

ANNEX II

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

ACTION DOCUMENT “EU FOR CONNECTIVITY AND GREEN AGENDA”

1. SYNOPSIS

1.1. Action Summary Table

Title	Annual Action Plan in favour of the Republic of Serbia for 2021 Action Document for EU for Connectivity and Green Agenda		
OPSYS number	CRIS 2021/043-652		
Basic Act	Financed under the Instrument for Pre-accession Assistance (IPA III)		
Team Europe Initiative	No		
Zone benefiting from the action	The action shall be carried out in the Republic of Serbia		
Programming document	IPA III Programming Framework		
PRIORITY AREAS AND SECTOR INFORMATION			
Window and thematic priority	Window 3: Sustainable Connectivity and Green Agenda Thematic Priority 1: Environment and climate change Thematic Priority 2: Transport, digital economy and society, and energy		
Sustainable Development Goals (SDGs)	Main SDG (1 only): Goal 14: Promote the transition towards sustainable energy sector development Other significant SDGs (up to 9) and where appropriate, targets: Goal 5. Achieve gender equality and empower all women and girls Goal 7. Ensure access to affordable, reliable, sustainable and modern energy for all. Goal 8. Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all Goal 9. Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation Goal 11. Make cities and human settlements inclusive, safe, resilient and sustainable. Goal 12: Responsible consumption and production Goal 13: Climate Action, Take urgent action to combat climate change and its impacts		
DAC code(s)	Main DAC code – 41010		
Main Delivery Channel @	Government of the Republic of Serbia		
	General policy objective @	Not targeted	Significant objective
			Principal objective

Markers ¹ (from DAC form)	Participation development/good governance	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Aid to environment	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	Gender equality and women's and girl's empowerment	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Trade development	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Reproductive, maternal, new-born and child health	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Disaster Risk Reduction	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Inclusion of persons with Disabilities	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Nutrition ²	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	RIO Convention markers @	Not targeted	Significant objective	Principal objective
	Biological diversity	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Combat desertification	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Climate change mitigation	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	Climate change adaptation	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	Internal markers³	Policy objectives	Not targeted	Significant objective
Digitalisation		<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Migration ⁴		<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Covid-19		<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
BUDGET INFORMATION				
Amounts concerned	Budget line : 15.020201.02 Total value : EUR 100,700,000.00 EUR Total EU contribution : EUR 63,200,000.00 Out of which EUR 37,500,000.00 for indirect management with IPA III beneficiary.			
MANAGEMENT AND IMPLEMENTATION				
Type of financing and method(s) of implementation	Project Modality Direct management through: - Procurement Indirect management with entrusted entities: Outcome 3 may be implemented in indirect management with KfW and/or EBRD.			

	Indirect management with the Republic of Serbia through works, supply and service contracts
Relevant priorities and flagships from Economic and Investment Plan for the Western Balkans	<ul style="list-style-type: none"> - Sustainable transport - Clean Energy - Environment and Climate
Final Date for conclusion of Financing Agreement	At the latest by 31 December 2022
Final date for concluding contribution / delegation agreements, procurement and grant contracts	3 years following the date of conclusion of the Financing Agreement, with the exception of cases listed under Article 114(2) of the Financial Regulation
Indicative operational implementation period	72 months ⁵ following the conclusion of the Financing Agreement
Final date for implementing the Financing Agreement	12 years following the conclusion of the Financing Agreement

1.2. Summary of the Action (1/2 page max)

The Action will promote the green agenda by reinforcing environmental protection, contributing to energy efficiency, accelerating the shift towards a low-carbon and circular economy and improving the transport sector. The Action will have a significant impact on waste management through improving waste management in the Regional Waste Management Centre Novi Sad, and improve the management and negotiation capacity of the Ministry of Environmental Protection.

The Action will support the maintenance, efficiency and service delivery of the transport sector, and promote energy efficiency.

Legal harmonisation is a long process starting from the transposition of EU legislation into national law to its effective implementation. In this regard, it is necessary to provide support to the harmonisation process with EU legislation and the implementation of reforms and law enforcement.

It will be necessary to support all actions contributing to the reform process in the road and rail sector. The most important segments of the reform process relate to strengthening the institutional arrangements in the road and rail sector, as targeted by the Action. In addition, one of the main priorities in the area of transport is to improve coordination and collaborative decision making between all stakeholders. This collaboration will compensate growth in CO2 emissions through the use of repaired material with prior examination of whether it is suitable for further use. Finally, this Action will lead to better transport services (primarily rail passenger) and cost reduction (primarily through monitoring the system of road network maintenance costs and reuse of materials).

The Energy sector needs comprehensive political, legislative, infrastructural and structural reforms that are crucial for sustainable economic growth and increased competitiveness of Serbia, especially within the scope of ongoing changes to European energy policy (e. g. the clean energy package). Reforms include building efficient infrastructure to diversify energy sources and supply chains, liberalizing the market and investing in cleaner and more efficient technologies as to provide energy consumption reduction and thereby reduce costs. The objective and priorities also reflect the principles of good governance, in particular those related to sound policy planning, implementation, reporting and evaluation in line with the EU principles of public administration, with a particular focus on public policy management. One of the main priorities in the energy sector is energy efficiency and establishment of sustainable ways of financing energy efficiency projects and strengthening capacities in area of energy efficiency that will be supported through the Action.

2. RATIONALE

2.1. Context Analysis

The Green Agenda and Sustainable Connectivity Window is heavily reliant on significant infrastructure investment to be able to comply with Serbian legislation and meet the requirements of the EU *Acquis*. Current estimates are that for environmental infrastructure alone EUR10 billion are urgently required to protect the environment and achieve a level of sustainability in line with EU requirements. Added to this are investments in the transport and energy networks, their operation and maintenance and the entire project cycle from identification to implementation to assure investors that the capacity to manage a programme of this size is available and can be absorbed. Key areas that will need to be addressed in the medium term to deliver a successful programme are the low cost of energy, water, wastewater and waste management to the end consumer because of the very low levels of average income in the country. Especially in medium size towns and municipalities affordability and the associated Cost Benefit ratios are near impossible to meet without significant increases in disposable household incomes. None of this can be addressed in the short term with stand-alone interventions which is why the focus on incrementally ratcheting up economic performance of the country and its regions is central to the success of the investments sought in this window under IPA III.

So far major infrastructure investments in the environmental sector can only go ahead in the major economic centres of Serbia or where the role of central government is more active than in many countries with more resources. This role of central government is both strategically and financially key to be able to improve environmental infrastructure as well as ensuring a more sustainable development cycle which leads towards a more circular economy. In order to support circular economy in Serbia, the program for circular economy with an action plan for three years will be developed during 2021. This document will define measures and activities that will help implement the concept of circular economy in Serbia in the period 2022-2024. Environmental infrastructure and transport infrastructure are key to attract investment by providing quality locations for investors, which in turn leads to increased GDP and, if managed well, increased disposable income. In a similar argument energy efficiency is low. Investments are therefore urgently sought to improve the energy efficiency of the distribution network but also primarily of the end user and the housing sector. This would provide opportunities for further investments in the local economy whilst freeing up resources in the energy supply network thus creating much sought 'win-win' situations.

The government is looking to achieve this with support from the international community and their strategic partners in the EU. The commitment is firmly anchored in achieving EU membership to provide the underlying impetus for improvement of the economy hand in hand with the environmental improvement as one of the drivers of the economy. In that sense, increasing the standards of environmental protection (especially in the sectors of wastewater treatment and solid waste) and protection of the health of its citizens (primarily within the framework of improving air quality) is amongst the highest priorities of this Government. The ability to meet EU directives in these fields are the long-term targets to be achieved along the lines of the Directive Specific Implementation plans and their associated financial plans which are already elaborated for the most important requirements Serbia has.

This implies the development of line infrastructure, primarily water supply and sewerage networks, then drinking and wastewater treatment plants, both communal and industrial. In waste management the construction of regional sanitary landfills is a priority for Serbia, with all the necessary and accompanying modern infrastructure, primarily the development of primary waste separation in households, collection, separation and transport on recycling islands, transfer stations and separation lines, securing recycling and reuse of secondary materials into new valuable productions, and only then, and only as a last resort, permanent disposal at a sanitary landfill. This approach is in line with the circular economy objectives and supporting achieving Chapter 27 obligations. In terms of air quality and protection, in addition to expanding the air monitoring network and timely and transparent notification of citizens on air quality, this Government's priority is the adoption and implementation of a new strategic and legislative

framework, as well as investments in heating system modernization by changing boilers on burning alternative fuels, incentives for households to invest in more efficient heating systems or to connect to district heating systems, and reduction of traffic pollution through specific financial instruments and changes in regulations. Much emphasis will be put on enforcing the obligations of all stakeholders in the system - from the polluters, local governments and national institutions in order to establish financial flows that will allow for sustainable improvements of the system and with it to permanently adjust the legal framework so that it can be fully harmonised with EU directives and regulations. These will include support to off-grid solutions such as heat pumps and solar power where these are cost efficient and implemented in conjunction with improved insulation.

Serbia's location at the centre of the South East European transport system has long been recognised and early infrastructure is now in urgent need to be upgraded to be made fit for the demands of modern mobility, development of the economy and social linkages. As such, it is an important factor in the integration of Serbia into Europe. The objective is for the Serbian transport system to become part of the European transport system with similar modes of management and standards.

In general terms this translates into the following objectives for the transport sector: (1) to promote smart, sustainable, inclusive, safe transport and (2) to remove bottlenecks in key network infrastructures. In accordance with that, Serbia is investing efforts to modernize transport infrastructure and to introduce modern standards in all the segments of the transport system. That is a complex and costly process (the transport sector received 10.55% of the total budget allocated to all sectors in the period 2019-2021.) which needs to be accompanied by significant reforms in the sector to ensure that it has the sought positive effect on economic and social development. The Government's efforts in driving the reforms forward were positively assessed in the Commission 2021Report , will be continued in the future as planned to enable more efficient use of public funds and more efficient integration of the transport infrastructure into the TEN-T network, while respecting the principles of environmental protection. They are:

- Continuation of the reform of the railway sector, in order to create a quality environment for the functioning of the railway market to, provide a better service to users and enable further development of environmentally friendly mode of transport.
- Reform of the road sector, especially maintenance of road infrastructure and strengthening the institutional arrangements in the road sector.
- To further support the Green deal by assessing, possibilities for further usage (re-use or permanent disposal) of materials in construction, reconstruction and maintenance transport infrastructure.

In particular, Serbia is focused on reconstruction and modernization of railway corridor X, which is an integral part of extended TEN-T Core network. In this regard, the project of modernization and reconstruction of Belgrade – Nis – Presevo (border with North Macedonia) railways line is recognized as a priority. The overall project is divided in two Phases: Phase 1: Belgrade – Nis (243km) and Phase 2: Nis (Brestovac) – Presevo (130km). The project documentation will be done in accordance with the EU TSI (Technical Specification of Interoperability) and thus ensure interoperability of the respective line with the rest of the EU railway corridor. According to the Project Work plan works are expected to commence in March/April 2022. Works and Supervision of works would be funded by EIB and EBRD loan and EU grant funds channelled through the Western Balkan Investment Framework (WBIF), while this Action may support the technical assistance to the Project Implementation Unit based in Infrastructure Railways of Serbia, the Project promoter.

Serbia's energy sector accounts for about 4% of the country's GDP. Energy intensity in Serbia is several times higher than in the EU member states with about 35% of energy consumed by private households, and 10% by commercial and public services. In Serbia, consumption of heat energy represents more than 60% of all final energy consumed in households while about 13% is spent on preparation of hot sanitary water and about 10% is used by household appliances. The construction sector, and particularly the residential sector, is the most challenging for the implementation of systematic measures for improvement of energy efficiency. First there is the economic situation of household with incomes very low, but also the level of awareness of the population. To increase the contribution of the energy sector to economic growth, it is necessary to improve energy efficiency and the harmonisation of the legislative framework with the EU *Acquis* is an opportunity to put this in place beyond the national borders of Serbia and achieve a greater degree of regional cooperation.

Improving energy efficiency requires increase of financial resources, establishment of better institutional framework and strengthening human capacity for energy efficiency at the Ministry of Mining and Energy, cooperation and coordination with stakeholders, as well as the introduction of the energy management system. Most of the projects financed from the National Budget Fund for energy efficiency is related to improving the thermal envelope of

buildings and thermo technical system. This leaves little room for reforms in the institutional framework and system improvements.

In 2019, almost 10% of Serbian households had difficulties in keeping their homes adequately warm, while this was the case for 7.3% of households in the EU. Women are at greater risk of energy poverty and exposure to health and environmental energy-related hazards. To address energy poverty and its gender specific outcomes it is necessary to develop a set of tools and policy instruments to successfully integrate gender specific actions into the energy sector. Multiple barriers related to behaviour and financial capacities need to be removed in order to improve access to more efficient low cost and low maintenance appliances for most vulnerable groups, reducing, therefore, energy poverty wherever possible.

All of the above has repercussions for the Public Financial Management Reform Program. It enshrines the principles of environmental and social protection as well as energy efficiency in the law as one of the cornerstones of public procurement. As a result, Lifecycle Guidelines have been developed to ensure that these principles are applied throughout the system with a view to further promoting green procurement. There are plans to conduct an analysis of the current state of play in this area in order to establish whether and to what extent the RSCA (Republic of Serbia Contracting Authority) takes into consideration energy-saving and environmental criteria when launching public procurement procedures and what are the main obstacles to the procurement of green products or services. Based on the result of this analysis, guidelines will be prepared for the RSCA and economic operators containing recommendations and best practices for green procurement. In addition, a model of standard environmental technical specifications for specific products will be prepared as part of the guidelines.

Overall, the Green Agenda and sustainability in all aspects of economic development and infrastructure provision is well advanced and at the centre of modernisation of the system. The next steps to achieve compliance lie in the development of capacity throughout the system to attract and manage the much-needed investment.

2.2. Problem analysis by areas of support

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

AREA OF SUPPORT #1: ENVIRONMENT AND CLIMATE CHANGE

Novi Sad - Regional waste management project

Short problem analysis

Disposal of mixed non treated waste in non-compliant landfills, therefore production of significant quantities of biogas and heavily polluted leachate is causing severe environmental threats. Local authorities and waste operators in general suffer from a lack of or obsolescent waste infrastructure, waste collection equipment is out-dated and waste selection is at a low level. Novi Sad as a second biggest city in Serbia with about 400,000 inhabitants, disposes an average annual amount of waste of about 487,000 m³⁶ at the city's non-compliant landfill. One of the biggest investments in the waste subsector is needed for the regional waste management system in Novi Sad as the second largest Regional Waste Management Centre (RWMC) in Serbia. The RWMC Novi Sad includes the city of Novi Sad and 7 municipalities⁷ with the total population in the region 539,127 (2011 census) and needs to introduce waste management in line with EU standards to comply with the new directives on waste management

Description of main stakeholders:

The MoEP has responsibilities over planning and policy development, registration, issuing permits and licensing, organization of an effective waste management system in Serbia. The Government of the Autonomous Province of Vojvodina, the Provincial Secretariat for Urbanism and Environmental Protection is responsible for the design and implementation of waste management policy on its territory. The waste management regions are formed through voluntary cooperation of local self-government units. Regional or inter-municipal cooperation protocols need to be established. The provision of municipal solid waste collection and disposal services is typically undertaken by the local PUCs, owned and directed by local self-government.

Improving Chapter 27 planning and implementation

⁶ <http://www.sepa.gov.rs/index.php?menu=2072&id=1006&akcija=showExternal>

⁷ Backa Palanka, Backi Petrovac, Beocin, Zabalj, Srbobran, Temerin and Vrbas

Short problem analysis:

The Progress Report for 2020 states that Serbia achieved some level of preparation in the area of environment and climate change. Overall, Serbia made limited progress in the past year, mainly on strategic planning. Strategic frameworks which guide the implementation of Chapter 27 requirements consists of the following: (1) national sectoral strategies, (2) the directive specific implementation plans, (3) investment and financing as well as institutional capacity development plans. The capacities of the Ministry of Environment Protection (MoEP) are too weak to effectively manage the negotiation process and coordinate the work under membership conditions. The MEP needs support in the process of Serbia's EU accession in the field of environmental protection. In particular, to improve the strategic planning framework in order to comply with negotiated obligations, the legal framework for implementation of the environmental *acquis* and to guide the implementation of EU accession obligations through effective monitoring of progress with Chapter 27 – Environment and Climate Change. The final goal is to close Chapter 27 – Environment and Climate Change and successfully fulfil the obligations contained in Chapter 27 and thus provide Aid to the Environment.

Description of main stakeholders:

MoEP is the lead institution in the Negotiating Group for Chapter 27, and thus responsible for reporting to the European Commission (EC) on the overall progress during EU negotiations process. It also coordinates activities with other institutions involved in environmental and climate change *acquis* implementation.

Complementarity with national strategies:

By enhancing institutional capacities, development national sectoral strategies and further improvement of the directive specific implementation plans and multiannual investment and financing plan this intervention will contribute to the objective of **the Environmental Approximation Strategy 2011-2019 (EAS)** and implementation of the Negotiating Position for Chapter 27 as approved by the Government of Serbia January 2020.

AREA OF SUPPORT #2: TRANSPORT

Support in implementation of the Service Level Agreement (SLA) and further development of Performance-Based Maintenance (PBM)

Short problem analysis:

The road sector reform is seeking to make the road system management more efficient and effective. Especially road maintenance has become an issue because of the bad state of roads in Serbia. One of the problems with this that there is no clear division of responsibility and budgetary authority for road maintenance. The result is a difficult and slow process of negotiation between the MCTI and the Public Enterprise Roads of Serbia (PERS) on many issues surrounding road maintenance. To attain European standards in road safety, the maintenance system has to be improved to provide faster and more reliable services. All these are to be performed by PERS, but have not been integrated into a Service Level Agreement which would create clarity and responsibility in line with the new legal environment.

Drafting and putting into action a Service Level Agreement between the MCTI and PERS reflecting the new realities and budgetary decisions is critical to continue the ongoing reforms as it requires a new definition of levels of service and performance and budgetary needs which are currently blocking critical progress to the rehabilitation of the road network.

Description of main stakeholders

The Ministry in charge of Transport (MCTI) is the leading institution of the sector which has overall responsibility for the development, management and coordination of the different transport modes. The Ministry is also leading the negotiation process on Chapter 14 and 21. The Negotiation Positions for the chapters were adopted by the Government on 25 October 2018 and submitted to the EC.

PERS performs professional activities referring to permanent, continuous and good-quality maintenance and preservation, exploitation, construction, reconstruction, organization and control of toll collection, development and management of I and II category state roads in the Republic of Serbia.

Complementarity with national strategies:

This Action would contribute to the realization of the actions from Plan of Rail, road, inland waterway, air and intermodal transport development in the Republic of Serbia from 2015 to 2020 through more effective use of resources available for road infrastructure maintenance and development. Also, the Action entirely corresponds to the goals in the Action Plan for Public Administration Reform. The conclusion and the implementation of the SLA

will establish a methodology for measuring the results/performance of the public service providers (Measure 3.1.3., Activity 8), as well as clear lines of responsibility between institutions and measurement of performance on the institutional level (Measure 4.1.1., Activity 1).

Improvement of roads construction/reconstruction practice through further development of construction materials following the contemporary engineering and environmental standards

Short problem analysis:

In Serbia current estimates show that road surfacing construction waste represents 5-10% of the total construction waste. This is currently used by local governments to repair uncategorized roads in their jurisdiction. However, none of the waste is examined whether it contains harmful substances and used without further inspection. Whilst this constitutes the re-use and/or recycling of resources there is a risk of contamination that will need to be assessed and mitigated.

The Action will address this problem by examining the possibility of re-using recycled material generated as waste in road maintenance, through examining European best practice in this area. Based on the analysis, the Action will include the definition of criteria for re-using of recycled materials and preparation of technical guidelines for the use of recycled materials in road construction and safe disposal of unusable materials

Description of main stakeholders

The MCTI is the leading institution of the sector which has overall responsibility for the development, management and coordination of the different transport modes. The Ministry is also leading the negotiation process in Chapter 14 and 21. The Negotiation Positions for the chapters were adopted by the Government on 25 October 2018 and submitted to the EC.

PERS performs professional activities referring to permanent, continuous and good-quality maintenance and preservation, exploitation, construction, reconstruction, organization and control of toll collection, development and management of I and II category state roads in the Republic of Serbia.

Complementarity with national strategies:

This Action would contribute to the realization of the actions from Plan of Rail, road, inland waterway, air and intermodal transport development in the Republic of Serbia from 2015 to 2020 through more effective use of resources available for road infrastructure maintenance and development.

Also, the use of recycled materials will contribute towards environment preservation and in accomplishment of the strategic goals in accordance with the Waste Management Strategy and will support promotion of the Circular Economy.

Study of the volume of passenger transport in the Republic of Serbia within the public service obligation (PSO)

Short problem analysis:

In accordance with the Law on Railways, the competent authority (ie. the Government/MCTI) needs to determine the Public Service Obligation (PSO), which includes determining the scope (the lines) and frequencies (number) of all the trains that are supposed to be covered by a contract with a railway operator. However, current practice is that the MoCTI relies on the scope and the frequencies of the service proposed by the railway operator themselves. The issue with such approach is, it is dependent on the management capacity of the railway operator (the allocation and use of his staff and vehicles), and to a lesser extent to the market needs and the actual flows of passengers. Without the appropriate tool, the competent authority in the process of determining the PSO, has to rely on the proposal of the operator which often leads to unsatisfactory arrangements for the end user and limits the use value of public transport significantly.

This Action includes the collection of historical travel data, counting passengers at railway stations, bus stations and highways to develop a model that will identify the required passenger transport services by rail (route, train departure time, frequency, etc.) and prepare guidelines / methodologies for determining the scope and frequency of PSO services. By examining the needs of the market and defining the timetable in accordance with the real needs of passengers, a better service will be provided to citizens.

Description of main stakeholders

The Ministry in charge of Transport is the leading institution of the sector which has the overall responsibility for the development, management and coordination of the different transport modes. The Ministry is also leading the

negotiation process in Chapter 14 and 21. The Negotiation Positions for the chapters were adopted by the Government on 25 October 2018 and submitted to the EC.

“Serbia Train” was established by the decision of the Government of the Republic of Serbia since July 2, 2015 for railway passenger transport. MoCTI defines Serbia's train as a public transport obligation, through the PSO Agreement.

Complementarity with national strategies:

The Strategy for Railway Institutional and Infrastructure Development in Serbia 2012-2021 and Action plan identifies a clear-cut vision of the sector, with spending the public funds through the PSO which shall be transparent, accounted for and tied to performance indicators. This Action contributes to the realization of this vision through enabling a clear determination of PSO services which are justified to become nominated for PSO compensation.

Technical Assistance to Project Implementation Unit responsible for modernization of Railway Corridor X (Belgrade – Nis – Presevo) within the Infrastructure Railways of Serbia

Short problem analyses

Implementation of railway corridor X modernization and reconstruction project in a timely manner and in accordance with the EU standards and norms, both in terms of technical, environmental standards and principles of transparent procurement calls for strengthening capacities of the PIU within the IRS. The TA should assist, among other tasks and assignments, the PIU in doing:

- Review of design documentation and ensure full compliance with the EU standards
- Review the Tender documentation for all subsections to be tendered.
- Assist IRS in complaining with resettlement policy framework and corresponding Action plan
- In performing the procurement processes in accordance with EIB guide for procurement
- Testing and commissioning, including EU TSI certification process.

The EU TA for PIU would serve as technical and procurement mentor supporting the Project promoter and corresponding with the several works contractors and supervising engineers to be tendered by IRS under the control of EIB.

Description of main stakeholders

The Ministry in charge of Transport is the leading institution of the sector which has the overall responsibility for the development, management and coordination of the railways transport modes. The Ministry is also leading the negotiation process in Chapter 14 and 21. The Negotiation Positions for the chapters were adopted by the Government on 25 October 2018 and subsequently submitted to the Commission.

“Serbia Train” was established by the decision of the Government of the Republic of Serbia since July 2, 2015 for railway passenger transport.

Complementarity with national strategies:

This Action would contribute to the realization of the actions from Plan of Rail, road, inland waterway, air and intermodal transport development in the Republic of Serbia from 2015 to 2020.

AREA OF SUPPORT #3: ENERGY

Support for operation of Energy Efficiency Fund

Short problem analysis:

Serbia has very low level of energy efficiency in all sectors of consumption whilst the strategic direction of energy sector development is determined by national legislation as well as internationally assumed obligations. In accordance with the Law on Efficient Use of Energy⁸, a budgetary fund for improvement of energy efficiency was established and started operation in 2014 to support implementation of the measures for energy efficiency. This was not a special purpose vehicle for funding energy efficiency measures, but a budget line in the budget of the Ministry in charge of energy. Financial support by this Budgetary Fund is provided by Annual Financing Programme adopted by the Government in the form of a Decree each year. This programme sets the objectives, the energy efficiency measures to be financed, the method of financing and its promoters. The Programme bearers are the Republic of

⁸ Official Gazette of RS”, No. 92/13

Serbia, local self-government units, companies or other legal entities founded by the LSGU the autonomous province or the Republic of Serbia. Between 2014 and 2017 the Budgetary funds available were limited. The budget allocation for the Fund's operation has been substantially increased after introduction of a fee for energy efficiency in December 2018. In 2019 local self-government units were granted EUR 2.76 million from the programme for financing activities and measures to improve energy efficiency from the total of EUR 4.25 million available in the fund. The same amount was provided by the Government for 2020. In 2020, commercial banks supported by EBRD and GEF, offered consumer credits for energy efficiency improvement to citizens.

In April 2021 was adopted the new Law on Energy Efficiency and Rational Use of Energy, which was supported by IPA 2014 Project "Technical assistance to the Ministry of Mining and Energy and relevant public entities for the implementation of the new Energy Law, NEEAP and RES Directive". The Law contains provisions regarding establishment of the Directorate for Energy Efficiency which will be established within the Ministry of Mining and Energy as a separate legal entity. The Directorate will have a certain independence from the Ministry and can start its operation based on the procedures developed for the Budgetary Fund, however, there will be a need to develop new allocation and monitoring procedures particularly regarding financing of rehabilitation of residential buildings as well as other activities with citizens.

In the coming period, it is necessary to set the EE Fund as a separate institution and the ability to make the EE Fund sustainable in terms of regular funding. Additionally, for EE Fund operation in improving energy efficiency, it is necessary to support staff training and strength the capacities for operation. The main task of the EE Fund will be to overcome the bottlenecks in the energy efficiency sector, in terms of absence of best practice examples as well as in preparation of public calls, preparation of documentation, evaluation of projects, etc. Special fund activity should be a support gender equality and encouraging women's participation in the area of energy efficiency activities.

Currently, there is no definition of energy poverty in Serbia. Various studies and reports, however, show that gender inequalities are prevalent in almost all areas of social life in Serbia, especially in the economic sphere, the labour market and when it comes to decision-making power, thus making women more susceptible to energy poverty. The data on poverty, published by the Statistical Office of Serbia show that elderly women are at greater risk of poverty compared to elderly men – in 2019 the at-risk-of-poverty rate for men older than 65 years was 18.3% and for women of same age, 23.2%. As women and men have different energy needs, priorities and consumption patterns, it is important to explore the position of women in this domain and strive to better understand intra-household dynamics in order to create policies which will reach to women and allow them to get benefits of measures aimed at eradicating energy poverty.

Experience shows that in most cases the most vulnerable consumers (e.g. woman-led households) are at risk of energy poverty and do not have access to financial resources, due to the lack of sufficient knowledge and information, because resources are mainly targeting and prioritizing larger users in order to achieve larger EE savings, and due to high upfront costs. In addition, COVID-19 effects shifted priorities in household spending and especially the most vulnerable users are not able to afford to change to more efficient appliances. Therefore, a set of activities will be designed to mainstream gender into the energy sector (including the EE Fund) and to target energy poverty while ensuring that financial support to households, particularly vulnerable ones is secured.

Description of main stakeholders

The Ministry of Mining and Energy is responsible for harmonizing the development of energy sectors at the national and local level; rational use of energy and energy efficiency; climate change in the field of energy and environmental protection; cooperation and communication with international development and financial institutions dealing with the financing of local utility projects; coordination of activities of participants in local communal infrastructure projects etc.

Local self-government units perform the activities related to preparation of the plan of energy efficiency activities in its planning acts in accordance with the Strategy and Implementation Programme, Action Plan and other bylaw documents.

Complementarity with national strategies:

Support for operation of Energy Efficiency Fund is complementary with Energy Sector Development Strategy of the Republic of Serbia until 2025 as this strategy acknowledges energy efficiency as a "new domestic energy source". All three strategic priorities defined in strategy include the energy efficiency aspect. Energy efficiency is one of the priorities in terms on switching to "sustainable energy". Improving energy efficiency in the household sector that is the outcome of this intervention addresses Strategy's strategic goal: Creation of conditions for improvement of energy efficiency in all energy sectors, as well as in final consumption.

Regarding Program for the Implementation of the Energy Sector Development Strategy for the period 2017-2023 (POS) Serbia has set its goals for energy efficiency by 2020 in the form of cap consumption for primary and final energy. Thus consumption of primary energy must not exceed 17.981 million toe of primary energy, i.e, final energy must not exceed 13.103 million toe. POS has identified priority measures and activities in energy efficiency field, among which Establishment of sustainable ways of financing energy efficiency projects and strengthening capacities in area of energy efficiency.

Finally, the Roadmap for low carbon economy 2050 in its scenario for decarbonisation presumes high energy efficiency, including more strict requirements for new products or buildings and energy savings in energy production facilities. An effectively operating Energy efficiency Fund and planned energy savings reflect the implementation of these goals.

AREA OF SUPPORT #4: HORIZONTAL SUPPORT TO INFRASTRUCTURE PROJECTS

Support for preparation of mature technical documentation

Short problem analysis:

In order to provide a suitable forum when it comes to the planning of investments in infrastructure, a National Investment Committee (NIC) was established in October 2014 which supports the strategic process of identification, preparation and prioritisation of infrastructure projects resulting in the SPP. It is co-chaired by the Minister of Finance and the Minister for EU Integration (NIPAC) and is composed of the ministers responsible for construction, transport and infrastructure, energy, environment, economy and public administration reform. Representatives of the EC, IFIs, and the wider donor community are invited as deemed appropriate to be observers at NIC meetings. The continued support to preparation of projects listed in the SPP remains necessary to ensure the readiness of Serbia to effectively absorb IPA and future EU funds in strategically relevant sectors. A coherent investment planning, streamlining the use of budgetary resources for strategically significant and mature projects listed in the Single Project Pipeline, is needed in accordance with a single mechanism for projects prioritisation, regardless of the source of financing. There is a need for support from JASPERS advisory teams with aim to support the project identification, design and management governance systems in Serbia with technical expertise, advice and training. The JASPERS team shall work in close co-operation with the European Commission/EUD and the national authorities to assist the latter in producing mature project proposals which meet the requirements for IPA co-financing of investments (IPA national and WBIF), as well as to identify potential projects for IPA-funded technical assistance and scope potential IPA-funded technical assistance. The Action may cover all phases of preparatory work, as required, to deliver a project with a view to receive co-financing from IPA 2014-2020 and 2021-2027 programming period. Assistance may also cover support for implementation to ensure that projects reach the construction stage as rapidly as possible. The Action implies but it is not limited to advice on the development / improvement of national sector strategies, conceptual development and structuring of projects; strategic and conceptual papers supporting individual projects; project preparation, such as financial and economic cost-benefit analysis, environmental impact assessment, procurement plans, design; review of documentation such as feasibility studies, environmental impact assessments, designs (General design, Conceptual design, Preliminary design, Design for construction permit, Design for execution of works), tender documents; compliance with relevant EU *acquis* in particular environmental legislation, state aid and competition rules, transport regulatory requirements, and conformity with EU policy standards.

Description of main stakeholders

The ministry in charge of European integration, by its legal mandate as the NIPAC Technical Secretariat, will be the direct beneficiary of the support as coordinator interacting with the institutions eligible for assistance, in order to consolidate the quality of proposals and allocate the funds available. **The Ministry of Environmental Protection** has responsibilities over planning and policy development, issuing permits and licensing, investments in environmental infrastructure in Serbia. **The Ministry of Agriculture, Forestry and Water Management** is responsible for investments in integrated water management. **The Ministry in charge of Transport** is the leading institution of the sector which has overall responsibility for the development, management, coordination and investments in transport sector. **The Ministry of Mining and Energy** is responsible for harmonizing the development of energy sectors at the national and local level and investments in infrastructure projects.

Complementarity with national strategies:

Support is linked to the **Partnership for development - Priorities for international assistance for the period up to 2025** in promoting a more coherent strategic planning and programming process, allowing for a more effective use of national resources and international assistance to address sustainable socio-economic development needs and prepare for EU accession. The Government has continued to give the highest priority to its ambition to join the EU. The planning and assessment of necessary capacities for the harmonisation with the *acquis* is done through the

preparation of the National Plan for Adoption of the *Acquis* (NPAA), which represents a plan for the alignment of the national legal system with the *acquis*. The action is complementary with sectors related national strategies as: National Waste Management Strategy, Water Management Strategy, Environmental Approximation Strategy, Industrial Policy Strategy, Strategy for Railway Institutional and Infrastructure Development, Energy Sector Development Strategy.

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

The proposed Action is designed to address the immediate problems identified along the Serbia negotiation process and support enhancement of Serbia's institutional and administrative capacities and strengthen it to meet the full range of priorities deriving from **the Stabilisation and Association Agreement, National Plan for Adoption of the EU *acquis* (NPAA)**, relevant sector specific strategic framework and the ongoing accession negotiations. The NPAA has been revised in 2018 and forms the comprehensive basis for the preparation of negotiating positions for the chapters, allows monitoring of the obligations undertaken during the negotiations and creates the framework for capacity building required for the implementation of the aligned legislation. This Action will support the Serbian public administration at various levels to adequately respond to their respective duties and tasks in the EU integration process. The NPAA also recognises the importance of Serbia's participation to the Union Programmes, reflected in numerous sections through identification of preparatory measures and priorities for the inclusion to the new Union Programmes

The investments in waste management will ensure equipment for collection, selection at the source, transport and waste disposal of waste and create an integrated regional waste management system. By strengthening institutional capacities of MEP, Serbia will ensure successful negotiation process for Chapter 27 with all associated environmental improvements of transposition of the *Acquis*.

For improvement of the road maintenance systems, the World Bank has started the performance-based systems and a Development Policy Loan (DPL) for Public Expenditure and Public Utilities. However, further support is needed. The underlying idea is the creation of a sector wide management and performance system which will improve road safety and allow performance monitoring in the provision of maintenance contracts and safer roads.

Similar systems are required in the rail sector, to ensure that contractual relations between the Government and the company for rail passenger transport are based on the service delivery criteria. The criteria should be based on passenger needs as opposed to historical data. This Action will contribute to the realization of strategic priorities through enabling a clear determination of PSO services which are justified to become nominated for PSO compensation and enabling certain services to operate fully under commercial standards (without the need for PSO compensation).

The integrated national energy and climate plan addresses the five main dimensions of the Energy Union (1. Security, solidarity and trust; 2. A fully integrated internal energy market; 3. Energy efficiency; 4. Decarbonizing the economy. 5. Research, innovation and competitiveness) in an integrated way, which recognises the interactions between the different dimensions. National plans cover the period from 2021 to 2030, including a perspective until 2050 to ensure consistency with long-term relevant policy objectives of the EU, UNFCCC and the Energy Community.

Energy efficiency will reduce dependence on energy imports, lower emissions, create jobs and drive growth. This intervention is focused on the introduction and implementation of energy efficiency measures as the key instrument to reduce greenhouse gases, CO₂ emissions and address the EU directives associated with Chapter 15 of the *Acquis*. Reducing energy use, improving the use of renewable energy sources, development of energy market, diversification of energy sources and energy routes, rehabilitation and modernization of energy sector and eliminating environmental pollution are among the main goals of energy policy which will ensure competitiveness, security of supply and committing to five dimensions of the energy union and the European Green Deal⁹.

Serbia will prepare and integrated national energy and climate plan for the period 2021 up to 2030 and through this document define new targets for 2030 in the field of RES, energy efficiency and reduction of GHG emissions, as a Serbian contribution to the EU policy in the field of energy and climate. On the basis of that plan, new Energy Strategy and Program for the implementation Energy Strategy will be prepared. Activities related to preparation of new Energy Strategy until 2040 with projections to 2050 have started and is planned to be prepared until end of 2022. Energy

⁹ Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions The European Green Deal COM/2019/640

Strategy and Programme for its implementation will cover the period of next three (3) years and has to be adopted not only by Serbian Government but also by Serbian Parliament.

Preparation of INECP for the period 2021-2030 with projections until 2050, is financed from IPA 2017 project, contract with consultant was signed in February 2021. First draft of INECP is planned to be prepared in autumn 2021. and supposed to be adopted in February 2022.

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

IPA III Programming Framework

The specific outcome 1 of the Action “Serbia achieves Chapter 27 requirements through infrastructure development and increased enforcement capacities” will promote the green agenda by reinforcing environmental protection infrastructure and increasing capacities for environmental protection and climate change. The envisaged activities will support the on-going structural reform processes, in the areas of Environment and climate change (chapter 27 of the EU *acquis*), as envisaged in the Thematic Priority 1 of the Window 3.

Also, the Action will contribute to the continuation of key reforms in the transport sector - railway reform and road sector reform, in accordance with Transport community action plans – for roads and rail transport. Serbia will implement the regional rail and road action plans prepared by the Transport Community with the priority on modernising the rules concerning public transport services by rail and establishing a functioning and efficient road maintenance system.

Based on Thematic Priority 2 the national strategic framework provides a strategic basis for improving energy security, energy market development and sustainable energy, as well as, promoting energy efficiency in energy production, distribution and end use and the use of renewable energy.

Progress Report for Serbia 2020

The Action is in line with recommendations from the **Commission 2021 Serbia annual report**¹⁰ to considerably step up ambitions towards a green transition and continue focusing on enhancing administrative and financial capacity of the public central and local administration authorities, intensify implementation and enforcement work including closing non-compliant landfills, investing in waste reduction, separation and recycling, reinforcing air quality monitoring. The Action will support improvement of air quality.

The recommendations of the Enlargement Package¹¹ of implementing regional rail and road action plans prepared by the Transport Community will be implemented through the Action. Serbia will implement the regional rail and road action plans prepared by the Transport Community with the priority on modernising the rules concerning public transport services by rail and establishing a functioning and efficient road maintenance system. In the medium term it is necessary to modernize the rules governing public procurement in the rail sector, including transposition and implementation of Regulation 1370/2007 concerning public transport services by rail. It will also be necessary to implement the Service Level Agreement and further develop of the Performance-Based maintenance of road network, aiming at improvements of roads construction/reconstruction practice. The 2021 Commission annual report for Serbia stresses the necessity for further alignment of road transport procedures and improvement of the road maintenance system, as a priority. The proposed Action will contribute to effective use of construction materials for the construction, reconstruction and rehabilitation of the road network.

Serbia has achieved some progress in improving energy efficiency by adopting the rules on energy labelling. Serbia still needs to adopt amendments to the law on efficient use of energy, improve energy audits and energy management, and implement requirements in the field of eco-design and related secondary legislation. Further secondary legislation is necessary to achieve full alignment, in particular with the Directive on Energy Performance of Buildings. In November 2019, Serbia submitted the third annual report under the Energy Efficiency Directive. Serbia is not taking the necessary steps to implement consumption-based metering and billing in district heating on a large scale. This is a prerequisite for implementing energy efficiency measures in residential buildings. During the reporting period,

¹⁰ Strasbourg, 19.10.2021 SWD(2021) 288 final - Serbia 2021 Report Accompanying the document Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions 2021 Communication on EU Enlargement Policy

¹¹ Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions Enhancing the accession process -A credible EU perspective for the Western Balkans (5.2.2020 COM(2020) 57).

human resources in the line ministry's department for energy efficiency slightly increased. Yet, staff levels are still insufficient. Since July 2019, Serbia has been applying a new fee on energy efficiency but does not allocate funds in full to finance energy efficiency measures. Better coordination and policy alignment between the Ministry of Mining and Energy and the Ministry of Finance is necessary, also in view of establishing a sustainable financing system.

The proposed interventions, particularly related to identification and preparation of viable infrastructure projects for implementation will be selected in line with the priorities defined within flagship initiatives of the Economic and Investment Plan for the Western Balkans¹², thus contributing to strengthening of the core infrastructure links, main transport and energy connections, and support the green and digital twin transitions. Also, as the proposed interventions cover development of the electronic public procurements and digital skills of the employees in the MoF administrations, they are relevant for the Economic and Investment Plan for the Western Balkans, concerning the investment in a digital future. Finally, the action is about to enable financing of viable infrastructure projects which will be aligned with the Green deal action plan.

European Green Deal

The proposed interventions are in line with the European Green Deal, in particular with the following chapters:

- Accelerating the shift to sustainable and smart mobility;
- Circular economy, addressing in particular waste, recycling, sustainable production and efficient use of resources,
- A zero pollution ambition for a toxic-free environment
- Energy efficiency as a "new domestic energy source"

The Republic of Serbia has declared Green Agenda as one of major priorities and makes appropriate steps for implementation of the Green Agenda for Western Balkans¹³ including Sofia declaration¹⁴. Serbia is establishing institutional and strategic framework to properly address the European Green Deal and Green Agenda priorities. Several important steps have been taken towards the transition from a linear to a circular economy. Introduction of the concept of circular economy through defining the strategic framework of circular economy is proposed as a structural reform in the environmental field in the Economic Reform Program which is the main document in economic dialogue between EU and Republic of Serbia. This document will define measures and activities that will help implementation of the concept of circular economy in Serbia in the period 2021-2023.

The interventions in transport will contribute to more efficient and effective business operations, with the full respect of environmental standards, in accordance with the European Green Deal.

Serbia has adopted energy efficiency as one of primary considerations in its policies which is in line with the Chapter 2.3 of the European Green Deal. Energy efficiency improvement in Serbia will contribute to reduction of energy demand, although Serbia lag behind EU targets.

An Economic and Investment Plan for the Western Balkans

The Economic and Investment Plan priorities are in line with priorities identified in the Negotiating Position and supporting documents, first of all, relevant DSIPs and MIFP. Planned interventions will directly support Chapter 27 approximation obligations, in particular, implementing targets stemming from the Waste Framework, Packaging waste, Landfill, Urban Waste Water Treatment and other directives. Interventions in the environmental sector will continue supporting the construction and maintenance of waste and wastewater management infrastructure. In order to comply with the Landfill Directive, the intention is to establish 26 regional waste management systems for municipal waste. Establishment of these systems (including new and improved infrastructure and equipment) should resolve the following identified technical gaps: a) very low level of primary and secondary waste separation systems (inc. those for biodegradable waste); b) lack of facilities for compliant waste disposal (eg. sanitary landfills and waste treatment facilities) and c) a large number (more than 3,500) of non-compliant landfills and dumpsites being used and to be closed. The implementation of these measures in the currently planned regions is divided into three phases. Activities foreseen in order to achieve compliance with the UWWT Directive are grouped into activities aimed at the

¹² COM(2020) 641 final

¹³ Brussels, 6.10.2020 SWD(2020) 223 final Guidelines for the Implementation of the Green Agenda for the Western Balkans Accompanying the Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions - An Economic and Investment Plan for the Western Balkans {COM(2020)641final

¹⁴ EU - Western Balkans Summit, Sofia Declaration, 17 May 2018

wastewater collection infrastructure and construction of wastewater treatment facilities. For wastewater collection, it is estimated that around 10,369 km of additional collection network have to be constructed. In addition, replacement/rehabilitation of 1,052 km of the existing network will be needed. In regards to waste water treatment, it is planned to construct 359 wastewater treatment facilities with a total capacity of around 6.6 million p.e. Improving and extending air monitoring system is also foreseen as one of major steps implementing Air Framework and other air sector directives while developing relevant DSIPs and the National Air Protection Programme.

Interventions in the transport sector will help to implement regional rail and road action plans prepared by the Transport Community, especially the part regarding modernised rules on public transport services by rail and part on establishing functional and efficient road maintenance system (through implement the Service Level Agreement and further develop of the Performance-Based maintenance of road network). Also, the interventions will accelerate progress in the transport sector in EU *acquis* harmonisation and its digital and clean energy technologies.

The Gender Action Plan III provides the EU with a policy framework with five pillars of action for accelerating progress towards meeting international commitments and a world in which everyone has space to thrive. It makes the promotion of gender equality a priority of all external policies and actions; offers a roadmap for working together with stakeholders at national, regional and multilateral levels; steps up action in strategic thematic areas; calls for the institutions to lead by example, and; ensures the transparency of the results. GAP III introduces stringent rules for applying and monitoring gender mainstreaming across sectors. All external assistance across all sectors, including infrastructure, digital, energy, agriculture and blended funds, etc., should integrate a gender perspective and support gender equality (85% of all new actions throughout external relations will contribute to gender equality and women's empowerment by 2025).

2.5. Lessons learned and links with previous financial assistance

The past and ongoing support focused on strengthening the ability of economic policy makers to implement policies and legislation complying with the EU *acquis*. Lessons learned were drawn from previous evaluations, which stress that continued support for the overall business environment and improvements in the legislative and institutional settings are required to harness positive effects of support interventions. In addition, the evaluations emphasised that any new interventions should spell out in detail which accession chapters are addressed by the supported reform to avoid any duplication, ensure that the key incentive to the reform (the accession perspective) is clear and facilitate the exchange between IPA and the negotiation process.¹⁵

The efficiency in the environment and climate change sector was proposed to be considered as medium. As stated in the WBIF (Western Balkans Investment Framework) Final Evaluation Report¹⁶ the increased interest in blending funds by the European Commission with IFI and other financing institutions is due to the number of potential benefits and increases the potential development impact of the EC's official development assistance. Based on previous experiences interventions within this Action Document are looking to start blending funds to increase efficiency, coordination, ownership and visibility of EU development finance.

In the area of **environment and climate change**, the past projects which have supported Serbia have shown that for the successful implementation of interventions it is necessary to develop a mechanism for predictable and stable national financing and co-financing of infrastructure projects through local authorities, IFI loans and other available sources, strengthen the capacity at local level for infrastructure project preparation and implementation and bottlenecks in terms of absorption capacities must be taken into consideration in the programming period.

In the field of **transport**, the past and ongoing assistance was focused on reform process in the area of road and rail sector. Several consultancy services regarding the SLA have been conducted, where the study "Reform of the Road Sector in the Republic of Serbia" has been the most extensive. A draft SLA contract for the first year has been drafted, while the draft of the first three-year (temporary) contract is underway. It is necessary to prepare a final proposal of the SLA contract in the next period, based on the implemented activities and implement SLA contract, which is the subject of one of the activities regarding the transport sector. Support in implementation of the Service Level Agreement (SLA) and further development of Performance-Based Maintenance (PBM) is continuation and implementation activities identified in WB project.

One of the recommendations of the ongoing Railway Reform Project was the need to conduct a transport market study relating to passenger railway transport that is considered the only way for the Government to implement the requirements regarding the determination of PSO services. Through Study of the volume of passenger transport in the

¹⁵ Evaluation of Sector Approach Under IPA; Evaluation done for the European Commission October 2018

¹⁶ November, 2015

Republic of Serbia within the public service obligation (PSO) will be determine all necessary inputs for define public service obligation (route, number of trains, frequency, time of train departure).

In addition, support to Infrastructure Railways of Serbia (IRS), the project promoter on behalf of the GoS responsible for Modernization and reconstruction of Belgrade –Nis – Presevo railway line in performing technical and procurement assignments is of importance for timely implementation of railway corridor X flagship project in accordance with EU standards.

In the project assisting the Ministry of Mining and Energy and relevant public entities for the implementation of the new Energy law and NEEAP (IPA II 2014-2020 Support to the Energy sector), particular focus was given to adjustment of regulative framework. Further development of a regulatory framework and implementation of energy efficiency measures from NEEAPs were supported. Gaps and needs were identified for further alignment of legal framework in Serbia with EU *Acquis* in the energy efficiency subsector and alternative options for implementation of certain provisions and needs for awareness rising activities.

Overall objective for Serbia is to provide safe, affordable and clean energy to its citizens as a member of the EU Energy Union. This objective covers comprehensive political, legislative, infrastructural and structural reforms in the energy sector that are crucial for sustainable economic growth and increased competitiveness in Serbia, also in view of ongoing changes in European energy policy (e. g. the clean energy package). The lessons learned from the interventions in the energy sector is mainly directed towards further need to strengthen the capacities for planning and implementation of energy efficiency projects on national level, as well as capacities for energy efficiency measures in the local self-government units.

The IPA 2016 Support to Priority Actions for Gender Equality in Serbia (Gender Equality Facility - GEF) and its subsequent IPA 2019 project that is implemented in partnership with the Coordination Body for Gender Equality and the Ministry of European Integration support the enhancement of public administration capacities for integrating and implementing EU and national gender equality commitments. In a context where gender equality is not at the top of political agenda or is even marginalized, continuous support to institutional gender mechanisms is beneficial to keep gender mainstreaming in public discourse. This can be further supported by simultaneous mobilization of other institutions for gender equality and spreading a network of supporters (such as ministries in charge of energy and environment, Statistical office, etc.) and design meaningful actions with them that can support overarching goals of GEEW. The mainstreaming of gender into sectoral documents and policies should be combined with interventions that look deeper into those sectors and develop tools and instruments that help internalizing gender into sectoral practices.

The EU allocated nearly EUR 127 mil to PPF actions since 2014. The recently conducted Evaluation of the Project Preparation Facility actions pointed out that transferring of programming and planning knowhow generate synergies with broader institutional and civil service reforms in Serbia. With respect to integrated formulation of policies and programmes, adoption of sector budgeting approach and EU-approved design of major infrastructure projects interventions also contributed to sustainable improvement of both, the competencies of the individuals, as well as the capabilities of the Serbian administration as a whole. It is also noted that Serbian institutions have developed a better understanding and appreciation of the rules, procedures, principles of current EU-funds programming but applicable also in the post-accession period. The capacities have been enhanced through a combination of different types of support tailored to implementation of public sector reforms that will lead to increased investment in key sectors and, in parallel, facilitate the targeted improvement of administrative procedures for project design (e.g. FS, permits, CBA) and public procurement (tenders), leading to higher quality and increased competition in public tenders. It is recommended that beneficiaries should be reviewing and utilizing Jaspers comments on project documentation as a learning opportunity with capacity development potential and their integration into existing training modules enhancing their practical appeal to participants.

3. DESCRIPTION OF THE ACTION

3.1. Planned results and intervention logic

If waste management facilities are constructed and the capacities of the ministry in charge of environmental protection are enhanced AND a regional waste management system is properly maintained by Regional institutions and PUCs and adequate maintenance and operation of waste management hold true, THEN this will lead Serbia to achieve Chapter 27 requirements through infrastructure development and increased enforcement capacities will contribute to promote the green agenda by reinforcing environmental protection.

If infrastructure for environmental protection is improved and capacities of the ministry in charge of environmental protection to meet the Chapter 27 obligations are increased AND continued political support for harmonisation with

the EU environmental *acquis*, commitment to continuation of environment sector reform and increasing competitiveness of the environment and climate change sector hold true, THEN they will lead to Serbia's achievement to fulfil Chapter 27 requirements.

If the level of services in rail passenger transport and roads maintenance is improved in accordance with EU best practices AND the results of laboratory tests show that a higher percentage of the material is suitable for reuse, existence of technical and other capacities of the railway company in charge of PSO for implementation of recommendations, leadership exercises full commitment to gender mainstreaming and gender equality hold true, THEN they will lead to improved maintenance efficiency and service delivery of transport sector BECAUSE it will enable the increase of passenger transport.

If improved maintenance efficiency and service delivery of transport sector AND the Government reform in transport sector has a steady pace and the economic development is steady (no economic and financial crisis) THEN the intervention will contribute to promotion of the green agenda by reinforcing environmental protection, contributing to energy efficiency, accelerating the shift towards a low-carbon and circular economy and improving transport sector.

If operational and financial capacities of the Energy Efficiency Fund is enhanced AND sufficient number of good quality staff engaged in the Fund operation with capacities for operating the Fund and full support of municipalities' leadership and involved authorities to efficient project implementation hold true, THEN they will lead to improved energy sector by enhancing capacities for energy efficiency and energy transition BECAUSE it will provide safe, affordable and clean energy to citizens of Serbia and reduce emissions.

If financially viable projects for financing by EU pre-accession assistance (and possibly by IFIs and/or other donors) are developed and ready for implementation and the National Investment Committee and Capital Investment Committee identify pipeline of projects then the Serbian administration will effectively meet EU accession requirements and successfully manage overall EU pre-accession assistance geared towards EU membership because the infrastructure development creates the environment for investments, economic growth and greater connectivity with EU.

3.2. Indicative type of activities

Outcome 1: Serbia achieves Chapter 27 requirements through infrastructure development and increased enforcement capacities

Output 1.1: Infrastructure for environmental protection is improved and capacities of the ministry in charge of environmental protection to meet the Chapter 27 obligations increased

Activity 1.1.1: Establishment of integrated regional waste management system in Novi Sad to enable collection, source separation, recycling, transport, treatment, and disposal of waste on the sanitary landfill by the end of 2027.

The activity will include the construction of the regional waste management system in Novi Sad. The construction refers to the first phase of the overall project, meaning the construction of a sanitary landfill (one cell), including the mechanical - biological technology for the waste treatment (MBT); two transfer stations (Vrba and Backa Palanka); adjacent buildings and access roads, etc. Technical documentation for the works is in the process of preparation and is checked by the PPF 9 IPA contract. In addition, the action includes the supervision of works related to the construction of the regional waste management system including treatment, and transfer facilities in Novi Sad and associated LSG as well as purchasing equipment to enable the collection, transport, treatment, and disposal of waste in regional waste management centre in Novi Sad.

The beneficiary may use for the works pertaining to this activity the standard contract forms published by the International Federation of Consulting Engineers (FIDIC), as appropriate for the type of works required. The beneficiary is responsible for the settlement for disputes in accordance with FIDIC rules in the same manner as for all contracts or grants concluded under this Programme for which it acts as the Contracting Authority. Any dispute settlement costs, in particular costs for adjudication, amicable settlement and arbitration are not eligible for funding under this Programme.

Activity 1.2.2: Capacities of the Ministry in charge of Environmental Protection developed to successfully fulfil the obligations contained in Chapter 27.

This activity is fundamentally about support to planning to protect the environment. This is at the heart of the Chapter 27 criteria and very investment heavy. Sustainable Water and water management are key themes under this action and the reason for the detailed strategic and financial planning required. At this stage the action is about preparation of a

Report to provide a situation analysis and assessment of that state of preparation of Directive specific or sectoral specific national planning documents (including long term investment and financing plans). This is to provide information for the staff of the Ministry of Environmental Protection and in particular the EU Affairs department with assistance for the negotiation process and downstream implementation modalities of Chapter 27. The activity will include support to development of legal acts for implementation of EU requirements and provide support for EU reporting obligation for at least 10 priority directives. This will reflect guidance from the Commission annual report 2021 regarding stepping up ambitions towards a green transition and contribute to implementation of the obligations under Chapter 27 as planned in the Negotiating Position and supported with DSIPs and other planning documents. Implementation of Chapter 27 requirements is considered by Serbia as one of the main steps towards implementation of the Green Agenda, in particular, contributing to both circular economy and depollution pillars.

Outcome 2: Improved maintenance efficiency and service delivery of transport sector

Output 2.1: Level of services in rail passenger transport and roads maintenance improved in accordance with EU best practice

Activity 2.1.1.: Support in implementation of the Service Level Agreement (SLA) and further development of Performance-Based Maintenance (PBMC)

The activity will improve road sector management through implementation of the Service Level Agreement (SLA) between the MCTI and the Public Enterprise "Roads of Serbia" (PERS). SLA would define the necessary levels of service and performance for the networks and the related financial sources, committed to the achievement of the contracted levels. In practical terms, it means that the contract will define the necessary levels of services and network performance (what the network wants to achieve - quality of work) and the necessary funds to fulfil these contracted services (how much it costs). The activity will support establishment of a performance management system (including preparation of reports and development of Road Asset Management System - RAMS) to develop the road maintenance system. The activity will include preparation of methodology for development of scenario for planning of multiannual performance-based financing. Likewise, upon adoption of this methodological approach, the appropriate software tool for application of the methodology will be created. Finally, the activity will include preparation of 5 scenarios for the first ten-year period by applying the software tool developed. The activity will also conduct the Participatory Gender Audit (PGA) in accordance with the International Labour Organization (ILO) Standards.

Activity 2.1.2: Improvement of roads construction/reconstruction practice through further development of construction materials following the contemporary engineering and environmental standards

The activity will include examining the possibility of re-using recycled material generated as waste in road maintenance, through examining European best practice in this area. Based on the analysis, the Activity will include the definition of criteria for re-using of recycled materials and preparation of technical guidelines for the use of recycled materials. It will be also necessary to prepare a set of Rulebooks for testing the methods with frequency of testing for construction materials for further usage. This will improve road maintenance, considering the possibility of reusing recycled materials.

The activity will also conduct the Participatory Gender Audit (PGA) in accordance with the International Labour Organization (ILO) Standards.

Activity 2.1.3: Study of the volume of passenger transport in the Republic of Serbia within the public service obligation (PSO)

The activity will include the collection of historical travel data, counting passengers at railway stations, bus stations and motorways. Based on the obtained data, a model will be developed that will identify the required transport services by rail (route, train departure time, frequency, etc.) and prepare guidelines / methodologies for determining the scope and frequency of PSO services. The activity will include preparation of the PSO contract annexes containing the scope and the frequency of the railway passenger services, for each of the railway lines, including the guidelines in terms of optimal framework departing and arrival times. The activity will support the preparation of the Report on proposals for improving the passenger railway transport from the perspective of Serbia as a competent authority.

Activity 2.1.4 : Technical Assistance to Project Implementation Unit responsible for modernization of Railway Corridor X (Belgrade – Nis – Presevo) within the Infrastructure Railways of Serbia

The activity will include provision of technical guidance's during preparation of design documentation, tender dossiers, assistance during procurement processes, as well as support during testing and commissioning, with the special focus on EU TSI certification process. This activity will contribute to timely implementation of Railway corridor X modernization project and effective utilisation of IFI and EU grant funds to be allocated for the specific investment.

Outcome 3: Improved energy sector by enhancing capacities for energy efficiency

Output 3.1: Operational and financial capacities of the National Energy Efficiency Fund

Activity 3.1.1: Support for operation of Energy Efficiency Fund

This activity will include support in daily operation of the Directorate/Fund for energy efficiency, development of necessary tools such as specific software, preparation of missing bylaws and guidance regarding establishment of the Fund as a separate legal entity and implementation of energy efficiency measures. In addition, the activity implies experience exchange with the EU countries and counties from the region with the best practices in this area. This activity will provide improved energy audits, as well as conduct pilot activities for energy efficiency and promotional activities.

Outcome 4: Serbian administration successfully managed investments in infrastructure from EU pre-accession assistance

Output 4.1: Financially viable projects for financing by EU pre-accession assistance (and possibly by IFIs and/or other donors) are developed in line with EU requirements for infrastructure projects and ready for implementation

Activity 4.1.1: Support to preparation of programming documents and financially viable projects for Financing (Project Preparation Facility)

This activity will continue supporting strengthening of Serbian authorities' capacities for the effective programming of EU funds and management of project preparation both at the local and the central government level. The activity will support preparation of project documentation for projects included in the Single Project Pipeline (SPP) focusing on finalising the technical documentation for the most mature projects selected in the key areas of the SPP. In addition, the intervention will also provide support to the development of other types of projects and to the programming process in a number of sectors, as required.

3.3. Risks and assumptions

Risks	Risk level (H/M/L)	Mitigating measures
Lack of availability of relevant staff for activity	M	Availability of relevant staff closely regulated prior to implementation activity
Road companies are not technologically equipped for appliance of recycled materials	M	Finding encouragements for the road companies equipping (development funds, guarantee funds, subsidies)
Funds available and earmarked in the RS budget refer to one calendar year regarding road maintenance	H	Designated funds in the budget of the Republic of Serbia during the reform and secured sources of additional funds up to the estimated value of planned costs
A large number of persons interested in resolving property-legal relations and the complexity of the procedures to resolve them	H	Conducting public hearings, round tables and other ways of informing stakeholders in the process of adoption of the regulatory framework

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

Outcome 1

- Continued political support for harmonisation with the EU environmental *acquis*
- Commitment to continuation of environment sector reform and increasing competitiveness of the environment and climate change sector

Output 1.1

- Regional Waste management system properly maintenance by Regional and PUCs
- Adequate maintenance and operation of waste management infrastructure

Outcome 2

- Government reform in transport sector has a steady pace
- The economic development is steady (no economic and financial crisis)

Output 2.1

- The results of laboratory tests show that a higher percentage of the material is suitable for reuse
- Existence of technical and other capacities of the railway company in charge of PSO for implementation of recommendations

Outcome 3

- Sustainable national financing of the EE Fund secured (taxes)

Output 3.1

- Support to operational and financial capacities of Energy Efficiency Fund

Outcome 4

- Political commitment to EU integration remains high

Output 4.1

- The National Investment Committee and Capital Investment Committee identify pipeline of projects.
- Efficient inter-institutional cooperation, under the NIPAC/NIPAC TS coordination and leadership ensured.

3.4. Mainstreaming

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

Nation Gender Equality Strategy for Serbia

The Action will contribute to the Strategy by ensuring:

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

In addition, gender equality and non-discrimination as a horizontal principle for managing Cohesion policy will ensure the participation of institution representing gender equality body and CSOs in the area of gender equality in cohesion policy programming and implementation.

How does this Action address Environment and Climate change?

Activities envisaged under this Action Document focus on environmental issues and climate change actions. The specific results of the Action seek to improve waste management in line with Serbian and EU requirements.

The action would contribute to more resource efficient and successful business, with full respect for circular and environmental standards. The action would examine the possibility of recycle and re-use of materials (promoting a secondary materials market), and if it turns out to contain harmful substances, an adequate procedure and place for disposal would be defined.

The action would also improve energy efficiency, contributing to lowering energy demand. This will reduce harmful impact of the energy sector on environment particularly for the residential sector.

How does this Action address the Rights Based Approach?

N.A.

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

N.A.

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

The action regarding transport will be prepared with specific attention to gender and disability analysis of transportation services, their safety and information accessibility.

The action will increase affordability of modern, more efficient energy appliances to vulnerable, women-led and less-affluent households, which will provide a positive socio-economic impact.

3.5. Conditions for implementation

N/A

3.6. Logical Framework for PROJECT MODALITY

Results	Results chain: Main expected results (maximum 10)	Indicators (at least one indicator per expected result)	Baselines (2021)	Targets (2025)	Sources of data (1 per indicator)	Assumptions
Impact	To promote the green agenda by reinforcing environmental protection, contributing to energy efficiency, accelerating the shift towards a low-carbon and circular economy and improving transport sector.	Progress made towards meeting the accession criteria as measured by relevant <i>Acquis</i> negotiation chapters.	Serbia has achieved some level of preparation in the area of environment and climate change.	Serbia has achieved at least 'good level of preparation'	Commission Reports	<i>Not applicable</i>
Outcome 1	Serbia achieves Chapter 27 requirements through infrastructure development and increased enforcement capacities	Number of reporting obligations for priority directives are fulfilled	0 (2020)	15	Ministry of Environmental Protection	Continued political support for harmonisation with the EU environmental <i>acquis</i> Commitment to continuation of environment sector reform and increasing competitiveness of the environment and climate change sector
Outcome 2	Improved maintenance efficiency and service delivery of transport sector	Number of transported passengers in Serbia % reduction of road infrastructure maintenance costs	14.4 billion passengers 170 million EUR (2020)	17.3 billion passengers 15% of costs reduction	Statistical Office of Serbia	Government reform in transport sector has a steady pace The economic development is steady (no

		Km of railway corridor X (Belgrade – Nis) modernized	0 km of out 245 km modernized (2020)	120 km of out 245 km modernized		economic and financial crisis)
Outcome 3	Improved energy sector by enhancing capacities for energy efficiency	Financial capacity of National Energy Efficiency Fund	4,2 million EUR (2020)	➤ 10million EUR (2025)	Ministry of Mining and Energy	Sustainable national financing of the EE Fund secured (taxes)
Outcome 4	Serbian administration successfully managed investments in infrastructure from EU pre-accession assistance	Number of projects prepared for which EU/IFI financing has been approved	0 (2020)	4 (2025)	MEI reports MF, CFCU annual reports	Political commitment to EU integration remains high
Output 1.1	Infrastructure for environmental protection improved and capacities of the ministry in charge of environmental protection to meet the Chapter 27 obligations increased	Regional sanitary landfill constructed in Novi Sad Number of Transfer stations constructed in RWMC Novi Sad Number of Directive specific or sectoral specific planning documents adjusted. Number of legal acts developed for implementation of EU requirements for Chapter 27.	0 regional sanitary landfill in Novi Sad (2020) 0 (2020) 10 (2020) 7(2020)	1 regional sanitary landfill in Novi Sad 15 4 50	Commission reports SEPA report Project Reports	Regional Waste management system properly maintenance by Regional and PUCs Adequate maintenance and operation of infrastructure Proper decision making regarding air quality parameters

<p>Output 2.1</p>	<p>Level of services in rail passenger transport and roads maintenance improved in accordance with EU best practice</p>	<p>Signed a multi-year SLA between the MCTI and PERS</p> <p>Rulebook for testing of construction materials for further usage in roads construction</p> <p>Guideline / methodology for determining the scope and frequency of PSO services developed</p>	<p>For the period of 3 years (2020)</p> <p>0 (2020)</p> <p>0 (2020)</p>	<p>For the period of 10 years</p> <p>1(2025)</p> <p>1 (2025)</p>	<p>Ministry of Transport annual report</p> <p>Ministry of Transport annual report</p>	<p>Existence of a sufficient number of best European practices in the field of recycled materials that would be applicable in Serbia</p> <p>The results of laboratory tests show that a higher percentage of the material is suitable for reuse</p> <p>Existence of technical and other capacities of the railway company in charge of PSO for implementation of recommendations</p> <p>Leadership exercises full commitment to gender mainstreaming and gender equality</p>
<p>Output 3.1</p>	<p>Operational and financial capacities of the National Energy Efficiency Fund enhanced</p>	<p>Number of calls for intervention in EE supported through the Fund per year</p>	<p>2 (2020)</p>	<p>3(2025)</p>	<p>National statistical office reports</p> <p>Project progress reports</p>	<p>Sufficient number of good quality staff engaged in the Fund operation with capacities for operating the Fund</p> <p>Full support of municipalities' leadership and involved authorities</p>

					Issued Energy Manager licenses	to efficient project implementation
Output 4.1	Financially viable projects for financing by EU pre-accession assistance (and possibly by IFIs and/or other donors) are developed in line with EU requirements for infrastructure projects and ready for implementation	Number of infrastructure projects from Single Project Pipeline prepared and ready to tender	0 (2020)	6 (2025)	CFCU Reports	The National Investment Committee and Capital Investment Committee identify pipeline of projects. Efficient inter-institutional cooperation, under the NIPAC/NIPAC TS coordination and leadership ensured

4. IMPLEMENTATION ARRANGEMENTS

4.1. Financing agreement

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

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

4.3. Implementation modalities

The Commission will ensure that the EU appropriate rules and procedures for providing financing to third parties are respected, including review procedures, where appropriate, and compliance of the action with EU restrictive measures¹⁷.

4.3.1. Direct Management (Grants) – N/A

4.3.2. Direct Management (Prizes) – N/A

4.3.3. Direct Management (Procurement)

Outcome 1, output 1.1, activity 1.1.2; Outcome 2, Output 2.1, activities 2.1.1, 2.1.2., 2.1.3 and 2.1.4 and Outcome 4, Output 4.1, activity 4.1.1 will be implemented under direct management by the European Commission.

Subject	Indicative type (works, supplies, services)	Indicative trimester of launch of the procedure
Outcome 1 - Activity 1.1.2: Capacities of the Ministry in charge of Environmental Protection developed to successfully fulfil the obligations contained in Chapter 27.	Service contract	T2 of 2022
Outcome 2 - Activity 2.1.1: Support in implementation of the Service Level Agreement (SLA) and further development of Performance-Based Maintenance (PBMC)	Service contract	T2 of 2022
Outcome 2 - Activity 2.1.2: Improvement of roads construction/reconstruction practice through further development of construction materials following the contemporary engineering and environmental standards	Service contract	T2 of 2022
Outcome 2 - Activity 2.1.3: Study of the volume of passenger transport in the Republic of Serbia within the public service obligation (PSO)	Service contract	T2 of 2022
Outcome 2 - Activity 2.1.4 : Technical Assistance to Project Implementation Unit responsible for modernization of Railway Corridor X (Belgrade – Nis – Presevo) within the Infrastructure Railways of Serbia	Service contract	T2 of 2022

¹⁷ www.sanctionsmap.eu Please note that the sanctions map is an IT tool for identifying the sanctions regimes. The source of the sanctions stems from legal acts published in the Official Journal (OJ). In case of discrepancy between the published legal acts and the updates on the website it is the OJ version that prevails.

Outcome 4 - Activity 4.1.1: Support to preparation of programming documents and financially viable projects for Financing (Project Preparation Facility)	Service contract	T2 of 2022
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4.3.4. Indirect management with [an] entrusted entity[ies] (i.e. Member State Organisation, third donor country, EU specialised (traditional/regulatory) agency, international organisation)

A part of this Action, Outcome 3, Activity 1.1 may be implemented in indirect management with KfW and/or EBRD which were selected using the following criteria:

- a) selection criteria in terms of financial and operational capacity of the entities.
- b) in terms of technical capacity, such as experience in the preparation and implementation of joint capacity building and similar projects; experience in managing programmes or projects related to the results, extensive experience in the implementation of large and complex programmes, particularly related to energy efficiency of large and complex programmes.

The selection of KfW is based on its experience, reputation and high project management standards in performing various Energy related Projects in the Republic of Serbia in cooperation with EPS and EMS but also in cooperation with the Ministry of Mining and Energy. In close cooperation with the Ministry of Mining and Energy KfW has so far successfully implemented IV phases of Programme for Rehabilitation of District Heating Systems in Serbia (IV phase in the final stage), as well as Project “4E Facility“. Currently, KfW and the Ministry of Mining and Energy of Republic of Serbia are jointly implementing two projects: “Implementation of promotion of RES- developing the biomass market in Serbia” and “Ecoloans”, while Project Energy Efficiency in Public Buildings KfW is implementing in cooperation with the Ministry in charge for education.

Both “4E Facility“ and “Ecoloans” Projects aim to foster long term efficient and environmentally friendly energy utilization and production, thus enhancing economic development and protecting environment and resources in Serbia. KfW and commercial banks, through which the two projects are implemented, are pursuing the common goal to finance investments of private and public legal entities, associations and energy services companies in EE and RES. Since the knowledge, experience and efficiency of KfW is worldwide recognised in environmental protection and climate change investments including energy efficiency, it is of key importance for the success of the Action.

The implementing partner has to be able to mobilise efficient project management capacities as Serbia has limited expertise and specialised resources available in the field and needs support to raise its capacities.

The selection of EBRD is based on the fact that it has a worldwide reputation and follows high project management standards that are necessary to provide support to the introduction of an energy efficiency approach in the building sector, implying works, services, supplies and grant schemes, as well as partnerships of different actors at national and local level.

The speed of implementation, institutional capacity building and scaling up energy efficiency reforms and investments are the key factors for the success of the result, and the advantage of EBRD as a partner is the ability to rapidly mobilise staff and apply efficient procurement and effective project management procedures/methods. The knowledge, experience and efficiency of the EBRD will provide tailored assistance and will increase capacities for future implementation of EE projects. Finally, the implementation of the result will require close cooperation and communication with the local level actors as well as tailored assistance which requires responsive expert team of people able to dedicate time and resources and act on ad hoc basis, whenever the need occurs.

4.3.5. Indirect management with an IPA III beneficiary

A part of this action Output 1.1 under Outcome 1 activity 1.1.1; will be implemented under indirect management by the Republic of Serbia, which shall be responsible for carrying out all the tasks relating to the implementation of the action.

The Operating Structures(s) responsible for the execution of the actions include the Managing Authority (the NIPAC Office in the case of annual programmes) and 2 types of intermediate bodies:

- Intermediate bodies for policy management: line ministries

- Intermediate bodies for financial management: subject of entrustment - the Central Finance and Contracting Unit in the Ministry of Finance).

In particular, the beneficiary country shall be responsible for the contracting, implementation, information and visibility, monitoring and reporting of IPA II activities, and the evaluation thereof whenever relevant, in accordance with the principle of sound financial management, and for ensuring the legality and regularity of the expenditure incurred in the implementation of the programme.

Subject	Indicative type (works, supplies, services)	Indicative trimester of launch of the procedure
Outcome 1 Activity 1.1.1: Establishment of integrated regional waste management system in Novi Sad to enable collection, source separation, recycling, transport, treatment, and disposal of waste on the sanitary landfill	Works Service	T2 of 2022

4.4. Scope of geographical eligibility for procurement and grants

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

4.5. Indicative budget

	EU contribution (amount in EUR)	Indicative third party contribution, in currency identified
Output 1.1: Infrastructure for environmental protection improved and capacities of the ministry in charge of environmental protection to meet the Chapter 27 obligations increased, composed of:	39 500 000.00	37 500 000.00
Indirect management with Republic of Serbia – c.f. section 4.3.5.	37 500 000.00	37 500 000.00
Direct management (Procurement) – cf. section 4.3.3	N/A	
Output 2.1: Level of services in rail passenger transport and roads maintenance improved in accordance with EU best practice, composed of	9 700 000.00	N/A
Direct management (Procurement) – cf. section 4.3.3	N/A	
Output 3.1: Operational and financial capacities of the National Energy Efficiency Fund, composed of	5 000 000.00	N/A
Indirect management with KfW, EBRD - cf. section 4.3.4	5 000 000.00	N/A
Output 4.1: Financially viable projects for financing by EU pre-accession assistance (and possibly by IFIs and/or other donors) are developed in line with EU requirements for infrastructure projects and ready for implementation, composed of	9 000 000.00	N/A
Direct management (Procurement) – cf. section 4.3.3	N/A	

Grants – total envelope under section 4.2.1	N/A	N/A
Procurement – total envelope under section 4.3.3.	20 700 000.00	N/A
Indirect management with Republic of Serbia – total envelope under section 4.3.5	37 500 000.00	37 500 000.00
Indirect management with entrusted entities – cf. section 4.3.4	5 000 000.00	N/A
Audit/Expenditure verification(cf. section 6)	will be covered by another decision	N/A
Communication and visibility (cf. section 7)	N/A	N/A
Contingencies¹⁸	N/A	N/A
Totals	63 200 000.00	37 500 000.00

4.6. Organisational set-up and responsibilities

Outcome 1, Output 1.1 – the final beneficiary and the main coordinator is the Ministry of Environmental Protection. For Activity 1.1 End recipients are the City of Novi Sad, and 7 LSGs (Backa Palanka, Backi Petrovac, Beocin, Zabalj, Srbobran, Temerin and Vrbas).
For 1.2., the final beneficiary and end recipient is the Ministry of Environmental Protection.

Outcome 2, Output 2.1 – the final beneficiary and the main coordinator is the Ministry of Construction, transport and infrastructure.
End recipients are the Ministry of Construction, transport and infrastructure, PE "Roads of Serbia" and "Serbia Train" (stakeholders as identified under Section 2.2. of this document).

Outcome 3, Output 3.1 – the final beneficiary and the main coordinator is the Ministry of Mining and Energy
For activities 1.1 end recipients is the Ministry of Mining and Energy

Outcome 4 Output 4.1, Activity 4.1.1 - final beneficiary is the Ministry in charge of European integration, in capacity of NIPAC TS/Body responsible for coordination of programming, monitoring and evaluation (BCPME), while the end recipients are line ministries and other responsible public institutions at all government levels.

5. PERFORMANCE/RESULTS MONITORING AND REPORTING

5.1. Internal monitoring

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 logframe matrix (for project modality) and the partner's strategy, policy or reform action plan list (for budget support).

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).

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

Performance and Results-based Financing:

The performance and result monitoring arrangements will be finalised once the IPA III Implementing Regulation is adopted and the Framework Agreement between the Republic of Serbia and the European Commission on the

¹⁸ Consider that contracts where no financing agreement is concluded, contingencies have to be covered by individual and legal commitments by 31 December of N+1.

arrangements for implementation of Union financial assistance to the Republic of Serbia under the Instrument for Pre-Accession Assistance (IPA III) is signed.

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

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

Joint monitoring by DG NEAR and the IPA Beneficiary: the compliance, coherence, effectiveness, efficiency and coordination in implementation of financial assistance will be regularly (at least once a year) monitored by the IPA Monitoring Committee. It will be supported by Sectoral Monitoring Committees which will ensure monitoring process at sector level. The results of monitoring will be used in the policy-making process to propose programme adjustments and corrective actions.

5.3. Evaluation

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

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

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

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

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

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

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

6. AUDIT

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

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

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

7. COMMUNICATION AND VISIBILITY

Visibility of EU funding and communication about objectives and impact of Actions are a legal obligation for all Actions funded by the EU, as set out in the EU communication and visibility requirements in force.

In particular, the recipients of EU funding shall acknowledge the origin of the EU funding and ensure its proper visibility by:

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

Visibility and communication measures shall be implemented, as relevant, by the national administrations (for instance, concerning the reforms linked to EU budget support), entrusted entities, contractors and grant beneficiaries. Appropriate contractual obligations shall be included, respectively, in financing agreements, delegation agreements, and procurement and grant contracts.

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

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

8. SUSTAINABILITY

The Action is designed to support the environmental infrastructure and to enhance the institutional and human capacities, for the negotiation process for Chapter 27. The activities under Outcome 1 will include, construction works, FOPIP for the PUC in the City of Novi Sad and RWM Company as an essential element to developing an effective and sustainable waste management. The action will produce sustainable results since it is designed to support the already existing beneficiary institution and structures that are already in place, but which need additional assistance in the process of the harmonisation and enforcement of the *Acquis* in the area of environmental protection and climate change and negotiations process.

The Action will produce sustainable outcome since it is designed to support the already existing beneficiary institutions and structures, through reform activities, in accordance with EU best practice in this area. For this process it is necessary additional assistance in the complex process in identifying and implementing EU best practice. The reform is a key political priority to the Serbian Government, and the resources and attention of the national authorities are strongly geared toward in identifying and implementing transport reforms, in order to more efficient spending of public funds, more efficient integration of transport infrastructure into the TEN-T network, while respecting the principles of environmental protection.