

## ANNEX III

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

**ACTION DOCUMENT “EU FOR SUSTAINABLE ECONOMY, AGRICULTURE AND RURAL  
DEVELOPMENT”**

## 1. SYNOPSIS

## 1.1. Action Summary Table

1.1. Action Summary Table				
Title	Annual Action Plan in favour of the Republic of Serbia for 2021 Action Document for EU for Sustainable Economy, Agriculture and Rural Development			
OPSYS number	CRIS 2021/043-652			
Basic Act	Financed under the Instrument for Pre-accession Assistance (IPA III)			
Team Europe Initiative	No			
Zone benefiting from the action	The action shall be carried out in the Republic of Serbia			
Programming document	IPA III Programming Framework			
PRIORITY AREAS AND SECTOR INFORMATION				
Window and thematic priority	Window 4: Competitiveness and Inclusive Growth Thematic Priority 2: Private sector development, trade, research and innovation Thematic Priority 3: Agriculture and rural development Thematic Priority 4: Fisheries			
Sustainable Development Goals (SDGs)	Main SDG (1 only): SDG 8 Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all Other SDGs SDG 2. End hunger, achieve food safety and improved nutrition and promote sustainable agriculture.			
DAC code(s)	Main DAC code – 25010			
Main Delivery Channel @	Government of the Republic of Serbia			
	General policy objective @	Not targeted	Significant objective	Principal objective

<b>Markers <sup>1</sup></b>  <b>(from DAC form)</b>	Participation development/good governance	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	Aid to environment	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Gender equality and women's and girl's empowerment	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Trade development	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	Reproductive, maternal, new-born and child health	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Disaster Risk Reduction	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Inclusion of persons with Disabilities	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Nutrition <sup>2</sup>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	<b>RIO Convention markers @</b>	<b>Not targeted</b>	<b>Significant objective</b>	<b>Principal objective</b>
	Biological diversity	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Combat desertification	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change mitigation	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change adaptation	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	<b>Internal markers<sup>3</sup></b>	<b>Policy objectives</b>	<b>Not targeted</b>	<b>Significant objective</b>
Digitalisation		<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Migration <sup>4</sup>		<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
COVID-19		<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<b>BUDGET INFORMATION</b>				
<b>Amounts concerned</b>	Budget line : 15.020201.02  Total cost: EUR 15,640,000.00  EUR Total EU contribution: EUR 15,640,000.00  Out of which 7,640,000.00 under indirect management by the Beneficiary country.			
<b>MANAGEMENT AND IMPLEMENTATION</b>				
<b>Type of financing and method(s) of implementation</b>	Project Modality  <b>Indirect management</b> with the entity(ies) to be selected in accordance with the criteria set out in section 4.3.4. for the Outcome 1.			

	<b>Indirect management with the Republic of Serbia.</b>
<b>Relevant priorities and flagships from Economic and Investment Plan for the Western Balkans</b>	- Boosting the private sector
<b>Final Date for conclusion of Financing Agreement</b>	At the latest by 31 December 2022
<b>Final date for concluding contribution / delegation agreements, procurement and grant contracts</b>	3 years following the date of conclusion of the Financing Agreement, with the exception of cases listed under Article 114(2) of the Financial Regulation
<b>Indicative operational implementation period</b>	72 months following the conclusion of the Financing Agreement
<b>Final date for implementing the Financing Agreement</b>	12 years following the conclusion of the Financing Agreement

## 1.2. Summary of the Action

### *Main elements related to the Context and to the Intervention Logic*

The Government remains committed to EU membership as its strategic goal. Serbia has opened 18 negotiation chapters of the *acquis*<sup>5</sup> and two chapters (25 and 26) were provisionally closed so far. Serbia has a good level of preparation in the areas of company law, research and development and intellectual property law. It is moderately prepared in the areas of free movement of goods, right of establishment and freedom to provide services, competition policy, information society and media, enterprise and industrial policy, as well as consumer and health protection<sup>6</sup>. Serbia has some level of preparation in agriculture and rural development.

The Action is implementing the Government's strategic goals and strategic commitment to EU accession. The Action will contribute to strengthening of competitiveness and inclusive growth of Serbia by reaching two outcomes: Strengthening private sector development, trade, research and innovation and strengthening legislative and institutional capacities for fulfilling the requirements of EU membership in agriculture and rural development.

Firstly, the Action will focus on improving market integrity and environment conducive to market operators by strengthening capacities of relevant stakeholders in the areas of Service Directive, market surveillance, intellectual property rights, state aid, competition policy and e-commerce. The Action will administer necessary policy and institutional adjustments market as well as market organisation and structural support in fisheries. It will improve enforcement of the agricultural land policies and animal health status in Serbia and surrounding countries.

<sup>5</sup> Chapters: 4, 5, 6, 7, 9, 13, 17, 18, 20, 23, 24, 25, 26, 29, 30, 32, 33, 35

<sup>6</sup> Progress Report for Serbia 2018

## 2. RATIONALE

### 2.1. Context Analysis

The shock caused by the pandemic had a particularly negative effect on the economy of Serbia, export demand, FDI, remittances and supply chains, especially during the second quarter of 2020. The economic recovery began in the last quarter of 2020. The *Policy Coordination Instrument* (PCI)<sup>7</sup> that helped to preserve macroeconomic and fiscal stability, was redefined to mitigate the negative consequences caused by the COVID-19 pandemic. The Programme of Economic Measures to Support the Serbian Economy has preserved the liquidity of the economy, with planned value of the total package of 12.5% of GDP<sup>8</sup>. Measures that focus on mitigating the consequences of the pandemic remain a priority for economic policy makers in the coming period. In addition, efforts are focused on intensifying reform processes, to ensure the continuity of improving the economic environment, progress on international competitiveness lists and further raising the country's credit rating.<sup>9</sup>

The biggest challenges in the implementation of the planned PFM reform<sup>10</sup> measures were of a technical nature and lack of administrative capacity. Considerable progress was achieved in all five reform pillars<sup>11</sup>. Reform efforts in the area of public expenditure planning and budgeting was focused on further implementation of multi-year program budgeting through improved performance reporting and improved public investment planning<sup>12</sup>. In the area of public debt management, significant results were achieved before the escalation of the COVID-19 pandemic<sup>13</sup> and the continuation of reforms is planned beyond 2021. Legislative and strategic setup for further development and modernisation of public procurements has been established by adoption of the new Law on Public Procurement in 2020 and Public Procurement Development Program 2019-2023, while new public procurement portal, operational since July 2020, represents a significant step in the process of digitising public procurement procedures.

In the field of internal financial control in the public sector, efforts were made to improve the legal framework as prescribed in the Budget System Law. Further improvement of the coverage and quality of external audits was achieved by applying manuals and guidelines aligned with the ISSAI standards. The State Audit Institution continued to increase the impact of its audit work, monitor the implementation of its audit recommendations and improve relations with the Committee on Finance, State Budget and Control of Public Spending of the National Assembly.

The Government remains committed to EU membership as its strategic goal. Regular political and economic dialogue on open issues from the SAA, and the adoption of general and sectoral national development strategies are steering Serbia's fulfilment of economic requirements for membership. Serbia has opened 18 negotiation chapters of the *acquis*<sup>14</sup> and two chapters (25 and 26) were provisionally closed. Serbia has a good level of preparation in the areas of company law, research and development and intellectual property law. It is moderately prepared in the areas of free movement of goods, right of establishment and freedom to provide services, competition policy, information society and media, enterprise and industrial policy, as well as consumer and health protection<sup>15</sup>. Serbia has some level of preparation in agriculture and rural development. Most of the recommendations from the Commission Serbia annual report for Chapter 32 related to the area of internal financial control in the public sector have been implemented.

Structural and institutional reforms in the next medium-term period will aim to improve business environment, which contributes to a more successful EU accession process. The Government's objectives correlate to the EU's commitment of "addressing the current structural challenges to the overall business environment, notably with regards to the significant state presence in the economy, high levels of state aid, low levels and structural distortions of

<sup>7</sup> an arrangement that the Republic of Serbia concluded with the IMF in July 2018, lasting for 30 months

<sup>8</sup> Fiscal Strategy 2021-2023

<sup>9</sup> Fiscal Strategy 2021-2023

<sup>10</sup> The Strategic Framework for Public Financial Management Reform is defined by the PAR Strategy and the PFM Reform Program (PFMRP).

<sup>11</sup> The latest Action Plan PFMRP for the period July 2019 - December 2020 set five reform pillars: Public expenditure planning and budgeting, Efficient and effective budget execution, Effective financial control, Accounting in the public sector, and External supervision of public finances.

<sup>12</sup> The adoption of the Law on the Planning System in April 2018 enabled better coordination of planning and budgeting of public policies. The increase in the compliance of the program structures of budget users with the Instruction for the preparation of the program budget (from 61% in 2016 to 87% in 2019) contributed to the transparency of the budget. The adoption of the Regulation on Capital Project Management in 2019 has established a legislative framework for full integration of planning and evaluation of capital projects in the budget planning process.

<sup>13</sup> steady decline of debt to GDP ratio, improved credit rating and lowest interest rates to issued securities

<sup>14</sup> Chapters: 4, 5, 6, 7, 9, 13, 17, 18, 20, 23, 24, 25, 26, 29, 30, 32, 33, 35

<sup>15</sup> Strasbourg, 19.10.2021 SWD(2021) 288 final - Serbia 2021 Report Accompanying the document Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions 2021 Communication on EU Enlargement Policy

competition and the issues related to legal uncertainty and the lack of regional market integration.”<sup>16</sup> Those goals will produce “a functioning market economy that has the capacity to withstand competitive pressure inside the EU single market.”<sup>17</sup>

## 2.2. Problem analysis by areas of support

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

### **AREA OF SUPPORT #1: Private sector development, research and innovation**

#### *Short problem analysis*

Serbia will have to accelerate its efforts towards a modern, resource-efficient and competitive economy to keep the pace of socio-economic development, become a part of Single Market and contribute to Europe’s goal to boost the efficient use of resources by moving to a clean, circular economy. The key enabling factors for the circular economy include technology and innovation, business models, regulatory & market environment, consumer behaviour, awareness & consciousness and financing & know how. For Serbia, the road to circular, more competitive economy will entail further harmonisation of legislation and strengthening enforcement capacities in the area of Internal Market Cluster. To comply with the harmonised legislation, Serbian companies will need to produce at the lowest cost, to invest efficiently, to innovate and adopt more energy-efficient technologies.

The EU State Aid policy framework is currently under reform to reflect the EU goal of moving to a clean circular economy. Member States, as well as Candidate Countries such as Serbia, will have to invest in their national capacities to align their systems with the revised policy, to stimulate sustainable investments. In addition, Serbia still needs to harmonise its competition and state aid legislation in line with the EU *acquis*, in particular take additional steps to align the existing aid schemes, align the law on multilateral interchange fees and special operating rules for card-based payment transactions with the EU *acquis* and SAA obligations and provide a solid track record in the implementation of laws on protection of competition and state aid control<sup>18</sup>. **The Commission for State Aid Control (CSAC)**’s enforcement capacity remains insufficient<sup>19</sup>. CSAC did not prohibit any state aid or decided in favour of recovery, while in only one case a conditional decision was adopted. The number of CSAC decisions that were appealed against remained low. A specialised electronic platform is being developed to help monitor compliance with conditions for the accumulation of aid. Awareness regarding State aid rules still remains low among the aid-granting authorities, thus advocacy activities should be continued and intensified in 2020.<sup>20</sup>

Competition policy plays a key role in influencing the investment and operational choices made by enterprises, thus contributing to the effectiveness of sustainable development goals. The EU competition legislative framework is currently under reform to keep up with the pace of policy efforts towards decarbonisation, circular economy and depollution. In that respect, the Member States and Candidate Countries will need further strengthening of their capacities to align and enforce its competition policy legislation. Serbia is moderately prepared in the area of competition policy.<sup>21</sup> The **Commission for Protection of Competition (CPC)** as an operationally independent authority<sup>22</sup> needs to provide a solid track record in the implementation of the law on protection of competition. The practice of consulting the CPC on all relevant legislation should be reaffirmed and their opinions systematically and seriously applied. Namely, the CPC has a legal mandate to provide opinions on (existing and draft) laws and regulations which affect competition in the Serbian market. However, such opinions are not obligatory for the authorities they are addressed to and the CPC is not always consulted by the proposing authority at the right point in time, i.e. at the stage of a draft proposal of a law. Consequently, enhanced degree of compliance with competition rules and prevention of market distortions should be the focus of additional efforts.

The intellectual property’s role is to encourage innovation and foster R&D to stimulate a competitive and low-carbon economy. The intellectual property framework should be strong enough to serve the objectives of better controlling production costs and reducing the energy intensity of production and consumption processes. Serbia has a good level

<sup>16</sup> IPA III Programming Framework

<sup>17</sup> IPA III Programming Framework

<sup>18</sup> Report 2020

<sup>19</sup> The number of decisions taken upon notification in 2019 significantly increased from 56 in 2018 to 167, while the number of decisions in ex post procedure in the same year slightly decreased from 14 in 2018 to 13, Report 2020

<sup>20</sup> Report 2020

<sup>21</sup> Report 2020

<sup>22</sup> established by the Law on Protection of Competition (“Official Gazette of the RS”, no. 79/05)

of preparation on **intellectual property rights**<sup>23</sup>. In terms of transposition, Serbia still needs “to harmonise copyright and related rights legislation with the EU directives on collective management of copyright and related rights and on orphan works and adopt amendments to align with the regulation on the SPC manufacturing waiver to the Law on Patents.”<sup>24</sup> Enforcement of IPR protection remains limited. Due to judges not being adequately specialised and the increasing number of incoming cases, the capacity of the judiciary to handle intellectual property rights cases remain limited. The overall amount of counterfeit and pirated goods confiscated by the Market Inspectorate dropped considerably in 2019 (209 528 pieces of goods), while the number of requests submitted by economic operators increased. These counterfeit goods often entail environmental risks along production to consumption chain. The number of items detained by the Customs Administration fell substantially in 2019 (194 156 pieces of goods), while the number of items destroyed increased. The number of software legality checks carried out by the Tax Administration in 2019 (119 software legality controls) continued to fall from 2018<sup>25</sup>. Due to judges not being adequately specialised and the increasing number of incoming cases, the capacities of the judiciary to handle intellectual property rights cases remain limited.

This proves that Serbian consumers still need stronger protection from illegal and unsafe products. Limited progress was made on the chapter, but the recommendations of the previous report have not been met and remain valid, with particular emphasis of the need to strengthen the administrative capacity of relevant authorities for consumer protection, market surveillance and sanitary inspection.<sup>26</sup> The **market surveillance authorities** ensure both the safety of consumers and fair competition. Their capacity improvements need to be continued, such as establishing of the Single Liaison Office to strengthen coordination with customs authorities and cooperation on the national market surveillance policies. Equally, adequate capacities of market surveillance authorities to perform appropriate checks on the characteristics of products on an adequate scale are needed to strengthen Serbia's ability to implement the rules on the free movement of goods.<sup>27</sup>

Unfair business practices and contract terms are still widespread, with service providers of general economic interest, namely public utility companies and telecommunication companies leading the way. The institutional setting and protection of **consumer protection** rights and interests at the local government level has yet to be strengthened with the adoption of the amended law on consumer protection, which should also address unfair commercial practices, contract terms and vulnerable consumers.<sup>28</sup> Unfair business practices and contract terms are still widespread, with service providers of general economic interest, namely public utility companies and telecommunication companies leading the way.

Serbian consumers need to play an active role in the green and digital transitions towards a clean, circular economy. They need to be empowered to further engage in sustainable consumption practices and with circular business models to avoid overconsumption. The role of consumer organisations in that respect is crucial. The total number of registered **consumer organisations** in Serbia is 26, with only half regularly active and with limited resources. Some legal aid NGOs also provide assistance<sup>29</sup>. Their support remains insufficient and their visibility is still limited. Access to judiciary proceedings in consumer matters is characterised by legal unpredictability, lengthy proceedings and the value of total costs, deterring consumers from initiating court proceedings to protect their rights. Out-of-court protection is underdeveloped and takes place only sporadically<sup>30</sup>.

Market competition and consumer protection in Serbia is further influenced by the underdeveloped **e-commerce**. Underdeveloped e-commerce hinders development of more sustainable practices and digitalisation of businesses. More than 60% of transactions start online (product research), but most end by cash on delivery. There is lack of information among traders, with underdeveloped technological solutions and the gray economy on the Internet. Consumers are not well informed on their rights in online shopping. Citizens' distrust appears as a key barrier, especially when it comes to payment via card. Then, a large percentage of sellers who sell their goods on social networks are not registered. Of all Internet users, 43% never bought anything online. There is no complete data on the number of economic entities engaged in electronic commerce since there are no appropriate registers, and many unregistered entities conduct their business activities on Facebook or Instagram.

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<sup>23</sup> Report 2020

<sup>24</sup> Report 2020

<sup>25</sup> Report 2020

<sup>26</sup> Annual Progress Report 2020

<sup>27</sup> As per Regulation (EU) 2019/1020 of the European Parliament and of the Council of 20 June 2019 on market surveillance and compliance of products and amending Directive 2004/42/EC and Regulations (EC) No 765/2008 and (EU) No 305/2011 (OJ L 169, 25.6.2019, p. 1).

<sup>28</sup> Annual Progress Report 2020

<sup>29</sup> Consumer Protection in Serbia, Dusan Protic, European Policy Centre 2020

<sup>30</sup> During 2016 and 2017, 11 requests for initiating out-of-court settlement of consumer disputes were received, of which six were initiated and completed, which represents a negligible percentage in relation to the number of transactions and complaints received by consumer associations. In 3,964 cases, associations referred consumers to out-of-court proceedings, ie 5.3% of the total number of complaints in the period 2014-2018; the Strategy for Consumer Protection 2019-2024

In addition, as the e-commerce develops, it will have a significant environmental impact. Consequently, the concept of sustainability that can range from business models to packaging products will have to be strengthened. Equally, the awareness of Serbian consumers that their purchasing decision should be influenced by the company's environmental focus should be raised.

Serbian economy is mostly service oriented, so the **quality and safety of services** represent the opportunity both for consumers and businesses. Harmonisation with the Directive 2006/123/EC on Services in the Internal Market (the **Services Directive**) with creation of Point of Single Contact is a crucial task in that direction. Especially in times of COVID-19 recovery, the Services Directive will play an important role by reinvigorating the economy and boosting the internal market. Serbia is moderately prepared in the area of Right of establishment and freedom to provide services, with no developments on the right of establishment. No point of single contact has been established – its establishment and functioning are dependent on the adoption of the horizontal law on services<sup>31</sup>.

Serbia needs to continue the reform process and address the challenges in the abovementioned areas, to create knowledge based, resource efficient market economy competitive enough to join the Single Market, harvest the fruits of economic growth and bring the benefits to its citizens.

#### *Description of main stakeholders*

The main stakeholders of the Action in the area of State Aid are **The Commission for State Aid Control and State Aid Grantors**.

The main stakeholders of the Action in the area of competition policy, antitrust and mergers are **the Commission for Protection of Competition (CPC), business community, Serbian officials** from ministries and other public institutions and organisations engaged in drafting laws and regulations, **law firms and professional public**.

The main stakeholders of the Action in the area of Market Surveillance that need to strengthen their enforcement capacities are **the Market Inspection Sector and Inspection for Electronically Communications** in the Ministry of Trade, Tourism and Telecommunications, **Sanitary and Health Inspections and Medicines and Medical Devices Inspectors** in the Ministry of Health, **Labour Inspection** in the Ministry of Labour of Employment, Social and Veterans Affairs, **Construction, Transport and railway inspections** in the Ministry of Construction, Transport and Infrastructure, **The Environmental Inspection** in the Ministry of Environmental Protection, **the Vassal Pressure and Mining Inspections** in the Ministry of Energy and Mining, **Directorate for Measures and Precious Metals (DMDM), the Ministry of Interior, Traffic Safety Agency, Customs Administration**.

Other Stakeholders include Chamber of Commerce, Fulfilment Services Providers, Internet Providers, economic operators and their associations, consumer protection organisations.

The main stakeholders of the Action in the area of Intellectual Property Rights are the **Intellectual Property Office, the Coordination Body for the Efficient Protection of the IP Rights, Customs Administration** and its Sector for the control of the implementation of the Customs regulations that has a specialised Department for the Protection of the Intellectual Property in charge of coordination of activities of the Customs Administration for the suppression of counterfeiting and piracy, **the Market Inspectorate, Inspection for Medicine and Medical Devices, Tax Administration, Police Directorate** with Department for the Suppression of Fraud and Protection of Intellectual Property and Department for the Suppression of Crime in the Field of Intellectual Property, **Public Prosecutor Office** that has established a special prosecution unit for fighting against High Technology Crime with the Higher Public Prosecutors Office in Belgrade, **basic courts, Commercial Court in Belgrade, Higher Court in Belgrade, Commercial Court of Appeal and the Court of Appeal in Belgrade**. In addition, cooperation between all stakeholders involved in the specific areas of intellectual property rights enforcement, including geographical indications will be further enhanced through appropriate coordination and consultation mechanism during the action implementation.

The main stakeholders of the Action in the area of consumer protection are the **Ministry of Trade, Tourism and Telecommunication, Consumer protection organisations, the National Council for Consumer Protection, Local self-governments, Ministry of Health, Ministry of Mining and Energy** and its **Department for Electrical Energy, Ministry of Justice, National Bank of Serbia** and its **Centre for Financial Consumer Protection and Education and Regulatory Agency for Electronic Communications and Postal Services (RATEL)**. The main stakeholders in relation to compliance with environmental standards in the light of EU initiative on circular economy include

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<sup>31</sup> Annual Progress Report 2020

Ministry of Environment, Ministry of Agriculture, Forestry and Water Management, Ministry of Economy, Chamber of Commerce and other relevant stakeholders.

The main stakeholders of the Action in the area of e-commerce are the **Ministry of Trade, Tourism and Telecommunications** that leads the efforts of a multisectoral public sector group, consisting of representatives of the key government institutions: **Market Inspection, MoF, Tax Administration, NBS, Customs Authority, the Delivery Unit of Prime Minister's Cabinet, the Serbian Chamber of Commerce and Industry (PKS), eCommerce Association of Serbia, FIC, AmCham, and other relevant business associations and CSOs** that include representatives of sectors enabling all building blocks in e-commerce (logistics, online platforms, payment systems etc.).

The main stakeholders of the Action in the creation of Point of Single Contact are the **Ministry of Trade, Tourism and Telecommunications** with its Sector for Trade, Services and Competition, **the Public Policy Secretariat (PPS), Office for IT and eGovernment, Serbian Chamber of Commerce (CCIS), Development Agency of Serbia, Civil Society/Stakeholders.**

#### *Complementarity with national strategies:*

The Action (Output 1) is complementary to **the Strategy for Consumer Protection 2019-2024**, and its 4 specific objectives. The activities will focus on improving penal policy to reduce the frequency of violations of consumer protection regulations. The Action will directly raise the level of out-of-court dispute resolution by improving the knowledge of out-of-court dispute resolution bodies, as well as by improving technical capacities that would encourage more relevant bodies to improve this method of dispute resolution. The Action will strengthen capacity of the institutional system for consumer protection by proactively including local self-government units and increase the level of information and public awareness of consumer rights and interests.

The Action's output is complementary to the **Intellectual Property Strategy (2018-2022)** and its main objectives<sup>32</sup> 1 and 2. Particular measures implementing the objective 2 relate to interventions envisaged through this Action: sustainable and efficient work of the Coordination Body, including the Working Group dealing with collecting and analysing data and identifying trends in IPR infringement and raising awareness activities, the IT platform<sup>33</sup> for exchanging the information among enforcement institutions and the IPO, the capacities of the competent courts and the appropriate legislative and strategic framework.

The Action is complementary to the overall objective of **the Strategy for Digital Skills Development in the Republic of Serbia for the period from 2020 to 2024** to improve the digital knowledge and skills of all citizens, to enable the monitoring of the development of ICT technologies in all fields and to meet the needs of the economy and the labor market. In that context, the Action will support the removal of barriers on the demand supply side of the e-commerce market, as well as improvement of institutional framework.

The Action also complements the findings of the **Smart Specialisation Strategy Serbia 2020-2027** that stressed the need for wider protection of intellectual property rights and use of licensing, especially at the institutional level. improved business environment through optimisation and digitalisation of procedures in 4S areas; 5. Internationalisation of the economy through involvement in regional and global value chains in the 4S areas. Food is identified as one of the 4 priority areas in the Strategy, with priorities High-tech agriculture, Value-added food products, Sustainable food production chain.

The Action complements the Specific Objective 5: "Transformation of the industry from a linear to a circular model" of the **Strategy of Industrial Policy of the Republic of Serbia 2021-2030**. It is addressing the „lack of necessary institutional infrastructure (bylaws and administrative capacities) for implementation of already adopted legislative solutions to stimulate the process of economic transformation towards circular economy model", as identified in the Strategy, by harmonising national legislation and strengthening the capacities of institutions enforcing the sustainable development policies.

<sup>32</sup> 1: Harmonisation of the national legislation with the European legislation in the field of intellectual property; and objective 2: Improvement of the intellectual property rights enforcement, to strengthen Serbia's ability to protect intellectual property that ultimately safeguards the consumer rights and encourages companies to innovate

<sup>33</sup> The work on the development of the IT information exchange platform should be finished until the end of 2021 under the current Twinning Project 2016.



The Action is supporting the implementation of the **Chapter 27** requirements in the areas of sustainable consumption and production by industry, adopting more efficient technologies and better product designs (and safer product designs for both consumers and the environment; e.g., more sustainable agricultural products).

The Action is supporting the implementation of the **Action Plan for meeting the requirements under Chapter 22**<sup>34</sup> that is currently under assessment by the EU Member States. The Chapter 22 is a horizontal chapter related to a number of other negotiation chapters (i.e. Chapters 5, 8, 14, 15, 19, 21, 27, 32, and 33). The Action Plan sets out clear **measures until 2025 in the six 6 interrelated sections** - legal framework, institutional framework, administrative capacity, programming, monitoring and evaluation, financial management and control (including audit)). The Action is also in line with the **National Plan for Adoption of the Acquis 2018-2021**.

## **AREA OF SUPPORT #2: Agriculture and rural development**

### *Short problem analysis*

Aiming at the *acquis* alignment, the Action Plan for the transposition, implementation and enforcement of the *acquis* in agriculture and rural development envisages amending the Law on Agriculture and Rural Development and the Law on Subsidies in Agriculture and Rural Development. Among other thing, the amendments will prescribe establishment of the Farm Advisory Service as foreseen by the EU *acquis*, which should bring the major workload towards enforcement of the aligned legislation in close work with the farmers.

Capacity building support is needed to complement the Government efforts in establishment of functional Integrated Administration and Control System (IACS) in line with EU Common Agricultural Policy (CAP) requirements. Development of the IACS components needs to be integrated into all existing systems and software in the Ministry of Agriculture, Forestry and Water Management (MAFWM) and external registers and databases. In addition, strengthening of the capacities of the DAP to fully utilise and accredit IACS system and its components in due time is necessary.

Assessment of the alignment in the Chapter 13 indicates that Serbia still does not have any structural actions in place for small-scale fisheries or inland fisheries. Besides, administrative capacity in the sub-sector is weak, policies on market-related activities and data collection regarding fish and fishery products in line with the *acquis* are not existing. Strategic plans accompanied by operational plans and the information system for collection of data and reporting are non-existent. The pace of reforms and main requirements in the process of the alignment with the Common Fisheries Policy will be set in the Action plan for transposition, adoption and enforcement of the EU legislation in Fisheries.

The campaign of oral vaccination of foxes and other wild carnivores against rabies, carried out by the MAFWM have shown significant results. The total number of rabies cases in Serbia was significantly reduced by the introduction of oral vaccination of wild animals in 2010, bringing number of cases from 181 in 2009 to 1 in 2018. Due to the financial difficulties, there was no campaign conducted in 2020 in spite of recommendation not to cease the campaign earlier than two years after the last confirmed case of rabies, provided there was sufficient and adequate surveillance in place. According to the Standing Group of Experts on Rabies in Europe Report from July 2020, surveillance remains the weakest point of their rabies eradication programmes in certain countries, particularly the testing of indicator animals for rabies detection (passive surveillance). Consequently, the number of animals sampled and tested is very low and this compromises eradication in number of countries, including Serbia.

### *Description of main stakeholders:*

**The Ministry of Agriculture, Forestry and Water Management** (Sector for international cooperation) is the key stakeholder of the action, along with: Sector for Agricultural Policy (SfAP), Agricultural Land Administration (ALA), The Directorate for Agrarian Payments (DAP), Sector for Rural Development, Group for Advisory Service/Farm Advisory Service (FAS), The Veterinary Directorate (VD), The Sector of Agricultural Inspection (SfAI), The Directorate for Plant Protection (DfPP), Republic Geodetic Authority (RGA). The intervention will involve registered farmers (individual and legal entities), Provincial Secretariat in charge for agriculture and the Ministry of Environmental Protection (MAEP).

### *Complementarity with national strategies:*

**The Strategy of Agriculture and Rural Development of the Republic of Serbia, the National Program for Agriculture, and the National Program for Rural Development and IPARD programme** provide a coherent strategic framework in this sector. Roadmap for the alignment in the sector with *acquis* is the Action Plan for the transposition, implementation and enforcement of the *acquis* in agriculture and rural development. This action plan concludes that direct payments in the Republic of Serbia are not in compliance with the CAP direct payments, and

<sup>34</sup> [http://www.mei.gov.rs/upload/documents/pristupni\\_pregovori/akcioni\\_planovi/action\\_plan\\_22.pdf](http://www.mei.gov.rs/upload/documents/pristupni_pregovori/akcioni_planovi/action_plan_22.pdf)

that cross-compliance requirements need to be enforced, along with adequate system for controls of direct payments (LPIS/IACS) and rural development measures.

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

The Action is addressing the need to improve market integrity and to create environment appealing to market operators. This objective requires finalisation of legislation harmonisation in the fields of competition policy, free movement of goods and services, intellectual property rights, and consumer protection to foster private sector development, trade, R&D and innovation. Further efforts are needed in this area to simplify and strengthen business operations and improve the quality of services. By accelerating the transposition of the Directive on services and the creation of a one-stop shop for service providers will simplify procedures, reduce red tape, increase transparency and remove unjustified or disproportionate requirements for service providers. Ensuring implementation of adequate competition and state aid policies and strengthening a functioning system of market surveillance will ensure competition and protect consumers. By strengthening institutional capacities that set the strategic direction, and administrative capacities and systems that ensure compliance with transposed legislation, Serbia will allow its private sector and consumers to take full advantage of the EU Single Market upon accession.

In view of moving further towards a sector approach, the interventions under this Action have been selected based on their relevance and contribution to national sector strategies as well their link to accession negotiations.

The national sub-sector strategies relevant for the Outcome 1 of the Action and already identified under Section 2.2 include the requirements of the Law on the Planning System<sup>35</sup> and are partly aligned with the relevant accompanying regulations<sup>36</sup>. The consultation process of the strategies' preparation was conducted through structures of inter-institutional and coordination bodies, with participation of wide range of stakeholders. The strategic documents have an analytical base for identified objectives, priorities and measures, defined monitoring framework with deadlines and indicators of progress and competent implementing institutions. Most strategies have defined their monitoring and reporting mechanisms and are part of the Unified Information System<sup>37</sup> making the monitoring and reporting of the implementation mandatory. However, the strategies don't have the detailed costing of the proposed priorities and measures and are not sufficiently connected to sources of funding.

Although coherent, the strategic framework relevant for Outcome 2 of this Action suffers from impediments that characterise most of the sectoral strategies adopted prior to the new legal framework regulating policy planning. The timeliness and quality of indicators and targets still need improvement. This leads to lack of well-functioning monitoring systems and the availability of high-quality timely data as prerequisites for good evaluation. As a consequence, this has led to inadequate mechanisms for policy adjustments and evidence-based policymaking, developed to a level existing in EU Member States.

The Law on Agriculture and Rural Development is the legal basis for the adoption of multi-annual planning documents in the field of agriculture and rural development. It prescribes the adoption of the National Programme for Rural Development (NPRD) and the National Programme for Agriculture (NPA). The most important strategic documents are the Strategy for Agriculture and Rural Development 2014-2024 and related programmes IPARD Programme 2014-2020, the National Programme for Agriculture 2018- 2020 and the National Programme of Rural Development 2018-2020 which have expired in 2020.

In addition, working groups or working bodies have been established to coordinate implementation of policies under each strategy relevant for this Action. In terms of sector donor coordination, the Sector Working Groups (SWGs) have been established for efficient and coordinated process of programming and coordination of international development assistance, especially IPA, as well as providing the basis for the implementation of sector approach. The primary role of the SWGs is to ensure adequate forum for sector policy dialogue and reliable basis for effective planning and programming enabling strategic focus and prioritisation, complementarity of various interventions and optimisation of different sources of funds. The interventions in the Window 4 have been the focus of the SWG Competitiveness and SWG Agriculture and Rural Development.

<sup>35</sup> "Official Gazette", No. 30/18.

<sup>36</sup> Regulation on the Methodology of Public Policy Management, Impact Analysis of Public Policies and Regulations, and the content of individual public policy documents<sup>36</sup>, Regulation on Mid-Term planning<sup>36</sup> as well as the Regulation on compulsory elements of the Development Plan of the Autonomous Province and Local Self-Government Units<sup>36</sup>

<sup>37</sup> the Unified Information System is a system for monitoring and reporting on achieved public policy objectives as well as monitoring the achieved values of public performance indicators. It enables the establishment of a unique link between policy content, medium-term plans of budget users responsible for policies and their financial plans

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

*Relevance with IPA III Programming Framework and with the specific instruments of the EU enlargement policy.*

The Action is directly linked with the **IPA III Programming Framework**. The specific outcome 1 of the Action of “Strengthened private sector development, trade, research and innovation” will address the current structural challenges to the overall business environment faced by the private sector, notably with regards to the significant state presence in the economy, high levels of state aid, low levels and structural distortions of competition and the issues related to legal uncertainty and the lack of regional market integration. The envisaged activities will support the ongoing structural reform processes, in the areas of strengthening the protection of intellectual property rights (chapter 7 of the EU *acquis*), of competition and state aid control (chapter 8 of the EU *acquis*), information society (chapter 10 of the EU *acquis*), consumer protection (chapter 28 of the EU *acquis*), and free movement of services (chapter 3 of the EU *acquis*) as well as other areas of the Internal Market Cluster, as envisaged in the Thematic Priority 2 of the Window 4. The reforms in the abovementioned areas will strengthen competition, lower barriers for trade and encourage investments in innovation and R&D by private sector.

The specific objective of IPA III related to Thematic priority 3 area envisages creation of an agricultural sector capable of competing with market forces, while progressively aligning with the EU legal framework in the field of agriculture and rural development and the relevant veterinary, food safety and phytosanitary standards (SPS standards) and the alignment with the EU Farm to Fork Strategy. Outcome 2 of this Action fit into efforts envisaged by the IPA III Programming Framework to ‘support for institution building’ by application of good governance standards for a modern public administration in the structures for agriculture and rural development.

The Action is relevant to the Commission’s Strategic Plan 2020-2024 on research and innovation<sup>38</sup>. The harmonisation process of the key Single Market legislative requirements and strengthening enforcement capacities will open the space for more research, development and innovation, as the key drivers and enablers for implementing green industrial policy and achieving sustainable development. The Action is complementary to the RDI Framework. The EU *acquis* alignment and enforcement will make it easier to support research, development and innovation, while ensuring that possible competition distortions are kept to the minimum.

The **Western Balkans Strategy**<sup>39</sup> recognises that “the region's economies face many structural weaknesses, with inefficient and rigid markets...” and the proposed Action will support the implementation of the strategy’s Flagship Initiative 3 *Supporting socio-economic development* by helping Serbia to prepare its market operators deal with competitive pressures and become fully functioning economy since efficient and fair markets are essential for catalysing private sector development and economic growth. The focus of the proposed action is on enhancing the system and capacities at all governmental levels to ensure a gradual and seamless transition from pre-accession status to that of Member State and allowing the necessary absorption capacity to be developed, in particular for the implementation of the cohesion policy. In addition, this action will directly contribute to the **objective of the Instrument for Pre-accession assistance** in preparing candidate countries and potential candidates for Union membership.

The Action is in line with the EU’s latest enlargement package directly supporting Serbia’s preparation in the “Internal Market” cluster of negotiating chapters<sup>40</sup>; as well as part of the “Resources, Agriculture and Cohesion” cluster of negotiating chapters<sup>41</sup>. It is in line with the recommendations from the **Commission 2021 Serbia Report** as quoted above under the 2.2. Problem analysis per area of support. **The Report** highlights the progress in the implementation of the pre-accession assistance for rural development (IPARD II) and first steps for the establishment of the integrated administration and control system (IACS). It also recommends that the processing of IPARD applications should be accelerated, as well as ensuring timely alignment with the EU *acquis* on agriculture and rural development. The Report recommends adoption of an action plan that will ensure full compliance with the requirements of the EU *acquis* in the Chapter 13.

<sup>38</sup> [https://ec.europa.eu/info/publications/strategic-plan-2020-2024-research-and-innovation\\_en](https://ec.europa.eu/info/publications/strategic-plan-2020-2024-research-and-innovation_en)

<sup>39</sup> [Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions Enhancing the accession process - A credible EU perspective for the Western Balkans \(5.2.2020 COM\(2020\) 57\).](#)

<sup>40</sup> Comprising of the following negotiating chapters: 1 - Free movement of goods 2 - Freedom of movement for workers 3 - Right of establishment and freedom to provide services 4 - Free movement of capital 6 - Company law 7 - Intellectual property law 8 - Competition policy 9 - Financial services 28 - Consumer and health protection

<sup>41</sup> Comprising of the following negotiating chapters: 11 - Agriculture and rural development, 12 - Food safety, veterinary and phytosanitary policy, 13 – Fisheries, 22 - Regional policy & coordination of structural instruments, 33 - Financial & budgetary provisions

The Action is linked to **Economic Reform Programmes (ERP) 2021-2023's**<sup>42</sup> structural reform measure 9: Improvement of the quality of public services through optimisation and digitalisation of administrative procedures. This measure is already ongoing and will simplify and digitalise administrative processes and establish a single public register of these procedures. It will create the basis for a Single Point of Contact. The Action will help Serbia deal with “under-represented e-commerce”, as stated in the ERP. It will tackle “the main challenges in terms of boosting competitiveness and long-term and inclusive growth are (i) improving transparency and predictability in the regulatory environment and facilitating competition” since the Action will strengthen the capacities of institutions to enforce market competition and better protection of intellectual property.

The Action is linked with the **European Green Deal**<sup>43</sup>. It is directly affecting the need to increase competition in the Serbian market and help companies prepare for accession. According to the European Green Deal, competition drives innovation that develops new technologies and which can contribute to reduced harm to the environment. In addition, competition keeps prices down, so there can be more investment in green technologies. Competition also gives industry a powerful incentive to use the natural resources efficiently. With the right incentives from competition and public policies, European (and Serbian) businesses will be well-placed to become world-leading climate efficient businesses, able to thrive in tomorrow's green economy. At the same time, the Action is supporting Serbia in protecting the rights of consumers, which is in line with the Green Deal that is considering new horizontal rights for consumers. The Action will build capacities of Serbian stakeholders for the EU's **Circular Economy Action Plan**<sup>44</sup>, that wants to establish a strong and coherent product policy framework that will make sustainable products, services and business models the norm and transform consumption patterns so that no waste is produced in the first place.<sup>45</sup>

The Action is in line with number of European Commission initiatives aiming to ensure that products sold to EU consumers are fit for the Green Deal objectives. More precisely, the Action is complementing the **Farm to Fork Strategy**<sup>46</sup> and the **EU Biodiversity Strategy**<sup>47</sup> aiming at reducing the environmental and climate footprint of the EU food systems and empowering consumers to make informed, healthy and sustainable food choices.

Action Outcome 2 will support implementation of the two European Commission Strategies: “A Farm to Fork Strategy for a fair, healthy and environmentally-friendly food system” and “the Biodiversity Strategy”. According to the Farm to Fork Strategy, the competitive sustainability of EU agriculture should be achieved through the processing and analysis of production, land use, environmental and other data, allowing precise and tailored application of production approaches at farm level and the monitoring of performance of the sector. The Biodiversity Strategy, along with the Farm to Fork Strategy has set the objectives which will have to be monitored and verified which will require that delivery of these objectives will require smart management systems and precise data collection. The output 1 of the Outcome 2 will support establishment of the Integrated Administration and Control System (IACS) which should serve to gradually introduce green architecture of agricultural policies in the Serbian system. Furthermore, the outcome 2 should support implementation of the envisaged approaches by Farm and Fork Strategy towards sustainable aquaculture development in line with new Common Fisheries Policy (CFP) measures. Also, this outcome is linked with the EU Strategy for the Adriatic and Ionian Region<sup>48</sup> (EUSAIR) more specifically the action: Institutional capacity to harmonise standards and regulations.

Supporting Serbian administration to implement the new CAP is in line with the **Guidelines for the Implementation of the Green Agenda for the Western Balkans**<sup>49</sup> and the initiatives defined to align the agri-food and primary production sectors with EU standards for food safety, plant and animal health and welfare.

The Action will support Serbia in becoming part of the new **Industrial Strategy for a globally competitive, green and digital Europe**<sup>50</sup> that sets out the key drivers of Europe's industrial transformation, including promotion of

<sup>42</sup> [https://ec.europa.eu/neighbourhood-enlargement/enlargement-policy/policy-highlights/economic-governance\\_en](https://ec.europa.eu/neighbourhood-enlargement/enlargement-policy/policy-highlights/economic-governance_en)

<sup>43</sup> Communication from the Commission to the European Parliament, the European Council, the Council, the European Economic and Social Committee and the Committee of the Regions -The European Green Deal COM/2019/640 final

<sup>44</sup> Communication from the Commission to the European Parliament, the European Council, the Council, the European Economic and Social Committee and the Committee of the Regions A new Circular Economy Action Plan For a cleaner and more competitive Europe COM/2020/98 final

<sup>45</sup> COM(2020)98

<sup>46</sup> [https://ec.europa.eu/food/horizontal-topics/farm-fork-strategy\\_en](https://ec.europa.eu/food/horizontal-topics/farm-fork-strategy_en)

<sup>47</sup> [https://ec.europa.eu/environment/strategy/biodiversity-strategy-2030\\_en](https://ec.europa.eu/environment/strategy/biodiversity-strategy-2030_en)

<sup>48</sup> [https://ec.europa.eu/regional\\_policy/en/policy/cooperation/macro-regional-strategies/adriatic-ionic/](https://ec.europa.eu/regional_policy/en/policy/cooperation/macro-regional-strategies/adriatic-ionic/)

<sup>49</sup> Brussels, 6.10.2020 SWD(2020) 223 final Guidelines for the Implementation of the Green Agenda for the Western Balkans Accompanying the Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions An Economic and Investment Plan for the Western Balkans{COM(2020)641final}

<sup>50</sup> [https://ec.europa.eu/commission/presscorner/detail/en/fs\\_20\\_425](https://ec.europa.eu/commission/presscorner/detail/en/fs_20_425)

competition and rules that are fit for purpose for an economy that is changing fast, increasingly digital and must become greener and more circular.

The Action is contributing to implementation of the **Common Regional Market Area Action Plan**'s<sup>51</sup> creation of Regional Trade Area by helping Serbia to "closely align rules and regulations with the core principles governing the EU Internal Market based on the four freedoms approach. "It is contributing to the creation of the Regional Digital Area by improving e-commerce. It is also bringing Serbia towards Regional Industrial and Innovation Area and supports „the development of agro-food industry in the region in line with the EU standards“.

## 2.5. Lessons learned and links with previous financial assistance

The past and ongoing support focused on strengthening the ability of the economic policy makers to implement policies and legislation complying with EU *acquis*. Lessons learned were drawn from previous evaluations, which stress that continued support for the overall business environment and improvements in the legislative and institutional settings in order to harness positive effects of support interventions. In addition, the evaluations emphasised that any new interventions should spell out in detail which accession chapters are addressed by the supported reform to avoid any duplication, ensure that the key incentive to the reform (the accession perspective) is clear and facilitate the exchange between IPA and the negotiation process.<sup>52</sup>

In the field of **competition policy**, an ongoing twinning project is focused on harmonisation of the national legal framework with the *acquis*, as well as enhancement of enforcement and raising awareness of competition rules. The harmonisation part is mainly geared toward analysis of the current legislative framework without practical application competition rules applicable in the EU, especially the case law of various instances of EU courts or to harmonisation of the national competition rules with the EU soft law instruments. It does not systematically reach out toward Serbian civil servants engaged in the drafting of laws and regulations. Therefore, the action proposed would represent the next step, leading to overall better enforcement of competition rules.

In the area of **state aid**, the past and ongoing assistance was focused on harmonisation, reaching opening benchmarks, and strengthening the state aid system. It was focused on optimising the use of budgetary resources and be an efficient tool to foster investments, economic growth and job creation fulfilling the essential principle of granting state aid at the lowest possible costs for citizens. The propose intervention is a step further in that direction, with objective for Serbia to successfully conduct the negotiation process in Chapter 8.

In the field of **e-commerce**, past and ongoing assistance was directed towards the Governments priorities of improvement of e-commerce in Serbia and removal of existing barriers, including incentive measures for e-traders and raising awareness activities related to promotion of e-commerce and improvement of consumers' trust. Currently, the area is supported by USAID Cooperation for Growth Project and the proposed interventions under this Action will represent an added value to the current and past efforts towards Serbia's finalisation of Chapter 28 negotiations. In the field of **consumer protection**, the support was focused on harmonisation and strengthening capacities of different stakeholders. The IPA 2018 "Strengthening consumer protection in Serbia in response to new market challenges" is expected to start in May 2021 (duration 24 months) with the value of EUR 1.5 million. A call is made to the contact points in the Member States for submission of project proposals, while the deadline for submission of bids is February 8, 2021. The main focus is on the harmonisation of legislation, effective legal enforcement of consumer protection, established functional ADR system, regionally balanced provision of consumer protection services, addressing the new challenges such as online transactions, as well as on capacities of the consumer protection institutional system and public awareness.

In the area of **intellectual property rights**, the past projects have supported Serbia in aligning the standard of protection and enforcement of Intellectual Property Rights with EU Best Practice to effectively conduct accession negotiations and successfully manage overall EU integration and pre-accession assistance. The relevant projects were directly connected to consumer protection since the counterfeited products represent a serious threat for consumer's health. The proposed interventions represent the continuation of those efforts and Serbia's determination to successfully deal with requirements of Chapter 7.

In the field of **market surveillance**, efforts were made towards strengthening the Serbian market surveillance system for non-food and food products, including standardisation, accreditation, metrology, technical regulation, market surveillance and conformity assessment. The ongoing project IPA 2017-EU for Serbia-for safer product has a market

<sup>51</sup> <https://www.rcc.int/pages/143/common-regional-market>

<sup>52</sup> Evaluation of Ssector Approach Under IPA; Evaluation done for the European Commission October 2018

surveillance component focusing on the basic market inspection procedures related to the application of five sectoral legislations. The ongoing intervention mainly refers to the application of several sectoral legislations and general product safety in the segment of children's products and thus encourages the need to develop a new one that would systematically address the new EU package in the field of market surveillance.

In the area connected with **Service Directive**, the interventions were funded and supported through IPA and bilateral assistance and TAIEX missions, focusing on the successful transposition of the Directive. Support to e-Government development has focused on creating an interoperability framework and the necessary human and technical background for further activities that enable effective e-Services for citizens. Assistance was further directed towards creation of the customized business services and promotion of e-business to strengthen the efficiency, quality and accessibility of products and services, strengthening legal and administrative capacities. The proposed initiative will build on the previous results that have served as preconditions for a final creation of the Point of Single Contact.

Support was provided for the setting up of the management structure for the IPARD programme. It was providing support in equipment, preparation of the Programme itself, and assistance for the accreditation process of individual measures. There has been support towards aligning with the Common Agricultural Policy (FADN, LPIS, wine sector, organics, and quality policy) and the ongoing IPA 2015 project supports the negotiation process in Chapters 11 and 12. Harmonisation of the particular segments of legislation in the agriculture sector is also supported through series of PLAC type projects, covering food safety, veterinary and phytosanitary policy, but also supporting preparations under the Chapter 11. The **fisheries** subsector also benefited from the IPA supported project dealing with the legislative and institutional framework for the *acquis* in this area.

**The agricultural land management** was supported through several interventions related to legal regulations, administrative procedures for managing and monitoring agricultural land, identification of the abandoned land, and assistance in preparing the LPIS methodology, which will be used for full LPIS implementation.

**The animal disease control** has been supported by IPA over the past ten years focusing on the procurement of vaccines and necessary equipment and providing trainings for all stakeholders involved in the eradication programmes and raising awareness for the general public.

### 3. DESCRIPTION OF THE ACTION

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

If the improved market integrity and environment conducive to market operators is created and the level of legislative activity of the Government, as well as the National Parliament remain high, cooperation and coordination of all stakeholder is maintained and investment in capacities of enforcement institutions is regular, then this will strengthen private sector development, trade, research and innovation because ensuring good governance, conducive environment and accountable institutions, able to guarantee free interaction of demand and supply private sector will help private sector to endure market pressures, harness the opportunities and benefits from international trade and generate employment and wealth that will benefit the society.

If the private sector development, trade, research and innovation is strengthened and the Government reform of business environment has a steady pace, negotiations within the Internal market cluster of negotiating chapters is accelerated and the economic development is steady, then interventions will contribute to strengthening competitiveness and inclusive growth in Serbia.

If capacities of the ministry in charge of Agriculture and Rural Development and its Paying Agency are increased to process direct payments, rural development measures, enforce structural support in fisheries aligned with new CAP and CFP and maintain good animal health status supported with accelerated pace of negotiations in the "resources, agriculture and cohesion cluster" would lead to better legislative and institutional capacities for the efficient carrying out of accession negotiations and for fulfilling the requirements of EU membership.

#### 3.2. Indicative type of activities

##### **Outcome 1: Strengthened private sector development, trade, research and innovation**

##### ***Output 1.1: Improved market integrity and environment conducive to market operators***



During the inception phase of the intervention, a review of the description of the action will be conducted in cooperation with relevant national stakeholders. An up-to-date detailed implementation plan may include additional smaller – scale interventions related to Internal Market cluster of negotiating chapters with proven value added for the outcome(s) of the intervention within the cluster.

#### **Activity 1.1.1.: Creation of fully functional point of single contact**

The activity will include review of inventory of all administrative procedure and requirements for providing services and preparation of the content for individual service activities. The administrative procedure and requirements will be mapped and categorised according to phase of business cycle of the company, and proposal of for user optimized presentation models will be made. The activity will also include analysis of the current situation of the staff in the relevant Sector of the MTT and a proposal for setting up PSC Unit in MTTT. The training programme for interdepartmental working group consisting of representatives of authorities dealing with services covered by the Services Directive will be developed and executed, along with handbook on the Services Directive. In addition, design of model for a new IT system with testing, training and go-live will be implemented.

#### **Activity 1.1.2.: Strengthening capacities of institutions in market surveillance**

The activity will include the analysis of strategic and legal framework for market surveillance and of mechanisms/tools/powers available to market surveillance authorities in charge of product compliance and product safety. Special emphasis will be put on analysis of the updated strategic and legal framework related to Green Deal objectives affecting market surveillance authorities. It will provide recommendations to improve effectiveness in online and offline activities. It will include capacity building activities for market surveillance inspectors and customs officers about new rules on market surveillance (EU Regulation 2019/1020) with emphasis on the requirements related to Green Deal initiatives. The foreseen indicative activities include join actions with samplings and laboratory testing and support competition of action and making decisions on market surveillance measures in case of serious risks for user's health/safety. In addition, preparation of handbooks for Market Surveillance Authorities and guidelines for communication between Market Surveillance Authorities and fulfilment services provider's/internet providers/economic operators is planned. The activities include establishment Single Liaison Office and improvement of IT infrastructure and tools.

#### **Activity 1.1.3: Strengthening capacities of institutions in e-commerce**

The activity foresees capacity building of courier service, inspections and institutions in charge of ecommerce, as well as educating consumers and SMEs about smart and safe online shopping and the risks of shopping through social media. It will produce a survey on e-consumer incentives and barriers in Serbia and SMEs in e-commerce. A survey will also include analysis of sustainability concepts of e-commerce operators in Serbia, as well as of consumer's attitudes on sustainability in e-commerce. The activity will include recommendations based on the survey and pilot particular actions. Promotion and proper use of social media and network in the sense of business development and promotion of the e-trust mark is planned, along with raising awareness campaigns on e-commerce.

#### **Activity 1.1.4: Strengthening capacities of institutions in consumer protection**

The activities will include incentives to promote the use of ADR by consumers. It will extend the cooperation between local self-governments and non-governmental associations to strengthen consumer protection on the local level. There are 174 local self-governments, so institutionalisation of consumer protection on local level will need additional support including digitalisation process. The activity will include strengthening of the capacity of all relevant institutions (governmental and non-governmental) to cooperate and coordinate actions with each other to enforce compliance with laws and to enhance the protection of consumers' economic interests. The activity will include analysis of requirements set by the New Consumer Agenda and interventions to strengthen capacities of institutions in consumer protection to empower consumers to make informed choices and play an active role in the green and digital transition.

#### **Activity 1.1.5.: Increasing the ability of institutions to transpose and enforce intellectual property laws**

The activity will focus on strengthening the capacity of the Coordination Body for the efficient Protection of the IP Rights and its working groups.<sup>53</sup> The members of the working groups will be trained on new trends in IPR infringements and novelties of the EU legal framework with special focus on contribution to Green Deal objectives, including those related to e-commerce, online trade, etc. The activities will encompass further strengthening of the analysis and risk management system, as well as training on EU best practices. The information exchange IT platform will be further strengthened. In addition support will be provided for organising awareness raising campaigns and to strengthen cooperation between the Coordination Body and the courts to improve the quality of court decisions.

<sup>53</sup> the Expert Working Group for the Collection and Analysis of Data and the Identification of IPR Infringement Trends (Expert Working Group) and the Working Group for the Coordination of Combating IPR Infringements.

**Activity 1.1.6.: Improving capacities of market regulators to reduce breaches of competition**

The activity will include provision of assistance to the CPC in order for it to gain insight into the practical application of competition rules applicable in the EU, especially the jurisprudence (case law) of various instances of EU courts. In addition it will include large scale training of the Serbian civil servants engaged in drafting laws and regulations to assess the effects of those legal acts on competition in the Serbian market, so as to enable them to draft competition neutral or pro-competitive regulations. Support will be also provided for mapping of the updated EU State Aid policy framework in the light of Green Deal objectives and provide recommendations in Serbian context.

**Activity 1.1.7.: Strengthening capacities of the state aid control and granting bodies to improve efficiency and effectiveness of the State Aid**

The activities will focus on capacity building of CSAC and Secretariat office staff. The CSAC will improve its knowledge on EU state aid policies and state aid control practices applied in emergency situation such as global pandemic. It will also benefit from the exchange of best practice and relevant experience at regional level (e.g. conferences, peer to peer learning, etc.) and with EU Member States (study visits). The activities will focus on technical support to the control bodies in the implementation of the Law on State Aid Control with the aim to prevent further delays in implementing secondary legislation. Furthermore, technical assistance will help in developing tools for improving efficiency and transparency of CSAC's work and conducting efficient and comprehensive sectoral analyses. These activities will be complemented by awareness raising campaigns on the State Aid Control.

**Activity 1.1.8: Providing support to other stakeholders and areas linked to the legal and capacity alignment within the Internal Market Cluster of negotiation chapters**

During the inception phase, a review of the description of the action will be conducted in cooperation with relevant national stakeholders. An up-to-date detailed implementation plan may include additional interventions related to the Internal Market Cluster of negotiating chapters with proven value added for the outcome of the intervention within the cluster. These activities will focus on strengthening capacities of different institutions relevant for private sector actors not addressed by Activities 1.1-1.7.

**Outcome 2: Strengthened legislative and institutional capacities and developing the systems and structures needed to fulfilling the requirements of EU membership in agriculture and rural development****Output 2.1: Structures and systems established and increased capacities of the ministry in charge of agriculture and rural development and its Paying Agency to implement the CAP****Activity 2.1.1: Development of the Operational Integrated Administration and Control System (IACS) (I phase) in line with EU CAP requirements**

Establishment of the IACS system will have to address the new CAP for 2021-2027 which implies that the so-called Green Architecture is introduced under both pillars of the CAP. Future IACS would have to integrate the tools for the management of the future agri-environment-climate commitments based on the databases and geographic information which constitute IACS. In addition to the Land Parcel Identification System (LPIS) which is the core of the IACS, future IACS will have to address the new features like the Area Management System. This system will need to provide the accurate and automated verification of the crop types and provide evaluation of the compliance with agri-environmental and climate measures, and to serve as a control system for subsidy declarations based on Copernicus earth observation data. This system will replace the existing system of 5% On-The-Spot (OTS) samples.

This activity will support the preparation of all necessary systems required under the CAP for 2021-2027. All the components must contain computerised databases and shall provide the interoperability services. In order to establish the IACS in line with EU requirements, the proposed intervention will support the procurement of software (except LPIS) and hardware for full IACS implementation as well as to strengthen capacities of the DAP to successfully finalise this complex process through development of the remaining IACS components. Through this activity integration of all registers, databases and software into integrated system (IACS) is envisaged. It includes strengthening of human capacities for IACS and LPIS at all levels, as well as raising awareness among farmers. This will be introduced through carefully designed campaigns on the novelties related to the payment entitlements and IACS functionalities.

**Output 2.2 Structures and systems established and increased capacities of the ministry in charge of agriculture and rural development to implement the EU Common Fisheries Policy**



**Activity 2.2.1: Establishing of the system for market organisation and structural support in fisheries**

This activity will support implementation of the Action plan for transposition, adoption and enforcement of the EU legislation in Fisheries as well as necessary policy and institutional adjustments. This activity envisages preparation of the strategic plan and subsequently an operational programme in line with CFP, including designation of the institutional structures for the operational programme which would need institutional strengthening. Furthermore Also, support will be provided to collect and manage data in the fisheries sector which will be used evidence based common fisheries policy, as well as support in establishment of the information system which will integrate data concerning monitoring of catch certificates, reports on the inspection and supervision and other data needs defined in the Article 116 of the Regulation 1224/2009.

**Output 2.3: Improved animal health status in Serbia and surrounding countries****Activity 2.3.1: Supporting control monitoring and eradication of rabies in wild animals**

This activity includes aerial distribution of rabies vaccine baits in Serbia for autumn and spring vaccination programme.

**3.3. Risks and assumptions**

<b>Risks</b>	<b>Risk level (H/M/L)</b>	<b>Mitigating measures</b>
Risk 1 Government reform of business environment is delayed due to pandemic consequences	<b>M</b>	Timely fiscal measures implemented by the Government are ensuring the continuation of reforms
Risk 2 Negotiations within the Internal market and Competitiveness and Inclusive Growth clusters of negotiating chapters is delayed	<b>M</b>	Continuous improvement of capacities of Serbian administration for enforcement of EU aquis requirements
Risk 3 The economic development is slowed due to pandemic consequences	<b>L</b>	The existing successful economic policy of the Serbian Government allows leverage for additional support to economy
Risk 4 Delays in adoption of the amended Law on Consumption	<b>M</b>	Implementation of the Law on Consumer Protection was adopted on 9 September 2021.

**Assumptions (to be reflected in the Logical Framework Matrix above) – grouped by outputs and outcomes****Outcome 1:**

- Government reform of business environment has a steady pace
- Negotiations within the Internal market and Competitiveness and Inclusive Growth clusters of negotiating chapters is accelerated
- The economic development is steady (no economic and financial crisis)

**Output 1.1**

- Level of legislative activity of the Government, as well as the National Parliament in a given year
- Cooperation and coordination of all stakeholder are maintained
- Investment in capacities of enforcement institutions is regular

**Outcome 2:**

- Government reform in the area of agriculture and rural development follows the dynamics set in relevant action plans
- The economic development is steady (no economic and financial crisis)

**Output 2.1 and 2.2**

- Increase of the workload is followed with adequate number of assigned personnel in line with adopted Action plans

**Output 2.3**

- People and institutions affected by oral vaccination of wildlife are willing to accept the aerial and manual vaccine distribution

### 3.4. Mainstreaming

#### **How does this Action contribute to Gender Equality and Women's and Girls' Empowerment (in line with the EU gender equality strategy 2020-2025)?**

The Action will contribute to the Strategy by ensuring:

- that all statistical data that will be used and collected during implementation will be gender and age desegregated,
- specific gender targets will be set and monitored,
- equal participation of women and men in all capacity building activities,
- participation of women in decision making process.
- ensuring safety, including prevention of discrimination and harassment, of women, both as employees and consumers, in business environments, including the online sphere.
- prevention and addressing harmful practices of stereotypical gender representation in advertising

#### **How does this Action address Environment and Climate change?**

EU has a longstanding commitment to address environmental concerns in its assistance programmes (as part of a wider commitment to sustainable development). Environmental aspects are always considered in providing EU support and there will be no exception to this rule by ensuring that none of the funded projects will have harmful impact on the environment.

#### **How does this Action address the Rights Based Approach?**

Based on the fundamental principles of promoting equality and combating discrimination, the benefits of the action will be guaranteed on the basis of equal access regardless of sex, racial or ethnic origin, religion or belief, disability, age or sexual orientation. Equal participation of women and men will be secured through appropriate information and publicity material, in the design of the action and accessibility to the opportunities they offer. The principles of equal opportunities are duly taken into account throughout the project cycle and the action will promote an environment that is conducive and enabling to gender equality, ensuring equal participation of women and men in all action activities, as well as taking into account promotion and participation of people with disabilities.

#### **How does this Action promote the systematic engagement with Civil Society?**

CSOs will be included directly into the implementation of activities with their significant contribution expected. A number of active CSOs have been working in these areas, and their knowledge, lessons learnt and practical experiences are valuable sources of information for the design and implementation of activities. Furthermore, they serve as an important platform to check the progress against the real needs on the ground. For this reason, the communication and coordination with the CSOs will be an integral feature of the contracts.

**Others (such as Resilience and Conflict Sensitivity, Roma, people with disabilities and other vulnerable groups)**  
N.A.

### 3.5. Conditions for implementation

#### *Output 1.1 related to Outcome 1:*

##### *Activity 1.1.4.*

- The amended Law on Consumption should be adopted. The Law is relevant for further development of consumer protection in particular in out-of-court settlement segment since a) it prescribes that the Ministry of Trade, Tourism and Telecommunication will finance the work of ADR bodies (in the previous period, MTTT have only maintained the register on ADR bodies, but did not allocated budget for their work), b) participation of a trader in ADR proceedings will be obligatory (in the previous period, this was not the case, since traders' participation have been on a voluntary basis) and c) new conditions for registering into the Register of ADR bodies have been prescribed.

#### *Output 2.1 related to Outcome 2:*

- Farm register is upgraded and transformed to a web-based register with relevant connectivity and compatibility with existing and planned registers and system components.
- Exchange of data between Farm register, LPIS and Animal register supported from the national budget.
- Animal register is upgraded and maintained ensuring that all animal registers have the data necessary to be exchanged in IACS, and to ensure efficient processing and control of requests for assistance, including cross compliance requirements.

#### *Output 2.3 related to Outcome 2:*

- Surveillance and monitoring (follow-up) of oral vaccination campaigns financed from the national budget.

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

### 3.6. Logical Framework for PROJECT MODALITY

Results	Results chain: Main expected results (maximum 10)	Indicators (at least one indicator per expected result)	Baselines (year)	Targets (2025)	Sources of data (1 per indicator)	Assumptions
<b>Impact</b>	To strengthen competitiveness and inclusive growth	Readiness of Serbia on economic criteria	Not fulfilled	Fulfilled	European Commission	<i>Not applicable</i>
<b>Outcome 1</b>	Strengthened private sector development, trade, research and innovation	Progress in the cluster Internal Market	Some progress (2020)	Closed chapters	Commission Reports	Government reform of business environment has a steady pace Negotiations within the Internal market cluster of negotiating chapters is accelerated The economic development is steady (no economic and financial crisis) Government reform in the area of agriculture and rural development follows the dynamics set in relevant action plans
<b>Outcome 2</b>	Strengthened legislative and institutional capacities and developed systems and structures needed to fulfil the requirements of EU membership in agriculture and rural development	Progress in the transposition of the EU <i>acquis</i> related to agriculture	Some progress (2020)	Closed chapters		
<b>Output 1.1 related to outcome 1</b>	Improved market integrity and environment conducive	Point of single contact is operational in institutions for services and regulated professions in the Republic of Serbia	0(2021)	5	Annual report of the Ministry of Trade, Tourism and Telecommunications	Level of legislative activity of the Government, as well as the National Parliament in a given year
		Number of stakeholders (civil servants, consumer protection organisations, market operators, general public) trained on consumer protection issues	0 (2021)	200	Final report	Cooperation and coordination of all stakeholder are maintained
		Share of business operators targeted by the intervention which have introduced/ advanced online sales	0% (2019)	100%	Final Report	Investment in capacities of enforcement institutions is regular

	to market operators created	No of opinions on IPR infringements adopted by the Coordination Working Group	1(2019)	3	Annual report of the Coordination Body	
		Number of the Serbian competition authority's decisions in the segment of determining infringement of competition	6 (2019) (2 decisions determining competition infringements and 4 commitments decisions)	Increase by 50% (at least 9)	Annual work report of the Commission for Competition Protection	
		No of acts in the area of its competence issued by the State Aid Commission	272(2019)	1250 <sup>54</sup>	Annual work report of the State Aid Commission	
<b>Output 2.1 related to Outcome 2</b>	Structures and systems established and increased capacities of the ministry in charge of agriculture and rural development and its Paying Agency to implement the CAP	Implementing structures and administrative capacities assessed	Some level of preparedness (2020)	Accession criteria met	Commission Reports	Increase of the workload is followed with adequate number of assigned personnel in line with adopted Action plans
<b>Output 2.2 related to Outcome 2</b>	Structures and systems established and increased capacities of the ministry in charge of agriculture and rural development and its Paying Agency to implement the EU Common Fisheries Policy	Implementing structures and administrative capacities assessed	Some level of preparedness (2020)	Accession criteria met	Commission Reports	Increase of the workload is followed with adequate number of assigned personnel in line with adopted Action plans
<b>Output 2.3 related to Outcome 2</b>	Improved animal health status in Serbia and surrounding countries	Number of cases of prevalence and incidence of rabies in wildlife	1 case in wildlife in 2018	0 cases	Animal Diseases Reports	People and institutions affected by oral vaccination of wildlife are willing to accept the aerial and manual vaccine distribution

<sup>54</sup> Cumulative

## 4. IMPLEMENTATION ARRANGEMENTS

### 4.1. Financing agreement

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

### 4.2. For budget support only[Implementation of the budget support component] – N/A

### 4.3. Implementation modalities

The Commission will ensure that the EU appropriate rules and procedures for providing financing to third parties are respected, including review procedures, where appropriate, and compliance of the action with EU restrictive measures<sup>55</sup>.

#### 4.3.1. Direct Management (Grants) – N/A

#### 4.3.2. Direct Management (Prizes) – N/A

#### 4.3.3. Direct Management (Procurement) – N/A

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

A part of this action (Output 1.1 related to Outcome 1 (see Section 3.2 of this document)) may be implemented in indirect management with an entity which will be selected by the Commission's services using the following criteria:

- a) Sufficient management and administrative structures to implement large and complex programmes
- b) Technical experience in the management/implementation of projects with similar thematic focus
- c) Capacity to mobilise relevant networks in EU Member States, Serbia and the region.

#### 4.3.5. Indirect management with an IPA III beneficiary

A part of this action (outputs 2.1., 2.2. and 2.3.) will be implemented under indirect management by the Republic of Serbia.

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

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

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

<sup>55</sup> [www.sanctionsmap.eu](http://www.sanctionsmap.eu) Please note that the sanctions map is an IT tool for identifying the sanctions regimes. The source of the sanctions stems from legal acts published in the Official Journal (OJ). In case of discrepancy between the published legal acts and the updates on the website it is the OJ version that prevails.

4.3.5. Contribution to <name of the relevant Regional Blending Facility/Platform> - N/A

4.3.6. Budgetary guarantees – N/A

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

Procurement of services under Direct management may be used as an alternative modality for the implementation of output 1.1 under outcome 1, in case this preferred modality cannot be implemented due to circumstances outside of the Commission's control.

#### 4.4. Scope of geographical eligibility for procurement and grants

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

#### 4.5. Indicative budget

	<b>EU contribution (amount in EUR)</b>	<b>Indicative third party contribution, in EUR</b>
<b>OUTCOME 1</b>		
<b>Output 1.1</b> Improved market integrity and environment conducive to market operators created composed of:	8 000 000.00	N/A
Indirect management with entrusted entities - cf. section 4.3.4	8 000 000.00	N/A
<b>OUTCOME 2</b>		
<b>Output 2.1</b> Structures and systems established and increased capacities of the ministry in charge of agriculture and rural development and its Paying Agency to implement the CAP composed of:	3 790 000.00	N/A
Indirect management with Republic of Serbia - cf section 4.3.5	3 790 000.00	N/A
<b>Output 2.2</b> Structures and systems established and increased capacities of the ministry in charge of agriculture and rural development and its Paying Agency to implement the EU Common Fisheries Policy composed of:	250 000.00	N/A
Indirect management with Republic of Serbia- cf section 4.3.5	250 000.00	N/A
<b>Output 2.3</b> Improved animal health status in Serbia and surrounding countries composed of:	3 600 000.00	N/A
Indirect management with Republic of Serbia- cf section 4.3.5	3 600 000.00	N/A
<b>Grants– total envelope under section 4.3.1</b>	N/A	N/A

<b>Procurement– total envelope under section 4.3.3 (including evaluation)</b>	N/A	N/A
<b>Indirect management with Republic of Serbia – total envelope under section 4.3.5</b>	7 640 000.00	N/A
<b>Evaluation, (cf. section 5.3)</b>	N/A	N/A
<b>Audit/Expenditure verification(cf. section 6)</b>	will be covered by another decision	N/A
<b>Communication and visibility (cf. section 7)</b>	N/A	N/A
<b>Contingencies</b>	N/A	N/A
<b>Totals</b>	15 640 000.00	N/A

#### 4.6. Organisational set-up and responsibilities

Outcome 1, Output 1.1 – the main final beneficiary and the principal coordinator is the Ministry of Trade, Tourism and Telecommunications.

End recipients are the Ministry of Trade, Tourism and Telecommunications, Intellectual Property Office, Commission for State Aid Control, Commission of Competition Protection. Additionally, stakeholders at national and sub-national level, as identified under Section 2.2. of this document, will benefit from the activities.

Outcome 2, the final beneficiary and the main coordinator is the Ministry of Agriculture, Forestry and Water Management and its departments and directorates. End beneficiaries of the action are registered agricultural holdings (natural and legal entities). Other state bodies will be included in the action implementation, as described in the Section 2.2. of the Action.

## 5. PERFORMANCE/RESULTS MONITORING AND REPORTING

### 5.1. Internal monitoring

A results-based monitoring system will be established by the entrusted entity (for Contribution agreements)/ by contractors (for service contracts) to generate data on the progress of the implementation on a regular basis. Data will be used for programme steering as well as for annual progress reporting. The Action's logframe with its underlying indicators for specific objectives and outputs will be the basis for the monitoring system. The logframe will be used as management tool, allowing for adjustments and revisions at the output, activity and indicator level in order to effectively achieve the expected specific objective.

During project implementation, a variety of tools and methods will be applied to regularly assess both quantitative and qualitative progress indicators. This includes, among others, gender-disaggregated participation documentation, training evaluations, tracer studies, comparative and retrospective surveys as well as focus group discussions and stakeholder consultations. Data collection will be harmonised with national partners systems. Project Steering Committee(PSC) will be established for each contract, with relevant stakeholders included as members.

The following reports will be submitted:

- **Inception Report** (after Inception Phase), summarising the outcomes of operational planning (including revision of the Logical Framework and the performance indicators, if needed), the structures for partner involvement and the PSC (composition, rules of procedure), any relevant changes in the priority sector, as well as the Communication and Visibility Strategy.



- **Annual Reports**, recapitulating on the progress in line with project plan and indicators, documenting challenges and outlining the operational plan for the coming year.
- **Final Report**, including information on achievements of the Action in line with the indicators, and provide an outlook on measures undertaken to ensure sustainability of activities and results and further dissemination / up-scaling.

In case of the supply contracts only Final Reports will be applicable. Implementation of the Twinning contracts would follow the monitoring and reporting requirements in line with the valid Twinning manual.

In case of technical assistance contracts following reporting shall encompass Inception Report, Semi-annual Progress Reports and Final Report.

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

Performance and Results-based Financing (text to be finalised):

*For the part of the action where payments are linked to performance/results based financing, reporting shall focus on results attained during the reporting period.*

The performance and result monitoring arrangements will be finalised once the IPA III Implementing Regulation is adopted and the Framework Agreement between the Republic of Serbia and the European Commission on the arrangements for implementation of Union financial assistance to the Republic of Serbia under the Instrument for Pre-Accession Assistance (IPA III) is signed.

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

- **Result Orientated Monitoring (ROM) system** (led by DG NEAR): This will provide, as necessary and required, an independent assessment of the on-going or ex-post performance of the Action.
- **IPA Beneficiary's own monitoring:** IPA monitoring process is organised and led by the NIPAC, supported by the NIPAC TS/ BCPME. NIPAC is the main interlocutor between the Serbian government and the European Commission regarding strategic planning, co-ordination of programming, monitoring of implementation, evaluation and reporting on the overall IPA assistance. NIPAC monitors the process of programming, preparation and implementation, as well as the sustainability and effects of programmes, aiming to improve these processes, ensure timely identification, remedying and alleviation of potential issues in the process of programming and implementation of Actions. Through the support of the NIPAC TS/ BCPME, the NIPAC prepares regular monitoring reports for the Government and the EC based on the reports drawn up by the institutions responsible for implementation. It reports on the formulation of Action, the fulfilment of preconditions for the initiation of public procurement procedures, the implementation of Action, its sustainability and effects, and organises the process of evaluation.
- **Self-monitoring performed by the EU Delegation:** This is part of the annual assurance strategy process and is done based on the ex-ante risk assessment of actions/contracts that are considered riskier.
- **Joint monitoring by DG NEAR and the IPA Beneficiary:** the compliance, coherence, effectiveness, efficiency and coordination in implementation of financial assistance will be regularly (at least once a year) monitored by the IPA Monitoring Committee. It will be supported by Sectoral Monitoring Committees which will ensure monitoring process at sector level. The results of monitoring will be used in the policy-making process to propose programme adjustments and corrective actions.

### 5.3. Evaluation

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

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

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

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

The Commission shall inform the implementing partner at least 6 months in advance of the dates foreseen for the evaluation missions. The implementing partner shall collaborate efficiently and effectively with the evaluation experts, and inter alia provide them with all necessary information and documentation, as well as access to the project premises and activities.

The evaluation reports shall be shared with the partner country and other key stakeholders. The implementing partner and the Commission shall analyse the conclusions and recommendations of the evaluations and, where appropriate, in agreement with the partner country, jointly decide on the follow-up actions to be taken and any adjustments necessary, including, if indicated, the reorientation of the project.

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

## 6. AUDIT

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

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

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

## 7. COMMUNICATION AND VISIBILITY

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

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

Visibility and communication measures shall be implemented, as relevant, by the national administrations (for instance, concerning the reforms linked to EU budget support), entrusted entities, contractors and grant

beneficiaries. Appropriate contractual obligations shall be included, respectively, in financing agreements, delegation agreements, and procurement and grant contracts.

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

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

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

## 8. SUSTAINABILITY

The achieved outputs of the outcome 1 will set the strategic direction in bringing Serbia closer to Single Market and strengthening conditions for boosting economic development. The system will help enterprises to overcome the challenges they are currently facing and strengthen their prospects for increasing productivity and raising their competitiveness in the global markets. The action will produce sustainable outcome since it is designed to support the already existing beneficiary institutions and structures, but which need additional assistance in the complex process of the harmonisation and enforcement of the *Acquis*. This process is a key political priority to the Serbian Government, and the resources and attention of the national authorities are strongly geared toward achieving the steps needed for the opening and closing of the negotiation chapters, and for the achievement of all benchmarks in the process of EU accession negotiations. Strengthened capacities will be used in the future period for further alignment as part of the accession, serving as crucial resource for EU integration.

The Action is designed to support the agriculture and rural development administration bodies to enhance the efficiency of their institutional and human capacities, in particular to the preservation of the environment and management of the climate change challenges in the sector, contributing to more sustainable agricultural production and processing. Support to the establishment of fully functional IACS will be used in administration departments for the creation of agricultural policy as a source of statistical data (source of verified data). It will be used for the assessment of the agricultural policy impact, improvement of transparency in implementation of agricultural policy, as well as easier control of administration requests and identification of agricultural land to be used (by farmers). The system represents the backbone of the EU support to the agriculture and rural development sector that will be continuously used and thus sustainable. Financing of the operating and maintenance costs of the technical equipment will be provided from the state budget.