

ANNEX

*to the COMMISSION IMPLEMENTING DECISION
adopting an Annual Action Programme for Serbia for the year 2018*

Multi-annual Work Programme This document constitutes the multi-annual work programme in the sense of Article 110(2) of Regulation (EU, Euratom) 2018/1046

1 IDENTIFICATION

Beneficiary	Serbia
CRIS/ABAC Commitment references Total cost EU Contribution Budget lines	2018/041-249 Total cost: EUR 72,841,930.17 EU contribution: EUR 57,385,000.00 Budget line: 22.020101 2018/041-250 Total cost: EUR 64,800,000.00 EU contribution: EUR 59,800,000.00 Budget line: 22.020102 2018/041-527 Total cost: EUR 108,360,000.00 EU contribution: EUR 61,915,000.00 Budget line: 22.020102
Management Mode/ Entrusted entities	<p>Direct management by the European Commission for all activities with the following exceptions:</p> <p>The Action 2 "European Integration Facility Indirect Management"; the result 1 of the Action 5 "EU for Environment and Climate Action" and the activities 1.1 and 1.2 of the Action 6 "EU for Competitiveness through Innovation and Tourism Development" will be implemented through indirect management with the Republic of Serbia.</p> <p>The entrusted entity responsible for the execution of the actions is the department for Contracting and Financing of EU Funded projects (CFCU) at the Ministry of Finance.</p> <p>In the Action 5 "EU for Environment and Climate Action" the activity 2.1 will be implemented through indirect management with the Kreditanstalt für Wiederaufbau (KfW) and the activity 2.2 will be implemented through indirect management with the European Bank for Reconstruction and Development (EBRD).</p>

	<p>In the Action 6 "EU for Competitiveness through Innovation and Tourism Development", the activity 1.3 will be implemented through indirect management with the EBRD, and the result 2 will be implemented through indirect management with Gesellschaft für Internationale Zusammenarbeit (GIZ).</p> <p>The Action 7 "EU for Social Housing and Active Inclusion" will be implemented through indirect management with the United Nations Office for Project Services (UNOPS).</p> <p>The Action 3 "Support to the Participation in Union Programmes", implementation will consist in the payment of the IPA part of the financial contribution to the EU Programmes by the National Fund.</p>
Final date for concluding <u>Financing Agreements</u> with the IPA II beneficiary	At the latest by 31 December 2019
Final date for contracting, including the conclusion of contribution/delegation agreements	3 years following the date of conclusion of the Financing Agreement, with the exception of the cases listed under Article 114(2) Financial Regulation
Indicative operational implementation period	6 years following the date of conclusion of the Financing Agreement
Final date for implementing the Financing Agreement (date by which this programme should be de-committed and closed)	12 years following the conclusion of the Financing Agreement
Programming Unit	DG NEAR, Unit D2
Implementing Unit/ EU Delegation	EU Delegation to Serbia

2 DESCRIPTION OF THE ACTION PROGRAMME

The 2018 Instrument for Pre-Accession Assistance (IPA II) allocation for Serbia is EUR 239,600,000.00. Out of this amount, EUR 5,000,000.00 will be allocated for support to civil society under the IPA 2018 multi-country action programme, EUR 30,000,000.00 will be allocated to Instrument for Pre-Accession Assistance Rural Development (PARD) and EUR 25,500,000.00 will be allocated to the Regional Housing Programme, included in the IPA 2018 Multi-country action programme. Consequently, the EU contribution to the present 2018 Action Programme for Serbia amounts to EUR 179,100,000.00.

2.1 SECTORS SELECTED UNDER THIS ACTION PROGRAMME

- Rationale for the selection of the specific sectors under this programme:

The priorities of the action programme for Serbia are in line with the revised Indicative Strategy Paper for Serbia (the strategy paper)¹ which sets out the priorities for EU financial assistance for the period until 2020 to support Serbia on its path to EU accession based on two pillars: Democracy and Rule of Law, and Competitiveness and Growth.

The selection of the specific sectors to be financed under this programme was based on the consideration of the objectives and results included in the strategy paper; the priorities defined within "A credible enlargement perspective for and enhanced EU engagement with the Western Balkans"² from 6 February 2018, and in particular, attention was paid to ensuring the close link between the actions proposed in the programme and the flagship initiatives linked to the abovementioned strategy. The selection is also firmly aligned to the priorities of the Sofia declaration of the EU-Western Balkans summit of the 17 May 2018, as part of the support contributes closely to the flagship initiative 3 – Support for Socio-Economic Development and Initiative 4 – Transport and Energy Connectivity. The selection follows the specific recommendations of the Annual Report for Serbia for 2018³, as well as on relevant national strategic documents, mainly the National Programme for Approximation with the Acquis (NPAA) and the Document on National Priorities for International Assistance - Needs Assessment Document (NAD). The present programme has been prepared in close cooperation with the Ministry of European Integrations and national institutions, as well as in close coordination with other donors including international financial institutions, and civil society organisations.

In view of moving further towards a sector approach, the actions under this programme have been selected based on their relevance and their contribution to national sector strategies as well as their link to accession negotiations. Actions have been assessed based on key principles of maturity, absorption capacity, adequate sequencing with previously programmed IPA and other donors' assistance. In addition, the programme was developed with full consideration of the approach on the selection of indicators in line with the Better Regulation Package and the Guidelines on Linking Planning/Programming, Monitoring and Evaluation.

The selection process took into full account the fact that the Rule of Law is a key priority for Serbia. For that reason, during the IPA programmes from 2014 to 2017, a

¹ C(2014)5872 of 19.8.2014, revised by C(2018) 5064 of 10.08.2018.

² COM(2018) 65 final, 6.2.2018

³ SWD(2018) 152 final 17.4.18

total amount of EUR 107,800,000.00 was allocated to this sector. Support for Rule of Law under the previous programmes tackles the fundamental issues in line with the Indicative Strategy Paper, Western Balkans Enlargement perspective for 2018 and Sofia declaration, including to promote independence and efficiency of the judiciary, fight against corruption and organised crime, promote fundamental rights and improve the capacity for border and migration management. In order to allow the achievement of results and the proper absorption of capacity from the beneficiary institutions, upon which a sustainable and mature Rule of Law support can be built in the next annual programmes, it was decided not to program assistance this year in the sector.

The process described above led to the selection of the following four sectors for financing under the present programme: democracy and governance; competitiveness and innovation, agriculture and rural development; environment climate action and energy; education, employment and social policies. The present programme also includes support for participation to EU programmes, which figure under the democracy and governance sector.

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

Sector: Democracy and Governance

Public Administration Reform

During the period 2014-2017, the Public Administration Reform (PAR) sector in Serbia was allocated EUR 252,600,000.00 of IPA assistance. In the four annual programmes under IPA II, support included both specific technical assistance as well as horizontal support to the central and local public administration, public financial management, customs and statistics. EU support has been consistently aligned with interventions by other donors, most notably by the World Bank (WB), the Swedish International Development Agency (SIDA) and the United States Agency for International Development (USAID). The public administration reform process has been supported through a Sector Reform Contract in the value of EUR 80,000,000.00, designed to help the Government achieve targets for indicators that measure the Public Administration Reform Principles developed by the Support for Improvement in Governance and Management (SIGMA).

Participation in Union Programmes

Participation of Serbia in Union Programmes has been supported by IPA since 2007. Evaluations conducted about the impact of this support highlighted the benefit of this participation and the need to strengthen the national coordination mechanism and capacities to maximise the benefits that Serbia can draw.

EU Integration Facilities

Substantial IPA assistance has been provided under IPA I and IPA II to Serbia in order to support the strengthening the capacity and accountability of the Serbian public administration to assist the Government in the preparation for EU membership. Support has proven to be instrumental in enhancing capacities for alignment and implementation of *acquis* requirements. The support has also proven to be instrumental for the development and implementation of relevant reforms and strategies in different sectors related to the accession process.

Sector: Environment, climate action and Energy

IPA II support has focused on the implementation of priorities under the national strategies and the alignment with the EU standards and acquis, covering the key areas of the environmental sector, including water supply and wastewater treatment, waste management and the continuation of support for the alignment with requirements concerning NATURA 2000. Evaluation reports have recommended the greater focus on capacity building in this sector, ensuring that institutions have skills to implement the extensive acquis requirements in this field, but also to ensure its effective implementation. Support to the energy sub-sector has been substantial under both IPA I and IPA II. EU assistance focused on reform of the energy sector in line with the EU energy acquis, strategic planning, increased use of renewable energy, implementation of emission reduction at a thermal power plant and introducing new infrastructure related to the regional gas market.

Sector: Competitiveness and Innovation, Agriculture and Rural Development

Over the period 2014-2017 the competitiveness and innovation sector has been one of the largest recipients of international assistance to Serbia. IPA support focused in particular on the effective operation of markets, improving the quality, range and availability of business support services, export innovation within small and medium size enterprises (SME) and technology transfer. Lessons learned were drawn from previous evaluations, which highlighted the existence of unfavourable conditions, such as an unstable financial framework for loans and the lack of a developed offer of comprehensive business and innovation support, which can diminish the positive effects of previous support interventions for SMEs. The evaluations recommended further improvements in the system that will ensure access to finance for SMEs investments needed to ensure their competitiveness. Impact evaluations demonstrated the benefits of the improved cooperation at national level between the ministries responsible for economy, education and science with research and development institutions through the implementation of joint interventions in the field of innovation. In the area of tourism development, limited support was provided under IPA I, while focus under IPA II was specific and location-based. The relevance of this sub-sector to the overall competitiveness sector has been emphasized through the adoption of national strategic documents, justifying the need for provision of support as part of a comprehensive sector approach.

Sector: Education, employment and social policies

The education, employment and social policies sector has received substantial assistance from the international donor community in the previous period. IPA support has focused in particular on reinforcing the link between the labour market and the education system. Sector Reform Contract in the value of EUR 27,400,000 has been allocated for supporting education reform, including an integrated approach to national minorities and in particular the Roma. In addition, support has been provided for social inclusion of most vulnerable groups, in particular Roma, refugees and internally displaced persons. Evaluations conducted on past assistance assessed positively the impact of this sector support, but highlighted the need to improve effectiveness, efficiency as well as sustainability of activities. A key recommendation was the need for alignment of the provision of infrastructure types of support, such as housing with a holistic approach to employment, health, education and social inclusion for the beneficiary vulnerable

groups. A more comprehensive approach is also ensured by better coordination of the line institutions and with local self-governments, which allows increased impact and sustainability.

List of Actions foreseen under the selected Sectors:

ACTION NO AND TITLE	INDIRECT MANAGEMENT WITH THE IPA II BENEFICIARY	OTHER IMPLEMENTATION ARRANGEMENTS	
DEMOCRACY AND GOVERNANCE			
Action 1 "EU Integration facility – Direct Management"	N/A	Direct management	EUR 10,000,000.00
Action 2 "EU Integration facility Indirect Management"	15,791,325.22	N/A	N/A
Action 3 "Support to the Participation in Union Programmes"	11,593,674.78	N/A	N/A
Action 4 "EU for Development of Statistics in Serbia"	N/A	Direct management	EUR 20,000,000.00
TOTAL	EUR 27,385,000.00	TOTAL	EUR 30,000,000.00
ENVIRONMENT, ENERGY AND CLIMATE ACTION			
Action 5 "EU for Environment and Climate action"	EUR 42,915,000.00	Indirect management with KfW and EBRD	EUR 19,000,000.00
TOTAL	EUR 42,915,000.00	TOTAL	EUR 19,000,000.00
COMPETITIVENESS, INNOVATION, AGRICULTURE AND RURAL DEVELOPMENT			
Action 6 "EU for Competitiveness through Innovation and Tourism Development"	EUR 15,000,000.00	Indirect management with EBRD and GIZ	EUR 24,800,000.00
TOTAL	15,000,000.00	TOTAL	EUR 24,800,000.00
EDUCATION, EMPLOYMENT AND SOCIAL POLICIES			
Action 7 "EU for Social Housing and Active Inclusion"	N/A	Indirect management with UNOPS	EUR 20,000,000.00
TOTAL	N/A	TOTAL	20,000,000.00
TOTAL	EUR 85,300,000.00	TOTAL	EUR 93,800,000.00

2.2 DESCRIPTION AND IMPLEMENTATION OF THE ACTIONS

SECTOR	<i>Democracy and Governance</i>	<i>EUR 57,385,000.00</i>
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Action 1	<i>EU Integration Facility – Direct Management</i>	<i>Direct management</i>	<i>EUR 10,000,000.00</i>
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Description of the Action, objective, expected results and key performance indicators

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

Specific objectives of the action are:

To support the Serbian administration to effectively meet requirements and conditions deriving from the accession negotiations and successfully manage overall EU integration and pre-accession assistance geared towards EU membership.

Expected results:

- A prompt implementation of emerging accession related actions in the sectors covered by the EU Acquis and policy dialogue with EU is ensured.
- Financially viable projects for financing by EU pre-accession/accession assistance (and possibly by IFIs and/or other donors) are developed and ready for implementation.
- Sector and thematic evaluations of assistance, in line with the sector approach, are carried out.

Key Performance Indicators:

- Rate of transposition of the EU Acquis, as measured by the % of the implementation of the Serbian National Programme for Approximation with the Acquis.
- Number of negotiations Chapters of the Acquis opened and number closed.

Assumptions and conditions

The **main assumptions** that should be considered are: the continuous support of the Government of Serbia to European Integration process is maintained; there is continuous support of the Member States to Serbia's European Integration process; the government allocates appropriate levels of human and financial resources, and budgetary constraints are not increased for EU integration processes and there are sufficient dedicated and qualified staff available at beneficiary institutions. Concerning **conditions**, in order to conduct the sector and thematic evaluations in accordance with sector approach, the condition is that an Evaluation plan is timely adopted by the IPA II Monitoring Committee. Failure to comply with the requirements set out above may lead to a recovery of funds under this programme and/or the re-allocation of future funding.

Implementation arrangements of the action:

Procurement: direct management by the EU Delegation in Serbia

- a) the global budgetary envelope reserved for procurement: EUR: 9,000,000.00
- b) the indicative number and type of contracts: an indicative number of at least ten service, supplies, framework and works contracts.
- c) indicative time frame for launching the procurement procedure: Q3 to Q4 2019

Direct grant award: Activity 2.2 - Participation to JASPERS

- a) Objectives and foreseen results:

The objective of the grant to the European Investment Bank (EIB) for the "Joint Assistance to Support Projects in European Regions (JASPERS)" is to support the acceleration of Serbia's preparations for the absorption of the EU funds. The results of the grant are: Serbia participates to JASPERS, and develops a project pipeline of projects in the environment, transport, energy and regional competitiveness sectors.

- b) Justification for the use of an exception to calls for proposals:

EIB was selected by the Ministry of European Integrations and relevant beneficiaries on the basis of the conditions related to actions with specific characteristics that require a particular type of body on account of its technical competence, its high degree of specialisation or its administrative power, on condition that the actions concerned do not fall within the scope of a call for proposals - pursuant to Article 195(1)(f) of the Financial Regulation.

The selection was made in view of the experience developed within JASPERS since 2006, documented by a steep increase of approved projects having received support from JASPERS, the EIB has acquired a high degree of specialisation necessary to deliver the relevant support to Member States and candidate countries. The general rules for procurement and grant award procedures shall be defined in the Agreement between the Commission and the European Investment Bank (EIB) implementing the part of the programme.

- c) the name of the beneficiary: European Investment Bank
- d) The essential selection criteria are financial and operational capacity of the applicant.
- e) The essential award criteria are relevance, effectiveness and feasibility, sustainability and cost-effectiveness of the action.
- f) indicative amount of the grant: 1,000,000.00
- g) Maximum rate of EU co-financing: Full EU financing identified.

The maximum possible rate of EU financing will be 100% of the total cost of the action. Full financing of the action is essential for the action to be carried out because JASPERS is not the end beneficiary of the action. JASPERS has been a long-standing support to the development of infrastructure projects, for which national co-financing is assured through the relevant mechanisms once financial mechanisms for their funding are identified and secured.

- h) Indicative date for signing the grant agreement: Q4 2019

SECTOR	<i>Democracy and Governance</i>		<i>EUR 57,385,000.00</i>
Action 2	<i>EU Integration Facility – Indirect Management</i>	<i>Indirect management with beneficiary country</i>	<i>EUR 15,791,325.22</i>

Description of the action, objective, expected results and key performance indicators

The overall objective of this action is to contribute to strengthening the legislative framework and institutional capacities, for fulfilling the requirements of EU membership.

Specific objectives of the action are:

To support the Serbian administration to effectively meet requirements and conditions deriving from the accession negotiations and successfully manage overall EU integration and pre-accession assistance geared towards EU membership focusing on key areas, mainly in relation to energy, transport, agriculture and health.

Expected results:

- Sustainable administrative and institutional capacities developed in order to ensure further harmonisation, enforcement of the EU *acquis* and successful accomplishment of the accession negotiations in key EU *acquis* chapters, including transport, energy, health and agriculture.

Key Performance Indicators:

- Rate of transposition of the EU *Acquis*, as measured by the % of the implementation of the Serbian National Programme for Approximation with the *Acquis*.
- Number of negotiations Chapters of the *Acquis* opened and number closed.

Assumptions and conditions

The **main assumptions** include the need for continuous support of the Government of Serbia to European Integration process; allocation of appropriate levels of human and financial resources for EU integrations processes and availability of sufficiently dedicated and qualified staff at beneficiary institutions. Concerning Fight against Cybercrime, the activities depend upon the previous supply of relevant equipment. The supply will be carried out through previous IPA funding.

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

For the Activity 1.2: the finalisation of the IPA 2014 project “Technical assistance to the Energy Agency of the Republic of Serbia – approximation of national regulatory authorities tasks to the energy third package” will provide relevant elements of tender documentation for this activity. For the Activity 1.4: necessary number of Substances of Human Origins inspectors should be employed in the Competent Authority, in line with the recommendations of the respective twinning light report, and a unique information system (MAC -ISBT128) should be introduced and operational for all blood establishments (centres as defined by the Law on Transfusion medicine). The conditions shall be fulfilled prior to the contract signature. For Activity 1.5: a detailed technical specification for the supply of hardware, software and upgrade of software for installation of the central database in order to achieve full compatibility with EUROCARIS network shall be developed and completed before the initiation of the supply contract tender procedure.

For Activity 1.6: a. The Farm register is upgraded from national budget resources, including transformation of the system for identification of beneficiaries (hereinafter referred to as Farm register) to a web-based register which will enable connectivity and compatibility with existing and planned registers and system components; b. Services are developed for exchange of data between Farm register, LPIS and Animal register, from the national budget; c. Animal register is upgraded and maintained through contracts which Ministry in charge of Agriculture has with its developers in order to ensure that all animal registers have the data necessary to be exchanged in IACS, and to ensure efficient processing and control of requests for assistance, including cross compliance requirements; d. Successfully introduced LPIS in pilot municipalities in accordance with agreed steps and timelines; e. Rural development software for IPARD is developed and made operational in the course of 2018-2019. The conditions shall be fulfilled prior to the contract signature; f. framework policy decisions are taken in regards to the choice of the EU payment scheme, eligibility thresholds, reference parcel system for LPIS, etc. g. The institutional structure of the future Paying Agency has to be defined and approved in order for the software development to be successful, and for all elements of this complex system to be properly integrated and be able to function in an effective manner. Before approving the tender publication, the Commission will assess the institutional structure in charge, by positively confirming that the main elements of the system are in place, including: the decision on the number and type of paying agencies, number of levels for the organizational structure of the paying agency/ies (central, regional, local) including their designated locations, estimated number of beneficiaries, estimated number of eligible hectares.

Implementation arrangements of the action:

Indirect management with Serbia:

Short description of the tasks entrusted to the entity

This action will be managed under indirect management by the Central Finance and Contracting Unit (CFCU) - Ministry of Finance, Department for Contracting and Financing of EU Funded Projects. The entrusted entity shall be responsible for carrying out all the tasks relating to the implementation of the action. In particular, the entrusted entity shall be responsible for the contracting, implementation, information and visibility, monitoring and reporting of IPA II activities, and the evaluation thereof whenever relevant, in accordance with the principle of sound financial management, and

for ensuring the legality and regularity of the expenditure incurred in the implementation of the programme.

SECTOR	Democracy and Governance		EUR 57,385,000.00
<i>Action 3</i>	<i>Support to participation in Union Programmes</i>	<i>Indirect management with beneficiary country</i>	EUR 11,593,674.78

Description of the action, objective, expected results and key performance indicators

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

Expected results:

- Enhanced participation of the Republic of Serbia to the Union Programmes, including an increased exchanges with EU Member States;
- Strengthened ownership and responsibility of the Republic of Serbia (including in financial terms) for participation to the Union Programmes.

Key performance indicators:

- Number of Union Programmes to which Serbia takes part in;
- Number of institutions and organisations benefitting from Union Programmes and initiatives.

Assumptions and conditions

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

Implementation arrangements of the action: indirect management with Serbia

Short description of the tasks entrusted to the entity

Implementation will in particular consist in the payment of the IPA part of the financial contribution to the programmes by the National Fund within the Ministry of Finance.

SECTOR	Democracy and Governance		EUR 57,385,000.00
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Action 4	<i>EU for the Development of Statistics in Serbia</i>	<i>Direct management</i>	<i>EUR 20,000,000.00</i>
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Description of the Action, objective, expected results and key performance indicators

The overall objective of this action is to contribute to improved evidence based decision making, monitoring and evaluation process in Serbia.

The specific objective of the action is:

- To increase the availability, quality, comparability and timeliness of high quality and policy-relevant statistical data.

Expected results are:

- Population Census conducted and high quality population statistics are provided.
- Agricultural Census conducted and statistics comparable with Community methods in the area of agriculture are provided.
- The European Health Interview Survey (EHIS) conducted and results are disseminated.
- Round 6 of the Multiple Indicators Cluster Survey (MICS) conducted.

Key Performance Indicators:

- Government Effectiveness (P-Rank)
- Positive assessment of progress in the implementation of Public Administration Reform process.

Assumptions and conditions

The main assumptions are: the continuous commitment of the Serbian government to the EU integration process and commitment to the implementation of public administration reform; sufficiently dedicated and qualified staff available at beneficiary institutions; commitment of other governmental institutions in supporting the Action; budgetary funds committed and disbursed with the estimated deadline; adoption of Law on Population Census and Law on Agricultural Census.

In terms of conditions, the implementation of the activities is conditioned by securing the timely Government financing. In addition to the contractual requirements for the final payment of the direct grant, Statistical office of the Republic of Serbia (SORS) has to provide the evidence that the supply of relevant IT equipment to conduct the Census by Computer Assisted Personal Interviewing (CAPI) method has been financed from the national budget.

Implementation arrangements of the action: direct management

Grant - Direct grant award:

a) Objectives and foreseen results:

The overall objective of the grant is to contribute to improved evidence based decision making, monitoring and evaluation process in Serbia. The specific objective of the grant is to increase the availability, quality, comparability and timeliness of high quality and policy-relevant statistical data.

Expected results are: Population Census conducted and high quality population statistics are provided; Agricultural Census conducted and statistics comparable with Community methods in the area of agriculture are provided; the European Health Interview Survey EHIS conducted and results are disseminated; Round 6 of the Multiple Indicators Cluster Survey (MICS) conducted.

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

The Direct grant will be provided to Statistical office of the Republic of Serbia, which shall be directly responsible for the implementation of all results under this Action.

Direct Grant will be awarded to the Statistical office as this is an action with specific characteristics that require a particular type of body on account of its technical competence, its high degree of specialisation and its administrative power, in line with Article 195(1)(f) of the Financial Regulation. The Statistical office is, according to the Law on Statistics, the institution responsible for producing and disseminating official statistics. The Direct Grant will cover all four Results: Population Census, Agricultural Census, European Health Interview Survey and Multiple Indicator Cluster survey (MICS) with a single consolidated budget for the whole Action.

Pursuant to the Law on Official Statistics, the SORS is the mandated body for production and dissemination of data, thus representing the official statistics of the Republic of Serbia in the international statistical system. The responsibility of SORS for leading the negotiations group on Chapter 18 – Statistics, and implementing the National Programme of Official Statistics for the period 2016–2020 is another key element in ensuring statistical results which are harmonised with the international standards, primarily those of the European Statistical System (ESS) and the European Union.

- c) the name of the beneficiary: Statistics Office of the Republic of Serbia
- d) The essential selection criteria are financial and operational capacity of the applicant.
- e) The essential award criteria are relevance, effectiveness and feasibility, sustainability and cost-effectiveness of the action.
- f) indicative amount of the grant: 20,000,000 EUR
- g) Maximum rate of EU co-financing:

The maximum possible rate of EU co-financing for grants under this action is 67,23% of the eligible cost of the action.

- h) Indicative date for signing the grant agreement: Q2 2019

SECTOR	Environment, Climate Action and Energy		EUR 61,915,000.00
<i>Action 5</i>	<i>EU for Environment and Climate action</i>	<i>Indirect management with beneficiary country, with</i>	<i>EUR</i> <i>61,915,000.00</i>

Description of the action, objective, expected results and key performance indicators

The overall objective of this action is to contribute to environmental protection and sustainability and energy efficiency in Serbia in line with EU acquis.

The specific objective of the action is:

- To improve water and air quality through upgrading of water and waste water infrastructures, improve energy efficiency and enable reduction of CO2 emission.

Expected results are:

- Collection and treatment infrastructure for water and wastewater for Niš urban agglomeration and the capacity of Public Utility Company for its management improved.
- Infrastructure and institutional capacity for reduction of CO2 emission improved:
 - Reconstruction of the heating system/boilers for the use of renewable energy sources in District Heating Companies and rehabilitation and upgrade of heating distribution system.
 - Management of energy efficiency improved through rehabilitation of public buildings.

Key Performance Indicators:

- % of urban wastewater treated to EU standards compared to baseline year.
- Share of the renewable energy sources in the Gross final energy consumption in %.

Assumptions and conditions

The main **assumptions** for the implementation of this action are: continued political support for harmonisation with the EU environmental and energy acquis; commitment to continuation of environment sector reform and increasing competitiveness of the sector; Serbian Government remains oriented towards improving environmental institutions and the enforcement of environmental legislation at all levels; commitment of local authority to implement required water services tariff amendments; ensured capital investment funding for Serbia's Environmental heavy investment sub - sector (wastewater), adoption of revised decrees at national level on water pricing and calculation of water tariffs; full support of municipalities' leadership and involved authorities to efficient project implementation.

In terms of **conditions**, the disbursement following requests for funds related to the part of the Action implemented in indirect management by beneficiary country (Result 1) will be conditional to the conclusion of the End Recipient Agreement for both the WWTP and collectors. Such End Recipient Agreement shall include provisions on staff needed for operating the facility, available financial resources for ensuring co-financing of the construction and future operation of the new facility, and clear definition of the

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

Implementation arrangements for the action:

For result 1, indirect management with Serbia:

Short description of the tasks entrusted to the entity

This action will be managed under indirect management by the Central Finance and Contracting Unit (CFCU) - Ministry of Finance, Department for Contracting and Financing of EU Funded Projects. The entrusted entity shall be responsible for carrying out all the tasks relating to the implementation of the action. In particular, the entrusted entity shall be responsible for the contracting, implementation, information and visibility, monitoring and reporting of IPA II activities, and the evaluation thereof whenever relevant, in accordance with the principle of sound financial management, and for ensuring the legality and regularity of the expenditure incurred in the implementation of the programme.

Indirect management with entrusted entities other than IPA II beneficiary:

Activity 2.1 - Reconstruction of the heating system/boilers for the use of renewable energy sources in District Heating Companies and rehabilitation and upgrade of heating distribution system.

Entity entrusted with budget implementation tasks

The results will be implemented in indirect management by entrusting budget implementation tasks to KfW (Kreditanstalt für Wiederaufbau) as the identified entity according to Art. 62(1)(c) of the FR. The selection of KfW took place based on its proven experience, reputation and high project management standards in performing switch from fossil fuel to renewable energy sources (RES) in District Heating Systems (DHC) for heat production in the Republic of Serbia. Since the knowledge, experience and efficiency of KfW is worldwide recognised in environmental protection and climate change investments, it is of key importance for the success of the Action.

Short description of the tasks entrusted to the entity

The entrusted entity shall be responsible for carrying out all the tasks relating to the implementation of the action. In particular, the entrusted entity shall be responsible for the contracting, implementation, information and visibility, monitoring and reporting of IPA II activities, and the evaluation thereof whenever relevant, in accordance with the principle of sound financial management, and for ensuring the legality and regularity of the expenditure incurred in the implementation of the programme.

Activity 2.2. Management of energy efficiency improved through rehabilitation of public buildings

Entity entrusted with budget implementation tasks

The results will be implemented in indirect management by entrusting budget implementation tasks to the European Bank for Reconstruction and Development (EBRD) as the identified entity according to Articles 62(1)(c) of the Financial Regulation. The selection of the EBRD took place based on the fact that it has a worldwide reputation and follows high project management standards that are necessary to provide support to the introduction of an energy efficiency approach in the building sector, implying works, services, supplies and grant schemes, as well as partnerships of different actors at national and local level.

Short description of the tasks entrusted to the entity

The entrusted entity shall be responsible for carrying out all the tasks relating to the implementation of the action. In particular, the entrusted entity shall be responsible for the contracting, implementation, information and visibility, monitoring and reporting of IPA II activities, and the evaluation thereof whenever relevant, in accordance with the principle of sound financial management, and for ensuring the legality and regularity of the expenditure incurred in the implementation of the programme.

SECTOR	Competitiveness, Innovation, Agriculture and Rural Development		EUR 39,800,000.00
<i>Action 6</i>	<i>EU for Competitiveness through Innovation and Tourism Development</i>	<i>Indirect management with beneficiary country and with EBRD and GIZ</i>	<i>EUR 39,800,000.00</i>

Description of the action, objective, expected results and key performance indicators

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

The specific objectives of the action are:

- To enhance market driven innovation and technological readiness by enabling better access to finance
- To promote tourist industry development as engine for economic progress in Serbia lower Danube area.

Expected results are:

- Increased access to finance enabling SMEs to innovate, incorporate Research & Development and invest in meeting EU standards.

- Upgraded tourism/cultural facilities and stakeholder's skills as part of the Tourism Development Strategy of the Republic of Serbia (2016-2025) implementation.

Key Performance Indicators:

- Global Competitiveness Index (Score).
- Travel and Tourism Competitiveness Index (Rank).

Assumptions and conditions:

The main assumptions for the implementation of this action are: the macroeconomic and fiscal stability is ensured and the Government remains committed to bringing public research more in line with the needs of enterprises and strengthen technology transfer from public research and development to the private sector. Public and private research and development investments remain at its current level or increase.

Conditions for the successful implementation of the Tourism strategy component of the Action are the following:

- Building the Felix Romuliana Visitors and Research Centre: Project documentation and required permits obtained. The project documentation is ready and available. The expired Construction Permit will be renewed in the second half of 2018. The local self-government is in the process of renewing the Construction Permit. The condition should be met before the tendering procedure is launched.
- Redeveloping the Fortresses in Kladovo (Fetislam) and Smederevo: Project documentation and required permits obtained. The project documentation for Fetislam fortress as well as Smederevo fortress (main design) is ready and available and it will be adjusted to the format required by the Law on Construction by the support to the Ministry in charge of tourism before the start of implementation. Once the preparation is ongoing, the Ministry in charge of tourism will closely monitor the milestones set. The condition should be met before the tendering procedure is launched.
- Upgrading the Rajacke Pivnice site near Negotin: The remaining project documentation and required permits obtained. Once the preparation is ongoing, the Ministry in charge of tourism will closely monitor the milestones set. The condition should be met before the tendering procedure is launched.
- Provision of equipment and accompanying works in the National Theatre in Belgrade: Project documentation and required permits obtained. The funds for the project documentation are available, and the National Theatre has launched the tendering procedure. The expected finalisation of the project documentation is February 2019. Once the preparation is ongoing, the Ministry in charge of culture will closely monitor the milestones set. The condition should be met before the tendering procedure is launched. Failure to comply with the requirements set out above may lead to a recovery of funds under this programme and/or the re-allocation of future funding.

Implementation arrangements for the action:

Indirect management with Serbia:

Short description of the tasks entrusted to the entity

This action will be managed under indirect management by the Central Finance and Contracting Unit (CFCU) - Ministry of Finance, Department for Contracting and Financing of EU Funded Projects. The entrusted entity shall be responsible for carrying out all the tasks relating to the implementation of the action. In particular, the entrusted

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

Indirect management with entrusted entities other than IPA II beneficiary:

A) Result 1 of the Action - Provision of loans, technical assistance and grants to selected companies through the SME Competitiveness Support Programme (SME-CSP)

Entity entrusted with budget implementation tasks

EBRD has developed and implemented the activity as their unique product part of the regional “Private Sector Support Facility for the Western Balkans”, implemented in the period 2010-2015 and funded by IPA 2009 (for a total value of EUR 19.4 million). The EBRD has sufficient capacity and knowledge of the local situation to implement the activity.

The unique feature of the EBRD is its ability to combine financing instruments with direct technical assistance provided to the private sector, thus ensuring a sustainable business development, particularly with regard to the SME sector and local business advisory services capable of responding to the needs of SMEs. The EBRD SME Competitiveness Programme represents a well-established methodology for SME support.

Short description of the tasks entrusted to the entity

The entrusted entity shall be responsible for carrying out all the tasks relating to the implementation of the action. In particular, the entrusted entity shall be responsible for the contracting, implementation, information and visibility, monitoring and reporting of IPA II activities, and the evaluation thereof whenever relevant, in accordance with the principle of sound financial management, and for ensuring the legality and regularity of the expenditure incurred in the implementation of the programme.

B) Result 2 of the Action - Upgraded tourism/cultural facilities and stakeholder’s skills as part of the Tourism Development Strategy of the Republic of Serbia (2016-2025)implementation

Entity entrusted with budget implementation tasks

The results will be implemented in indirect management by entrusting budget implementation tasks to Gesellschaft für Internationale Zusammenarbeit (GIZ) according to Art. 62 (1)(c) of the FR. The selection of the entity took place through a Call for Expressions of Interest (EoI), organised by the EU Delegation in cooperation with the responsible line ministries. The selection process applied a number of criteria in order to identify the most suitable and qualified Entrusted Entity. The criteria included technical capacity, such as experience in the preparation and implementation of joint capacity building and similar projects; experience in managing programmes or projects related to the results (including grant schemes).

Short description of the tasks entrusted to the entity

The entrusted entity shall be responsible for carrying out all the tasks relating to the implementation of the action. In particular, the entrusted entity shall be responsible for the contracting, implementation, information and visibility, monitoring and reporting of IPA II activities, and the evaluation thereof whenever relevant, in accordance with the principle of sound financial management, and for ensuring the legality and regularity of the expenditure incurred in the implementation of the programme.

SECTOR	Education, Employment and Social Policies		EUR 20,000,000.00
<i>Action 7</i>	<i>EU for Social Housing and Active Inclusion</i>	<i>Indirect management with UNOPS</i>	<i>EUR 20,000,000.00</i>

Description of the action, objective, expected results and key performance indicators

The overall objective of this action is to contribute to increasing social inclusion of the women and men, girls and boys experiencing poverty and social exclusion enabling them to live in dignity and take an active part in society.

The specific objective of the action is:

- To improve living conditions for the most vulnerable women and men, girls and boys living in inadequate/insecure conditions in a sustainable and accountable manner, leading to their better inclusion across Serbia.

Expected results are:

- Capacities of institutions/authorities/organisations providing housing and active inclusion services strengthened for effective and gender responsive planning and implementation of housing programmes and relevant support services.
- Adequate housing solutions provided to most vulnerable woman and men, girls and boys.
- Job, social, educational, health care services, complementary to housing solutions, provided to most vulnerable woman and men, girls and boys.

Key Performance Indicators:

- Progress made towards meeting the accession criteria under Chapters 19 & 23, specifically in the area of social inclusion, anti-discrimination policy and equal opportunities (Chapter 19) as well as fundamental rights (Chapter 23).
- At risk of poverty or social exclusion rate disaggregated by sex and age.

Assumptions and conditions

The assumptions are that authorities across sectors and tiers of government remain committed and with capabilities to prioritise and enforce comprehensive housing and inclusion services and programmes; duty bearers remain financially able to sustain

launched programmes; various stakeholders at national and local levels as well as state and non-state actors cooperate in effective and efficient manner and are willing to work in partnership and access to data of relevant institutions for valid assessment of needs is granted.

Implementation arrangements for the action

Indirect management with entrusted entity:

Entity entrusted with budget implementation tasks

The results will be implemented in indirect management by entrusting budget implementation tasks to United Nations Office for Project Services (UNOPS) according to Article 62(1)(c) of the Financial Regulation. The selection of the entity took place through a Call for Expressions of Interest (EoI), organised by the EU Delegation in cooperation with the responsible line ministries. The selection process applied a number of criteria in order to identify the most suitable and qualified Entrusted Entity. The criteria included technical capacity, such as experience in the preparation and implementation of joint capacity building and similar projects; experience in managing programmes or projects related to the results (including grant schemes).

Short description of the tasks entrusted to the entity

The entrusted entity shall be responsible for carrying out all the tasks relating to the implementation of the action. In particular, the entrusted entity shall be responsible for the contracting, implementation, information and visibility, monitoring and reporting of IPA II activities, and the evaluation thereof whenever relevant, in accordance with the principle of sound financial management, and for ensuring the legality and regularity of the expenditure incurred in the implementation of the programme.

3 BUDGET

3.1. INDICATIVE BUDGET TABLE - COUNTRY ACTION PROGRAMME FOR SERBIA

		Indirect Management with the IPA II beneficiary			Other implementation arrangements					
Decision Number		EU Contribution	IPA beneficiary Co-financing II	Total expenditure	EU Contribution	IPA beneficiary Co-financing II	Total expenditure	MM	Total programme	
Objective 1	1: Democracy and Governance		27,385,000.00	5,706,930.17	33,091,930.17	30,000,000.00	9,750,000.00	39,750,000.00	Direct , indirect with entrusted entity, IMBC	72,841,930.17
	Financing agreement 1, decision IPA/2018/041-249	Action 1 "EU Integration facility – Direct Management"				10,000,000.00		10,000,000.00	direct	10,000,000.00
	Financing agreement 1, decision IPA/2018/041-249	Action 2 "EU Integration facility – Indirect Management"	15,791,325.22	1,147,600.00	16,938,925.22				IMBC	16,938,925.22
	Financing agreement 1, decision IPA/2018/041-249	Action 3 "Support to participation in UPs"	11,593,674.78	4,559,330.17	16,153,004.95				IMBC	16,153,004.95
	Financing agreement 1, decision IPA/2018/041-249	Action 4 "EU for Development of Statistics"				20,000,000.00	9,750,000.00	29,750,000.00	direct	29,750,000.00
Objective 2	3: Environment and Climate action		42,915,000.00	16,445,000.00	59,360,000.00	19,000,000.00	30,000,000.00	49,000,000.00	indirect with entrusted entity and IMBC	108, 360,000.00
	Financing agreement 2, decision IPA/2018/041-527	Action 5 "EU for Environment and Climate action"	42,915,000.00	16,445,000.00	59,360,000.00	19,000,000.00	30,000,000.00	49,000,000.00	indirect with entrusted entity and IMBC	108,360,000.00
	6: Competitiveness and Innovation		15,000,000.00	5,000,000.00	20,000,000.00	24,800,000.00		24,800,000.00	indirect with entrusted entity and IMBC	44,800,000.00
	Financing agreement 1, decision IPA/2018/041-250	Action 6 "EU for Competitiveness through Innovation and Tourism Development"	15,000,000.00	5,000,000.00	20,000,000.00	24,800,000.00		24,800,000.00	indirect with entrusted entity and IMBC	44,800,000.00
	7: Education, Employment and Social policies					20,000,000.00		20,000,000.00	Indirect with ent. entity	20,000,000.00
	Financing agreement 1, decision IPA/2018/041-250	Action 7 "EU for Social Housing and Active Inclusion"				20,000,000.00		20,000,000.00	Indirect with ent. entity	20,000,000.00
		TOTALS	85,300,000.00	27,151,930.17	112,451,930.17	93,800,000.00	39,750,000.00	133,550,000.00	Direct , indirect with entrusted entity, IMBC	246,001,930.17

4 PERFORMANCE MONITORING ARRANGEMENTS

As part of its performance measurement framework, the Commission shall monitor and assess progress towards achievement of the specific objectives set out in the IPA II Regulation on the basis of pre-defined, clear, transparent measurable indicators. The progress reports referred to in Article 4 of the IPA II Regulation shall be taken as a point of reference in the assessment of the results of IPA II assistance.

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

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

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