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**COMMISSION IMPLEMENTING DECISION**

**of 9.12.2015**

**adopting a Country Action Programme for Serbia for the year 2015**

# COMMISSION IMPLEMENTING DECISION

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## adopting a Country Action Programme for Serbia for the year 2015

THE EUROPEAN COMMISSION,

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

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

Having regard to Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council of 25 October 2012 on the financial rules applicable to the general budget of the Union and repealing Council Regulation (EC, Euratom) No 1605/2002<sup>2</sup> and in particular Article 84(2) thereof,

Whereas:

- (1) Regulation (EU) No 231/2014<sup>3</sup> lays down the objectives and main principles for pre-accession assistance to beneficiaries listed in Annex I to that Regulation.
- (2) In accordance with Article 7 of Regulation (EU) No 231/2014 the assistance should be implemented through annual or multi-annual, country-specific or multi-country programmes. These programmes should be drawn up in accordance with the framework for assistance referred to in Article 4 of Regulation (EU) No 231/2014 and the relevant country or multi-country indicative strategy papers referred to in Article 6 of that Regulation.
- (3) The Council established an Accession Partnership or a European Partnership for all beneficiaries listed in Annex I to Regulation (EU) No 231/2014. The Commission adopted an indicative strategy paper for Serbia for 2014 - 2020 on 19 August 2014<sup>4</sup> which provides indicative allocations for the sectors for pre-accession assistance.
- (4) Considering the proposals for action submitted by the beneficiaries concerned, the Country Action Programme for Serbia for the year 2015 aims at providing assistance for actions in the following pillars: Democracy and Rule of Law, and Competitiveness and Growth.

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<sup>1</sup> OJ L 77, 15.03.2014, p. 95.

<sup>2</sup> OJ L 298, 26.10.2012, p.1.

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

<sup>4</sup> C(2014) 5872 of 19.8.2014.

- (5) It is necessary to adopt a financing decision, the detailed rules of which are set out in Article 94 of Commission Delegated Regulation (EU) No 1268/2012<sup>5</sup>.
- (6) The Commission should be able to entrust budget-implementation tasks under indirect management to the IPA II beneficiary specified in this Decision, subject to the conclusion of a Financing Agreement. In accordance with Article 60(1) and (2) of Regulation (EU, Euratom) No 966/2012 and first subparagraph of Article 14(3) of the Commission Implementing Regulation (EU) No 447/2014 of 2 May 2014 on the specific rules for implementing Regulation (EU) No 231/2014 of the European Parliament and of the Council establishing an Instrument for Pre-accession assistance (IPA II) <sup>6</sup>, the authorising officer responsible needs to ensure that the entrusted entity guarantees a level of protection of the financial interests of the Union equivalent to that required under Regulation (EU, Euratom) No 966/2012 when the Commission manages Union funds.
- (7) The entrusted entity is currently undergoing a complementary assessment of its systems and procedures. In anticipation of the results of this review, the authorising officer responsible deems that, based on the entity's positive assessment under Council Regulation (EC, Euratom) No 1605/2002<sup>7</sup> and Commission Regulation (EC) No 718/2007<sup>8</sup> and the entity's present compliance with the requirements of points (a) to (d) of Article 60 (2) of the Regulation (EU, Euratom) No 966/2012, budget implementation tasks can be entrusted to this entity. In accordance with Article 60(1)(c) of Regulation (EC, Euratom) No 966/2012, the authorising officer responsible needs to ensure that measures are taken to supervise and support the implementation of the entrusted tasks. A description of these measures and the entrusted tasks are laid down in the Annex to this Decision.
- (8) It is appropriate to authorise the award of grants without a call for proposals to the bodies identified in the Annex and for the reasons provided therein.
- (9) The maximum contribution of the European Union set by this Decision should cover any possible claims for interest due for late payment on the basis of Article 92 of Regulation (EU, Euratom) No 966/2012 and Article 111(4) of Delegated Regulation (EU) No 1268/2012.
- (10) Pursuant to Article 94(4) of Delegated Regulation (EU) No 1268/2012, the Commission should define changes to this Decision which are not substantial in order to ensure that any such changes can be adopted by the authorising officer responsible.

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

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

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

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

(11) The action programme provided for by this Decision are in accordance with the opinion of the IPA II Committee set up by Article 13 of Regulation (EU) No 231/2014,

HAS DECIDED AS FOLLOWS:

#### *Article 1*

##### *Adoption of the programme/measure*

The Country Action Programme for Serbia for the year 2015 under the Instrument for Pre-accession Assistance (IPA II) as set out in the Annex, is hereby approved.

#### *Article 2*

##### *Financial contribution*

The maximum amount of the European Union contribution for the implementation of the programme referred to in Article 1 is set at EUR 196,600,000.00 and shall be financed as follows:

EUR 131,790,000.00 and shall be financed from the budget line 22 02 01 01 of the general budget of the EU for year 2015

EUR 64,810,000.00 and shall be financed from budget line 22 02 01 02 of the general budget of the EU for year 2015.

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

#### *Article 3*

##### *Implementation modalities*

This programme shall be implemented by direct and indirect management.

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

A Financing Agreement shall be concluded between the Commission and the Government of Serbia in conformity with the Framework Agreement concluded between the same parties on 23 December 2014.

#### *Article 4*

##### *Grants without a call for proposals*

Grants may be awarded without a call for proposals to the bodies identified in the Annex, in accordance with the conditions specified therein.

## *Article 5*

### *Non-substantial changes*

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

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

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

Done at Brussels, 9.12.2015

*For the Commission*  
*Johannes HAHN*  
*Member of the Commission*

## ANNEX 1

### ACTION PROGRAMME FOR SERBIA UNDER IPA II (2015)

#### 1 IDENTIFICATION

<b>Beneficiary</b>	Serbia
<b>CRIS/ABAC Commitment references</b>	<b>2015/038-441</b>
<b>Total cost</b>	Total cost: EUR 39,700,000.00
<b>EU Contribution</b>	EU contribution: EUR 39,700,000.00
<b>Budget lines</b>	Budget line: 22.02 01 01
	<b>2015/038-443</b>
	Total cost: EUR 13,363,725.00
	EU contribution: EUR 12,090,000.00
	Budget line: 22.02 01 01
	<b>2015/038-444</b>
	Total cost: EUR 80,000,000.00
	EU contribution: EUR 80,000,000.00
	Budget line: 22.02 01 01
	<b>2015/038-442</b>
	Total cost: EUR 82,350,000.00
	EU contribution: EUR 64,810,000.00
	Budget line: 22.02 01 02
<b>Management Mode/ Entrusted entities</b>	<p>Indirect Management with Serbia</p> <p>The operating structures responsible for the execution of the actions, are:</p> <p>Department for Contracting and Financing of EU Funded projects (CFCU) at the Ministry of Finance for all activities with the following exceptions:</p> <p>Action 1 "European Integration facility" will be directly managed by the Delegation of the EU to Serbia.</p> <p>Action 2 "EU Programmes", implementation will consist in the payment of the IPA part of the financial contribution to the programmes by the National Fund</p> <p>Action 3 "Negotiation and Communication facility" will be directly managed by the Delegation of the EU to Serbia.</p> <p>Action 4 "Sector budget support to Public administration reform", will be directly managed by the</p>

	<p>Delegation of the EU to Serbia.</p> <p>Action 5 "Support to the justice sector", will be directly managed by the Delegation of the EU to Serbia.</p> <p>Action 6 "Home Affairs", will be directly managed by the Delegation of the EU to Serbia.</p> <p>Action 7 "Transport" component 1 will be directly managed by the Delegation of the EU to Serbia.</p>
<b>Final date for concluding <u>Financing Agreements</u> with the IPA II beneficiary</b>	At the latest by 31 December 2016
<b>Final date for concluding <u>procurement and grant contracts</u></b>	3 years following the date of conclusion of the Financing Agreements, with the exception of the cases listed under Article 189(2) Financial Regulation
<b>Final date for operational implementation</b>	6 years following the date of conclusion of the Financing Agreements.
<b>Final date for implementing the Financing Agreement</b> (date by which this programme should be de-committed and closed)	12 years following the conclusion of the Financing Agreements.
<b>Programming Unit</b>	DG NEAR, Unit D2
<b>Implementing Unit/ EU Delegation</b>	Delegation of the European Union to the Republic of Serbia

## **2 DESCRIPTION OF THE ACTION PROGRAMME**

The 2015 IPA II allocation for Serbia is EUR 216,100,000. Out of this amount, EUR 4,500,000 will be allocated for support to civil society under the IPA 2014 multi-country Action Programme, and EUR 15,000,000 will be allocated to IPARD. Consequently, the present 2015 Action Programme for Serbia amounts to EUR 196,600,000.

### **2.1 SECTORS SELECTED UNDER THIS ACTION PROGRAMME**

The priorities of the action programme for Serbia are in line with the Indicative Strategy Paper for Serbia (the strategy paper)<sup>1</sup> which sets out the priorities for EU financial assistance for the period 2014-2020 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 the Enlargement Strategy and Main Challenges 2014-2015; the specific recommendations of the Commission Progress Report for Serbia for 2014, as well as on relevant national strategic documents, mainly the National Programme for Approximation with the Acquis (NPAA) and the Document on National Priorities for International Assistance - Needs Assessment Document, (NAD). The present programme has been prepared in close cooperation with the Serbian European Integration Office and national institutions, as well as in close coordination with other donors including international financial institutions, and civil society organisations.

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

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

This process led to select the following three sectors for financing under the present programme: democracy and governance, rule of law and fundamental rights (justice and home affairs) and transport. The present programme also includes support for general capacity building to support accession negotiations, support preparation and implementation of investments and participation to EU programmes.

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

##### **Democracy and Governance**

###### **Sub-sector Public Administration Reform**

During the period 2007-2013, the Public Administration Reform (PAR) sector in Serbia, including tax and customs, received more than EUR 1 billion external assistance, with an

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<sup>1</sup> C(2014)5872 of 19.8.2014



estimated EUR 200 million being provided by the EU through IPA I. In the seven annual programmes 2007-2013, the 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. 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).

The public administration reform process will be supported in this programme through Sector Budget Support (SBS). The SBS programme has been designed taking into consideration the interventions and the steps undertaken in previous years, as well as on the assessments made in 2015 by the Support for Improvement in Governance and Management (SIGMA).

### **Participation in EU Programmes**

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

### **European integration facility**

Substantial IPA assistance has been provided under IPA I to Serbia in order to support in particular the horizontal departments in charge of coordination of European integration process and the office for coordination of IPA. Support has proven to be instrumental in enhancing capacities for alignment and implementation of *acquis* requirements.

### **Rule of law and fundamental rights**

#### Sub-sector Justice

IPA support for the sub-sector justice contributed towards improvement of efficiency and transparency of the judicial system, the introduction of a case management system in the courts and prosecution, criminal asset confiscation, reform of the penitentiary system and strengthening of alternative sanctions, and the establishment of the Judicial Academy. The justice sector received substantial assistance from the international donor community over the period 2007-2013, and the EU has been the largest and most important donor in the sector with total disbursement within the IPA component I amounting to EUR 67.38 million in the period 2007-2013.

Several evaluations were performed aiming at providing information on effectiveness of IPA in the relevant sector, from which the recommendations for the planning of further assistance were drawn, in particular the need to strengthen the link between accession negotiations and financial assistance.

#### Sub-sector Home affairs

IPA support for the sub-sector home affairs focused on the fight against corruption, prevention and suppression of illegal migrations, improving border control standards, development of information system for border crossing control and strengthening of the Ministry of Interior's internal control. Several evaluations were performed aiming at

providing information on effectiveness of IPA in the relevant sector, from which the recommendations for the planning of further assistance were drawn, in particular the need to strengthen the link between accession negotiations and financial assistance.

## Transport

Over the period 2007-13 IPA contributed substantially to the transport sector, mainly for harmonisation of legislation with the *acquis*, implementation of the European Common Aviation Area (ECAA) agreement, construction and supervisory works (in connection to IFI loans) on Corridor X and on development of river information services and river training and dredging on Corridor VII. Assistance has been also provided to restructuring of the Serbian railway sector.

### *List of Actions foreseen under the selected Sectors*

INDIRECT MANAGEMENT WITH THE IPA II beneficiary		OTHER IMPLEMENTATION ARRANGEMENTS		
<b>DEMOCRACY AND GOVERNANCE</b>				
1 – European Integration Facility	N/A		DM EUD	11,000,000.00
2 – Support to participation to EU Programmes	12,090,000.00			N/A
3 – Negotiation and Communication Facility	N/A		DM EUD	8,100,000.00
4 – Sector Budget Support to Public administration Reform	N/A		DM EUD	80,000,000.00
<b>TOTAL</b>	12,090,000.00		<b>TOTAL</b>	99,100,000.00
<b>RULE OF LAW AND FUNDAMENTAL RIGHTS</b>				
5 – Support to the justice sector	N/A		DM EUD	12,100,000.00
6 - Support Home affairs	N/A		DM EUD	8,500,000.00
<b>TOTAL</b>	0.00		<b>TOTAL</b>	20,600,000.00
<b>TRANSPORT</b>				
7 -Support to the development of the Transport sector	60,760,000.00		DM EUD	4,050,000
<b>TOTAL</b>	72,850,000.00		<b>TOTAL</b>	123,750,000.00

## 2.2 DESCRIPTION AND IMPLEMENTATION OF THE ACTIONS

<b>SECTOR 1</b>	<b>Democracy and Governance</b>	<b>EUR 111,190,000.00</b>
<i>Action 1</i>	<i>European Integration Facility</i>	<i>EUR 11,000,000.00</i>

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

The overall objective of action 1 under the democracy and governance sector is to strengthen the Serbian administration's capacities in effectively conducting accession negotiations and managing successfully the overall EU integration and pre-accession assistance geared towards EU membership.

Specific objectives of the action are:

- Contribute to establish legislative and institutional capacities for the efficient carrying out of accession negotiations and for fulfilling the requirements of EU membership in the sector of energy, agriculture and rural development, food safety, veterinary and phytosanitary, education and regional policy.

Expected results:

- Serbian further fulfils its obligations under the Energy Community by development of management system of mandatory oil stocks reserves. Serbia improves its capacities for planning and implementing alignment of agricultural policy in Serbia with the Common Agricultural Policy in the process of EU accession
- Serbia improves its capacities for planning and implementing and enhancing food safety, veterinary policies in Serbia in the process of EU accession
- The quality of the secondary education is improved through introduction of national final examinations
- Serbia establishes a functional and operational system for Structural and Cohesion funds

Key Performance Indicators:

- Progress in the transposition of the EU acquis as measured by the % of the NPAA implemented

***(2) Assumptions and conditions***

The **main assumptions** that should be considered are the continuous political support in Serbia to the European Integration process, the allocation by the government of appropriate levels of human and financial resources; and the non-increase of budgetary constraints.

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

The global budgetary envelope reserved for procurement will amount to EUR 11,000,000.00 with an indicative number of five service contracts to be tentatively launched in Q2 2016 after the signature of the Financing Agreement.

<b>SECTOR 1</b>	<b>Democracy and Governance</b>	<b>EUR 111,190,000.00</b>
<b><i>Action 2</i></b>	<b><i>Support to participation in EU Programmes</i></b>	<b><i>EUR 12,090,000.00</i></b>

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

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

Expected results:

- Strengthened ownership and responsibility national administration and institutions of the relevant Serbian authorities as well as enhanced overall participation in EU Programmes
- Strengthened capacities of national administration and institutions for participation in EU Programmes

Key performance indicators:

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

***(2) Assumptions and conditions***

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

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

***Short description of the tasks entrusted to the entity***

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

<b>SECTOR 1</b>	<b>Democracy and Governance</b>	<b>EUR 111,190,000.00</b>
<b>Action 3</b>	<b>Negotiations and Communication Facility</b>	<b>EUR 8,100,000.00</b>

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

The action aims at supporting the Serbian administration effectively conduct and react promptly to the accession process and policy developments, including the efficient communication of the overall EU integration and pre-accession assistance geared towards EU membership.

Expected results:

- Prompt implementation of accession related actions in the sectors covered by the EU acquis and policy dialogue with the EU is ensured, including effective and efficient management and absorption of EU pre-accession funds.
- Tangible evidence of EU assistance is promoted as a vector for improvement of the people's daily life by facilitating development and promotion of sports through construction/reconstruction and adaptation of sport infrastructure in Serbian municipalities
- Implementation of visibility and communication activities as required under IPA II and in line with the IPA communication strategy (and Action Plan) while enhancing media coverage and knowledge and understanding of EU issues among journalists and wider public is reinforced

Key Performance indicators:

- Degree of response to specific and urgent needs emerging from the European integration process.
- Trust in the European Union index in Serbia

***(2) Assumptions and conditions***

The **main assumptions** that should be considered are the continuous support of the Government to European Integration process and sufficient allocation of human and financial resources for this purpose. Moreover, the continuous commitment and cooperation between national and local institutions in planning and implementation of the infrastructure interventions is crucial in order to ensure a proper implementation of the action.

*(3) Implementation arrangement of the action: direct management by the EU  
Delegation in Serbia*

## **Procurement**

The global budgetary envelope reserved for procurement will amount to EUR 6,600,000, with an indicative number of six contracts through service, works and supply contracts to be tentatively launched in Q1-Q2 2016.

## **Grants/Twinning**

An indicative amount of up to EUR 1,500,000 could be used for activities to be implemented through twinning, twinning light or grants.

a) Objectives and foreseen results: supporting the Serbian administration effectively conduct and react promptly to the accession process and policy developments

b) The essential eligibility criteria:

- For grants: applicants could be legal entities, natural persons or groupings without legal personality, local authorities, public bodies, international organisations, NGOs, economic actors such as SMEs, profit, or non-profit organisations.
- For twinning: applicants must be EU Member State administrations or mandated bodies.

c) The essential selection criterion are:

- For grants: the financial and operational capacity of the applicant.
- For twinning: the operational capacity of the applicant.

d) The essential award criteria are:

- For grants: relevance, effectiveness and feasibility, sustainability and cost-effectiveness of the action.
- For twinning: technical expertise of the applicant, and the relevance, methodology and sustainability of the proposed action.

e) Maximum rate of EU co-financing:

- For grants: The maximum possible rate of EU co-financing for grants under this call is 95 % of the eligible cost of the action. The maximum possible rate of EU financing may be up to 100% of the total cost of the action in accordance with Article 192 of Financial Regulation if full funding is essential for the action to be carried out. The necessity for full EU funding will be justified by the responsible authorising officer in the award

decision, in respect of the principles of equal treatment and sound financial management.

- For twinning: The maximum possible rate of EU financing may be up to 100% of the total cost of the action in accordance with Article 192 of Financial Regulation if full funding is essential for the action to be carried out. The necessity for full EU funding will be justified by the responsible authorising officer in the award decision, in respect of the principles of equal treatment and sound financial management.

f) Indicative amount of grants/twinning contract: up to EUR 1,500,000.

g) Indicative date for launching the call for proposals/selection procedure: Q2 2016-Q2 2017.

<b>SECTOR 1</b>	<b>Democracy and Governance</b>	<b>EUR 111,190,000.00</b>
<b>Action 4</b>	<b>Sector Budget Support to Public Administration Reform</b>	<b>EUR 80,000,000.00</b>

### ***(1) Sector Budget Support***

#### a) Eligibility for budget support

- *Public 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 Budget Support (SBS) 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.

- *Macroeconomic policy*

Serbia's economic situation remains stable, and the criterion for macroeconomic stability is considered met. Despite this, Serbia is still facing a very high budget deficit and

mounting government debt challenges. In the context of major external macro-economic 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. Inflation remains under control (2%), and unemployment remains persistently high (18.8% Q4 2014), but with a 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 EUR 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*

In April 2014, the Ministry of Finance (MoF) and the World Bank initiated a Public Expenditure and Financial Accountability assessment (PEFA). The second draft of national PEFA was produced in July 2015. On the basis of the PEFA, the MoF has drafted a PFM reform programme, which is based on the assessment of the weaknesses and strengths of the existing PFM system, comprising the full budget cycle and core dimensions of the PFM system.

Although Serbia has no overarching PFM strategy, there are a number of sub-sector strategies in place or in the process of revision, such as: a Tax Administration Policy (adopted), Debt Management Strategy (adopted), the new PIFC strategy and an action plan for 2015-2019 (under preparation), Strategy for the Development of the Public Procurement System (adopted), covering the years 2014-2018, accompanied by an Action Plan.

The PFM reform programme to be adopted by end November 2015 presents a strategic and an operational framework for reforms. 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. The entry point for the PFM eligibility is close to be met. Serbia is currently working on the finalisation of a PFM reform programme to be adopted by end November 2015. Commission services are involved in the process and are monitoring closely the developments, confirming the realisation and timeline to be suitable for this SBS intervention.

- *Budget transparency and oversight of the budget*



The entry point for the eligibility on budget transparency and oversight is considered met. However, there is still room for improvements. There is room for enhancing the Parliament and Supreme Audit Institution (SAI)'s work, and the Open Budget Index shows the need to further pursue the programme-based budgeting and introduce Fiscal Impact Assessments. Improvement of budget transparency links to accountability of administration and is an important aspect of the future PFM reform programme.

#### b) Objectives

The sector **budget support programme** directly contributes to implementation of the PAR action plan. In line with that it has the following **objectives**:

- To improve accountability of administration through restructuring of central government administration
- To improve policy development and coordination, including increased participation of citizens and civil society organisations in the policy-making process.
- To contribute to professionalisation and de-politicisation in human resources management
- To improve service delivery and support administrative simplification
- To improve management of public finances

#### c) Expected results

Results are expected for all five objectives and include the following:

- Improved organisation and functions of the central government administration
- Improved public policy development and coordination.
- Increased participation of citizen and civil society organisations in the policy-making process
- Improved merit-based human resources management system within the public service
- Reduced administrative burdens to citizens and businesses through support to the reform of the inspection services
- Improved planning and budgeting of public expenditures
- Gradually established sector-based medium-term expenditure frameworks (MTEF)
- Improved implementation of internal control in the public administration

#### d) Main sector budget support activities

The main activities to implement the budget support package are policy dialogue, financial transfer, performance assessment, reporting and capacity development.

Engagement in dialogue around conditions and government reform priorities, the verification of conditions and the payment of budget support.

e) Complementary actions

With regard to complementary actions, activities will largely focus upon strengthening the institutional and human resource capacities of the principal stakeholders to drive, coordinate and monitor the public administration and public finance management reform agenda. Complementary support is also envisaged for the important field of improving visibility and communication. Therefore the complementary action envisage accompanying the reform process and communicating the developments to internal and external audiences

**2) Implementation arrangement of the complementary action:** direct management by the EU Delegation in Serbia.

The global budgetary envelope reserved for procurement will amount to EUR 10,000,000,00 with an indicative number of 4 contracts through service, and framework contracts to be tentatively launched in Q1 2016.

<b>SECTOR 2</b>	<b>Rule of Law and fundamental Rights</b>	<b>EUR 20,600,000.00</b>
<i>Action 5</i>	<i>Support to the Justice sector</i>	<i>EUR 12,100,000.00</i>

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

The overall objective of the Action is to contribute to the improvement of the judicial system in Serbia, in line with the EU accession requirements. .

The specific objectives are:

- Strengthening the capacities of the Ministry in charge of justice in line with the requirements of the EU accession negotiation process (component 1)
- Improvement of case management system in prosecution and prisons. (component 2)
- Modernising judicial training in conformity with the completion of the judicial reform process (component 3)
- Improving further the system for enforcement of penal sanctions. (component 4)
- Increasing the monitoring capacities in the area of war crimes (component 5)

Expected results:

### Component 1

- The capacities of the Ministry of Justice to fulfil its role in the judicial reform process and coordination of implementation of the measures of the Action Plan for Chapter 23 Judiciary and Fundamental Rights in the context of Chapter 23 accession negotiations are strengthened

### Component 2

- The efficiency of the work of prosecutor's offices is improved
- The efficiency of the prison administration is improved

### Component 3

The working conditions and the efficiency of the Judicial Academy are improved

### Component 4

- The capacities of the prison administration in the area of alternative sanctions and post penal care are improved

### Component 5

- Trial monitoring capacities and the knowledge in the judiciary sector for war crime trials are increased.

### Key Performance indicators:

- Degree of implementation of the action plan for Chapter 23
- Number of Prosecutor Officers' offices using Standardised Application for the Prosecution Organisation (SAPO) system
- % of enforced alternative sanctions compared to the total number of imprisoned
- % of war crimes trials under Civil Society Organisations (CSO) monitoring

### *(2) Assumptions and conditions*

The **main assumptions** that should be considered are: Serbia continues to demonstrate the necessary political willingness to continue the support to the judiciary reform; the implementation of the National Judicial Reform Strategy through the Action Plan for the period 2013 – 2018 continues; the commitment to implementation of the agreements reached in the EU-facilitated Dialogue between Belgrade and Pristina is maintained.

The following conditions are of particular importance:

The supply of equipment for the prosecution and prison administration is pre-conditioned by the confirmation that storage and installation space and appropriate maintenance capacities for the equipment and services is available.

The inclusion of the works and supplies for the judiciary academy in the programme are conditional to the availability of the relevant Project documentation and permits for the implementation of the works prior to the adoption of the Commission Decision for the IPA 2015 National programme for Serbia.

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

**Procurement:**

The global budgetary envelope reserved for procurement will amount to EUR 11,600,000.00 with indicatively 7 service, works and supply contracts to be tentatively launched in Q2-3 2016.

**Grant - Direct grant award (EUR): 500,000.00**

a) Objectives and foreseen results: the objective of this grant is to increase the capacities for monitoring in the area of war crimes. The main result to be achieved is that the trial monitoring capacities and the knowledge in the judiciary sector for war crime trials are increased.

b) Justification for the use of an exception to calls for proposals: The Organisation for Security and Cooperation in Europe (OSCE) as very specific experience on this very sensitive topic in the region of the Western Balkans, including through the preparation of a specific training methodology for monitoring of war crimes trials, the conduction of neutral trial monitoring for over ten years in the Western Balkans. The OSCE is considered a trusted and long-term partner of national state institutions in Serbia, which is an essential element in such delicate intervention. Therefore the case is considered to fall under Article 190 (f) of the Commission Delegated Regulation (EU) No 1268/2012 of 29 October 2012.

c) The name of the beneficiary: Organisation for Security and Cooperation in Europe (OSCE)

d) Indicative amount of the grant: EUR 500,000.00

e) The maximum possible rate of EU co-financing is 100% of the eligible cost of the action.

f) Indicative date for signing the grant agreement: Q1 2016

<b>SECTOR 2</b>	<b>Rule of Law and Fundamental Rights</b>	<b>EUR 20,600,000.00</b>
<i>Action 6</i>	<i>Support to the Home Affairs sector</i>	<i>EUR 8,500,000.00</i>

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

The overall objective of the Action is to support Serbia's commitment in meeting EU standards in the field of safety and security, including through implementation of Action Plan on Chapter 24 and Chapter 23.

The specific objectives are: to increase capacity of the Ministry of Interior and Ministry of Finance for prevention and fight against organised crime, money laundering, terrorism and other forms of crime (components 1, 2 and 3); to enhance safety and security of citizens in emergency situations in accordance with international and EU standards (component 4)

Expected results:

Component 1:

- The capacity of the Ministry of Interior and other relevant institutions to fight against organised crime is strengthened, in line with the provisions of the Action Plan for Chapter 24.

Component 2:

- The capacities and systems for the fight against money laundering and terrorism financing are improved

Component 3:

- Capacity of Internal Control unit to fight against corruption within the police is strengthened

Component 4:

- An efficient emergency support system 112 for Serbia is designed

Key performance indicators:

- Degree of efficiency in the process of exchange of information on criminal offences of organised crime;
- % population aware of emergency number 112 system

***(2) Assumptions and conditions***

The **main assumptions** that should be considered are: the police reform, and the fight against organised crime, remain a high priority for the Government and are implemented without delays; efficient cooperation and coordination among the different units in the Ministry of Interior and other relevant institutions is maintained during the action implementation.

**(3) Implementation arrangement of the action: direct management by the EU Delegation to Serbia**

**Procurement:**

The global budgetary envelope reserved for procurement will amount to EUR 7,300,000.00 with indicatively two service contracts, and two supply contracts to be tentatively launched in Q1-2 2016.

**Grant – 1 Twinning and 1 twinning light - Call for proposal (EUR): EUR 1,200,000.00**

a) Objectives and foreseen results: the capacity of Ministry of Interior and other relevant institutions to fight against organised crime is strengthened, in line with the provisions of the Action Plan for Chapter 24, and the capacity of Internal Control unit to fight against corruption within the police is strengthened

b) The essential eligibility criteria: applicants must be EU Member State administrations or mandated bodies.

c) The essential selection criterion are: the operational capacity of the applicant.

d) The essential award criteria are: technical expertise of the applicant, and the relevance, methodology and sustainability of the proposed action.

- e) Maximum rate of EU co-financing: The maximum possible rate of EU financing may be up to 100% of the total cost of the action in accordance with Article 192 of Financial Regulation if full funding is essential for the action to be carried out. The necessity for full EU funding will be justified by the responsible authorising officer in the award decision, in respect of the principles of equal treatment and sound financial management.

f) Indicative amount of Twinning contracts: EUR 1,200,000.00

g) Indicative date for launching the selection procedure: 2Q 2016

<b>SECTOR 3</b>	<b>Transport</b>	<b>EUR 64,810,000.00</b>
<i>Action 7</i>	<i>Support to the Development of the Transport sector</i>	<i>EUR 64,810,000.00</i>

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

The overall objective of the action is to support the reform processes in the transport sector in line with the agreed priorities in the context of the indicative TEN-T extension into the Western Balkans, respecting the relevant EU acquis in transport infrastructure specifications and railway interoperability. .

The specific objectives are to:

- restore full road and rail traffic across the Danube in Novi Sad as part of the Belgrade-Subotica-Budapest segment of corridor Xb of the TEN-T network (component 1)
- to enhance the railway and intermodal infrastructure in Serbia (components 2 and 3).

Expected results:

- The access roads to the *Žeželj* Bridge on Corridor X. constructed and operational (Result 1 linked to Component 1)
- Railway section Niš-Brestovac is modernised and operational (Result 2 linked to Component 2)
- Intermodal terminal in Belgrade is constructed and operational (Result 3 linked to Component 3)

Key performance indicators:

- Road traffic across the combined road-railway bridge fully re-established (Result 1)
- Degree of speed of the railway section Niš-Brestovac (Result 2)
- Capacity for operation of the Intermodal terminal in Belgrade (Result 3)

***(2) Assumptions and conditions***

The **main assumptions** that should be considered are the progress and finalisation of the bridge construction (Component 1), the continuous commitment of Serbia in providing the co-financing for the infrastructure components of this action which require co-financing (Component 2 and 3)

There are two preconditions to the implementation of the action: for Component/result 2, the technical documentation for modernization of the Niš – Brestovac railway section has to be approved by relevant authorities; for Component 3, the technical documentation for construction of Intermodal terminal has to be approved by relevant authorities.

***(3) Implementation arrangement of the action:***

**Component/Result 1:** *direct management by the EU Delegation in Serbia*

**Procurement:**

The global budgetary envelope reserved for procurement will amount to EUR 4,050,000.00 with indicatively one service contract and one work contract to tentatively start implementation Q2 2016.

**Components/Results 2 and 3:** *indirect management with Serbia*

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

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



### 3 BUDGET

#### 3.1 INDICATIVE BUDGET TABLE - COUNTRY ACTION PROGRAMME FOR SERBIA

	Indirect management with the IPA II beneficiary			Other Implementation arrangements			MM	Total programme	Total EU Contribution	
	Titles	EU Contribution	IPA II Beneficiary co-financing	Total expenditure	EU Contribution	IPA II Beneficiary co-financing				Total expenditure
Democracy and Rule of Law 2015/038-441, 2015/038-443 and 2015/038-444	<b>Democracy and Governance</b>	<b>12,090,000.00</b>	<b>1,273,725.00</b>	<b>13,363,725.00</b>	<b>99,100,000.00</b>	<b>0.00</b>	<b>99,100,000.00</b>		<b>112,463,725.00</b>	<b>111,190,000.00</b>
	AD 1 – European Integration Facility	0.00	0.00	0.00	11,000,000.00	0.00	11,000,000.00	DM	11,000,000.00	11,000,000.00
	AD 2 – Support to Participation to EU Programmes	12,090,000.00	1,273,725.00	13,363,725.00	0.00	0.00	0.00	IM	13,363,725.00	12,090,000.00
	AD 3 –Negotiations and Communication facility	0.00	0.00	0.00	8,100,000.00	0.00	8,100,000.00	DM	8,100,000.00	8,100,000.00
	AD 3 – Sector Budget Support for PAR	0.00	0.00	0.00	80,000,000.00	0.00	80,000,000.00	DM	80,000,000.00	80,000,000.00
	<b>Rule of law and fundamental rights</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>20,600,000.00</b>	<b>0.00</b>	<b>20,600,000.00</b>	<b>DM</b>	<b>20,600,000.00</b>	<b>20,600,000.00</b>
	AD 5 – Support to Justice Sector	0.00	0.00	0.00	12,100,000.00	0.00	12,100,000.00	DM	12,100,000.00	12,100,000.00
	AD 6 - Home Affairs	0.00	0.00	0.00	8,500,000.00	0.00	8,500,000.00	DM	8,500,000.00	8,500,000.00
	<b>TOTAL</b>	<b>12,090,000.00</b>	<b>1,273,725.00</b>	<b>13,363,725.00</b>	<b>119,700,000.00</b>	<b>0.00</b>	<b>119,700,000.00</b>		<b>133,063,725.00</b>	<b>131,790,000.00</b>
Competitiveness and Growth 2015/038-442	<b>Transport</b>	<b>60,760,000.00</b>	<b>17,540,000.00</b>	<b>78,300,000.00</b>	<b>4,050,000.00</b>	<b>0.00</b>	<b>4,050,000.00</b>		<b>82,350,000.00</b>	<b>64,810,000.00</b>
	AD 7 - Support to the development of Transport sector	60,760,000.00	17,540,000.00	78,300,000.00	4,050,000.00	0.00	4,050,000.00	IM/DM	82,350,000.00	64,810,000.00
	<b>TOTAL</b>	<b>60,760,000.00</b>	<b>17,540,000.00</b>	<b>78,300,000.00</b>	<b>4,050,000.00</b>	<b>0.00</b>	<b>4,050,000.00</b>		<b>82,350,000.00</b>	<b>64,810,000.00</b>
<b>TOTALS</b>	<b>72,850,000.00</b>	<b>18,813,725.00</b>	<b>91,663,725.00</b>	<b>123,750,000.00</b>	<b>0.00</b>	<b>123,750,000.00</b>		<b>215,413,725.00</b>	<b>196,600,000.00</b>	

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

##### **DIRECT MANAGEMENT:**

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

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

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

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

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

##### **INDIRECT MANAGEMENT**

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

#### **5 PERFORMANCE MONITORING ARRANGEMENTS**

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

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

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

The overall progress will be monitored through the following means: a) Result Orientated Monitoring (ROM) system; b) IPA II Beneficiaries' own monitoring; c) self-monitoring performed by the EU Delegations; d) joint monitoring by DG Enlargement and the IPA II

Beneficiaries, whereby the compliance, coherence, effectiveness, efficiency and coordination in implementation of financial assistance will be regularly monitored by an IPA II Monitoring committee, supported by sectoral monitoring committees, which will ensure a monitoring process at sector level.