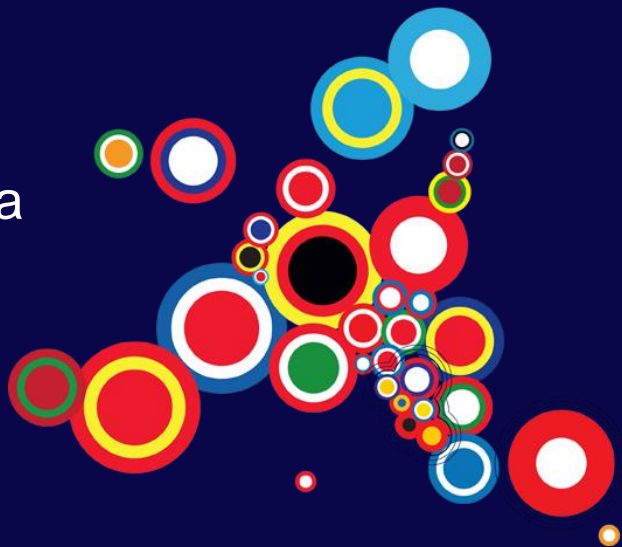




**INSTRUMENT FOR PRE-ACCESSION ASSISTANCE (IPA II)
2014-2020**

SERBIA

Sector Reform Contract: Education Reform in Serbia – strengthening links with employment and social inclusion



Action Summary

The overall objective of this Sector Reform Contract is to assist the Government of Serbia in implementing the reform of the education system, based on the National Education Development Strategy until 2020. The on-going education reform aims to improve the quality, equity, and relevance of education and training system, including specific issues linked to education needs of minorities and Roma, in order to better match the needs of the labour market, as well as to progressively align to the European Union standards, policy and practice. The Reform contract will focus on the national qualifications framework and on the teacher training for the implementation of learning outcome based curricula, with the goal to implement measures that will improve student skills and competencies, and their prospects on the labour market.

This Sector reform contract will in particular support the implementation of commitments of the Republic of Serbia with regard to minority education and better integration of the Roma national minority. It will assist the implementation of the relevant measures of the Action Plan for the Chapter 23 (Judiciary and fundamental rights), in particular relevant measures of the Specific Action Plan for the Realisation of the Rights of National Minorities, and of the Strategy for social inclusion of Roma 2016-2025, leading to the increase of the participation of Roma in the education system and better education quality for national minorities in Serbia.

The total budget of the SRC is EUR 27,4 million, of which EUR 24 million will be disbursed as Budget Support and EUR 3,4 million is complementary support.

Action Identification	
Action Programme Title	Country Action Programme for Serbia 2016
Action Title	Sector Reform Contract for Education Reform in Serbia – strengthening links with employment and social inclusion
Action ID	IPA 2016/039-806/9/Serbia/ SRC for Education reform
Sector Information	
IPA II Sector	7. Education, Employment and Social Policy
DAC Sector	11110
Budget	
Total cost	27, 400 000 EUR
EU contribution	27, 400 000 EUR (EUR 24 million for sector budget support (SBS) and EUR 3,4 million for complementary support)
Management and Implementation	
Method of implementation	Direct Management
<i>Direct management:</i> EU Delegation <i>Indirect management:</i> National authority or other implementing body	Direct management by the EU Delegation in the Republic of Serbia
Implementation responsibilities	Implementation responsibilities concerning the SBS and the complementary support is at Ministry of Education, Science and Technological Development (MoESTD) Financial execution of the SBS: Ministry of Finance
Location	
Zone benefiting from the action	Serbia
Timeline	
Final date for concluding Financing Agreement(s) with IPA II beneficiary	At the latest by 31 December 2017
Final date for concluding delegation agreements under indirect management	At the latest by 31 December 2017
Final date for concluding procurement and grant contracts	3 years following the date of conclusion of the Financing Agreement, with the exception of cases listed under Article 189(2) of the Financial Regulation
Final date for operational implementation	6 years following the conclusion of the Financing Agreement
Final date for	12 years following the conclusion of the Financing Agreement

implementing the Financing Agreement (date by which this programme should be de-committed and closed)			
Policy objectives / Markers (DAC form)			
General policy objective	Not targeted	Significant objective	Main objective
Participation development/good governance	<input type="checkbox"/>	<input type="checkbox"/>	X
Aid to environment	X	<input type="checkbox"/>	<input type="checkbox"/>
Gender equality (including Women In Development)	<input type="checkbox"/>	X	<input type="checkbox"/>
Trade Development	X	<input type="checkbox"/>	<input type="checkbox"/>
Reproductive, Maternal, New born and child health	X	<input type="checkbox"/>	<input type="checkbox"/>
RIO Convention markers	Not targeted	Significant objective	Main objective
Biological diversity	X	<input type="checkbox"/>	<input type="checkbox"/>
Combat desertification	X	<input type="checkbox"/>	<input type="checkbox"/>
Climate change mitigation	X	<input type="checkbox"/>	<input type="checkbox"/>
Climate change adaptation	X	<input type="checkbox"/>	<input type="checkbox"/>

1. RATIONALE

PROBLEM AND STAKEHOLDER ANALYSIS

The Republic of Serbia faces a number of challenges in the education system, which is not adapted to the needs of an inclusive society based on knowledge. Serbia, in the context of the accession to the European Union, has initiated a systemic and long-term reform process of the education system. The basis for this reform is the national Strategy for Education Development in Serbia until 2020 and the Action Plan for its implementation. In addition, Serbia took on important commitment to improve education of its minorities and Roma population in the context of Chapter 23 (Judiciary and fundamental rights) accession negotiations. In that sense, Serbia adopted an action plan for implementation of obligations under Chapter 23 which provided a basis for a more detailed Specific Action Plan for the Realisation of the Rights of National Minorities adopted in early 2016. With regard to Roma, Serbia adopted a strategy for Roma inclusion and is preparing an action plan in this area. These action plans are in line with the Strategy for Education Development, but were not further declined into action in the general action plan for implementation of Education strategy (adopted in 2015).

The strategy and the action plan are based on the findings of a number of analytical studies, which described the problems faced in the sector and proposed mitigating measures. The analytical documents were developed in cooperation with the DG EAC, DG Employment, Social Affairs and Inclusion and DG Enlargement, among others, and used information and data from a number of national and international sources.

The first problem identified by the studies is the **quality of education**. International surveys (PISA (2012) and TIMSS (2011)) showed that: (i) one third of Serbia's population – including many students aged 15 years are functionally illiterate; (ii) students' knowledge is mainly of a reproductive, and not analytical, type; (iii) the degree of applicability of this reproductive knowledge is below world and regional averages. Also, relevant supporting data comes from national researches and reports on Final exam at the end of primary education¹.

These disturbing results are a direct consequence of the outdated curricula and the obsolete teaching methods. Teachers are key stakeholders in improving the quality of the teaching process thus improving competences and skills of students. This Sector reform contract will focus on these two crucial elements, which can help improve the statistics for Serbian educational outcomes.

The problem of quality of education is exacerbated among some segments of the population, namely the minorities and the Roma population. Serbia is a multinational community with over 16% of the population belonging to different national minorities. Studies prepared in the context of Chapter 23 negotiations in the field of fundamental rights proposed a set of activities in order to improve the quality of minorities' education, and their better inclusion into society. Currently, the national minority education is organised through two models: (i) teaching in the languages of national minorities (in the case of 8 languages), with obligatory learning of Serbian language as non- mother tongue and (ii) teaching in Serbian language with optional subjects of Mother tongue with elements of national culture. A reform and support for education of minorities is necessary, and this Sector reform contract will seek to support process of improving teachers' language and competences to teach in minority languages and assure quality of textbooks in minority languages.

A second problem identified in analytical studies is the **coverage, equity and access** at all levels of education for Roma children. There is a large disproportion between the number of children belonging to the majority population and Roma children that are enrolled into primary education, and this needs to change. Currently, data shows that 97% of children from the overall population are enrolled in the first grade of primary school (data for the school year 2013/2014), while only– 69.5% of Roma children living in settlements are enrolled. Up to 36% of children from Roma settlements who do enrol in primary

¹<http://www.ceo.edu.rs/2-uncategorised/133-zavrsni-ispit-na-kraju-osnovnog-obrazovanja-i-vaspitanja>

schools fail to complete them in time. This percentage is only 6.6% for children from the majority population. This Sector reform contract will support the implementation of the measures of the dedicated Roma integration strategy, in order to help close this gap.

A third problem that has been identified is the **relevance** of the current Serbian education system to the needs of the economic, social, cultural, research, public, administrative and other systems. The establishment of the unified National Qualifications Framework (NQF) for lifelong learning will provide support to the development of a modern, relevant and flexible system of education. This framework should help maintain the education system responsive to the needs of the economy and facilitate the mobility and progression of students throughout the education system. Since the system is not operational yet, this Sector reform contract will focus on supporting its finalisation and initial implementation.

In terms of the **key stakeholders**, the Ministry of Education, Science and Technology Development (MoESTD) is responsible for the formulation and implementation of national educational policies. The Ministry coordinates other relevant institutions and bodies in the formulation and development of education sector policies and ensures a participatory process, including public consultations with civil society organisations, expert and sector institutions, professional organisations, trade unions and media and others. The national strategy until 2020 was developed according to this framework, and the ministry actively participated to ensure the close links to other policies, such as the Employment and Social Reform Programme (ESRP) and the Economic Reform Programme 2016-2018 (ERP) and finally with the National Priorities for International Assistance (NAD) 2014-2017 with projections until 2020.

Further stakeholders include the Institute for Education Quality and Evaluation (IEQE) responsible for monitoring the implementation of educational quality and standards. The Institute for the Improvement of Education (IIE) is responsible for development of educational programmes and teacher training system. National Educational Council of Serbia (NECS), the Council for Vocational Education and Adult Education (CVEAE) and National Council for Higher Education (NCHE) are bodies responsible for development and promotion of the quality of education by recommending policies.

Apart from the above mentioned institutions, the Office for Human and Minority Rights (OHMR) is responsible for the monitoring and reporting on the implementation of the National Action Plans on the protection of national minorities², and Roma³, as well as for the negotiations in the framework of Chapter 23 of the acquis, and for the overall Governmental coordination of Roma and minority inclusion. The National Council of the Roma National Minority represents the Roma national minority in the fields of education, culture, information in Romani language, participates in the decision making process or decides about issues in those fields.

In terms of the key challenges related to the **capacities of these institutions**, it is important to note that capacities for the implementation of the sector policy goals and the gradual approach to the EU acquis and relevant standards have been continuously developed in the period since the reforms of 2000 in Serbia. This has taken place through the national targeted funds and the institutional building strand under IPA I. The Sigma Public Administration baseline Assessment form 2015 identified a number of problems faced, including the fluctuation of staff, low salaries, numerous institutional changes, lack of adequate regulation, it also recognised that important developments have been taking place in recent years. Serbia is implementing a Strategy on the Public Administration Reform and a Public Finance Management reform programme, supported through an IPA 2015 Sector reform contract, which will have positive impact on all fields of Government, including the education.

All the analysis of the abovementioned problems led to the preparation and adoption of the Education strategy. The Education Strategy was adopted in 2012 for the period until 2020 and foresees precisely to achieve improvements in the long-term objectives of quality, coverage, relevance and efficiency of education, considered as applicable for all levels and types of education.

²Strategy and Action Plan on the Protection of National Minorities (end 2015) s part of Chapter 23 negotiations

³National Strategy for the Improvement of the Position of Roma in the Republic of Serbia and Action Plan (2016-2025) as part of the Chapter 23 negotiations

Regarding the **quality of education** the strategy foresees the following strategic objectives: the quality as a primary development goal through all levels of education including minority education, quality of teaching staff, comprehensive accreditation system and quality assurance through the intensive and institutionalised evaluation system, as well as the vision to increase the public funding of education, from 4.5% to 6% by 2020.

Concerning the **increased coverage** of education is foreseen through the set of strategic objectives quantified in ambitious percentages for all levels of education, ranging from 0.5 years of age till the doctoral studies. The aim of increasing the coverage of education is also strengthened by the legal framework, which specifies the preschool preparation programme and the elementary school as mandatory.

Regarding the **relevance of the education**, this is treated as a priority, through the improvement of the curricula for both better general knowledge and better preparation for the labour market.

Finally, the **efficiency of the education sector** targets the optimal use of education resources and prevention of drop out.

The Action Plan (AP) was adopted in 2015 and is consisting of 157 actions, all stemming from the general objectives of the strategy. The high number of actions demonstrates the willingness of the authorities to approach all segments of the education system. AP is paying special attention to development of the education on in minority languages, social inclusion and inclusion of Roma in particular. As an additional tool for achieving the relevance of education, and more precisely the relevance for the labour market, the NQF system is foreseen to be put in place.

RELEVANCE WITH THE IPA II

STRATEGY PAPER AND OTHER KEY REFERENCES

The **IPA II Indicative Strategy Paper (ISP) for Serbia 2014-2020**⁴, identifies the Education, employment and social policies policy area as one of the areas to be supported by IPA II in Serbia. The ISP states that Serbia needs to develop the quality of its education system to support economic growth through human capital development. Even though Higher Education in Serbia is being aligned to the Bologna process, many reforms are still to be fully or properly implemented. The ISP sets out the objective of EU assistance in this sector, which is to support the on-going education and training reforms in order to improve the quality of educational provisions (at all levels) and its relevance to the labour market, to support the reforms of employment and social protection policies and to improve social inclusion of the most vulnerable groups. This Sector reform contract has been designed to fully respond to this objective, by supporting the specific measures in the national strategy and the Roma and national minority action plans in the field of education reform.

The support for this action is confirmed by the **EC Progress Report 2015**⁵ which notes, in the description of the situation for *Chapter 26: Education and Culture* that "Serbia is at a good level of preparation in the area of education and culture. Some progress was made with the adoption of an action plan for the implementation of the education strategy. In the coming year, Serbia should in particular implement the action plan with education reforms according to schedule".

This sector reform contract also aligns with the targets for education, employment and inclusion from the of **EUROPE 2020 European strategy for smart, sustainable and inclusive growth**, namely (i) Reduce the share of early school leavers to 10% from the current 15%, and (ii) increase the share of the population aged 30-34 having completed tertiary education from 31% to at least 40%, and 75% of the population aged 20-64 should be employed by 2020.

The reform contract will also support national measures in the area of curricula modernisation, human resource management, links with business, strengthening research and the role of higher education (HE)

⁴C(2014)5872 of 19.8.2014. http://ec.europa.eu/enlargement/pdf/key_documents/2014/20140919-csp-serbia.pdf

⁵http://ec.europa.eu/enlargement/pdf/key_documents/2015/20151110_report_serbia.pdf

in society which are in accordance with Serbia's commitments under the **Western Balkans Platform on Education and Training**.

Economic Reform Programme 2016-2018 (ERP) is focusing strongly on the development of the National Qualifications Framework (NQF) as a tool for increase of competences. This priority, highlighted by the Ministry of Education, will be addressed through this sector reform contract. Improving the efficiency of managing the education system through the development of the information system is the second measure envisaged in the ERP, and is currently developed from the state budget.

Employment and Social Reform Programmes (ESRP) was adopted by the Government of the Republic of Serbia in May 2016. The programme covers labour market and employment, human capital and skills, social inclusion and social protection as well as the challenges in the pension system and health care. This SRC will address two out of the three objectives identified for Human capital and Skills Objective 1: Align educational outcomes with labour market needs by improving quality and relevance of education and training and Objective 2: Improve the overall education level of the population.

National Priorities for International Assistance (NAD) 2014-2017 with projections until 2020 for the sector Human Resource and Social Development has four priorities out of which Priority 2 - Building a knowledge-based society through enhancement of formal and non-formal education will be supported through this SRC. The focus of this SRC is in line with NAD measures that will be raising the quality and efficiency of the pre-university general education, increasing participation and access to education and establishing functional National Qualification Framework for lifelong learning.

Serbia is an EU candidate country since 1 March 2012. The entry into force of the Stabilisation and Association Agreement (SAA) took place on 1 September 2013 and the opening of accession negotiations on 21 January 2014. In this respect, the actions to be supported under sector budget support will take into account Serbia's commitments/obligations as defined in screening reports, national negotiating positions and EU common positions of acquis Chapters 19 - Social Policy and Employment, 23 - Judiciary and Fundamental Rights, 25 - Science and Research and 26 - Education and Culture.

SECTOR BUDGET SUPPORT READINESS MACROECONOMIC STABILITY

Serbia's economic situation remains stable. Despite this, Serbia is still facing a very high budget deficit and mounting government debt challenges. In the context of major external macro-economic shocks which Serbia faced in 2014 following the widespread flooding, GDP fell by an estimated 1.8%, but rose to +0.8% in 2015 year on year. The fiscal deficit fell to 3.7% in 2015 (from 6.7% in 2014) and public debt (including guarantees) represented 75.5% of GDP as at December 2015 (71% as at December 2014). The GoS has since been struggling to re-establish macro-economic stability. Despite good performance in the manufacturing and service sectors, the current account deficit remains high at approximately 6% (2014), but is expected to decrease to approximately 4.3% on average in the 2016-18 period. The 2014 figure was largely as a consequence of a substantial downturn in remittances (-13%); Foreign Direct Investment financed two thirds of the current account deficit. However, in 2015, this deficit is expected to be lower due to a decreased trade deficit, and increased remittances and Foreign Direct Investment (FDI). Inflation remains under control (2% in 2014), and unemployment remains persistently high (18.8% Q4 2014) but with a decline in the unemployment rate.

For future forecasting, the GDP projections and related indicators have been adjusted downwards for the period 2015-2017. Economic growth is expected to be modest while ambitious fiscal consolidation and structural reforms are seen as contributing to reducing macroeconomic imbalances. The authorities have already taken important steps to start implementing recommended reforms. They have frontloaded strong fiscal consolidation measures, including pension and public sector wage cuts. In this context, the **International Monetary Fund (IMF)** programme approved in February 2015 of EUR 1.122 billion and the negotiations undergoing within this context with the GoS provide useful information on possible new spending cuts and stronger fiscal consolidation. A number of austerity measures have been introduced: The GoS will no longer issue new guarantees to State Owned Enterprises (SOEs); and legislation was introduced in 2014 cutting salaries in the public sector (-10%) and pensions (-10%), establishing maxima for public salaries and limiting the number of contract employees to 10% of the total staff.

PUBLIC FINANCIAL MANAGEMENT (PFM)

The entry point for the PFM eligibility has been met. Serbia adopted its PFM reform (PFMR) programme for the period 2016-20 in November 2015. The Commission services have closely supported the Serbian authorities in the process of preparing and finalising the programme in order to ensure that the final programme can be considered **relevant and credible**. The process was part of the policy dialogue in preparation of the IPA 2015 Sector reform contract in the fields of Public administration reform and public finance management. The first report on implementation of the PFM reform programme covering the period December 2015 – June 2016 is expected to be adopted by the Government in October 2016.

The work on the PFM reform strategy, but also the 2015 PEFA and 2015 Sigma Baseline assessments, showed that the government policy needs to be planned in a more co-ordinated manner and clearer links need to be established between the existing planning documents, e.g. the Government Annual Work Plan and the Fiscal Strategy. Medium-term planning needs to be strengthened so that revenue (and hence, expenditure) forecasts are more accurate and policy priorities linked to budgetary allocations. At present, there is no institutionalised mechanism for transforming political policy priorities into public expenditure priorities through strategic and policy-based budgeting. The strategic planning system requires greater coherence, at sector and sub-sector levels, where priorities are those of government rather than reflecting donor preferences. The recent PFM Reform Programme 2016-20, provides an overall framework for PFM reform, which attempts to link the various sub-systems, and covers medium term planning and forecasting, budget preparation, budget execution, financial control (PIFC and IA), accounting, monitoring and reporting and external scrutiny. The PFM programme links, therefore, several sub-sector strategies already in place or in the process of revision. These strategies include a tax administration policy, a debt management strategy, a new Public Internal Financial Controls (PIFC) strategy and an AP for 2015-2019 and the strategy and an AP for the development of the public procurement (PP) system for 2014-2018.

The PFM Reform Programme is a relevant response to the pressing reform needs of the PFM sector, as identified by IFI's, PEFA, SIGMA and other assessments, and addresses the key weaknesses within the system.

BUDGET OVERSIGHT AND TRANSPARENCY

The entry point for the eligibility on budget transparency and oversight is met. The Budget Law for 2016, with projections for 2017 and 2018, was produced through a substantive and lengthy consultation process involving all relevant stakeholders, and taking into account the priorities of the line institutions through the priority areas of action, defined in a programmatic manner. It is based on the previously adopted fiscal strategy for the mid-term period, which is also the product of extensive public consultations. The Budget Law is transparent and was published in December 2015 in the Official Gazette of Serbia on the Parliament and the Ministry of Finance web sites. The issues of budget transparency and openness are part of the recently adopted PFM reform programme, under the principles of responsibility, transparency and accountability. However, there is still room for improvement. In particular, Serbia will need to enhance the Parliament and the Supreme Audit Institution's (SAI's) work, and further pursue the programme-based budgeting and introduce Fiscal Impact Assessments. It is also indicative that the 2015 SIGMA baseline assessment gave a critical picture of budget transparency for Serbia. Improvement of budget transparency links to accountability of administration and is an important aspect of the future PFM reform programme.

In this context, it is indicative that Serbia has improved significantly in the **Open Budget Index (OBI)** rankings in the last two measurements: from a score of 39/100 in 2012, Serbia improved to 47/100 in 2015. Despite the not very high score, it compares favourably with the scores of countries in the region (Slovenia 68, Croatia 53, Bosnia and Herzegovina 43, and Albania 38 and the Former Yugoslav Republic of Macedonia 35). Although the overall score has improved compared to 2012, the following elements are still of concern: the quality and comprehensiveness of the information contained in the documents produced; the consultative processes; and the quality of budget control by the legislature and weaknesses in multi-annual budget planning. The process of policy planning in PFM should lead to concrete improvements of these areas in the next mid-term period.

SECTOR POLICY

The strategic framework of Serbia in the **education sector** includes a number of documents. The *Strategy for Education Development in Serbia and its Action Plan until 2020* are the primary and overarching documents⁶.

The *Strategy for Education Development in Serbia* was adopted in 2012, and the Action plan in January 2015. The Action Plan covers a period of 6 years (2015 – 2020). The Strategy identifies four main objectives for the long-term development of the education system in Serbia. These are: (1) Improvement of the education process and its outcomes; (2) Greater involvement of Serbian citizens at all levels of education, from preschool to lifelong learning; (3) Better relevance and sustainability of education aligning it with the needs of economic, cultural, research, educational, public, administrative and other systems; and (4) Improved efficiency of the use of educational resources, i.e. completing education in a planned time frame, with minimal prolongation and a reduction in early school leaving.

The Action Plan specifies a large number of individual measures (157 measures) in order to meet the objectives and priorities of the Strategy, and details the implementation methods, deadlines, responsible institutions, instruments for monitoring and indicators of progress per activity, as well as procedures for reporting and evaluation of effectiveness of planned strategic measures. The Strategy and AP were elaborated in close cooperation with DG Education, Audio-visual and Culture (EAC), which considers the strategy to be coherent and relevant to the achievements of the goals related to the EUROPE 2020 for Serbia. The analytical basis for the Strategy and AP included data of the Republic Statistical Office, but also indicators at international level, such as PISA. Before adoption, the Action plan and the strategy passed a series of public consultations with civil society, media, expert and interested public as well as the inter-governmental approval process, including the approval of the Serbian European Integration Office.

The present SRC will focus on only some aspects of the Action plan, given its comprehensiveness and the long-term nature of the reform process in the education sector. The choice was made to select a few key results which require to be achieved in the next mid-term period, and which are cornerstones for the improvement of the overall situation in the sector, having strong spill-over effects on the overall education reform. Priorities were selected from the primary education, comprehensive and artistic secondary education, secondary vocational education, teacher training and the specific educational sub-systems sections of the AP. Overall, the present SRC will cover 6 of 15 subsections of the Action plan. The fields it covers are the key reform areas, where the majority of the impact of the reform will be felt, and where the impact is on the younger generations. The sub-sections which are left out of this SRC pertain mainly to preschool education (although this is partially tackled through the preparatory preschool education in the case of Roma minority), and then more specifically the higher education, vocational and academic studies (including doctoral studies) sections. The subareas which are more administrative (education funding, student living standards) were also not selected as priorities for this SRC, since results in this fields are more difficult to track. When mapped against the AP, the SRC covers the total of 17 measures, out of 157 listed in the AP. These are, however, the crucial ones which can achieve the real progress. They concern primarily the implementation and improvement of educational standards (with specific approaches to primary, secondary and secondary VET education); the evaluation of the educational achievements of the students, NQF development and teacher training on all levels.

During the development of the Education Strategy, the specific needs of members of national minority groups in Serbia, vulnerable groups, and notably Roma, were considered. Different approaches on integrating measures that target the participation of these groups in the education sector were taken. The approach adopted for education related to the national minorities was twofold. Firstly, it was included without specific mention into the overall education reform, mainly in the sections concerning the need for

⁶The other documents covering the education and linking it with the employment and social inclusion are: the National Strategy for Roma Inclusion 2016-2025 and AP 2016-2019; Action Plan for Chapter 23 and related National Action Plan for Implementation of Minorities' Rights (2015), the National Employment Strategy 2011-2020, National Strategy for improving the position of women and promoting gender equality 2016-2020 and AP 2016-2018, National Youth Strategy and AP 2015-2025 and overarching Employment and Social Reform Programme (ESRP) and National Priorities for International Assistance (NAD) 2014-2017 with projections until 2020, overall planning document for international development assistance..

quality improvements and outcome based learning methods. This pertains to both the change of the curricula used for the education of national minorities, as well as in relation to teacher training and skills development. As such, this specific aspect is included, also without explicit mention, into the overall curricula and quality reform that is part of the first indicator and corresponding targets of the Sector budget support of this SRC. The second aspect of the approach is the specific mention of national minority education in the Education Strategy document, through a dedicated measure under the AP section on educational sub-systems, which is the "bi-lingual education in minority languages and learning the languages of national minorities in accordance with the law".

The goal of this specific measure is to achieve, by the end of 2018, the "conditions for all national minorities to have quality education in accordance with the national legislation and European standards." However, although this was sufficient in terms of the policy basis to start the work on the improvement of the conditions in the field of education or national minorities, it became clear that there was need for more specific and detailed activities. This need derived from the recommendations of the reporting mechanisms of the Council of Europe Charter on Regional and Minority languages and the Convention on the Protection of National Minorities, but also the UN reporting mechanisms and the recommendations of the Expert Mission of the European Commission for National Minorities. The solution taken, based on the recommendations of the EC, was to develop a dedicated Action Plan for minorities in the context of the opening benchmarks of Serbia for the Chapter 23. The AP also covers issues of students competences, which should derive from the teacher quality that the SRC tackles, and will be an intended impact of the programme. The AP also tackles issues which will be either achieved prior to the SRC finalisation (decision on models of minority education) and those which are part of the policy negotiations (the cooperation with the countries that are kin states), which the SRC will tackle through the policy dialogue process.

Serbia adopted in March 2016 a specific Action plan for the realisation of the rights of national minorities. The Action plan makes part of the larger Action plan for the achievement of the standards and acquis related to the negotiation Chapter 23, which tackles judiciary reform, fight against corruption and most significantly, fundamental rights. The methodology for the development of the Action plan involved relevant state and provincial authorities, representatives of national councils of national minorities, and representatives of civil society organisations. The Action plan tackles all fields of relevance to the rights of national minorities, including the field of education. Section VI of the Action Plan on minorities picks up the goal of the Education Action plan in the following terms: "Improving the position and encouraging realisation of the rights of minority groups in the sphere of education". The section is composed of 22 measures, which should lead to the implementation of the five key goals of this section of the AP. Of those, the present Sector reform contract will focus on the key one, which in terms of timing fit with the proposed timelines of the SRC, and which are also the corner stones for the achievement of the other objectives: the provision of quality textbooks in minority languages, and the improving the teacher training and skills of teachers teaching in minority languages. In that respect, it deals with all aspects of minority education reform, based on the Council of Europe standards. The results and indicators from the Action Plan were used for the development of this Sector reform contract.

On the issue of the Roma, the education strategy did not provide any specific elements, since the decision was made to include the needs of the Roma minority more explicitly in a separate document, dedicated to the overall improvement of their situation in all fields. The Sector reform contract is therefore based on the Strategy for the Social inclusion of Roma, which Serbia adopted in March 2016. The Strategy is based on the actionable Operational Conclusions of the Seminar on Social Inclusion of the Roma in the Republic of Serbia, adopted in June 2015. The new Strategy includes, under its section 4, important aspects related to Roma education, which requires a specific and tailor-made approach. The present SRC will support in particular the Strategies operational goals 1 (ensuring that children from the Roma community have the same opportunities for early childhood development and preparation for entry into the educational system) and 2 (ensuring the quality of primary and secondary education to children and youth from the Roma community, the effective prevention of drop out and the existence of modalities of support until the completion for secondary education).

In terms of the policy relevance, the Education strategy corresponds to enlargement objectives, commitments and obligation deriving from the Chapters 19, 23, 25 and 26. It is in line with Europe 2020 and Education and Training 2020 policy. It incorporates international trends in education, related to the lifelong learning, coverage, quality (education based on competence/outcomes) and relevance (education should respond to the needs of individuals, society and economy). The Action Plan on national minorities is part of the larger Action plan for the achievement of the standards and requirements related to the negotiations Chapter 23. The development of these action plans to satisfactory quality and their adoption are the opening benchmarks for the negotiations of Serbia on this important Chapter, which is among the first to be opened, and most likely among the last to be closed. The Action plan on minorities has been, in that context, commented and approved by the European Commission. The implementation of the Action plan will be closely monitored by the European Commission in the process of the negotiations of the Chapter 23. The Roma strategy has likewise been the subject of comments and approval by the European Commission. It is the main national document for the integration of Roma until 2025, and has been developed based on the Operational Conclusion of the Roma Seminar, which was initiated by the EC and Serbia with the aim of improving conditions for Roma in a number of key social sectors, including education. The dedicated Action plan for the Roma strategy is in the final draft, and is being budgeted. The adoption is planned by the end of 2016.

In terms of policy credibility, even before the AP was adopted, legislative changes have started to lay the foundation for the implementation of the Strategy and in 2015 legislative activities included the new Law on Higher education that regulates recognition of foreign diploma; Vocational Education and Training pilot profiles were mainstreamed into the system; draft laws on National Qualification Framework and Law on regulated professions are being prepared.

The Action plan for the minorities has already begun implementation. It's close monitoring will be performed by the national authorities in the context of the negotiations of the Chapter 23, and of the European Commission, which will track the implementation as part of the achievement of interim and then final benchmarks for this Chapter. The AP is based on Conventions which Serbia has ratified in the previous period, and which it has been implementing. Serbia has been reporting regularly to the UN and CoE bodies on their implementation.

In relation to the Roma strategy, its implementation is already being supported by a number of actions at local and national level, including through specific IPA support, in particular for the implementation of local action plans of the municipalities and in the field of Roma housing, social inclusion (including scholarships) and poverty reduction.

The AP provides a mechanism for monitoring the implementation of AP in the form of a working group, appointed by the Minister of education. The First Annual Report on the progress in the Action Plan implementation will be submitted in mid-2016. The legislative framework for monitoring and reporting about performance to the Serbian Government is in place. Reports on annual plans are regularly developed and shared with the public. However, reports on the Government's performance do not cover the achievements against policy objectives, but rather present only the outputs of the Government's work. Regular reporting on implementation of developed strategies is still not ensured. This Sector reform contract will seek to improve the situation in this field, through the complementary assistance. The reporting framework will in particular ensure that the activities dedicated to the implementation of the reforms in the field of education including on the specific issues of minorities and Roma education. Although specific reporting mechanisms for the Roma integration and for minorities exist, it will be relevant to integrate the efforts, and ensure that in the implementation of the specific education AP, these aspects are clear and visible, and can be well tracked.

In terms of the budget availability, the AP outlines from the requirements for funds in the national budget, as well as additional funds that will be provided from other sources (World Bank, European Union, European Investment Bank, Council of Europe Development Bank, loans and assistance from other bilateral donors). However, the AP is not properly costed. For this reason, as part of the policy dialogue in the context of the elaboration of this sector reform contract, the Ministry of education has started the elaboration of the costing of the AP. The Action plan on national minorities has been fully costed, in order to ensure the sequence and dynamics of the achievement of its planned measures, which are relevant to the overall achievement of the Action plan for the Chapter 23. Likewise the funds for the

Roma strategy have been programmed and budgeted in each of its respective five areas (housing, social protection, health, education and employment) by the relevant line institutions. The Action plan for the Roma strategy is being finalised, and will be adopted by the end of 2016. Support from the EC for the experts assisting the finalisation and costing of the AP has been provided.

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

The SRC will build upon lessons learned under previous IPA and other bilateral assistance in the sector. Up to now, due to the complexity of the education system, the support provided was targeting different and separate issues, only involving a fraction of the system. These projects were based on the concept of piloting, which relies on the beneficiaries to roll out the changes in to whole system and make use of projects' achieved results. Transitions from "piloting" to the system have proven to be a demanding process, often slow and uncoordinated. The Sector reform contract will provide greater ownership and accountability while strengthening the capacities and coordination of national stakeholders. Also it will link together different policies and cross-cutting issues in the sector, making a coherent effort in implementing the reforms.

The **recommendations of evaluations**, conducted by the Serbian European Integrations Office, and financed by SIDA in 2013, have guided the programming of this reform contract. In the field of education and VET, the evaluations noted that further support is needed for the development of an effective in-service teacher training for all levels of education. A financially-viable system for updating/raising the skills and competences of teachers in line with modern standards is still to be developed and implemented. The evaluations also noted that Serbia should disseminate the best practices achieved through inclusive education projects, such as "Education for all" and "Second chance". There is also a case for applying the principles and methods of inclusive education to the VET sector. Finally, a concerted effort to establish a process of life-long learning is needed as a means to increase the flexibility and employability of the labour force.

The reform contract will also support the measures of the strategy that were designed to build upon results of previous IPA assistance. Projects under IPA I have focused on strengthening institutional capacities and support to VET reforms, developing the National Qualifications Framework, development of standards of students' achievements for the primary and secondary (general) education, support to early inclusion of Roma children in the education system (by establishing Joint Mobile Units, introduction of Pedagogical Assistants and drop-out prevention programmes), establishment of a system of functional elementary education for adults, and improvement of the quality of higher education teaching and infrastructure.

2. INTERVENTION LOGIC

DESCRIPTION OF OBJECTIVES, MAIN ACTIVITIES AND EXPECTED RESULTS

The overall objective of this Sector Reform Contract is to assist the Government of Serbia in implementing the reform in the education sector by improving the quality, equity, and relevance of the education and training, including specific issues linked to education needs of minorities and Roma, to better match the needs of the labour market and to progressively align to Union standards, policy and practice.

The specific objectives are:

1. To improve the quality of the teaching and learning processes in order to increase students' skills and competences.
2. To improve the quality of minorities' education.
3. To improve participation of Roma boys and girls in the education system
4. To improve the relevance of the education system for the labour market by linking labour market needs with the education system.

At the **impact level**, the reform contract will be contributing to the overall objective of the strategy, including the alignment of the Serbian educational system to the EU standards and the achievement of the Chapter 23 and 26 requirements, including a society based on knowledge, competences and skills, better social integration of minorities and Roma boys and girls, and improving prospects for employment of youth.

At the **outcome level**, the reform contract will be supporting the key pillars of the strategy which includes the above mentioned specific objectives related to better curricula and teaching capacities leading to improved learning outcomes of students in elementary and secondary levels; improved national minority education system; better participation of Roma boys and girls in the education system; and the National Qualifications Framework operational, leading to a better link to the labour market.

At the **induced output level**, indicators for the variable tranches have been defined in order to measure progress at the level of the beneficiaries. In particular, the induced outputs are:

1. Improved capacities of teachers in pre-university education for delivery of the learning outcome based curricula in order to improve skills and competences of pupils.
2. Improved access to minority textbooks and improving minority teacher training.
3. Improved conditions for Roma pupils (boys and girls) to participate in the pre-university education (including dropouts reduction).
4. A social partnership linking education and labour market is operational, and the i.e. legislative and institutional framework for the implementation of the NQF system is fully operational.

At the **direct output level** the programme introduces a strengthened framework for coordination and dialogue between the different stakeholders, as well as a system for reporting results and processes. This creates space for better engagement of sector expertise in the country and aims to enhance the functioning and accountability of the sector governance.

Details on the specific objectives and results of the programme:

1: To improve the quality of the teaching and learning processes in order to increase students' skills and competences.

This will contribute to the implementation of the ongoing curriculum reform, and will focus on teacher training for implementation of the holistic approach and learning outcome based curricula for the primary and secondary education. It will support the teacher training process and strengthen their teaching competences to enable the proper implementation of the curriculum reform in order to upgrade skills of pupils in primary and secondary schools (e.g. math and literacy in line with PISA standards, as well as other subject that are assessed on Final Exam). The activities which will be undertaken to achieve this objective include, for example, development of the training programme, organisation and implementation of teacher training. The teacher training will be based on holistic approach to teaching and learning process, with strong emphasis on motivation. The teachers from primary and secondary (gymnasium and VET) education will be targeted including the teachers that are teaching in minority languages. A verification of the teacher capacities to implement the new program will ensure quality and contribute to successful implementation of the outcome based curricula.

2. To improve quality of minorities' education

The Action plan for National Minorities, adopted by the Government of Serbia in March 2016, is an integral part of the Action plan for the achievement of the requirements under the Chapter 23 of the EU acquis, in the sub-chapter on fundamental rights. The Action plan contains a section dedicated to the education for national minorities. Selected priorities of this AP will be supported through this outcome, as an integral part of the overall effort to increase capacities of teachers to implement outcome based curriculum and new approach in teaching, in order to achieve improved quality of minority education for the national minorities in Serbia. The selected priorities pertain to the two key challenges identified by the Action plan: textbook availability and quality in national minority languages, and teacher training for teaching in minority languages. The support will be geared at progressively developing the conditions for the achievement of better quality of minority education.

3. To improve participation of Roma boys and girls in the education system

The focus will be on the achievement of indicators related to increase of participation of Roma children and students in the pre-university education, with specific emphasis on reducing the drop-out rates of Roma boys and girls, as defined in the Roma strategy and the forthcoming action plan, which both constitute obligation taken by Serbia in the context of Chapter 23 negotiations. The targets will focus on the increase of the participation in the scholarship schemes available currently for elementary and secondary level Roma students, thereby increasing the retention rates of Roma students by the education system. Focus will be also on the increase of the number of children that enrol in the obligatory preschool preparation programmes, and into the elementary education. Throughout the entire process, particular attention to implementing actions which will in particular support Roma girls in the education system will be taken. Finally, the rate of dropout should be decreased. For all of these targets to achieve the desired trends (expressed in terms of percentage increase or decrease), there needs to be a dedicated support to the improvement of the system for pedagogical support to Roma children, and the implementation of preventive measures to reduce early school leaving, especially related to Roma girls. The functionality of the network of pedagogical assistants will be improved by developing performance quality standards; strengthening their capacities to implement standards and establishing the system of quality assurance for their work to better match the need of the schools and improve the quality of the delivery. At the same time, a set of measures for the identification of students at risk of early school leaving will be developed and implemented, as well as measures for prevention and intervention in cases of in schools identified risks of early school leaving. These aspects will be covered through the complementary support.

4. To improve the relevance of the education system for the labour market by linking labour market needs with the education system.

The support will contribute to the establishment of the legal and institutional framework for the NQF, including the NQF Agency and within it, the National Qualification Registry as a transparency element of NQF system. The framework also includes Sector Skill Councils, which represent the social partnership on the national level and link education and the labour market. Detailed provisions regulating the work of the councils will be adopted in a by-law (based on adopted NQF Law), enabling their establishment in line with the Agency work programme, economic developments, and analysis of financial and human resources. The NQF Agency, as a focal point for the Sector Skill Councils, will ensure their coherence and permanency. A Qualification registry will be put in place, and qualification standards will be developed. Alignment with the European Credit system for vocational education and training (ECVET) will be part of this intervention.

The basis for the work on this outcome will be laid out through the results which will be achieved by an IPA 2014 project, entitled "Towards Life Long Learning", which will lead to the development and implementation of an integrated NQF system. It is expected that IPA 2014 will start by mid-2017. This time line will coincide with the reform contract activities and will complement each other. The IPA 2014 TA will deliver know-how and analyses for setting up the NQF system while the SBS will then allow the system to become operational.

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

- transfer of EUR 24 million in tranches over the period 2017-2020 (sector budget support component);
- strengthened policy dialogue with the Government on the areas identified as the objectives of the sector reform contract;
- complementary support (technical assistance) of EUR 3.4 million to increase the capacity of the stakeholders involved in the process of education reform including those targeting relevant negotiating chapters: 19, 23, 25 and 26;
- more efficient monitoring and reporting on education reform by strengthening the capacities of the ministry in charge of education and other stakeholder institutions in developing institutional capacities to further upgrade, elaborate, plan and implement policies and legislation, to establish mechanisms for monitoring and assessment – Performance Assessment Framework (PAF), implementation of PFM;

- regular monitoring of progress with sector policy reforms and other budget support eligibility criteria.

COMPLEMENTARY SUPPORT

The Complementary support component of the programme amounts to EUR (3.4) million. It will be implemented through two service contracts, one for capacity building of the relevant institutions and one for the assessment of the achievement of targets and indicators.

With regard to complementary technical assistance (TA), activities will largely focus on strengthening the institutional and human resource capacities of the key stakeholders, in particular the MoESTD, the two Institutes, and the three educational councils. The assistance will aim to support the implementation, coordination and monitoring of the education reform agenda, including (i) review and revision of the strategy and AP 2020, (ii) improvement and development of monitoring and evaluation frameworks, including the statistical and other data collection and analytical work for the development of better indicators and performance management, (iii) support for the sector coordination framework to be established, approved and implemented. Complementary support will in particular be relevant to the development of the capacities necessary for the efficient implementation of the SRC outputs, in particular related to data collection, analytical capacities and monitoring and reporting.

Complementary support will also support improving visibility and communication. They are a critical element to the success of both the education reform and the EU SBS intervention having in mind that the education system of the Republic of Serbia is one of the biggest state systems in Serbia, with more than 150.000 employees, more than 2000 entities (schools, high school institutions, education agencies etc.), parents and student and the wider public in general. Apart from education system, students, their parents as well wither public need to be informed about SBS intervention. For this purpose, a designated communications and visibility plan and team will be established, in order to ensure that there is clear, coherent, and positive internal and external communications developed within and among the different education institutions and with the relevant stakeholders and wider audience. All necessary measures will be taken to publicise the fact that the SRC has received funding from the EU and follow EU Visibility and Communication Rules.

As part of the TA, actions aiming to strengthen capacities and partnership of education institutions, CSOs, social partners and other relevant stakeholders to contribute to the achievement of strategic education policy objectives will be supported. The focus will be on the support to innovation in education and improving learning environment in education institutions by contributing to the quality of education, coverage/equity and relevance. Support to. Civil society organisations will be encouraged, in particular in their work with the school system on developing measures and actions which support better involvement of the children, parents and local communities in the education reform effort. In particular, support for measures at local level that would allow the better integration of the minority and Roma children into the school system, and allow them to use and peruse all opportunities available, will be supported. Specific emphasis will be given to the support for the integration of Roma girls.

RISK MANAGEMENT FRAMEWORK

When assessed against the 44 questions in the Risk Management Framework Questionnaire, Serbia scores particularly well regarding Criterion 1: Political Risks (Universal values, fundamental rights, insecurity and conflict). That said, there are remaining concerns regarding the previous progress in tackling social exclusion and addressing the situation of the Roma, persons with disabilities, refugees and internally displaced persons (IDPs). Mitigation measures in this field include the implementation of the AP for the EU acquis Chapter 23, but also the relevant recommendations of the Screening reports of other chapters, such as 19 and 26. The implementation of the present SRC will also help improve the capacities of the institutions which are mandated with these issues, and thus contribute to the reduction of the risks. This Sector reform contract will in particular target issues related to gender equality and national minority integration, contributing to the reduction of risks in those fields.

As noted previously, Serbia remains exposed to significant macro-economic risks. The GoS has embarked upon a series of structural reforms, taken steps toward fiscal consolidation, and committed itself to

address the long-standing issue of underperforming State Owned Enterprises (SOEs). The risk assessment shows that the country's public debt levels remain high. Mitigation measures include the implementation of the comprehensive national Economic Reform Programme (ERP) and its close monitoring by the EC. The ERP contains the mid-term framework for the reforms which need to take place. Furthermore, the implementation of the fiscal consolidation programme agreed with the IMF as part of the stand-by arrangement is an important mitigation measure, which is closely monitored through the IMF reports.

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

Serbia scores 50.24 on the Worldwide Governance Indicator, placing it in the "moderate risk" category. The GoS's target, set out in the PAR Strategy and AP is to attain 50.24-52 in 2017 and 52-55 in 2020. These are realistic goals and ought to be achievable if the GoS implements the measures foreseen in the strategy and AP. The risk assessment of PFM was undertaken in advance of the results of the PEFA 2015. The resultant rating is of low to moderate for all risks with the exception of tax assessment, collection and transfer, which are judged to be "substantial". Risk mitigation includes the implementation of the PFMR programme, which has been drafted and will be adopted before the end of 2015, and which will address the shortcomings identified in the PEFA report.

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

3. IMPLEMENTATION ARRANGEMENTS

ROLES, RESPONSIBILITIES AND POLICY DIALOGUE

In the context of the instrument for pre-accession assistance, there is a Human Resource and Social Development (HRSD) sector that encompasses and links together employment, education and social inclusion sub-sectors. The sector lead institution for the education sector is the Ministry in charge of Education.

The Ministry is responsible for the formulation, implementation, monitoring, evaluation and reporting on the education policy. The Ministry is also leading accession negotiations in the Chapter 26.

Apart from the Ministry, institutional responsibilities belong also to the Institute for Improvement of Education, which is responsible for curriculum development and professional development in pre-university education. The Institute for Evaluation and Quality in Education is responsible for monitoring and evaluation in pre-university education. The three councils: National Education Council, Council for vocational and adult education and National Higher Education Councils are bodies relevant for defining education policy.

The sector reform contract will be supporting selected measures listed in the action plan for the implementation of the education strategy, as well as specific sections of the action plans on minorities and of the Roma strategy, which were developed in the context of Chapter 23 accession negotiations, but are fully compliant with the overall education strategy. The Ministry in charge of Education holds primary responsibility for implementation of all SBS supported reforms.

In that context, institutions involved in the monitoring of the implementation of the dedicated action plan on minorities and of the Roma strategy will be closely involved in the implementation and monitoring of the activities in these specific fields. The Office for Human and Minority Rights, which monitors and reports on the implementation of the dedicated Action plan on minorities, will be closely involved in following and tracking the results, providing support and advice in the context of this Sector reform contract.

The Government of the Republic of Serbia shall establish the Roma Inclusion Coordination Body to coordinate the work of state authorities regarding the improvement of the status of Roma men and women, while the Office for Human and Minority Rights and the Social Inclusion and Poverty Reduction Unit shall provide support to the Coordination Body with regard to monitoring the implementation of the operational conclusions as well as the preparation of annual reports on the implementation of the Strategy and the Action Plan. A feasibility study on establishing a separate public administration body in charge of the Strategy implementation will be conducted following the first two years of the implementation of the Strategy.

The greatest responsibility for the implementation of individual measures under the Strategy lies with public authorities at the national and local levels, depending on their jurisdiction over particular measures and activities.

The implementation and monitoring of the Action Plan are performed through a special working group, at the level of the Ministry, appointed by the Minister. The working group shall be chaired by one of the State Secretaries or Assistant Ministers authorised by the Minister. A special electronic database shall be used for monitoring the Action Plan implementation process and results. An annual Report on the progress in the Action Plan implementation shall be submitted.

A specific coordination structure will be established through reform contract Steering Board composed of high level representatives of institutions and bodies that will be involved in its implementation. This way, sustainability and better coordination between different crucial stakeholders will be ensured. The Steering Board would supervise and coordinate work on the project documentation, oversee compliance with set priorities and ensure that administrative and technical steps are taken accordingly. The Policy dialogue will follow up on the implementation of the education strategy and Chapters 23 and 26.

Lastly, it is important to note that the Coordination mechanisms for programming of EU assistance were devised to secure a coherent approach and synergy. The National IPA Coordinator (NIPAC) and its Technical Secretariat (NIPAC TS), located within the SEIO, are leading and coordinating the overall planning and programming of international assistance (including the IPA II), which is organised in the frame of the sector approach. SEIO regularly organises the HRSD SWG. The SWG for programming is composed of representatives from relevant national authorities (authorized applicants), as well as of civil society organisations (CSOs), Standing Conference of Towns and Municipalities (representing the interest of the local self-government units), Vojvodina Provincial Government, donors and International Financing Institutions (IFIs). The SWG ensures that the preparation of projects and programmes for donor funding, including under IPA II, are transparent and based on an inclusive dialogue of all relevant stakeholders and on the development priorities for sector. The composition, functioning, management and organization of SWGs are regulated by the 'Rules of Procedures for Sector Working Groups' which identify the functions of the leading national institution and the lead donor in each SWG. They are responsible for sector and donor coordination, co-financing, analysis of project implementation and monitoring of implementation. In order to ensure better efficiency of the donor coordination, the work under the SWG for the HRSD sub-sector is organised and led by task force comprised of NIPAC TS and the Ministry as the lead institution.

The SWG was used for the phases of the elaboration of this reform contract under IPA 2016. This allowed for all relevant interested parties, including civil society, media and representatives of national minorities and vulnerable groups to have a say in the process of the definition of the key results and in the negotiation on indicators.

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

The Programme will be subject to direct management by the EUD to the RoS with a budget of EUR 27.4 million allocated for this Action. The amount allocated for the SBS component is EUR 24 million, and for various actions under the complementary support EUR 3.4 million. The total amount is based on comprehensive discussions with the stakeholders and is reflective of: the financing needs of the partner country; the sums allocated by the GoS in the Annual Budget 2016 and the Fiscal Framework 2017-2018 to support the implementation of education reforms; the effectiveness, impact and added value that SBS will bring to the achievement of the partner country's policy objectives; and the incentive that it will provide to introduce a more policy-driven, results-oriented, information-based management approach in public institutions.

Disbursement of sector budget support

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

- Satisfactory progress in the implementation of the Serbian Education Policy, including aspects of education policy found in the action plan on minorities and in the Roma strategy, and continued credibility and continued credibility and relevance thereof;
- implementation of a credible stability-oriented macroeconomic policy;
- satisfactory progress in the implementation of PFM reform programme;
- satisfactory progress with regard to the public availability of timely, comprehensive and sound budgetary information

The specific conditions for disbursement that may be used for variable tranches are based on existing government commitments through the Serbian Education Development Strategy, Action Plan for Chapter 23 and related National Action Plan for Implementation of Minorities' Rights (2015) and continued credibility and relevance thereof and annual benchmarks for tranche payments are based on achievements by the Ministry. Funds under the SBS component of this SRC will be channelled into the Single Treasury Account of the MoF through the Central Bank of Serbia. The chosen performance targets and indicators to be used for disbursements will apply for the duration of the programme. However, in duly justified circumstances, the Minister of Education in coordination with the NIPAC may submit a request to the Commission for the targets and indicators to be changed. The changes agreed to the targets and indicators may be authorised by exchange of letters between the two parties. The changes agreed to the targets and indicators may be authorised by an exchange of letters between the two parties. At all times during the implementation, due care will be taken that the overall SRC, as the modality of IPA II implementation, complements the other implementing modalities under IPA II and, in particular, that capacities for indirect management are constantly built and their sustainability ensured.

In case of a significant deterioration of fundamental values, budget support disbursements may be formally suspended, temporarily suspended, reduced or cancelled, in accordance with the relevant provisions of the Financing Agreement.

Budget Support Details

Budget support is provided as direct untargeted budget support to the National Treasury. The crediting of the euro transfers disbursed into Republic of Serbia Dinars (RSD) will be undertaken at the appropriate exchange rates in line with the relevant provisions of the Financing Agreement.

Details on Complementary Support

The complementary support will be directly managed by the EU Delegation to the RoS.

4. MONITORING AND REPORTING

The day-to-day technical and financial monitoring of the implementation of this action will be a continuous process and part of the implementing partner's responsibilities. To this aim, the implementing partner shall establish a permanent internal, technical and financial monitoring system for the action and elaborate regular progress reports (not less than annual) and final reports.

Every report shall provide an accurate account of implementation of the action, difficulties encountered, changes introduced, as well as the degree of achievement of its results (outputs and direct outcomes) as measured by corresponding indicators, using as reference the list of result indicators. The report shall be laid out in such a way as to allow monitoring of the means envisaged and employed and of the budget details for the action. The final report, narrative and financial, will cover the entire period of the action implementation.

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

The Ministry of education is responsible for the preparation of the reports, their submission to the EU and for maintenance of comprehensive and accurate minutes of the policy dialogue between the GoS and the EU. Close coordination will be needed with the relevant institutions monitoring and reporting to the Government on the implementation of the Action plan on minorities and of the Roma strategy, in particular with the Office for Human and minority Rights, but also with the Team for social inclusion of the Government of Serbia. These institutions will be members of the Steering board of the Sector reform contract.

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

With regards to coordination of activities related to the management of EU funds and other international assistance (donor coordination), the SWG for the HRSD sector has been established.

The SWG is responsible for coordinating activities related to the programming and management of EU funds and other international assistance. Representatives of the donor community participate in the SWG meetings based on the needs and requirements of each SWG meeting and take part in consultation processes. For the purposes of monitoring of IPA assistance there are Sectoral Monitoring Sub-committee for IPA under the Decentralised/Indirect Management. NIPAC/NIPAC TS is responsible for coordination and ensuring the efficient functioning of all activities of the SWG/SMSC.

Monitoring the progress of the implementation of this action will be undertaken in accordance with the rules and procedures for monitoring under the direct management. IPA II monitoring process is organised and led by the NIPAC/SEIO as a NIPAC TS/ Body responsible for coordination of programming, monitoring and evaluation BCPME. NIPAC is the main interlocutor between the GoS and the EC regarding strategic planning, co-ordination of programming, monitoring of implementation, evaluation and reporting of the overall IPA assistance, and is responsible for ensuring the linkage of IPA assistance to the EU accession process.

NIPAC monitors the process of programming, preparation and implementation as well as the sustainability and effects of sector programmes aiming to improve these processes, timely identification, remedying and alleviation of potential issues in the process of programming, and implementation of action documents.

Under the Direct Management procedures, monitoring and evaluation of actions will be undertaken by means of Reports stipulated in the IPA II Implementing Regulation⁷.

⁷ REGULATION (EU) No 236/2014 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 11 March 2014 laying down common rules and procedures for the implementation of the Union's instruments for financing external action

EVALUATION AND AUDIT

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

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

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

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

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

The financing of the evaluation actions shall be covered by another measure.

5. CROSS-CUTTING ISSUES

GENDER MAINSTREAMING

Despite the fact that EU and the national commitments on gender equality are an integral part of Serbia's strategic and policy documents, implementation is lagging behind and the inequalities persist. The Serbian legal framework related to the prohibition of discrimination and anti-discriminatory policy is aligned with the relevant EU conventions and harmonised with the three key Directives of the European Union. When it comes to the relevant documents Serbia has adopted a Law on the Prohibition of Discrimination, the National Anti-Discrimination Strategy, Action Plan for the implementation of this strategy, supporting measures in a number of sectors of society, and the National Strategy for Gender Equality, 2016-2020 and the National Action Plan for Gender Equality 2016-2018 include actions to address the identified gaps and weaknesses and set a basis for the establishment of system to ensure women's human rights are an inseparable part of the universal human rights and guaranteed, respected and protected.

The Evaluation of the National Action Plan for Gender Equality 2010-2015 identified that inequalities are mostly related to participation of women in decision making processes, economic status of women, education and women's health, forms of gender based violence and stereotypes in media, etc. Consequently, the implementation of EU and national gender equality commitments in Serbia is not satisfactory; gender equality priorities and gender equality considerations are not part of funded sectorial strategies, plans and budgets, but are rather considered as a separate issue, usually as a part of the specific gender equality action plan. Finally, regular, precise and systematic monitoring of gender equality policies and measures and gender equality aspects of sector strategies, plans and budgets is not in place.

As stipulated in the AP for Chapter 23 the Government of Serbia established Coordination Body for Gender Equality in 2014 through a Government Decision with a mandate to coordinate Government's actions in the area of gender equality. The Coordination Body for Gender Equality is the permanent Government body mandated to ensure the coordination of Government actions in the area of gender equality and Office for Gender Equality is in the executive branch of government.

To enhance efforts to support administrative structures and their capacities for sound implementation and oversight of EU Gender Equality *acquis* across sectors, Serbia is tabling European Integration Facility within the IPA 2016 programme and as a part of this Facility, the Action that shall ensure establishment

of well-functioning gender mainstreaming mechanism. This Action is aimed at establishing and strengthening of both horizontal and vertical coordination mechanisms and capacities among relevant actors at national, provincial and local levels in order to secure implementation of Gender Equality *acquis*. Thus, the IPA II assistance will provide support to gender equality through creating preconditions for effective implementation of the National Action Plan for Gender Equality 2016-2018 and for integration of gender equality considerations in programming and implementation of sectors strategies, plans, budgets and EU assistance.

Any of the proposed SEDS reform processes supported through this action is consistent with the principles of non-discrimination and gender equality. Gender disaggregated data in education is lacking, as well as performance framework. According to the “Man and women in the Republic of Serbia”, 2014 SORS among the illiterate population, in almost all age groups, there are more women than men but on the other hand more women enrol and complete high schools and colleges. Among the enrolled students 56% are women and 58% among graduates are women (data for 2012). A crucial aspect for the education reform and PAF will be the application of the gender disaggregation of statistical data, needed to both inform and guide the process, but also to measure and evaluate the impact of the measures upon the issue of equality of men and women. Under this SRC gender sensitive data (indicators) are especially relevant for inclusion of Roma boys and girls into education system and prevention of early school leaving. Both operational and survey data will have to be collected and presented in a gender segregated data format as set out in both the PAF and the national statistical system/SORS.

Under this reform contract, particular attention will be paid, in all aspects of implementation, to the issue of gender equality through, among other measures, the collection, use, analysis and dissemination of gender disaggregated data; by implementing specific activities geared toward the improvement of the position of girls and women in education, and in particular through the target for Roma girls in the context of the decrease of drop-out rates.

EQUAL OPPORTUNITIES

According to Article 15 of the Constitution, the state shall guarantee the equality of women and men and shall develop the policy of equal opportunities. The protection of gender equality is also regulated in the Law on Gender Equality, the Law on the Prohibition of Discrimination, the Law on the Election of Deputies, the Law on Local Elections, the Law on National Councils of National Minorities.

According to the Action Plan for Chapter 23, in the forthcoming period, the Government of Serbia plans to pay due attention to the promotion of the principle of gender equality, including mainstreaming gender equality issues in relevant policy areas, both at strategic and legislative level, as well as to strengthen capacity of the institutions and their mutual coordination. In the forthcoming period, the RoS will develop a new strategic framework for the protection and promotion of gender equality, establishing in this way a new foundation to advance the exercise of gender equality in practice. New strategic framework will be aligned with gender dimension of the EU 2020 strategic framework, particularly focusing on economic empowerment of women, combating gender based violence, and participation of women in public life.

In addition to the adoption of new strategies in this field, Serbia shall endow the necessary efforts to align with the Istanbul Convention, in particular through analysis and the necessary amendments to the current legislative framework for the protection of women against violence.

Based on the fundamental principles of promoting equality and combating discrimination, participation in the SBS activities will be guaranteed on the basis of equal access regardless of racial or ethnic origin, religion or belief, disability, sex or sexual orientation.

A specific result of this reform contract pertains to the promotion and protection of minority rights, and in particular for the improvement of the quality of education in minority languages. A second specific result is oriented at improving the statistics on Roma participation in the education sector in Serbia, with emphasis on Roma girls.

ENVIRONMENT AND CLIMATE CHANGE (AND IF RELEVANT DISASTER RESILIENCE)

Serbia has a set of environmental policies in place, and a policy dialogue with the EU is under way in the context of the negotiations to take place related to Chapter 27 on Environment. Topics covered through the explanatory and bilateral screenings of this chapter include air quality, waste management, water quality, nature protection, industrial pollution control and risk management, chemicals, noise, civil protection and climate change.

The actions in this reform contract are having positive effect in terms of a protection of the environment. Through the development and improvement of the curricula, as well as through the teacher trainings, the awareness of the importance of the environmental protection is put as high priority. The nature of the teacher training component is enabling great support to the environmental questions through different subjects and actions linked to the education process. Environmental issues were already treated in the previous IPA programmes, and the solid ground for the environmental awareness already exists within the education practitioners.

The action will have no negative environmental effects. Additionally, sustainability and environmental protection are taken into account throughout programme management and implementation. Through awareness raising the action will help to mainstream the need of environmental protection and the role of individual citizens and civil society in that process, as well as an understanding of global trends and authorities' obligations in that arena.

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

Social partners and Civil Society Organizations (CSOs) have been consulted throughout the design, of the interventions foreseen in the HRSD Sector Planning Document (2015-2017) which is the basis for this SRC, through the Sectoral Civil Society Organization (SECO) mechanisms set up formally under the SEIO for civil society consultations. The SECO consortium for the HRSD sector has intensively been involved in preparation of the NAD, preparation of the SPD and preparation of this SRC within the framework of HRSD SWG and thus actively contributed to the creation of recommendations within the network which influenced decision related to identification of the activities presented in this Action Document

The GoS's Office for Cooperation with Civil Society (OCSO) is the main institutional mechanism for the support of developing the dialogue between the GoS and CSOs through offering support to its institutions in understanding and recognizing the role of CSOs in policy shaping and decision making processes. OCSO also established the mechanism that allows involvement of CSOs in negotiations on the accession of the RoS to the EU. During 2013 and 2014, OCSO in cooperation with the Negotiating Team for the accession and relevant institutions for different negotiation chapters included CSOs in negotiations. CSO participation in this process so far included monitoring of explanatory screenings, participation in the preparation of the bilateral screening for some negotiating chapters and participation in briefing meetings that followed bilateral screenings.

In formulating the SEDS representatives of CSOs participated as a member of the Teams that were writing the strategy. Although the strategy was adopted with a limited participatory process, the elaboration and adoption of the Action Plan was a participative process, involving over one month public debate, with civil society organisations, expert and sector institutions, trade unions and media, representatives of vulnerable groups and others. The CSOs play important role and are members of operational teams MoESTD have established to elaborate SEDS AP.

PAR SRC intervention envisaged strong oriented towards improving the conditions in the field namely increasing citizen participation, transparency, improvement of ethical standards and responsibilities in performance of public administration activities.

MINORITIES AND VULNERABLE GROUPS

Serbia has an extensive Constitutional and legal framework providing for the protection of minorities and is party to relevant international institutions such as OSCE and High Commissioner on National Minorities. The government's Office for Human and Minority Rights (OHMR) coordinates, implements and monitors minority related policies.

With regards to socially vulnerable and disabled persons and principle of non-discrimination, the national legal framework is broadly in place and the relevant international conventions have been ratified. An Anti-discrimination Law prohibiting any kind of discrimination is in place since March 2009. A comprehensive anti-discrimination strategy (2014 – 2018) was adopted. Efforts are required to bring the antidiscrimination legislation fully in line with EU acquis.

In regard to fundamental rights, especially in terms of anti-discrimination policies, the Action Plan for Chapter 23 (AP for Ch 23) envisages numerous activities in regard to prevention and protection from discrimination. Through dedicated work, the Commissioner for Protection of Equality, as a central national body specialized in combating all forms and types of discrimination and prevention of discrimination, led to a significant increase of awareness on discrimination. Screening Report on Chapter 23 identifies that the authorities need to enhance efforts to effectively protect the groups most discriminated, and in particular Roma.

In formulating the SRC documents such as Action plan for Chapter 23 and AP for national minorities, Operational conclusions of Roma Inclusion Seminar in the Republic of Serbia from June 2015 as well as National Strategy for the Improvement of the Position of Roma in the Republic of Serbia have been taken into consideration. This Action has incorporated activities and results regarding the further improvement of national minorities' education and inclusion of Roma children, students and adults into education system. Also, performance framework will incorporate targets and indicators desegregated for Roma population.

6. SUSTAINABILITY

The sustainability of the reform contract will be ensured beyond the duration of the SBS intervention, primarily through the gradual development and completion of the Serbian education sector legal and institutional framework in terms of by-laws, government decisions on standards and guidelines accompanied by the required budgets under the annual budget process and the emerging MTEF/B and Performance Assessment Framework. Complementary capacity building interventions should also help build sustainability, together with the outcomes of the policy dialogue related to the better inclusion of the diverse stakeholders.

The Serbian education policy and capacity for transformational change is considered to be mature and well-functioning, and the SBS investment will have the potential to contribute to driving the strategy for education for skills required in the 21st century and available to all at an accelerated speed.

During the period of the Financing Agreement, a comprehensive policy dialogue between the EU and the principal stakeholders will take place. The dialogue will focus not only on reinforcing the need to develop and implement holistic and integrated inclusive education policies, but also on the allocation of sufficient funding in the annual and multi-annual budgets to ensure that the policy gains are sustained and continually evaluated and reformulated.

SBS will impact on the synergies with other policy areas, including fundamental rights/inclusion, employment policy, e-government and global processes to achieve SDG 4 on education through the UN system.

7. COMMUNICATION AND VISIBILITY

Communication and visibility are tools for implementation of sector reforms and will be given high importance during the implementation of the Action. There will be a dedicated communication and visibility plan for the sector strategy and the budget support programme.

The current communication capacities of the Ministry of Education, as the lead institution for this SRC, are adequate. The Ministry has a Department for media and communications, which serves both the cabinet of the Minister and the Ministry. The Ministry has a functional website, including with an English version, and provides a number of resources and services to citizens. The communications strategy of the Ministry is well defined, but a Visibility and Communication Strategy covering both the education strategy and related inclusion policies and the SBS action will be formulated. At appropriate milestones during the SRC duration and after appropriate events, press releases will be issued, by the Ministry in co-

operation with the EU Delegation to Serbia. In all these actions, the EU visibility guidelines and the national provisions in the *Communication Strategy for the Accession of the RoS to the European Union* will be followed.

All necessary measures will be taken to publicise the fact that the Action has received funding from the EU in line with the Communication and Visibility Manual for EU External Actions. Additional Visibility Guidelines developed by the Commission (DG NEAR) will have to be followed.

Visibility and communication actions shall demonstrate how the intervention contributes to the agreed programme objectives and the accession process. Actions shall be aimed at strengthening general public awareness and support of interventions financed and the objectives pursued. The actions shall aim at highlighting to the relevant target audiences the added value and impact of the EU's interventions and will promote transparency and accountability on the use of funds.

Communication and visibility of the EU is a legal obligation for all external actions funded by the EU.

This action shall contain communication and visibility measures which shall be based on a specific Communication and Visibility Plan for the Action, to be elaborated before the start of implementation and supported with the budget indicated above.

The communication and visibility measures shall be implemented either (a) by the Commission, and/or (b) by the partner country, contractors, grant beneficiaries and entrusted entities. Appropriate contractual obligations shall be included in, respectively, financing agreements, procurement, grant contracts and delegation agreements.

The Communication and Visibility Manual for European Union External Action shall be used to establish the Communication and Visibility Plan of the Action and the appropriate contractual obligations.

As part of the SRC/Financing Agreement, the Serbian Government ensures that the visibility of the EU contribution to the SRC is given appropriate coverage in the various publicity media by organising press conferences, public events and issuing press release after the disbursement of each tranche. The accompanying TA Service Contract will endeavour to further enhance the positive image of the EU in the context of its work in Serbia and specific provision for this purpose will be included in the complementary support under the proposed TA Service Contract.

8. PRECONDITIONS

There are no preconditions to this action.