

Project Fiche – IPA National programmes / Component I

1 IDENTIFICATION

Project Title	14 - Support for European Integration and Development of the Project Pipeline 2014-2020
CRIS Decision number	2013/23621
Project no.	14
MIPD Sector Code	9. Support and other activities
ELARG Statistical code	40 – Project preparation facility
DAC Sector code	15110
Total cost (VAT excluded)¹	EUR 25.121.291
EU contribution	EUR 23.221.291
Management mode	Decentralised
<i>Decentralised mngmt:</i> Responsible Unit or National Authority/Implementing Agency(ies)	Central Finance and Contracting Unit (CFCU) - Ministry of Finance and Economy, Department for Contracting and Financing of EU Funded Projects Programme Authorising Officer (PAO) – Assistant Minister at the Ministry of Finance and Economy, Head of Department for Contracting and Financing of EU Funded Projects Mrs Nataša Šimšić
Implementation management	Serbian European Integration Office Senior Programme Officer: Brankica Jovanovic, Head of Group Tel: +381113061100 Email: bjovanovic@seio.gov.rs
Implementing modality	Standalone project
Project implementation type	Project-type interventions
Zone benefiting from the action(s)	Republic of Serbia

2 RATIONALE

2.1 PROJECT CONTEXT: ISSUES TO BE TACKLED AND NEEDS ADDRESSED

In December 2012 the General Affairs Council adopted the following conclusion: “*With a view to a possible decision of the European Council to open accession negotiations with Serbia, the Council will examine on the basis of a report to be presented by the Commission and the HR/VP in Spring 2013 the progress on all above issues. The Council will assess the report during the next Presidency. Provided the assessment is positive the Commission will be invited by the European Council to: (1) submit without delay a proposal for a framework for negotiations with Serbia in line with European Council’s December 2006 conclusions and established practice; (2) carry out the process of analytical examination of the EU acquis*

¹ The total project cost should be net of VAT and/or of other taxes. Should this not be the case, clearly indicate the amount of VAT and the reasons why it is considered eligible.

beginning with the chapters on the judiciary and fundamental rights, and justice, freedom and security. The Council takes note of the intention of the Commission to conduct all the necessary preparatory work in this respect.” This conclusion was welcomed and endorsed by December 2012 European Council. On June 28 2013 the European Council endorsed the Council of Ministers conclusions and recommendations to open accession negotiations with Serbia, and announced that they would commence by January 2014 at the latest. The start of negotiations will represent a major change in relations with the EU and will significantly shape the work of the public administration for the coming years.

The pre-accession period and especially accession negotiations require an increasing number of qualified experts, competent civil servants and necessitate expertise and EU knowledge in judicial, economic and political matters and the establishment or strengthening of concrete administrative structures and management systems which satisfy the requirements of the EU *acquis* in a number of areas. Implementing bodies may lack the necessary expertise, knowledge and experience to carry out these tasks. In the light of aforementioned needs, it is essential to create an envelope for unspecified institution building needs (e.g. training, technical assistance, etc.) for priorities identified in the AP, NPI/NPAA, Regular Progress Reports, Country Strategy Paper (CSP) and other relevant strategic documents. This envelope will cover a series of demand-driven requests such as twinning and technical assistance, which will include as well short-term advisory assistance, study visits to EU Member States, attendance to accession related conferences and meetings/workshops by the Serbian administration. In addition, this unallocated envelope will allow project preparation and implementation to proceed in a quick and effective manner.

Also, the project may support the finalisation and further implementation of the National Plan for Regional Development (NPRD) as well as Regional Development Strategies which will encompass activities and interventions aimed at improving development opportunities on the one hand and reducing disparities and building the potential of poorer parts of Serbia. However, further support may be ensured only upon adoption of the Law on Amendments to the Law on Regional Development and related bylaws which will define institutional set-up for implementation and monitoring in order to avoid parallelism identified within EC Progress report.

Likewise, in the current programming cycle, some accession-driven needs have been identified, but in the insufficient maturity to be incorporated as parts of relevant sector fiches. It is therefore reasonable to anticipate potential support for such needs under the scope of this project. Such is the example of support for the implementation of the Law on General Administrative Procedures. Although the Law has not been adopted yet, based on comparative examples of countries acceding to the EU, as well as per SIGMA advice, 18 months of *vacatio legis* shall be envisaged in the body of the Law. Such precautionary measure shall be introduced in order to allow for the timely preparation of the legal and institutional environment for the full-fledged implementation of the new Law. Implementation itself is expected to be very challenging and the IPA funded technical assistance for such purposes should be available, provided that the adoption of the Law takes place in the deadline suitable to allow timely contracting of the support from IPA 2013 national allocation. A further example of support to be considered under the present PF concern repetition of the PEFA exercise at the horizon 2015/2016. This would provide for a recognized source of verification for some of the indicators we plan to use (notably to verify targets we are setting), but would also provide for the useful input for the mid-term review (of CSP, and of NAD – planned for year 2017). Even beyond this, PEFA should depict the state of play in public finances after 5-6 years from previous assessment (in 2010), so is desirable even independently from IPA 2013 or IPA II. Additionally, support for the AFCOS structure could not have been programmed within IPA 2013 Program as no sufficient

information is available at the moment. The NAO is having on-going consultations with the Ministry of Interior and other stakeholders and the idea needs to be further developed and aligned with the views of OLAF and DG ELARG.

In order to support the huge need for generation of pipeline of mature projects and to tackle Progress Report recommendations that "the capacity of final beneficiaries to develop project documentation in line with the EU standards, are still not sufficient" this project will support development of project documentation for projects in line with the National Priorities for International Assistance 2014-2017/20 and the Country Strategy Paper 2014-2020. The investment projects in particular require specific and technical documentation in order to ensure projects are of an appropriate maturity to receive funding. This documentation includes pre-feasibility studies, feasibility studies, systems design, environmental impact analyses, cost-benefit analysis and the preparation of tender documents. It is necessary therefore to provide additional assistance to these ministries responsible for large scale works and investment projects. All project documentation that will be developed through this project should be in accordance with rules set in the EU Implementing Regulation, PRAG or FIDIC and requirements of the Serbian Law on Planning and Construction. Project preparation of infrastructure projects supported under fiche will be selected based on the Methodology for Prioritisation of Infrastructure projects.

Chapter 3.2 of the MIPD 2011-2013 on Public Administration Reform outlines as objectives: to support Serbia's adoption, implementation and enforcement of EU-related legislation; to improve policy coordination for EU integration and to build capacities in managing IPA funds. Therefore, justification of this project comes from the need of the Serbian administration to ensure: *acquis* related demand driven support to different institutions that will be part of the accession negotiations process; assistance in the IPA project preparation and implementation process.

Several rounds of dialogues meeting between Belgrade and Pristina were held with the facilitation of the EU in Brussels. The meetings are chaired by the EU and the two delegations are represented by prime ministers. The two delegations had agreed on freedom of movement, regional representation and several other issues. Through this project it is planned to support measures related to urgent political needs that may arise from the Belgrade-Pristina dialogue.

2.2 LINK WITH MIPD AND NATIONAL SECTOR STRATEGIES

According to the MIPD 2011–2013, IPA support will focus, inter alia, on the sector of public administration, where the Decentralised Management System accreditation and activation of IPA components III to V are seen as among the priority areas. Chapter 3.2 on Public Administration Reform outlines as objectives: to support Serbia's adoption, implementation and enforcement of EU-related legislation; to improve policy coordination for EU integration; and to build capacities in managing IPA funds.

The Needs Assessment of the Republic of Serbia for International Assistance (2011-13). The project directly relates to the following priority and measure of the Public Administration Reform chapter: **Priority 1**, Enhance professional development of employees and institutional capacity of the civil service at all levels. **Measure 1.4**, *Improvement of the EU integration process and coordination of negotiations for EU accession*, where it is stated that: "The measure relates to further support for the coordination of the EU integration process, through capacity-building of public authorities to implement the National Programme for Integration, harmonisation of national legislation with the EU and further strengthening the process of harmonisation of legislation by amending the relevant bylaws governing this area, associated procedures, role of individual institutions, consultations with professional authorities and the professional development of employees involved in the process of European integration, not

only in the units responsible for these tasks. One of the major challenges of this measure is rooting the process of the decentralised implementation system, which should continue through implementing the continuous training of employees, those who are currently in the system, but also those who will be involved in the Decentralised Implementation System after the analysis of workload in the relevant state authorities. This document covers the period which will be crucial for the establishment of the Decentralised Implementation System, and it covers the following activities: conformity assessment, prepare a package for accreditation, national accreditation and certification audits.”

2.3 LINK WITH ACCESSION PARTNERSHIP (AP) / EUROPEAN PARTNERSHIP (EP) / STABILISATION AND ASSOCIATION AGREEMENT (SAA) / ANNUAL PROGRESS REPORT

Stabilisation and Association Agreement (SAA). The SAA, Title VI - Approximation of Laws, Laws enforcement and Competition Rules, Article 72 states the following: “The Parties recognise the importance of the approximation of the existing legislation in Serbia to that of the Community and of its effective implementation. Serbia shall endeavour to ensure that its existing laws and future legislation will be gradually made compatible with the Community *acquis*. Serbia shall ensure that existing and future legislation will be properly implemented and enforced. This approximation shall start on the date of signing of this Agreement, and shall gradually extend to all the elements of the Community *acquis* referred to in this Agreement by the end of the transitional period defined in Article 8 of this Agreement. Approximation will, at an early stage, focus on fundamental elements of the Internal Market *acquis*, Justice, Freedom and Security as well as on other trade-related areas. At a further stage, Serbia shall focus on the remaining parts of the *acquis*.” By supporting Serbian administration in project preparation and management of pre-accession assistance in the new financial perspective, the implementation of the project will address the following: Title IX Financial Cooperation, Article 115: “Aid granted to Serbia shall be geared to observed needs, agreed priorities, the capacity to absorb and repay and the measures taken to reform and restructure the economy”; Article 116: “Financial assistance, in the form of grants, shall be covered by the operation measures provided for in the relevant Council Regulation within the multiannual indicative planning document with annual reviews, established by the Community, following consultations with Serbia”; Article 118: “In order to permit maximum use of the resources available, the Parties shall ensure that Community contributions are made in close coordination with those from other sources such as the Member States, other countries and international financial institutions. To this effect, information on all sources of assistance shall be exchanged regularly between the Parties.”

National Plan for Adoption of Acquis (NPAA). “Ability to assume obligations that membership entails” is the central chapter of the NPAA and it comprises 33 subchapters which correspond to *acquis* negotiating chapters. NPAA covers period 2013-2017.

2012 Progress Report says: “There has been some progress in the area of programming. The Serbian government has further developed the draft Strategic Coherence Framework and the Operational Programmes (OPs) for IPA Components III and IV, providing a good basis for the next financial perspective and the relevant policy areas. Interministerial coordination has improved. Despite efforts to prepare a pipeline of projects, the lack of strategically developed investment plans remains an obstacle. Projects continue to be selected on an ad hoc basis rather than on the basis of strategic sectoral priorities. Coordination between the operating structures responsible for programming and final beneficiaries, and the capacity of final beneficiaries to develop project documentation in line with the EU standards, are still not sufficient.”

Three priorities are the heart of **Europe 2020**: Smart growth (developing an economy based on knowledge and innovation), Sustainable growth (promoting a more resource efficient, greener and more competitive economy) and Inclusive growth (fostering a high-employment economy delivering economic, social and territorial cohesion). Bearing in mind that this project will contribute to enabling the Serbian administration to manage EU integration and pre-accession assistance in the context of the candidate country requirements in different sectors, it is expected that project will have indirect effects on the implementation of Europe 2020.

2.4 PROBLEM ANALYSIS

In response to the changed political attitude of many EU Member States towards enlargement after the fifth enlargement, the European Commission published its revised **Enlargement Strategy in November 2006**. The document repeats the political commitments to the Western Balkans, reiterating that each country has the potential to become an EU member once it fulfils the necessary conditions.

Serbia presented its application for membership of the European Union on 22 December 2009. On June 28 2013 the European Council endorsed the Council of Ministers conclusions and recommendations to open accession negotiations with Serbia, and announced that they would commence by January 2014 at the latest. The negotiations determine the conditions under which each applicant country will join the European Union. On joining the Union, Serbia is expected to accept the EU *acquis*, i.e. the detailed laws and rules adopted on the basis of the EU's founding treaties. The negotiations will focus on the terms under which Serbia will adopt, implement and enforce the EU *acquis*, and notably, the granting of possible transitional arrangements, which must be limited in scope and duration. After the negotiations are launched, the pace of each negotiation will depend on the degree of preparation by Serbia and the complexity of the issues to be resolved. For this reason, in order to adapt itself to the negotiation procedures adopted by the European Council and to prepare for this tough process, Serbia needs technical support in administrative, legal and practical terms.

When the negotiations are officially launched screening of each chapter will be launched, gaps between *acquis* and domestic legal order and helping in formulating possible plans for future harmonisation will be identified. In addition, the EU accession process has its own fiscal aspects, those one emerging from the flows between the budget of Serbia and the EU budget as well as those ones associated with the *acquis* implementation.

The Serbian Government, under the leadership of SEIO, **adopted a National Programme for the Adoption of Acquis (NPAA) for the period from 2013 to 2016**. This document is a detailed, multi-year plan for the harmonisation of national legislation with EU regulations.

The plan follows the dynamics of the EU accession negotiations, and it will be revised annually in accordance with the actual steps in the process of membership negotiations. Moreover, 337 regulations, including 65 laws, are set to be adopted in 2013, and at the beginning of each year detailed legislative activity will be defined, the statement reads.

Such planning will considerably contribute to the acceleration of screening as the first phase of the start of talks that is the analysis of harmonization of domestic legislature with the EU *acquis*, the statement reads. The plan was drafted to connect the EU *acquis* and the domestic legal order so that the dynamics, scope and quality of this harmonization could be monitored at any moment.

The basic parts of this document are following all three membership criteria from Copenhagen - political, legal and economic criteria. Each of these three parts of the document will highlight the summary of the current situation, priorities for 2013 in terms of

harmonization of legislature, administrative capacities, measures for implementation of priorities, measures for the 2014-2016 period, obligations stemming from the Stabilization and Association Agreement, the Interim Trade Agreement, and overview of current and planned foreign development help to Serbia.

The NPAA is also an instrument which allows the Serbian parliament to control the government's legislature plan and realization of these activities and will be a basis for programming of international assistance.

The activities and tasks listed under this project will serve the purpose of supporting *acquis* chapters through creation of an envelope for unspecified institution building needs (e.g. training, twinning, twinning light, technical assistance etc.). The support will be provided in cases where an initial proposal is considered to correspond to a priority for IPA financial assistance, (justified in terms of short or medium term priorities; needs identified through the Regular Reports; activities defined in the NPI and other relevant strategic documents), but where further efforts are needed to design and appraise mature projects ready for implementation under the upcoming IPA financial assistance programme.

In many cases thorough project implementation documentation in the form of tender dossiers, technical specifications or terms of reference need to be drafted in order to initiate the tender procedures for acquiring the services, works or supplies required.

The eligible applicants for these components are the line ministries and public institutions/agencies and their staff directly involved in the EU accession process and management of IPA.

The EC has started developing the Country Strategy Paper. The role of the Country Strategy Papers is to set the frame for financial assistance over the period 2014-2020, to prepare the ground for multi-annual or annual programmes, to identify priorities and sequencing for the reforms and investments and to ensure a coherent and consistent approach in line with the enlargement agenda. The Country Strategy Papers should be built around the four specific objectives outlined in Article 2 of the draft IPA II Regulation and develop for each of these objectives the three main considerations for financial assistance, i.e. the specific needs of the country concerned, its capacities (current and those to be developed) and the impact on the state of preparedness for accession to be achieved by the end of the planning period in 2020. The CSP will be prepared in close consultations with national authorities via NIPAC Office.

As the main reference document for Country Strategy Paper, Serbia is proposing the National Priorities for International Assistance of the Republic of Serbia 2014-2017. This document represents the inter-sector programming document that is based on the existing national strategic framework and defines mid-term objectives, priorities and measures on sector basis and sets out the framework for developing projects which are ideally suited for financing by the donor community. Revision of the NAD is under way and it is expected to be adopted in 2013. Revised NAD will cover period 2014-2017, with projections till 2020. Both documents will be prepared around the same sectors, as follows: justice, home affairs, public administration reform, transport, environment and climate change, energy, competitiveness, human resource development and social inclusion and agriculture and rural development.

In order to implement CSP and NAD, important area where additional interventions in Serbia are required is related to the preparation and implementation of the EU financed projects. Taking into consideration lack of mature project pipeline and lesson learned from implementation of infrastructure projects, national authorities recognise the need and importance of preparing and having ready planning and technical documentation for development of infrastructure projects. Therefore, this project will support preparation of

project documentation in line with selection criteria that will be developed within the PPF5 project. Special attention will be given to infrastructure projects which contribute to environment protection, energy and climate change, creation of environment conducive for investments and job creation.

Project preparation of infrastructure projects supported under fiche will be selected based on the Methodology for Prioritisation of Infrastructure projects. The proposed methodology is a top-down process where potential projects are initially derived either directly from national strategies or from other central /local government sources etc. Identified projects will have had a variable amount of preparatory work carried out on them and therefore are likely to exist in a variety of formats. Each project will be first screened following strategic assessment criteria per sector. In order to establish the minimum level of information needed for the prioritisation process, the projects identified will be summarised in a standardised Project Identification Form (PIF) after which Gap assessment will give a clear picture on its maturity and missing project documentation.

2.5 LINKED ACTIVITIES AND DONOR COORDINATION

IPA 2011 project fiche *Strengthening legislation, policy and coordination capacities at the central level* includes several components relevant for implementation of this project fiche. Policy Legal Advice Centre (PLAC) supposes to improve the system of harmonisation of Serbian legislation with the EU *acquis*, while third phase of Reforming Policy Coordination and the Centre of the Government should redesign the policy making process in the Government so that the policies are strategic, outcome focused, flexible, innovative and linked to strategic frames, and so that proper coordination from the Centre is ensured. Both components of this IPA 2011 fiche should start in second half of 2013.

Support to the EU Integration Process in the Republic of Serbia Government-to-government consultations between the Government of the Republic of Serbia and the Government of the Federal Republic of Germany took place in Belgrade on 29 March 2011. In the consultations, both sides agreed to develop a new technical assistance project focusing on the “Support for the EU integration process”. This agreement was then reconfirmed during the government-to-government negotiations in June 2011. It was agreed, that the Serbian European Integration Office (SEIO), responsible for coordinating and facilitating the accession process in Serbia will be the main counterpart for the project on the Serbian side. The project should focus on developing the capacities of the Serbian administration in EU negotiations as the main objective. The project has the following objective: *the accession negotiations of selected chapters of the acquis communautaire are conducted competently by Serbia.*

Starting with 2009, two complex IPA support projects have been on-going for the development of structures and systems in Serbia in order to enable the conferral of management powers from the EC and build the capacity of the established authorities and bodies. These are: IPA 2007 - *Support to the Implementation of the Management of EU funds under a Decentralised Implementation System in the Republic of Serbia* and IPA 2008 - *Further Support for implementation of Decentralised Implementation System*. With support of both of these projects Serbian administration has reached a Compliance Assessment stage.

IPA 2008 - *Technical Assistance for the Establishment of FLC and Support for the Implementation of CBC Programmes*. The project provides the necessary assistance for the proper implementation of projects financed under IPA Component II in Serbia, which includes capacity building of the relevant units in the SEIO and Ministry of Finance and Economy (i.e. CBCU and CFCU) in programme implementation and in improving performances of first level controls. It lasts until November 2012 and ensures continues implementation of FLC activities within CBC programmes with the member states.

IPA 2007 - *Project Preparation and Technical Assistance Facility to Reinforce Administrative Capacity in Serbia (PPTAF)*. Namely this project, among other objectives, also aims at providing support to the SCO and OS for IPA III and IV through preparation of the SCF and OPs. Through this project draft SCF and OPED and OPHRD have been prepared, together with accompanying project documentation and ToT programme in place. IPA 2008 PPF is supporting development of project fiches for IPA 2011/12/13 National Programmes, as well as development of project documentation for infrastructure projects. IPA 2010 PPF is supporting development of project documentation for infrastructure projects.

IPA 2011 PPF 5 is the fifth in a series of projects with the title Project Preparation Facility and like the preceding projects it will provide the Serbian administration with efficient technical assistance for demand driven programming and the preparation of projects /programmes to be implemented by EU pre-accession funds. PPF5 will support the Serbian European Integration Office (SEIO), which acts as the technical secretariat for the National IPA Coordinator (NIPAC), together with line ministries and other key stakeholders in the preparation of programming documents and major projects for funding under the Instrument for Pre-Accession (IPA). Project has to main objectives: to support the drafting of strategic and policy framework for pre-accession assistance and to support the creation of mature projects with a full set of project documentation in accordance with EU procedures for programming and procurement rules.

Since IPA 2012 Serbia has started using JASPER facility. SEIO plays a coordination role in facilitating JASEPRS assistance to Serbia. As a result of agreement between Serbian authorities and JASPERS team, JASPERS' support is focused on the key sectors of environment, transport and energy, working within three main areas:

- Support the development of key projects currently under preparation, with the aim of ensuring compliance with the relevant regulations and requirements and improving the quality of the interventions prepared and of their justification for EU financing.
- Assist in the preparation of the next IPA financing period (2014-2020), with the aim of improving programming and subsequently the timing and quality of the actual projects to be implemented in that period.
- Transfer relevant know-how in key areas related to the management of structural & cohesion funds (such as CBA, EIA, etc.) in line with the working practices in EU Member States.

IPA 2012 project Strengthening the European Integration Process and management of post 2013 IPA has 3 main results. Result 1: Ensured implementation of a number of accession related actions of various actors and preparation of project documentation (analysis, study, survey, review, assessment or monitoring). Ensured support to the Belgrade-Pristina dialogue through implementation of cadastre. Result 2: Ensured improvement in the institutional and financial management capabilities and quality of services provided by the NF, CFCU and other key players involved in the management of pre-accession assistance in accordance while operating under the Decentralised Management System and in accordance with the future requirements of the new financial perspective. Result 3: A road map for the waiver of *ex ante* controls under Decentralised Management System is prepared and all relevant institutions are made aware of the necessary adjustments and requirements and ready to operate under extended Decentralised Management System. Still projects under this fiche are under preparation stage and SEIO as the main beneficiary will ensure complementarity between IPA 2012 and IPA 2013 actions.

2.6 Lessons learned

The EU accession negotiation process changed significantly over the recent years. As early phases of the process became much more important than in the past, candidate countries must express their expectations, problems and also ways of their solutions in a much earlier stage of the EU accession negotiations process than before. If Serbia wants rapid progress in the negotiations, it is very important that it identifies areas where major issues in the implementation of the *acquis* can be expected as soon as possible. Early identification of these problems would allow the country more time for the preparation of the necessary expertise (on transitional periods needed, on the length of these periods, on financial implications of full transposition of the *acquis*, etc.). This expertise may also serve as a basis for articulation of the rationale for derogation requests.

Although European Integration progress has been made through the previous assistance, a number of challenges remain: some of institutions have been hampered by lack of appropriate capacities, including high turn over of staff. In this regard, the project will provide sufficient support in order to strengthen current capacities in the SEIO, line ministries and other appropriate bodies both for coordination of legal approximation, drafting/implementation of current and future legislation.

It is *expected* that the performance under decentralised management system in Serbia is to start by end 2013. Having to put the theory behind the knowledge and the procedures into practice, project beneficiaries and all other key players will face unprecedented challenges that cannot be facilitated by direct experiences, given the absolute newness of the stakes ahead. It is worth considering lessons learnt by comparing and benchmarking Serbian situation with those countries that have already experienced the transition from a centralised management to a Decentralised Implementation System (and further without EC ex-ante control). Lessons learnt from other countries suggest that the absorption rates when starting to manage EU funds on their own is very low; lengthy procedures that are still being tested in practice and the focus on management of irregularities (overestimation of projects, conflicts of interest) impede the implementation of projects. It must also be noted that most of the new Member States have experienced difficulties in management of Structural funds and Cohesion fund. Therefore, problems and success stories encountered in these countries to manage Structural and Cohesion funds should be carefully considered.

Some of recommendations from the document Obstacles to Infrastructure Development, prepared by EU PROGRES, are: "The study has also shown that municipalities should consider introduction of multi-year capital investments plans and mid-term budget projections for major infrastructure projects, in line with the relevant national framework and legislation. Finally, greater attention should be devoted to creating capacities in local government in terms of planning, programming and financial planning, implementation and monitoring of infrastructure development projects...To organise and support, when possible and appropriate with line national authorities, training of relevant municipal staff in public procurement, project management and FIDIC contract modality.

3 DESCRIPTION

3.1 OVERALL OBJECTIVE OF THE PROJECT

The overall objective is to assist the Serbian administration to effectively manage EU integration and pre-accession assistance in order to speed up preparations for EU membership.

The positive opinion of the European Commission the Republic of Serbia's candidacy for membership in the European Union and defining the date of negotiations will lead Serbia into a

new phase of accession preparations, which will require further support to European Integration process. The project will further develop mechanisms and tools for improving organisational structure and the efficiency and effectiveness of government authorities through changes and amendments of existing, development of new legislation, strategic and other documents, as well as through their implementation.

This project will support implementation of the Country Strategy Paper 2014-2020 and the National Priorities for International Assistance 2014-2017/20 through creation of mature projects with a full set of project documentation in accordance with EU procedures for Programming and Procurement Rules which will allow project preparation and implementation to proceed in a quick and effective manner.

Finally, if necessary, this project will support implementation of technical solutions coming from dialogue between Belgrade and Pristina.

3.2 SPECIFIC OBJECTIVE(S) OF THE PROJECT

Specific objectives are:

Effective and efficient management and absorption of EU pre-accession funds and strengthened technical and administrative capacity of the Serbian administration in relation to the European Integration process.

3.3 RESULTS

Result 1: Ensured implementation of a number of accession related actions of various actors (such as public institutions, ministries, local administrations etc.)

Indicator:

- *Successful commitment of unallocated envelope to accession related actions of relevant stakeholders (public institutions, ministries, local administration, etc.);*

Result 2: Programming documents and financially viable projects for financing by EU pre-accession/accession assistance (and possibly by IFIs and/or other donors) developed and ready for implementation (e.g. feasibility studies, cost-benefit analyses, environmental impact assessments, application forms for major projects, etc.).

Indicator:

- *At least 2 projects prepared through IPA 2013 funds in accordance with the Methodology for Selection and Prioritisation of Infrastructure Projects and with the Law on Planning and Construction;*

Result 3: Designed small scale project documentation (analysis, study, survey, review, assessment or monitoring) in order to meet specific and urgent needs identified in the course of the pre-accession and negotiation processes and management of projects. Ensured support to the Belgrade-Pristina dialogue.

Indicator:

- *Level of utilisation of the Support Measures Facility for specific and urgent needs;*
- *Support provided for agreed needs from Belgrade-Pristina dialogue*

3.4 MAIN ACTIVITIES

Related to Result 1:

1.1. Identification of the capacity building needs of relevant bodies for the adoption and implementation of the EU *acquis*

1.2. Contracting and implementation of twinning projects with EU Member States, TA (needs and gap analyses, action plan drafting, strategy development, legal work, training, study tours), twinning light and direct agreements for *acquis* related studies or institution building type of activities

Related to Result 2:

2.1. Preparation of programming documents in line with IPA II sector approach

2.2. Identification, screening and selection of potential projects for financing, based on newly established tool for project identification and selection

2.3. Support to project preparation and design of feasibility studies, cost benefit analyses, environmental impact assessments, as well as all other needed relevant documentation in line with the Law on Planning and Construction and EU best practices.

2.4 Preparation of said project documentation will be accompanied by on the job training, counselling and advising

Related to Result 3:

3.1. Implementation of support measure facility in the form of drafting of (pre-)feasibility and impact studies and carrying out (pre-)investment studies (environmental impact assessments, business plans, market studies, economic and cost-benefit analysis, investment appraisals etc.) for the upcoming investments and preparation of procurement documents (terms of reference, technical specifications, bills of quantities, guidelines for grant schemes and other supporting documents for tender dossiers); Preparation of various analysis, studies, surveys, reviews, assessments or monitoring reports on a need basis for the purpose of support to the pre-accession instrument and EU integration process of Serbia

3.2. Support measures related to urgent political needs that may arise from the Belgrade-Pristina dialogue.

Activities 1.1, 1.2 and 3.1 will be implemented through several twinning/twinning light, service contracts and/or framework contracts, as well as grants. Minimal value of individual projects will be 50.000 euro and maximum 2 million euro. In addition, these activities cover Support Measure Facility (preparation of project documentation as well as any analysis, study, survey, review, assessment or monitoring) in the value of 2.5 million euro. For the activity 3.1 the minimum and maximum contract values do not apply.

Activity 3.2 will be implemented through TA, Grants, Supply, Works or Direct Agreements as appropriate and depending on the nature of the need deriving from the political dialogue.

Activities 2.1 to 2.4 will be implemented through two service contracts. First service contract to be launched will be focused only on project preparation of investment projects (PPF 4 type of contract), while second service contract will include programming and training needs, as well as project preparation of investment projects (PPF 5 type of contract).

3.5 ASSESSMENT OF PROJECT IMPACT, CATALYTIC EFFECT AND CROSS BORDER IMPACT (WHERE APPLICABLE)

Projects that will be financed under unallocated envelope will bring technical knowledge, best practices, recommendations, organisation plans, training plans which will be translated in appropriate changes in the legal framework and incorporated the daily work of Serbian institutions.

The project is likely to result in better performance of the Government and Governmental institutions in the fulfilment of its functions, and in better inter-institutional cooperation. It is also likely to increase the citizens' trust in the Government institutions.

The project is expected to improve the quality of managing EU pre-accession assistance, both in terms of effectiveness and efficiency. The expected outcomes are expected to result in reduced levels of rejection of procurement documentation/transaction submitted to the EC and a consequent positive assessment on the sound management system by year 2017. As far as the long range effects are concerned, it is expected that the project will contribute to an increase in the overall absorption rate of EU pre-accession assistance resulting in a positive assessment on Serbia's EU funds management.

The immediate impact of the project will reflect strengthened capacities of the responsible national institutions in the enforcement of Decentralised Management System. In the midterm, it will have a considerable impact in upgrading procedures and updating the institutional framework according to the regulations which will define the future instrument of pre-accession assistance in the new financial period from 2014-2020.

The continuous improvement of the performances of institutions that represent the key factors in the Decentralised Management System will have a strong catalytic effect.

Enhanced efficiency in executing tendering procedures (eliminating backlogging and ensuring smoother running of the tendering and contracting) will in turn affect a better response from potential bidders; which will improve disbursement rates and increase providing the necessary conditions for increasing the annual allocations to the Republic of Serbia.

3.6 SUSTAINABILITY

Project will produce sustainable results in the short run since all relevant structures are in place and the need for technical assistance is likely to increase proportionally to the challenges ahead. Some substantial improvements are already taking place in terms of broadening Acts on Systematisation in various institutions being the part of Operating Structures as well as by respective actual hiring of the staff. Financial sustainability is being ensured by reserving the national budget allocations to support the planned increase of human resources on medium-term.

By 2013, Serbia will have already invested considerable financial and human resources to set up the structures and systems for implementation of financial assistance under the rules and procedures of the current IPA. It is expected that the instrument and regulations that will derive from the new financial perspective 2014-2020 should take account of this in order to ensure a seamless move to the new period without jeopardising efforts already made. In addition, in order to ensure sustainability and usage of project documentation, requirements of the Law on Planning and Construction, as well as the best EU standards in project development will be followed.

3.7 ASSUMPTIONS AND PRE-CONDITIONS²

² Assumptions are external factors that have the potential to influence (or even determine) the success of a project but lie outside the control of the implementation managers. Such factors are sometimes referred to as risks or assumptions but the Commission requires that all risks shall be expressed as assumptions. Pre-conditions are requirements that must be met before the sector support can start.

During the implementation of the Project, to ensure the achievement of its results a number of external assumptions have to be considered. It is assumed that AP, NPAA and Regular Reports provide adequate guidance to the programming exercise. For the ensured improvement of the financial management capabilities and quality of services provided by SEIO, NF, CFCU and other key players involved in the management of the European integration process and pre-accession assistance, it is assumed that the designated (operating) structures have sufficient staffing capacities and remain committed to the process. Similarly, for the institutional framework to be designed and operational to meet the new financial perspective requirements for managing EU funds in a decentralised system, it is assumed that the EC has timely regulated management of EU funds assistance for period 2014-2020.

In addition, the project may support implementation of the National Plan for Regional Development and four related Regional Development Strategies upon their adoption by the Government and National Assembly. Also, as a precondition for establishing proper institutional framework for implementation and monitoring of the National Plan for Regional Development, the current legal framework has to be amended.

In the case the support for the implementation of the Law on General Administration Procedures is opted for in the scope of this project, the necessary pre-condition is of course, the adoption of the mentioned Law. In such case, the adoption of the Law needs to take place in the date reasonable enough for the timely contracting of technical assistance under IPA 2013. Should the adoption of the Law be significantly delayed, support shall be considered only from funds available post IPA 2013.

Before implementation of project envelope starts, priority projects that will be implemented under this envelope must be identified and agreed between relevant stakeholders. In addition, it is assumed that criteria for selection of infrastructure project will be designed within the PPF 5.

4 IMPLEMENTATION ISSUES

Activities 1.1 and 1.2 will be implemented through several twinning/twinning light and/or service contracts. Minimal value of individual projects will be 50.000 euro and maximum 2 million euro. Steering Committee that will be established for these activities will have a decision making role in selecting individual projects. The Steering Committee will be co-charred by the SEIO and EUD. Potential applicants will be obliged to submit project proposals for agreement and approval to the SC. The potential project proposals should be submitted based on the priorities defined in the Country Strategy Paper and National Priorities for International Assistance and annual EC Progress Reports. Projects will be submitted first in the form of the concept and will be assessed by the EUD and SEIO. After EUD/SEIO initial approval of the project concept, project will be developed in the full format and submitted to the Steering Committee for approval. EUD and SEIO will prepare the rules of procedures for the functioning of the Steering Committee. These rules of procedures will regulate relevant procedure and applicable templates.

Activity 3.1 will be implemented within the Support Measure Facility for the projects amounting in total to EUR 2.5 million and for which the minimum and maximum amounts do not apply.

Activity 3.2 will be implemented through TA, Grants, Supply, Works or Direct Agreements as appropriate and depending on the nature of the need deriving from the political dialogue.

Activities 2.1. to 2.4 will be implemented through two service contracts.

4.1 INDICATIVE BUDGET

Indicative Project budget (amounts in 000 EUR) (for centralised management)

PROJECT TITLE			TOTAL EXPENDITURE	SOURCES OF FUNDING								
				IPA CONTRIBUTION		NATIONAL CONTRIBUTION					PRIVATE CONTRIBUTION	
	IB (1)	INV (1)	EUR (a)=(b)+(c)+(d)	EUR (b)	% (2)	Total EUR (c)=(x)+(y)+(z)	% (2)	Central EUR (x)	Regional/Local EUR (y)	IFIs EUR (z)	EUR (d)	% (2)
Contracts (unallocated envelope)	X	–	10,121,291	9,221,291	90%		10%	900,000				–
Service contract	X	–	5,500,00	5,000,00	90%		10%	500,000				–
Service contract	X		5,500,000	5,000,000	90%		10%	500,000				
Contracts (BGD-PR)			4,000,000	4,000,000	100%							
TOTAL IB			25,121,291	23,221,291				1,900,000				
TOTAL INV												
TOTAL PROJECT			25,121,291	23,221,291	92%		8%	1,900,000				

NOTE: DO NOT MIX IB AND INV IN THE SAME ACTIVITY ROW. USE SEPARATE ROW

Amounts net of VAT

(1) In the Activity row, use "X" to identify whether IB or INV

(2) Expressed in % of the **Total** Expenditure (column (a))

4.2 INDICATIVE IMPLEMENTATION SCHEDULE (PERIODS BROKEN DOWN BY QUARTER)

Contracts	Start of Tendering/ Call for proposals	Signature of contract	Project Completion
Contracts (unallocated envelope)	N+1Q	N+7Q	N+15Q
Service contract	N+1Q	N+3Q	N+15Q
Service contract	N+3Q	N+5Q	N+17Q
Contract(s) BGD-PR	N+1Q	N+7Q	N+15Q

All contracts will be prepared by beneficiary institutions in close cooperation with the EUD.

4.3 CROSS CUTTING ISSUES

4.3.1 *Equal Opportunities and non discrimination*

Equal participation of women and men will be secured through appropriate information and publicity material, in the design of projects and access to the opportunities they offer. An appropriate men/women balance will be sought on all the managing bodies and activities of the programme and its projects.

4.3.2 *Environment and climate change*

Envisaged project activities, especially in the part related to project documentation will take into consideration environmental considerations. Special attention from early stages of project development will be devoted to environmental considerations and designed project documentation will consist, where needed, of the Environmental Impact Assessment.

4.3.3 *Minorities and vulnerable groups*

The project will in no way harm the rights of any individuals, including minorities and vulnerable groups. Since one part of the project will be implemented through unallocated envelope there is possibility to support project that directly deals with minorities and vulnerable groups.

4.3.4 *Civil Society/Stakeholders involvement*

After identification stage, Project Fiche has been submitted to CSO for comments through SECO mechanism. Envisaged concept and activities have been positively assessed by CSO.

