institutional public policy documents which further operationalise objectives of the sectoral strategic framework. The activities will contribute to the ICT system modernisation and reengineering of business processes for the introduction of international good practices in the operational functions of the Tax Administration, in line with objectives of The Transformation Programme of Tax Administration 2015-2020, Action Plan for the period 2018-2023, and Economic Reform Program 2021-2023. Digitalisation and development of the ICT systems are recognised as one of the strategic goals in development of customs services in the recently adopted Business Plan for Organisation and Work Improvement of the Customs Service of the Ministry of Finance for the period 2020-2024, as well as the most important segment of the Custom Administration modernisation in the Work Plan for Development and Usage of Electronic Systems of the Customs Service of the Ministry of Finance for the period 2020-2024. Strengthening administrative and

institutional capacities at all levels to enable full implementation of the Law on Public Procurement will address development of a modern and efficient public procurement system through the creation of conditions for free competition as envisaged by the Public Procurement Development 2019-2023. Under its Strategic Plan 2019–2023 and its Audit Methodological Guidelines, the SAI has strategically defined audit coverage and introduced the measurement of audit effects. Through further improvement of SAI impact, the activities will contribute to the achievement of externally oriented SAI strategic goals which address current and urgent challenges in the operation of public funds beneficiaries and solutions for cross-sectorial problems at all levels to enhance accountability and transparency. Additionally, action will support additional aspect from PAR Strategy dealing with accountability and transparency (specific objective within PAR Strategy) and activities related to improvement of managerial accountability (support to systemic solutions for improvement of managerial accountability and in particular support to implementation of performance management within public administration).

AREA OF SUPPORT # 3: Public administration reform

Short problem analysis

One of the identified areas in public administration that need further, and continuous improvement is **human resource management system**. The HRM system is considered as a matter of serious concern in several PAR related reports. Previous legal framework (before recent amendments of the Law on Civil Servants) and its uneven application left the opportunity for undue influence in different HR functions like recruitment process or performance appraisal and therefore substantial changes in current practices are necessary in order to establish a merit-based professional civil service. Full implementation of the Law on Amendments to the Law on Civil Servants will start in 2021. The Ministry in charge of Public Administration and the Human Resources Management Service are facing challenges in terms of application of the new legal solutions for selection and recruitment, performance appraisal and other HR procedures. Further improvement in the area of HRM is crucial also for the EU accession process having in mind that public administration reform is essential for improving governance at all levels, along with the quality and accountability of the administration, professionalisation of the civil service and de-politicisation, sound public financial management.

Main stakeholders

The Ministry of Public Administration and Local Self-government and Human Resources Management Service play the lead role in the implementation of public administration reform process and, therefore are the key stakeholders for the intervention in the area of human resource management.

Complementarity with national strategies

The Action (Output 7) is complementary to the draft Public Administration Strategy 2021-2030 and the Action Plan for Implementation of the Public Administration Reform Strategy 2021-2025. Activities will contribute to well-run, professional, motivated and efficient public administration through promotion of the improved recruitment process in public administration, efficient career management system and functional and innovative system of professional development in public administration.

2.3. Relevance and complementarity with strategies supported by key national stakeholders

The proposed Action is designed to address the immediate problems identified along the Serbia negotiation process and support enhancement of Serbia's institutional and administrative capacities and strengthen it to meet the full range of priorities deriving from **the Stabilisation and Association Agreement, National Plan for Adoption of the EU *acquis* (NPAA)**, relevant sector specific strategic framework and the ongoing accession negotiations. The NPAA has been revised in 2018 and forms the comprehensive basis for the preparation of negotiating positions for the chapters, allows monitoring of the obligations undertaken during the negotiations and creates the framework for capacity building required for the implementation of the aligned legislation. This Action will support the Serbian public administration at various levels to adequately

respond to their respective duties and tasks in the EU integration process. The NPAA also recognises the importance of Serbia's participation to the Union Programmes, reflected in numerous sections through identification of preparatory measures and priorities for the inclusion to the new Union Programmes.

In view of moving further towards a sector approach, the interventions under this Action have been selected based on their relevance and their contribution to national sector strategies as well their link to accession negotiations. The interventions are addressing the objectives defined within PAR Strategy 2021-2030 and Action Plan for implementation of PAR Strategy 2021-2025, and clearly contribute to the priority areas established in the draft **PFM Reform Programme 2021-2025: *Efficient revenue collection and management of budget resources and Improvement of application of the system of internal control in public sector*** and External scrutiny of public finance. Bearing in mind the complexity of the VAT regime that Serbia will face when joining the European Union the Action will prepare tax officials and taxpayers capacities for rightful application of tax regulations after becoming EU Member state. Activities will also support continuation of harmonisation of the legislation for functioning of VIES system as an introduction into development of the procedural framework for the functioning of VIES. Through promotion of the further modernisation of CAS for all business processes, and improvement of the IT support to business processes of CAS and external users, this action will contribute to creation of the modern and professional Customs administration that provides high quality services to citizens and business entities.

Regarding public procurements, this action will contribute to overcoming of the major challenges such as further prevention of corruption in public procurement procedures, increased number of electronic public procurement and strengthening the capacity of economic operators in public procurement procedures. The action is addressing key challenges in PIFC reform within PAR/PFM framework, such as overall strengthening of the CHU as a driver of change, reform of local finance, successful coordination of CHU with institutions and units crucial for setting regulations in the area of managerial accountability. As a special activity, unified IT system for IC for public sector will be developed in order to enable internal auditors of public sector to streamline their approach, to comply with relevant policies to increase implementation of recommendations by automatising of their monitoring and automatise CHU's tasks in general. Strengthening of the external audit functions and raising confidence of the public in accountability and oversight over public spending will be promoted through the activities which will support improvement of methodology for monitoring and evaluating as well as reporting on State Audit Institution findings and recommendations to the Parliament and public.

The firm commitment of the Government of Serbia towards enforcement of the sector approach has been demonstrated through number of initiatives. Strategic planning has been improved through centralisation of methodological approach and formation of dedicated institution dealing with public policies. In this regard the Law on Planning System created a comprehensive legal framework for development of an integrated planning system covering all aspects of socio-economic development, regional and spatial planning and effective use of public financial resources. Furthermore, enactment of sub-laws determining the methodology for managing the public policies and mid-term planning (2019), including the Unified Information System, as part of the wider PAR reform yields first results and leads to a more advanced, participatory and evidence-based policy making.

The regulation on mid-term planning ensures the linkage of priorities defined within mid-term policy documents and mid-term expenditure framework. The transparency and budget supervision are continuously improved through implementation of the Guidelines for the preparation of programme budget and introduction of a legal obligation to publish programme information, as well as the preparation and publication of the Annual Report on the Budget Programme Performance. Donor coordination is ensured through relevant PAR Sector Working Group, established to improve the efficiency and coordination of

programming and monitoring of international development assistance process, particularly the IPA, as well as to enable the implementation of the sector approach.

2.4. Relevance and complementarity with EU policy and EU and other donors' assistance

The proposed action objectives correspond to the IPA III Thematic priority 1: Good governance and Thematic priority 2: Administrative capacities and *acquis* alignment of the Programming framework.

The human resource management and public financial management, being an integral part of public administration reform, is among the key priorities to be supported by the IPA III Programming Framework within the Window 2: Good governance, *acquis* alignment, good neighbourly relation and strategic communication. The intervention in the human resource management area aims to support monitoring mechanisms and implementation of the Civil Servants Law as the basis for merit-based human resources management system together with strengthening the implementation of career models and instruments thus corresponds to the Thematic Priority 1. Since the proposed PFM-related interventions addresses strengthening of the administrative capacities, which in turn contribute to implementation and upgrade of their reform strategies to ensure fiscal sustainability and sound management of public finances as applicable in the EU, proposed interventions will contribute to Thematic priority 1: Good governance.

The proposed Action will address the specific needs arising from the screening process, and particularly will address the latest findings of the **Commission 2021 Serbia annual report**⁷ which states that Serbian public administration is moderately prepared in this area. The accomplishment of the main outcome of the Action will contribute to fulfilment of the requirements and conditions deriving from the accession negotiations and successful management of the overall EU integration and pre-accession assistance geared towards EU membership. In particular, the proposed interventions will address the findings of the 2021 Report in the clusters “Fundamentals” (Chapter 5 and Chapter 32) and “Competitiveness and inclusive growth (Chapter 16 and Chapter 29), which assessed that Serbia is at a good level of preparation in the area of customs union, and moderately prepared on public procurement and financial control, but taxation is still not opened due to opening benchmark on abolishing discrimination of imported spirits.

The Commission Communication “A Credible Enlargement Perspective for and Enhanced EU engagement with the Western Balkans⁸ points out key and main pillars of the reforms in the period to come, but at the same time provides the guidelines to the Serbian authorities regarding the direction of the efforts to meet the accession criteria. There are several issues highlighted in the Strategy which will be addressed through this Action, including provision of support for implementation of the initiatives targeting specific areas of interest for both the EU and the Western Balkans, such as the public administration reform priorities.

The focus of proposed Action is to contribute to the effectiveness of the overall accession process and improvement of its implementation in line with recommendation spelled out in February 2020 **Communication “Enhancing the accession process - A credible EU perspective for the Western Balkans”**. The Action will contribute to strengthening of capacities of public administration through provision of high-quality expertise and direct transfer of know-how by recommending cost-effective implementation mechanisms and sustainable solutions, including elaboration of studies and impact

⁷ Strasbourg, 19.10.2021 SWD(2021) 288 final - Serbia 2021 Report Accompanying the document Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions 2021 Communication on EU Enlargement Policy

⁸ Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions Enhancing the accession process -A credible EU perspective for the Western Balkans (5.2.2020 COM(2020) 57).

analysis, setting out operational conclusions.

The Economic Reform Programme 2021-2023 (ERP), encompasses macroeconomic environment, presents public finance quality, and recognise 24 priority structural reform measures, among which structural reform number 10 - Tax Administration transformation in the area Business environment and the fight against grey economy, address transformation of the Tax Administration as a reform process with the aim of creating an organisation characterised by modern digital business, orientation towards providing services to taxpayers, as well as providing services in accordance with the best international standards. In the next phase, reengineering of business processes, further development of the information systems platform, as well as the procurement of systems for the new ICT platform are planned.

The proposed interventions, particularly related to the identification and preparation of viable infrastructure projects for implementation will be selected in line with the priorities defined within flagship initiatives of the “**Economic and Investment Plan for the Western Balkans**”, thus contributing to strengthening of the core infrastructure links, main transport and energy connections, and support the green and digital twin transitions. Also, as the proposed interventions cover development of the electronic public procurements and digital skills of the employees in the MoF administrations, they are relevant for the Economic and Investment Plan for the Western Balkans, concerning the investment in a digital future. Finally, the action is about to enable financing of viable infrastructure projects which will be aligned with the **Green Deal action plan**⁹.

2.5. Lessons learned and links with previous financial assistance

Experience from previous programmes has shown that programming of funds within the envelope for unallocated funds has proven to be a particularly good practice since it allowed for flexibility in addressing unforeseen needs related to institution building and further strengthening of administrative capacities of institutions responsible for implementation of the *acquis*. It is generally used to support horizontal activities arising from the negotiation process and *acquis* transposition and enforcement which are not representing the comprehensive sector actions. The experience gained so far in using these funds demonstrates high interest of the national administration and the purposefulness of such a programming and financing tool in the national IPA package. This proved to be relevant in particular for sectors with diversified and voluminous *acquis* since it ensures the reserve of funds to be mobilised with the aim to respond to emerging tasks related to the identified EU accession needs in a flexible and immediate way. With regard to ensuring objective and transparent allocation of the funds to concrete actions and projects, the prioritisation and selection of priorities to be funded through unallocated funds is treated as a mini-programming exercise and is managed by the Working Group for the Management of Negotiation and Policy Envelope Funds within the Instrument for Pre-Accession Assistance for the period 2007-2013 and 2014- 2020.

Technical assistance to the PLAC is being implemented currently through the **IPA 2017 National Programme**. Lessons learned so far show that specific emphasis needs to be placed on enhanced compatibility of national legislation with EU legislation and its effective implementation and enhanced capacities of relevant national structures for successful carrying out of accession negotiations. Hence, the planning of the new PLAC intervention is based on the National Plan for Adoption of the *Acquis* (NPAA) as well as on the results achieved and lessons learned in previous PLAC interventions namely PLAC I (negotiating chapters: 1, 3, 5, 7, 8, 9, 11, 12, 15, 23, 24, 27, 28, 32); PLAC II (negotiating chapters: 3, 4, 6, 8, 9, 11, 12, 13, 15, 21, 24, 27, 28) and planned within PLAC III (planned support to negotiating chapters: 3, 8, 9, 12, 15, 16, 17, 27, 28, 32, 33).

⁹ Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions The European Green Deal COM/2019/640

For 2020, with regard to Horizon 2020, Serbian entities have participated 503 times to 350 signed grants of collaborative, Marie Skłodowska-Curie (MSCA), European Research Council (ERC) and SME Instrument actions. Serbia received EUR 113.1 million of direct EU contributions and reached a success rate of 11.6% as compared to 12% of the overall Horizon 2020 programme. Serbia successfully participates in the EU's COSME programme for SMEs with participation in COSME's major actions like Erasmus for Young Entrepreneurs and the Enterprise Europe Network, giving opportunities to build business and technology partnerships between SMEs from both sides. Serbia took active part in the Erasmus+ programme as a programme country. Serbia was granted the status of a programme country in the Erasmus+ programme in 2019 and benefited from EU funding based on the same rules as EU Member States. Serbia continued to participate successfully in the programme with 7 800 outgoing mobilities of students and staff and 4 500 incoming mobilities since 2015. In addition, 45 capacity building projects are currently being implemented in the field of higher education, 29 of which have Serbian coordinators. Serbia is successfully implementing the sports component of the programme, where relevant organisations coordinate eight projects and are partners in 34 projects.

The ongoing EU funded project "Support to participation in Union Programmes", which started in February 2019, supported relevant national authorities, governmental bodies and adequate administrative structures, as well as potential applicants in efficient and effective management, coordination and implementation of Union Programmes. Designed activities contributed to strengthening of capacities of National Contact Points (NCPs), public administration bodies responsible for management of Union Programmes and on the other side potential Union Programmes beneficiaries and applicants (such as CSOs, SMEs, Institutes, youth, students, public administration agencies, etc.) to timely and adequately address Union Programmes application and implementation requirements.

For the duration of two years the project has delivered a comprehensive evaluation report of participation of the Republic of Serbia in EU Programmes, and successfully organised 25 training sessions for 924 participants, in Q2 of the year 2020 due to the COVID-19 outbreak, training sessions have been replaced with 18 webinar sessions, attended by 3303 live participants, e-learning platform and matchmaking platform, electronic help desk have been developed for beneficiaries and potential applicants.

Democracy and governance sector, that comprises PAR/PFM within IPA II framework, was among the largest recipients of international donor assistance with over EUR 1 billion, including an estimated over EUR 200 million of IPA assistance over the period 2007-13. Key lessons learned from the previous enlargements set out importance of addressing the fundamentals first: rule of law/fundamental rights, economic governance and public administration reform confirms importance of this support. Some of the proposed PFM-related interventions are follows up of the previous financial support provided by the EU, such as modernisation of the of Public Procurement system, supporting the Customs Administration and State Audit Institution or PIFC/MA strategy implementation.

3. DESCRIPTION OF THE ACTION

3.1. Planned results and intervention logic (describing causal links between impact, outcome(s) and output(s) and including assumptions)

If a prompt implementation of emerging accession related actions in the sectors covered by the EU *acquis* and policy dialogue with the EU is achieved, the Serbian administration will effectively meet EU accession requirements and successfully manage overall EU pre-accession assistance geared towards EU membership because competent, professional and skilled civil servants are at the core of European integration process.

If a high level of compatibility of national legislation with EU legislation and its effective implementation is achieved and staff experienced in European integration tasks remain in respective institutions as civil servants than Serbian administration will effectively meet EU accession requirements and successfully manage overall EU pre-accession assistance geared towards EU membership because adequate legislative framework and institutional capacities are essential for increase of compliance with Union's values and their alignment with the Union's rules, standards and practices.

If the absorption of Union Programmes funds is improved and NCPs and line ministries are regularly communicating with beneficiaries and potential Union Programmes applicants then the Serbian administration will effectively meet EU accession requirements and successfully manage overall EU pre-accession assistance geared towards EU membership because participation in Union Programmes will enable citizens, institutions, private sector, civil society to acquaint themselves with EU values, and to gain experience from EU countries related to methods and rules by which the EU functions.

If evaluations are conducted in accordance with the DG NEAR Guidelines, then future programming will support effectively the EU accession requirements, geared toward EU membership, because evaluations will allow lessons learned and best practices from previous projects to be used in future programming.

If confidence of the public in accountability and oversight over public spending by promoting transparency is built and willingness by Parliament and auditees to respond positively to SAI reports is ensured, then the Serbian administration will effectively meet EU accession requirements and successfully manage overall EU pre-accession assistance geared towards EU membership because it will contribute to fiscal sustainability and sound management of public finances as applicable in the EU.

If efficiency of budget execution and public internal financial control is improved in line with EU standards and best practices and political commitment at the high level to implementation of the PFM Reform Programme is ensured, then Serbian administration will effectively meet EU accession requirements and successfully manage overall EU pre-accession assistance geared towards EU membership because it contributes to effective management of public funds.

If integrated HRM in public administration based on competencies is established and Government of Serbia is committed to a long-term public administration reform process than Serbian administration will effectively meet EU accession requirements and successfully manage overall EU pre-accession assistance geared towards EU membership because it will modernise public administrations at central government level in line with principles of public administration.

If Serbian administration effectively meet EU accession requirements and successfully manage overall EU pre-accession assistance geared towards EU membership and commitment, trust and confidence of both Government of Serbia and EU Member States to European Integration process is ensured then the intervention will contribute to Serbia's successfully conduction of the EU accession process.

3.2. Indicative type of activities

In the context of IPA 2021 national package, the Republic of Serbia prepared the European Integration Facility Action Document in the amount of EUR 31,300,000.

Outcome 1: *Serbian administration effectively met EU accession requirements and successfully managed overall EU pre-accession assistance geared towards EU membership focusing on public administration reform and public finance management*

Output 1.1: A prompt implementation of emerging accession related actions in the sectors covered by the EU acquis and policy dialogue with EU is ensured

Activity 1.1.1: Unallocated envelope – this activity will provide flexible and ad-hoc support to Serbian administration to meet all conditions deriving from the stabilisation and association process and the Copenhagen criteria. It will support horizontal activities arising from negotiation process and *acquis* transposition and enforcement such as needs mapping and gap analyses, development of strategies and action planes, preparation/revision of legal framework, training, study tours, networking, participation in workshops, conferences and similar capacity development activities. The intervention will support actions including initiatives for the implementation of the European Union policies and legislation supporting and ensuring inclusive and climate neutral transition.

Actions which will be supported through this activity will backbone the EU accession process, but they can't be identified during the programming phase, as they will depend on the progress of Serbia's harmonisation of legislation and institution building and ad-hoc and immediate needs arising from the EU negotiation process. The activity will provide targeted support to EU accession process which requires the quick reaction of the national administration and different actors in their efforts to manage the EU integration process, to mitigate risks which might jeopardise the EU future of the country and to ensure proper utilisation of the available pre-accession assistance. The support shall also be dedicated to back-up smaller scale interventions and to support the preparation of actions in the pipeline.

Output 1.2: High level of compatibility of national legislation with EU legislation and its effective implementation achieved

Activity 1.2.1: Continuation of EU support through the Policy and Legal Advice Centre for the uninterrupted progress of the accession negotiations – this activity will continue supporting national institutions in the alignment of national legislation with the *acquis*, particularly regarding remaining *acquis* to be transposed and new *acquis*, as well as its proper implementation and effective enforcement by further building the capacities of involved stakeholders. In the majority of cases, the *acquis* cannot be simply transposed without elaboration of accompanying by-laws, instructions and other interpretative materials as well as that for the effective implementation, roll-out and phased plans need to be developed and capacities of institutions adequately built up. Besides this, follow-up and monitoring of the implementation of the new legislation has to be given particular attention, which in turn again requires additional resources and acquiring of additional skills and competences. A specific attention will be paid to building capacity for administrative data and statistics collection and use as a basis for evidence-based policy and legislative development, where relevant, together with improving capacities of institutions to prepare regulatory and other types of impact assessments as the basis of developing legislative proposals.

Output 1.3: Improved Union Programmes funds absorption

Activity 1.3.1: Technical assistance for strengthening of National Contact Points, relevant Government administration bodies and potential applicants' capacities, and preparation of institutions for participation in Union Programmes – this activity will be focused on building capacities of NCPs, bodies responsible for management and implementation of specific Union Programmes so that all responsible management bodies can respond adequately to applicant requests and allow them to adequately fulfil their applications. Where necessary the assistance will be used to advice on all possible models for the establishment of structures for the management of the specific Union Programmes. In order to maximise the benefits that Serbia can draw from the participation in Union Programme; additional awareness-raising, through focused and targeted communication and visibility activities, should be envisaged in order to improve the visibility of Union Programmes in Serbia and to strengthen institutional capacities of programme coordinators and potential beneficiaries; it is necessary to ensure and deliver better access to information for all potential applicants.

Technical assistance will be also designed to prepare beneficiaries and potential applicants to better understand particular Union Programme requirements, application formats, management and implementation structures and tools, to use specific Union Programme funds adequately and to enhance their project pipeline.

Output 1.4: Evaluation of National Programme IPA assistance is carried out.

Activity 1.4.1: Carrying out the evaluation of National Programme IPA - The envelope will be used for the conduction of a number of ex-ante, mid-term and in particular final evaluations, based on an approved evaluation plan, in accordance with the principles and recommendations of the Better Regulation Guidelines and the DG NEAR Guidelines on linking planning/programming, monitoring and evaluation. Sensitive or innovative interventions and projects/programmes exceeding 10 million EUR will be the main subject of the evaluations. In order to achieve the result in an effective manner, a Joint Plan of evaluations encompassing all management modes will need to be previously adopted by the IPA Monitoring Committee along with specification of type, scope, implementation modality, methodology, timing and indicative budget.

Output 1.5: Confidence of the public in accountability and oversight over public spending by promoting transparency built

Activity 1.5.1: Increasing State Audit Institution capacities through performing strategically oriented audits, measuring audit effects and improving interactions with external stakeholders – this activity will provide support to SAI for development and improvement of the methodological materials for monitoring and evaluating the effects of recommendations that SAI provides, and design and implementation of the training programmes. One segment of activities aims to improve Audit Manuals and Working Papers Package, develop methodological materials for the strategically oriented performance audit, and design and provide proper trainings to enhance the skills of SAI staff for their implementation. Other segment of activities will further develop policies and procedures for audit recommendations follow-up and for measuring effects of audit recommendations. Strengthening capacities for implementation and measuring effects of audit recommendations will be conducted through training of auditors for formulating impact-oriented recommendations and study visit of the SAI staff to gain experience from partner. The action will also support the SAI in further strengthening where necessary its institutional capacities, through e.g. strategic planning, re-organisation, HRM, etc.

Output 1.6: Efficiency of budget execution, Public Finance Management and public internal financial control improved in line with EU standards and best practices

Activity 1.6.1: Improvement of performance of all stakeholders in the areas of public internal financial control, public procurement, budget planning and implementation, tax administration and customs administration – the activities will focus on supporting priorities which arise from the EU negotiation process with regard to negotiating chapters within clusters “Fundamentals” (Negotiating chapters 5 and 32) and clusters “Competitiveness and inclusive growth” (Negotiating chapters 16 and 29). Support will be provided to the reforms in public finance management areas and to the relevant institutions in developing the capacity necessary for the effective implementation, monitoring and evaluation of the related policies. The activities will i.a. create the conditions for an improvement in of the quality and effectiveness of the implementation of the requirements set by the EU negotiation process in these two clusters, and more generally for enhanced efficiency of PFM. Where possible activities related to Green Agenda will be included during the implementation of this Activity.

Specific focus of the activities may in particular be on the following indicative areas of intervention:

Activity 1.6.2: Improvement of managerial accountability and the management and control system: Activities related to Improved implementation of managerial accountability and the management and control system throughout the public sector, improved internal audit function in the public sector in accordance with international standards and principles, development of the unified IT system for IC in public sector and further progress in the CHU’s staff development, visibility and network;

Activity 1.6.3: Enhancement of the Public Procurement Office capacities: activity will be focused on addition new modules, tools and functionalities on Public Procurement Portal, to organise trainings for further professionalisation and improvement of knowledge of all economic operators in Public Procurement system, and to develop practical tools which will facilitate application of Law on Public Procurement, and contribute to prevention and fighting against corruption and irregularities in public procurement system.

Activity 1.6.4: Improvement of capacities of Custom Administration: Activities related to the Custom Administration comprises investments in hardware and development of the software solutions for IT systems and respective technical assistance for their implementation.

Activity 1.6.5: Improvement of capacities of Tax Administration: Activities related to the Tax Administration comprises further development of recommendations for the alignment of VAT national legislative framework relevant for support of the VIES System implementation, as well as the strategy and technical specifications of the VIES system.

Activity 1.6.6: Strengthening capacities of other major PP stakeholders: activities will provide support for strengthening public procurement system through capacity building for all economic operators and relevant competent authorities in public procurement system.

Other support actions will be based on the new PFM reform programme and address urgent and important areas of PFM.

Output 1.7: Integrated HRM in public administration based on competencies established

Activity 1.7.1: Ensured effective implementation and monitoring of implementation of the Civil Servants Law as the basis for merit-based human resources management system – the activities will contribute to the further implementation of the Law on Civil Servants, with special focus on changes caused with new competency framework that will affect all aspects of new HRM system. In order to create clear link between key elements of HRM function, methodology and set of indicators will be established which will represent the instruments for supporting the analytical work of the Ministry. Information gathered through this kind of exercise will provide useful information for further improvement of the process and creation of clear link between key elements of HRM function. Gathered information will enable further improvement of the HR system.

Activity 1.7.2: Created and implemented career models (especially talent management) and instruments for career development within PA civil servants' system – the activities will focus on development of career models and promotion of state administration system to the general public as competent and attractive employer, based on its values and creation of the new and improved HRM solutions. Several career management modalities will be introduced including variety of modern instruments at the institutional and individual level. The activities will enable design and development of different vertical and horizontal modality of the career development of the civil servants. Set of different modalities and instruments for career promotion will contribute to better motivation of civil servants, increased efficiency, as well as better promotion of public administration as an employer and finally contribute to retention policy having in mind problems regarding the outflow of staff (especially civil servants with IT and European integration background).

3.3. Risks and assumptions

Risks	Risk level (H/M/L)	Mitigating measures
Risk 1	M	MEI and EUD should always take into

<p>The relevant ministries and other beneficiaries are lacking capacities to further develop the Actions into the project documentation required for contracting and implementation.</p>		<p>consideration workload analyses of all significant implementing institutions. Continuous support by the MEI in development of the capacity of all institutions to prepare good quality documentation is a mitigating factor for this risk Ministry of Public Administration and Ministry of Finance should be involved at an early stage, to plan sufficient resources for relevant authorities in a sustainable manner. Sufficient staffing is necessary not only to implement projects, but also to ensure sustainability.</p>
<p>Risk 2 Lack of political commitment and willingness to support the actions and pursuing of the reforms; including the risk of changes in the Governmental structures and lack of constant coordination and cooperation between main beneficiary institutions.</p>	<p>L</p>	<p>The role of the MEI and the negotiating structures and the policy dialogue in the context of EU accession should be used to mitigate this risk. Proper coordination of the institutions involved and timely and comprehensive reporting on the PFM RP implementation Active participation of all beneficiaries in the process of the action programming and implementation, targeted capacity building activities for involved representatives are foreseen</p>
<p>Risk 3 Inadequate staffing and high turnover rates in the public administration influences the absorption capacities in line ministries and relevant bodies involved in the interventions</p>	<p>M</p>	<p>Strong commitment of the Government towards implementation of the public administration reform strategy. The required positions will be filled with properly educated and trained staff.</p>
<p>Risk 4 Resistance of involved institutions to implement the changes in line with the EU <i>acquis</i> requirements and engage in the inclusive and evidence-based approach in policy and legal development</p>	<p>L</p>	<p>Continual capacity development and raising of awareness among involved institutions and beneficiaries on necessary EU requirements which has to be fulfilled Lead institutions take stronger role in facilitating and leading sector institutions which have to respect decisions and implement them as the obligatory The implementation of the PAR strategy will contribute to strengthening of the capacities of relevant line ministries and public administration bodies in implementation of necessary sectorial reforms</p>
<p>Risk 5 Deficiency in making timely decision about actions to be funded from unallocated funds.</p>	<p>L</p>	<p>MEI, being Technical Secretariat to the WG for Management of Unallocated Funds will support work of the WG in making an assessment of proposed Actions</p>
<p>Risk 6</p>	<p>L</p>	<p>The implementation of the Public administration reform strategy, supported by the EU and other</p>

Lack of willingness and capacities in ministries to engage in the inclusive and evidence-based approach in policy and legal development		donors, is a mitigation factor for this risk
Risk 7 Inadequate technical capacities to support the final beneficiaries in information sharing,	M	Early start of the promotion of Union Programmes for the period 2021-2027 for final beneficiaries Organisation of info days and similar visibility activities as soon as new regulatory framework for Union Programmes 2021-2027 is adopted
Assumptions (to be reflected in the Logical Framework Matrix above) – grouped by outputs and outcomes		
<p>Outcome 1:</p> <ul style="list-style-type: none"> Commitment, trust and confidence of both Government of Serbia and EU Member States to European Integration process ensured <p>Output 1.1:</p> <ul style="list-style-type: none"> Policy dialogue with the EU achieved <p>Output 1.2:</p> <ul style="list-style-type: none"> EU accession process remains predictable and dynamic <p>Output 1.3:</p> <ul style="list-style-type: none"> NCPs and line ministries are regularly communicating with beneficiaries and potential Union Programmes applicants <p>Output 1.4:</p> <ul style="list-style-type: none"> Willingness of subjects to participate in evaluations and follow up recommendations. <p>Output 1.5:</p> <ul style="list-style-type: none"> Willingness by Parliament and auditees to respond positively to SAI reports ensured <p>Output 1.6:</p> <ul style="list-style-type: none"> Political commitment at the high level to implementation of the PFM Reform Program ensured <p>Output 1.7:</p> <ul style="list-style-type: none"> The Government of Serbia is committed to a long-term public administration reform process 		

3.4. Mainstreaming

The Action, as being focused on implementing specific and urgent needs emerging from European Integration process, represents the tool that will mainstream and provide an effective guide to all actors, to better implement gender mainstreaming in line with the requirements of the EU Gender equality strategy 2020-2025 and Gender Action plan 2020-2025. Consequently, gender perspective will be promoted in both national policies and interventions financed through IPA III and thereby better serve the needs of citizens, both women and men. Whenever relevant, the particular needs of women and girls will especially be taken into consideration, through gender disaggregated statistics and indicators and/or gender responsible budgets in line with the requirements of the EU gender equality strategy 2020-2025. The interventions finance through this Action will aspire to promote non-discriminatory practices and procedures and to prohibit any form of gender-based violence, unlawful discrimination including race, colour, religion, national -origin, political affiliation, sex, age, marital status, or disability; economic and social rights and empowering girls and women; equal participation and leadership. Finally, the action will also build on the needs for addressing the challenges and harnessing the opportunities offered by the green transition and the digital transformation.

3.5. Conditions for implementation

No specific conditions have to be in place for effective and timely implementation of the Action Document.

3.6. Logical Framework for PROJECT MODALITY

Results	Results chain: Main expected results (maximum 10)	Indicators (at least one indicator per expected result)	Baselines (year)	Targets (year)	Sources of data (1 per indicator)	Assumptions
Impact	To support Serbia in successfully conducting the process of EU accession	Degree of readiness of Serbia in terms of <i>acquis</i> alignment	Serbia report (2020)	Serbia report (2027)	European Commission report	<i>Not applicable</i>
Outcome 1	Serbian administration effectively met EU accession requirements and successfully managed overall EU pre-accession assistance geared towards EU membership focusing on public administration reform and public finance management	Number of negotiations Chapters of the <i>Acquis</i> opened, and number closed	Conditions exist for 18 (2020) 16 to be opened, 2 to be provisionally closed	Conditions exist for all chapters to be opened and at least 22 chapters to be closed	European Commission report	Commitment, trust and confidence of both Government of Serbia and EU Member States to European Integration process ensured
Output 1.1 related to outcome 1	A prompt implementation of emerging accession related actions in the sectors covered by the EU <i>acquis</i> and policy dialogue with EU is ensured	Number of national institutions implementing selected actions for the achievement of NPAA priorities.	0 (2020)	5 (2025)	NPAA Reports	Policy dialogue with the EU achieved
Output 1.2 related to outcome 1	High level of compatibility of national legislation with EU legislation and its effective implementation achieved	Progress in the alignment and implementation of the <i>Acquis</i> within the negotiation chapters covered by the action	0	11	Conclusions from the SAA Committee and Sub-committees' meetings	Staff experienced in European integration tasks remain in respective institutions as civil servants
Output 1.3 Related to outcome 1	Improved Union Programmes funds absorption	Serbia's participation rates in the different Union Programmes (to be itemised according to Union	0%(2020) 922 projects	5%(2025) 968 projects	Annual NIPAC Reports on international assistance or International Agreement signed for specific Union Programme	NCPs and line ministries are regularly communicating with beneficiaries and potential Union Programmes applicants

		programmes, as appropriate)				
Output 1.4 Related to outcome 1	Evaluation of National Programme IPA assistance is carried out.	Number of recommendations deriving from the conducted evaluations implemented	0	At least 5 evaluations conducted and 40% of recommendations implemented	Annual NIPAC report related to monitoring	Willingness of subjects to participate in evaluations and follow up recommendations.
Output 1.5 related to outcome 1	Confidence of the public in accountability and oversight over public spending by promoting transparency built	Performance audits carried out Level of implemented recommendations by audited entities in %	12 (2019) 75% (2019)	14 (2025) 80% (2025)	SAI's audit reports; Official reports / decisions of Parliament regarding recommendations in SAI's Annual Activity Report;	Willingness by Parliament and auditees to respond positively to SAI reports ensured
Output 1.6 related to outcome 1	Efficiency of budget execution and public internal financial control improved in line with EU standards and best practices	Functioning of internal control (SIGMA indicator) Number of bids per public procurement Strategy for development of the VIES system prepared and adopted Custom Data Warehouse and Integrated Tariff Management System fully operational	1/5 (2019) 2.5 (2019) no (2020) no (2020)	2/5 (2025) 3.1 (2025) yes (2025) yes (2025)	SIGMA Report PPO Annual Report Annual Progress Reports of the MF, TA and CA and project reports	Political commitment at the high level to implementation of the PFM Reform Program ensured
Output 1.7 related to outcome 1	Integrated HRM in public administration based on competencies established	Adequacy of the policy, legal framework and institutional set-up for professional HRM in public service (SIGMA indicator 3.2.1)	3/2019	4/2024	SIGMA Monitoring Report	The Government of Serbia is committed to a long-term public administration reform process

4. IMPLEMENTATION ARRANGEMENTS

4.1. Financing agreement

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

4.2. For budget support only[Implementation of the budget support component] - NA

4.3. Implementation modalities

The Commission will ensure that the EU appropriate rules and procedures for providing financing to third parties are respected, including review procedures, where appropriate, and compliance of the action with EU restrictive measures¹⁰.

4.3.1. Direct Management (Grants) - NA

4.3.2. Direct Management (Prizes) - NA

4.3.3. Direct Management (Procurement)

Procurement of services will contribute to achievement of Outputs 1.1., 1.2, 1.4 and 1.7.

Subject	Indicative type (works, supplies, services)	Indicative trimester of launch of the procedure
1.1.A prompt implementation of emerging accession related actions in the sectors covered by the EU <i>acquis</i> and policy dialogue with EU is ensured	Various types of contracts	T1, 2022
1.2. High level of compatibility of national legislation with EU legislation and its effective implementation achieved	Service contract	T1,2022
1.3. Improved Union Programmes funds absorption	Service contract	T1, 2022
1.4. Evaluation of National Programme IPA assistance is carried out.	Service contracts	T3, 2022
1.7. Integrated HRM in public administration based on competencies established	Service contract(s)	T1, 2022

4.3.4. Indirect management with [an] entrusted entity[ies] (i.e. Member State Organisation, third donor country, EU specialised (traditional/regulatory) agency, international organisation)

A part of this action may be implemented in indirect management with the United Nations Development Programme (UNDP) in partnership with the Centre of Excellence in Finance (CEF) and the Slovak Ministry of Finance. The entity was selected following a procedure based on expressions of interest implemented by the Commission's services using the following criteria:

- financial and operational capacity of the applicant to manage large and complex reform programmes;
- substantial experience and active involvement in the reform process in the area of public finance management, with preference in Serbia or the region,
- capacity to mobilise relevant networks in the EU Member States, Serbia and the region,
- relevance, effectiveness, feasibility, sustainability and cost-effectiveness of the action.

¹⁰ www.sanctionsmap.eu Please note that the sanctions map is an IT tool for identifying the sanctions regimes. The source of the sanctions stems from legal acts published in the Official Journal (OJ). In case of discrepancy between the published legal acts and the updates on the website it is the OJ version that prevails.

The implementation by this entity entails the Output 1.6

4.3.5. Indirect management with an IPA III beneficiary

A part of this action (Output 1.5) will be implemented under indirect management by the Republic of Serbia.

The managing authority responsible for the execution of the action is the NIPAC Office. The managing authority shall be responsible for legality and regularity of expenditure, sound financial management, programming, implementation, monitoring, evaluation, information, visibility and reporting of IPA III activities.

The managing authority shall rely on sectoral expertise and technical competence of the following intermediate bodies for policy management: line ministries in charge of topic concerning the Action. They shall ensure sound financial management of the action.

Budget implementation tasks such as calls for tenders, calls for proposals, contracting, contract management, payments and revenue operations, shall be entrusted to the following intermediate body for financial management: Central Finance and Contracting Unit in the Ministry of Finance). It shall ensure legality and regularity of expenditure.

4.3.6. Contribution to <name of the relevant Regional Blending Facility/Platform>

N/A

4.3.7. Budgetary guarantees

N/A

4.3.8. Changes from indirect to direct management mode (and vice versa) due to exceptional circumstances (one alternative second option)

Under the output 1.1., while the selected management mode is procurement under direct management, the alternative may be, in case it is considered that expertise through a Member State is more relevant to a topic in the accession agenda, that one or more twinning contracts, under IMBC, are contracted. The main beneficiary of this result is the Ministry of European Integration.

For the output 1.6, procurement under Direct management may be used as an alternative modality for the part of this action that is planned to be implemented in indirect management with UNDP, in case this preferred modality cannot be implemented due to circumstances outside of the Commission's control. In case the alternative option is chosen, the exception is the activity 1.6.4, which would remain to be implemented under indirect management by the Republic of Serbia.

4.4. Scope of geographical eligibility for procurement and grants

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

4.5. Indicative budget

	EU contribution (amount in EUR)	Third party contribution (amount in EUR)
OUTCOME 1		

Output 1.1 A prompt implementation of emerging accession related actions in the sectors covered by the EU <i>acquis</i> and policy dialogue with EU is ensured, composed of	10,000,000	N/A
Direct management (Procurement) – cf. section 4.3.3	N/A	
Output 1.2: High level of compatibility of national legislation with EU legislation and its effective implementation achieved, composed of	1,800,000	N/A
Direct management (Procurement) – cf. section 4.3.3	N/A	
Output 1.3: Improved Union Programmes funds absorption, composed of	1,500,000	N/A
Direct management (Procurement) – cf. section 4.3.3	N/A	
Output 1.5: Built confidence of the public in accountability and oversight over public spending by promoting transparency, composed of	1,500,000	N/A
Indirect management with Republic of Serbia – cf. section 4.3.5	1,500,000	N/A
Output 1.6: Improved efficiency of budget execution and public internal financial control in line with EU standards and best practices by strengthening legislative framework and institutional capacities, composed of	13,500,000	200,000 ¹¹
Indirect management with United Nations Development Programme - cf. section 4.3.4	13,500,000	200,000 ¹²
Output 1.7: Established integrated HRM in public administration based on competencies, composed of	1,500,000	N/A
Direct management - (Procurement) – cf. section 4.3.3	N/A	
Grants – total envelope under section 4.3.1	N/A	N/A
Procurement – total envelope under section 4.3.3 (including evaluation)	16,300,000	N/A
Indirect management with Republic of Serbia – total envelope under section 4.3.5	1,500,000	N/A
Evaluation (Output 1.4, cf. section 5.3)	1,500,000	N/A
Audit, Expenditure verification (cf. section 6)	will be covered by another decision	N/A
Communication (cf. section 7)	N/A	N/A
Contingencies	N/A	N/A

¹¹ UNDP co-financing

¹² UNDP co-financing

Totals	31,300,000	200,000
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4.6. Organisational set-up and responsibilities

Part of this Action may be implemented under indirect management for which the allocation of roles and responsibilities takes into consideration the current state of knowledge, skills and capabilities of the IMBC structures, including the Intermediate body for financial management: CFCU and Intermediate body for policy management: The Ministry in charge of European integration. The Central Finance and Contracting Unit (CFCU) within the Ministry is in charge of Finance to prepare, tender, evaluate, sign and implement contracts and twinning's. Final beneficiaries are the national authorities who are directly responsible for the harmonisation and enforcement of the EU *acquis*, standards and practice in sectors/areas covered within this Action.

The institutional arrangements for implementation of activities which will contribute to the achievement of Action Outputs are:

The Ministry in charge of European integration will coordinate all end recipients of the Outputs 1.1-1.3 including preparation of implementation and supporting documents, such as Terms of References, technical specifications, etc. A Steering Committees will be established' for each intervention and will guide the implementation of the individual interventions related to Outputs 1.1-1.3. It will include representatives from the Ministry in charge for European integration, ministry in charge of Finance/CFCU and EUD. In addition, the composition of the Steering Committees' may also include relevant representatives of other stakeholders, depending on the type of intervention and will be based on equal representation of the interest of all institutions while bearing in mind effectiveness and efficiency of such body.

For the **Output 1.1.**, the final beneficiary is the ministry in charge of European integration, in capacity of NIPAC TS/Body responsible for coordination of programming, monitoring and evaluation (BCPME), while the end recipients of the assistances may be line ministries and other responsible public institutions and will be known once the action proposal has been approved by the Working Group for the Management of Negotiation and Policy Envelope Funds within the IPA for the period 2014-2020. Members of the Working Group are the Ministry in charge of European Integration, the Central Financing and Contracting Unit of the Ministry in charge of finance, the National Fund, NAO support office and the EU Delegation. The main task of the WG is to ensure objective and transparent allocation of the "unallocated funds", to review and to adopt the list of prioritised actions and projects for financing. The basis for the work and the management of Negotiation and Policy Envelope funds is the jointly agreed Guidelines for management of Negotiation and Policy Envelope funds with following procedure: (i) Potential beneficiaries present possible Actions to be funded to the Ministry in charge of European Integration, that is responsible to consolidate all proposals and present them to the WG¹³; (ii) Proposed Actions are reviewed and considered by the WG; (iii) On the basis of the predefined criteria, the WG shall define the priority list of the proposed Actions, programme year for allocation of funds and management mode of financing; (iv) List will be regularly updated based on the newly identified needs.

Output 1.3– the final beneficiary is ministry in charge of European Integration in capacity of NIPAC TS/Body responsible for coordination of programming, monitoring and evaluation (BCPME), while the end recipients are line ministries which performs the roles of National Contact Points, and potential applicants to Union Programmes.

Output 1.2. and 1.4 – the final beneficiary is the ministry in charge of European integration, in capacity of NIPAC TS/Body responsible for coordination of European integration as well as programming, monitoring

¹³ Members of the WG can propose Actions for funding as well

and evaluation (BCPME), while the end recipients are line ministries and other responsible public institutions at all government levels.

Output 1.5- the final beneficiary, as well as end recipient is the State Audit Institution.

Output 1.6- the final beneficiary is the ministry in charge of finance, while the end recipients are the Tax Administration, Custom Administration, Public Procurement Office and Central Harmonisation Unit.

Output 1.7: Activity 1.7.1. - the final beneficiary is the ministry in charge of public administration, while end recipients are HRM Units at central government level.

Activity 1.7.2. – the final beneficiary is the Human Resource Management Service, while end recipients are civil servants.

The Ministry in charge of Public Administration plays the lead role in the PAR process. In the field of coordination, management and monitoring of the implementation of the PAR Strategy, a three-level institutional and organisational structure was established (competent ministry as the operational level of coordination, Inter-Ministerial Project Group) as an administrative, inter-ministerial level of coordination Society and Local Self-Government and the Public Administration Reform Council as a working body of the Government and a central strategic and political body to manage the public administration reform process headed by the Prime Minister.

5. PERFORMANCE/RESULTS MONITORING AND REPORTING

5.1. Internal monitoring

The performance and result monitoring arrangements will be finalised once the IPA III Implementing Regulation is adopted and the Framework Agreement between the Republic of Serbia and the European Commission on the arrangements for implementation of Union financial assistance to the Republic of Serbia under the Instrument for Pre-Accession Assistance (IPA III) is signed. The day-to-day technical and financial monitoring of the implementation of this action will be a continuous process, and part of the implementing partner's responsibilities. To this aim, the implementing partner shall establish a permanent internal, technical and financial monitoring system for the action and elaborate regular progress reports (not less than annual) and final reports. Every report shall provide an accurate account of implementation of the action, difficulties encountered, changes introduced, as well as the degree of achievement of its results (Outputs and direct Outcomes) as measured by corresponding indicators, using as reference the log frame matrix (for project modality) and the partner's strategy, policy or reform action plan list (for budget support).

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

5.2. Roles & responsibilities for data collection, analysis & reporting

In case the arrangements remain the same as during the IPA II period, the overall progress will be monitored through participation of various stakeholders, such as European Commission/EUD, NIPAC, NIPAC TS/BCPME, NAO, NAO SO, NF, Contracting Authority- CFCU, Final Beneficiaries, AA, and other institutions and civil society organisations. More precisely, monitoring will be done through:

- **Result Orientated Monitoring (ROM) system (led by DG NEAR):** This will provide, as necessary and required, an independent assessment of the on-going or ex-post performance of the Action.
- **IPA Beneficiary's own monitoring:** IPA monitoring process is organised and led by the NIPAC, supported by the NIPAC TS/ BCPME. NIPAC is the main interlocutor between the Serbian

government and the European Commission regarding strategic planning, co-ordination of programming, monitoring of implementation, evaluation and reporting on the overall IPA assistance. NIPAC monitors the process of programming, preparation and implementation, as well as the sustainability and effects of programmes, aiming to improve these processes, ensure timely identification, remedying and alleviation of potential issues in the process of programming and implementation of Actions. Through the support of the NIPAC TS/ BCPME, the NIPAC prepares regular monitoring reports for the Government and the European Commission based on the reports drawn up by the institutions responsible for implementation. It reports on the formulation of Action, the fulfilment of preconditions for the initiation of public procurement procedures, the implementation of Action, its sustainability and effects, and organises the process of evaluation.

- **Self-monitoring performed by the EU Delegation:** This is part of the annual assurance strategy process and is done based on the ex-ante risk assessment of actions/contracts that are considered riskier.
- **Joint monitoring by DG NEAR and the IPA Beneficiary:** the compliance, coherence, effectiveness, efficiency and coordination in implementation of financial assistance will be regularly (at least once a year) monitored by the IPA Monitoring Committee. It will be supported by Sectoral Monitoring Committees which will ensure monitoring process at sector level. The results of monitoring will be used in the policy-making process to propose programme adjustments and corrective actions.

5.3. Evaluation

A final, mid-term or ex-post evaluation(s) for this Action, or its components may be carried out via independent consultants, through joint missions, contracted by the Commission or via an implementing partner.

The mid-term evaluation will be carried out for learning purposes, in particular with respect that it includes numerous components concerning the accession process.

The final or ex-post evaluation will be carried out for accountability and learning purposes at various levels (including for policy revision), taking into account in particular the fact that it includes numerous components concerning the accession process.

In case an evaluation is not foreseen, the Commission may, during implementation, decide to undertake such an evaluation for duly justified reasons either on its own decision or on the initiative of the partner.

The Commission shall inform the implementing partner at least 6 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 Commission shall analyse the conclusions and recommendations of the evaluations and, where appropriate, in agreement with the partner country, jointly decide on the follow-up actions to be taken and any adjustments necessary, including, if indicated, the reorientation of the project.

Finally, the evaluations envelope will generate systemic recommendations and inputs relevant for future programming. Evaluation services may be contracted under a framework contract.

6. AUDIT

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

The financing of the audit shall be covered by another measure constituting a financing Decision.

For the part of the action incorporating a form of financing not linked to costs but on the achievement of results, the verification mechanisms will focus on the results and performance indicators previously agreed.

7. COMMUNICATION AND VISIBILITY

Visibility of EU funding and communication about objectives and impact of Actions are a legal obligation for all Actions funded by the EU, as set out in the EU communication and visibility requirements in force. In particular, the recipients of EU funding shall acknowledge the origin of the EU funding and ensure its proper visibility by:

- providing a statement highlighting the support received from the EU in a visible manner on all documents and communication material relating to the implementation of the funds, including on an official website and social media accounts, where these exist; and
- promoting the actions and their results by providing coherent, effective and proportionate targeted information to multiple audiences, including the media.

Visibility and communication measures shall be implemented, as relevant, by the national administrations (for instance, concerning the reforms linked to EU budget support), entrusted entities, contractors and grant beneficiaries. Appropriate contractual obligations shall be included, respectively, in financing agreements, delegation agreements, and procurement and grant contracts.

The measures shall be based on a specific Communication and Visibility Plan, established and implemented in line with the EU communication and visibility requirements in force. The plan shall include, inter alia, a communication narrative and master messages for the Action, customised for the various target audiences (stakeholders, civil society, general public, etc.)

Visibility and communication measures specific to this Action shall be complementary to the broader communication activities implemented directly by the European Commission services and/or the EU Delegation. The European Commission and the EU Delegation should be fully informed of the planning and implementation of the specific visibility and communication activities, notably with respect to the communication narrative and master messages.

If the Action includes Union programmes, visibility and communication measures shall be implemented in accordance with the EU communication and visibility requirements in force and the specific rules of each Union programme. The relevant programme managing entity shall be responsible for monitoring the visibility and communication activities. The European Commission and the EU Delegation should be fully informed of the planning and implementation of the specific visibility and communication activities.

Communication and visibility will be ensured through an information and promotion campaign that will be implemented from the very beginning of the Action. Communication and visibility actions will be undertaken to stress the benefits of Serbian and EU funding working together, towards joint Serbian and EU strategic development objectives and to present the results achieved through Action implementation.

8. SUSTAINABILITY – ½ page max

The proposed Action will produce sustainable results in the short run, since it does not envisage establishment or financing of the new organisational units and their running costs, however it will provide support to beneficiary institutions and structures that are already in place, but which require additional assistance in the complex process of the harmonisation with *acquis* and for the preparation for negotiations. Although there is technical support ongoing for the harmonisation with the *acquis*, for the EU negotiation preparation as well as for project preparation, the demand is still high and the need for technical assistance is likely to increase proportionally to the challenges ahead. All of the capacities developed through this intervention will be used in the future period for the further alignment as part of the accession, and they will be a crucial resource for the EU integration.

Sustainability is also given in the fact that the support for legislative alignment results eventually in adoption of the laws, by-laws, plans, etc., by the Parliament, Government or governmental bodies, ensuring that these are part of the system, and not ad hoc interventions.

This Action will ensure that all policies and legislation will be developed according to the better regulation approach, which ensures inclusive and evidence-based policy and legislative development. The increased focus on the quality of the legislative and policy-making process will help to ensure that adopted policies and laws can be better implemented. Also, institution-building under this action will respect effective lines of accountability between institutions (agencies and parent institutions), therefore avoiding any possible fragmentation of administration.

In case of Negotiations and Policy Developments Envelope, the sustainability has to be monitored through sub-actions, since the envelope itself is not using any funds or implementing any actions. The sustainability of envelope has been ensured in the past through the successful implementation of sub-actions and through the achievement of envelope purposes and results of individual sub-actions. Finally, the evaluations envelope will generate systemic recommendations and inputs relevant for future programming.

The evaluations envelope will generate systemic recommendations and inputs relevant for future programming. Furthermore, the support through this Action will produce sustainable results in the short run since a number of relevant structures for management of Union Programmes are already in place and the need for technical assistance is likely to increase proportionally to the challenges ahead. Serbia already invested considerable financial and human resources to set up the structures and systems for implementation of financial assistance under the rules and procedures of the IPA (including Union Programmes). It is expected that the instrument and regulations that will derive from the new financial perspective 2021-2027 should take account of this in order to ensure a seamless move to the new period without jeopardising efforts already made.