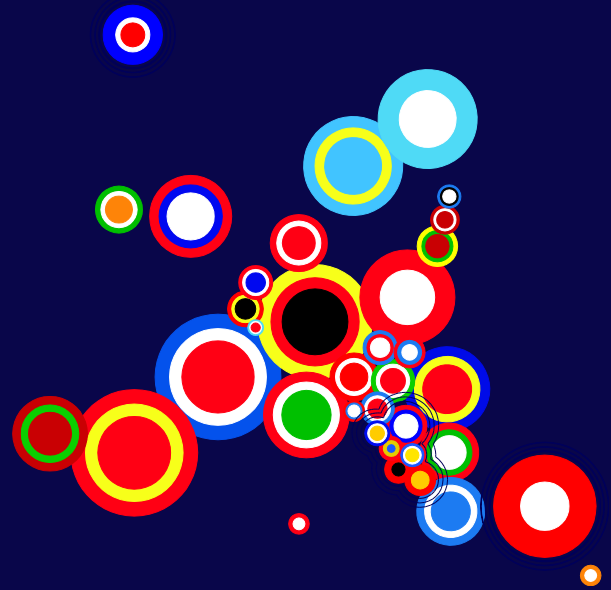




**INSTRUMENT FOR PRE-ACCESSION ASSISTANCE (IPA II)
2014-2020**

SERBIA

Sector Reform Contract for Public Administration Reform



Action Summary

The overall objective of this sector reform contract (SRC) is to improve efficiency, accountability and transparency of public administration and the quality of service delivery and management of public finances. This goal will be achieved by supporting the Government in implementing measures that form part of Serbia's public administration reform (PAR) strategy and action plan, and in the public financial management (PFM) reform programme. The total value of the SRC is EUR 80 million, of which EUR 70 million will be disbursed through sector budget support and EUR 10 million through complementary support.

The support is targeted at the achievement of the following key results: (1) Improved organisation and functions of the central government administration; (2) Improved public policy development and coordination; (3) Increased participation of citizens and civil society organisations in the policy-making process; (4) Improved merit-based human resources management system within the public service; (5) Reduced administrative burden to citizens and businesses through support to the reform of the inspection services; and (6) Improved management of public finances.

Action Programme Title	Annual Action Programme for Serbia IPA II 2015
Action Title	Sector Reform Contract (SRC) for Public Administration Reform (PAR)
Action ID	IPA 2015/038-444 /Serbia/Sector reform contract for Public Administration Reform
Sector Information	
IPA II Sector	IPA II First pillar: Democracy and Rule of Law, Primary sector: Democracy and Governance
DAC Sector	15110
Budget	
Total cost	EUR 80 million
EU contribution	EUR 80 million (70 million EUR for sector budget support (SBS) and 10 million EUR for complementary support)
Management and Implementation	
Method of implementation	Direct Management
<i>Direct management:</i> EU Delegation <i>Indirect management:</i> National authority or other implementing body	Direct management by the EU Delegation in the Republic of Serbia
Implementation responsibilities	Implementation responsibilities concerning the SBS and the complementary support are to be shared between several key institutions: Ministry in charge of Public Administration; Ministry in charge of Finance and the Public Policy Secretariat. Financial execution of the SBS: Ministry in charge of Finance
Location	
Zone benefiting from the action	Serbia
Specific implementation area(s)	N/A
Timeline	
Deadline for conclusion of the Financing Agreement	31 December 2016
Contracting deadline	3 years after the signature of the Financing Agreement
End of operational implementation period	6 years after the signature of the Financing Agreement
Action Programme Title	Sector Budget Support Programme for Serbia IPA 2015

1. RATIONALE

The quality of public administration impacts all areas of society. Public administration reform (PAR) is an essential requirement for the successful implementation of various ongoing sectoral reforms in Serbia, also in view of Serbia's EU accession perspective. This vital role of PAR is strongly reiterated in the EU's enlargement strategy from October 2014, where PAR is explicitly referred to as one of the three fundamental pillars of the enlargement process together with rule of law and economic governance. All three areas need to be systematically addressed early on in the accession process. Public financial management (PFM) is an integral part of PAR. It has an impact on economic governance and sustainability of socio-economic reforms. PFM is also closely linked and directly impacts specific accession negotiation chapters such as taxation (Chapter 16), customs (Chapter 29), budgetary frameworks (Chapter 17), public procurement (Chapter 5) and internal control and external audit (Chapter 32).

PROBLEM AND STAKEHOLDER ANALYSIS

A public administration reform (PAR) strategy was adopted in 2004 and it was implemented through two action plans covering the periods 2004-2008 and 2009-2012. This first strategy focused primarily on setting up a legal framework. A new PAR strategy was adopted in January 2014 and the related action plan for the period 2015-17 in March 2015. The drafting of the strategy was based upon a comprehensive review of the effectiveness and impact of the previous strategy and extensive consultation with primary and secondary stakeholders, civil society organisations (CSO) and the international development partners.

The new PAR strategy and especially its action plan are designed to address a number of problems outlined in assessment reports produced by OECD-SIGMA, the World Bank and the European Commission's (EC) annual enlargement progress reports. Whereas Serbia has the legal framework for a functioning public administration and civil service in place, the lack of effective organisation of administration and appropriate inter-institutional coordination create obstacles to implementation of legislation and efficient delivery of services.

The new PAR strategy and the action plan respond to these identified problems. They are aligned with the Prime Minister's exposé, the action plan for the implementation of the Government's work programme, the EU Principles of Public Administration¹, updated in November 2014, and the EC enlargement strategy for 2014-15, and reflect the requirements of the Stabilisation and Association Agreement (SAA).

The varied nature of the PAR process means that there are a large number of both direct and indirect **stakeholders**. The Ministry for Public Administration and Local Self-Government (MPALSG) the Secretariat for Public Policies (SPP) – responsible for an increased focus on policy planning and coordination – along with the Ministry of Finance and the Serbian European Integration Office (SEIO) are the principal institutional stakeholders responsible for the management and implementation of the sector reform contract. **Independent bodies** are also among the stakeholders, especially with regard to the objective of improving accountability and transparency of administration. The state audit institution will also contribute in the public financial management component. **CSOs** are also a key stakeholder, as the improvement of the participation of the CSOs and other stakeholders such as trade unions, chambers of commerce, media in public policy and legislation making in part of the key results of this sector reform contract.

¹ <http://www.sigmaxweb.org/publications/Principles-Public-Administration-Nov2014.pdf>

RELEVANCE WITH THE IPA II STRATEGY PAPER AND OTHER KEY REFERENCES

The general objective and the expected results of this sector reform contract are directly related to the priorities defined within the **EC Enlargement Strategy and Main Challenges 2014-2015**. It lists explicitly the following key issues, all of which are addressed under this programme:

- 1. Strategic framework for public administration reform —political commitment to the reform process, political leadership and technical coordination and monitoring of implementation.*
- 2. Policy development and coordination —appropriate coordination at the centre of government, inter-ministerial coordination, policy development and financial analysis.*
- 3. Public service and human resources management —organisation and functioning of the public service, including de-politicisation, merit-based recruitment and promotion, training and professionalisation.*
- 4. Accountability —transparency of administration, including access to information and possibility of administrative and legal redress.*
- 5. Service delivery —improving services for citizens and business, including better administrative procedures and e-government services.*
- 6. Public financial management - commitment to a more comprehensive approach to improving management of public finances and the overall budgetary process through preparation and implementation of multi-annual PFM programmes and engaging in a PFM policy dialogue with the Commission and IFIs.*

According to the IPA II **Indicative Strategy Paper for Serbia** from 2014², assistance is to be focused on supporting the establishment of a more professional, depoliticised, accountable and fiscally responsible public administration, which provides better services to citizens and businesses in a timely fashion both at central and local level. The reform areas covered by the Serbian PAR strategy and the action plan are in line with those defined in the IPA II Indicative Strategy Paper. They include organisational policy at central and local level; policy planning and coordination; public service and human resources management; public financial management; legal certainty and public services, including administrative procedures; transparency and openness of the public administration.

Furthermore, the EC Progress Report for Serbia for 2014 in the field of PAR notes that the “*Sound implementation of the [PAR] reform strategy together with strong political impetus and mechanisms are needed to move towards a transparent and merit-based public service system*” On PFM it further notes that “*Serbia has started to take steps towards a more comprehensive public financial management reform programme in order to ensure economy, efficiency and effectiveness in the use of public funds*”.

These above-mentioned priorities are also duly reflected in the **Serbian National Plan for the Adoption of Acquis 2014-2018**, the Fiscal Strategy, the Economic Reform Programme, the Stabilisation and Association Agreement and the Government Document on National Priorities for International Assistance 2014 – 2017 with projections until 2020 – the Needs Assessment Document (NAD), Council Conclusions of the Ministerial Dialogue between the Economic Ministers of the EU and the Candidate Countries.

SECTOR BUDGET SUPPORT READINESS³

Macro-economic stability

Serbia's economic situation remains stable. Despite this, Serbia is still facing a very high budget deficit and mounting government debt challenges. In the context of major external macro-economic

² C(2014)5872 of 19.8.2014

³ More detailed elaboration on sector readiness is presented in the Annexes to this Action Document

shocks which Serbia faced in 2014 following the widespread flooding, GDP fell by an estimated 1.8%, the fiscal deficit rose in 2014 to 6.7% and , public debt (including guarantees) represented 71% of GDP at the end of 2014. The Government has been since struggling to re-establish macro-economic stability. Despite good performance in the manufacturing and service sectors, the current account deficit remained high at around 6% largely as a consequence of a substantial downturn in remittances (-13%), and Foreign Direct Investment financed 2/3 of the current account deficit. Inflation remains under control (2%), and unemployment remains persistently high (18.8% Q4 2014), but with the decline in unemployment rate.

Looking forward, the GDP projections and related indicators have been adjusted downwards for the period 2015-2017. Economic growth is expected to be modest while ambitious fiscal consolidation and structural reforms are seen as contributing to reducing macroeconomic imbalances. The authorities have already taken important steps to start implementing recommended reforms. They have frontloaded strong fiscal consolidation measures, including pension and public sector wage cuts. In this context, the **International Monetary Fund (IMF)** programme approved in February 2015 worth approximately €1.2 billion and the negotiations undergoing within this context with the Government provide useful information on possible new spending cuts and stronger fiscal consolidation. A number of austerity measures have been introduced: The Government will no longer issue new guarantees to State Owned Enterprises; legislation was introduced in 2014 cutting salaries in the public sector (-10%) and pensions (-10%), establishing maxima for public salaries and limiting the number of contract employees to 10% of the total staff.

Public Financial Management

The entry point for the PFM eligibility is close to be met. Serbia is finalising a PFM reform programme for the period 2016-20. The programme is to be adopted by the Government before the end of November 2015. The Commission services have closely supported the Serbian authorities in the process of preparing and finalising the programme in order to ensure that the final programme can be considered **relevant and credible** in view of this SRC intervention. This is especially important, because some of the key measures foreseen in the PFM programme will be also supported under this sector reform contract.

Serbia has not so far had an overarching PFM strategy/programme, but there are several sub-sector strategies already in place or in the process of revision that will be closely linked and/or integrated in the upcoming PFM reform programme. These strategies include a tax administration policy (adopted), a debt management strategy (adopted), a new PIFC strategy and an action plan for 2015-2019 (to be adopted around the same time with the PFM reform programme), a strategy and an action plan for the development of the public procurement system (adopted) for 2014-2018.

In April 2014, the MoF and the World Bank initiated a Public Expenditure and Financial Accountability assessment (PEFA). Also, OECD/SIGMA finalised the first baseline assessment in April 2015, including on public financial management, on the basis of the Principles of Public Administration. These two key general assessments, together with more specific assessments, have provided the necessary problem analysis to the Serbian authorities to prepare a more comprehensive PFM programme. It addresses the key weaknesses and strengths of the existing PFM system, comprising the full budget cycle and core dimensions of the PFM system. It further sequences the proposed reform actions among the different sub-systems, to ensure a credible reform plan to address the identified key weaknesses.

Budget oversight and transparency

The entry point for the eligibility on budget transparency and oversight is considered to be met. However, there is still room for improvements. There is room for enhancing the Parliament and SAI's work, and the Open Budget Index shows the need to further pursue the programme-based budgeting and introduce Fiscal Impact Assessments. It is also indicative that the 2015 SIGMA baseline assessment gave a critical

picture of budget transparency for Serbia. Improvement of budget transparency links to accountability of administration and is an important aspect of the future PFM reform programme.

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

Sector Policy

The OECD/SIGMA baseline assessment report from April 2015 notes that "*There has been progress in reforming public administration, but challenges still remain*". SIGMA assessed that the general legal framework for a functioning public administration is in place in Serbia, but noted that the lack of effective institutional structures and inter-institutional co-operation still hinders its implementation.

These two challenges have been recognised by the Government, which has taken measures to mitigate them. An important step was achieved through the formation of the new MPALSG. The Minister in charge for public administration is also the Deputy Prime Minister. Furthermore, three co-ordination mechanisms in vertical subordination have been put in place: the PAR Council, which is a high-level co-ordination body; the College of State Secretaries and the Inter-Ministerial Project Group. The effectiveness of these institutions and processes is yet to be assessed, but their establishment demonstrates the clear political will within the Government to support the further development and implementation of the PAR sector policy.

A new PAR strategy was adopted in 2014, and the related action plan in March 2015, spanning a three-year period until 2018. Although the strategy itself is less focused than would be desired, the action plan complements it so that the policy framework can be considered both **credible and relevant**. They address key priority areas, mirrored in this sector reform contract intervention. The 2015 SIGMA baseline assessment notes that the strategy and the action plan "*provide the foundation for implementing more cost-effective ways of delivering public services*".

Public financial management (PFM) is an integral part of this sector reform contract, The draft PFM reform programme for 2016-20, which is to be adopted by the Government before the end of November 2015, acknowledges for the first time that various PFM sub-system reforms are closely inter-linked and have to be carefully sequenced to ensure that identified problems in the current PFM system will be addressed coherently and will produce the best results. The draft programme contains a set of objectives, measures and activities, together with baselines and indicators to measure progress.

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

During the period 2007-2013, the PAR sector in Serbia, including tax and customs, received more than €1 billion external assistance, with an estimated €200 million being provided by the EU through **IPA I**. In the seven annual programmes 2007-2013, IPA Component I focused both on targeted technical assistance in the areas of financial control, revenue administration and financial supervision, statistics, etc. and horizontal support to the reform of the central and local public administration. The EU support

has been consistently aligned with interventions by other donors, most notably by the Swedish International Development Agency (SIDA) and the United States Agency for International Development (USAID).

Serbia has some experience with **budget support programmes**. During 2007-2011, the country benefited from two World Bank concessional “Programmatic Public Expenditure Development Policy Loans” targeted at reform of the pension and health financing systems, and rationalisation of the school network, which operated in a manner similar to budget support. The Government is currently negotiating two new operations (focused on rightsizing and competitiveness and growth) with the Bank. The EU has also provided general budget support (GBS) from the IPA 2009 programme in the amount of €100 million to mitigate the negative socio-economic consequences of a severe decline in public revenues, following the global financial crisis. The GBS supplemented a revised IMF programme of 2.9 billion euro and the development policy loans from the World Bank. Additional macro-financial assistance (MFA) of €200 million was provided by the EU to support macro-economic stability and alleviate imbalances in the fiscal and current accounts. Half of the funds were actually withdrawn.

Some important lessons were learned with the GPS. These include the linkage of tranche payments to the achievement of disbursement-linked indicators; the importance of sound monitoring and reporting mechanisms to measure progress towards the attainment of the indicators; the need to integrate policy objectives to budget programmes and to align both with the budgetary limitations set in the medium-term expenditure framework (MTEF). The GPS was assessed as part of the European Court of Audit's performance audit, which looked, among other aspects, how IPA funding enhanced policy dialogue between the Commission and Serbia for the achievement of the enlargement strategy objectives. ECA noted in its final audit report in January 2015 that GBS provided the Commission "*an additional opportunity to discuss PFM issues with Serbia*".

The following **recommendations of two evaluations**, conducted by the EU and SIDA⁴ in 2013, have integrally guided the programming of this SRC intervention:

- Ensure that the reforms are located in a transparent policy framework reinforced by well-developed and achievable strategies and action plans,
- Strengthen the linkages between policy formulation and annual/medium-term budgeting through a more rigorous introduction of programme budgeting;
- Establish effective policy monitoring systems and processes, linking line Ministries to the Centre of Governance;
- Establish structures and processes in order to ensure effective coordination of the reform process and facilitate vertical and horizontal policy dialogue;
- Ensure synergy between the wider public administration reforms and measures to prevent corruption, enhance the transparency, accessibility, accountability and responsiveness of public bodies, and ensure oversight of the executive;
- Focus on the sustainability of reforms.

2. DESCRIPTION OF MAIN ACTIVITIES AND EXPECTED RESULTS

The sector reform contract will be implemented through following **activities**:

- transfer of EUR 70 million in tranches over the period 2016-2019 (sector budget support component);

⁴ IPA - interim evaluation and meta-evaluation of IPA assistance, Country Programme Interim Evaluation Serbia, August 2013
Evaluation of effectiveness and efficiency of development assistance to the Republic of Serbia per Sector, Final Report, SIDA 2013

- strengthened policy dialogue with the Government on the areas identified as the objectives of the sector reform contract, including in the PAR Special Group;
- complementary support (technical assistance) of EUR 10 million to increase the capacity of the stakeholders involved in the process of public administration reform including public financial management;
- more efficient reporting on PAR/PFM reforms by relying on the Government's internal monitoring and reporting structure outlined in the PAR action plan and the PFM reform programme
- regular monitoring of progress with sector policy reforms and other budget support eligibility criteria.

Intervention logic:

The sector reform contract is focused on supporting implementation of the parts of the reform agenda identified in the PAR action plan and in the PFM reform programme. The envisaged action amounts EUR 80 million and it includes a sector budget support component (EUR 70 million), and complementary support (EUR 10 million).

The **overall objective** of this sector reform contract is to assist the Government of Serbia to improve efficiency, accountability and transparency of public administration and the quality of service delivery and management of public finances. The **specific objectives** are:

1. To improve accountability of administration through restructuring of central government administration
2. To improve policy development and coordination, including increased participation of citizens and civil society organisations in the policy-making process.
3. To contribute to professionalisation and de-politicisation in the human resources management
4. To improve service delivery and administrative simplification by improving the quality of the inspection services
5. To improve management of public finances, especially to contribute to more transparent budgeting process, to improve internal control.

Taking into consideration the above listed priority areas of interventions, the current state of play and the envisaged dynamics of implementation of PAR reform agenda, the **main results** that are planned to be achieved through this sector reform contract include:

1) Improved organisation and functions of the central government administration

Support contributes to the Measure 1.1 of the PAR action plan. The achievement of this result will be based on a number of functional reviews, which are implemented since 2015 with IPA support by the World Bank. These are the horizontal functional reviews of the central government, the vertical functional reviews of key sectors for PFM and for EU acquis (Ministry of Finance and Ministry of Agriculture and Environment), and the horizontal review of the service delivery in health, education and social sectors. Currently, the efficiency of the central government is very low, as confirmed by the SIGMA baseline assessment. The ongoing functional reviews will provide the evidence needed for the centre of government to decide on the necessary restructuring and the most optimal allocation of the limited human, institutional and financial resources. This should improve accountability lines within administration and increase efficiency of the Serbian public administration.

In parallel, the Government will establish structures in order to create conditions for the implementation of the plans designed as a result of the functional reviews. The actions are rolled out gradually, starting from a limited number of sectors and processes, and expanding gradually, so that the modifications can be absorbed by the public administration. The European integration functions in particular should be aligned to the needs of the accession process. The Ministry of Public Administration and Local Self-

Government is in lead of the actions for reaching this result, with support of the line ministries concerned.

2) Improved public policy development and coordination

The support links to the measure 1.3 of the PAR action plan. The goal is to improve the system for management of public policies of the Government in terms of planning, analysis, creation, adoption, monitoring and evaluation and coordination. The SIGMA baseline assessment reveals that currently there is no integrated coordination, monitoring or evaluation of central level policies, and this has resulted to lack of efficiency and effectiveness of the work of the Government. The activities will focus on development and adoption of a policy development and monitoring system, including methodology, templates and mechanisms for receiving and responding to policy monitoring reports. The system will strengthen institutional and human resources and make operational a Management Information system that allows for online monitoring and reporting. The institution responsible for this is the Public Policy Secretariat of the Republic of Serbia.

3) Increased participation of citizen and civil society organisations in the policy-making process

The support contributes to the measure 5.1 of the PAR action plan, especially involvement of civil society organisations (CSO) and citizens in the process of creation, implementation and monitoring of the public policies at national and local level. The SIGMA baseline assessment reveals that although some work has been done in this field, public consultations are often done too late in the legislative and policy development process and that neither CSOs nor decision-makers are informed on the results. The support takes on board the results of the process taken by CSOs and the Office for Coordination with civil society for the preparation of the draft strategy for the creation of an enabling environment for civil society development and the relevant action plan. The responsible institution is the Office for Cooperation with Civil Society.

4) Improved merit-based human resources management system within the public service

The support links to the measure 2.1. of the PAR action plan and will support improvement of a merit based public service system, in a phased approach. The action responds to the regular findings in the Commission's Progress reports about politicisation in the civil service. It also responds to the SIGMA baseline assessment, where it is noted that the lack of functional human resources management (HRM) at central government level is considered a factor of instability for the policy implementation process. The achievement of this result will entail a number of activities including the adoption by the Government Policy Paper for the establishment of the modern HR management system, the amendments to the Civil servant Law which would lead to the adoption of new systems of competences for civil servants.

5) Reduced administrative burden to citizens and businesses through support to the reform of the inspection services

The support contributes to the measure 4.3. of the PAR action plan. The support will especially address the inefficiency and lack of coordination among various inspection services, which is not only a risk in terms of corruptive practices but also creates an enormous administrative burden to citizens and businesses. The support focuses on a number of activities including ensuring clear guidelines on the new Law on the Inspection Service, the establishment of a functional inspection co-ordination mechanism, creation of a Coordination Commission website, a business process analysis for all inspections at the national level, and a common IT platform for all national-level inspections (e-Inspector Information System). The institution responsible is the Ministry of Public Administration and Local Self Government.

6) Improved planning and budgeting of public expenditures

The support in this areas links to second pillar of the PFM reform programme. The support aims at improving the overall budget planning by emphasising the importance of result based planning, better link between allocated expenditures and policy objectives, and accompanying Serbia in the gradual

introduction of programme based budgeting. The activities for this result will have distinct targets, achieved in a phased approach. In the first phase, the target is to improve the quality of budget preparation process. The following years line ministries will have to progress in meeting the indicators included in the previous year's annual budget,. The institution responsible for these actions is the Ministry of Finance.

7) Gradually established sector-based medium-term expenditure frameworks (MTEF)

Support in this area links to the second pillar of the PFM reform programme. Serbia scores very low currently in this area in the SIGMA baseline assessment. The actions will entail the gradual change of the methodology within the Ministry of Finance allowing for the preparation of sector-based MTEF documents, linked closely to the programme budgeting. Ultimately, the outcome of this action will be the gradual improvement of the percentage of the annual budget expenditures in relation to the MTEF forecast. However, in the period of the intervention, it is expected that after the first MTEF document for the PAR/ PFM sector is produced in 2015 as part of the pre-conditions to the SRC, the Ministry of Finance will continue to cover the relevant national sectors one by one in the following years. Ultimately, the budget will incorporate the priorities identified by the four sectors covered by MTEF planning, which links the budget expenditures in the mid-term period to programmatic goals that are sector wide, rather than institutionally based. The responsible institution for the action is the Ministry of Finance.

8) Improved implementation of internal control in the public administration

The support in this areas links to the fourth pillar of the PFM reform programme. Both the Commission annual progress reports (on Chapter 32 – Financial control) and the SIGMA baseline assessment point out the lack of progress in the past years. Despite work at technical level for a number of years, managerial accountability is not fully embedded in the management culture. Internal control is not well developed and internal audit is not often used for the purpose it has been designed. The expected outcome of this is the improved internal control environment and internal audit functions both at the central and local government level. Budget users will have to have to produce the annual statement by managers about the quality of respective FMC systems. The responsible institution for the actions is the Ministry of Finance.

According to the envisaged dynamics in the implementation of Sector budget support component, 70 million EUR will be indicatively disbursed through 6 tranches, 3 of which are base tranches and 3 variables. In line with the procedure relevant for disbursement of **variable tranches**, positive assessment of progress in implementation of this reform process will be precondition for disbursement of variable tranches.

The **complementary support**⁵ component of the programme amounts to EUR 10 million. This measure is planned to be implemented through four contacts, and it should ensure technical assistance to support the PAR and PFM areas to design, guide, coordinate, monitor and report on the implementation of the reform agendas; for the implementation of visibility and communication measures and for the assessment of the achievement of targets and indicators.

SECTOR BUDGET SUPPORT POLICY DIALOGUE

The Government has established a comprehensive coordination system for PAR. Under the overall guidance of the Prime Minister's Office, the Ministry of Public Administration plays the lead role in the PAR process, while the Ministry of Finance is responsible for those elements that relate to the PFM reforms. The Secretariat for Public Policy is charged with coordination of the policy-making processes, ensuring compliance with the Government's work programme, and the development of standard methodologies for policy formulation, monitoring and evaluation. The Serbian European Integration

⁵ Further elaboration on complementary support is presented in the section: Details on complementary support

Office is responsible for ensuring that EU and other donor and IFI funds are used to further the Government's accession aspirations and to facilitate the implementation of the National Programme for the Adoption of the Acquis.

The PAR Strategy and Action Plan identify four levels of coordination. These will be applied to the overall guidance, management, coordination, and monitoring of the SRC:

- Two levels of political coordination of the PAR process: the College of State Secretaries and the PAR Council.
- Two levels of technical coordination: the MPALSG and the Inter-Ministerial Project Group.

The PAR Council, established in August 2014, is the principal Government body responsible for decision-taking, oversight and coordination of the public administration reforms. The Council is chaired by the Prime Minister and co-chaired by the Deputy Prime Minister and Minister of Public Administration. It comprises 15 members, 14 of whom are senior members of the Government. The College of State Secretaries, which was established as a working group of the PAR Council at the Council's inaugural meeting, is charged with monitoring the coordination of the implementation of the PAR Strategy and Action Plan.

The MPALSG is responsible for the overall technical coordination of the PAR process. The Department for PAR within the MPALSG has been assigned responsibility for performing day-to-day coordination. A second level of technical coordination and management is performed by the Inter-Ministerial Project Group which is tasked with ensuring the expert coordination and the monitoring of the implementation of the PAR Strategy. It is primarily engaged in the coordination and formulation of reports on the implementation of the PAR Strategy. This mechanism ensures the active participation of all relevant state administration bodies in the PAR process.

The **policy dialogue on PAR** between the Commission and the Serbian authorities is already well-developed, having in mind the significance of PAR to Serbia's accession process. The PAR Special Group has been established under the Stabilisation and Association Agreement (SAA) as a main policy dialogue forum on PAR between the Commission and the Serbian government. The PAR Special Group has met twice in Serbia, in October 2015 and in June 2015.

The future PAR Special Groups will increasingly focus the discussions on implementation of the PAR action plan, based on the government's own 6-monthly monitoring reports. The discussions will also focus on how the commonly agreed conclusions of the previous meetings and the Commission's recommendations in the annual Progress reports are being implemented. Sector budget support will be an integral element in these discussions. It has been foreseen that the future PAR Special Groups would have both a technical part and a more political part in order to ensure a necessary political follow-up to agreements.

With regard to **policy dialogue on PFM**, the PFM reform programme foresees that the dialogue with the Commission and the international financial institutions and other donors will take place with the PFM working group under the umbrella of the PAR sector coordination mechanism. The dialogue will be based on the government's own monitoring and reporting and will follow up implementation of the PFM reform programme.

RISK MANAGEMENT FRAMEWORK

When assessed against the 44 questions in the Risk Management Framework Questionnaire, Serbia scores particularly well regarding Criterion 1: **Political Risks** (Universal values, fundamental rights, insecurity and conflict). That said, there are remaining concerns regarding the independence of the judiciary and the risk of political interference and corruption. There are also question marks over the impartiality of the judges and prosecutors, the inconsistent application of "conflict of interest" rules and the Code of Ethics for the judiciary, respect the full exercise of freedom of expression, bloggers and journalists. The previous progress in tackling social exclusion and addressing the situation of the Roma, persons with disabilities, refugees and internally displaced persons needs to be continued. Mitigation

measures in this field include the implementation of the action plan for the *acquis* Chapter 23, where the Government has stated the key priorities for the improvement of the situation and the achievement of EU standards in rule of law, fight against corruption and fundamental rights. These measures will be closely monitored by the European commission, and their achievement is the closing benchmark for this negotiation Chapter.

As noted previously, Serbia remains exposed to significant **macro-economic risks**. The Government has embarked upon a series of structural reforms, taken steps toward fiscal consolidation, and committed itself to address the long-standing issue of underperforming State Owned Enterprises. Nevertheless, the size of the fiscal adjustment required is such that there is likely to be strong resistance from the public to cuts in expenditure. The risk assessment shows that the country's public debt levels are high and its gross financing needs are problematic. Mitigation measures include the development and the implementation of the comprehensive national Economic reform programme (ERP) and its close monitoring by the European commission. The ERP contains the mid-term framework for the reforms which need to take place. Furthermore, the implementation of the fiscal consolidation programme agreed with the IMF as part of the stand-by arrangement is an important mitigation measure, which is closely monitored through the IMF reports.

The assessment of the **Developmental risks**, based on the Country Progress Report, Screening reports, and SIGMA reports, is "moderate". There is consensus that the country is firmly committed to EU accession. There are some criticisms of the accuracy of the medium-term fiscal framework, the lack of progress in the areas of environment and climate change, and little movement with regard to social policy and employment issues. There are also risks concerning the PAR strategy/action plan implementation such as delays with implementation, lack of capacity, problems with coordination. Mitigation measures to these risks are related to the implementation of the annual Government's programme for the implementation of the progress report recommendations. The process of the negotiations over the 35 *acquis* negotiation chapters will be an important source of information on the development of Serbia, measurable through the process of the opening and closing of the chapters.

Serbia scores 50.24 on the **Worldwide Governance Indicator**, placing it in the "moderate risk" category. The Government's target, set out in the PAR Strategy and Action Plan is to attain 50.24-52 in 2017 and 52-55 in 2020. These are realistic goals and ought to be achievable if the Government implements the measures foreseen in the strategy and action plan. The risk assessment of **Public Financial Management** was carried out in advance of the results of the PEFA 2015. The resultant rating is of low to moderate for all risks with the exception of tax assessment, collection and transfer, which is judged to be "substantial". Risk mitigation includes the implementation of the PFM reform programme, which has been drafted and will be adopted before the end of 2015, and which will address the shortcomings identified in the PEFA report. . Technical assistance provided as complementary measures to this sector budget support will help the relevant institutions generate the required capacity to ensure the reform process is effective and sustainable. The chapter 32 negotiations, but also other *acquis* chapters will be an important source of policy dialogue and follow-up on these issues.

The perceived level of **corruption** in Serbia is "moderate". Serbia scored 50.7 on the World Bank Governance Indicator on Corruption. Corruption in Serbia is prevalent in many areas of public life and continues to be a serious cause of concern. However, the general framework for the fight against corruption is broadly in place. The anti-corruption strategy (2013) and action plan as well as the Action Plan for the Chapter 23 of the *acquis* provide an adequate framework for addressing a number of these problems.

COMPLEMENTARY SUPPORT

With regard to complementary technical assistance, activities will largely focus upon strengthening the institutional and human resource capacities of the principal stakeholders, the MPALSG, the MoF and the

SPP, to drive, coordinate and monitor the public administration and public finance management reform agenda. The details of this technical activities are provided in the later section, but the support will be strictly for capacity building related to driving the overall reform, including the changes that are required to the action plan under the PAR strategy, its mid-term review and revision, the reviews and revision of the PFM reform programme, the improving of monitoring and evaluation frameworks, including the statistical and other data collection and analytical work for the development of better indicators, and support for the important work that needs to be performed on the cross-cutting aspects (gender, environment and vulnerable group inclusion).

Complementary support is also envisaged for the important field of improving visibility and communication. They are a critical element to the success of this SBS intervention. Therefore the TA in the complementary measures envisages accompanying the reform process and communicating the developments to internal and external audiences. For this purpose, a designated communications and visibility team will be established, in order to ensure that there is clear, coherent, and positive internal and external communications developed within and among the different public administration institutions and with the relevant stakeholders and wider audience. All necessary measures will be taken to publicise the fact that the Action has received funding from the EU.

3. IMPLEMENTATION ARRANGEMENTS

ROLES AND RESPONSIBILITIES

Under the overall guidance of the Prime Minister's Office, the **Ministry of Public Administration and Local self-Government** will play the lead role in the public administration reform process, while the **Ministry of Finance** will be responsible for those elements that relate to the reform of the public finance management system. The recently-established **Secretariat for Public Policy** (March 2014) is charged with coordination of the policy-making processes, ensuring compliance with the Government's work programme, and the development of standard methodologies for policy formulation, monitoring and evaluation. The **Serbian European Integration Office** is responsible for ensuring that EU and other donor and IFI funds are used to further the Government's accession aspirations and to facilitate the implementation of the National Programme for the Adoption of the Acquis.

A specific coordination structure will be established for the guidance, management, and coordination and monitoring of the actions included in this Sector Reform Contract intervention. It will foresee proper inclusion of the PAR Council and the College of State Secretaries and the Inter-Ministerial Project Group.

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

The Programme will be subject to direct management by the European Delegation to the Republic of Serbia. A budget of EUR 80 million has been allocated to this Action. The amount allocated for the budget support component is EUR 70 million, and for various actions under the complementary support EUR 10 million. This amount is based on comprehensive discussions with the stakeholders and is reflective of: the financing needs of the partner country; the sums allocated by the Government in the Annual Budget 2016 and the Fiscal Framework 2017-2018 to support the implementation of the public administration reforms; the effectiveness, impact and added value that Sector Budget Support will bring to the achievement of the partner country's policy objectives; and the incentive that it will provide to introduce a more policy-driven, results-oriented, information-based management approach in public institutions.

Disbursement of Sector Budget Support

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

- satisfactory progress in the implementation of the Public Administration Reform policy and continued credibility and relevance thereof;
- implementation of a credible stability-oriented macroeconomic policy;
- satisfactory progress in the implementation of the PFM reform programme;
- satisfactory progress with regard to the public availability of timely, comprehensive and sound budgetary information

The specific conditions for disbursement that may be used for **variable tranches** have been presented in the section on the intervention logic and in the annexes with specific details for each tranche.

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

The chosen performance targets and indicators to be used for disbursements will apply for the duration of the programme. However, in duly justified circumstances, the Minister of Public Administration and Local Self Government, in coordination with the NIPAC, may submit a request to the Commission for the targets and indicators to be changed. The changes agreed to the targets and indicators may be authorised by exchange of letters between the two parties. At all times during the implementation, due care will be taken that the overall PAR SRC as the modality of IPA II implementation complements the other implementing modalities under IPA II and in particular that capacities for indirect management are constantly built and their sustainability ensured. In case of a significant deterioration of fundamental values, sector budget support disbursements may be formally suspended, temporarily suspended, reduced or cancelled, in accordance with the relevant provisions of the financing agreement.

Details on complementary support

The complementary support will be directly managed by the EU Delegation to the Republic of Serbia:

- **Activity 1** – support to the capacity building for the MPALSG, SPP and other institutions in the implementation, coordination, monitoring and reporting on PAR sector reform agenda will be implemented through one Service Contract.
- **Activity 2** – support to the capacity building for the MoF and other institutions in the guiding, implementation, coordination, monitoring and reporting on PFM sector reform agenda will be implemented through one Service Contract.
- **Activity 3** – support to visibility and communication actions related to the PAR and PFM reform agendas in general and the SRC intervention in particular will be implemented through one Service Contract.
- **Activity 4** – support to the implementation of the monitoring and evaluation framework for the measurement of the specific targets and indicators under the Sector Budget Support component will be implemented through framework Contracts.

Activity 1: Technical assistance through a Service Contract will be provided for the field of public administration reform *strictu sensu*, encompassing measures related to capacity building of (in particular, but not necessarily only) the MPALSG and the SPP. Indicatively, this TA will provide assistance to the structures involved in the coordination, monitoring, reporting and evaluation of the PAR Strategy and Action Plan. Having in mind that the AP is a living document in need of continuous revision, and that a

new PAR AP will need to be developed to cover the subsequent period after 2017, support for the capacities of the units following the coordination and monitoring of the AP is necessary. The development of the new PAR action plan and the PAR strategy review will be particularly demanding in terms of resources, since they will require intensive involvement of all concerned public administration bodies. An aspect of this component is also capacity-building up of the national authorities to apply PAP measurement and reporting requirements. As a second component of this TA, the Secretariat for public policies, as a relatively novel institution, is in need for the continuation of classical capacity building measures, complementing and building upon the recommendations of the already provided IPA TA received by this body so far. Further to this, as mentioned under the activities and results for the intervention as a whole, the achievement of some of the measures in the PAR AP itself which complement, support and boost the results that will be achieved as part of the Sector Budget Support intervention, can be more appropriately secured through specific technical assistance. This is in particular the case for the specific measure 1 of the PAR AP, as relates to the fields of policy coordination. Since these aspects of policy coordination are also in the mandate of the SPP, the development of policy coordination capacities will be part of this TA component as well. It should be in particular noted that the cross-cutting concerns related to gender mainstreaming in both PAR and PFM processes, improved inclusion of vulnerable groups within the PA and improved consideration of environmental policies constitute relevant aspects of this technical assistance, as better described in specific sections of this document.

Activity 2: Technical assistance will be also provided for the process of securing the implementation of the Public finance management reform programme, which is foreseen to be adopted by the end of November 2015, based on the relevant results and objectives included in a number of already existent documents. The TA will support the building of the capacity of the units within the MoF, such as the macro-economic forecasting unit, the CHU and the budget department among others will be needed for them to drive, coordinate, implement and monitor this PFM reform process. It will also be relevant that capacities are provided to allow for the full coordination of this process with the other on-going processes, including the preparation/implementation of the ERP, the implementation of other strategies (tax administration, customs, public procurement) and the accession process (chapter 32, recommendations coming from DG ECFIN, DG BUDGET and DG TAXUD, etc.).

Activity 3: A third TA will cover the crucial field of achieving improved visibility for the public administration and public finance management reform processes as a whole, and for the Sector Budget Support in particular. A communications and visibility team will be established, in order to ensure that there is both i) clear, coherent, and positive internal communications developed within and among the different public administration institutions tasked with implementing segments of the public administration reform, or targeted by and affected by this reform. Good communication is essential to the achievement of the reform processes in the time-frames planned and in the most optimal and cost-effective manner and is a key component of the change management processes needed for PAR to be effective; ii) positive and coherent external communication of the PAR reform process toward interested stakeholders, civil society and citizens are achieved, ensuring full transparency and accountability of the PAR process and allowing for clear, timely, positive and coherent messages on the reform; iii) risk mitigation in relation to the communication of the immediate outcomes of the PAR reform which may create negative perception among the general public, by creating a platform and processes for communication; iv) supporting communication units within the line ministries and institutions for both the SRC visibility but also the PAR reform process as a whole; v) concrete visibility actions oriented at directly showcasing the practical benefits of the reform to businesses and citizens, boosting the citizen support for the reform process (ex. support to physical improvements of municipal offices etc.)

Activity 4: Finally a component of the complementary assistance will be needed for the implementation of the monitoring and evaluation framework for the measurement of the targets and indicators within this sector budget support, through specifically dedicated framework contracts.

4. MONITORING AND EVALUATION

MONITORING AND REPORTING

The day-to-day technical and financial monitoring of the implementation of this Action will be a continuous process and part of the implementing partner's (Serbia's) responsibilities. To this end, a permanent internal, technical and financial monitoring system for the Action will be established and regular progress reports (not less than annual) and final reports elaborated. Every report shall provide an accurate account of implementation of the action, difficulties encountered, changes introduced, as well as the degree of achievement of its results (outputs and direct outcomes) as measured by corresponding indicators, using as reference the list of indicators. The report shall be laid out in such a way as to allow monitoring of the means envisaged and employed and of the budget details for the Action. The final report, narrative and financial, will cover the entire period of the action implementation. The MPALSG shall be responsible for the preparation of the reports, their submission to the PAR Council and to the EU and for maintenance of comprehensive and accurate minutes of the policy dialogue between the Government and the EU.

The Commission may undertake additional monitoring visits both through its own staff and through independent consultants recruited for independent monitoring reviews, like the Result Oriented Monitoring (ROM) (or recruited by the responsible agent contracted by the Commission for implementing such reviews).

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

With regards to coordination of activities related to the management of EU funds and other international assistance (donor coordination) the Sector Working Group (SWG) for PAR, including PFM has been established. The SWG is responsible for coordinating activities related to the programming and management of EU funds and other international assistance. Representatives of the donor community participate in the SWG meetings based on the needs and requirements of each SWG meeting and take part in consultation processes. The SWG also acts as the Sectorial Monitoring Subcommittee for IPA under the Decentralised Management. NIPAC/NIPAC TS is responsible for coordination and ensuring the efficient functioning of all activities of the SWG.

NIPAC TS established a consultation mechanism with the Civil Society Organisation (CSOs). This mechanism is based on the consultative process with Sectorial Civil Society Organisations (SECOs) and serves as a platform which enables exchange of information and contribution of CSOs in relation to programming and monitoring of the international assistance including IPA. Members of SECO participate in SWG meetings based on the needs and requirements and take part in consultation processes. Additionally, the Office for Cooperation with Civil Society plays an important role in ensuring civil society participation in the screening process and in creating enabling environment for the participation of civil society in the legislative process (recently adopted guidelines for the participation of civil society in the legislative process and the draft national Strategy for the Creation of an Enabling Environment for Civil Society Development).

EVALUATION AND AUDIT

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

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

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

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

The evaluation reports shall be shared with the partner country and other key stakeholders. The implementing partner and the 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. The financing of the evaluation actions shall be covered by another measure.

5. CROSS-CUTTING ISSUES

EQUAL OPPORTUNITIES AND GENDER MAINSTREAMING

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

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

ENVIRONMENT AND CLIMATE CHANGE (AND IF RELEVANT DISASTER RESILIENCE)

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

In the field of PAR, the most comprehensive document is the Economic Commission for Europe (Committee on Environmental Policy) Environmental Performance Review for Serbia from October 2014. A number of important recommendations relate to the sector for PAR, and will be translated into the specific actions under this SRC intervention. In relation to PFM, the recommendations related to

economic instruments, environmental expenditure and investments for greening the economy will be considered.

The actions and reform processes supported through this SRC intervention will have a clear environmental approach and will actively look for ways to ingrain improved environmental policy concerns, processes and frameworks into the public administration reform in Serbia. In particular, the development of capacities within the centre of Government for the consistent application of the recommendations on environmental policy concerns in PAR and in budget planning processes will be part of the work of the complementary TA for the PAR and for the PFM sector institutions.

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

Social partners and civil society organisations has been consulted throughout the design, of the interventions foreseen in the PAR Sector Planning Document (2015-2017) which is the basis for this SRC intervention, through the SECO mechanisms set up formally under the SEIO for civil society consultations. The social partners and CSOs have been actively engaged during the development phase of the PAR strategy and Action Plan, most notably with respect to the fifth specific objective of the Strategy, namely increasing citizen participation, transparency, improvement of ethical standards and responsibilities in performance of public administration activities. The Serbian Government and civil society cooperate directly through the Open Government Partnership. This SRC intervention is strongly oriented toward improving the conditions in this field. In very concrete terms, a specific indicator within the variable tranches of this SRC intervention is oriented toward the improved accountability and transparency of the government, and has been designed in cooperation with the Office for Cooperation with Civil Society of Serbia.

MINORITIES AND VULNERABLE GROUPS

The Government of Serbia is committed to a policy of social inclusion of minority and marginalised social groups, notably Roma, persons with disabilities, young persons, internally displaced persons, and women. The Government has adopted the Strategy and Action Plan for fight against discrimination. Among documents relevant in the context human and minority rights, it should be mentioned that the Action Plan for the acquis Chapter 23, which is under the preparation, as well as a specific sub-action plan for the protection and promotion of minority rights will be a part of Serbia's strategic framework in the context of EU accession. In the context of the activities of support of this Programme, This aspect will be in particular taken up in the context of the complementary TA assistance to the PAR sector. Improved inclusion of vulnerable groups within the PA, in particular Roma and persons with disabilities, but also women is a crucial aspect of the HRM reform process, and as such, will be directly tackled through the SRC intervention, under the proposed Result 2.

6. SUSTAINABILITY

The sustainability of the SRC intervention will be ensured in several ways, primarily through the continuation of a comprehensive policy dialogue between the EU and the principal stakeholders (the central public authorities), but also with civil society organisations. A key element for this consideration is Serbia's clear political determination toward accession to the EU, for which the reform of the PAR and the PFM sectors is a crucial step. This SRC intervention has been specifically designed in line with the strong focus of IPA II on supporting partners' reform efforts directly linked with the negotiation process, in particular in the area of rule of law and governance.

The programme includes complementary assistance, which is geared toward the creation of the required capacities within the key institutions leading the reform process, which will ensure consistency and continuation in the reform processes for PAR and PFM. The visibility component will help improve the internal and external communication lines which are necessary so that the reform has a spill-over effect. This aspect will also ensure that the citizens of Serbia understand the reform process and buy in into the

objectives and deliverables of the reform. A key element of the sustainability of the intervention is the ownership over the process and the reform results.

7. COMMUNICATION AND VISIBILITY

Communication and visibility are considered a critical element to the success of this SRC intervention in particular, and to the overall reform process in PAR and PFM in general. Communication within the reform process is part of the relevant change management aspects, and as such a key element of the actions to be undertaken for the achievement of the results included into this SRC. For this purpose, a designated communications and visibility team will be established, in order to ensure that there is clear, coherent, and positive internal and external communications developed within and among the different public administration institutions and with the relevant stakeholders and wider audience. All necessary measures will be taken to publicise the fact that the Action has received funding from the EU in line with the Communication and Visibility Manual for EU External Actions. Additionally, the Visibility Guidelines developed by the Commission (DG NEAR) will have to be followed.

The Action shall be aimed at strengthening general public awareness and support of interventions financed and the objectives pursued. The actions shall aim at highlighting to the relevant target audiences the added value and impact of the EU's interventions and will promote transparency and accountability on the use of funds.

8. PRECONDITIONS

The following pre-conditions will apply:

1) The Ministry of Finance should coordinate and prepare a PFM Reform Programme document. The document should provide strategic directions for the period 2016-2018 (i.e. the duration of the SRC), setting out the priorities, and providing an umbrella for the various sub-sector strategies in the PFM sector. Elements drawn from these sub-sector strategies should be consolidated into a focused Action Plan format, detailing indicators of achievement, institutions responsible and relevant budget considerations. The document should address key issues identified in the PEFA (2014) and by ECFIN, among others.

The document is expected to be finalised in November 2015, by the time of the organisation of the IPA committee at which this SRC intervention is considered.

2) The Ministry of Finance and the Ministry of Public Administration and Local Self-Governments shall agree an Annual Budget (2016) and an expenditure framework for the period 2017-2018 for the public administration reform sector, which include sufficient funds to support the implementation of the PAR Action Plan for the respective years, including sufficient funds for the effective functioning of the relevant institutions implementing the crucial actions of the PAR AP.