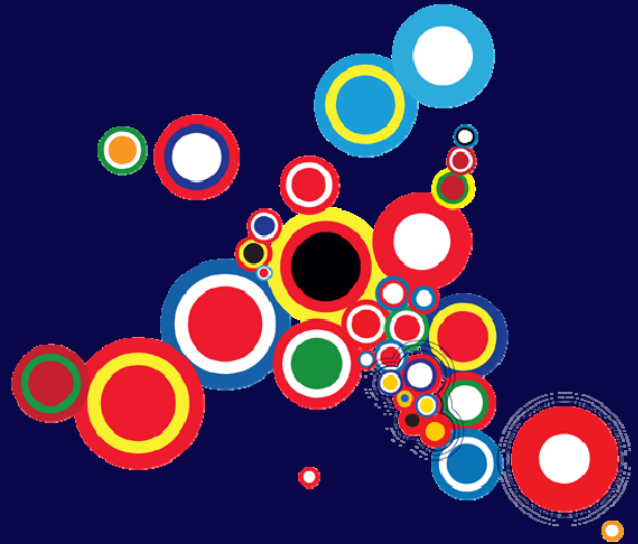




INSTRUMENT FOR PRE-ACCESSION ASSISTANCE (IPA II) 2014-2020

SERBIA

Support to participation to
the EU Programmes



Action summary

This Action represents a continuation of Serbian participation in the EU programmes by co-financing the costs of the "entry-tickets" through IPA 2017 funds which Serbia must pay in areas for which International Agreements have been signed, such as: education, culture, media, health, competitiveness, research, innovation, technological development, etc. This will help Serbia in its continued participation to selected EU programmes during 2014-2020, as well as those programmes Serbia plans to take part to.

Serbia's participation in a broad range of previous Union programmes enabled citizens, institutions, civil society and the private sector to become acquainted with EU values, policies in different fields, legal regulations and their implementation, to gain experience from EU countries related to methods and rules by which the EU functions.

Lessons learned during this process shall facilitate Serbia's preparation to become member state and for using other EU financial instruments in the future. Ultimately this Action shall strengthen Serbia's efforts in meeting the EU accession Agenda.

Action Identification	
Action Programme Title	Annual Action Programme for the Republic of Serbia for 2017
Action Title	Support to participation to the EU Programmes
Action ID	IPA 2017/40498.03/Serbia/EU programmes
Sector Information	
IPA II Sector	Democracy and governance
DAC Sector	43010 (multisector aid)
Budget	
Total cost	13,522,541.08
EU contribution	11,235.886.19
Budget line(s)	Include here the number of budget lines
Management and Implementation	
Management mode	Indirect management
<i>Direct management:</i> EU Delegation <i>Indirect management:</i> National authority or other entrusted entity	Ministry of Finance National Fund
Implementation responsibilities	National Fund
Location	
Zone benefiting from the action	Republic of Serbia, Western Balkans
Specific implementation area(s)	NA
Timeline	
Final date for concluding Financing Agreement(s) with IPA II beneficiary	At the latest by 31 December 2018
Final date for concluding delegation agreements under indirect management	At the latest by 31 December 2018
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 implementing the Financing Agreement (date by which this programme should be de-committed and closed)	12 years following the conclusion of the Financing Agreement

Policy objectives / Markers (DAC form)			
General policy objective	Not targeted	Significant objective	Main objective
Participation development/good governance	<input type="checkbox"/>	X	<input type="checkbox"/>
Aid to environment	X	<input type="checkbox"/>	<input type="checkbox"/>
Gender equality (including Women In Development)	X	<input type="checkbox"/>	<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

With a view to supporting implementation of reforms, among the instruments the European Union uses to strengthen cooperation between EU member countries on one side and potential and candidate countries on the other, in the area of European policies and for a specified period of time, are EU Programmes. For the Republic of Serbia, participation to the EU Programmes represents an opportunity to acquaint itself with the European institutions, legislation and their application in practice, with EU policies as well as with the system of values and mechanisms on which the EU is based.

The Republic of Serbia signed the Framework Agreement on participation to the EU Programmes on 22 November, 2005, which came into force on 27 July, 2005, by which the Republic of Serbia became eligible to use the funds available through this instrument. In the period 2007 – 2013 the Republic of Serbia participated in 12 EU programmes¹. In order to establish the legal basis for participation in each individual EU Programme in the period 2014-2020, an International Agreement (previously a Memorandum of Understanding) must be signed between the European Commission and the Republic of Serbia, which sets the general principles for participation, including administrative capacities (e.g. financial control, satisfactory number of people dealing with their implementation, financial resources for participation, mechanisms of participation in programme management etc.). In order to participate in EU Programmes, Serbia has to pay a contribution in the form of an annual fee to the general budget of the EU (“entry tickets”). IPA National Programmes can be used to a certain extent to complement national funds in the form of co-financing “entry tickets”.

The new EU financial perspective brings about an opportunity for the Serbia to participate to the new EU Programmes for the period 2014-2020. Although most of the new EU Programmes are successors of the previous ones, some changes are introduced in terms of new modalities, administration and dynamics. In particular, significant change in the new programmes' structure is merger of education and youth programmes to Erasmus +, and of Competiveness and Innovation Framework Programme (CIP) with the Programme for Research and Innovation (FP7) into Horizon 2020. So far Serbia signed, and is paying entry tickets to the following International Agreements:

Erasmus+ Programme supports the country's efforts to efficiently use the potential of Europe's human and social capital, while confirming the principle of lifelong learning by linking support to formal, non-formal and informal learning through education, training, youth and sports. The programme also enhances the opportunities for cooperation and mobility with Partner Countries, notably in the fields of higher education and youth. The Ministry in charge of Education, Science and Technological Development and the Ministry in charge of Youth have been participating in the programme implementation and they are responsible for the strategic decisions.

Horizon 2020 is the EU Research and Innovation programme established by Regulation (EU) No 1291/2013 of the European Parliament and the Council of 11 December 2013. The goal of the programme is to ensure that Europe produces world-class science, removes barriers to innovation and makes it easier for the public and private sectors to work together in delivering innovation. The Ministry in charge of Education, Science and Technological Development is in charge of this programme in Serbia.

Cosme is the Programme for Competitiveness of Enterprises and Small and Medium-Sized enterprises. This EU Programme was established by Regulation (EU) No 1288/2013 of the European Parliament and the Council of 11 December 2013, with the goal to strengthen the competitiveness and sustainability of the Union's enterprises, to encourage an entrepreneurial culture, and promote creation and growth of SMEs. Measures that also support this programme include training for writing projects, activities that enable access to new markets and promoting the establishment of many transnational partnerships. The programme

¹ The Framework Programme for Research and Technological Development (FP7), Progress, Culture, CIP, CIP EIP, Fiscalis, Customs, Safer Internet, Lifelong Learning Programme, Europe for Citizens and two programmes, which were carried out through MB IPA: Tempus/Erasmus Mundus and Youth in Action

supports educational exchanges between entrepreneurs (Erasmus for Young Entrepreneurs – EYE). The Ministry of Economy is in charge of this programme.

Creative Europe is the programme for support to the culture and creative sector. The programme consists of two sub-programmes: Culture for the promotion of culture and Media to support the audio-visual sector. The sub-programme Culture promotes cooperation between cultural and creative organizations from different countries, supports initiatives to translate and promote literary works throughout the European Union and develop networks that allow the competitiveness and international presence of the cultural and artistic works. The sub-programme Culture includes four competitions: Cooperation projects, European networks, European platform projects, and Literary translation projects.

The **MEDIA** Programme – is the sub-programme of the Creative Europe programme. The sub-programme Media funds activities relate to the development of the European audio-visual sector, respecting and showing Europe's cultural identity and heritage, promotion of European audio-visual works inside and outside EU, strengthening the competitiveness of the audio-visual sector, facilitating access to financing and promoting the use of digital technologies. The funds shall finance the European Capital of Culture and the designation of European heritage, as well as the European prize for literature, architecture, protection of heritage, film and pop/rock music. Serbia joined the Media sub-programme in 2015.

Customs 2020 programme supports cooperation between the customs authorities of EU member states and candidate countries and potential candidates. The aim is to improve their efficiency, achieve better cohesion, with the aim of avoiding any kind of damage to the Customs Union. The programme supports the following measures: joint actions, seminars and workshops, project groups, teams of experts, administrative capacity building in the Customs administration, studies, information campaigns, the development of IT skills, training to develop necessary professional skills and knowledge in the field of customs.

Fiscalis 2020 is a programme which deals with the exchange of information and experiences between tax authorities of European countries. The aim of the programme is to develop a trans-European information system in partnership with other European countries, and build networks between users in national governments. The programme supports the following actions: combating tax evasion and tax avoidance, tax policy planning and implementation of EU law in the field of taxation through the exchange of information, support to administrative cooperation and increasing the administrative capacity of participating countries in order to reduce the administrative burden of the tax authorities and achieve compliance of costs for taxpayers.

The Europe for Citizens programme aims to promote European identity and European citizenship. The programme is designed for associations, civil society organizations and local self-governments. The general objectives of the programme are financing projects that are aimed at a better understanding of the EU, its history and diversity, as well as the promotion of European citizenship and promotion of civic and democratic participation at the EU level.

EU Programme for Employment and Social Innovation (EaSI) is aimed at achieving a high level of quality and sustainable employment, while ensuring adequate social protection and social inclusion, and preventing and reducing poverty and improving working conditions in the period 2014-2020. The current programme united the three programmes from the previous budget period (Progress, EURES and European Progress Microfinance Facility) and consists of three complementary axes: Progress axis-focused on the modernization of employment and social policy (61%), EURES axis-labour mobility (18%) and Microfinance and Social Entrepreneurship axis (21%). The main objectives of the programme are as follows: promotion of quality and sustainable employment, the fight against all forms of social exclusion, guaranteeing dignified social protection, improvement of working conditions and combating poverty.

EU Programme for **Health** is established by the Regulation (EU) No 282/2014 of the European Parliament and of the Council of 11 March 2014. It is the main instrument of the European Commission to implement the EU Health Strategy. The main objectives are to improve the health system and reduce disparities in the provision of medical assistance. The programme has four areas of support: Health promotion and healthy lifestyles, disease prevention; Protection of EU citizens from serious cross-border health threats; Contribution to the creation of innovative, efficient and sustainable health systems; Easier access to better and safer healthcare for EU citizens. The Republic of Serbia acceded to the European Health programme in March 2016.

The Civil Protection Mechanism coordinates the EU's response to natural and man-made disasters within and outside the Union. It is established by the Decision No 1313/2013/EU of the European Parliament and of the Council of 17 December 2013. The Civil Protection Mechanism facilitates cooperation in emergency response, while activating the Mechanism is envisaged when preparedness and available resources of the country affected by a disaster are not sufficient for an adequate response. States participating in the Mechanism gather resources that can be made available to countries inside and outside the European Union. The European Commission manages the Mechanism through the work of the Emergency Response Coordination Centre – ERCC.

In order to further encourage and support Serbian participation in EU programmes, reimbursement of entry tickets with the decreasing percentage rate compared to IPA 2016 is applied from the IPA 2017 Action programme contribution as presented in the budget table in Annex I.

The overall coordination of EU Programmes in Serbia lies within the mandate of National IPA Coordinator Technical Secretariat (NIPAC TS) whose responsibilities include: programming of IPA assistance to cover parts of entry tickets, reporting to the Government and informing the public about international development assistance including EU Programmes, communication with the EC as the main interlocutor concerning programmes, coordination and organization of the meetings with line ministries.

Individual programmes are coordinated by the responsible line ministries in accordance with EC rules. NCPs, within the ministries, are responsible for coordination of individual EU programmes in Serbia. They perform different tasks related to the program coordination by organizing info days, trainings for applicants, providing specific Programme-related information to potential applicants, advising potential applicants on application preparation, supporting applicants in partner research, seminars, workshops etc.

The following national institutions are responsible for coordination of specific EU Programmes, and are nominated National Contact Points:

- Horizon 2020 – Ministry of Education, Science and Technological Development
- Cosme – Ministry of Economy
- Creative Europe – Ministry of Culture
- EaSI – Ministry of Labour, Employment, Veteran and Social Affairs
- Europe for Citizens – Office for Cooperation with Civil Society Organisations
- Customs – Ministry of Finance, Customs Administration
- Fiscalis – Ministry of Finance, Tax Administration
- Erasmus + - Ministry of Education, Science and Technological Development and Ministry of Youth and Sports
- Health 2014-2020 – Ministry of Health
- Civil Protection Mechanism – Ministry of Interior
- Media – Ministry of Culture

In order to improve visibility of particular EU programmes in Serbia, increase outreach to more potential applicants, support applicants during the application procedure, a few of the EU programmes are coordinated by other structures such as: NGOs (e.g. Foundation Tempus – National Erasmus+ office), internal organisational and coordination structures within Ministries (e.g. the Creative Europe Desk within the Ministry of Culture and the Media Desk within the Serbia Film Centre).

EC General Directorates or their Executive Agencies are responsible for the implementation of individual EU programmes which brings centralization in their management. The latter does not apply to Erasmus +, since Erasmus+ is the only EU programme the management of which is delegated by the Commission to a National Agency in each participating country. The Republic of Serbia started initial preparations necessary for the establishment of future administrative structure designated to become the future National Agency for Erasmus +. This includes the needs assessment and feasibility study of requirements (administrative, legislative, capacity, etc.) which will support national decision makers in determination of administrative body(ies) which will be responsible for indirect management of Erasmus+.

OUTLINE OF IPA II ASSISTANCE

IPA II assistance will provide a share of EU contribution to the EU Programmes entry ticket for 2017. The EU contribution to the entry ticket is decided between the beneficiary and the EC, normally before the

International Agreement (IA) is signed. The participation of the beneficiary in EU Programmes, including payment by the country of the entry ticket, shall follow the specific terms and conditions set out for each such programme in the IA.

Based on the 2008 Enlargement Strategy paper it is possible for the candidate countries and potential candidate countries to request co-financing through IPA of up to 90% of the country contribution to the specific EU Programme in the first year of participation with the following decreasing percentage rate:

- 1st year of participation – up to 90%
- 2nd year of participation – up to 85%
- 3rd year of participation – up to 80%
- 4th year of participation – up to 75%
- 6th year of participation – up to 70%
- 7th and following years of participation – up to 60%.

The Serbian Government must provide not only the national co-financing, but also the funds necessary for the payment of the total entry ticket, prior to receiving the partial reimbursement from IPA.

Serbia has already reserved funds from the State Budget for the financing of the annual contribution (entry tickets) for its participation to the EU Programmes for 2016. Participation of Serbia to the EU Programmes in the previous financial perspective 2007-2013 has been co-financed from IPA funds following the percentages defined in each MoU that Serbia signed with the EC. New International Agreements for the participation of Serbia in EU Programmes do not include percentages of IPA II reimbursement, but stipulate that the Serbian contribution may be financed under the relevant Union external aid instrument, if Serbia so requested.

RELEVANCE WITH THE IPA II STRATEGY PAPER AND OTHER KEY REFERENCES

The continuation of participation of the Republic of Serbia in EU Programmes is reflected and supported by the *Indicative Strategy Paper 2014-2020* (the Strategy Paper) through continuation of IPA support “to co-finance Serbia's contribution for its participation in the EU programmes, subject to the national prioritisation process among the different programmes”. Setting down the priorities of IPA support, the Strategy Paper defines results / targets expected to be achieved during the defined period, in order to enable Serbia to fulfill accession agenda. In this regard, since each EU Programme is reflecting the Strategy Paper sectorial priorities, Serbia's participation in specific Union Programme will additionally support Serbia's efforts in meeting accession criteria.

Therefore, participation to the EU Programmes such as Fiscalis 2020 will contribute to the fight against tax fraud and revenue collection which is in line with the IPA priorities for Serbia in the PAR sector. Participation to the Europe for Citizens programme and Creative Europe programme could benefit the achievement of priorities defined within the Rule of Law sector. Serbia's participation to Horizon 2020 programme and COSME programme are in line with the Strategy Paper priorities defined in the Competitiveness sector. Participation to the Erasmus + programme and the programme Employment and Social Innovation (EaSI) is in line with priorities defined in the HRSD sector. Participation to the Civil Protection Mechanism can contribute to the achievement of priorities defined in the environment sector.

The EC Progress Report 2016 acknowledges that Serbia continues to actively participate in a number of EU programmes: Horizon 2020, Erasmus+, Creative Europe - Culture Sub-Programme and Media Sub-Programme, Employment and Social Innovation, Cosme, Europe for Citizens, Customs 2020 and Fiscalis 2020. Serbia became member of the EU Civil Protection Mechanism and applied for observer status in the EU Fundamental Rights Agency.

This Action shall contribute to all sectors of the *“Priorities for International Assistance in period 2014-2017 with 2020 projections” (NAD)*, by facilitating the preparation of Serbia's accession to the EU, as well as by enhancing the absorption of funds and implementation efficiency.

The NPAA 2014-2018 also recognises the importance of Serbia's participation to the EU Programmes, reflected in numerous sections through identification of preparatory measures and priorities for the inclusion to the new EU programmes 2014-2020 – COSME, HORIZON 2020, Copernicus, Erasmus +, etc.

Furthermore, the Action is in line with the *Enlargement Strategy* in such a way that the proposed activities will contribute to the achievement of full compliance with all membership criteria.

LESSONS LEARNED AND LINK TO PREVIOUS FINANCIAL ASSISTANCE

Participation of Serbia to the EU Programmes is of primary importance to Serbia's European efforts. This participation was therefore, encouraged by providing EU funds under National IPA Programmes for 2007 (EUR 2,000,000), 2008 (EUR 5,000,000), 2011 (EUR 6,000,000), 2012 (EUR 4,169,995), 2013 (EUR 6,500,000), 2014 (6,563,840), 2015 (12,089,326) and 2016 (10,900,000).

The recent experience of Serbia's involvement in EU Programmes shows that Serbian citizens and institutions had access and opportunity to acquaint themselves with the EU standards, different EU policies, successful solutions and experience from EU countries, etc. The participation of Serbia to EU Programmes has contributed to a deeper knowledge and capacity-building of many stakeholders when dealing with European issues and projects.

Since the new financial perspective of IPA II started in 2014, there are no recent evaluations of Serbia's participation to the EU programmes. International Agreements for participation in 11 EU programmes were signed in the course of mid-2014 until March 2016 which did not leave much time for proper statistics and analysis.

However, the "Evaluation of participation of the Republic of Serbia to the EU Programmes in the period from 2007-2012", indicates that there is a need for a strong national coordination mechanism between all relevant institutions responsible for EU Programmes in the Republic of Serbia in order to ensure: effective and efficient participation to the EU Programmes; absorption of available funds cost effectiveness of the entry ticket payment. In addition, the evaluation pointed out that regular exchange of information between EU and line ministries must be secured, in order to enable national authorities to regularly monitor, on an annual basis, the efficiency and effectiveness of Serbia's participation to the U Programmes as well as the progress in alignment of the Serbia's strategic goals with the EU programme-financed initiatives.

The above document noted many shortcomings and bottlenecks during the withdrawal of available EU Programme funds, as well as during the implementation of projects per Programme. Furthermore, it showed that: existing capacities for both management and application to the Union Programmes shall be additionally strengthened in order to maximise the benefits Serbia can draw from the programmes it participates to, including the weak position of the National Contact Points (NCPs) within relevant ministry structures, timely execution of the annual entry ticket for programme participation, and the lack of knowledge related to project preparation and project management. Additional trainings and awareness-raising should also be envisaged in order to strengthening institutional capacities of programme coordinators and potential beneficiaries. It will also be necessary to ensure and deliver better access to information for all potential applicants, as well as budget support for partial co-financing of these projects.

The analysis pointed out few constraints which remain to be addressed in order to improve effectiveness and efficiency of EU programmes in Serbia and increase the cost-benefit ratio of Serbia's expenditures related to participation to the EU programmes. In this regard, the Analysis indicated that potential EU programme stakeholders and beneficiaries still lack systematic support in managing and implementing the EU programmes (some irregular capacity building support is provided by responsible ministries, but more on ad-hoc basis). In particular, NCPs, bodies responsible for implementation and management of EU programmes and potential applicants do not have the necessary knowledge related to either understanding the specific programme application or implementation requirements nor do they have the adequate knowledge for project preparation and management.

Taking into account that during the previous financial perspective, the VAT exemption procedure was not possible for all EU Programme beneficiaries in Serbia, applicants faced a serious financial burden in covering the VAT costs from their own resources. Within the new financial perspective, progress has been made in this respect. Consequently, the Framework Agreement between the Republic of Serbia and the European Commission on the arrangement for the implementation of Union financial assistance to the Republic of Serbia under the Instrument for Pre-accession Assistance (IPA II) has been signed in December

2014 and ratified by the National Parliament in December 2014. The Framework Agreement defines that contracts concluded under the EU programmes in the new financial perspective are eligible for VAT exemption.

2. DESCRIPTION AND IMPLEMENTATION ARRANGEMENTS

INTERVENTION LOGIC

Objective:

- To ensure participation of the Republic of Serbia to the Union Programmes by co-financing the costs of the entry-tickets/participation fees to be paid in areas such as: education, youth, culture, customs, tax, employment, social sector activities and innovation, SMEs, research and innovation, health, civil protection.

Result:

- Enhanced participation of the Republic of Serbia to the Union Programmes, including an increased exchanges with EU Member States;
- Strengthened ownership and responsibility of the Republic of Serbia (including in financial terms) for participation to the Union Programmes.

Indicators:

- Number of EU Programmes to which Serbia takes part in;
- Number of institutions and organisations benefitting from EU Programmes and initiatives.

IMPLEMENTATION ISSUES

IPA funds of year N co-finance entry tickets / participation fees for year N+1 or in case of front-loading also for years N+1 and N+2 [e.g. participation fees for 2014 are co-financed by IPA 2013; IPA 2014-2020 would co-finance 2015-2021 fees, i.e. the last year of IPA co-financing is falling outside this financial framework].

The participation of the IPA II beneficiary to the Union Programmes, including payment by the country of the entry ticket/participation fees, shall follow the specific terms and conditions set out for each programme in the relevant International Agreement. Co-financing rates from the previous participation shall be taken into account, and in line with the principle of increasing the Republic of Serbia ownership and responsibility, IPA funding rates shall decrease over the years in real or relative terms (see "Outline of IPA II assistance" above).

The Republic of Serbia must not only provide the co-financing but also the funds necessary for the payment of the total entry ticket, prior to receiving partial reimbursement from IPA II. The reimbursement will be paid as a grant to the Republic of Serbia.

The Serbian European Integration Office (SEIO) will be responsible for coordination of the Activities related to this AD. SEIO was established on 14 March 2004, as a Serbian Government service. SEIO's scope of work is regulated by Article 2 of the Decision of the Government of the Republic of Serbia on the establishment of the European Integration Office ("Official Gazette of RS", no. 75/05, 63/06, 126/07, 117/08, 42/10 and 48/10). By the Decree amending the Decree on establishing European Integration Office from June 2010 (Official Gazette of RS, no. 42/10), the scope of work of SEIO was expanded to participation in coordinating activities in the area of planning and using European funds, donations and other forms of foreign development assistance. The Department for planning, programming, monitoring and reporting on EU and development assistance funds is performing the role of the National IPA Coordinator (NIPAC) Technical Secretariat.

The NIPAC will regularly monitor the participation rates and report on them as well as on co-financing trends in the context of IPA monitoring committees. The IPA II monitoring process is organized and lead by the NIPAC/NIPAC TS. The NIPAC is the main interlocutor between the Serbian Government 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. The NIPAC, together with the National Fund being in charge for the actual administration of payments/reimbursements, will regularly monitor the participation rates and report on

them, as well as on the co-financing trends in the context of IPA monitoring committees. The NIPAC monitors the process of programming, preparation and implementation, as well as the sustainability and effects of Actions aiming to improve these processes, timely identify, remedy and alleviate potential issues in the process of programming and implementation of these Actions.

